



## Managed Transitions Case Study:

### Client Description:

Our client is a 450 Bed Tertiary Care Teaching Hospital, with a 125 Acute Rehabilitation Hospital, including a Level III Perinatal Center, Children's Hospital, and Level I Trauma Center located in a large urban center and affiliated with a major medical school. The Organization is located in a socio economically diverse community including middle and upper middle class professionals who have added economic diversity to a community that has included the working poor and indigent. Utilization statistics include an ALOS of 3.95, 23,000+ inpatient admissions, 50,000+ ED visits, 376,534 outpatient visits, and 3800 births. The rehabilitation hospital is nationally recognized as a high performing, benchmark facility.

The system serves a high percentage (15%) of indigent, undocumented immigrants, and uninsured. Over 68% of the patients were covered by Medicaid/Medicare. The state's system for Medicaid reimbursement required an act of the legislature to release payment for cases billed. At the time of the engagement's initiation the state owed the organization \$75,000,000 in payment for Medicaid services rendered and billed. In addition, the organization was in the process of negotiating for expansion of their Ambulatory Services and facility.

The system was governed by separate board's including a system board, hospital board, rehabilitation hospital board, foundation board, and physician practice board. By the end of the engagement the system, hospital, and rehabilitation hospital boards were merged into a single board governance body.

### Precipitating Event:

The CEO for the system had been in place for 2.5 years. Prior to the CEO's arrival each entity had its own President/CEO as well as board. Managed Transitions was brought into the organization by the CEO to replace the departing President with an Interim Executive. The President and CNO left the organization after it came to the attention of the board that neither executive had recognized or informed the board of employee unrest and union activity that had been going on for a year. The President's role had been restructured the previous year to be responsible for the acute care hospital, rehabilitation hospital, and children's hospital. As part of a strategy to refocus on operations the outgoing President's role was assumed by the Interim and redesigned as a system EVP/COO. Major operational, clinical quality, regulatory, management development, and financial issues became evident in the course of the initial assessment. A union campaign targeted the entire system and threatened to destabilize the three hospitals. Management and physician leadership development, engagement, and clinical leader development were critical to the effort to stabilize and decompress a volatile situation.



Managed Transitions performed the following transition management services:

***Executive Management***

1. Placement of an Interim Executive.
2. Interim transitioned the President's role to an EVP/COO role.
3. Management Team Evaluation, Gap Analysis, and Development of Goals.
4. Designed and implemented 2 transitional management plans and executed over 6 months. 3<sup>rd</sup> phase implemented within 60 days of Interim departure.
5. In conjunction with a Labor Management firm and the board responded to the union campaign.
6. Management team coaching & stabilization. Structural changes were implemented without terminations although roles were reassigned. Two VP's who participated in coaching went on to promotions/opportunities within 1 year of Interim departure, including 1 CFO and 1 CEO 1<sup>st</sup> time promotion.
7. Restructuring of executive/management team for 3 hospitals to include cross facility system responsibility and accountability.
8. Reversed JCAHO, State, and Federal Citations in multiple clinical and life safety areas.
9. Prevailed in union campaign by 2:1 margin.

***Financial:***

1. Designed monitoring & communication system for concurrent budget management.
2. Implemented flex budget & productivity controls.
3. Established and implemented cost savings strategies that resulted in \$2.5 million in non-labor one time reductions in fewer than 5 months, \$3 million in ongoing annualized savings.
4. Redesigned and implemented major process changes in Materials Management and Pharmaceuticals.
5. Organization lacked rigor of project management, ROI analysis and performance monitoring. Provided project management and ROI training, standardized decision processes, and information access for decision support. Clinical resource management program enhanced through front line education. Resulted in ALOS reduction from 4.5 days to 3.9.

***Quality:***

1. Working through CMO and Clinical Chairmen re-established guidelines and standards for hospitalists, intensivists, voluntary versus employed physicians.
2. Expanded clinical protocols with monitoring mechanisms feeding up through board level.
3. Restructured physician practice management program.
4. Redesigned and enhanced performance improvement/quality assurance/regulatory compliance program.



**Impact:**

- Maintained full services during Medicaid payment gap.
- Incorporated increased volume (15%) from closure of programs at public hospital in the community with no increase in patient wait times or bed availability.
- Stabilized nursing work force and implemented participatory management programs.
- Increase front line manager's participation in the above.
- Integrated financial and clinical outcome reporting to the board with education specific to decision impacts, etc.
- Transitioned new EVP/COO into role.