



\$15 Million Saved Through Focused Performance Improvement and Operational Benchmarking

Between 2001 and 2005, 28 California hospitals were forced to close due to the crushing weight of financial troubles.

HIGHLIGHTS

Location:
Monterey, CA

Scope and Services:
Founded in 1934, the Community Hospital of the Monterey Peninsula is a nonprofit healthcare provider with its roots and ethos firmly embedded in the community. CHOMP is equipped with 205 staffed acute-care hospital beds and 28 skilled-nursing beds. The hospital offers a wide range of care and facilities, including: the main hospital (including a recently quadrupled Emergency Department), satellite laboratories, inpatient/outpatient mental health clinic, and the Hospice of the Central Coast.

Solutions:
ActionOI® Operational Performance Improvement Solution

Course of Action

Community Hospital of the Monterey Peninsula (CHOMP) was determined not to suffer the same fate, but equally determined not to compromise its founding ethos of providing excellent medical care to those in the community who need it, and at a lower cost than many of its peer hospitals.

Since 2002, the facility's cost per adjusted discharge had been worsening, reaching the 94th percentile by 2007. Realizing its growth in expenses was not sustainable, and was putting CHOMP at a competitive disadvantage, the hospital decided to take resolute financial and operational action. CHOMP needed a cost-reduction plan that would improve efficiencies around the hospital and raise the hospital's standings among its peers, without affecting the quality of care.

CHOMP quickly established a partnership with Truven Health AnalyticsSM that would provide them with a complete solution for its financial woes. CHOMP selected Truven Health ActionOI® as the ideal tool to evaluate its operational and financial data in a realistic context.

To avoid further financial pitfalls, CHOMP had to develop a cost-management plan utilizing benchmarking to identify opportunities before a strategy was implemented. The facility also needed access to the intelligent information available through ActionOI to make essential data-driven budget decisions for 2010. CHOMP had realized that a target-reduction strategy was vital to its economic survival, and with the partnership of Truven Health, such a strategy would be attainable and fiscally justifiable.

At the department level, CHOMP worked in conjunction with Truven Health to develop a benchmarking tool to help set, and then meet, targets. This tool would:

- Teach directors and supervisors how to read and interpret the ActionOI data
- Take key statistics from ActionOI, analyze them, and automatically calculate cost reductions to meet benchmarking goals

“We found ActionOI Operational Performance Solution gave us the analytical and strategic insights we needed for our performance improvement initiatives.”

Matt Morgan

Director, Financial Services
Community Hospital of the
Monterey Peninsula

- Provide a place to outline actions needed to meet target reductions for executive review and approval
- Address the impact of cost reduction on departments across the hospital
- Quantify mindful variances and their impact on the plan

These measures were introduced in an effort to make benchmarking a part of the organizational culture of the hospital. There were several challenges, but with the help of Truven Health, CHOMP was able to establish a benchmarking culture that would ultimately lead to positive change in the hospital’s organization.

The hospital’s ambitions to be savvy and forward-thinking in its strategy put CHOMP in a position to involve all divisions, not just those yielding the biggest opportunities, as the hospital moved into the performance improvement phase. Through ActionOI and Truven Health Strategic Services, CHOMP was able to identify key opportunities, as well as focus on cost-reduction efforts.

Results

For the new strategy to be implemented to the fullest, complete cooperation from the executive committee was essential. CHOMP found clear and constant communication on all levels regarding the impending changes intrinsic to the strategy’s success, and over the course of 12 months, was able to:

- Reduce expenses by \$15 million by diminishing unnecessary hours and improving overall efficiency
- Reduce rates to patients by 3 percent in July 2009, and again by 1.5 percent in January 2010
- Increase efficiency to the extent that CHOMP could cut back from seven fully staffed medical-surgical nursing units to six

Perhaps most important to this community hospital, CHOMP was able to implement vital changes to its facility without compromising its identity: its long-term employee base was maintained, and by focusing cost-management efforts on productivity measures, salary expense evaluation was avoided. CHOMP remained constant in its determination to not cut patient-related services, keeping the community’s needs at the forefront of its considerations when evaluating service-line financial performances.

FOR MORE INFORMATION

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