Ten Overlooked Opportunities For Cost Savings in Rural and Community-Based Hospitals
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Huron Healthcare’s Performance Improvement Database reveals opportunities even at high-performing organizations

Each year, internal improvement teams at hospitals and health systems save their organizations millions of dollars by streamlining processes and reducing costs. However, many opportunities remain untapped—even at high performing organizations.

An analysis of the Huron Healthcare Performance Improvement Database revealed 10 key areas in which our teams consistently find significant performance improvement and cost savings opportunities at rural and community-based hospitals. As market pressures continue to grow, a comprehensive yet granular approach to reducing expenses in every possible area creates a tremendous opportunity to make healthcare delivery more efficient, fund the changes that reform is bringing, and help position hospitals to thrive.

<table>
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<tr>
<th>Opportunity</th>
<th>Typical Expense % Improvement Opportunity</th>
<th>Challenges of Implementing Internally</th>
<th>Key Self-Assessment Questions</th>
<th>Ease of Implementing</th>
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| HR Benefits                  | 6-8% improvement in benefit spend ($500,000-$700,000) | Providers may not have the specialized expertise in new reform requirements, compliance, patient-centered medical homes, population health management and other capabilities to maximize investment in benefits. | - What types of comparative/peer data do we have access to?  
- What sources are we currently utilizing?  
- How often are our benefits reviewed, and by whom?  
- Are our total benefits expenses per full time employee surpassing benchmarks for our market?  
- Is our total employee labor expense less than 45% of our total operating expense? | Medium               |
| Purchased Services           | 5-15% improvement in purchased services spend ($600,000-$1,000,000) | Departments can be distracted by other priorities such as large implementations. Providers do not typically employ professional negotiators. Specialists with deep knowledge usually required to maximize the benefit. | - Are there agreements in place in these areas?  
- How frequently are contracts reviewed?  
- Is this function centralized or de-centralized?  
- How frequently are competitive bids solicited?  
- Who is appointed to manage our purchased services contracts? | Medium               |
| Staffing to Demand           | 5-8% improvement in labor costs ($3-6 million) | Many providers do not have tools or infrastructure in place to closely manage staffing on a real-time basis. High level of discipline required to create full benefit. | - What labor productivity measurements do we use?  
- How much overtime do we pay? What are our agency nurse costs per quarter?  
- How do our labor costs compare to industry and peer-to-peer benchmarks? | Hard                 |
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| **Front-End Revenue Cycle**                     | 2-4% improvement in net patient revenue ($3-$6 million) | Decentralized processes often mean many stakeholders are involved, and processes and tools can be inconsistent. Metrics to monitor performance are hard to define and even harder to gather in an automated fashion. The time-sensitive nature of front-end processes makes it difficult to implement changes without putting accounts at risk. | - Do we secure eligibility and authorization for more than 95% of our patients before they receive service?  
- Are we using these and other predictive indicators to proactively improve performance and hold staff accountable? | Hard |
| **Maximizing 340B Pharmacy Benefit Program Discount** | 10-30% improvement in 340B program savings ($500,000-$1.5 million) | Program maximization must be coupled with careful management of compliance requirements. Deep expertise and real-time monitoring required to maximize the benefit. | - Have we maximized our potential 340B program benefit?  
- Have we developed a retail pharmacy strategy and network?  
- Have we established criteria and timeline for a regular review of our 340B program, evaluating expansion options and compliance risks? | Hard |
| **Non Clinical Supply Costs Linen Utilization**  | 5-20% improvement in linen costs ($40,000-$200,000) | Processes that create overutilization so ingrained into workflow that opportunities for savings are not recognized. Discipline and rigor required to create new processes and maintain benefits. | - How does our performance compare to industry benchmarks?  
- What is our linen utilization per week?  
- Have we considered new workflows that would change our utilization levels? | Medium |
| **Optimizing Operations of Employed Medical Groups** | 5% improvement in revenue ($4-5 million in annually recurring additional revenue for a typical 100-150 physician multispecialty group) | Physicians do not typically have the tools and metrics in place to measure, analyze, and improve throughput. Resources specializing in medical group management and overall practice revenue and expense improvement typically not available to activate and implement change. | - How do we compare to a high performing medical group of similar size and complement as our group?  
- How do we manage the current subsidy?  
- How we align the overall group to allow us to compete in our market and take on risk related payer contracts? | Easier |
| **Clinical Operations Efficiency**               | 4-8% reduction in patient days Reduce variable costs by 1-3%, or generate 2-4% net revenue improvement for capacity constrained organizations ($3-$6 million) | Number of disciplines impacted (i.e. nursing, physicians, ancillary areas) makes it difficult to achieve sustainable, comprehensive change internally. | - Is our risk adjusted length of stay by DRG greater than 75th percentile?  
- Do we have long ED and/or OR wait times compared to benchmarks?  
- Do we have high or increasing clinical denials compared to benchmarks?  
- What metrics do we use to hold staff accountable to best practice processes? | Medium |
Huron Consulting Group helps clients in diverse industries improve performance, comply with complex regulations, reduce costs, recover from distress, leverage technology, and stimulate growth. The Company teams with its clients to deliver sustainable and measurable results. Huron provides services to a wide variety of both financially sound and distressed organizations, including healthcare organizations, Fortune 500 companies, leading academic institutions, medium-sized businesses, and the law firms that represent these various organizations. Learn more at www.huronconsultinggroup.com.

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<td>Reprocessing Single-Use Clinical Devices</td>
<td>15-40% improvement in single-use clinical device costs ($200,000-$500,000)</td>
<td>Misperceptions around reprocessing may prevent organizations from pursuing improvement opportunity in this area. Reprocessing single-use clinical devices is FDA regulated, and many studies have proven that reprocessed devices are safe.</td>
<td>- Have we considered the latest evidence-based research related to reprocessing? - Do we have a system or structure in place to effectively and efficiently execute reprocessing?</td>
<td>Medium</td>
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<td>Blood Management</td>
<td>10-20% improvement in blood management costs ($75,000-$450,000)</td>
<td>Can be difficult for physicians to make peer-to-peer changes on blood practices. Can be a challenge to develop the processes and metrics needed to track opportunities for improvement and sustainability of the program.</td>
<td>- What criteria are in place for blood transfusion? - What processes are in place to manage the overall cost of blood and blood products? - How has the total cost of blood changed over the past few years in relation to volume?</td>
<td>Hard</td>
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* All figures in this table are estimates based on Huron Healthcare’s Performance Improvement Database, which reflects the average performance improvement opportunities for our clients. Actual opportunities vary based on the unique attributes of each organization. Huron conducts assessments to determine true improvement opportunity for each of our clients.

This table represents just a fraction of the areas Huron Healthcare helps providers uncover each year. To explore additional areas of opportunity your organization might pursue, contact Jim Martin at jmartin@huronconsultinggroup.com or 214-395-6089, or visit www.huronconsultinggroup.com/healthcare.

**ABOUT HURON HEALTHCARE**

Huron Healthcare is the premier provider of performance improvement and clinical transformation solutions for hospitals and health systems. By partnering with clients, Huron delivers strategy and solutions that improve quality, increase revenue, reduce expenses, and enhance physician, patient, and employee satisfaction across the healthcare enterprise. Clients include leading national and regional integrated healthcare systems, academic medical centers, community hospitals and physician practices.

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