**Business Case**

Healthcare margins are typically very narrow. The revenue is high, for sure, but the margins (that is profit) are low. This is because healthcare is very people and supply dependent and both of those entities are very expensive.

There are many potential projects or interventions that an organization can choose to undertake. Generally, the ones that get chosen impact both the value equation’s numerator (quality, safety, equity, experience) and denominator (reducing cost, or increasing revenue—technically in the numerator but will lump here as it references money).

**Without the denominator there is no numerator.**

Your ability to tell the leadership how your work will positively impact finances is your key to get resources. Without resources and support you will not be able to successfully do the project and therefore positively affect the numerator.

Your ability to tell the frontline staff and providers how this will benefit patients is the key to getting buy-in for the change you are making.

Your job is to speak to both the numerator and the denominator and to present the correct message to both the leadership and the frontlines.

* **Step 1: What are you trying to do?**

You need to know exactly what you’re trying to do with your project work, in a simple statement that you can share with the executive leadership and the frontlines. This is a version of your aim statement.

* + Example: Reduce length of stay by 1 day for all patients in the hospital in the next year.
* **Step 2: What is the benefit?**

Why would anyone care about this work? Start by listing all the potential benefits if your project was successful. Many of these will be non-financial. That’s okay, write them down. You’ll use these when you message to the staff and providers.

* + For example: if you shorten length of stay for all inpatients:
    - * You’ll have less iatrogenesis.
      * You’ll have happier patients who get home sooner.
      * The staff/providers will be happier because the care is more streamlined.
  + However, you must have some examples of the financial benefit of the work.
    - For example: If you shorten the length of stay for all inpatients:
      * You reduce costs versus a fixed DRG payment from Medicare.
      * You create beds that can house new patients therefore increasing revenue.
* **Step 3: How do I show the benefit?**

Consider a formula, with numbers (they can be approximate!) that captures your benefit from the last step. For example, if you reduce length of stay by 1 day, you’ll need the following numbers:

* + Cost of 1 hospital day = $1000 (this is a generally accepted estimate)
  + Revenue generated by new patient in that bed = $1000 (this is a generally accepted estimate)
  + Number of patients impacted = 200
  + Number of hospital days saved = 200
  + Financial benefit = 200 hospital days x $1000 revenue per bed day + $1000 cost saving per day = $400,000
* **Step 4: What data do I need?**

Ensure all data items above are included in your data collection plan, in addition to your process, outcome, balancing and structural metrics. A very common error in QI work is to fail to measure the elements you need to show the financial benefit. You need to capture these and include in your data plan.

* + Return to your Data Collection Plan and add these elements if not already included.