



Improving labor costs and length of stay with operational benchmarks

ProMedica is a locally owned, nonprofit health system made up of 11 hospitals, six ambulatory surgery centers and more than 300 other facilities across Northwest Ohio and Southeast Michigan.

ProMedica's 15,000+ employees and nearly 900 employed physicians see more than 1.5 million patients annually, and before its leadership reached out to Truven Health Analytics®, part of the IBM Watson Health™ business, ProMedica knew some of its spending was wasteful.

A photograph showing a person's hands interacting with a laptop and a tablet. The person is holding a pen over the laptop and touching the tablet screen. The background is a soft-focus office setting with warm lighting.

Overview

The need

ProMedica needed to cut operational and medical costs, as well as reduce patients' length of stay

The solution

The team used IBM® ActionOI® to benchmark its performance against other systems, identify the areas needing the most improvement and create better processes to eliminate wasteful spending

The benefit

By participating in the ActionOI operational and financial performance benchmarking program, the team significantly lowered medical supply expenses, cut labor costs and helped the system reduce the average inpatient patient length of stay

Ron Rasey, System Process Engineer and ActionOI Coordinator at ProMedica, found himself searching for an answer. He knew expenditures were high, but his team members didn't have insight into how they were performing against peers, nor actionable intelligence to make meaningful inroads to reduce those costs.

"We were looking for ways to improve our performance, and we found that we really couldn't do that without measuring it," Rasey said. "It's one thing to look good internally, but it's another to look at yourself against others. That's where we were coming up short."

Action-driving insights lead to lower costs

One of the tools the system created using ActionOI was an executive summary review that functioned as an individual facility overview of ProMedica's hospitals' performance against their peers. The executive summaries enabled ProMedica to capture its efforts at the department level, identifying any areas where performance was above the 35th percentile versus peer group hospitals. The two problem areas they uncovered: productivity and expenses.

Once ProMedica had its targets, hospital administrators then used the compare group function within ActionOI to select the type of hospitals they wanted to benchmark their own performance against.

In an effort to uncover more granular insight from the figures, Rasey customized his reports to show the true cost of the health system's labor and medical supplies. Instead of focusing on overall labor productivity, which had been ProMedica's traditional means of evaluating system-wide expenses, Rasey asked that expenses be broken down by each department's primary workload unit. By doing this, the system gained an apples-to-apples view of just how much more they were spending on labor and supplies per workload unit, and could start putting in place a strategy to be more productive based on concrete evidence.

The results had a significant impact on ProMedica's budget. By uncovering the true cost of labor and medical supplies against hospitals of similar size, ProMedica could see where it was overspending, and where it needed to adjust its workforce hours. These efforts eventually trimmed extraneous expenditures by more than \$28 million from 2015 to 2016, a 1.9 percent reduction in overall cost.

"Staffing and labor is more than 50 percent of a facility's total costs," Rasey said. "So it can be tempting to just say, 'We have to make across-the-board cuts in every department,' but that's not diagnosing the problem. After conducting this analysis, we were able to target departments that showed the greatest opportunity comparatively for both labor and medical supplies, and make meaningful strides toward reducing costs."

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Leaning out length of stay

ProMedica was also able to do more than improve its bottom line. Utilizing the ActionOI solution, the system developed a Lean engagement process that taught practitioners to both support improvement projects as a part of a team and to conduct small projects individually.

“With any good benchmarking tool, it is one thing to share the information, but it must allow for action to follow,” Rasey said. “Our Lean educational program permits us to develop process improvements and then sustain enhancements once they have begun. It is necessary to go beyond identifying opportunities. Knowing how to take action, and what support structure to put into place in order for your team to make effective and efficient changes in your organization, is the key to realizing actual improvement.”

Reduced the average inpatient length of stay by a

 **1/2 day**

One of the ways ProMedica passed these advances on to its patients was by reducing the average inpatient length of stay by a half day, from five-and-a-half days to five.

“We are now far more proactive,” Rasey said. “We set up protocols earlier in the treatment process, and we align resources with our length-of-stay goals. For example, if we admit a patient with an issue requiring a certain number of treatments at certain intervals, we plan for that as soon as possible to allow for an easier discharge. If a patient needs to go to another care environment, we now make those arrangements proactively, so the transition is seamless.”





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Solution components

IBM® ActionOI® operational and financial performance improvement solution

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