



Strategic Cost Management Solution

Achieving Profitability Through
Productivity Improvement

CASE STUDY

South Central U.S. Regional Health System

This leading, multi-campus health system provides for the health and wellness needs of communities located throughout the South-Central region of the country.

Highly respected and community oriented, they offer a full range of healthcare services ranging from cardiovascular, spine and orthopedic surgery, and women's and children's services to outpatient diagnostic centers, a primary care network, and community wellness. Over time, they have grown to over 3,000 employees and have over 350 physicians credentialed on their medical staff.



THE CHALLENGE: What we needed to overcome

Envigorate Healthcare had a history with this Regional Health System (RHS) that dated to 2013-2016 when it completed a successful Strategic Cost Management (SCM) engagement with excellent results. Envigorate assessed staff skill levels, set realistic targets, and found pockets of savings opportunities both deep in the weeds and hiding in plain sight. This indicated that profitability could be achieved through productivity improvement without compromising on patient care or staff reduction. Despite this success however, new challenges had emerged for the RHS over time:

Financial Headwinds. In the current healthcare environment, increasing salaries and benefits, runaway operating costs, a shortage of qualified nurses, and greater reliance on outside agencies have eroded margins and reduced profitability at hospitals and health systems across the U.S., and this RHS was no exception. It was under pressure to improve patient outcomes while reducing labor costs. What it needed was a better way to improve productivity while finding significant savings to prevent staff cuts which they were prepared to make.

Competition. 2022 saw the RHS heavily involved in merging facilities, re-purposing assets, and transferring medical services to a newly constructed healthcare complex. To obtain the professional expertise needed to support these efforts, the health system issued an RFP with four mandatorys for bidders:

- A plan to seamlessly migrate their work environment to a new facility.
- Maintain the integrity and consistency of their operating systems.
- Protect and maintain their financial systems throughout the transition.
- Find areas of opportunity for savings to offset thinning margins.

Envigorate was asked to join the bidding and went on to win the contract against some big brand name competitors. Awarding the business to Envigorate gave the RHS a wider breadth of experience, oversight, and value for a more reasonable price. Their track record for getting results, their willingness to mentor staff, and an SCM team that already knew the health system's operations and culture were factored into the decision.



Multi-Level Buy-In. We believe in achieving buy-in at all levels of leadership, engaging the physicians, and building a sustainable, flexible, productivity model that is consistently validated and updated. The key element of our SCM strategy is buy-in from both the C-level, Director level, and mid-Management (those responsible for implementation, management, and oversight).

Sustainable change and process improvements occur with front-line management when provided with the right tools and data to make effective decisions. It's imperative that all decisionmakers be aligned with the mission and strategy of the RHS, and Envigorate was able to achieve that.

Working Collaboratively: To highlight the raw and valid concerns from healthcare leaders today, this Health System's Chief Nursing Officer (CNO) is highly experienced, respected, and responsible for multiple departments, and her influence resonated throughout the organization.

Having just re-built her staff in the wake of Covid-19 when qualified nurses were hard to find, she was understandably protective of her team and concerned about working with a new consulting firm that she just met. In the beginning, she was uncertain how inevitable change would impact the nurses reporting to her.

The protective nature, anxiety, and skepticism were natural reactions, and Envigorate's skilled team implemented regular meetings to improve transparency. These meetings proved to be door openers that enabled Envigorate to learn how the CNO preferred to do business, and what she needed from them for better oversight of the SCM workflow, including:

- Consistency in sticking with proven methods and disciplines.
- Weekly outlines of the overall project and detailed study timelines.
- Email updates to keep her updated and in the loop.

Communication and education were both critical for strengthening the CNO relationship. The Envigorate team implemented their methodology to:

- Communicate clearly and consistently with messaging that showed respect for her staff's knowledge and skills.
- Apply proven methods that allowed her to see that everyone on her team was treated equally, with no pre-conceived notions.
- Develop specific targets for each department, and the savings generated came from efforts that were done collaboratively.

Having seen first-hand the level of knowledge, expertise, and empathy Envigorate brought to the table, the CNO has become one of its biggest ambassadors, and has plans to involve Envigorate in upcoming initiatives.



Envigorate's methodology for looking at labor objectively is proof that they are doing it the right way, and that's helped us reduce operating costs and improve patient care without having to cut our nursing staff.

CNO, Regional Health System

THE SOLUTION: Strategic Cost Management

The RHS is part of a growing trend that shows more U.S. hospitals and health systems deploying Envigorate Healthcare's SCM solution. SCM offers a set of proven methodologies that address soaring expenses by reducing labor costs without making deep cuts in staffing. From a price/value perspective, the tools and techniques delivered by an SCM engagement ensures durable financial benefits for years to come.

The RHS contract commenced in October 2022 and stipulated that Envigorate save them approximately \$9 million in labor costs over the length of the agreement. To help meet this target, Envigorate developed a set of objectives that would:

- Provide health system managers with proven techniques enabling them to better utilize the time and skills of the people who work with them.
- Improve employee participation in meeting goals by eliminating the barriers that prevent them from completing their assignments in a timely and efficient manner.
- Reduce operating expenses through the installation of a comprehensive SCM program uniquely tailored to fit the departmental needs of the RHS.
- Help integrate the recommended action items into their financial controls.

Time-and-Motion Studies. What differentiates Envigorate from larger competitors is that we do departmental time-and-motion studies that enable us to build performance targets for our clients from the ground up. This ties in directly with our approach of getting buy-in from nursing leaders and front-line staff as our targets are calibrated to align with their individual departmental needs. For this client, we were able to deliver both realistic targets and the road maps to hit them.

Metrics. At one point, the health system had 600 jobs posted on their website and were looking to fill them from the outside. Envigorate's recommendation was to realign existing resources to areas of need in the organization. Envigorate's focus is to develop the most efficient and effective staffing models to maintain excellent patient care at the lowest possible cost.

The Envigorate team identified the correct skill mix from existing staff and re-directed work so that the right people were matched with the right jobs. Metrics were a critical component for benchmarking performance and establishing a fresh set of KPIs.

Eliminating Incremental Overtime. Senior hospital managers face crushing workloads with little quality time. While cost-saving opportunities exist, they have no time to even reach for the low-hanging fruit.

Envigorate's value added is to know where to look. For example, Incremental overtime, also referred to as "clock sitting", is a common occurrence at hospitals and a massive waste of money.

It works this way. An employee clocks in at 6:30 AM for the 7:00 AM shift and heads to the cafeteria for breakfast and small talk with co-workers while on the clock. Now you've just paid for 30 minutes of unproductive time. If 70% of your staff does this daily, that's a lot of money walking out the door. Envigorate's experience enabled the RHS to save money by eliminating those unproductive hours and re-focusing staff on productivity initiatives.

Periods of Refresh. Change is inevitable and the healthcare sector must keep pace to operate cost efficiently and deliver quality patient care. Goals change, workloads change, leaders change, technologies change, and data becomes obsolete. To get out in front of these challenges, Envigorate used the internal facilities merger as a re-set opportunity to:

- Confirm that the health system's performance targets were still on point.
- Re-calibrate its SCM strategies and tactics to ensure they continue to generate productivity improvement, find new savings opportunities, and improve their client's balance sheet.

We'll Provide the Tools for Continuous Improvement



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Finding savings through the re-alignment of performance targets presents a better alternative to staff cuts.

RESULTS

Contracted to find \$9 Million in savings:

- Envigorate uncovered **\$17 Million in savings**.
- This represents an **88% bump** without costing the client an extra cent.
- That number is expected to increase once the engagement ends in May 2023 and the final cost-benefit analysis is completed.

If Envigorate does its job properly, logic dictates that they should not be expected to come back. However, results have proven just the opposite. The value and trust established by the SCM team has the health system looking to continue its partnership with Envigorate.

For example:

- The CNO is working on funding to bring Envigorate back to help evaluate the impact of its SCM solution on their merger and transition of services and staff.

While Envigorate's disciplined approach to strategic cost management helped their client exceed its cost-savings goal through productivity improvement, the most satisfying result of all was that *not a single member of the nursing team lost their job*.



Our approach yielded significant financial improvement ranging from



Without compromising on quality and safety.

ABOUT US

Envigorate Healthcare is a trusted industry partner, improving patient and staff experiences through advisory and consulting services. We help healthcare institutions achieve their strategic goals of improved patient outcomes, operational efficiency, financial stability, and enhanced clinician engagement.

Envigorate consists of seasoned clinical, ancillary, and financial consultants; individuals with a track record of success implementing change, empowering managers and sustaining process improvements. We have worked with more than 300 hospitals nationwide for over 20 years.

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