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Managing for change: March 6, 1989

BOSTON UNIVERSITY MEDICAL CENTER

The University Hospital

Managing for CHANGE

A Publication for the Managers of the University Hospital — March 6, 1989

Operations Review: 'Diagnosis' completed, 'treatment' beginning

With the completion of the Operation Review's "diagnostic profile" of UH, and with decisions regarding implementation in process, the Hospital is launching an ambitious Change Project that aims at major cost reductions over the coming six months.

The productivity assessment spelled out by the Hospital's staff and Touche Ross consultants over the past three months has been exhaustively examined by the Oversight Committee, which is made up of UH President J. Scott Abercrombie Jr., M.D., Physician-in-Chief Norman G. Levinsky, Surgeon-in-Chief Edward L. Spatz, Executive Vice President Jackie Dart, Senior Vice President and Chief Financial Officer Michael Blaszyk, Senior Vice President for Nursing Karen K. Kirby, and Vice President for Human Resources Susan Hancox. The strategy ultimately chosen by the committee focuses on 18 cost-reduction projects that will be initiated and completed in various time periods between now and October, the beginning of the next fiscal year.

The cost-reduction effort undertaken at UH is unique in that it avoids the common approach of across-the-board cutting and instead is based on a thorough diagnostic review and a phased project schedule (or working plan).

The UH strategy is aimed at cutting costs where UH is demonstrably above the normative range when compared with hospitals with a similar case-mix intensity. Additional goals are to increase revenues where possible, and to decrease resource utilization where appropriate.

Owen J. McNamara
Publication Services

Checking on vital signs

Senior Vice President and Chief Financial Officer Michael Blaszyk, speaking at the monthly GA/DA/OM meeting on February 9, gave a fiscal report that was both sobering and encouraging.

As of Period 4 in FY 1989, the Hospital had accumulated a deficit of nearly $4 million, said Blaszyk. While such a loss on its face is discouraging, this particular deficit figure doesn't represent the Hospital's recent improvements in decreasing patient days through lowering the average length of stay (ALOS) (see graphs this page); each has traditionally contributed to rising UH costs.

Since these improvements have come during the most recently documented fiscal periods—Periods 4 and 5—signs are encouraging that the clinical and administrative "cost-saving"

continued on next page

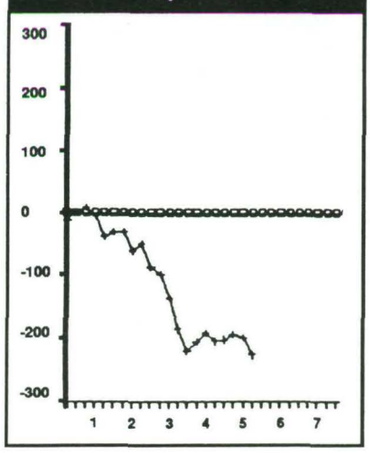
Watching the Hospital's 'leading indicators'

When the budget for FY 1989 was first approved, it was based on the projection of many factors that affect the Hospital's bottom line. Three of these factors—number of admissions, average length of stay and patient days—are leading indicators of how UH is measuring up to those projections.

It is important to point out, however, that the "budget" lines—depicted by the straight horizontal line—in each of the graphs below are based on a fiscal budget that projected a $4.7 million patient-care **loss** over FY 1989. Since the Hospital's first financial aim is to equal its budget, keeping in line with those budgeted figures is essential. However, in order to avoid a year-end deficit, UH would have to do much better than anticipated in increasing admissions and lowering ALOS and excess patient days. Only then would UH see its year-end bottom line move away from the "red" and toward the "black."

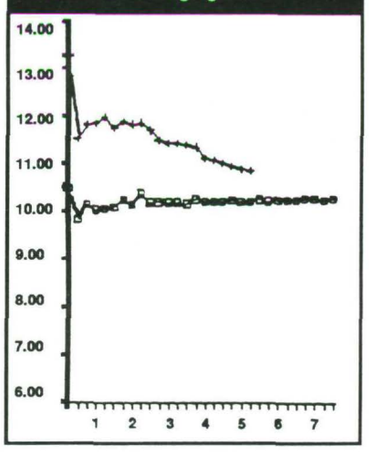
The graphs below, based on information supplied by Jeff Jenkinson, associate director of financial planning, show how the Hospital has performed with these factors compared to the budgeted projections:

Admissions: A dip downward



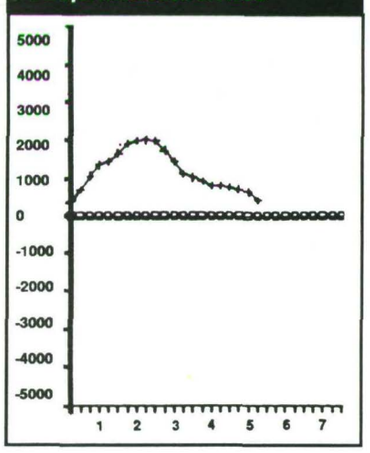
UH budgeted for 11,265 admissions over FY 1989. Through 2/18/89, the Hospital is 226 admissions under budget. Since admissions are a form of patient-care revenue, being under budget has a major impact on the Hospital's bottom line.

ALOS: An encouraging trend



UH budgeted for an average length of stay of 10.18 days for FY 1989. Through Period 5, the year-to-date ALOS is 10.87 days, and there is obvious improvement over the high LOS experienced over the first few periods of the fiscal year. Since our ALOS is still above budget, and well above national standards, this downward trend must continue.

Pt. Days: Reflection of ALOS



Patient days are the sum total of the patients' stays in the Hospital. They also are a leading indicator of patient-care expense. Therefore, one can see that our effort to reduce LOS will directly reduce patient days—which, in turn, will directly reduce expense. Like our ALOS, this indicator has recently moved in a more positive direction.

Monitoring Systems: After you get things right, you keep them right

Financial consultants tell hospital managers the same thing that they tell managers in the "business world": If you want to cut costs, improve productivity and stay on the right side of the ledger, it takes staying power. Cutting costs while still providing excellent service is a tough challenge in itself, but it is even tougher to keep those improvements in place after the initial "crisis" has passed.

That principle of "staying with it" will live on at the University Hospital long after the Touche Ross consultants have completed their work here and have moved on to other hospitals grappling with change: It is embodied in two key productivity concepts—the Labor Monitoring System and the Nonsalary Expense Monitoring System. These programs are based on the simple idea that managers who have to report on their use of resources on a regular basis will be better positioned to make decisions, and thus will keep the cost-cutting changes alive.

Jeff Jenkinson, associate director of financial planning, told **Managing for Change**, "Currently, we are in the process of developing reports that are targeted for distribution in late March, based on Period 6 activity. These basic reports will serve as our interim monitoring system for the next several months. The Hospital is actively evaluating more sophisticated software systems, which will provide us with better tools to improve productivity, control costs, lower resource utilization and plan effectively for the future."

In the Labor Monitoring System, the indicators being measured will be weekly timesheets, a monthly labor summary, agency hours used, and volume statistics. The information will be gathered into a routine format, and will be reported back to various managers, in the form of weekly and monthly reports. Since all departments will have specific authorized full-time equivalents (FTEs), these regular labor reports will allow UH management to measure labor performance against the authorized standards.

Similarly, the Nonsalary Expense Monitoring System provides a format for monitoring actual nonsalary expenses, committed purchase orders, prepaid expenses and (on a monthly basis) volume statistics. It allows the information to be gathered into a format like that of the Labor Monitoring System, so that it may be disseminated by department and by division, with a Hospital-wide summary. Again, as in the case of the Labor Monitoring System, the Expense Reports provide management with a measure of monthly performance against authorized standards. This report, in turn, helps to identify recommended nonsalary expenses for the coming month.

Owen J. McNamara
Publication Services

Vital signs

continued from page 1

initiatives, such as the Length of Stay reduction effort, may be showing some early signs of success. Blaszyk specifically lauded the chiefs of service and their fellow physicians for their contributions to these improvements.

While these data are encouraging, maintaining these efforts is considered imperative, especially since the state and federal payment outlooks remain bleak.

The University Hospital is not alone in its financial woes. As was reported in the ***Boston Herald*** and the ***Boston Business Journal*** last week, the cumulative loss over the first quarter of FY 1989 for the seven major teaching hospitals in Boston was $25 million, a telling statistic indeed. Several hospitals are contemplating large-scale cost-reduction efforts in dealing with their deficits.

Michael Paskavitz
Publication Services

Training for Change

Understanding UH Financial Reports and Activities

Informal "brown-bag" lunch discussions with Chief Financial Officer Michael Blaszyk will help you understand the impact of the regulatory and economic environment on UH. Call x8502 for available dates.

Understanding and Implementing Change

This quick review of change theory and practice will help you to make departmental changes. Facilitator: Lynn Gaertner, manager of Training & Development. March 8, 8:30-9:45 a.m., Atrium C/D Conference Room. Call x8574 to sign up.

A Human Resource Perspective on Targeted Staffing Levels

Bring your questions to this informal Q & A session, or submit them in advance to Susan Hancox, vice president for Human Resources. March 10, 3-4:30 p.m., and March 21, 2-3:30 p.m., Atrium C/D Conference Room. Call x8502 to sign up.

Communicating Change

Learn why, how, when and where to communicate change to employees. Facilitator: Trip Folland, transition coordinator, Department of Environmental Services. March 16, 8:30-9:30 a.m., Atrium C/D Conference Room. Call x8574 to sign up.

Lynn Gaertner
Training & Development

Management Council: Communicating, problem-solving

UH President J. Scott Abercrombie Jr., M.D., established the Management Council in September 1986 as a means of having UH managers involved in problem-solving during the challenging times that this and other hospitals are facing. Council members, who are directly appointed by Abercrombie, form a representative group of approximately 25 managers throughout the institution. The primary goals and objectives of the Council are:

- To increase the opportunity for managers to affect policymaking and strategic implementation;
- to provide a sounding board for ideas that are still in the developmental stage;
- to increase the opportunity for Dr. Abercrombie to interact professionally and interpersonally with managers without interfering with regular reporting lines;
- and to provide a more effective means of horizontal communication throughout the Hospital.

Abercrombie recently noted that the Management Council "has proved to be a successful mechanism for increasing the participation of managers in setting the course for our Hospital. This group has had, and will continue to have, important influence on what we do, and how we do it."

The Management Council responds to issues and problems that it identifies as important, and in direct response to requests from Abercrombie and/or senior management. Managers who have issues they would like addressed by the Council should contact me (x7317), the current chairperson, or Larry Burton (x7878), the chairperson-elect.

Other present Management Council members include: Al Busa, Plant Services; Mary Chin, Social Service; Susan Cohen, Admitting; Paul Corbett, Materials Management; Gail Delaney-Woolford, Nursing; Susan Engleman, Radiation Medicine; David Fraser, Human Resources; John Gale, Radiology; Deborah Heath-Maki, Development; Bik Lam Lee, Laboratory Medicine; Nancy McAward, Nursing; Wanda McGovern, Cardiology; Owen McNamara, Publications; John Moran, Environmental Services; Miriam Pollack, Planning; Margaret Polito, Home Medical Service; Ray Renyck, Dietary Services; Darryl Rich, Pharmacy; Chriss Roby, Cardiothoracic Surgery; Robert Sartini, Neurology; Jim Staunton, Computer Center; Ed Stedman, Security/Telecommunications; Bonnie Stromgren, Medical Records; Linda Viano, Respiratory Therapy; and Tony Voislow, Fiscal.

Cass Ladd
Rehabilitation Medicine

Managing for Change is published biweekly by the Office of Publication Services, Department of Marketing Communications & Public Affairs, Donald R. Giller, director. Story suggestions may be addressed to Giller at x8149, or to Owen McNamara, Mike Paskavitz or Paula Gilligan of OPS at x8482. The publication's Advisory Board is made up of David Browne, Planning; Larry Burton, Pastoral Affairs; Trip Folland and John Moran, Environmental Services; Lynn Gaertner and Susan Hancox, Human Resources; Jeff Jenkinson, Financial Planning; Cass Ladd, Rehabilitation Medicine, and Nancy McAward, Nursing.