Reducing non-labor expense is still primarily focused on managing medical supply costs within the hospital, but should also include purchased services, capital equipment, dietary, other non-medical departments and productivity as well. For Hospital Executive Management to achieve success in this effort requires meaningful and consistent performance measurements. Listed below are 10 areas that can comprise management’s “dashboard” of key non-labor cost performance indicators.

1. **Total supply expense:**
   a) As a percent of total operating expense
   b) As a percent of net patient revenue
   c) Per adjusted patient day/discharge (case mix adjusted)

2. **Surgical supply expense:**
   a) As a percent of total operating expense
   b) Per case
   c) Per DRG/procedure code

3. **Pharmacy supply expense**
   a) As a percent of total operating expense
   b) Per adjusted patient day/discharge (case mix adjusted)

4. **Other key departments**
   a) Cardiac Catheterization Lab supply expense:
      i. Per case
      ii. Per DRG/procedure code
   b) Radiology, Laboratory Services supply expense per procedure
   c) Dietary supply expense per meal
   d) Linen expense/pounds per adjusted patient day

5. **Supply inventories:**
   a) Central warehouse/storeroom inventory turns
   b) Inventory per adjusted patient discharge
   c) Operating room inventory turns

6. Percent of supply purchases that are made through the Purchasing Department.


8. Purchased services expense as a percent of total operating expense.

9. Capital equipment expenditures as a percent of total operating expense.

10. Dollars purchased per Purchasing department’s full-time equivalent (“FTE”) staff.

For more information on cost management issues, contact Mike Miyagi at (310) 320-3990, x4057.