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**ACHE 2023 CONGRESS**  
on Healthcare Leadership

# **Closing the Gap**

Funding the New Normal of Healthcare  
Operations

# Disclosure of Relevant Financial Relationships

- The following faculty of this continuing education activity has no relevant financial relationships with commercial interests to disclose:
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  - Allen Smith, MD

# Faculty

- Allen Smith, MD
  - President and CEO, South Shore Health
- John Budd, MBA, FACHE
  - Principal, ECG Management Consultants

Note: This is a required slide to meet ACHE's continuing education provider requirements.

# Learning Objectives

- Present evidence-based models and lessons learned from leaders across the country in how to lead and sustain margin transformation.
- Offer leaders an understanding of what it takes to effectively lead margin transformation at an organizational scale.

Note: This is a required slide to meet ACHE's continuing education provider requirements.

# Agenda

1



**Organize for Margin Improvement**

Develop a robust structure to select, prioritize, and manage improvement initiatives.

2



**Unlock Sustainability through Efficiency**

Focus on initiatives that reduce the pain points that distract from your mission.

3



**Use Technology that Creates Real Value**

Make it easier to work in healthcare by adopting and refining enabling technology.

4



**Fund the Operating Model of the Future**

Be rigorous in managing expenses to reinvest in the operating model of the future

Note: This is a required slide to meet ACHE's continuing education provider requirements.

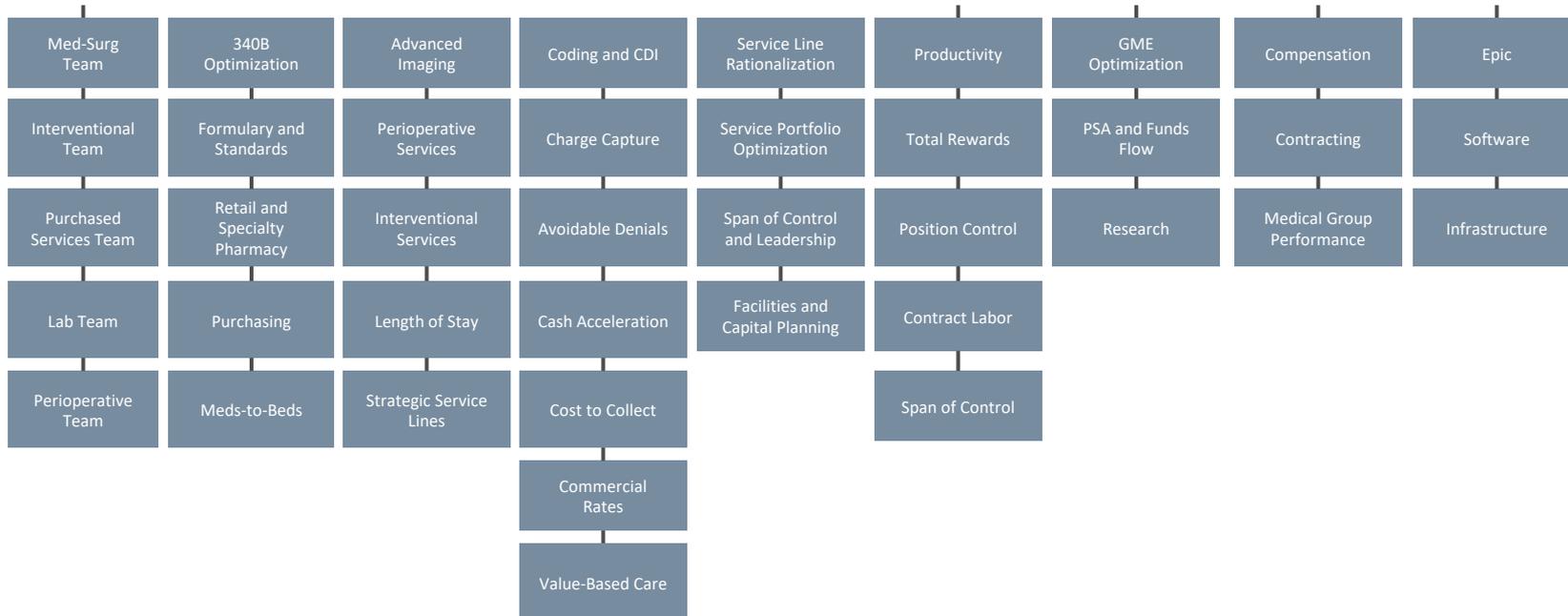
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# Organize for Margin Improvement

# Where Is \$100 Million Hiding?

Successful health systems need to be able to organize and balance competing priorities across what can be hundreds of complex projects.



# Essential Elements of a Margin Improvement Plan



Defined and unified accountability and governance structure



Detailed change management and communication plan



Project management tools to create a unified view of margin activities



Data and reporting capabilities to transparently track progress



Margin goals integrated with leader performance expectations



Work plans outlining key activities and accountable parties



Dedicated subject matter expertise

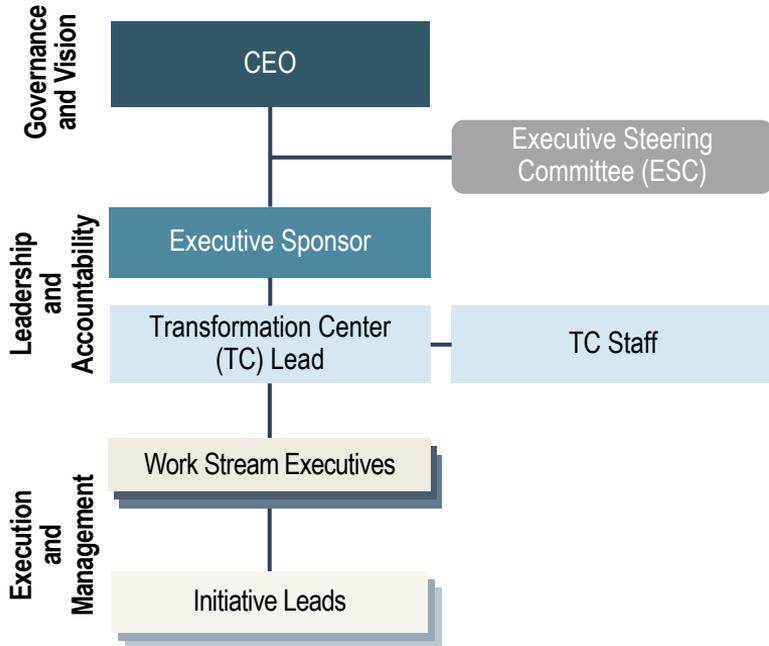


Epic and IT resources

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# Organizing for Transformation

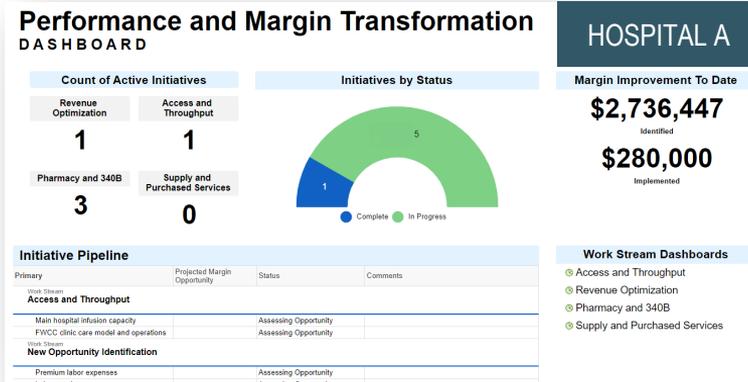
## High-Level Transformation Structure



Key Role Overview	
ESC	Functions as the <b>primary oversight group</b> for the engagement
Executive Sponsor	Operates as the executive over the transformation and <b>chair of the ESC</b> and is accountable for the success of the transformation
TC Lead	Serves as the <b>executive over the transformation</b> effort; ensures the coordination of all TC activities and resources and works with the sponsor to drive progress
TC Staff	Provides <b>subject matter expertise</b> , project management, and analytic and advisory support throughout the engagement
Work Stream Executives	A pairing of ECG and BAH leaders <b>accountable for all initiatives</b> within their identified work stream
Initiative Leads	<b>BAH initiative owners</b> who ensure that improvements are implemented

# Operationalizing Transformation

TC leaders should utilize evidence-based change management practices accompanied by performance management tools to drive successful adoption of new models and processes.



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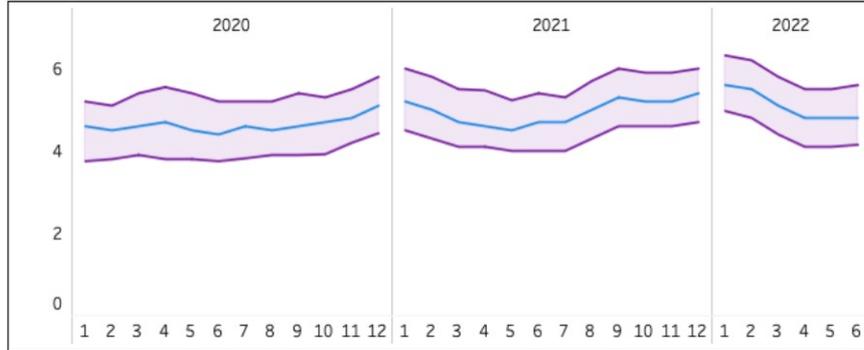
# Unlocking Sustainability through Efficiency

# The Cost of Inefficiency

According to Strata's Signals, Trends, and KPIs report, throughput is an operational and clinical problem with significant financial ramifications.

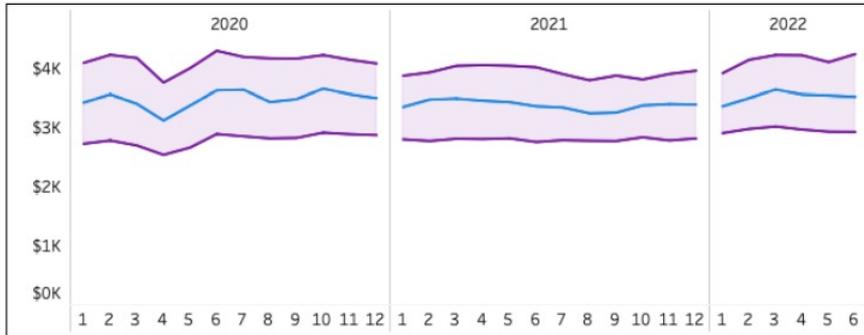
Average Length of Stay (LOS)

	Median	% Change vs 2019
2019	4.3	
2020	4.6	▲ 7.0%
2021	5.0	▲ 16.3%
2022	5.1	▲ 18.6%



Direct Inpatient Cost per Day

	Median	% Change vs 2019
2019	\$3,180	
2020	\$3,509	▲ 10.3%
2021	\$3,386	▲ 6.5%
2022	\$3,545	▲ 11.5%



Did You Know?

The average hospital can save nearly \$20 million by reducing its LOS by half a day.

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# LOS Matters

Improved LOS has been shown to have a host of positive safety impacts and financial benefits and may also reduce the drivers of worker burnout.

Benefits of Improved LOS

- Reduction in ED boarding hours
- Fewer 30-day readmissions
- A reduction of ED left-without-being-seen rates
- Increased access for surgeries
- Reduced mortality rates
- Fewer transfer denials
- Improved patient satisfaction scores
- Reduced low-value care

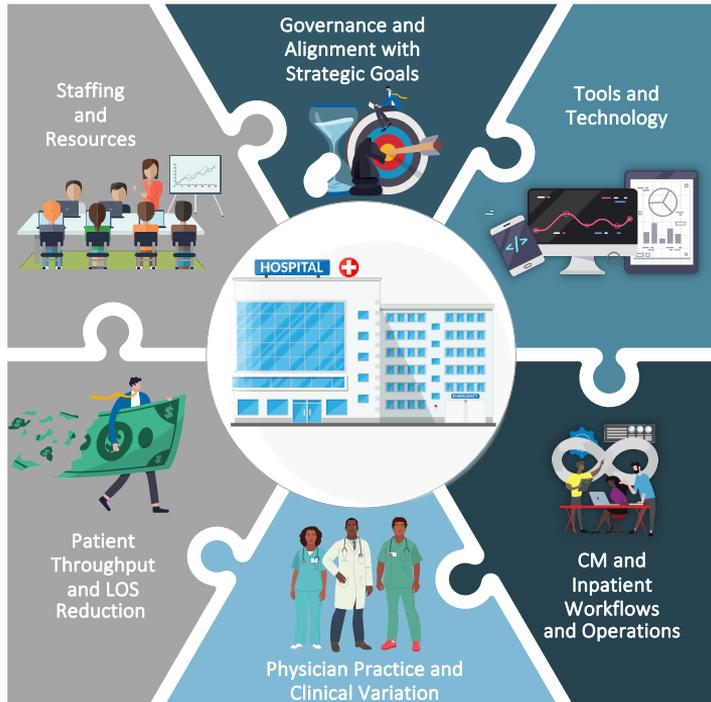
- Excessive workload
- Administrative burdens
- Lack of care coordination
- Lack of human-centered technology
- Lack of leadership support
- Excessive workload and work structures
- Limited flexibility, autonomy, and voice
- Limited time with patients and colleagues
- Harassment, violence, and discrimination

Drivers of Worker Burnout

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# Ways to Address LOS to Improve Financial Performance



## Areas of Missed Opportunity

- Interdisciplinary rounding structure
- Centralized bed management
- Home health expansion and optimization
- Ensuring patient placement through effective utilization review in the ED
- Use of predictive LOS tools
- Specialized emergency behavioral health units
- Geographic and specialty patient bed placement and staffing

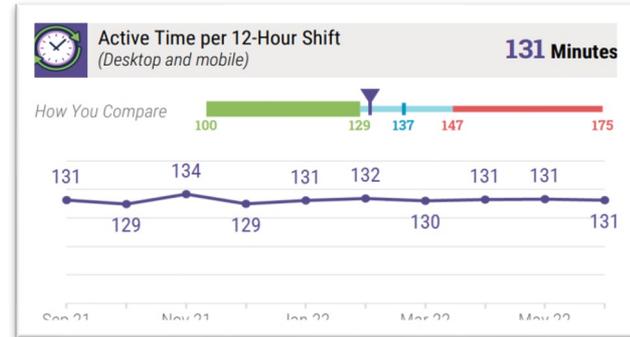
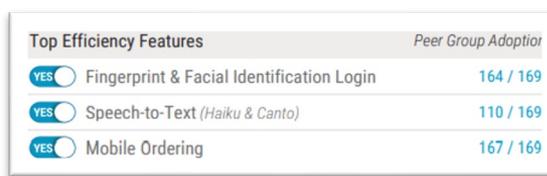
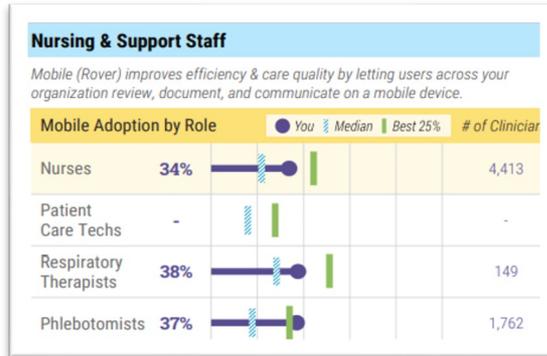
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**Focus on Technology with  
Immediate Value**

# Prioritize Optimization to Take Full Advantage of Your Existing EHR

While health systems have invested heavily in their EHR, even the most technologically advanced providers often fall short of taking full advantage of functionality that can help with efficiency, retaining staff, and enhancing revenue and volume.



# Digital Health Reset

For the last several years, health systems have aggressively invested in new digital health products and strategies and have seen varying levels of return. The lack of a clear return has caused many once digital health “unicorns” to rethink their value proposition.



**Olive cuts 450 staffers as CEO cites 'missteps' with fast growth, lack of focus**



**IBM sells Watson Health assets to investment firm Francisco Partners**



**Truepill, a digital health unicorn, conducts fourth round of layoffs in 2022**



**Digital health unicorn Carbon Health cuts 8% of staff, citing concerns about its bottom line**



[Star witness who visited Elizabeth Holmes after fraud trial says 'she needs to pay her debt to society'](#)



**Digital health app Babylon plans layoffs**

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# Identify Technology that Can Deliver a Clear Return Immediately

Hospitals are looking at tools such as robotic nurse assistants and other capital-light solutions to immediately help workers, rather than relying on softer value propositions.

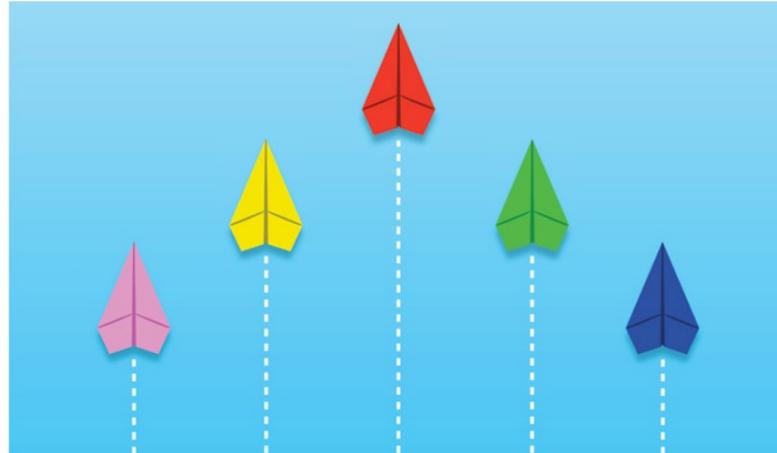
## HOSPITAL ROBOTS ARE HELPING COMBAT A WAVE OF NURSE BURNOUT

BY WIRED | APRIL 19, 2022



HEALTH  
IT ANALYTICS  
xtelligent HEALTHCARE MEDIA

TN Health System Strikes Partnership to Deploy AI-Driven Virtual Nursing



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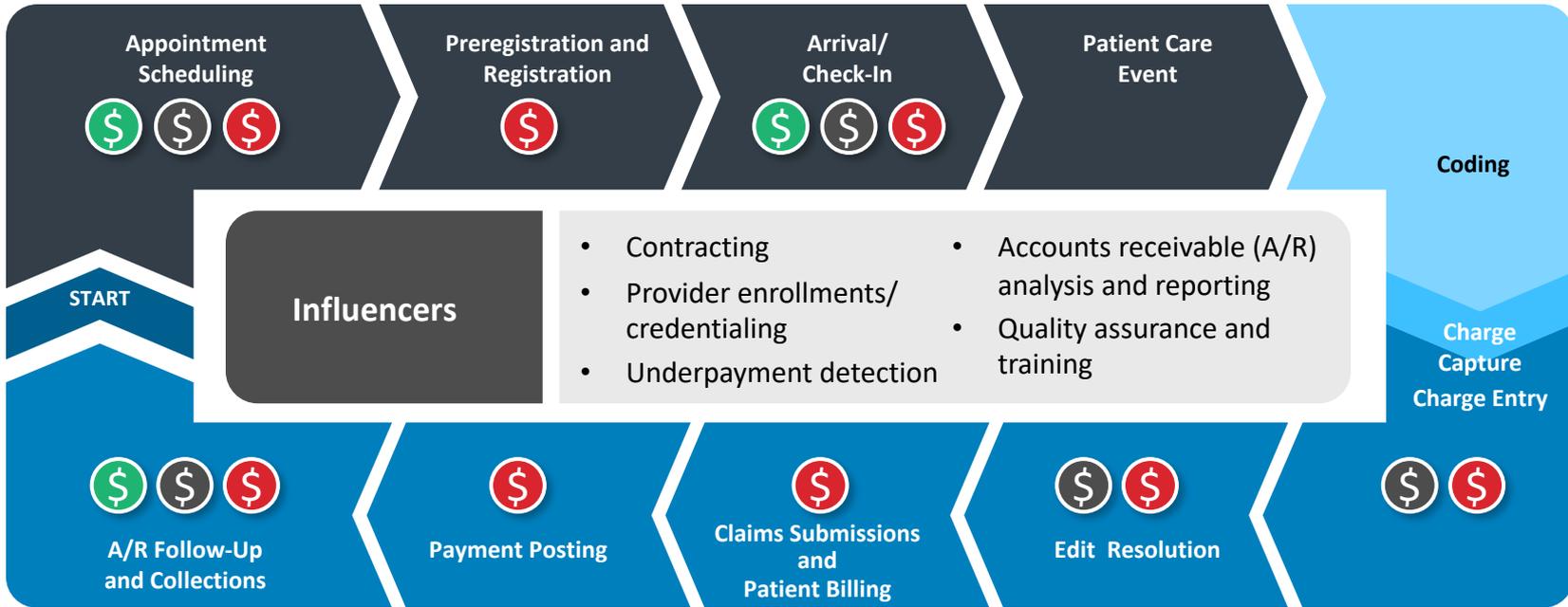
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**Fund the Operations of  
the Future**

# Find Quick Wins in Revenue

Revenue cycle is one of the highest return areas of margin improvement for many health systems and an advantageous place to start from a change management perspective.



Direct Opportunity for Cash Collections

Opportunity for Increased Collections from Process Enhancement

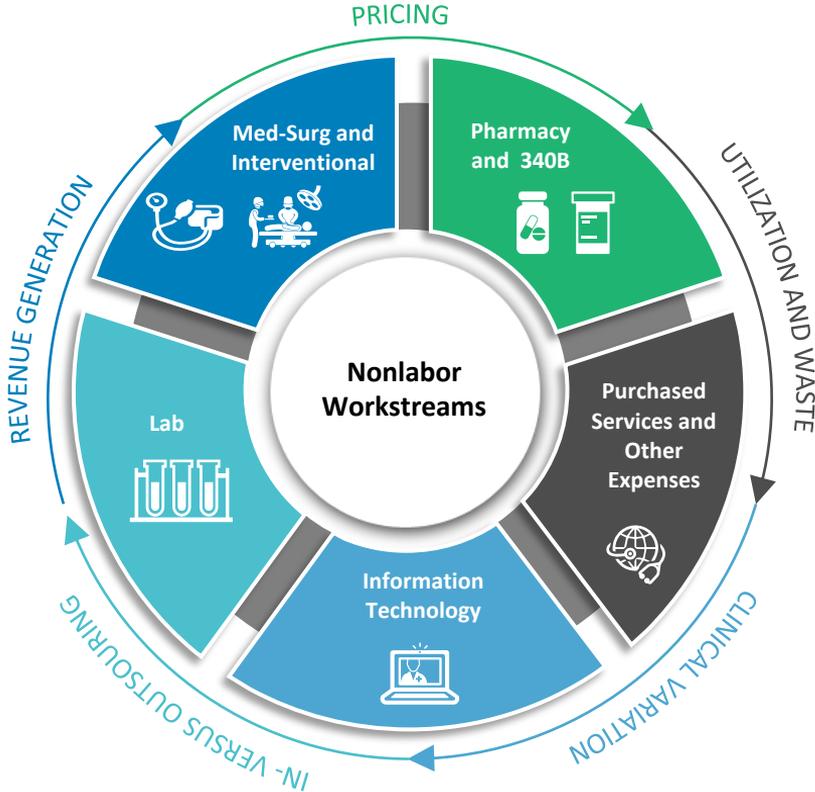
Opportunity for Cost Savings from Increased Efficiency

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# Improve Nonlabor Margins

Nonlabor expenses can make up more than 40% of a health system's expense base and represent a less controversial area to focus for expense reduction.



## Areas of Missed Opportunity

- Gaps in contract pharmacy network coverage
- Lack of adherence to or establishment of consistent clinical formularies
- Failure to sunset redundant applications after an EHR transition
- Missing fail-safes to ensure that purchases are effectively categorized as WAC, 340B or GPO
- Overreliance on GPO for savings
- Food and environmental services
- Print management

# Reduce Overhead

Investing in the clinical workforce requires health systems to ensure that they are efficient in the overhead that they choose to create.

## Common Overhead Pitfalls

- Insisting that everything is done “in house”
  - Creating new leadership roles to help provide pay raises for long-term employees
  - Following the trends in new leadership roles regardless of organizational size
  - Not scaling up and down for big projects and implementations
  - Overinvesting in IT and digital health tools
  - Lack of a cohesive succession plan
  - Underestimating or overestimating what it will take to succeed in “value-based care”
  - Failure to create a system leadership structure after integration
- 

# A Simple Story about Sugammadex

Health systems frequently leave money on the table by lacking the control processes necessary at the department level to recognize pharmaceutical savings.

## What is Sugammadex or Bridion?

An injection intended to reverse the effects of anesthesia for post surgical patients. It costs about \$1,300 per dose.

## Why is this an opportunity?

While Bridion can accelerate operative cases, in many instances, the incremental costs may not be offset. There are many drugs like this, but many organizations lack the structures to manage their use.

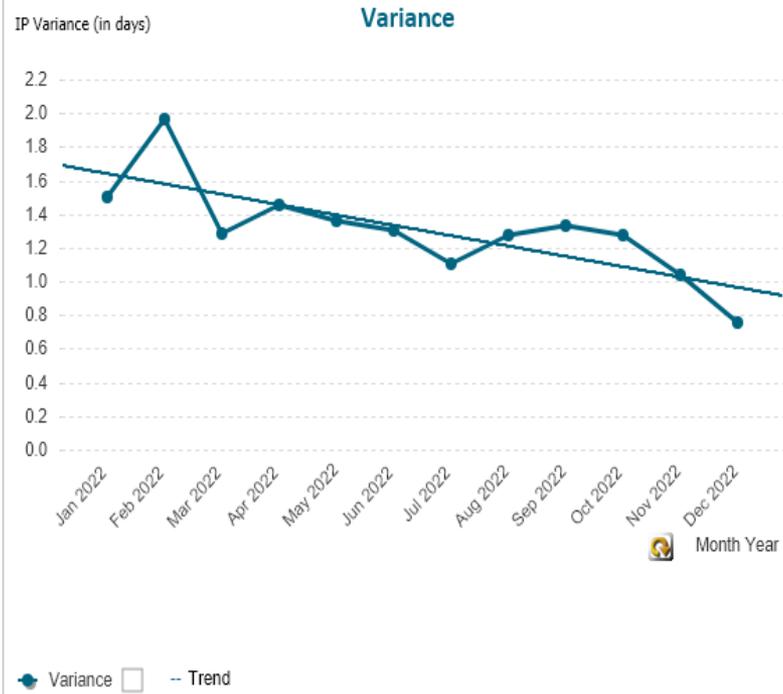
## What to do?

One organization had established guidelines but did not hardwire them into the ordering systems. By simply following their own protocol, they were able to save \$500,000 in cash over a six-month period.

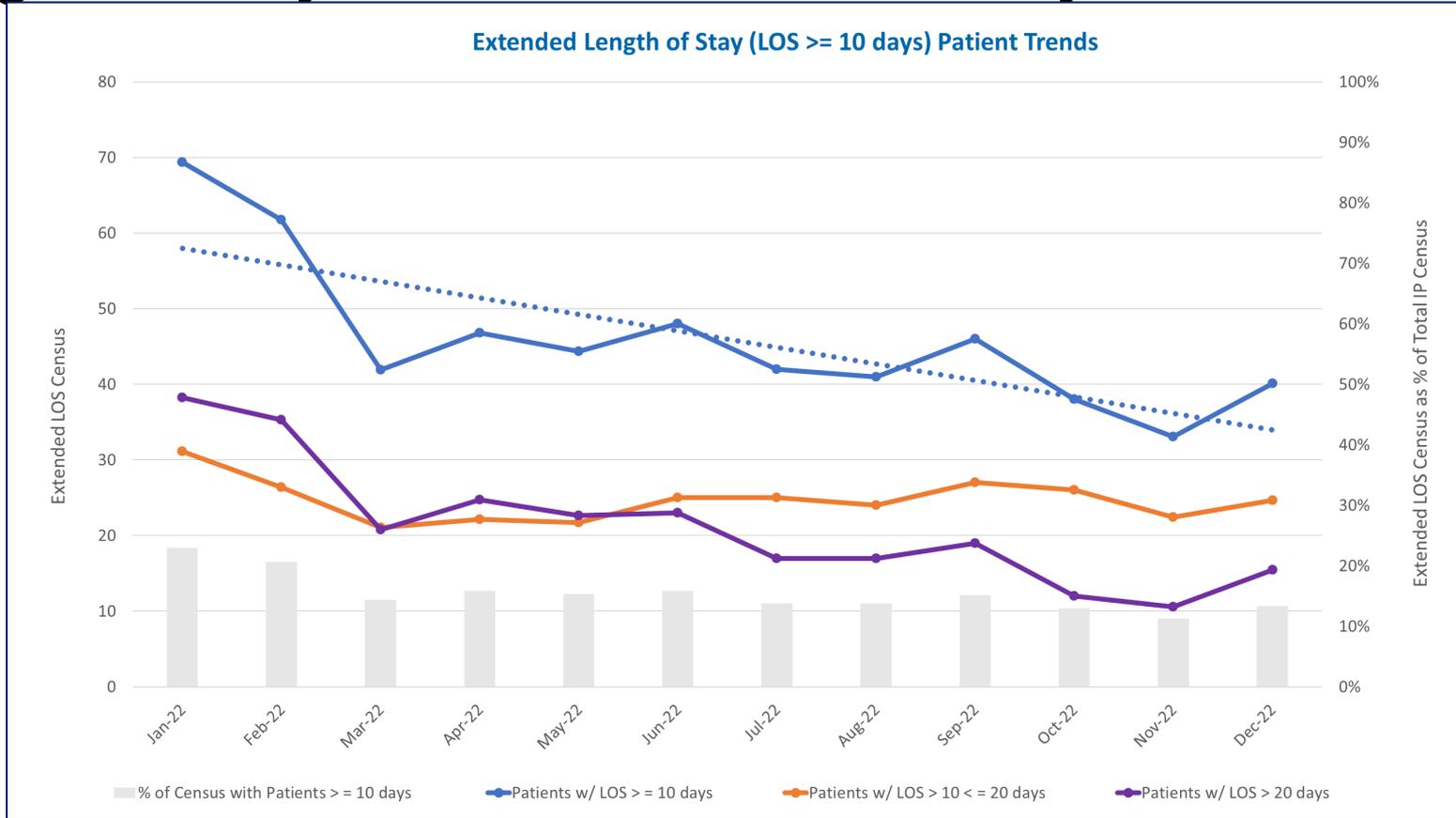


# Length of Stay (LOS) Improvement At South Shore

# Length of Stay Trends: All Patients



# Length of Stay Trends: LOS $\geq$ 10 Days



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Extended LOS Census as % of Total IP Census

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