Resiliency and benchmarking: Driving efficiencies to higher levels

Mike Marks
SVP, Finance
Building greater resiliency and benchmarking through next-generation cost management efforts

We are leveraging our scale and structure to:

• Drive efficiencies
• Elevate performance
• Create future value

Shared services platforms continue to generate administrative and operations support excellence.

Digital transformation across our administrative services drive both effectiveness and efficiencies.

Advanced benchmarking and analytics drive both internal and external comparisons for improved performance in our facilities.
Using resiliency and benchmarking to enhance margins

An execution and accountability engine that powers our **administrative** and **operational excellence**

### Capabilities
- Digitally transformed
- Scale best practices
- Benchmarking and analytics
- Structural alignment

### Focus
- Revenue yield completion
- Administrative and fixed costs
- Variable cost
- Leverage shared services to drive performance and minimize cost
- Patient throughput and case management

**Speed and execution**
Effective capacity management creates synergistic effect with many benefits

- Improving care and outcomes
- Reducing variable costs
- Increasing capacity
- Reducing staffing demands
Redesigning case management to reduce length of stay

Leveraging **scale** through process improvement, technology and automation

Growing and **training** the next generation of leaders and staff

Advanced **analytics**, **real-time reporting** and strong **benchmarking** support improved performance

**Reduction** in length of stay and **increased** capacity
Impacting length of stay to create value

Current value achieved (2022-2023)
- +494 Bed capacity gained
- -1,500 FTEs in staffing demand
- 57% Improvement in transfer declines

Future opportunities (through 2027)
- Significant improvements in bed capacity
- Decrease in staffing demand
- Further improvement in transfer declines
Dynamic Discharge Dashboard

Allows for better **visibility, oversight** and **follow-up** of the different components of a patient’s discharge process

- Real-time
- Drillable
- Integrated
- Management insight
Visibility and workflow management of the patient care journey from admission through discharge

- Multi-disciplinary rounds
- Barriers to discharge
- Post-acute placement
- Care progression
- Account prioritization
**Advanced benchmarking analytics**

**Hospital Benchmarking Tool**

- **HCA Healthcare Rank**
- **Peer Rank**
- **Percentile**
- **Peer Group**
- **Trending**

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<th>Timeframe</th>
<th>Value</th>
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- **Monitor the tool**
- **Identify areas of opportunity**
- **Create an action plan**
- **Leverage support to take action**

Reduce variation.
Laboratory service line

Optimize laboratory footprint to better meet the needs of our patients, leverage our scale and improve operating costs

Snapshot

- $1.2B Annual lab spend
- 14 Divisions
- 42 IRL Florida hospital labs
- 5 Market labs
- 1 Regional lab
- All LSL assessments completed

Opportunity summary

Clinical
Reduce unnecessary testing, ensure appropriateness, and improve care experience

Operational
Implement infrastructure to reduce variation, improve consistency in lab testing and reduce operating cost

Safety and risk
Execute strategies to improve patient safety, mitigate risk, and increase regulatory compliance

Footprint

Standardization categories

- Central Lab
- Clinical
- Equipment
- Test Menu
- Labor
- Ref Testing
Global capabilities

Past
- HCA Healthcare Information Technology Group (ITG) and Parallon were first to utilize global capabilities

Future
- Establish Global Capability Center initially with ITG
- Increase access to global talent
- Support automation and innovation
- Cost reduction
- Evaluate future global capabilities with other administrative and support functions
Resiliency and benchmarking impact

$600M-$800M

Targeted annual incremental cost savings over the next 5 years
Building greater resiliency and benchmarking through next-generation cost management efforts

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Shared services platforms continue to generate administrative and operations support excellence.

Digital transformation across our administrative services drive both effectiveness and efficiencies.

Advanced benchmarking and analytics drive both internal and external comparisons for improved performance in our facilities.
Integrating revenue cycle operations

Shannon Dauchot
President and Chief Executive Officer, Parallon
Parallon’s core services provide a foundation for expanded administrative support

Revenue cycle

- Scheduling
- Coding
- Insurance follow-up
- Complete account resolution

Other services
- Payroll
- Project management
- Physician credentialing
- Clinical data registry abstraction
- Contact center
Delivering industry-leading operational excellence at scale

- **19K** Colleagues
- **53.2M** Patient encounters
- **150K** Providers credentialed
- **8.1M** Payroll checks
- **53M+** Patient contacts

### Who we serve

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<thead>
<tr>
<th>Service</th>
<th>Count</th>
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<tr>
<td>Hospitals</td>
<td>829</td>
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<tr>
<td>Physician practices</td>
<td>3,768</td>
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<tr>
<td>Urgent care</td>
<td>317</td>
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<tr>
<td>Home health and hospice</td>
<td>36</td>
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*Data represents trailing 12 months as of 9/30/23*
Our foundational model continues to drive success

The foundational elements of Parallon’s approach

- **People**: Our driving force
- **Process**: Structure
- **Technology**: Innovation

**Value of the model**
- Scale
- Focus
- Compliance
- Analytics
- Performance
Our capabilities power the next generation of value

**Our vision**
Be the professional services experts relied upon to deliver unparalleled value and meet the ever-changing needs of the overall HCA Healthcare enterprise

- Additional services
- Innovation and automation
- Operational integration
Virtual registration – reinventing the traditional approach

A clinical team member brings the tablet to the patient

The patient scans their armband to begin self-led registration

The tool pre-populates any demographic or insurance information already in our system

The patient can choose to be connected to a live virtual registrar via video call at any point

Patient completes all other forms and registration information using the tablet, at their own pace
Strong performance has fueled reliable cash flow in a complex environment

Consolidated HCA Healthcare AR days

<table>
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<th>Year</th>
<th>AR Days</th>
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<tr>
<td>2015</td>
<td>53</td>
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<td>2016</td>
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<td>2023 YTD</td>
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From pricing to payment, the majority of claims follow the “happy path”
Increases in denials and other payer actions have propelled us to respond differently

- Concurrent denial
- Post discharge denial
- Claim denial
- Second denial
- Under payments
- Write-off & escalation

- Contracted rates
- Authorization for services
- Patient discharge
- Billing
- Claim adjudication
Increases in denials and other payer actions have propelled us to respond differently.
Deploying strategies across key business processes to gain synergies

Key opportunities

- Denials mitigation strategies
- Digital transformation with payers
- Dispute resolution claim flow optimization
- Physician advisor/Peer-to-peer centralization and expansion
- Revenue Integrity expansion
- Data integration with Google Cloud
- Pricing and contract modeling process improvement
- End-to-end dashboards (denials, CDI/coding)
Leveraging unified data and advanced technologies

Disparate on-premise data sources
- Clinical data
- Contracting data
- Case management
- Financial data
- Patient info
- History

Cloud

Unified data
- Clinical
- Contracting
- Case management
- Financial
- Patient info
- History

Advanced technologies

Generative AI
- Populate patient information
- Insert payer contractual language
- Generate the clinical summary support medical necessity

Appeals letter
- Outcome estimated at 70% automated
Looking ahead – the future is bright

Total hospital revenue cycle cost as % of cash

2018 2019 2020 2021 2022 2023

60 basis points improvement from 2018

Integrated revenue cycle

Collaboration | Innovation | Value | Automation | Performance excellence
HealthTrust: Improving performance through operational excellence

Ed Jones
President and Chief Executive Officer,
HealthTrust Performance Group
HealthTrust is the operational support platform to scale capabilities across the enterprise.

**Operational excellence**
Optimize current shared services platform and advance next wave of shared services strategy.

**Supply expense management**
Execute and manage supply expense performance.

**Purchased services**
Aggregate and source non-labor and non-supply.

**Clinical labor**
Effectively manage contract labor and further integrate Galen with HCA Healthcare.

**GPO**

**Shared Services**

**Clinical Integration**

**Hospital Operations**

**Supply Chain**

**Valify Solutions**

**HealthTrust Workforce Solutions**

**Galen College of Nursing & Clinical Education**
Broad capabilities focused on improving cost and workforce development

- ~$50B+ total projected annual global contract spend
- 7 GPO equity partners
- 78K+ unique active member locations
- 23K+ total employees
- 33 nursing education locations
- 12K+ nursing students enrolled
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Broad capabilities focused on improving cost and workforce development

- HealthTrust GPO
- AdvantageTrust GPO
- HealthTrust Europe GPO
- CoreTrust GPO (JV)
- HealthTrust Workforce Solutions
- Galen College of Nursing
- Clinical Education
- Supply Chain
- Valify
- Next Generation Shared Services
Strong sourcing, analytics and clinical integration have contributed to continued margin expansion.
Driving value through a comprehensive contract portfolio

Supply expense by category

- $9B+ (43% Commodity, 17% Pharmacy, 5% Blood, 35% Medical devices)

Advanced capabilities

- Benchmarking
- Analytics
- Distribution

Targeted inventory reduction plan

- $2.1B in inventory
  - 10% reduction within 6-12 months
  - 25% reduction within 24 months
Advancing clinical integration through analytics

**Pharmacy benchmarking**

- Monitor use
- Identify opportunities
- Collaborate with clinical team
- Create action plan
- Leverage support staff

**Reduce costs**
Expanding our Shared Services platform

Distribution Center Operations
Environmental Services/Food & Nutrition
Facility Management
Equipment Management

Unlocking value
Organizational structure
Specialized expertise
Methodology and approach
Technology investments
Speed to execution
Improved performance
Leveraging our network to drive efficiencies

Distribution Center Operations

- Existing consolidated service centers
- Florida consolidated service centers
- Phase 2 consolidated service centers
Leveraging our network to drive efficiencies

Distribution Center Operations

- 713,000 square feet
- 140 facilities served
- Highly automated
- Business continuity
Enabling clinicians at the bedside

**Equipment Management**

**Objectives**

1. Improve availability of equipment
2. Reduce short-term equipment rental expense
3. Reduce future capital requirement

**Nurse feedback**

- Bio Med/Equipment
- Issue 2
- Issue 3
- Issue 4
- Issue 5
- Issue 6

Care team focus group - March 2021
Enabling clinicians at the bedside

Equipment Management

1. Identify
66,119 tagged assets

2. Locate

3. Manage

Results

- 76% reduction in equipment rented
- 88% reduction in missing devices
- 34% reduction in equipment rental days
- 80% of respondents indicated Equipment Program “Meets” or “Exceeds” their satisfaction
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