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CASE STUDY: ORMED MIS *Cost Accounting*

Location: *Alliance Community Hospital, OH*

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Lengthy days culminating in weeks, even months to gather data, compile results and manually create reports is a job description most people strive to avoid. Unable to afford multi-million dollar systems, hospital Chief Financial Officers (CFOs) and administrators, especially for small health care facilities, often have no other recourse but paper. In the early 1990s, only the large hospitals could afford cost accounting software.

The need to know exact costs for procedures, physicians, and services and the corresponding revenue often means scrambling through endless reams of paper. The majority of problems arise from the current software systems which force managers to spend valuable time locating the data and manipulating it to a format they prefer. They have to go from financial to clinical systems attempting to gather the data. For some that might mean up to three days to retrieve information, then months to achieve financial breakdowns of where their hospital makes money or what procedures require cost increases. Negotiating with Health Medical Organizations (HMOs) also requires credible and exact reporting.

Searching for a viable solution, Alliance Community Hospital's (ACH) Rob Hritz, Director of Strategic Finance and Corporate Compliance Officer and Barb Richmond, Financial Analyst wanted an easy to use, reliable method to eliminate their cost accounting dilemmas for their 204 bed hospital. To calculate if new hires, procedures, treatments, surgeries, equipment purchases would be profitable, Hritz says, "I had to do all cost accounting manually. It would take days."

As director of accounting and compliance of a Meditech hospital, Hritz had the option to buy into their cost of charge ratios manual methodology though that only gave them charges and not the cost and actual reimbursement. The information and support was lacking. "We looked at three other products and two larger companies," Hritz says. "At the end of the day, Ormed's solution provided the best value. They offered the same type of product as bigger vendors at a much lower cost. I felt it would be more friendly and hands on." He adds, "Almost a no brainer."

Possibly an even more important challenge than defining costs and profitability by procedure and department was asking the hospital staff to buy in. "What if I go through all this trouble to implement it and people won't use it?" Hritz also wondered how Ormed, the smaller company, would handle ongoing maintenance.



Finding out the software equaled the superb training and support, Hritz states, “I won’t say it was smooth but thanks to Ormed’s staff and their Product Specialist, Joan Gustafson, it was an easy process to implement. Top administration and the CEO foresaw the benefits almost immediately.

The process required the time and effort of many individuals. “At the end of the day we remembered that old saying, ‘garbage in, garbage out.’ We knew if we worked hard up front, we only had to do it once,” says Hritz. “It was all worth it.”

Now at the push of a button, Hritz “can see what a job position makes and a doctor’s profit margins and expenditures of each cost center. I didn’t realize Ormed would make things so much easier.” The software can report on the predicted business of a doctor and if Physician Y only brings in X amount of business, Hritz can then negotiate the contract based on how much business follows that doctor.

As the software provides the opportunity to see each profit centre and each cost centre, Hritz says, “We are able to tell within 10 minutes if an equipment purchase is profitable. It’s difficult to pinpoint the financial benefits but it’s saved hundreds of thousands of dollars for sure.”

As a community-based hospital, ACH reached a juncture of having to eliminate non-profitable procedures and services. Dreading the memory of crunching numbers, Hritz says, “It has been a tremendous help in eliminating that manual manipulation and providing an accurate cost analysis. We didn’t have anything with this capability before.”

In addition to looking at patients one by one, Hritz can put in a procedure or a physician and see actual reimbursement and what surgeries are profitable. The software can drill down a step further to see what Diagnosis Related Groups (DRGs) are profitable. “We never even imagined that tool.”

Finally, negotiating with HMOs requires finesse and hard numbers. Ormed software calculates which insurers are profitable. Drilling down by inpatient, outpatient, surgical and all other business for each individual insurer allows Hritz to “bring that to the table putting substantial reports in their hands that supports our thought process and to tell them, ‘We are not lying here to you guys.’ They can try to argue the cost but the accurate and credible software wins the negotiations.”

Previously in payroll, Barb Richmond’s first job in cost accounting was with the Ormed product. “Though I can’t compare it to other software, I know Ormed isn’t a lot of maintenance.” Richmond has found quarterly reports require some preparation, then if a particular report or cost analysis is needed, “I can get the information in a half hour. It’s easy. If I did it in Meditech it would take days, weeks, and even months.”

Richmond learned how to pull data creating reports for any area of patient costing with Ormed’s software to provide detail about patient bills, what the costs are and what the hospital is reimbursed by patients or insurance. Now able to drill down for direct and indirect costs or distinguish how costs are allocated to revenue departments like the inpatient floor, pharmacy, lab, or X-ray from the non-revenue departments like finance, administration, and medical records, Richmond says, “There is no Meditech report that gives all of this. The Meditech system makes it very difficult to retrieve



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the data we want in a usable format.” With Ormed’s software, “sorting data is easy, reports are so simple and I can find the detail I need.” Richmond can now report the actual dollars and cents for each group requested, e.g., DRG, inpatient, group or procedure, physician, department, age group, financial class and more.

It seemed like a tall order for Ormed cost accounting software to meet all of Hritz’s expectations. Has it? “Absolutely. I hate one word answers, but it has.” All the original challenges ACH and Hritz faced were solved “plus more. It really defined areas of profitability all across the hospital that we didn’t anticipate.”

It is familiar territory for Ormed to make health care facilities more efficient. Chris Sherback, President, CEO and Chairman of the Board of Edmonton-based Ormed says, “Our goal, beginning in the early 1990s, was to revolutionize the healthcare industry to get a PC-based software package that we could roll out to these hospitals and get them off paper.” Starting as the provider of one software product and now offering a suite of 36, Ormed is a leader in the field of affordable software for hospital facilities.

Gambling on the smaller company has generated savings and reduced “hundreds of staff hours per year. Honestly, everything we needed or any problem we faced, Ormed was able to solve it for us,” says Hritz. “They went over and above continually, daily, weekly and they continue to do it today.”

“Without Ormed, my day would be a lot longer,” says Hritz. Maybe that is why Hritz’s signature statement is, “At the end of the day...” because with Ormed, his work days now end significantly earlier.

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