

# Key Considerations for Improving Hospital and Health System Operations

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It is difficult to avoid the constant reminders of the current economic situation and its effects on both healthcare providers and patients. In addition, the looming healthcare reform initiative may have further significant negative impact on hospital revenues while providing little, if any, relief or guidance on the cost side of the equation. In these turbulent times, effective and efficient resource management is a critical component of an organization's health and longevity. In order to achieve near-term operating improvements that address the current environment, while ensuring that an organization is positioned for longer term viability and growth, efforts to enhance functioning should address several of the following key operational success factors in a coordinated fashion:

- Labor and non-labor cost management
- Service volume and resource alignment
- Labor productivity monitoring and management
- Staffing allocation and utilization
- Work process design, coordination, and management, which seek to:
  - ▶ Streamline major processes to optimize the overall patient experience
  - ▶ Eliminate variability while allowing for flexibility
  - ▶ Standardize and simplify tasks and work steps
  - ▶ Ensure core processes do not change based on volume fluctuation
  - ▶ Eliminate redundant data collection
  - ▶ Minimize non-value-added processes
  - ▶ Include "feedback loops" to facilitate communication
  - ▶ Create decision trees to address 80 percent of patients and/or procedures
  - ▶ Identify and optimize IT capabilities
  - ▶ Utilize standard metrics to measure initial and ongoing improvement initiatives

Hospital service and process components tend to be intertwined and interdependent. While addressing these operational factors in a coordinated fashion may be a difficult and often daunting task, such an approach is nonetheless necessary to achieve lasting improvements. Attempting to address individual operating factors in isolation will result in incomplete measures which may ultimately be unsuccessful. Most hospital processes are relatively closed systems with cross functional areas and have various operating factors (e.g., a given process may include resource utilization, cost, and resource management components). Thus, an initiative that attempts to affect only one operating factor (e.g. only labor costs) or a single operating component (e.g., partially redesigning Emergency Department services by only addressing ER nurse staffing services without considering ancillary, support, or inpatient nursing impacts) will not maximize improvement potential and will probably not result in long-term improvements. Inefficiencies or quality issues in components that are not addressed will continue to cause financial and service problems, most likely outweighing any improvements in those components that are addressed.

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Optimally impacting these operational factors requires a coordinated improvement effort that includes quantitative and qualitative components. Quantitative elements such as benchmarks and performance targets are effective for identifying the existence and extent of potential improvement opportunities, as well as the measurement of improvement initiative impacts. Qualitative elements such as better practice methodologies serve to define and guide actual improvements. That is, to actually improve performance, managers must identify and implement specific organizational and operational changes. Often, external resources are a primary and reliable source of better practice methodologies that can be applied to an individual organization's specific needs. An improvement initiative that utilizes external resources should yield an annualized year one return on investment of at least three or four to one.

Overall, the goal of any operational improvement initiative should be to effectively address pressures within the current environment, as well as position an organization to proactively manage their services and resources going forward. While successfully navigating such an endeavor is a complex undertaking, the positive impacts associated with such efforts can yield significant financial, structural, and service quality improvements.

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