

NUFFIELD HOSPITALS



Nuffield Hospitals

“COGNOS HAS ENABLED US TO CREATE A MODEL THAT TAKES INTO ACCOUNT THE COST IMPLICATIONS OF DIFFERENT LEVELS OF ACTIVITY. WE HAVE ALSO USED IT AS A BASIC EIS PROVIDING AN UP-TO-DATE PICTURE OF WHERE OUR BUSINESS COMES FROM.”

– DAVID AULT, FINANCIAL PLANNING MANAGER, NUFFIELD HOSPITALS

For major hospitals, coordinating the complex mix of staff, equipment, and facilities involved in modern medical treatments and surgical procedures represents a major challenge for financial managers as well as clinicians. In the case of independent charitable hospitals, providing health care treatment on a not-for-profit basis, the need to balance quality of care in the present with investment in equipment and facilities for the future means that accurate financial planning becomes an absolute priority.

Nuffield Hospitals, the largest network of charitable independent hospitals in the United Kingdom, is dedicated to providing the highest standards in health care treatment. Its facilities and services are designed for the diagnosis and treatment of acute illness and the promotion and maintenance of good health, embracing the latest advances in medicine.

Producing the annual budgets and operating plans for its 43 hospitals had outstripped the capabilities of an existing spreadsheet-based system. With the help of Cognos Enterprise Planning, Nuffield Hospitals has created a financial planning system that provides activity-based budgeting data for day-to-day operations as well as longer-term revenue and cost projections that inform more strategic decisions.

Linked to the hospitals' patient administration systems and financial ledgers, and to the corporate data warehouse, the Cognos solution provides a primary vehicle for monthly reporting and consolidation, as well as for budgeting, forecasting, and financial analysis.

IN PARTNERSHIP WITH CLINICAL CONSULTANTS

With 8,600 staff serving more than 956,000 patients each year, Nuffield Hospitals has grown into an organization generating some US\$525 million in annual revenues since its founding in 1957.

NUFFIELD HOSPITALS

The largest network of charitable independent hospitals in the UK embraces the latest advances in medicine for the diagnosis and treatment of acute illness and the promotion and maintenance of good health.

PLANNING REQUIREMENTS

- Migrate to activity-based budgeting and management process to support hospital operations
- Improve revenue and cost forecast accuracy
- Consolidation

PREVIOUS SYSTEM

- Spreadsheets and e-mail

SYSTEM SOLUTION

- Cognos Enterprise Planning with Medax patient administration and ledger system, and corporate data warehouse

BENEFITS

- Improved forecasting through better understanding of business drivers
- Timely, accurate reporting for improved decision support

COGNOS

THE NEXT LEVEL OF PERFORMANCE™

In partnership with the consultants who bring patients to the hospitals, it provides health care in all its forms: from a simple blood test to a diagnostic brain scan; elective surgery for all types of simple to complex conditions, including hip and knee replacements, cataract removal/lens implants and hernia repairs; chemotherapy for the treatment of cancer; and an ever-increasing range of specialist outpatient clinics (for example, for the treatment of asthma, diabetes and *in vitro* fertilization). Preventive health care through health screening is also an increasingly important part of Nuffield Hospitals' work.

Dealing with the diversity of the health care services provided, the relationships with clinical consultants, and the different customer groups creates particular challenges for planners. As David Ault, Nuffield Hospitals Financial Planning Manager, explains:

"Each hospital has to produce its own annual budget and operating plan, based on the anticipated levels of activity for the different services it offers. This has to be done within an overall business plan that has been set by one of four divisional offices, who in turn are working to achieve the overall objectives set for the group."

Having assessed the market thoroughly, the group decided on Cognos Enterprise Planning (then an Adaytum solution). "Prior to implementing Cognos Enterprise Planning we had a hospital budgeting model based on Excel that carried out activity-based budgeting in some detail. However, because of the continuing advances in technology and changes in clinical practice, advances in non-invasive treatments, day and outpatient surgery, and a growing emphasis on preventative medicine, we needed a modeling tool that was flexible and would enable us to adapt the budget model to the changing circumstances with relative ease and speed."

The Cognos solution now runs on a Windows NT platform and receives data from the Medax patient administration and ledger system from AC Medicis, and from a corporate data warehouse based on Focus from Information Builders. Transfer of files between the hospitals, the divisional offices, and the corporate office is easily achieved over the group wide area network.

DELIVERING ACTIVITY-BASED BUDGETING AND MANAGEMENT INFORMATION

According to Mr. Ault, the Cognos system offers a number of major benefits to his organization: "To produce accurate budgets, we need to look at many different aspects of the services we provide. For example, each surgical episode may be classified according to categories such as consultant; specialty; complexity of the surgical procedure performed; patient type, in, day, or out; and funding source, whether insured or self-pay.

"Then we need to look at the patient demographics, the range of services provided, and the drugs and other consumables used for specific procedures, and how they might vary by different customer groupings.

"On the cost side," said Mr. Ault, "our major expense is staff establishment, and Cognos has enabled us to create a model that takes into account the cost implications of different levels of activity. Remember also that our staff have different pay scales and employment contracts, depending on whether they are nurses, paramedics, administrative, hotel services, or management; and the budget model must reflect this.

"There are other direct costs which vary with the level of activity, drugs, and medical consumables for example. The fact that we are able to analyze activity down to a very low level of detail also enables us to be more accurate in budgeting for these."

In addition to activity-based budgeting and forecasting, Nuffield Hospitals has found that the Cognos planning solution can provide a substantial amount of further functionality beyond pure planning. Mr. Ault adds, "Although we bought the system for budgeting and forecasting, we found very early on that it was a very good medium for reporting. We have used it for over six years now to produce a monthly reporting package that brings together actual and budget data for both activity and financials, along with performance ratios and benchmarking.

"We have also used the system as a kind of data warehouse, importing data out of Focus and using Cognos as a basic EIS, providing an up-to-date picture of where our business comes from. It provides a significant amount of management information and gives us the ability to perform ad hoc modeling opportunities. These broad facilities on top of planning and budgeting mean that Cognos Enterprise Planning has now become one of our main monthly management tools."



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