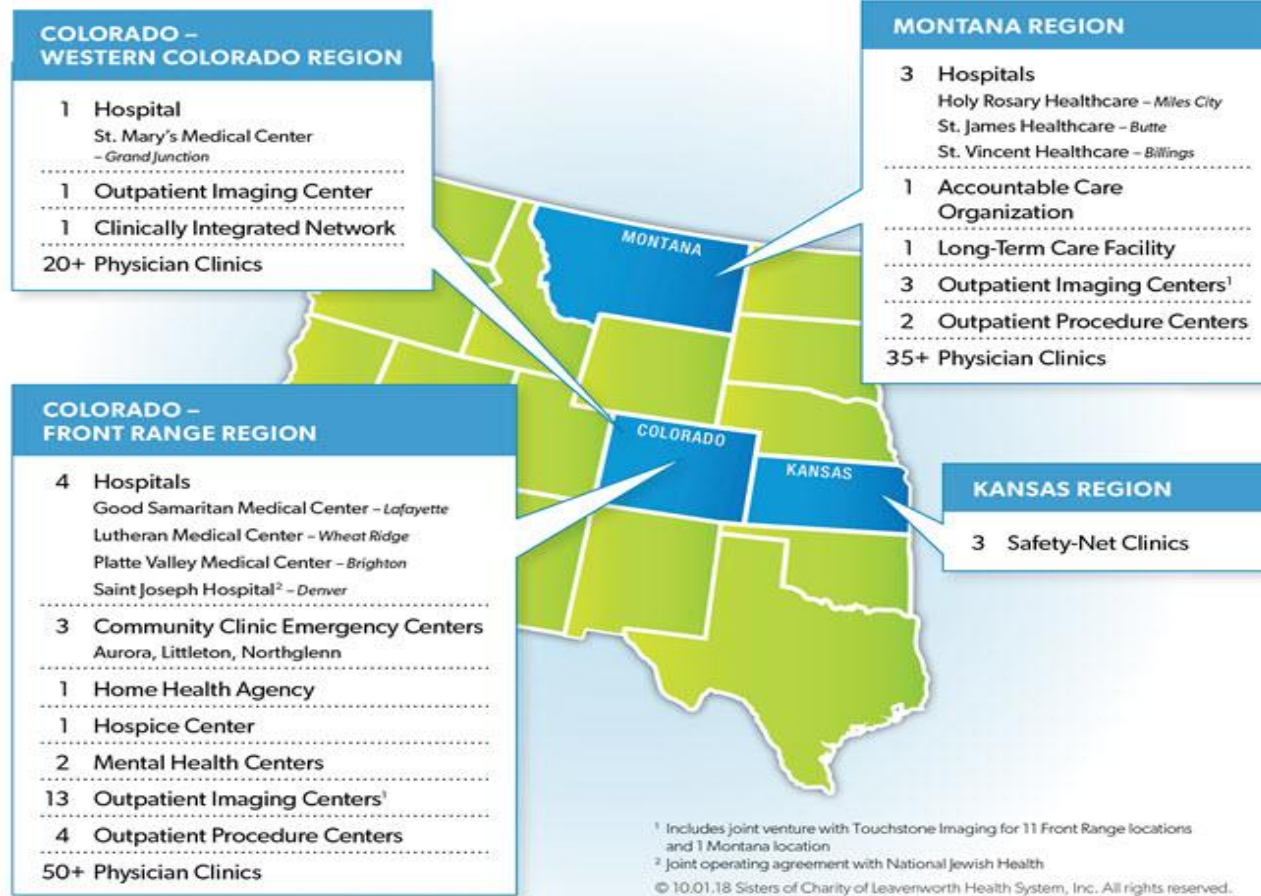


How to Develop & Implement a Robust Cost Reduction Plan

Michael Skehan
Chief Operating Officer
Montana Region



SCL Health: Where We Serve



SCL Health Financial Performance (FY18)

- Operating income of \$103.1 million
- 3.8% operating margin
- Total cash and investments were \$2.1 billion at December 31, 2018
- Total days cash and investments: 311

Early Lessons

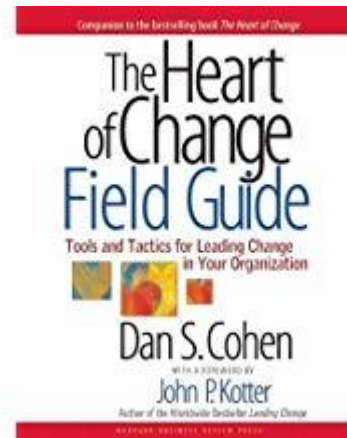


Goals

- Create a lasting culture of financial improvement (stewardship)
- Develop a burning platform for all associates
- Develop an infrastructure to support year-over-year financial improvements (\$10 million for each of the last 4 years)
- Address impact to Medicaid expansion changes in MT (FY19)

Stewardship Book Group

- Using the *Heart of Change Field Guide* by Dan Cohen to help support our work with stewardship
 - 8 Steps
 - Importance of developing a vision
 - Creating a sense of urgency
 - Emotional connection to why



Our Approach

- Identified executive champions (COO & CFO)
- Created a stewardship vision
- Created a communication plan with Marketing & Communications (It included the burning platform as well as a call to action)
- Launched a Stewardship Committee (Local & Regional)
- Launched a sub-committee specific to non-labor (*Super Stewards*)



Our Approach (Continued)

- Held regular brainstorming sessions
 - Put as many ideas on the board as possible
- Maintained a scorecard to track all activities
 - Our list of ideas/dollars always exceeded the established target knowing that we would not achieve 100% of all items
- Embedded accountability in this work (leads, due dates)
- Implemented *Bright Ideas Program*
- Celebrated success

Stewardship Vision for SCL Montana

We will be the health care provider of choice to our friends and neighbors throughout the region by offering the highest quality care and excellent service while lowering the cost to our patients.

Stewardship Committee

- Guide the overall stewardship action plans
- Track the success with our care site and combined regional stewardship targets
- Share best practice ideas across the region
- Identify regional tactics
- Keep stakeholders informed (senior leadership, managers, associates, board, medical staff)
- Get started as quickly as possible – The longer the wait the harder the target might become
- Bi-weekly meetings

Incentivizing Associates to Offer Ideas



Stewardship Starts with You

- Award amounts are related to cost savings – 5 percent of the net savings over a 12-month period. An idea that results in a \$1 million in savings would earn a \$50,000 award!
- Propose practical cost savings that are not directly related to associate/FTE savings (i.e., do not impact or affect overall staffing levels).
- States specifically what the improvement is and how it can be made.
- E-mail to obtain full set of guidelines and brochure:
michael.skehan@sclhealth.org

Sample Categories of Focus

- **Labor expense**
 - Reducing contract labor and accelerate efforts with recruitment
 - Reduce turnover rate
 - Review span of control
 - Improved productivity
 - Reduce premium pay, on call pay, etc.
 - Restructuring
- **Supply savings**
 - Use data to drive focus
- **Other non-labor**
 - Travel
 - Catering
- **Revenue improvements**
 - Late charges
 - Denials
- **Clinical integration**
 - LOS
 - Utilization
 - Enhanced Recovery After Surgery (ERAS)
- **Purchased services/other**

Power of the Budget Process

- Use the budget process to identify savings through category and line-by-line review
- Insert agreed to reductions into the budget (at line level if at all possible vs large bucket)
- Opportunity for senior leaders to get more involved in understanding expenses and opportunities
- Opportunity for across the board decisions, i.e. travel, catering, etc.

Sample Communication



BETTER TOGETHER

SCL Health Montana Update

January 24, 2018

Last year I did something I'd thought about for a while: I rented a beach house in Oregon for a week. Knowing I'd have the space, I also reached out to friends I've met throughout the years and invited them to join me. They could come up for a few hours or for a day or two—whatever their schedule would allow. Here's the catch: many of the people I invited didn't know one another; they only knew me.

Throughout the week I had an amazing time welcoming people, introducing them to others and watching new friendships begin. There were dinners, long talks and a lot of laughter. It was actually more than I ever could have hoped for, and so many of the people who came for a visit have called to tell me how much it meant to them and thanking me for including them.

I have thought a lot about that experience for months now, sometimes when I'm here at work and other times when I'm heading out for a hike with my dogs. For me, one of the most impactful takeaways is the importance of taking care of the friendships I possess. In other words, to be a good steward over something I value.



In our organization, we talk a lot about our value of stewardship, which is defined as the job of supervising or taking care of something. We have shared stewardship over those things we value: the patients we serve while they are in hospitals or clinics, the other associates we work with and the resources that have been given us.

We have recently created a Stewardship Vision I'm excited to share with you. It states:

We will be the healthcare provider of choice to our friends and neighbors throughout the region by offering the highest quality care and excellent service while lowering the cost to our patients.

Does stewardship relate to the financial resources we have as an organization? The simple answer is yes. But most importantly it relates to how we can use those resources to improve and reinvest in our patients, associates and communities.

SCL Health Montana is committed to remaining competitive in our regional market and increasing value to our patients. Reimbursements from insurance companies and government programs are falling; however, our stewardship efforts have led us to focus on reducing costs, growing services and improving our billing and collection processes in response.

We appreciate the stewardship you have shown over your work and your efforts to improve SCL Health Montana across the board. We are excited about what the future holds, and we thank you for your ongoing help in fostering a culture where we seek out opportunities for efficiency and constantly improve our stewardship efforts. If you have ideas for improvement, I also invite you to share them as part of our Bright Ideas program.

And on a personal note, the next time you find yourself thinking of a getaway, consider the Oregon coast—and take a few friends along. I trust you will create as many fond memories as I did.

Michael Skehan, Chief Operating Officer
SCL Health Montana



Learn more about stewardship at:
<http://bit.ly/SCLMStewardship>



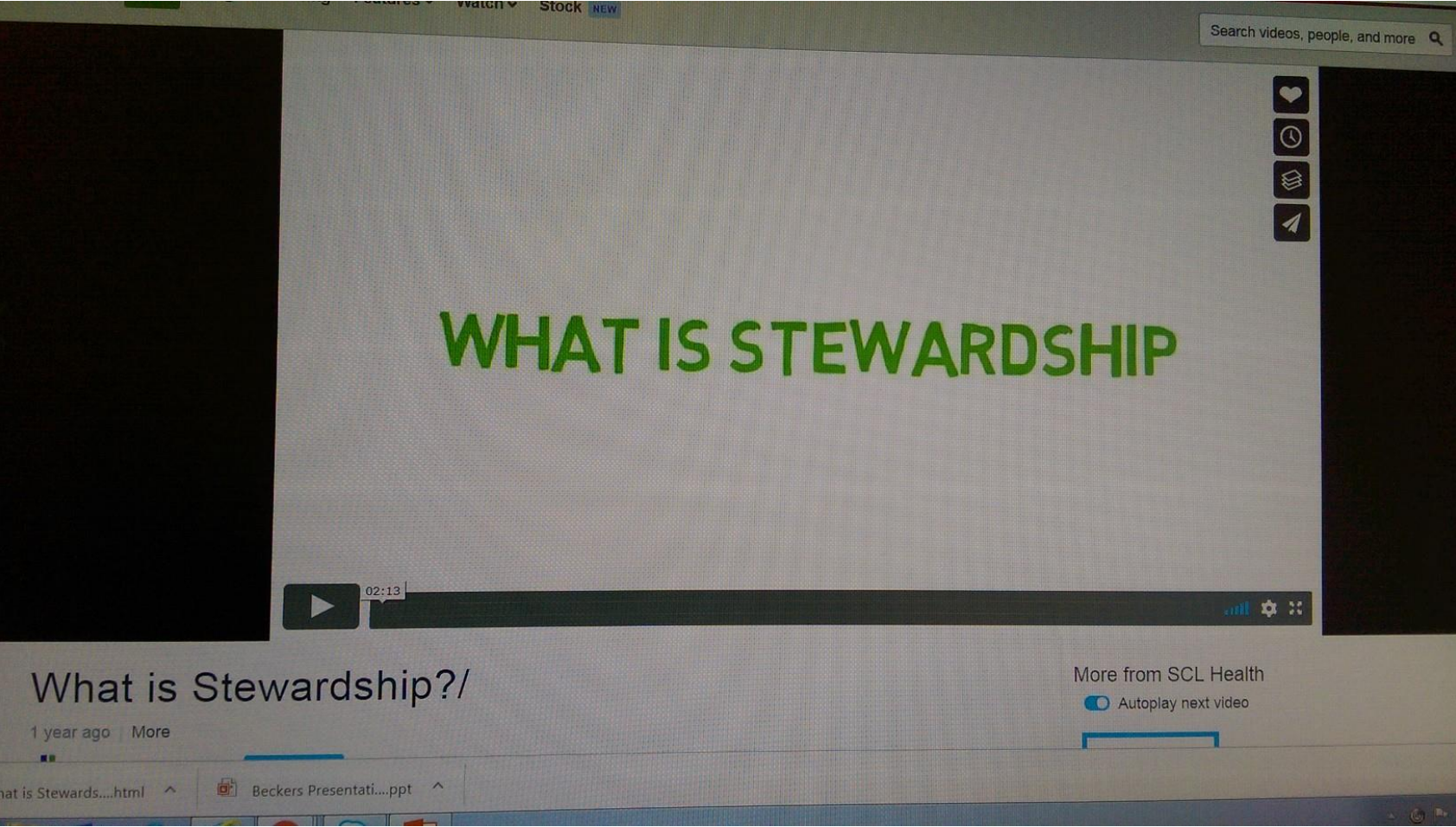
St. Joseph
St. James
St. Vincent

Better Together

Quality Care Close to Home

Legacy of Healing

Video to Further Highlight Stewardship



21 Awards.
One Hospital.
Quality Matters.



Final Thoughts

- There will be tension in this process
 - Are relationships in place to support success?
- Confirm decision-making rights
 - Will decisions be timely?
- Outline a timeline for the stewardship roadmap
 - How do you want to approach this work?
- Early, small wins can be very helpful
- Good, timely data to monitor performance is essential
- Communication
 - Asset or barrier?
- Celebration
 - Early and often

Questions?

Thank You!

Michael Skehan

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Appendix

Why is Stewardship Important to All of us at SCL Health Montana?

- In order to remain competitive in the regional market, we need to offer value to our patients which includes offering services at a reasonable price
- To reduce costs to our patients, we have to further:
 - grow our services to spread our fixed costs
 - improve our billing and collection processes
 - reduce our costs in order to pass the savings on to our patients
- Reimbursements are declining:
 - insurance companies are moving away from traditional payment models resulting in significantly less reimbursement
 - Medicare, Medicaid and other government programs are reducing their payments to providers and hospitals receiving lower payment for our services is our reality, today and going forward

Call to Action

- Over the last few years we have laid a great foundation of process improvement and now we need to further our stewardship work
- We need your help to foster a culture where we grow, look for increased efficiencies and live out our organizational value of stewardship
- Our mission calls us to action: By maintaining a positive bottom line, we can reinvest in our communities and care sites as we realize our mission of caring for others, especially the poor and vulnerable