



# Health Care Provider Performance Improvement

## When you're ready for a quantum leap

Can you sustain – much less improve – your financial performance under a scenario of Medicare reductions, decline in commercial rates and a surge of new patients? With margins already squeezed, the sweeping changes from health care reform<sup>1</sup> could make your organization's goals even more elusive. With declining reimbursement rates, the old line, "we'll make it up in volume" won't leave you laughing.

### Small steps aren't enough

Health care organizations recognize incremental improvements won't be enough to survive in the "new normal." With the prospects of significant revenue losses as a result of health care reform, some are taking action now to break even at Medicare rates.

There's a good chance you have already started by implementing the easy changes that help improve performance. To flourish under health care reform, you must now transform your organization not only into a system that can deliver quality care at the right cost, but also manage bundled payments and take risk. You'll need innovative cost structures that improve operating margins while improving clinical effectiveness and quality outcomes. And you'll likely need to join forces with your health care system's physicians to make it happen.

### How we can help

Deloitte works alongside administrators and clinicians to help them in their efforts to radically reduce operating costs and improve margins without sacrificing quality of care. But we don't stop there. We help our clients create an infrastructure that enables sustainable, ongoing improvement in an uncertain time of regulatory reform. Our teams include experienced clinicians who have helped leading hospitals and health care systems realize significant savings while transforming how they serve patients. We incorporate leading practices, tools and training that help make operational change stick.

We bring a demonstrated mix of experience and insights to the table. The [Deloitte Center for Health Solutions](#) is our health services research arm, aiming to inform stakeholders in the health care system about emerging trends, challenges and opportunities using rigorous research. We also tap our [Global Benchmarking Center](#) to conduct sector benchmarks. For client projects, we apply proven methods and tools such as shared vision and goals alignment, lean Six Sigma principals and industry maturity models, among others. We also help clients generate breakthrough solutions to patient and physician challenges using the [DeepDive™](#) brainstorming technique, originally developed by IDEO, the Silicon Valley industrial design firm.

<sup>1</sup> The Patient Protection and Affordable Care Act and the reconciliation law



Our services to health care providers include:

**Margin improvement.** Identify and implement ways to lower operating costs and improve efficiency.

**Clinical effectiveness.** Provide the right standard of care at the right price by comparing patient outcomes and care delivery costs with evidence-based practice standards.

**Accountable Care Organizations (ACOs) and physician alignment.** Develop a strategy and roadmap for implementing ACOs that prepare for health reform's reimbursement models for bundled payments to hospitals and physicians.

**Supply chain optimization.** Analyze the group purchasing organization, contracts and inventories to find ways to reduce costs and make smart buying decisions.

**Shared services design and implementation.** Reduce operating costs and improve efficiency by consolidating back-office operations, including supply chain, human resources, finance and information technology.

**Radical cost reduction.** Maintain high quality and financial viability within Medicare reimbursement rates by implementing aggressive cost-cutting tactics.

### Bottom-line benefits

We help our clients generate benefits such as:

- Improve operating margins by 10 to 30 percent
- Align administrators and physicians to achieve quality and margin goals
- Improve clinical effectiveness and quality
- Add value through shared services
- Improve supply chain efficiencies and gain cost savings
- Increase value provided by medical assets, such as the operating room
- Reduce operational inefficiencies

### Three ways to get more value now

**Manage to internal benchmarks.** Is your organization consistently meeting its internal performance and cost-containment goals? If you've allowed some slack in the past, now is the time to tighten control.

**Share leading practices.** Search your system for physicians who use evidence-based medicine to provide excellent, cost-effective patient care. Work with them to share their practices throughout the organization.

**Check your purchase orders.** Review your purchase orders and accounts payable. Does the price you paid for supplies match the contract? Many organizations are surprised to find they are being overcharged.

### Provider Performance Improvement in action

- A health system operating some 60 hospitals and 40 medical facilities wanted to reduce fixed costs. Improvements identified during our strategic review included that the organization used more than 600 software applications from 235 vendors. We helped improve cost efficiency by assisting the organization consolidate its fragmented local data management by using a more consistent, system-wide approach. Fixed costs were reduced by approximately \$100 million.
- A leading healthcare provider with seven hospitals and more than 125 medical facilities asked us to support an enterprise-wide margin transformation initiative. The project scope included corporate and shared services, management structure, nursing operations, capacity management, surgical services, ancillary services and physician management. Within 12 months, our client had reduced costs by approximately \$85 million.
- A regional health care system recognized the need to defend its position as a market leader. Deloitte helped the organization assess throughput, efficiency and opportunities in inpatient nursing, emergency, surgical and imaging services, pharmacy, laboratory and an infusion center. During the design phase, we provided project management office support to 39 client teams spanning clinical and administrative areas across the entire system. To date, the client is more than half way to reaching the goal of decreasing overall operating expenses by \$100 million over three years.

### Related insights

- [The Five Pillars of Performance Improvement for Health Care Providers: A Durable Blueprint to Inspire Operational Excellence](#)
- [Health Care Reform: Patient Protection, Affordable Care Act and Implications for Health Care Providers](#)
- [Accountable Care Organizations: A New Model for Sustainable Innovation](#)
- [Episode-Based Payment: Perspectives for Consideration](#)
- [Shared Services for Hospital Systems: It's Your Turn](#)

### Related offerings

- [Health Care Revenue Cycle Management](#)
- [Health Care Clinical Information Systems](#)
- [Health Plan Strategy & Operations](#)
- [Outsourcing Advisory Services](#)
- [Shared Services](#)
- [Finance Strategy](#)

### For more information

[www.deloitte.com/us/providerperformance](http://www.deloitte.com/us/providerperformance)

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