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Revitalizing Healthcare Finances: Empowering Teams for SMART Transformation Amidst Challenges

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Abstract

Healthcare organizations in the United States had significant financial difficulties following the COVID-19 outbreak. These were made worse by the healthcare industry's fast-evolving workforce, which was influenced by years of physical and psychological stress on personnel and led to retirements, resignations, and relocations. The cost of operating for healthcare organizations increased as a result of the need for more adaptable working conditions, greater wages, and better benefits. In the beginning, the government's pandemic funding was frequently used to subsidize expensive temporary or contract labor as a response to the healthcare personnel shortage. Healthcare organizations struggled with increasing labor costs and declining reimbursement rates when these funds ran out and inflationary pressures remained. This article describes a complete 6-week program held from July 6 to August 11, 2023, within a community-based healthcare system, to educate and empower clinical and operational teams in problem-solving and financial responsibility. Five guiding concepts (Pillars) were used by the Sustainable Management Above Reimbursement Transformation (SMART) initiative to direct cost-cutting activities: Practice Efficiency, Access Improvement, Working Differently, Expense Reductions, and Revenue Generation. The goal of an advisory panel supported by sub-teams was to find areas for improvement without sacrificing patient care while evaluating cost-saving targets and suggested measures for various service areas. With an average predicted cost savings of 13% across service lines, the outcomes exceeded expectations. This successful initiative represents a significant stride toward financial sustainability in healthcare institutions, demonstrating the resilience and adaptability of healthcare providers during challenging economic times and offering valuable lessons for the future.

Keywords

COVID-19, finance, healthcare, employee empowerment, sustainability.

1. Introduction

Healthcare organizations around the United States and across the world have been impacted by significant financial pressures, especially in the aftermath of the COVID-19 pandemic (Kaye et al., 2021; Moynihan et al., 2020; Gupta et al., 2021; Blumenthal et al., 2020; Xu et al, 2021; Leite, Lindsay and Kumar, 2020; Tessema et al, 2021). The healthcare workforce has been rapidly shifting given many years of physical, emotional, and health burdens on the staff resulting in early retirements, resignations, or relocations. Like many other industries, existing and new healthcare workers demanding flexible work hours, higher salaries, and better benefits resulted in higher costs for healthcare organizations (Ray and Cryan, 2021). Initially, the shortage of healthcare workers was mostly covered by temporary or contract workers at a much higher cost than the employed workforce. At first, these additional costs were supplemented by pandemic funds created by the United States government, however, upon expiration of these funds, many healthcare organizations focused on reducing these contract labor costs swiftly (COVID-19 financial impact on physician practices, 2021). However, given inflationary pressures and strong demand from the existing workforce keep driving overall healthcare labor costs higher for many healthcare organizations which are simultaneously struggling with lower reimbursement rates. According to Moody's, a financial rating agency, salaries, and wages measured at a median growth rate of 7.3 percent in the first quarter of 2023 for healthcare organizations. Many organizations responded initially by restructuring or streamlining their administrative alignment and reducing their non-executive workforce. Nonetheless, ongoing financial pressures resulted in the layoff of 40,947 healthcare workers in the first seven months of 2023; a 101 percent increase from the same time period in 2022 (Kayser, 2023).

During times like these, many organizations take different approaches to turn around financial outcomes. This may include specific reductions in the workforce, stopping services or bringing external consultants for guidance. In this article, we attempt to highlight our approach over a 6-week period (July 6, 2023, to August 11, 2023) in engaging and empowering our clinical and operational teams in problem-solving, operational, and financial ownership as well as transformational steps. It is our opinion that sustainable management above reimbursement transformation (SMART) can be only achievable by the engagement and empowerment of our clinical and operational staff members, supported by specific and achievable goals. We will be presenting our guiding principles and pillars, engagement of clinical and operational staff, accountability, and execution steps.

2. Methodology

2.1 Implementation Strategy

From an overarching implementation strategic perspective, the five guiding principles known as Pillars to actively involve the Advisory Group were employed, and subsequently sub-teams were created based on these guidelines. These sub-teams were entrusted with the systematic evaluation of cost-saving goals put forth by regional leadership and the critical assessment of proposed initiatives, all with the overarching goal of achieving or exceeding the predetermined target percentage of cost reduction within their designated service areas.

1. Practice Efficiency: Practice efficiency in healthcare entails optimizing resource utilization, processes, and practices to deliver high-quality patient care while minimizing waste and costs, ultimately aiming for optimal outcomes and value (McAlearney and Hefner, 2017).

2. Access Improvement: In the context of community-based healthcare practice, Access Improvement refers to the systematic enhancement of the availability, affordability, and timeliness of medical services and resources, aiming to ensure equitable and effective healthcare delivery within the community for its patients (Shi and Singh, 2017).

3. Working Differently: In the realm of post-COVID healthcare, the concept of "working differently" involves embracing creative and adaptable strategies within clinical practices, healthcare operations, and service provision. This encompasses the integration of telemedicine, digital technologies, remote teamwork, and novel care frameworks to effectively respond to evolving circumstances, safeguard patient well-being, and maintain uninterrupted care continuity (Barnard and Salmon, 2020).

4. Expense Reductions: Expense reduction in healthcare refers to the strategic and systematic efforts to minimize costs associated with medical services, administrative functions, and operational processes while maintaining or improving the quality of care provided to patients (Witt and Wiethoff, 2017).
5. Revenue Generation: Revenue generation in the context of healthcare refers to the active strategies and initiatives undertaken by healthcare organizations to increase their financial inflow by expanding services, attracting more patients, and optimizing reimbursement processes (Holmes et al., 2006).

2.2 Engagement Strategy

Members of the Advisory Group were chosen for each Core Clinical and Non-clinical domain based on their specialized knowledge, input from leadership and frontline staff, and their expressed interest in the initiative. A conscious effort was made to ensure diverse representation within the group. Each team member was encouraged to maintain a candid and forthright approach, cultivating an open and receptive mindset, and fostering an environment where mutual challenges would lead to optimal recommendations for both patients and the practice as a whole. To maintain agility and effectiveness, the team size was confined to 8 to 10 individuals. Given the imperative for prompt decision-making to guide regional and health system leaders, we established 30-day, 60-day, and 90-day checkpoints to uphold accountability. Furthermore, we extended invitations to regional and health system leaders to critically engage with the team's perspectives, actively participating in collective decision-making to steer the transformative journey. In order to streamline administrative processes and expedite decision-making, the team reported directly to Southwest Minnesota Executive Operational Team (EOT) and MCHS Executive meeting (MCHS Exec). This approach aimed to alleviate administrative burdens while enhancing the efficiency of decision-making mechanisms.

2.3 Execution Strategy

Leaders from each of their clinical and non-clinical practices represented in the Advisory Group formed their own teams and worked on identifying areas of improvement to meet the minimum cost savings target set by the leadership. The leadership provided a guide sheet for each area with minimum financial saving goals. The main objective of the 6-week long workshop was to find ways to meet or exceed the expected reduction in the cost of care for patient care without compromising patient care.

Table 1. Leadership targets for total cost savings for key clinical and non-clinical practices in the region

Service Line / Department	2023 Leadership Targets
Hospital Medicine	4.8%
Surgical Specialty	5.6%
Medical Specialty	4.7%
Primary Care	3.9%
Pharmacy	5.8%
Patient Access	5.1%
Laboratory	6.6%
Facilities and Support Services	5.1%
Radiology	8.5%
Average across the board	**5.6%**

2.4 Findings from the Phase I of the SMART Initiative

The intensive 6-week SMART program produced superior results compared to a combination of 40 brief (under 30 minutes) and extended (30 to 120 minutes) effective meetings. These gatherings encompassed interactions organized by the Advisory Group with crucial stakeholders, the Advisory Group meetings themselves, and meetings of the Executive Team. The meeting frequency ranged from daily to weekly and bi-weekly intervals. Figure 1 shows examples of improvement tactics used by the Advisory Group for each of their areas.

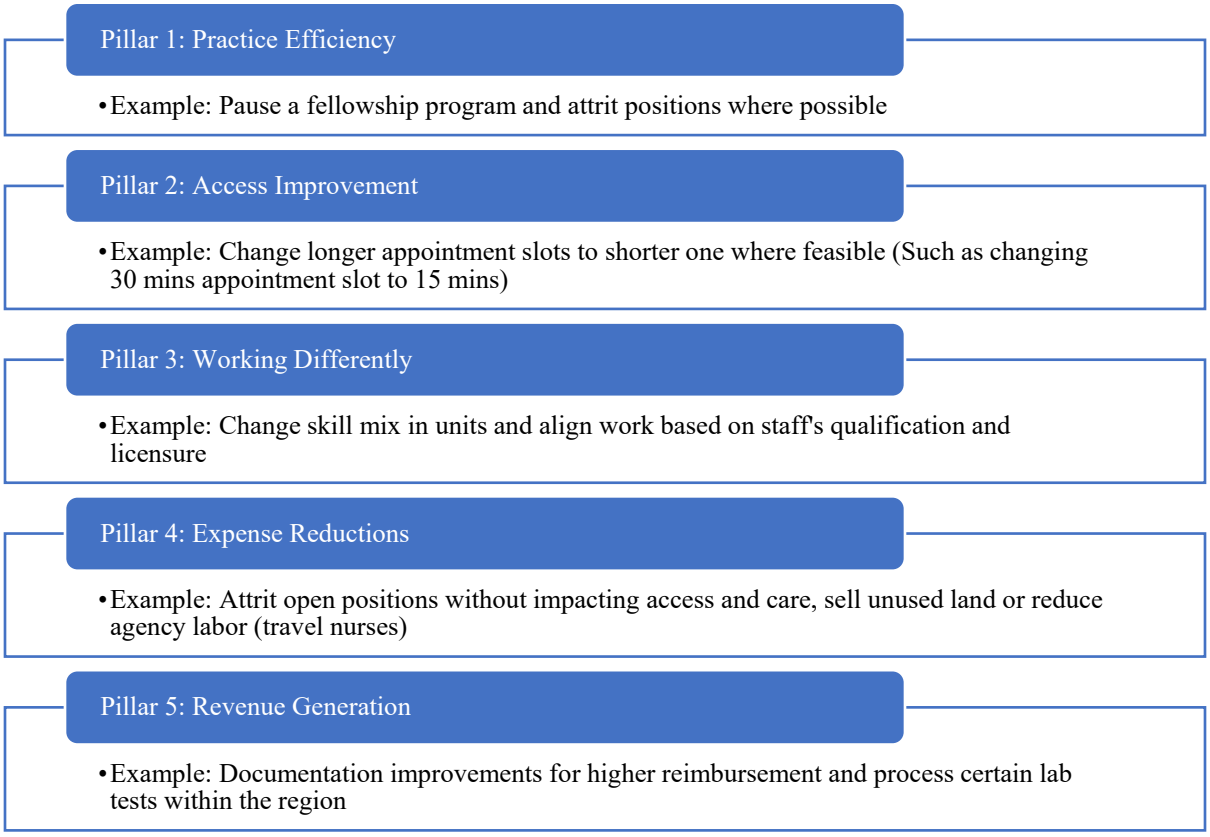

Figure 1. Examples of improvement tactics used under each Pillar of the Guiding Principles

The initial stage of the SMART initiative involved both challenging and empowering leadership across essential clinical and non-clinical sectors to achieve financial goals in terms of cost reduction, aiming to improve the organization's financial position. The results of this initial phase demonstrated remarkably positive outcomes. Leadership initially set a target of around 5.5% average cost savings per service line (Table 1). However, upon consolidating all the reviews and potential strategies proposed for implementation within their respective areas, the Advisory Group presented an average of 13% cost savings per service line on average, with a range spanning from 8.5% to 18.6% (Figure 2). It's important to emphasize that these projected cost savings were based on the initial run of the initiative and might undergo slight adjustments; nevertheless, these figures are not expected to fall below the benchmarks established by leadership.

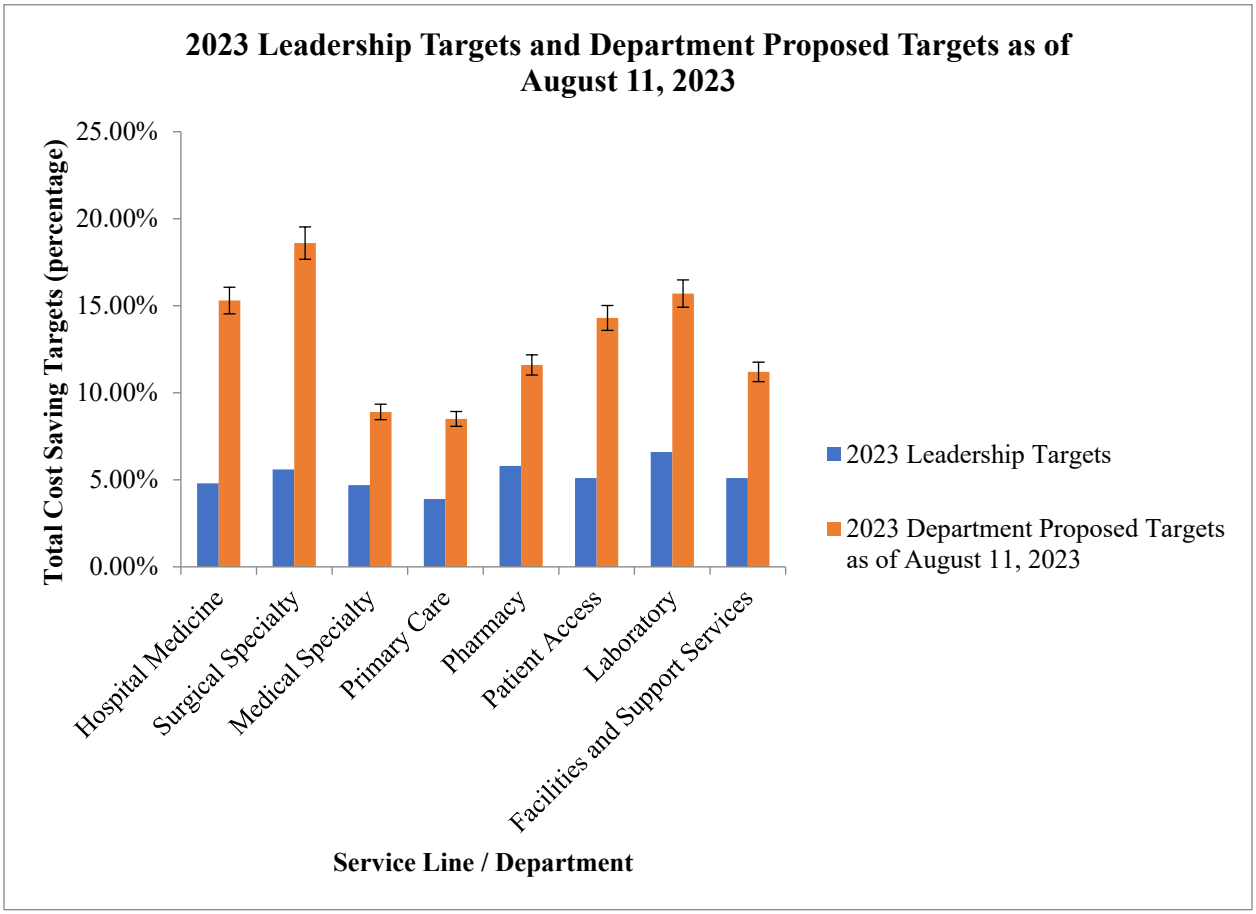

Figure 2. Provided targets by the regional leadership versus proposed targets from the key clinical and non-clinical practices including 5% margin of error bars

2.5. Discussion and Next Steps

These findings yielded remarkably positive outcomes and have garnered significant attention within the organization. It is essential to highlight that every clinical and non-clinical domain demonstrating enhanced cost-saving margins within just a six-week timeframe was met with appreciation from regional and health system leadership. The subsequent phases of this initiative are already in motion, with each area preparing to present its concrete enhancements over the next two months with actual implemented tactics and actual cost savings. The ongoing monitoring and durability of the implemented improvement strategies are being systematically overseen through the reporting structure established by the region across various levels of leadership. While this endeavor is merely in its nascent stages and far from its conclusion, it is crucial to recognize that the agility and adaptability intrinsic to our

approach to reshaping healthcare stand as profound lessons imparted by the challenges posed by the COVID-19 pandemic.

As noted by Cardenas and Roger-Dalbert (2022), to facilitate accelerated innovation, the necessity for adaptability, resilience, and collaboration with the broader healthcare community and technology partners was recognized, and as time progresses, it will be observed which changes were temporary and which will be incorporated into the new process, but one thing is certain: a return to the pre-pandemic state is not anticipated. Wei et al. (2022) also advocate that current implementation process models overlook the need for rapid response and lack guidance for emergency scenarios like the COVID-19 pandemic. Researchers suggest the creation of a swift response framework to guide the development of efficient and enduring strategies for addressing diverse healthcare policies and forthcoming research priorities in the healthcare sector. Bulent and Gozde (2022) promote a similar strategy by stating that the healthcare organization leaders i.e. administrators and managers need to exhibit greater dynamism and agility to thrive in a competitive landscape, ensuring they address the needs, expectations, and demands of both patients and staff to foster organizational flexibility. The capacity for quick adaptation and the rapid overhaul of different healthcare system processes might not have been a choice for numerous healthcare organizations; however, it became imperative due to regulations enforced by local and federal authorities as well as served as the sole means of surviving the disruptive pandemic (Bhandari, Badar, and Childress, 2021). Rapid transformation in healthcare delivery such as improving existing care delivery models and the adoption of digital and virtual care options is also on the rise on the onset of the COVID-19 pandemic as seen in recent years (Anil et al., 2022; Iqbal et al., 2022; Bartlett et al., 2023; Ramjewan et al., 2021; Hennek et al., 2023; Bhandari et al., 2022; Farrugia & Plutowski, 2020; Temesgen et al., 2020; O'Horo et al., 2021; Haddad et al., 2021; Ganesh et al., 2021; Lin et al., 2020; Bharucha et al., 2021; Mueller et al., 2023).
While these insights are not new to healthcare institutions such as ours, they certainly merit acknowledgment and dissemination, fostering collective learning and advancement as healthcare providers are doing their best to provide care to their patients in this tough economic landscape.

3. Conclusion

No sector including healthcare is unstirred from the impact of the global pandemic (COVID-19) especially in the financial realm. This study which was conducted in a community-based hospital in a rural midwestern region showed that a structured team-based approach can be fruitful in bringing different functional groups (departments and clinical areas) on the same page in a time of difficulty in a very brief timeline. The outcome of the final implementation of the proposed improvements is yet to be seen but the proposed improvements can be taken as a positive sign to setting a positive tone within the organization within the clinical areas through the highest level of leadership.

Declaration of Conflicting Interests

The authors affirmed that they do not have any possible conflicts of interest in relation to the research, creation, and/or publication of this article.

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Joshua Nicolai, J.D., M.B.A. has over 10 years of healthcare experience spent on process improvement, electronic health record implementation, and program implementation. He is currently a Management Consultant at Mayo Clinic. He performs process improvement, strategy, and program implementation functions. His experience includes working at Epic Systems as a project manager, several digital health startups with an emphasis on patient engagement and addressing social determinants of health gaps, and performing implementation and revenue cycle work at external consulting vendors Deloitte and Impact Advisors. He has an undergraduate business degree from the University of Wisconsin-Madison, a law degree from Marquette University Law School, and an MBA from the University of Minnesota- Twin Cities.