ams biweekly report
Applied Management Systems
Dedicated to Excellence in Health Care Management • Trusted in Interim Management

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CHANGE IN DIRECTION

The July issue of the Biweekly typically features a mid year analysis of major federal policy issues affecting health care. As the Biweekly went to press, it was not clear what direction a Health Care Reform bill would take. It was clear implementation timing will be stretched for years, meaning there will be an adequate transition time for financial changes. While we await the for the reform bill, healthcare continues to evolve. The articles in this issue reflect the constantly changing environment.

MASSACHUSETTS MEGA MERGER DEAL SIGNED

Two Massachusetts based hospital systems, **the Beth Israel Deaconess Medical Center**, Boston, and the **Lahey Health System**, Burlington, had previously announced a merger of their ten hospitals. Shortly after that three significant independent Massachusetts hospitals also announced their intent to join the as yet unnamed system. **Anna Jacques Hospital**, which is a community hospital north of Boston on the Atlantic Ocean in Newburyport**; Mount Auburn Hospital**, which is a "community" Harvard teaching hospital located in the city of Cambridge; and **New England Baptist Hospital** , the orthopedic specialty facility in Boston; all signed on to be in the same system. Normally, only two entities apply to merge, and the evaluation of the application by the regulators is straight forward. In this case the review is complex and unprecedented as the various scenarios are weighed. It could also be very long. If approved it would create three large systems operating in the eastern Massachusetts/greater Boston area with 10-20 hospitals-**Partners HealthCare System, Steward Health Care System**, and the BI System. There are also two medical schools in the city of Boston, Boston University and Tufts and their hospitals that compete in this same arena.

ONE DAY NURSING STRIKE JULY 13 AT BOSTON HOSPITAL

"We understand what it is like working as hospital management with a contentious union relationship. While working at the state of Rhode Island owned Eleanor Slater Hospital as part of the advisory senior management team, the AMS consultants and I have attended many meetings with the heads of the unions there starting in September

2015. I could write a book on their behavior" says Alan Goldberg, principal and president. However, this recent union experience allows AMS to empathize with the situation at Tufts Medical Center, Boston, where the Massachusetts Nurses Association held a one day strike on Thursday July 13. This one day strike was conceptualized to specifically hurt the hospital and cost it significant time and money. It was not designed to help the nurses achieve their goals and objectives in negotiating the new contract, or help the patients, even though that was the stated objective.

Large Massachusetts Physician Organization Acquired

Originally begun as the Fallon Clinic by Dr. John Fallon in 1929, this central Massachusetts organization became the Reliant Medical Group in 2011. It was also aligned for a time with Atrius Health, the state's largest physician organization. In May 2017 it agreed to become part of United Healthcare Group's, Minnetonka, MN OptumCare. Reliant has over 300 physicians and OptumCare also owns the urgent-care chain MedExpress and Surgical Affilates which owns surgery centers. It has a goal to be in 75 major US markets.

Health Care's 'Most Wired' for 2017

Hospitals & Health Networks magazine published by the American Hospital Association (AHA) sponsors the annual Most Wired Survey, which is an industry-standard benchmark study. The survey is designed to measure the level of IT adoption in U.S. hospitals and health systems, and is a useful tool for hospital and health system leadership to map their IT strategic plans.

AMS clients, present and past, on the list include:

Baystate Health (MA)
Berkshire Health Systems Inc. (MA)
Beth Israel Deaconess Hospital-Plymouth (MA)
Bon Secours Baltimore Health System (MD)
Boston Medical Center (MA)
Catholic Health Svcs of Long Island (NY)
Central Maine Medical Center (ME)
Community Health Network (IN)
Concord Hospital Inc. (NH)
Detroit Medical Center (MI)
Emerson Hospital (MA)
Exeter Health Resources (NH)
Franklin Memorial Hospital (ME)
Froedtert Health & the Medical College of Wisconsin (WI)
Geisinger Health System (PA)
Hallmark Health System (MA)
Hospital of Central Connecticut (CT)
Lakeland Medical Center (FL)
Littleton (NH)
Lowell General Hospital (MA)
McDonough District (IL)
Medstar Health (MD)
Mercy Chesterfield (MO)
Norwalk Hospital (CT)
OhioHealth Doctors Hospital (OH)
Ochsner Health System (LA)
Peninsula Regional Medical Center (MD)
Rockford Health System (IL)
South County Hospital (RI)
St. Luke's Cornwall Hospital (NY)
Stony Brook University Medical Ctr (NY)
Summa Health System (OH)
West Virginia University Hospitals (WV)
William W. Backus Hospital (CT)

SPECIAL INSERT TO THE JULY 24, 2017 BIWEEKLY
PRODUCTIVITY MANAGEMENT WORKFORCE SOLUTIONS-THE STATE OF THE ART

AMS is larger than 90 % of the companies in America so it is not surprising when it comes to workforce analytics and cost management we have a comprehensive approach. With July 1 come and gone most hospital related organizations will soon be in fiscal 18. This brings a whole new set of institutional pressures, especially since *productivity management and monitoring* is now more complicated. Recognizing this AMS knows often a complete organization wide on site assessment is needed and other times information that is just "high level" information, such as labor and non-labor KPIs, is required for the C-Suite.

AMS took this comprehensive approach on site with clients in 25 states within the last 12 months. We advocate an approach that has five components, all of which we offer through our own proprietary tools and techniques:

- *management education*
- *management span of control*
- *labor and non-labor benchmarking*
- *implementation and accountability*
- *productivity reporting for decision support*

The goal of the **management education** is to provide directors the tools to monitor, manage, and meet performance standards and benchmarks, and do this as an ongoing part of the process. Education can be everything from online, tutorial or didactic. AMS uses a program called "Moving Toward Operational Excellence" as a starting point, and has a project management program to help perfect those skills in managers.

Assessing the current **span of control** assists in determining the optimal number of direct reports for management positions at all levels. The key objectives are to determine if the roles, responsibilities, positions, titles and organizational dynamics are appropriate and effective. Typical industry output is a management to staff ratio, but for AMS studies, the output is very specific, comprehensive and detailed.

A successful **labor benchmark** process includes questionnaires and interviews with cost center managers to understand "unique characteristics" of the cost centers, with consideration of workflow, interdependencies, and potential physical or operational barriers. The objective of this effort is to establish benchmarks at the function level that are achievable and will gain acceptance and support as a tool to improve efficiency. A **non-labor benchmark** utilizes the AMS proprietary database for developing savings plans and strategies to reduce supply chain cost with minimum disruption to physician preferences.

It is only through implementation and accountability that results can be achieved and maintained, so **implementation** focuses on assisting department managers with the design of detailed work plans to drive savings, and identify and implement necessary course corrections in established plans.

When a high level approach is required, the primary feature is that the KPI work is performed off site so there is no introduction of AMS to the organization or time delays to onboard the work. For examples of output or more information, see the contacts below.

Productivity Reporting AMS now offers two different and unique ongoing productivity monitoring systems for hospitals. Both of these are our own. We conceived them, designed them and own 100% of the product. Our state-of-the-art application software is a hosted reporting system, securely accessible through a web-browser and was first offered three years ago. It can meet the requirements for regular productivity reporting including interactive dashboards, graphs and reports at all organizational levels.

The other productivity system is the classic AMS one, which is Microsoft Excel spreadsheet based. It is one of the first in the industry and is a sophisticated one. It has been used by 300 hospitals.

For more information, contact Michael Foley or Alan Goldberg, principals, at MFoley@aboutams.com or AGoldberg@aboutams.com.

ams®
Applied Management Systems

Labor Benchmarking

How does your hospital measure up? Benchmarking provides the answers

AMS's hallmark service is labor benchmarking. Only by identifying a hospital's actual staffing levels and comparing it to our proprietary industry labor benchmark database can an institution confidently begin the process of optimizing productivity. We perform both hospital-wide and department-level benchmarks.

Typical initial savings identified is up to 10% of total labor expense

Immediate Benefits

- Identify, by department and cost center, staffing based on AMS work-function level benchmarks
- Identify departments with potential for productivity and operating system improvement
- Provide a focal point for senior management to discuss labor resource issues
- Establish a starting point for improvement efforts
- Assist with development of long-term labor strategies

Recent Results

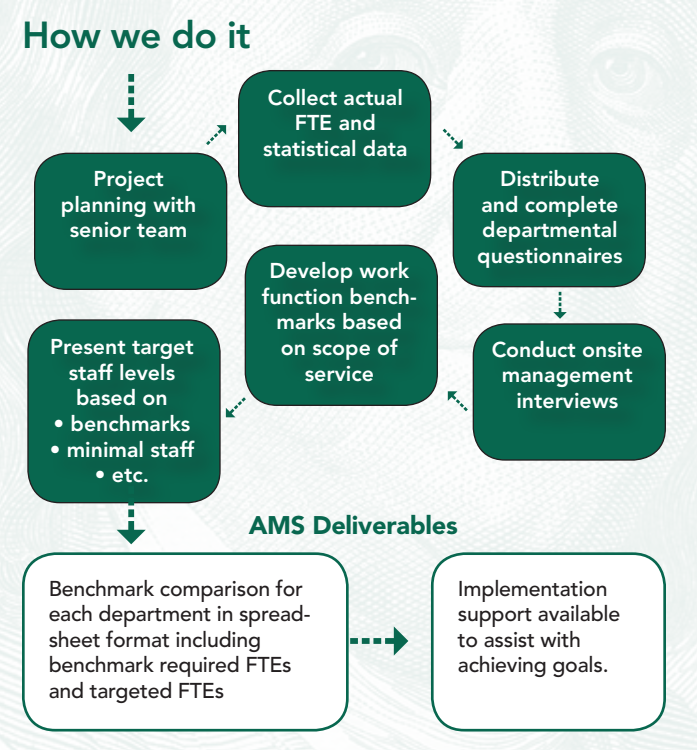
200-bed community hospital: AMS identified a labor improvement opportunity of 108 FTEs of the hospital's 1,250 FTEs. Eight outlier departments accounted for 50% of the opportunity.

3-hospital, 600-bed regional system: AMS identified areas with staffing opportunity equal to 3% (136 FTEs) of the system's 4,500 FTEs.

Critical access hospital: AMS identified an 8% staffing opportunity (48 FTEs) in a system of 600 FTEs comprised of a 25-bed acute care, 25-bed nursing home, 10-bed rehab unit, and support staff for physician practices.

Average ROI = more than 30 times

How we do it



The AMS Benchmarking Advantage

- Hospital-wide benchmarks compare your hospital/health system to similar institutions (size, type, and case mix) on a global basis.
- Department benchmarks are based upon a key volume indicator and paid hours per indicator for each department or area of the hospital.
- AMS's proprietary benchmarking database is based primarily on:
  - Actual studies AMS performs for its clients
  - Best practice targets developed by AMS content experts who specialize in all facets of health care.

Contact AMS: (800) 462-1685

Patrick Abrami, Principal - pabrami@aboutams.com
Paul Camara, Principal - pcamara@aboutams.com
Donna Dillon, RN, Principal - dwdillon@aboutams.com
Michael Foley, Principal - mfoley@aboutams.com
Alan Goldberg, Principal - agoldberg@aboutams.com
Jennifer Schuster, RN, Principal - jschuster@aboutams.com