



Beyond Closing the Revenue Gap: Investment in Leadership and Culture Change Is Critical to Long-term Sustainability

THE ORGANIZATION

Henry Ford Wyandotte Hospital is one of four Henry Ford Health System hospitals located just outside Detroit, MI. The 401-bed acute care hospital offers a full range of clinical services and facilities, including general medicine, surgery, a birthing center, and 24-hour emergency care.

THE RESULTS

Through efforts to improve efficiency and processes, GE Healthcare Consulting's team has helped HFWH recognize nearly \$5 million of cost-saving opportunities annually.

In an era of economic uncertainty driven by increasing competition and frequent changes in healthcare, survival of a hospital depends not only on its ability to quickly adapt to change but also on its commitment to long-term investment in leadership and operational efficiency. Both of these capabilities are critical to improving hospital performance sustainably and delivering excellent patient care.

In early 2011, Henry Ford Wyandotte Hospital (HFWH) began to see its revenue decline due to a variety of factors. The hospital was experiencing high readmission rates as well as an increase in the number of observation cases—patients who were previously admitted and not associated with additional reimbursement revenue. HFWH was also challenged with a revenue gap from losing its largest primary care physician group to a competing hospital. Over time, this resulted in a significant decrease in patient volume and adversely affected revenue potential. Last, changes in insurance plans, including higher-deductible/co-insurance policies, changing demographics, and a slowing economy resulted in a decline in the hospital's market.

As a result of these changes in the internal as well as external environment, the total admissions in 2011 were down by more than 1,000 patients, or 5.4%, from the previous year. This amounted to a loss of approximately \$9 million in net operating revenue. The challenges HFWH faced are not unique; healthcare reform, insurance and demographic changes, and competition among providers have led to mounting economic pressure on providers across the nation.

HFWH was able to close some of the revenue gap, approximately \$2.5 million, through a workforce reduction. However, there was plenty more to be done to successfully close the remainder of the deficit. HFWH executives realized that the hospital needed to transform its culture and day-to-day processes in order to remain adaptable and efficient for the organization's long-term viability.



“With decreased admission volume, we needed to resize the organization to match our new revenue stream without negatively impacting patient care, and we needed to take cost out of the hospital,” said Rand J. O’Leary, FACHE, Sr. VP & COO, Henry Ford Wyandotte Hospital. “We knew we would have to get smarter about our existing processes and find areas where we could eliminate waste and become more efficient—not only to address current revenue challenges but to plan for the future.”

“The need to cut cost is a challenge most healthcare providers face, but to be a truly great hospital and one that is sustainable in today’s world, efficiency must become part of the culture, not only a short-term effort,” said Jim Miller, CFO at HFWH. “In finding ways to quickly reduce cost, we saw an opportunity to transform the way we work for the better, in the long term.”

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Hospital leaders looked to GE Healthcare Consulting for expertise in helping the hospital reduce spend by \$1.5 million in 2011 and an additional target of more than \$2 million in 2012. Further, they tasked the GE team with initiating an organization-wide culture of process improvement.

IDENTIFYING WASTE, REALIZING OPPORTUNITY

“When our patient volume and revenues shifted, we realized that our culture was not fully ready for fast, pervasive change,” said Jo Wahl, CNO at HFWH. “Initiating this change meant shifting the hierarchical management style and gaining the trust and engagement of our staff on the ‘front lines’ to help us turn the ship.”

GE Healthcare Consulting sought input on areas for improvement. “Getting nurses, transporters, and other staff directly involved in planning ensured we were learning from those actually doing the work and addressing challenges in the hospital that would really make an impact and that all of our team was engaged in improving,” said Wahl.

GE Healthcare Consulting also assessed HFWH’s operations to identify and prioritize areas of opportunity and create a plan to improve efficiency. The team used proprietary methods to cultivate and strengthen internal leadership capabilities in the short term and map out a strategy to sustain operational performance and continue building and strengthening leadership skills across the organization.

“Starting on day one, we worked with the leadership at HFWH to begin identifying revenue enhancement and cost-out opportunities, and we found several areas where the organization could realize financial opportunities,” said Tim Kostelnik, GE Healthcare.

By analyzing hospital inpatient data, for example, the GE Consulting team quickly discovered inefficiencies in the hospital’s observation unit. While the industry standard recommends 24 hours as an average length of stay for observation patients, HFWH’s average was nearly double this standard, at 48 hours. GE Healthcare identified potential savings worth \$1 million each year if the hospital could reduce the length of stay to the industry standard, highlighting a key area for HFWH to focus on improving its processes.

GE Healthcare Consulting also identified another \$1.2 million in potential savings by suggesting improvement to point-of-care collections processes. At the start of the project, HFWH inconsistently collected co-payments for emergency room and outpatient department visits. The hospital relied on a third-party billing company to collect payment, often days after care had been delivered, resulting in a low collection rate of just 32%. By helping design and implement a new process that involved collecting co-payments from patients at the point of care, GE Healthcare Consulting estimated an additional \$1 million in revenue for HFWH and made a lasting impact on collection processes.

The GE team also helped HFWH with value stream mapping in several units of the hospitals, such as medical-surgical and telemetry units, identifying shifts in processes that the hospital could implement to conserve cost and time.

LEADERSHIP AND CULTURE CHANGE FOR REAL TRANSFORMATION

Although HFWH leaders were pleased with immediate cost-savings opportunities surfaced by GE Healthcare Consulting, they also recognized that a long-term strategy and lasting transformation would be critical to the hospital's success in the future.

"GE Healthcare very quickly helped us find areas where we could recognize savings to help fill our revenue gap, but I was also looking for help engaging all of our 1,900 employees in the process," O'Leary explained. "To make a real and lasting impact, we needed to move away from the traditional top-down management model and encourage the people on the front lines, the ones actually doing the work and delivering care, to think creatively about ways their job can be done more effectively and efficiently."

In an effort to engage employees in this initiative, GE Healthcare and the HFWH leadership team developed the "Bright Ideas" campaign. The purpose of the campaign was to encourage and empower any employee at HFWH to submit an idea about how a task, process, or activity could be improved or completed more effectively and efficiently to realize cost savings, improve patient care and patient safety, and increase employee satisfaction.

Managers asked employees a basic question: "What things do you do each day in your job that you think could be done in a different or better way?" Based on this guidance, employees brought several ideas to their managers for consideration, and, if the idea was deemed viable, respective employees were empowered to help launch the initiative. A critical intent of the program was to ensure that all staff members—especially physicians—were engaged in the process.

Considered a broad success, Bright Ideas resulted in nearly 150 suggestions from employees across the organization. The scope and impact of these ideas spanned a broad range. Some were as simple as implementing automatic light switches to conserve energy and staff effort. Others were more significant, such as the suggestion to use generic instead of branded drug treatments, leading to significant cost savings. Overall, the Bright Ideas campaign led to a total of \$1.8 million in potential savings. The program was so successful that the broader Henry Ford Health System is considering launching a Bright Ideas campaign in all of its hospitals.

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“Identifying waste and finding ways to cut cost was an important step in our work with the GE team, but initiatives such as the Bright Ideas campaign took the project to the next level,” O’Leary said. “More than just cost-cutting measures, we learned ways to get all of our staff deeply engaged in the shared goal to improve the way we work and to adapt our process and culture.”

A ROAD MAP FOR THE FUTURE

In addition to its efforts to help HFWH reduce cost, GE Healthcare Consulting helped HFWH executives drive cultural transformation and strengthen organizational leadership.

A new project management office was established within the hospital to identify and manage operational efficiency initiatives across the organization. The team leveraged organizational knowledge from various departments, received training from GE Healthcare Consulting on lean principles and process improvement execution, and cultivated long-term Performance Improvement (PI) leadership internally.

The GE team also helped HFWH to create a three-year process improvement plan not only to map continued costout, revenue enhancement, and resource allocation but also to independently sustain cultural change and to maintain and expand efficiency and leadership efforts in the future.

RESULTS

Through efforts to improve efficiency and processes, GE Healthcare Consulting has helped HFWH recognize nearly \$5 million of cost-saving opportunities annually. Furthermore, efforts to drive cultural transformation as well as investment in leadership have established the basis for long-term success.

“Our work with GE Healthcare gave us a better framework for improving efficiency—not only through identifying areas of our operations to improve but also cultivating the leadership to engage hospital employees in changing the way we work,” Jo Wahl said. “Nursing and other staff have responded very well to these changes, and many report being happier in their jobs as a result. It really has been a positive transformation.”

“Many of the changes we’ve made internally as a result of our work with GE Healthcare, such as the Bright Ideas initiative, are programs we hope to keep as part of the fabric of our organization,” O’Leary said. “Through this work, we have laid the foundation to better understand process change and identified leadership tools for the adaptability and long-term success of our hospital.”

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