



# 5 Actions to Improve Healthcare's Bottom Line

## WHERE HEALTHCARE ORGANIZATIONS SHOULD FOCUS TO HELP SECURE THEIR FINANCIAL FUTURE

By Michael Pou

Growing expenses fueled by workforce challenges combined with supply chain shortages, payment constraints, payor challenges, and inflation are exacerbating the urgency for healthcare organizations to reduce costs and regain their financial foothold.

According to a recent [American Hospital Association report](#), 33% of hospitals are operating on negative margins. Longer-term financial pressures, like the rising cost of capital and subsequent COVID-19 surges, will continue to stress health systems for the foreseeable future. How organizations respond now will be instrumental in shaping their financial future.

A combination of short- and long-term initiatives will be needed to relieve immediate margin pressure while simultaneously altering cost structures and business models that reposition organizations from incremental optimization gains to longer-term transformation for continued growth and improvement.

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**These five high-impact actions will provide healthcare organizations with the foundation to make significant, sustainable changes to improve their bottom line:**

1. Confront workforce woes with investments in talent and culture.
2. Redesign clinical operations to enable better, patient-centered care.
3. Shift the mindset by treating the medical group as a growth asset.
4. Get paid for what you do.
5. Create a continuous improvement engine.

## 1. Confront Workforce Woes With Investments in Talent and Culture

After months of relying on agency nurses to fill vacancies, healthcare organizations must begin putting together an exit strategy and focusing on a more sustainable approach to address healthcare's workforce crisis. With a projected [shortage of 18 million healthcare workers](#) by 2030 and employee engagement declining, organizations need a [holistic talent strategy](#) anchored by a people-focused culture.

While health systems will likely need to leverage agencies in some capacity in the short term to alleviate staff workloads, more strategic levers to attract and retain permanent talent are needed. As the war for talent intensifies, investing in culture is nonnegotiable.

| SHORT TERM   | LONG TERM  |
|--|--|
| <ul style="list-style-type: none"><li>Diversify total rewards to align to evolving workforce models.</li><li>Retool job descriptions to be more skills-based to appeal to a broader applicant pool.</li><li>Minimize administrative red tape for a fast and seamless onboarding experience.</li><li>Create flexibility through internal float pools.</li><li>Increase retention and support through immediate gratification rewards and mental health and well-being programs.</li></ul> | <ul style="list-style-type: none"><li>Cultivate a people-centered culture by creating an environment where employees can connect to their passion, feel valued, and are engaged by leaders.</li><li>Provide defined career ladders and learning and development opportunities to <a href="#">upskill talent for the future</a>.</li><li>Embed diversity and well-being into the organization's leadership and culture.</li><li>Use technology to reduce rote, transactional tasks and maximize human capacity for more strategic work.</li></ul> |

## 2. Redesign Clinical Operations to Enable Better, Patient-Centered Care

As organizations seek to provide a more seamless care experience, reduce costs, and generate revenue, forward-thinking leaders are re-imagining clinical operations and strategies to better support consumers' healthcare needs and provide the most effective care possible.

| SHORT TERM   | LONG TERM  |
|--|--|
| <ul style="list-style-type: none"><li>Refocus on tactics to reduce length of stay (LOS), such as interdisciplinary rounds, patient placement, and effective care management, that help move patients through the system more effectively to enhance care and staffing efficiency, reduce supplies, and improve patient satisfaction.</li><li>Re-validate clinical productivity goals by leveraging data-enabled tools to adjust staffing levels based on adjusted patient volume to better meet demand and confirm open positions and hiring targets.</li><li>Dashboards and analytics should be used to support shift management tools and promote accountability to better serve patients based on real-time demand.</li></ul> | <ul style="list-style-type: none"><li>While the shift from volume to value-based care continues to lag, organizations need to be strategizing on how to <a href="#">evolve care delivery</a> to provide the outcomes and an experience consumers need and want.</li><li>Evaluate alternative care settings, including telehealth and acute care at home, to provide consumers with more convenient care options to increase capacity.</li><li>As organizations take on more risk, clean data and tools like enterprise resource planning (ERP) platforms will be vital in reducing costs and deriving savings through data-driven workflows and efficient <a href="#">supply chain management</a>.</li></ul> |

### 3. Shift the Mindset by Treating the Medical Group as a Growth Asset

Healthcare organizations can no longer afford to invest in clinics without a greater return on investment. Relying solely on downstream referrals is not enough. Organizations should be evaluating how to maximize their current assets to ensure every facility is financially stable on its own and has a clear pathway for strategic growth.

| SHORT TERM  | LONG TERM  |
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| <ul style="list-style-type: none"> <li>Understand clinic costs by department/cost center and conduct a benchmarking analysis to reveal which areas can support financial and operational improvements.</li> <li>Use benchmarking tools to match staffing to demand based on variables, such as patient volume and specialty- and clinic-specific needs, to improve staffing efficiency and reduce labor costs.</li> <li>Standardize staffing roles and business structures across clinics to alleviate silos and <u>promote operational alignment</u> that drives additional cost savings, especially for large and complex organizations.</li> </ul> | <ul style="list-style-type: none"> <li>Use data to understand the organization's obtainable market and drive an access strategy to pick up untethered patients and minimize network leakage.</li> <li>As <u>consumer loyalty softens</u>, prioritize a data-driven, robust primary care strategy that allows patients to access the system easily.</li> <li>Shift from a relative value unit (RVU) production model to incentivize providers through panel-based goals and grow the network by aligning physician goals to treat more patients in the community.</li> <li>Improve patient retention by creating a seamless, <u>consumer-centric access experience</u>. For example, forward-thinking leaders are re-imagining contact centers as engagement hubs inclusive of scheduling, clinical intake, social needs screening, and other functions impacting care access.</li> </ul> |

### 4. Get Paid for What You Do

Building financial health through cost containment and revenue improvement is more vital than ever. To reach an ideal state, health systems need to move costs and revenue in balance. Breakthrough improvements in both areas will rely on technology, data, and analytics to drive efficiency and decision making.

| SHORT TERM  | LONG TERM   |
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| <ul style="list-style-type: none"> <li>Investment in clinical documentation improvement (CDI) programs remains a key initiative to <u>drive cost reduction</u> and maximize revenue in a relatively short time frame.</li> <li>Organizations with robust CDI programs should be exploring how technology and artificial intelligence (AI) like natural language processing, ambient listening, and machine learning can help reduce administrative burden and increase the benefits of CDI programs.</li> <li>Use a robust reporting and analytics process to proactively manage billing errors. Accelerate the optimization of electronic health records (EHR) through a buy versus build mentality for high-priority, systemic issues.</li> </ul> | <ul style="list-style-type: none"> <li>Rethink the connectedness of revenue cycle functions and focus on how to create a model that drives business outcomes, such as maximized reimbursement and cost-to-collect and improved patient experience.</li> <li>Start with a solid foundation — a healthy revenue cycle and key metrics — then build in automation to minimize repetitive, low-risk processes and reduce costs.</li> <li>Build payor accountability in contract years to create reasonable standards for reviewing old claims and ad hoc requests.</li> <li>Seek <u>strategic collaborations</u> or consider off-campus revenue cycle support to minimize resource disruptions and distractions to maintain momentum and accelerate results.</li> </ul> |

## 5. Create a Continuous Improvement Engine

To break the cycle of incremental improvement and reactive measures, organizations need to rethink how they operate. A foundation for continuous improvement is the best defense against the next major disruption. Creating an internal structure that continually incentivizes improvement and drives waste out of the system as the business evolves and new challenges arise will position organizations for long-term success and growth.

| SHORT TERM  | LONG TERM   |
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| <ul style="list-style-type: none"><li>Leverage external vendors and business relationships to provide an objective view and expertise to prioritize opportunities and prepare organizations to be sustainable on their own.</li></ul> | <ul style="list-style-type: none"><li>Invest in talent and expertise, build a culture that promotes accountability, and establish governance structures for reviewing and implementing change.</li><li>Balance investment in three essential areas — clinical, operational, and strategic capabilities — and create an infrastructure to address “break-fix” needs to strategically innovate and develop solutions in real time before issues compound.</li></ul> |



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