BECKER'S
Hospital CFO Report

The 'secret sauce' of cutting costs — How Eisenhower Medical Center leverages teamwork and data to lower surgical spend

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Especially in today's uncertainty, the fiscal environment for many hospitals and health systems is shifting and unforgiving — margins are thin and there is virtually no room for operational waste. For this reason, hospital executives are targeting their organization's greatest areas of cost for efficiency improvement initiatives. For many leaders, this requires a close examination of their organization's surgical spend.

For California's acute care hospitals, operating room time costs about $36 per minute, according to a 2018 study published in *JAMA Surgery*. These costs can make up a significant portion of a hospital's overall spend. For hospital leaders looking to keep their organizations in good financial health, standardizing OR medical supply usage and physicians' care documentation is essential.

Rancho Mirage-based Eisenhower Medical Center is one California hospital tackling surgical costs head on. In July 2019, the hospital partnered with healthcare solutions provider Strata Decision Technology's Continuous Improvement module to reduce costs in the OR. Strata

assisted Eisenhower with cost reduction opportunity identification and assisted with implementation strategies of those cost reduction opportunities. Recently, *Becker's* caught

up with three leaders from Eisenhower Medical Center to discuss the organization's efforts to reduce costs:

- Ken Wheat, Senior Vice President and CFO
- Scott Gering, MD, Vice President of Surgical Services
- Dorothy Jones, DNP, Administrative Director of Surgical Services

Here, Mr. Wheat, Dr. Gering and Dr. Jones answer four questions about their organization's efforts to reduce surgical costs.

Note: Responses have been lightly edited for length and clarity.

Question: What are some of the challenges your organization is facing today?

Ken Wheat: One of the biggest challenges from an economic standpoint is our payer mix. Our inpatient mix is about 65 percent Medicare and 15 percent Medi-Cal, so we're essentially 80 percent government pay. We have a very small private payer, managed care population, so we

have a tremendous amount of margin pressure. It's a major challenge.

Q: Can you talk about some of the measures Eisenhower has taken to address costs?

KW: It is a work in progress, but we are endeavoring to have cost committees across all service lines. We currently have physician vice presidents that oversee committees across a number of service lines throughout the organization. Dr. Gering, for example, is the VP of our surgical services committee. Surgery happens to be our largest driver of costs and the largest area of cost variation among providers. We launched the surgical cost committees along with the rollout

of our new cost accounting data and system from Strata that we've worked on over the past two years.

Dr. Scott Gering: A big part of the surgical cost committee is really looking at the variation in physician practices. One thing we did was to reduce variation around the simple use of Tylenol. We helped providers understand that a dose of intravenous Tylenol costs the hospital $30 or so to administer to a patient whereas a couple of tablets, which have equal efficacy as long as the patient's intestinal tract is working, costs 20 cents.

We stand to make a lot of progress in the operating room by eliminating variations for very common surgeries. We're working to use data to standardize best practice. I think we're just scratching the surface here at Eisenhower.

Q: What challenges have you faced during this process and how have you worked to solve them?

Dr. Dorothy Jones: From a nursing perspective, the challenge really lies in changing the way nurses collaborate with physicians. We need our nurses to coordinate with the physicians, so we understand what supplies they need for patient care. We need to build up these relationships so we can help physicians. That's the secret sauce.

Also, the surgical cost committee has introduced change incrementally, and we've tried to educate clinicians about the cost of supplies while also fostering collaboration. We played a 'Price Is Right' game to heighten awareness around costs. We got physicians involved and, because of their natural inclination toward competitiveness, all of them wanted to be the winner.

Q: What advice would you give other organizations working to more efficiently determine and execute cost savings projects?

SG: You've got to be able to translate the data. You've got to be able to deliver the insights to clinicians in real time. I think that's what's critical.

KW: Invest heavily in your data systems and put the right people around the table, and make sure some of those people are physicians. They have the power to either improve efficiency or drive up costs. You really have to get the physicians around the table.

DJ: Don't wait to make the change. Have the courage to move forward and establish a physician champion.

To learn more about the tool Eisenhower used to drive this change, visit our website at www.stratadecision.com.