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Relentless commitment to performance improvement: 3 CFOs describe what it looks like in their health systems

Continual performance improvement is the key to health system survival in today's challenging financial environment.

That was the consensus reached by a panel of CFOs from hospitals and health systems at a private executive roundtable hosted by Prism Healthcare Partners at the Becker's Hospital Review's 7th Annual CEO + CFO Roundtable in Chicago.

Sean Angert, managing partner at Prism and moderator of the panel, observed, "Finance leaders from organizations of all sizes and with different strategies are finding that successful performance improvement must be both culturally ingrained and designed to be sustainable and adaptable."

The panelists discussed a variety of challenges and opportunities their organizations have faced in pursuing and driving performance improvement.

Objective perspectives are invaluable for performance improvement at merging organizations. Prisma Health is the \$4.2 billion system created in November 2017 through the merger of Greenville (S.C.) Health System and Palmetto Health, based in Columbia, S.C. The merger created the largest health system in South Carolina, with 12 hospitals touching roughly 2.6 million people. Terri Newsom, Prisma Health CFO, discussed the need to build a foundation for long-term success by combining teams, consolidating IT systems where possible and establishing key priorities.

Ms. Newsom noted cost reduction efforts are currently a pressing priority for the system. "Part of coming together is the intent to lower the expense number as the revenue number grows," she said. But because Greenville Health System and Palmetto Health came together as a merger of equals, decision-making is time consuming and complex. "It results in someone asking, 'Who's the winner?'" she said. "But you don't want winners and losers. So we've brought in independent third-party firms like Prism Healthcare Partners to give unbiased opinions."

To reduce costs and improve efficiencies, Prisma Health is moving to a shared services model for finance. Since the revenue cycle team needed a cohesive program, Prisma asked Prism Healthcare Partners to provide revenue cycle oversight and project support to integrate the function so it will be in a better position when a new leader is hired.

Physician alignment is important for the success of performance improvement initiatives. There are many challenges in growing and integrating multiple hospitals and services within a physician clinic-ambulatory organization. It requires new ways of thinking and certainly does not happen overnight. This is true even for organizations like Marshfield (Wis.) Clinic Health System, which was founded in 1916 when six physicians came together to practice medicine by specialty in what was then a rural Wisconsin town. The organization would go on to become one of the largest private,

multispecialty group practices in the country. And despite its rich history with physicians, MCHS CFO Gordon Edwards noted that physician leadership and involvement can still prove challenging — but it is always essential, he said.

“We have a system board that’s got 24 members, 11 of whom are the clinic board members elected by our physicians,” Mr. Edwards said. “We have a variety of dyad leadership structures across the organization. Our physicians were very much involved in our launch of a hospital-to-home program and are active in partnership with our health plan in how we move more inpatients to outpatient settings.”

Mr. Edwards noted that developing and maintaining a culture of physician leadership that supports performance improvement requires the same type of effort from hospital executives, regardless of whether the physicians are independent or employed. “But by being part of the organization, they can be a real asset as you look across that spectrum,” he said.

Structured process improvement systems can enhance organizational performance. Virginia Mason Memorial in Yakima, Wash., is an acute care hospital that is part of the Seattle-based Virginia Mason Health System. For 18 years, the system has utilized the Virginia Mason Production System, a process improvement method modeled on Toyota’s production system. When Virginia Mason Memorial joined the system two years ago, hospital CFO Timothy Reed said the organization needed to learn the production model at an expedited pace.

“They’ve been on that journey for 18 years. So, we came into it in year 16 and have been really on the fast track to catch up,” Mr. Reed said. “It’s been good for Virginia Mason Memorial to be a little more deliberate in some of the planning and ensuring we are joining

execution with planning. There’s a difference between planning and executing process improvement versus just walking down the hall and getting some things done.”

All sources of value and early wins are important for all health systems. These include revenue cycle, supply chain, payer denial practices and consolidation of IT vendors. Finance teams must consider all potential sources of performance improvement, even those that are not cash. “We picked up \$14 million in operating margin by relieving our assets and reducing our operating expense through depreciation,” Ms. Newsom explained. “It put some air under our wings as the teams work hard around things related to labor and pricing.”

Conclusion

Although the CFOs on the panel represented organizations of different sizes, scope, history and strategy, they observed some of the same challenges in their work related to system optimization and performance improvement.

Objective opinions can cut through the complex decision-making that emerges when organizations merge, as Ms. Newsom noted after working for more than a year to integrate two South Carolina health systems to create the largest system in the state. Even organizations with 100-plus years of physician leadership must exercise intention and strategic thinking when it comes to physician engagement, as Mr. Edwards shared in his experience at Marshfield Clinic Health System. Finally, Mr. Reed noted the positive difference he has observed in structured process improvement systems versus ad hoc performance improvement efforts as his team worked to learn and execute the Virginia Mason Production System. ■