

# Inside Healthcare

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*The Pulse of Healthcare Leadership*



# Found Money

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Sacred  
Heart  
Hospital

(How to Begin Here)

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**T**alk about an audacious goal. In 2007, the leadership team at Sacred Heart Hospital in Eau Claire, Wis. set out to recoup \$5 million in lost revenue without sacrificing quality or harming physician relationships.

Not only did the team achieve that goal, said Faye Deich, COO, it repeated the exercise two years later and recovered another \$1.4 million. The key, Deich said, was viewing the mission as a leadership development process with a financial outcome.

Although the 344-bed hospital was financially sound in the mid-2000s, the leadership team saw signs of trouble as physicians began pulling imaging and outpatient surgeries out of the hospital and into their own practices to supplement their income.

“We knew we needed to do something to reduce our cost structure,” said Deich. “We were not losing money, but that’s

the time to look at what you can do to be better—versus being in a hole and trying to dig your way out.”

The leadership team developed a five-year strategic plan that included both cost reduction and revenue growth (through the development of tertiary care). The goal was to not only keep the hospital strong financially, but also fulfill its role in the community.

“Our business leaders are struggling to continue to provide healthcare coverage to their employees,” said Deich. “As a Catholic hospital, they want to know what we’re doing to address healthcare costs, and this was a way to better manage our resources and give back to our community.”

## Mix it up

One thing Sacred Heart’s executive team knew going in: if you simply take costs out without changing processes, you



end up with either poorer quality or costs that creep back in. Instead, Deich and the other executives turned to lean methods via Michael Rindler's book *Strategic Cost Reduction: Leading Your Hospital to Success* (Health Administration Press, 2006).

Rindler himself worked with Deich and her team in 2007 to set up seven cross-functional teams of five or six people, each with a financial target based on the expense amounts managed by that group's departments. "If a group was responsible for 20% of the expenses within those departments, they were given a 20% target of the \$5 million," explained Deich.

"We intentionally mixed up the teams," she continued. "Each had some high-revenue/high-expense departments and some lower-revenue/lower-expense departments. We had leaders who had been here a long time and some who were newer in each group, and we used Meyers-Briggs evaluations to make sure we had a mixture of introverts and extroverts in each group so we wouldn't have one group where no one talked."

The teams met several times a week over about a three-month period to discuss ideas for streamlining processes and eliminating waste. They met with their staff members to identify opportunities for change and with physicians these changes could affect. "This is critical," said Deich. "If you don't have physician buy-in and you're changing something that impacts their practice, it's not going to be sustained.

We had to work with them closely to get their perspective and input."

As you'd expect, there was some skepticism about reaching the \$5 million goal. But Deich said it quickly became clear that many people don't realize how much money is spent on given items.

"It was a bit of an education in that regard," she said. In addition, only projects with costs that could be accurately tracked were approved. "There were a number of projects that never made it into the final report because there was no way to track the savings."

### Go with a sweep

A change in phlebotomy procedures led to lower costs and faster test results. Historically, a phlebotomist went to a unit early in the morning and drew blood from each patient on the list. S/he brought the specimens to the lab, and by 8:00 or so, all specimens from all phlebotomists were waiting to be processed.

After evaluating the procedure, Sacred Heart changed to a sweep method, in which several phlebotomists go to one floor, draw all the specimens, and send one person to the lab with the samples while the others move on to the next floor.



“The lab starts running the tests while the phlebotomists work on the next floor,” said Deich. That simple change resulted in three fewer FTEs and happier physicians: they had patient lab results much more quickly.

Deich noted that phlebotomists did begin drawing blood earlier with the new process. “But we intentionally structured our message to the patients: ‘We’re very sorry we have to wake you up this early, but this way we can make sure your physician will have your test results when he comes to see you this morning.’ We had almost no complaints expressed from patients because of the way it was communicated.”

Another change that resulted in significant savings had no impact on patients or clinicians. The hospital looked at the turnover of pain medication for use with analgesic pumps. It determined it could save \$60,000 annually by purchasing the medication with a different preservative (it wasn’t sitting on the shelf long enough to need the more expensive long-shelf-life version).

“The syringe looked exactly the same to the nurses; they didn’t have to change anything in their procedure,” said Deich.

The OR is a high revenue/high expense department, so several areas were looked at, including implant contracts. “We had been working on this before we started the \$5 million project,”

noted Deich, adding that in 2007, changes were made to negotiating policies. “Now, there’s always a VP in the room when we’re really trying to get the big money. Salespeople respond to that—if you go up the ladder higher, they’ll give you more money off.”

On-time starts and turnaround times were also addressed, with first case on-time starts improving from 45% to 58% and turnovers dropping from 33 minutes to 22 minutes on average.

Deich and her team worked closely with physicians on both the vendor negotiations and the procedural changes and noted that the improvements would not have been possible otherwise. “You have to have a good relationship with your doctors at the core. If you don’t have that to start with, you can’t say: ‘Start working with me now.’ We’ve been focusing on working with our surgeons to create the best OR environment we can.”

### Keep the turkeys

Deich said changes of all sizes were considered. “Nothing was sacred,” said Deich. “We’re a Catholic hospital, and we have a priest in charge of our spiritual care department, with a chapel, and he was able to cut his candle costs in half by going to another vendor.”

Similarly, instead of having three prefixes for hospital phone numbers, every phone is on the same exchange. “Now, when



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we call a doctor, they know it's Sacred Heart calling. It's a small thing, but it definitely helped with responsiveness."

Some changes were rejected, including those that would lower morale without saving huge dollars. "Things like cutting back on giving turkeys to employees on Thanksgiving," Deich explained. "We said we weren't going to do that because we value our staff."

A couple of changes did not work as planned, such as combining registration and nursing assistance in the ED. After determining that those roles needed to remain separate, the team changed tacks and cross-trained ED registration folks to other types of registration.

Morale was also considered when it came to eliminating roles. Although about 50 FTEs were eliminated in the first round of the project, no one was laid off. "We intentionally held positions vacant, so by the time we were ready to implement the reductions, only 17 people were impacted. They were all offered an alternative position in the organization, and everyone accepted except one person, who retired," said Deich.

Deich and her team continue to look at all expenditures for opportunities to reduce them. One area now being looked at is reprocessing. "That will have some opportunities for us," said Deich.

Having eliminated on the low-hanging fruit, finding wasteful practices to eliminate is harder now, she said, but the team is better at it. "This process has raised the level of understanding of each leader of their own department. It's now part of our culture, so as we put our budgets together every year, we're always challenging expenditures and trying to understand the opportunities." +

—Jill Rose