Is Your Community Hospital Heading for Trouble?

Turnaround Help is Here

Critical Steps for Improving Community Hospital Performance
**ABSTRACT**

Rural and community hospital leaders – at the forefront in meeting community healthcare needs – frequently encounter challenges that may significantly impact operations and an organization’s long-term financial viability. From variations in patient mix to marketplace mergers and legislative reform, the environment continues to change.

When faced with a declining performance, it’s important to act quickly with operational changes that can help turnaround the situation and position your facility for success.

This white paper will help hospitals facing declining reimbursement, decreasing inpatient volumes, increasing costs, tripped bond covenants and other performance challenges by providing actionable information to improve their performance.

**INTRODUCTION**

Strong community hospitals are critical to the vitality of entire populations, especially in smaller communities, because they support both the health and economy of the communities they serve.

Struggling community hospitals can get started on an improvement plan with three critical steps for a successful turnaround: Awareness, Analysis and Collaboration. Use this process and task checklists to help track and improve your hospital’s operational performance.
CRITICAL STEPS FOR HOSPITAL TURNDOWN

STEP ONE: Awareness. Leaders of ailing community hospitals usually realize there’s room for improvement but don’t recognize the severity of their situation. That’s why the first step toward improvement is recognizing that problems need to be addressed and changes need to be implemented.

Dire finances are an obvious crisis though a surprising number of hospitals fail to take quick, corrective action. Additional alarm signals include:

- A bond covenant violation
- Loss of a key executive
- Declining revenue
- Low days cash on hand
- Shaky market position
- Dip in patient volume
- Severe medical staff dissatisfaction or defection

Awareness is the first step for improvement.

STEP TWO: Analysis. Although every turnaround situation is different, the process typically starts with an operational assessment of several key areas that impact hospital performance.

The evaluation should include an extensive review of data and documents, as well as one-on-one interviews with board, executive and physician leaders to provide a full understanding of existing business issues.

This process will also bring to light any organizational vulnerability that isn’t immediately apparent and provide the basis for a turnaround program, including a detailed action plan and implementation support.
KEY AREAS FOR ANALYSIS:

Staff Productivity
Because labor costs are the largest operating expense for hospitals, managing staffing is a critical day-to-day process. Unfortunately, rural and community hospitals often lack the tools to monitor workload and measure productivity. As a result, labor costs become a larger proportion of operating expense than they need to be. The goal of productivity management is to make staffing appropriate and effective for high quality patient care.

Almost every hospital has some room to improve staffing productivity. Here are some top-line recommendations to help a hospital department run more like a successful business.

PRODUCTIVITY CHECKLIST

1. **Compare staffing levels to patient census information.** Look at the hospital as a whole and for each specific department. Reviewing staffing data over time will help identify trends and opportunities for improvement.

2. **Investigate the reasons for any discrepancies.** Bring key players to the table – department managers, administrators and others – to discuss possible alternatives. Would shifting and flexing based on time of year or physician activity be advisable? Invite questions from everyone engaged in the process.

3. **Set an acceptable productivity target standard.** Use the data review, input from personnel and national benchmarks to establish a standard staffing ratio for the hospital overall and for each department.

4. **Establish an ongoing tracking system.** A plan to maintain this productivity standard is critical for success. Successful hospitals make department managers responsible for meeting staffing benchmarks and for implementing flexible staffing based on patient census figures.

5. **Review the standard.** On an ongoing basis, set up a regular time for managers and leaders to review departmental staffing guidelines and make necessary changes.
Supply Chain
In addition to labor, supply costs are one of the fastest-growing hospital cost centers. Participating in a group purchasing organization (GPO) is an effective starting point to hold the line on supply expenses. However, maximizing supply chain efficiency goes beyond selecting the right GPO.

SUPPLY CHAIN MANAGEMENT CHECKLIST

1. Collaborate with key stakeholders to negotiate better pricing. The highest percentage of supply costs is often associated with a hospital’s operating room. Get everyone to the table with manufacturers – hospital executives, physicians and surgeons – to negotiate for more favorable prices on physician preference items such as orthopedic implants and cardiac rhythm medical devices.

2. Evaluate your group purchasing organization (GPO) options to maximize cost reduction. Today almost all hospitals have one or a variety of group purchasing contracts in place; however, the benefits offered vary significantly. For example, size is a disadvantage for smaller hospitals, which often pay more for the same products or supplies because their volume is much smaller, and they cannot access best-tier pricing based on dollar spend. It’s key to understand the savings your hospital can qualify for and select the GPO with the most benefit for your specific needs.

3. Analyze your materials management practices to get the most savings from your GPO. This process should include monthly or quarterly reviews to ensure your hospital is receiving previously negotiated prices from suppliers. It’s also helpful to cross reference hospital procurement data with your GPO contract list to identify opportunities for greater savings potential by converting to new products. Involving a multi-functional team of department leaders in this process helps ensure buy in.

Supply costs are one of the fastest-growing hospital cost centers.
Revenue Cycle

It’s also important to look closely at your revenue cycle for opportunities to improve revenue capture and collections. Especially in an environment when community hospitals are facing declining reimbursement rates and higher insurance deductibles. The good news – optimizing revenue cycle processes end-to-end can deliver bottom-line results.

The philosophy underlying the Revenue Cycle improvement is that hospitals manage what they measure. That’s why it’s important to educate the financial services staff about the importance of their roles, timeliness in managing patient accounts, monitoring the right performance indicators and accountability at all levels.

**REVENUE CYCLE CHECKLIST**

- **Charge Capture Evaluation:** Timely and accurate charge capture is vital because this process drives revenue generation. It also provides the most appropriate measurement of resource utilization. However, since charges are generated in many hospital areas and the process requires human intervention, these processes must be regularly evaluated for effectiveness.

- **Pricing Review:** Hospital pricing methodologies that are transparent and defensible are crucial to patients, payers and the overall healthcare market. All prices should be consistent, rational and easily explained to the public. In addition, prices should be designed to protect the hospital’s net revenue by not being below governmental fee schedule rates.

- **Coding and Chargemaster Audits:** Coding compliance and integrity is of upmost importance to the revenue cycle. Medical records coding as well as the charge description master (CDM), or chargemaster, codes should be reviewed regularly to identify and correct any potential issues and ensure codes are current and being utilized appropriately.

- **Managed Care Evaluation:** The need to evaluate managed care relationships has become a top priority for hospitals and other healthcare providers. By reviewing the “Top Five” health plan contracts, the process identifies opportunities to improve:
  - Contract Terms
  - Reimbursements
  - Payment Accuracy and Timeliness
STEP 3: Collaboration. The final critical element for a successful turnaround effort is the active participation of the board of trustees, executive leaders and physician leaders. Ideally, all parties will be involved from the start. However, by the time a turnaround plan is in place, cooperation among all three parties is crucial.

Regular meetings, multiple communication channels, relationship building and community involvement all help with this process.

Consider the following factors to establish a positive working relationship that will facilitate an optimistic outcome.

**COLLABORATION CHECKLIST**

- **Define Roles and Responsibilities**
  For positive collaboration, it’s key to clearly define the roles for each group. Board members serve as strategists, overseers and community advocates, while executives handle management and operations. Physicians provide clinical expertise and a conduit for communication to the entire medical staff.

- **Proactive Communication**
  The need for collaboration makes communication of utmost importance. The executive team needs to share timely and critical information with the board and physician leadership frequently including informal phone calls and formal communication. An online portal can also serve as an additional communication channel. Trustees and physician leaders, in turn, are expected to reach out to the executive team if they have a question or concern, do their homework, come to meetings prepared, and participate in discussions and respectful debates.

- **Meetings That Matter**
  In order to keep meetings moving along, keep informational items off the agenda and focus face-to-face time on three to five major issues that require voting. The committee chair sticks to the agenda in order to keep the meeting on track.

- **Open Minds**
  All parties must be willing to embrace a new culture of change. It’s absolutely important for all involved to understand that methods of the past no longer work.
CONCLUSION

Regardless of the road ahead, community hospitals must continue to innovate and adapt to the environment. While the turnaround process is involved and may seem overwhelming, the collective responsibility of community hospitals to provide quality, local healthcare services is vital. A dedicated turnaround effort pays strong dividends for the hospital and the communities you serve.

Community Hospital Consulting Turnaround Services

CHC Consulting helps hospitals implement turnaround plans and guides them through the recovery period. Then, we can stand by to make sure things go as planned through continued consulting services or a management contract. Or we can equip you with tools and strategies to succeed confidently on your own.

The entire CHC turnaround process typically takes 12 to 24 months. During that time, a hospital is repositioned to serve as a community resource for years to come.