

# Improving Health System Operations One Step at a Time

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Regional Vice President

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Chief Clinical Officer

May 10, 2023

# Presenter



Scott brings over 30 years of healthcare experience to his role as Regional Vice President, most of which have been in improving hospital operations and developing strategic business partnerships. His early career clinical bedside experiences molded his perspective and focus on excellence in patient care. Scott's experience includes CEO positions in for-profit, not-for-profit and government-owned hospitals ranging from 18 to 460 beds.

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# Presenter



Carolyn St. Charles is the Chief Clinical Officer for HealthTech. Carolyn has extensive experience working with rural hospitals to develop and strengthen Swing Bed programs. St. Charles earned a master's degree in Business Administration from the Foster School of Business at the University of Washington and a bachelor's degree in Nursing from Northern Arizona University.

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# Instructions for Today

- ✚ You may type a question in the text box if you have a question during the presentation
- ✚ We will try to cover all your questions – if we don't get to them during the webinar, we will follow-up with you by e-mail
- ✚ You may also send questions after the webinar to our team (contact information is included at the end of the presentation)
- ✚ The webinar will be recorded, and the recording will be available on the HealthTech web site: [www.health-tech.us](http://www.health-tech.us)

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# HealthTech Executive Leadership Team



**+ Derek Morkel**  
**Chairman**

- 20+ years as CEO & CFO
- Healthcare services & IT industries
- MedCath Corporation
- IASIS
- Craneware



**+ Neil Todhunter**  
**CEO**

- 40+ years in healthcare settings
  - acute, behavioral & home health
- 30 years as hospital CEO



**+ Dominic Symes**  
**EVP Staffing Solutions & Chief Revenue Officer**

- 23+ years as CXO, CMO & CEO positions in marketing, consumer, and technology industries
- Previous Board member of Saatchi & Saatchi and Omnicom Group

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# March – July webinars

All webinars are recorded for on-demand viewing.

## COVID fraud

**Presenter:** Cheri Benander, RN, MSN, CHC, C-NHCE, will be a facilitator for Scott Shanker, an attorney from Bass, Berry & Sims PLC

**Date:** March 10, 2023 | **Time:** 12pm CST

**URL:** <https://bit.ly/3jmTwOh>

## Choosing an EHR for your hospital: A roadmap

**Presenter:** Amy Lowe – Senior Recruiting Director, HealthTech

**Date:** March 24, 2023 | **Time:** 12pm CST

**URL:** <https://bit.ly/3YQvNGq>

## Part 1: Survey hot topics for Critical Access Hospitals

**Presenter:** Carolyn St. Charles, RN, BSN, MBA – Chief Clinical Officer, HealthTech

**Date:** April 13, 2023 | **Time:** 12pm CST

**URL:** <https://bit.ly/3HXDdBL>

## Improving health system operations – One step at a time

**Presenter:** Scott Manis – Regional Vice President.

Carolyn St. Charles, RN, BSN, MBA – Chief Clinical Officer, HealthTech

**Date:** May 10, 2023 | **Time:** 12pm CST

**URL:** <https://bit.ly/3G5Hlsp>

## Part 2: Survey hot topics for outpatient care settings and Rural Health Centers

**Presenter:** Carolyn St. Charles, RN, BSN, MBA

– Chief Clinical Officer, HealthTech

**Date:** May 19, 2023 | **Time:** 12pm CST

**URL:** <https://bit.ly/3jR9G2o>

## How creativity drives advertising effectiveness for your hospital + Building a brand voice

**Presenter:** Dominic Symes – EVP Staffing Solutions & Chief Revenue Officer, HealthTech

**Date:** June 16, 2023 | **Time:** 12pm CST

**URL:** <https://bit.ly/3WXT0oB>

# Timeline Operational Improvement



# Timeline for Operational Improvement

Done well, a recovery/turnaround phase can be used as a catalyst (or jolt!) to move a hospital towards a sustainable improvement in performance. Done poorly, it can leave the trust in a “turnaround trap.”

## **First 6 months: Performance recovery**

It is important to understand the scale of the challenge and root causes of the performance gap, and to focus on making some rapid changes to “stem the bleeding”. This is also an opportunity to begin to make changes in management practices and culture to strengthen the organization.

## **First Year: Clinical and operational transformation**

Here, the emphasis shifts from tactical improvements to a more systematic, fact-based approach. Teams work on improving clinical and operational processes.

## **Second Year: Continuous improvement and organizational agility**

Increasingly, we see the five-year end state of this journey as a hospital that is continuously improving, based on a learning culture and an agile operating and managerial model.

**In our experience, the journey from a distressed hospital facing a combination of financial, operational, and quality challenges to a strong and well-performing system leader typically takes three to five years - a much longer time frame than most turnaround programs.**

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# Five Basic Rules



# 5 Basic Rules

1. Recognize that you have a problem.
2. Benchmark your problem – how big is it?
3. The *Law of Large Numbers* rule – start with the largest and work down...
4. What impact can you make on Day 1?  
Start there! (remember rule #3)
5. Never forget: Culture & Communication!



# We have a problem.... 20 Red Flag Indicators

# But first.....Determining Financial Stress

$$z = 6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_4$$

The variable X1 represents net working capital (e.g. current assets, less current liabilities) ÷ total assets.

The variable X2 represents retained earnings ÷ total assets.

Variable X3 is earnings before income taxes ÷ total assets.

Variable X4 represents the book value of equity ÷ book value of debt

< 1.8 = Immediate Risk of Bankruptcy

1.8-3.0 = Hospitals at Risk of Financial Distress

> 3.0 = Good Financial Condition

# Red Flag Indicators

## 1) Days Cash on Hand

75 days median for rural – concern at lower level (Moody's AA+ = 399 / BBB+ = 156)

## 2) Days in Net Receivables

Concern above 54 days

## 3) Days Gross Accounts Receivable

Should track with Net Receivables

## 4) Total Margin

Lower than 2.5%

## 5) Operating Margin

Lower than 1%

## 6) Debt Service Coverage

Lower than 2 times coverage



# Red Flag Indicators

## **7) Salaries & Benefit expense as a % of net revenue**

Greater than 50% hospital staff  
Greater than 60% providers included

## **8) Long -Term Debt to Capitalization**

Greater than 55%

## **9) Average Age of Plant**

Greater than 11 years

## **10) Payor Mix Percentage**

Medicare inpatient – Greater than 73%  
Medicare outpatient – Greater than 38%

## **11) Debt**

- Non-compliance with debt obligation
- Difficulty accessing debt (borrowing power)
- High vendor debt

# Red Flag Indicators

## 12) Increasing accounts payables

## 13) Audit - ongoing concerns

## 14) Volume

- Decline in market share
- Decline in patient volumes
- Outmigration of services
- Increasing ER transfers

## 15) Medical Staff

- High use of locums
- Aging medical staff
- Difficulty recruiting medical staff
- Provider behavior issues





# Red Flag Indicators

**16) Outdated equipment, technology, facilities**

**17) Patient Satisfaction & Clinical Quality Concerns**

- Not meeting external benchmarks (CMS, MBQIP, etc.)
- High number of incident reports
- High number of patient injuries and harm events

**18) High staff turnover and increased use of Registry / Travelers**

**19) Poor accreditation surveys with multiple findings / recommendations**

# Red Flag Indicators

**#20**

**LACK OF STRATEGY  
BOARD DISRUPTION  
LOSS OF KEY STAKEHOLDERS**

# What To Do What Not to Do

# Don't

The instinctive response to the performance gap is often to “*stop the bleeding*” by taking a command-and-control approach to spending or daily operations, and to sign up to the ambitious targets and improvement trajectories required for sustainability.

70% of change efforts fail to achieve their goals, and research has found that the main causes are either that employees resist change or management behavior does not support and reinforce the change.

# Do

A sustainable approach to performance improvement needs to recognize the importance of mindsets, capabilities and behaviors, and give as much emphasis to improving what we call “organizational health” as to improving actual performance.

A much stronger focus is needed on the people agenda, including leadership and organizational development, capability building, decision-making, delegation and accountability.

# Operational Improvement Strategies

# Strategy 1: Recognize the Problem and Align Key Stakeholders

- Senior leadership alignment and recognition that the status quo is not sustainable
- Organizational willingness to change by Board, Physicians, Senior Leaders, Managers, and Staff
- Objective diagnosis of the operational issues
- Development of a solid plan and effective execution
- Effective communication to internal and external audiences

**To be successful there must be *complete support* of the operational improvement plan  
Delivery of patient care is contingent on *financial stabilization***

# Strategy 2: Identify supplemental funding sources

- CMS
- State
- Foundation
- Loans
- Collaborative Partners



# Strategy 3: Identify Revenue Cycle Opportunities

## Key Areas of Immediate Focus: ***Speed and Revenue***

- DNFB Management – get down to *no more than four (4)* days
- Review all open claims > \$5k (root cause of collection & other issues)
- 2 Year's worth of 835s – Benchmark Denials, Zero Pays, Recoupments
- 2 Year's worth of 837s – Benchmark Potential, revenue/coding opportunities
- Cost Report Review for missed opportunities

# Revenue Cycle Opportunities

Item	Description
1	ER-Level Coding – getting the right level for acuity of service
2	Charging – making sure all charges are correctly on the bill
3	IP Coding – better documentation of care for accurate reimbursement
4	Payment to Contract reconciliation – getting paid correctly
5	Claim Efficiency – making sure that the bill complies with all Payor processing rules
6	Denials & Problem AR Accounts
7	CDM – Chargemaster incomplete, has incorrect codes
8	Eligibility – getting correct information on patients (especially Medicaid)
9	Physician Practice RCM Operations
10	Self-Pay Collections – having a consistent collection agency & process

# Strategy 4: Improve Labor Cost and Productivity

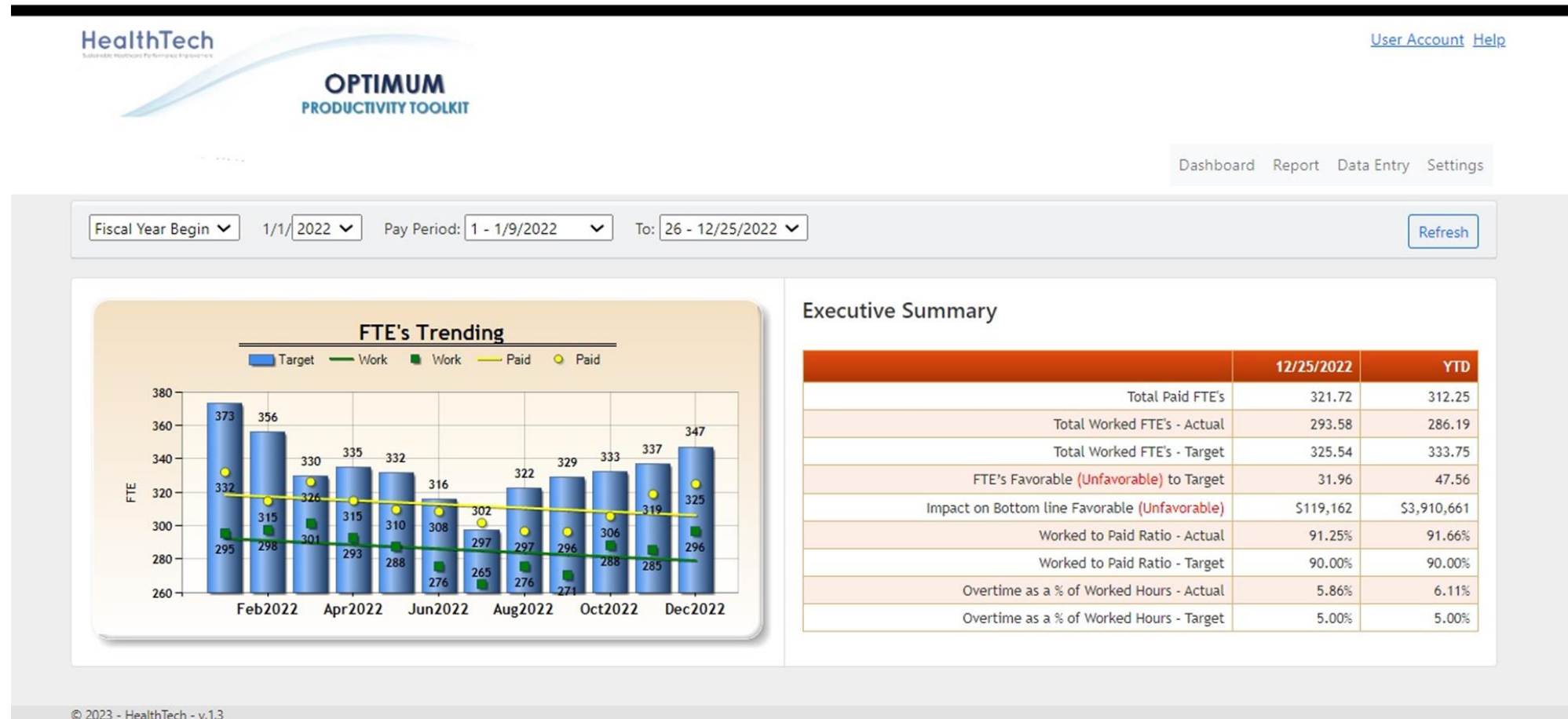
- Benchmark staffing cost (highest overhead cost item)
- Set labor and benefit expense goal of less than 50- 60%, including providers
- Initiate Productivity Program
  - Review staffing by department
  - Review key processes
  - Identify opportunities to decrease rework and waste
  - Develop new targets in collaboration with managers
  - Monitor and measure
- Begin to evaluate benefit structure, as compared to marketplace
- Review overtime, premium pay policies and contract labor expenses
- Plan/implement changes to benefits, pay scales, pay policies, PTO and benefits administration

# Optimum Productivity

## Optimum Productivity Toolkit™ FTE Trending Reporting

### Advantages:

- Accountability
- Budgeting
- Labor Targets
- Trending
- Affordability



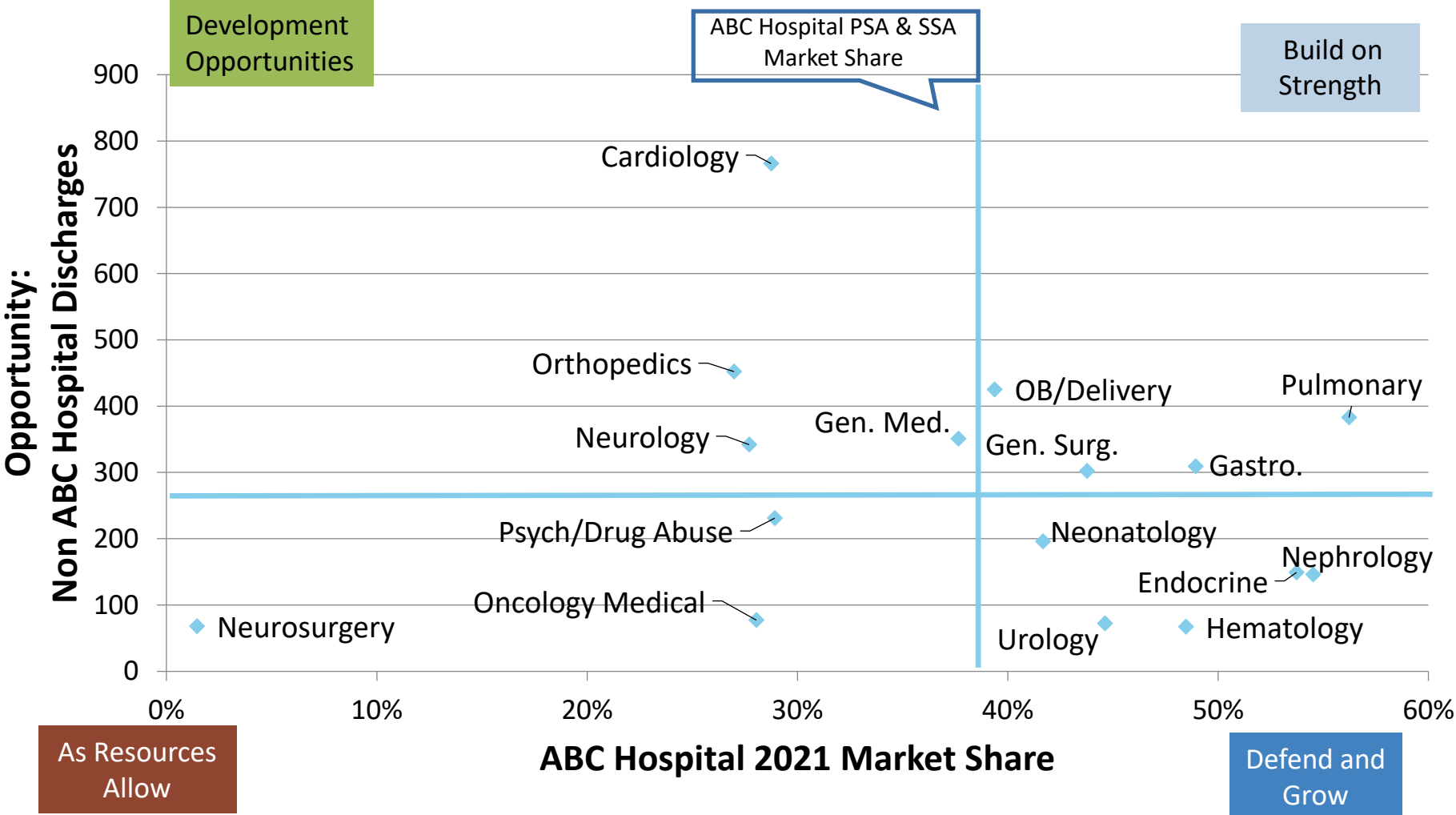
# Strategy 5: Improve Supply Chain

- Evaluate and strive for percentage reduction on all contracts
- Evaluate compliance/participation with GPO pricing levels
- Benchmark supply costs to comparative group
- Postpone any, and all, capital items not required to perform patient services if situation is critical
- Audit pharmaceutical stores and formulary

# Strategy 6: Analyze market share by service line

- Analyze market share by service line and demographic indices, and develop profitability rankings
- Analyze top \$\$\$ purchased services
- Identify opportunities for expedient revenue contribution margin enhancements
- Amend Budget
- Effectively communicate to internal and external audiences

# Opportunity Grid



Source: HealthTechS3, 2021

# Strategy 7: Consider Critical Access Designation or Emergency Hospital Designation

- If not already designated as a Critical Access Hospital (CAH), review State and Federal requirements.
- Consider potential of Emergency Hospital designation if inpatient volumes are low.

## Sequestration

The Protecting Medicare and American Farmers from Sequester Cuts Act (P.L. 117-71) extended the suspension through March 2022. This law also limited the Medicare reductions under sequestration to 1% from April 2022 through June 2022.

Without further congressional action, the BCA mandatory spending sequester on Medicare will resume April 1, 2022. However, from April 1 to June 30, 2022, Medicare benefit payments will be reduced by only 1%. Then, beginning on July 1, 2022, Medicare benefit payments will be reduced by 2%, as they were before the temporary suspension. These reductions are scheduled to continue through FY2031.





# Strategy 8: Analyze and improve operations of provider clinics

- Review provider clinics to determine if they can be converted to a Rural Health Clinic. This CAN apply to specialty clinics as well as primary care clinics.
- Review productivity, including provider productivity compared to MGMA benchmarks.
- Review key processes such as scheduling, medication management, etc.
- Review key metrics for opportunities:
  - Panel size
  - Wait time to urgent appointment
  - Wait time to non-urgent appointment
  - Wait time from arrival to provider
  - Patient satisfaction

# Strategy 9: Implement a Swing Bed program – or – Increase volume

Medicare Swing Beds in a CAH are paid the same as an acute care patient.

For most CAHs a significant revenue source – and – benefit to the community.

Reimbursement varies but can be \$2,000 - \$3,000 per day or even more.

Increasing just one patient per day has the potential to increase revenue by \$700,000 - \$1,000,000 annually.

***Swing Bed Courses are available  
Registration at [www.health-tech.us](http://www.health-tech.us)***

# Strategy 10: Implement Care Coordination

Care Coordination programs are paid by Medicare Part B in the clinic settings.

Medicare reimburses for Care Coordination through a variety of Care Management Services including:

- Chronic Care Management (CCM)
- Behavioral Health Integration (BHI)
- Remote Physiological Monitoring (RPM)
- Principal Care Management (PCM)
- And they continue to add reimbursable services lines each year

In addition to building relationships that lead to patient loyalty, Care Coordinator in a clinic improves the efficiency of the practice and through care management reimbursement can generate over \$150,000 a year in revenue.

# Care Coordination Education Courses Information at [www.health-tech.us](http://www.health-tech.us)

**Transitional Care Management**

**Behavioral Health Integration**

**Lean Practitioner**

**Advance Care Planning**

**Annual Wellness Visit**

# Strategy 11: Grow Surgical Services

Surgical volume is generally an important component of financial health.

Review:

- Specialties available
- Days available for surgical procedures

Assess potential of visiting specialists who can provide surgical procedures.

# Strategy 12: Invest in Tele-Medicine

The importance of tele-medicine cannot be overstated. Having tele-medicine available can allow the hospital to take care of a higher acuity of patients and decrease transfers.

# Strategy 13: Implement a 340b Pharmacy Program

The 340b program has been in place for quite some time.

However, if you have not yet implemented the program, this can be another significant revenue source.

# Strategy 14: Review Potential Structural Changes

Financial turnaround plans may include structural changes to the organization. These can include the following:

- Sale of assets
- Merger with a larger, nonprofit health system
- Affiliation with a larger health system or multiple systems
- Change in regulatory structure of system to different hospital or nonprofit model
- Development or participation in rural health networks or joint ventures
- Retention of a management services organization

Financially distressed healthcare organizations are a critical part of their local economy and regional healthcare delivery system. For this reason, federal, state and local political, regulatory and community business leaders are often willing to provide short-term assistance to these organizations as they restructure and respond to industry changes.



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# Timeline



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# HealthTech Operational Assessment

# Operational Assessment - Initial Steps

Call with facility senior leadership to understand primary concerns and strategies that have been implemented.

Data request sent to facility for review prior to on-site visit.

Schedule on-site visit of 2 – 3 days.

# Operational Assessment Review Elements

- Strategic Plan and Strategic Planning Processes
- Organizational Structure
- Market Share / Volume Opportunities
- Financial Information
- Revenue Cycle
- Staffing and Productivity
  - Staff Mix
  - Hours of Operation by Dept.
  - Turnover
  - Use of Registry / Travelers
- Case Management / Utilization Review
  - Function and Processes
  - Length of Stay
  - Readmissions
- Quality Outcomes
- Accreditation and Survey Readiness
- Patient, Employee and Provider Satisfaction
- Service Line Assessment
  - Provider Clinics / Rural Health Clinics
  - Care Coordination
  - Swing Bed (for CAHs)
  - Surgical Services
  - Other major service lines

*Completed in a combination of on-site and off-site review*

# SWOT Analysis

<b>INTERNAL</b>	<b>EXTERNAL</b>
<p data-bbox="657 544 843 586"><b>Strengths</b></p> <p data-bbox="341 658 1161 758">What the organization excels at and what separates it from the competition</p>	<p data-bbox="1666 544 1939 586"><b>Opportunities</b></p> <p data-bbox="1365 658 2239 758">Favorable external factors that could give an organization a competitive advantage.</p>
<p data-bbox="652 882 848 925"><b>Weakness</b></p> <p data-bbox="264 996 1238 1153">Areas that stop the organization from performing at its optimum level. Areas that the organization needs to improve to remain competitive.</p>	<p data-bbox="1727 882 1880 925"><b>Threats</b></p> <p data-bbox="1416 996 2193 1153">Factors that have potential to harm the organization. These may or may not be controllable.</p>

# Operational Assessment Report

Report within 2 – 3 weeks of on-site visit with assessment and recommended actions.

Follow-up and support for 3 – 6 months during implementation of recommendations.

# Contact Information

If you are interested in a comprehensive or focused operational assessment, please contact:

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# Questions?



Thank you +

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