



WHAT MAKES A HOSPITAL CRO SUCCESSFUL?

By Dennis Simon

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What makes a Hospital CRO successful?

Hospitals throughout the USA are under increasing and different pressures than other industries. Regulatory changes are likely to soon begin to reduce hospital revenues between 2-4% per year. Government as a source of hospital revenue is under enormous pressure to spend less. New York hospitals, for example, are facing a series of challenges stemming from a number of unfunded mandates such as HIPAA, Recovery Audit Contractors (RAC) and Hospital Acquired Conditions (HAC) initiatives. In addition, New York Hospitals are bracing for significant Medicaid cuts that may cripple their ability to sustain themselves if other funding resources are not established and if effective sustainable cost containment is not quickly implemented. The likelihood of additional New York hospital closures is a real possibility given the current financial landscape. New York is not alone in this crisis.

Hospital turnarounds and restructurings present very complex challenges to restoring, preserving and growing value. Moreover, due to the very complex issues that exist in hospitals, simply importing turnaround expertise learned in other industries just won't succeed. For one, the hospital landscape is so reliant on its skilled human resources that a successful Chief Restructuring Officer (CRO) must have a thorough understanding and learned sensitivity to the requirements to motivate the workforce, getting them more productive while executing concurrent aggressive cost saving measures. To be successful, a CRO must at least have:

- A developed methodology immediately available to begin generating cash from hospital and ancillary operations other than through labor reductions,
- A clear plan of attack to tackle the biggest opportunity first, and
- An approach to increasing nursing productivity while maintaining standards of care AND improving nurse job satisfaction.

Satisfying all these seemingly contradictory goals may appear impossible to the uninitiated but therein lies the true distinction to effecting a sustainable hospital turnaround. This article focuses on this one difficult and unique aspect of turning around a hospital.

In no other industry do we find the importance of skilled workforce job satisfaction so crucial to success. The supply of nurses is significantly outstripped by the demand so turnover and shortages are extreme. At the same time, nursing is perhaps the most crucial element in the delivery of care and nurse job satisfaction drives the patients' perception of the quality of care delivered by the hospital which has revenue implications. Nurse deployment is woefully dysfunctional through no fault of competent hard working well meaning nurses.

Not coincidentally, the biggest expense in the hospital is their clinical labor spend. This is money spent on direct nursing care at the bedside, including registered nurses, practical nurses and nurses aides. I have seen it over 35% in some hospitals. That is unsustainable.

If the CRO is unable to move this metric below 30% quickly with the full support of the nursing leadership the hospital has little chance of becoming self sufficient. Most CRO's, even those with prior hospital experience, will not possess the tools to bring this cost in line while accomplishing the concurrent demand for maintenance of patient care standards and nurse satisfaction. Labor headcount reductions, the usual bromide applied, is just not the right solution and will lead to failure. Though many factors and operating skills are required for success in a hospital turn around, the paramount initial variable for the CRO to manage is the deployment of clinical



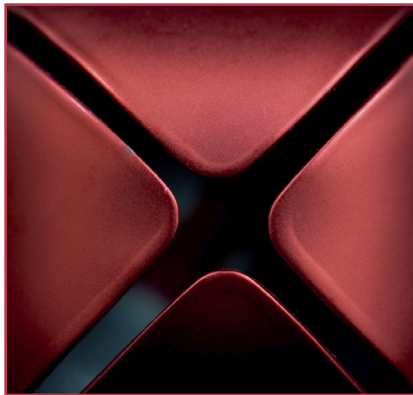
nothing I know of is available to repeatedly and reliably save hospitals. Once the clinical labor problem is addressed the remaining prioritized emphasis needs to be placed on those areas that can also quickly raise cash without adversely impacting the delivery of quality health care. Optimizing inventories and rightsizing the back office make up the next largest cost areas that require prompt action. But in all cases, there needs to be a systemic approach that accomplishes the short term objective of survival and concurrently maintains quality of care while creating sustainability. In future articles we will share the best practices for attacking these two fertile opportunity areas.

About the Author:

DENNIS SIMON, Dennis Simon has served in Interim CEO and CRO positions in the healthcare sector over the past 20 years. His expertise has often preserved the value of those clients he has led through crisis. His firm XRoads Solutions has amassed a deep expertise in the healthcare restructuring space as well as developed proprietary productivity enhancing solutions that enable the restoration of the long term viability of hospitals. To learn more about XRoads or its healthcare solutions, please visit www.xroadsllc.com.

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