

STROUDWATER'S FINDINGS FROM THE FIELD | OCTOBER 2018

Client Acute-Care Hospital in East Texas

Engagement Performance Improvement (part of a larger Strategic and Operational Assessment)

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Engagement Detail and Purpose	<p>Stroudwater was engaged to perform an objective assessment of high-priority opportunities for improving the acute-care hospital's operational performance and to provide a plan for realizing the identified improvements.</p> <p>Stroudwater conducted interviews with stakeholders and department managers. The team also reviewed extensive documentation related to the hospital's operations, clinical performance, financial results and market and strategic positioning.</p>
Challenges	<p>The hospital was losing money, productivity reporting was haphazard, and little, if any, action was taken when departments were over budget or missed productivity targets. Significant management turnover in the previous five years had led to an inconsistent focus on operations.</p> <p>Reimbursement rates had remained stagnant, while the cost of providing services continued to climb. Adhering to trends nationally, the hospital's volumes shifted from inpatient to outpatient cases, including cardiology, which made up 41 percent of inpatient volume. In a significant financial blow, the hospital lost more than \$10m in federal funds in just one year, the equivalent of 13 percent in net revenue wiped out almost overnight.</p> <p>While the original engagement called for implementing frontline management tools in 25 cost centers, the scope expanded to 72 cost centers after a leadership shake-up early in Stroudwater's work with the client. Of 72 costs centers, 25 percent reported productivity below budget. Stroudwater also discovered that provider salaries were not in line with productivity.</p>
Stroudwater Solutions	<p>With a new CFO in place, Stroudwater developed daily staffing tools and conducted several small-group productivity training workshops to educate staff on how to use the tools, including daily shift management trackers. The CFO backed up the Stroudwater-led education by meeting with each department to understand any roadblocks the staff might encounter.</p> <p>All identified cost centers installed the shift management tools within 12 weeks; daily entry compliance was excellent. In just 12 pay periods, there was a 15 percent reduction in average hours worked.</p> <p>Strategies to improve the hospital's flexible workforce were implemented, including increasing hourly staff and reducing salaried positions. The management planning and cost control system was installed and operational within just 12 weeks.</p> <p>According to the CFO, the hospital saved \$12m in labor costs in its first year through his leadership and using the productivity tools recommended and implemented by Stroudwater. The savings bought the healthcare provider time to explore affiliation and partnership options.</p>
CFO Perspective	<p>"I hate consultants." This from the CFO, whose generally poor experience with advisors left him dubious about what actionable results a healthcare firm can truly deliver. In his experience, the MBAs file in, tell the leadership what they already know, offer impossible recommendations, then present a fat bill.</p> <p>"Stroudwater was different," he explained. "The team was easy to work with, they didn't turn the place completely upside down, and they made practical recommendations."</p>

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Hospital staff were receptive to the new methodologies and to the Stroudwater “show and tell” sessions intended to build consensus and understanding around the urgent need for such approaches. As the CFO explained to department leaders, “We can do it ourselves or wait for a buyer to come in and do it for us.”

Stroudwater’s practical recommendations helped the hospital save \$12m per year in labor costs; volumes are growing and productivity is up. As impressive as the results are, the hospital continues to struggle and may soon enter a partnership agreement. The CFO credits the \$12m in savings with extending the days cash on hand and showing a positive trend to potential suitors, crediting with Stroudwater with helping “develop the discipline to move toward our goals.”

Despite the ongoing challenges the hospital faces, the CFO believes that Stroudwater helped them improve financial performance in a sustainable way. “I’ve spoken on behalf of Stroudwater several times and I’d hire the firm again.”



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