

Client Case Study | Asset Lifing

SITUATION

As part of Hospital Sisters Health System's (HSHS) broad cost reduction initiative, HSHS partnered with Prism to explore financial opportunities in the organization's Southern Division, comprised of four hospitals plus a recently constructed 144-bed replacement hospital. Prism identified significant potential annual depreciation savings through asset lifing, the practice of reviewing, and often correcting, the depreciation of assets such as buildings and equipment.

Asset lifing can improve an organization's bottom line through reduced depreciation and insurance expense, present a more accurate balance sheet, realign annual capital expenditures and help hospitals obtain more favorable financing. HSHS aimed to achieve \$2.5 million in savings through asset lifing.

SOLUTION

In just three months, Prism's asset lifing experts, including appraisers, architects and other industry professionals examined the physical property and equipment at each of the HSHS hospitals in the Southern Division and compared them to the actual lives of more than 500 hospitals in the Firm's proprietary database. They also met with facility and departmental leaders to understand the usage and maintenance of the assets and how long they have been in service. Prism then collaborated with all levels of management, including the CFO, to ensure the final recommendations and records were accurate. Lastly, Prism validated the findings with HSHS's auditor. To ensure continued accuracy, Prism provided HSHS with tools and a guide to correctly depreciate newly acquired building and equipment assets.

“By partnering with Prism’s asset lifing team, we reduced annual depreciation expense by \$7.6 million across five hospitals in our Southern Division, all in just three months.”

RESULTS DELIVERED



\$7.6 million
in depreciation savings



\$1.5 million
average savings per hospital



\$4.1 million
in building depreciation savings



\$3.5 million
in equipment depreciation savings

David Nosacka
Southern Illinois Division CFO
HSHS