Focus on Cost Reduction Drives Accountability for $2M in Savings

problem

Maintaining Cost Savings Momentum

Almost all health systems are trying to reduce the cost of care, yet less than 20% hit their targets. While there are many contributing factors, one core issue is that organizations lack the ability to accurately track the results of their projects and programs. Moreover, many lack governance structure that promotes accountability. Health systems spend significant time meeting about and analyzing data for each cost reduction opportunity. Unfortunately, 30-70% of projects get delayed, scaled back, or simply lose steam. The results: no bottom-line impact.

A medium-sized health system saw significant pressure on their net revenue and margin from CMS reimbursement changes. After years of stable financial performance, this organization did not have a strong process for identifying and validating opportunities or driving ideas to action.

play

Institute Cost Reduction–Focused Governance Structure and Accountability Process (CI 105)

With sponsorship and on-going involvement from the CFO and the head of surgery, this organization implemented a cost reduction program focused on realizing at least $15M in savings in one year. At the most senior level, the CFO shared the target and the expectations with senior leaders. The CFO also set up a bi-monthly senior leadership steering committee to prioritize areas of focus and hold both operational leaders and physician leaders accountable to hitting targets.

impact

Elevating Financial Acumen Across Organization

Using Strata’s Continuous Improvement module and partnering with their expert analytics team, this organization accelerated the identification and implementation of opportunities. Within four months, this organization has started implementing 4 opportunities in one service area with a targeted savings of $2M. By involving a highly engaged physician leader in the working group, they have been able to move quickly to validate opportunities both clinically and operationally. With senior leadership involvement, they are able to quickly remove barriers to action.