

MEMORIAL HEALTH SYSTEM



Health System Saves \$35 Million Using Comparative Benchmarks to Improve Productivity

A new leadership team at Memorial Health System focused on operations and staff productivity to make major improvements and reduce expenses by nearly 20 percent.

HIGHLIGHTS

Location:
Colorado Springs, CO

Scope and Services:
Memorial Health System is a 650-bed, level II trauma center consisting of three hospitals: Memorial Hospital Central, Memorial Hospital North, and Memorial Hospital for Children. The system also has outlying clinics throughout Colorado Springs, including labs, X-ray facilities, and physical therapy locations.

Solutions:
ActionOI[®]
Operational Performance
Improvement Solution

Memorial Health System is a city-owned system that has grown significantly from its origins as a single-entity hospital with eight beds in 1904. Memorial Health became a system in 2006 and now includes a 650-bed, level II trauma center consisting of three hospitals — Memorial Hospital Central, Memorial Hospital North, and Memorial Hospital for Children. Ambulatory outpatient clinics throughout Colorado Springs include X-ray facilities, labs, and physical therapy locations.

During a time of major expansion in 2007, Memorial Health built a new hospital and staffed it with nearly 400 full-time equivalent (FTE) team members. “It was the ‘build it and they will come’ type of scenario,” says planning analyst Don Seidel. “But, unfortunately, we didn’t get the volume that we thought we would get.”

As a result, that same year, Memorial Health System found themselves 324 FTEs, or approximately \$13.5 million, over budget. They were losing money for the first time in a long time and knew they needed to take action. Memorial Health System had used the Truven Health ActionOI[®] operational performance improvement solution since 2003, but had not effectively leveraged the tool to find opportunities and decrease costs and improve efficiency.

As Memorial Health System faced this looming financial crisis, an entirely new executive team was brought on board.

“We use Truven Health products because they give us insights into things that we can’t normally see on our own. And we found that it really helps us to see where we stand with other peer facilities around the country. The data is very consistent and accurate.”

Don Seidel

Planning Analyst
Memorial Health System

Course of Action

With a new executive team — including CEO, CFO, and COO — in place, Memorial Health System began examining the ActionOI benchmark reports to get a better understanding of how their productivity and cost metrics compared to peer organizations across the nation.

Memorial Health System embarked on a two-phase project:

- Phase I targeted departments that had the lowest productivity – those that were over the 75th percentile. Starting with the inpatient nursing units, the targeted departments developed action plans to immediately achieve productivity standards of the 50th percentile.
- Phase II required all departments to develop action plans to meet the average benchmark performance, or 50th percentile, for volume and hours worked. Departments that did not meet their established goal were required to explain the variance to the CFO.

“We trained all the managers to be familiar with the information in ActionOI reports. The CFO and COO met with each department individually, so they understood the processes behind the reports and where their numbers were coming from,” says Seidel. “This was important, so they felt their numbers were good.”

In developing the action plans, Memorial Health System found several ways to reduce staff costs without resorting to layoffs. For example, staffing levels were adjusted up or down based on patient volume, contract labor costs were cut, and overtime hours were reduced.

In addition to the action plans developed for each department, Memorial Health System also created an ongoing, biweekly productivity report. With this report, each department is listed individually with their productivity target based on the ActionOI 50th percentile, compared to their actual biweekly volume and hours worked.

“If they were meeting the target, they were fine,” says Seidel. “If they didn’t, they were on the red report and were held accountable to the CFO. As a result, we started noticing productivity getting better and better.”

Results

Once all managers were held accountable to meet the 50th percentile in productivity benchmarks, Memorial Health System began to see dramatic, positive financial results:

- Reduced the number of departments over the 75th percentile from 29 percent to only 8 percent, solely by focusing on volume and staffing patterns.
- Brought the number of FTEs that were over budget from 342 FTEs over budget in 2007 to 240 FTEs under budget in 2009.
- Decreased overtime hours from 102 per CMI weighted adjusted discharges in 1st quarter 2008 to 83 hours by 4th quarter 2008.
- Reduced overtime hours as a percent of staff worked hours by 50 percent.

All of these changes led to big savings. In fact, Memorial Health System estimates an overall savings of \$35 million in cost avoidance.

“We’re seeing steady improvement financially for the hospital, which is an important thing” says Seidel. “We’re a community hospital and the taxpayers could be affected, so it’s important that we are financially viable. ActionOI really helped us go in that direction.”

Memorial Health System was awarded a Truven Health Healthcare Advantage Award in 2010. The award honors healthcare organizations who are innovators in several categories, including consumer outreach, health and clinical outcomes, performance efficiency, and strategy and growth.



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