MERCURY

Hospital Service-Line Costing and Reimbursement Course

12 – 23 July 2027
Milan (Italy)



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Hospital Service-Line Costing and Reimbursement Course

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Hospital Service-Line Costing and Reimbursement is a 2-week course for finance staff, budget holders and hospital administrators who need to know what each clinical service really costs and earns. You build cost-to-serve models, test case-mix and payer revenue, appraise equipment requests and assemble a full hospital budget. You leave with a Service-Line Cost and Budget Pack. This hospital service-line costing course is delivered by Mercury Training Center.

About This Course

Many hospitals know their total spend but not which services lose money, which payers underpay, or whether a new scanner will pay back. To follow the course you should already read a departmental budget report or cost center statement. You practice on worked hospital, clinic and laboratory data, then on your own figures.

Who It Is For

- People who prepare and track departmental and hospital-wide budgets.
- People who hold a clinical or surgical budget and answer for its variances.
- People who price services, manage payer contracts or follow up on claims and receivables.
- People who prepare or approve requests for medical equipment, facilities and building works.
- People who run the finance side of a clinic, dental practice or diagnostic laboratory.

This course is not for readers who have never read a financial statement, who are better served by an introductory finance course for non-financial managers, nor for qualified accountants seeking depth in external reporting, who suit a course on financial reporting standards.

Competencies You Will Build

- Service-Line Costing: you trace direct and overhead cost to each clinical service and explain its margin.
- Case-Mix Analysis: you read patient mix and acuity and show how they move cost and income.
- Reimbursement Review: you compare payer tariffs and contract terms with the cost of care and flag underpayment.
- Revenue Cycle Control: you find where claims, denials and receivables leak cash and set checks that close the gaps.
- Capital Appraisal: you score equipment and facility requests on payback, net present value and patient need.
- Budget Build and Control: you assemble a hospital budget from planned activity and track its variances each month.

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What You Will Be Able to Do

By the end of the course you will be able to:

- From a ledger and cost center report, allocate overhead to clinical services with step-down and activity-based methods and produce a cost per case.
- Given patient activity grouped by diagnosis, compare the case-mix index of two periods and explain the shift in cost and income.
- Using payer contract terms and claim history, calculate the net margin by payer and rank contracts for renegotiation.
- Given a request for a new imaging unit, build a discounted cash flow with a sensitivity table and state a recommendation.
- From activity forecasts and staffing plans, prepare a departmental budget that rolls up into a hospital budget with flexed targets.
- Using monthly actuals, write a variance and cash report that names causes and corrective actions.

Course Content

Day 1: Hospital Funding and Cost Structures

- Funding Sources of Government, Charity and Insurance-Funded Hospitals
- Fixed, Variable and Step Costs in Wards and Operating Theaters
- Cost Center Charts of Accounts for Clinical and Support Departments
- Cost Behavior Mapping for Outpatient Clinics and Laboratories
- Reading a Hospital Income and Expenditure Statement as a Budget Holder

Day 2: Overhead Allocation Methods

- Direct and Indirect Cost Identification Across Clinical Services
- Step-Down Allocation of Support Department Costs to Wards
- Reciprocal Allocation for Shared Laundry, Catering and Sterilization Services
- Allocation Bases: Patient Days, Theater Minutes and Test Volumes
- Reconciling Allocated Costs to the General Ledger

Day 3: Activity-Based Costing in Clinical Settings

- Activity Dictionaries for Admission, Surgery and Discharge Pathways
- Time-Driven Activity-Based Costing for Outpatient Visits
- Capacity Cost Rates for Nursing, Imaging and Operating Rooms
- Process Maps of Patient Pathways as a Costing Base
- Unused Capacity Reports for Underused Clinics and Equipment

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Day 4: Service-Line Profitability

- Service-Line Definitions for Cardiology, Orthopedics and Maternity
- Contribution Margin by Service Line and Physician Group
- Cost per Case and Cost per Patient Day Calculations
- Cost-Volume-Profit Analysis for a New Day-Surgery Service
- Service-Line Profit and Loss Statements for Clinical Directors

Day 5: Case-Mix and Patient Classification

- Diagnosis-Related Groups as a Basis for Costing and Payment
- Case-Mix Index Calculation for Inpatient Activity
- Acuity and Length-of-Stay Analysis for Ward Cost Variances
- Outlier Cases and Their Effect on Service Margins
- Clinical Coding Accuracy and Its Revenue Consequences

Day 6: Reimbursement and Payer Contracts

- Fee-for-Service, Per-Diem, Capitation and Bundled Payment Models
- Payer Contract Review for Tariffs, Caps and Exclusions
- Net Margin by Payer from Claim and Cost Data
- Package Rate Pricing for an Elective Procedure
- Renegotiation Briefs Backed by Cost-of-Care Evidence

Day 7: Revenue Cycle and Cash Control

- Revenue Cycle Stages from Registration to Final Collection
- Claim Denial Analysis by Reason Code and Payer
- Receivables Aging and Days in Receivables Tracking
- Charge Capture Audits for Pharmacy, Consumables and Procedures
- Segregation of Duties and Approval Limits in Billing and Purchasing

Day 8: Capital Appraisal for Equipment and Facilities

- Capital Request Templates for Medical Equipment and Building Works
- Payback, Net Present Value and Internal Rate of Return for Clinical Assets
- Lease Versus Buy Analysis for Imaging Units and Laboratory Analyzers
- Sensitivity and Scenario Tables for Patient Volume Assumptions
- Capital Priority Scoring Combining Financial Return and Patient Need

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Day 9: Hospital Budget Build and Variance Control

- Activity-Driven Budgets from Admissions, Visits and Procedures
- Staffing Budgets from Nurse-to-Patient Ratios and Rosters
- Flexible Budgets with Price, Volume and Efficiency Variances
- Monthly Cash Flow Budgets for Payroll, Suppliers and Collections
- Service-Line KPI Dashboards for Budget Holders

Day 10: Building Your Service-Line Cost and Budget Pack

- Exercise: Allocating Your Department's Overheads to Its Services
- Exercise: Testing Your Case-Mix and Payer Margins
- Exercise: Appraising One Pending Equipment Request
- Exercise: Building the Next Departmental Budget with Variance Triggers
- Completing the Service-Line Cost and Budget Pack

Case Studies and Exercises

The following are suggested activities that the trainer adapts to the group.

- Case study: A general hospital's orthopedic service shows rising volume but a falling margin; you trace the cause to implant costs and payer terms and recommend changes.
- Case study: An outpatient diagnostic laboratory weighs leasing against buying a new analyzer; you build the appraisal and choose an option.
- Exercise: A dental practice group faces long delays in collections; you analyze aging and denials and draft a collection control plan.
- Exercise: A maternity unit has overrun its budget; you split the variance into price, volume and efficiency and present corrective actions.

What You Take Back

The Service-Line Cost and Budget Pack is a set of linked worksheets built on your own department's figures. In your first month back you use it to show which services and payers carry or drain margin, to support one capital request, and to brief your director before the next budget round.

- A service-line cost model with overhead allocation and cost per case.
- A payer margin table with case-mix notes.
- A capital appraisal sheet with sensitivity cases.
- A flexed departmental budget with monthly variance triggers.

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Quick Answers FAQ

What should you know before a hospital service-line costing and reimbursement course?

You should be able to read a departmental budget report and use basic spreadsheet formulas. No accounting qualification is needed: allocation methods, case-mix measures and appraisal techniques are built step by step from worked hospital data.

How does hospital service-line costing differ from a general healthcare finance course?

A general healthcare finance course explains statements, budgets and ratios in one week. Hospital service-line costing goes further over 2 weeks into cost per case, case-mix, payer reimbursement and capital appraisal, and ends with a budget built on your own figures.

Why do hospital service lines lose money even when patient volumes rise?

Volume often grows in case types paid below their cost of care, while overheads, implants and staffing rise with it. Without service-line costing and payer margin analysis, the loss stays hidden inside total hospital results.

What do you take back from hospital costing and reimbursement training?

You take back the Service-Line Cost and Budget Pack: a cost model, payer margin table, capital appraisal sheet and flexed budget built from your department's data, ready for your next budget review.

For Your Manager

After the course, your team member will be able to cost each clinical service, show which payers and case types erode margin, appraise equipment requests and build a flexed departmental budget. They return with the Service-Line Cost and Budget Pack, built on the department's own figures, and first use it in the next monthly budget review and the coming capital request round.