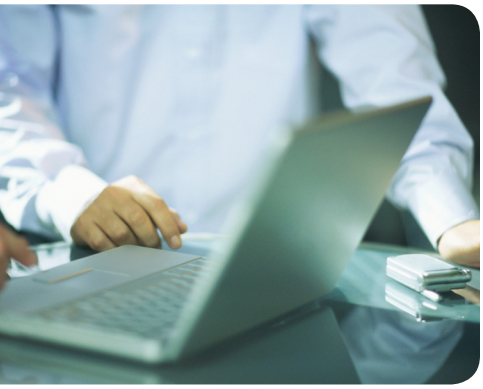
Huron Healthcare



Ten Overlooked Opportunities For Significant Performance Improvement and Cost Savings

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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 for performance improvement and cost savings 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 opportunity at hospitals and health systems, despite organizations' internal efforts to improve.

Our experience shows that efforts to transform operational and clinical performance – when implemented rigorously and systematically – can create a total improvement of 14-26%. As market pressures on hospitals and health systems 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, as well as fund the changes that reform is bringing.

Opportunity	Typical Expense % Improvement Opportunity (Dollar figures based on a 350-bed hospital with $365 million net patient revenue)	Challenges of Implementing Internally	Key Self-Assessment Questions	Ease of Implementing
HR Benefits Medical employee, prescription, dental, vision, long- and short-term disability	6-8% improvement in benefit spend **($2.2-$3.0 million)**	Providers may not have the specialized expertise in new reform requirements, compliance, 340B, 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? Are our contract paid hours less than 0.5% of our total paid hours?	Medium
Purchased Services Mostly outside GPO, including IT, HR and equipment service and management contracts, printing and banking services	5-15% improvement in purchased services spend **($1-2 million)**	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 Taking a flexible staffing approach to OR, nursing, ED, Imaging, etc.	5-8% improvement in labor costs per department **($10-$16 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
Front-End Revenue Cycle Access, point of service collections, insurance verification, financial counseling	2-4% improvement in net patient revenue **($7.5-$15 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.	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

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Maximizing 340B Pharmacy Benefit Program Discount	10-30% improvement in 340B program savings **($1-2 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 **($75,000 - $300,000)**	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
Physician Offices Improving Ambulatory Throughput	5% improvement in revenue **($3 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 physician office improvement typically not available to activate and implement change.	What is our current ambulatory throughput? How does it compare to industry and peer-to-peer benchmarks?	Easier
Clinical Operations Efficiency Case management, interdisciplinary care coordination, patient placement, bed turnaround, and transportation	5-10% reduction in patient days **(2-4% net revenue improvement opportunity for capacity constrained organizations)**	Difficult to establish and maintain the intensive and holistic focus needed to make sustainable change across many stakeholders and departments.	Do we achieve on-service placement of patients more than 90% of the time? Is our bed turnaround time under 45 minutes, from patient discharge to being ready for a new patient? Is our risk adjusted length of stay by DRG greater than 75th percentile? Do we achieve on-service placement of patients more than 90% of the time?	Medium
Reprocessing Single-Use Clinical Devices	15-40% improvement in single-use clinical device costs **($175,000- $315,000)**	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.	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?	Medium
Blood Management How and when blood is used and appropriate blood utilization criteria, other products, such as cell salvage, blood expanders, etc.	10-20% improvement in blood management costs **($200,000-$500,000)**	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, improvement and sustainability of the program.	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?	Hard

** 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, consider your answers to the self-assessment questions that follow.

SELF-ASSESSMENT: Opportunities For Significant Performance Improvement and Cost Savings

Creating a reform-ready organization requires healthcare executives who are willing to ask tough, disruptive questions that drive deeper accountability at every level of their organizations. Achieving breakthrough performance improvement requires increased focus, granularity and discipline around getting results, especially clinically. Below are the kinds of questions healthcare leaders can ask to achieve new levels of performance improvement, and lay the groundwork for transformation.

HAVE WE FULLY OPTIMIZED OUR WORKFORCE?

1) Is our total employee labor expense less than 45% of our total operating expense?
2) Are our contract paid hours less than 0.5% of our total paid hours?
3) Do we have a formal position control process in place?
4) Do we have daily shift management reports that capture labor, efficiency, quality and service metrics?
5) Do we have formal guidelines and procedures in place for filling staff vacancies?
6) Do we regularly evaluate and reduce hours allotted for full time employees based on sustained volume growth and decline?
7) How flexible is our staffing? Are more than two-thirds of our employees full time rather than part-time?
8) Do we have a variable versus fixed staffing budget process?
9) Do our daily shift management reports capture labor efficiency, quality and service metrics?
10) Do we have fewer than 165 total paid labor hours per adjusted discharge? (For academic medical centers, should be fewer than 110.)
11) How frequently are third party administrator/vendor/service provider contracts and services competitively reviewed or taken out for competitive bid by Human Resources?
12) Are our total benefits expenses per full time employee surpassing benchmarks for our market?

DO WE HAVE A HIGH PERFORMANCE REVENUE CYCLE?

1) Do we secure eligibility and authorization for more than 95% of our patients before they receive service?
2) Do more than 80% of our claims pay correctly – without further corrections or interventions?
3) Do we hold our bad debt – including true self-pay and third party residual self-pay balances – to less than two percent of our net patient revenue?
4) Do we have a revenue integrity unit responsible for 100% charge reconciliation with annual chart audits and CDM updates?
5) Do we have a formal, regular review process to make sure our current vendor strategy effectively complements the capabilities of internal resources? Do we have benchmarks in place to ensure vendors are meeting or exceeding expectations, and vendor arrangements are cost-effective?
6) Are non-clinical denials held to less than 5% of our net patient revenue?
7) Are more than 90% of our uninsured patients screened by financial counselors before discharge to look for possible payers or other sponsors?
8) Do we have rigorous individual and departmental productivity standards, goals and metrics?
9) Are our managed care revenue yields at or above market benchmarks?
10) For Medicare payments, are our processes efficient enough to hold average agings – from bill submission to pay – at 17 days or less?
11) Are administrative, bad debt and other uncompensated care adjustments more than 7% of our net patient revenue?
12) Has our cash factor (cash collections/gross revenue) been declining without a clear answer as to why?
13) Is our unbilled (DNFB) population more than three days of average daily revenue post suspense?
14) Do we have clear reporting on a regular basis (weekly) that tells us the health of our revenue cycle – including predictive indicators such as the percentage of scheduled accounts secured prior to date of service?

DO WE HAVE HIGH PERFORMING, EFFICIENT CLINICAL OPERATIONS?

1) Is our risk adjusted length of stay by DRG greater than 75th percentile?
2) Is our risk-adjusted level of care by DRG greater than 75th percentile?
3) Are we estimating patients' length of stay accurately – to within one day of discharge – more than 90% of the time?
4) Do we achieve on-service placement of patients more than 90% of the time?
5) Is our bed turnaround time under 45 minutes, from patient discharge to being ready for a new patient?
6) Are 100% of our annual discharge records reviewed by a clinical documentation specialist (CDS)?
7) Is our physician response rate to CDS queries at 100%? Does our physician agreement rate exceed 90%?
8) Do patients who admit through our ED wait less than 30 minutes to be placed in a bed?
9) Is our patient to case manager ratio close to or above 1:25?

HAVE WE MAXIMIZED OUR NON-LABOR AND SUPPLY CHAIN COST CONTAINMENT?

1) Have we deeply examined each expense category – from IV catheters to telecommunications services – to pinpoint our current utilization levels and trends within your organization?
2) Have we identified and added physician champions to our value analysis processes, to ensure cost savings on supplies even when changes to physician preference supplies are being considered?
3) Are our non-labor costs per adjusted discharge less than $1,200?
4) Is our contract compliance rate above 90%?
5) Do we hold our supply expense as a percentage of net patient revenue below 12%?
6) Are our pharmacy costs per CMI adjusted patient day below $45?
7) Are our lab costs per reportable test under $4?
8) Have we benchmarked our supply expenses for variety of patient encounters – especially those related to high cost Medicare DRGs?
9) What percentage, quarter over quarter, have we been able to reduce our supply expenses for a variety of patient encounters, OR case hours, etc.?
10) Are we exceeding best practice benchmarks on floor stock cost per patient day when compared to others in our market?

ARE OUR MEDICAL GROUPS RUNNING AT PEAK EFFICIENCY?

1) Do our employed physicians have more than 1500 active patients?
2) Have we benchmarked our ambulatory staff to physician ratios?
3) Have we benchmarked each of your employed physician's productivity according to industry standard benchmarks per subspecialty? Are the majority performing above the 75th percentile measured by work relative value units (RVU) per physician FTE?
4) Are our physicians incented solely on productivity or collections? Or have we started incorporating value-based outcomes such as patient satisfaction or cost?
5) Does our complement of physicians support our long-term organizational goals?
6) Have we recently reviewed our sites of service? How prepared are we for transitioning care from inpatient to outpatient settings?

To discuss any of these assessment questions, or to learn how these savings have been achieved for clients across the country, please contact huronhealthcare@huronconsultinggroup.com.

HURON HEALTHCARE EXECUTIVE INSIGHTS ON COST REDUCTION AND QUALITY IMPROVEMENT IMPERATIVES

In the current reform environment, healthcare organizations are facing unprecedented pressures to reduce costs while improving quality and performance. Huron Healthcare executives shared the following perspectives:

"Breakthrough cost improvements are a necessity for all healthcare institutions as they look for ways to make the capital investments they need to thrive in a changing landscape. Those breakthroughs will come from new ways of thinking about their operations, making fundamental changes to reduce costs, and executing those changes effectively and efficiently."

- Gordon Mountford,
  Executive Vice President, Huron Healthcare
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"Improvements in clinical operations and quality are crucial to success in the new value-based reimbursement environment. Once an organization takes care of the basics – reducing length of stay, increasing care coordination and improving care team communication – it can, and must, move on to advanced improvements such as standardizing care protocols and managing variation."

- Dr. Andrew Ziskind,
  Managing Director, Huron Healthcare's Clinical Solutions
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"The new healthcare reality demands a more disciplined, transparent, rigorous approach to performance improvement in all areas of operations. Organizations are taking a fresh look at improvement opportunities – and sustaining changes through improved accountability and metrics."

- James Gallas,
  Managing Director, Huron Healthcare's Performance Solutions
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ABOUT HURON HEALTHCARE

Huron Healthcare is the premier provider of performance improvement solutions for hospitals and health systems. By partnering with clients, we deliver solutions that improve quality, increase revenue, reduce expenses, and increase physician, patient, and employee satisfaction across the healthcare enterprise.

To see how Huron Healthcare solutions can empower your mission, contact us at 1-866-229-8700 or visit **www.huronconsultinggroup.com/healthcare.**

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