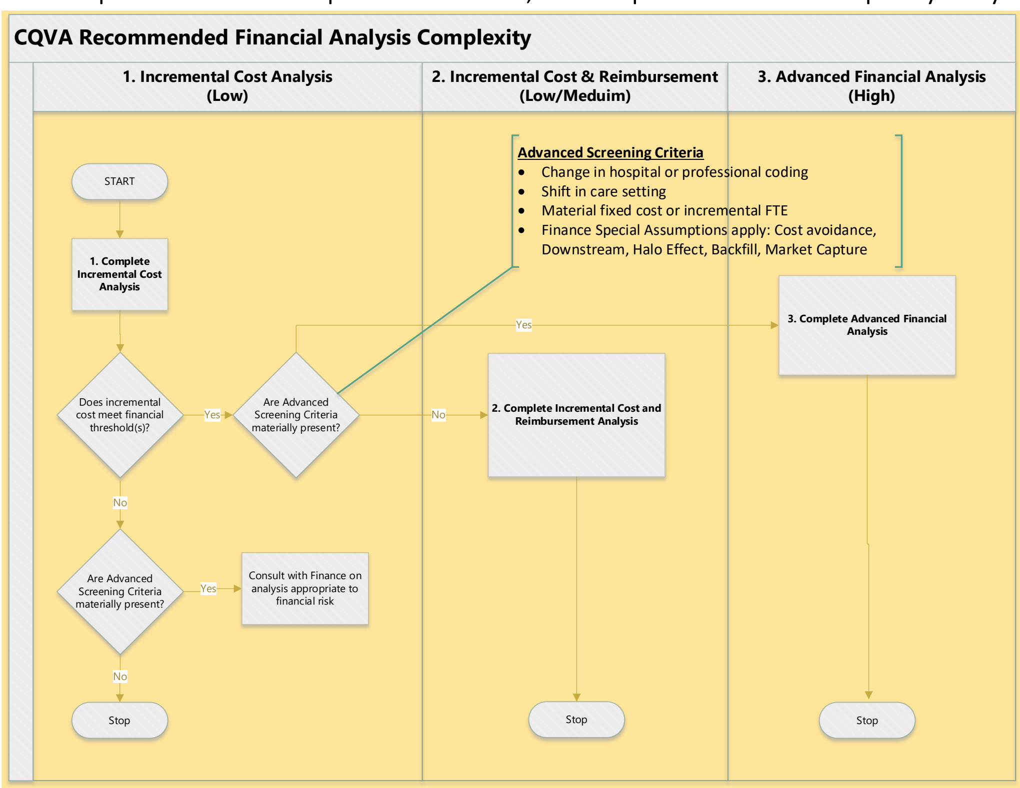
Financials? What are the financials and how do I know where to start?

In any Value Analysis program there is a component of “what is this going to cost” or “will we get paid for this?” question. In our profession part of our CVHAP requirements is to have a certain level of competency in financial awareness. It is most likely also required in your own organization for your role and this skill set will also benefit your colleagues. Each organization will have a different risk model, tolerance level, and complexity of detail they will find salient to your process.

If we start with the definition of finance, it really starts with your organization. It is important to establish criteria surrounding financial analysis and decision making as well as understand if your program will drive financial sustainability through ongoing measurement. In this example, we will look at the financial matrix complied for the Clinical Quality Value Analysis program to ensure the right level of analysis was completed for each project. This criterion was set in collaboration with the finance, enterprise analytics as well as the results management office and we took the approach of the net impact analysis. Impact analysis meaning, the delta from “what is our cost today?” and “what is our cost tomorrow?” for what is being asked to change. This was critical when the consideration of a new product or procedure or platform was maintaining current practice but adding to the requirements needed for the same or similar type of procedure. This allowed for a quick acknowledgement of margin erosion when comparing like procedures but with different approaches. This also allowed us to demonstrate the need for standardization not only in supplies but the type of clinical approach.

The following matrix was developed for a new product request to help align the appropriate analysis complexity with the potential financial impact. In column 1, which represents a lower complexity analysis, the cross functional team completes an incremental cost analysis and if the dollar threshold was within this predetermined dollar amount, the cost only impact analysis could be completed and finalized by the Value Analysis Professional. However, you can see that even if the dollar threshold was not met (meaning under the threshold) there was still a consult with finance to ensure the impact analysis was appropriately considered if advanced screening criteria were present. Column 2 represents a low/medium complexity analysis when the incremental cost exceeds the threshold as well as there may be advanced screening criteria. In this level of analysis, it is completed by a member of the finance or enterprise analytics team and presented by the respective department to the full committee, so the data is approachable to all committee members. The biggest shifts in the analysis from a low level to low/medium is including the revenue impact from the regional payor mix into consideration and measuring the margin shift. As you progress into the full financial proforma in the high level or column 3 this takes into consideration, payor mix, and all incremental cost and reimbursement associated with the product and/or new procedure.



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