# FRx Software Revives Budgeting Process

## for Premier Southwestern Ohio Healthcare Provider



Photo: PhotoDisc

**MERCY HEALTH PARTNERS**

**Industry:** Healthcare

**Location:** Western Ohio

**Number of Employees:** 7,000

**Years in Business:** 25

**Software Used:** Microsoft® Business Solutions for Analytics–Forecaster

**Microsoft® Business Solutions for Analytics–Forecaster Improves Budgeting Practices for Mercy Health Partners, Providing Tighter Control and Sharper Insight into Financial Health**

Mercy Health Partners (southwestern Ohio region) provides a comprehensive range of high-quality healthcare services including acute care, long-term care, elderly housing, hospices, home health agencies, outpatient services and REACH substance abuse. Like many healthcare providers, Mercy Health Partners struggled with soaring healthcare costs and shrinking budgets. In order to get a holistic view of its cost structures and better understand areas of potential savings, Mercy Health Partners adopted Microsoft® Business Solutions for Analytics–Forecaster.

### SPREADSHEETS FLATLINE

In the face of soaring costs, changing regulations and constant reorganizations, the administrators at Mercy Health Partners wanted a way to better control and analyze their finances. The organization operated a spreadsheet-driven budget process that required linking and maintaining spreadsheets across eight key facilities with approximately 200 sub-departments. To add to the complexity, Mercy Health Partners had to roll its budgets and forecasts into the Catholic Healthcare Partners (CHP) network, which serves the health needs of people in Indiana, Kentucky, Ohio, Pennsylvania and Tennessee. CHP is one of the largest nonprofit healthcare networks in the nation, with 31 hospitals and $2.9 billion in net operating revenues for 2002.

### MERCY HEALTH PARTNERS SEE THE LIGHT

To change the focus of its efforts from managing spreadsheets to using the numbers to make better decisions, Mercy Health Partners implemented Forecaster. They selected Forecaster for its ability to provide the greatest deal of customization for human resource budgeting while delivering a Web-based, security-enhanced, flexible and easy-to-use solution. Forecaster immediately enabled the healthcare provider to drill into budgets, establish better accountability and analyze and adapt budgets with greater insights.

"Forecaster helps us to get a handle on hidden costs," said Todd Richardson, Mercy Health Partners budget and reimbursement manager. "With a couple of clicks of the mouse, we can instantly see current spending and drill down to understand our real financial condition."

Microsoft® Business Solutions

**Forecaster**
Analytics

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$1 million of potential savings in operational expenses.**

Impact: During the first budgeting cycle, Mercy Health Partners saw dramatic results. Richardson estimates they eliminated more than 30 person-days, a little more than a month of work, which equals approximately $15,000 in salary. [1] By using Forecaster, Mercy Health Partners has lowered labor costs, and most importantly, given decision-makers better access to information that in turn allowed the hospital to make better decisions.

[1] The $15,000 figure was calculated at $500 per day for a salaried budget manager, based on a fully loaded salary of $120,000 per year. Mercy recognizes that it will not necessarily see a full $15,000 savings to the bottom line, since it did not eliminate staff, but the staff did focus on other tasks, making the team much more efficient.

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## BUDGET TREATMENT MAXIMIZES EFFICIENCIES AND STRENGTHENS DECISION MAKING

The company also saved by spending more time analyzing and aligning costs.

Forecaster helped drive a better decision-making process while eliminating many of the inefficiencies in Mercy Health Partners' spreadsheet-intensive budgeting and planning process. Mercy Health Partners also noticed savings in the following areas:

1. Reduced time spent recreating spreadsheets. "Mercy saved at least 10 man-days reworking and re-creating the original spreadsheets, inputting historical data, and breaking out the spreadsheet by departments," said Richardson.
2. Lower administrative and user-support costs. Mercy Health Partners also saved on the administration costs of setting up password-protected folder structures on shared drives for each version and each department. Eliminating the spreadsheet system also helped Mercy Health Partners eliminate the user-support costs that went with it.
3. Improved access to information. With the Web interface, all participants in the budget process have access to information at any time.
4. Less time spent compiling data. Mercy Health Partners used to prepare 200- to 300-page budget reports for each cycle. Forecaster virtually eliminated paper reports.
5. Improved meeting productivity. With the basics in place, departments now focus on problem areas and longer-term planning, reducing time spent in overview meetings and communicating the basics.

## FRx SOFTWARE IS STRONG MEDICINE

Mercy Health Partners used Forecaster to identify $1 million of potential savings in operational expenses. By using Forecaster, the supply contract manager was better able to see his inventory, compare supply prices and understand the network's purchasing power.

"Before Forecaster we did not have the ability to deal with budgets and forecasts on high-level departmental breakouts - Mercy can now develop detailed budgets and roll those budgets into meaningful account balances," Richardson said.

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