

# Strategy and Innovation in the C-Suite - Working Together

*Presented by*



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# Sonoma Valley Hospital



## Emergency Services

Safe, convenient, efficient department with good margin. Seeing slight decrease in volume but maintained for community



## Inpatient Services

Recently right-sized for reduced volumes. ICU in place for emergency services.



## Ancillary Services & Rehab

In competition with Free-standing centers for testing and therapy. Supportive for inpatient admissions and surgical needs.



## Surgery Services

Growth in areas such as pain management, and Ophthalmology. Larger cases volumes declining.



## Special Procedures

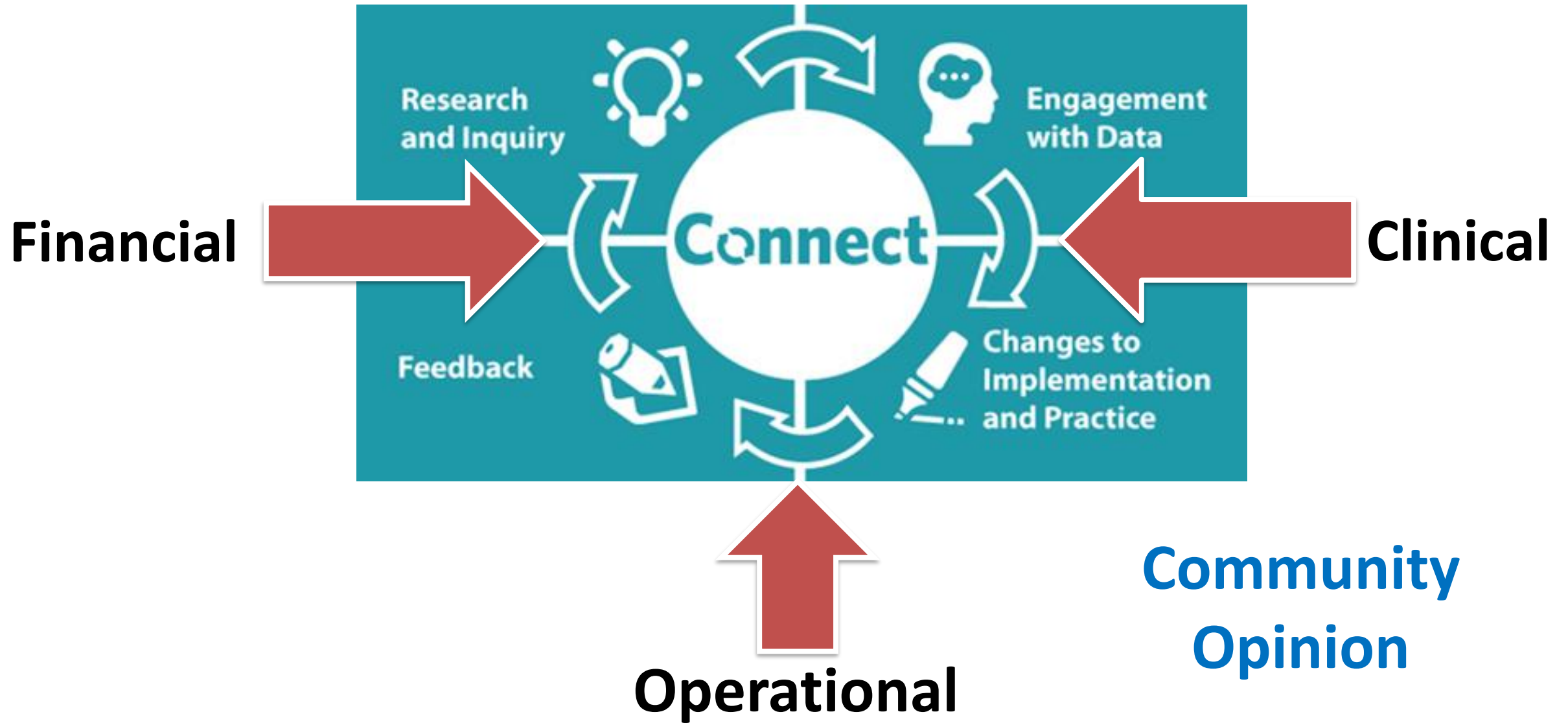
Growth mainly due to Endoscopy which maintains good margins.

# Solvency:

## Financial Stability for Small Hospitals



# The Challenge



# External Factors

- Decrease in Inpatient Volumes
- Bundled testing
- Capitated Visits
- Procedures shifting to lower cost facilities
- Denials
- High deductibles causing patient avoidance
- Increasing labor costs
- End of life capital equipment

# Restructuring for Solvency

CEO calls:

*"Let's restructure our services using true patient-level costs and case margins."*

**Which services do you keep in your budget?**

“

*Services must fill a gap in the community,  
be supported by physicians,  
and provide a positive margin.*

”

# Financial Accounting

VS

# Operational Accounting

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Services & Departments

GL Account Based

Operating Margin

Revenue & Volume

Lagging Indicators

Business Service Units

Visit Based

Contribution Margin

Efficiency

Leading Indicators





# Innovation:

## Agile IT Platforms for Small Hospitals

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- Right size
- Focus on rapid development & deployment
- Subject Matter Expert paired with agile vendor solution
- Access to source IT system data: Finance, Visits, Supplies, Staff
- Remote access to platform: staff & vendor
- Try before you buy: Proof of Concept.
- Customize and develop: No Black Boxes
- Low total cost of ownership (TCO)

# Staff:

## Engaging Front-line Staff in C-Suite Strategy

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- Physician engagement
- Nursing engagement
- Staff engagement
- Communicating with the Board
- Reporting based on "*One Source of Truth*"

# Evolutionary Changes

Departmental Accounting



Business Service Unit Accounting

Volumes = Profit

Growth in Volumes

Clinical Leaders

Silo based care

Margins = PROFIT

Growth in MARGINS

Business minded Clinical Leaders

Empowered TEAM approach

# Recent & Ongoing Accomplishments

## Focus

- Business Development on higher-margin services

## Staff Engagement

- P&L in terms of the patients we treat

## Loss Leaders

- Downstream revenue across department & site

## Payer Leverage

- Case Margins → Improved Reimbursement

## Best Practices

- Sharing Information with physicians and staff

## Strategic Planning

- Determine financial and growth goals

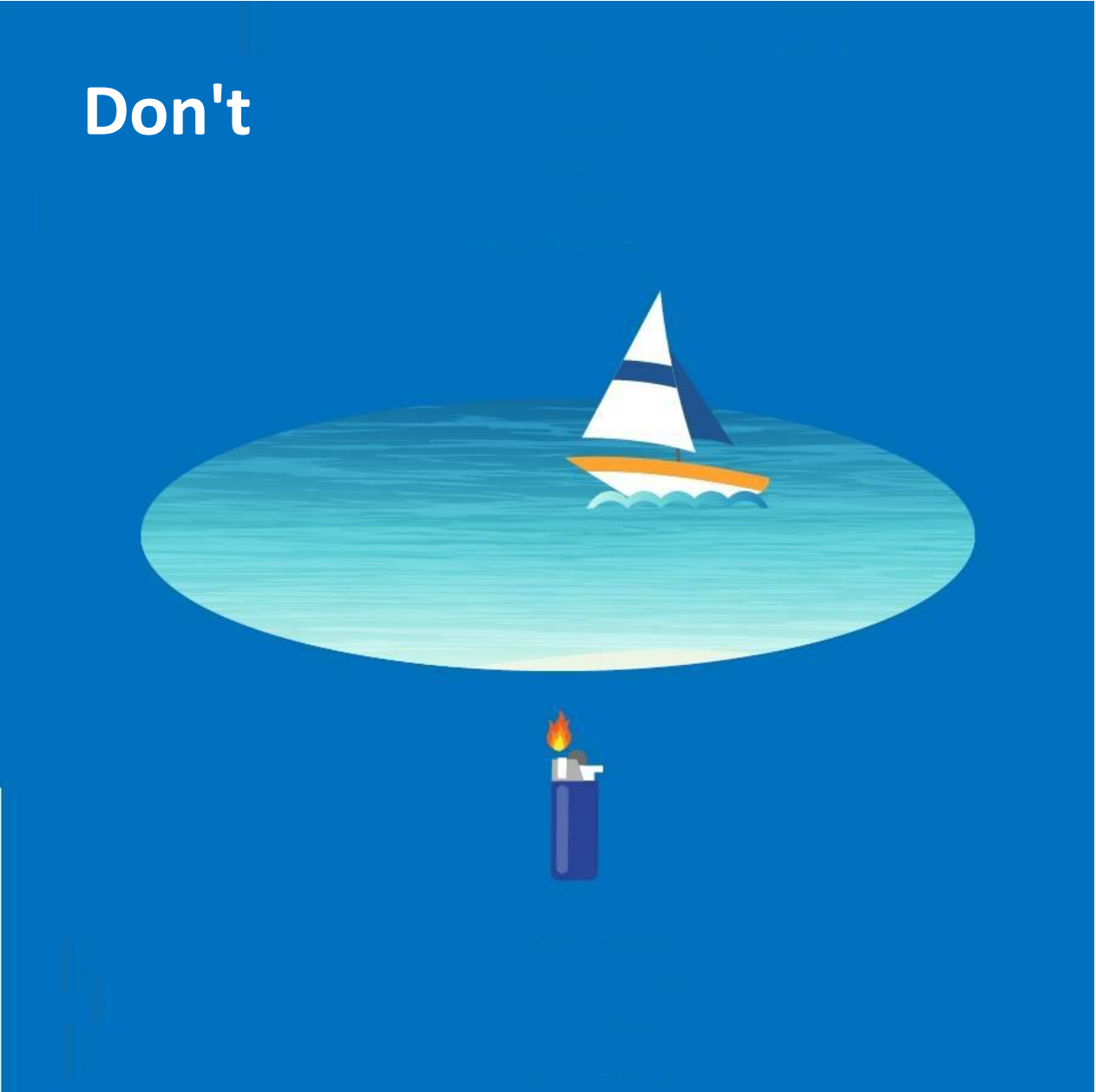
*"The hospital ended fiscal year 2019 with a small positive net income, compared to a deficit of almost \$3 million the year before."*

Sonoma Valley Sun, August 21, 2019

## Small Hospital Success Factors @ Sonoma Valley Hospital

- ✓ Clear picture of current state
- ✓ Decisions based on *REAL patient-level* information
- ✓ Continuous focus on efficiency
- ✓ Budgeting based on patient-level margins

one last piece of advice...





## QUESTIONS

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