

The hospital executive survival guide
3 articles on achieving financial stability



BECKER'S _____
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Faced with an ever increasing set of new regulations and rising costs, hospital and health system leaders have been under pressure to increase operational efficiencies and identify savings opportunities without sacrificing innovation. To achieve these aims, healthcare executives are rethinking their approach to long-term strategy development and recognizing that performance improvement initiatives designed to support financial sustainability are required each and every year. This way of

thinking and executing is the new normal.

This e-book includes three articles that examine how healthcare CEOs, CFOs and COOs are working to keep their organizations financially viable with more strategic approaches to operations and a relentless commitment to performance improvement. The articles document expert insights and observations given during three events held at Becker's Hospital Review's 7th Annual CEO + CFO Roundtable in Chicago Nov. 12-14, 2018.

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

“Part of coming together is the intent to lower the expense number as the revenue number grows.”

– Terri Newsom, Chief Financial Officer, Prisma Health

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. ■



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

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.

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

– Elizabeth Bolt, Senior Vice President and Chief Operations Officer, UW Health

"I think one of the biggest things that ... paid off ... was having the foresight to start physician leadership programs."

– Tony Armada, Chief Operations Officer, Verity Health

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 had 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. ■

4 pieces of advice for health system strategy development and execution

As providers work to keep up with the cascade of new regulations and innovations in care delivery, it's essential to both craft a competitive strategic plan and successfully implement it. But the word "strategy" can mean different things to different people within an organization. Creating a comprehensive strategy to support numerous goals and considerations is a challenge, especially when the word itself can be so overused its meaning becomes opaque.

"The joke in our organization is that when you are not sure what to say, you just say 'I think we have to be strategic about this,'" said Mahesh Vijay, MD, executive director, health systems and payers, Boehringer Ingelheim. "One of the reasons strategy is such an opaque term [is] because there is corporate strategy, then there is brand strategy, there is customer strategy, there is digital strategy. And all of these coming together just causes a lot of confusion."

Dr. Vijay joined a panel of thought leaders to discuss health system strategy

creation and execution at the Becker's Hospital Review 7th Annual CEO + CFO Roundtable Nov. 13 in Chicago. The other panelists were: Stephen Lothrop, managing director at Prism Healthcare Partners; Andy Zukowski, CFO of UNC Rex Healthcare in Raleigh, N.C.; and Nicholas Mendyka, CFO of Charlottesville-based University of Virginia Medical Center.

Here are four key considerations for developing and executing strategic plans discussed by the panel:

1. Align strategy with the organization's mission and define strategic priorities.

It is critical for any organization to make sure its strategic goals align with its overall mission, according to Mr. Zukowski. At UNC Rex Healthcare, the challenge has been creating and coalescing strategy around the academic health system's tripartite mission, which focuses on clinical services, research and education.

UNC Rex Healthcare is going through a redesign of its strategy. The organization has found it is essential to clearly define

strategic priorities. Without a clear idea of those priorities, execution is much more challenging.

Clinical integration and achieving growth in a high-growth market emerged as the organization's top priorities. "Now that we have defined [those priorities], it is interesting to see how it is cascading through buy-in, communication, change management and leadership," Mr. Zukowski said.

members, much more understood by physicians."

UVA is trying to create more accountability around targeted, change-focused work that truly moves the needle on its strategic goals. Additionally, the organization does not take on any proposals for initiatives that do not clearly articulate how it will fit into the health system's strategic plan.

"Healthcare is awash in data, and the key is, how do we harness that data and pull it into a cognitive framework [that helps us] measure different perspectives and capture them."

– Stephen Lothrop, Managing Director, Prism Healthcare Partners

2. Strategy is only as good as your ability to execute it. An organization can have great strategy on paper, but it will fall apart if it's not effectively deployed, said Mr. Mendyka. Organizations must ensure the strategy takes root across an organization by educating staff and involving them in the planning process.

"I've seen my organization take strategy, both good and bad, and execute it differently," he said. "But I can say that the work we are trying to undertake to advance our organization is much more understood now by front-line team

3. Buy-in is essential. When healthcare executives talk about strategy, the word win often comes up – everyone wants to create a winning strategy. But while the broad goals of an organization are generally agreed upon, there are typically many different perspectives on how the organization should go about achieving them, said Mr. Lothrop.

Strategic initiatives take into account all cost centers and divisions as well as the numerous leadership priorities within the entire organization.

According to Mr. Lothrop, there are three key questions that can help define success for strategic initiatives:

- Is it economically feasible?
- Is it mechanically feasible? Can we pull it off?
- Is it politically feasible? Can we get everyone on board?

Traditionally, these questions have been answered by those at the top of an organization, but in a more advanced system, all perspectives should be taken into account, along with the relevant data.

“Healthcare is awash in data, and the key is, how do we harness that data and pull it into a cognitive framework [that helps us] measure different perspectives and capture them,” said Mr. Lothrop.

Without buy-in from all health system stakeholders, implementing any sort of strategic plan is difficult.

4. Create a pathway for innovation.

It’s sometimes harder to decide where to innovate than it is to figure out how to innovate, said Dr. Vijay. Boehringer Ingelheim created an innovation team that drives top-down innovation, but they are also investing in front-line innovation.

Boehringer Ingelheim set up a process to bring in ideas that came up when the company’s front-line team engaged with a health system or payer. The process allowed leadership to examine these ideas and decide whether or not to take those ideas further and include them in the overall strategic plan of the company.

Ultimately, strategy is about setting up a pathway for success, and it is most effective when solving problems with the organization’s overarching goals in mind.

“We often forget, strategy is not opportunistic, and it is not reactive,” said Mr. Mendyka. “So what we try to do is we try to be resolute in what we want to accomplish as an organization and try to anchor our strategic goals,” he added. ■

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– Nicholas Mendyka, Chief Financial Officer, University of Virginia Medical Center

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