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How to navigate today's healthcare environment and remain financially sound

By Kelly Gooch

As hospitals and health systems face rising expenses and declining reimbursements, it is crucial for these organizations to make operational adjustments to ensure long-term financial success.

During a panel discussion on Nov. 13 at Becker's Hospital Review 7th Annual CEO + CFO Roundtable in Chicago, several C-suite executives offered insights into how organizations can achieve financial sustainability.

Panelists were:

- Tony Armada, COO of El Segundo, Calif.-based Verity Health,
- Elizabeth Bolt, senior vice president and COO of Madison, Wis.-based UW Health
- Ken Wheat, senior vice president and CFO of Rancho Mirage, Calif.-based Eisenhower Health

The conversation was moderated by Mukesh Gangwal, president and CEO of national healthcare consulting firm Prism Healthcare Partners.

Balancing cost efficiencies, performance objectives

While achieving financial sustainability is not a new goal for healthcare leaders, doing so is even more challenging in today's healthcare environment. Organizations must balance attaining performance objectives and cost efficiency while also ensuring buy-in from supervisors, senior leadership and others, according to panelists.

Mr. Armada, who joined Verity in March shortly before the system filed for bankruptcy protection in August,

said that successful organizations tend to simultaneously focus on cost efficiency, clinical effectiveness and coordination of care. But he acknowledged this does not happen immediately.

"And the challenge with cost efficiency, clinical effectiveness and coordination of care [is] it just takes a long time to accomplish that," he said.

According to Ms. Bolt, achieving cost efficiency requires leadership's buy-in from the outset.

Her organization, UW Health, went through a cost reduction effort last year. One of the challenges with this effort was training leaders, including supervisors and senior leadership, to rethink how to do things and shift their perspective to incorporate driving out costs.

"It really is a very different culture and a very different way approaching care for us going forward," said Ms. Bolt.

The importance of measurable data

As organizations try to balance attaining performance objectives and cost efficiency, the right data can help identify opportunities, support effectively managing costs and drive process improvements, according to Mr. Gangwal. But Mr. Gangwal pointed out that data can be challenging because it can be inconsistent and captured from disparate sources. and it must be reliable, measurable and accessible to be effective.

Mr. Wheat discussed how Eisenhower Health has specifically worked on building data systems to provide good decision-making. He said the system has cost accounting measures in place that can show provider variation in quick order.

“We’ve done that in the back-finance shop, with analysts pouring over tons of detail, taking weeks to get a report out on one provider. But we’re now where we can point and click and show provider variation within the organization across similar disease state,” Mr. Wheat said.

“The other thing we’ve tried to do is get data out of the finance shop ... and put it out on the front lines,” he added. “I think over the last two years, we’ve been successful in getting it out there to the users who can actually do something with it instead of hiding it in the back room.”

Recruiting and retaining talent

As high employee turnover can be costly, and there is increased demand for medical staff, employee retention and recruitment are a major factor in the long-term success of hospitals and health systems. A report from NSI Nursing Solutions found it costs as much as \$61,100 to replace a bedside registered nurse. The report said this can potentially lead to a \$4.4 million to \$7 million loss for the average hospital, and each percent change in registered nurse turnover will cost or save an additional \$337,500.

To attract and retain the best clinicians and staff, organizations need to get creative with their methods, such as sign-on bonuses, retention bonuses and payouts.

Mr. Wheat said his organization’s “best recruiting tool” is likely employee satisfaction surveys, because Eisenhower Health has historically maintained high levels of satisfaction.

Ms. Bolt said UW Health has realized that in addition to remaining market competitive with compensation, it is important to “become creative about how we let people

work with us.” She recommended organizations be flexible with providers as far as work opportunities and focus on keeping them happy while they’re at the organization.

Mr. Armada suggested investing in leadership, particularly physician leadership, referencing his time as president of Advocate Lutheran General and Children’s Hospital in Park Ridge, Ill..

“They had a keen ability to balance strategy, sustainability and providing leadership to [support] that cause,” he said. “I think one of the biggest things that ... paid off ... while I was at Advocate was having the foresight to start physician leadership programs. Advocate ha[d] been in the risk and accountable care framework for a while, but the team had the fortitude to say, if we’re going to really impact value-driven care, we need to create leadership avenues for physicians, and extend that to the management team.”

“Investment in leadership has become a tremendous asset for the tumultuous changing environment that we have right now,” he added.

Conclusion

Achieving financial sustainability in today’s healthcare environment requires a multifaceted approach. Organizations must balance attaining performance objectives with cost efficiency and ensure leadership buy-in throughout the process. Data can drive the process, but only if it is reliable and measurable. Turnover is costly, and organizations must also build a strategy to attract and keep top talent.

Mr. Armada said the first step is having measurable insights into where the organization is at and where it’s going.

“Then I think once you have the measurement, you have to have a feedback check loop to have some transparent discussions on how you’re moving the needle or, if not, why not, and then implement an improvement process that includes all of your stakeholders,” he said. ■