



How Service Line Alignment Can Improve Cost Savings for Health Systems

by Damian Chipriano, Director of Financial Services at Carilion Clinic

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Healthcare leaders continue to face new and complex challenges in a constantly evolving landscape, including [staffing and capacity constraints](#), [product shortages](#), and [rising costs](#). These shifting demands change the expectations put on hospitals when it comes to both patient care and financial performance. As we've observed, this uncertainty was further amplified by the [COVID-19 pandemic](#), which shined a light on many opportunities for improved financial and clinical operations across the healthcare industry. As we begin to learn to live with the impacts of the pandemic, hospitals and health systems needed to find a way to improve their service line alignment and decision support models while maintaining – or better yet, increasing – patient satisfaction, quality, and safety. These factors go hand in hand with organizations' ability to plan, analyze, and perform – all of which require the right data and technology to keep them on track.

Hospitals and systems across the U.S. vary vastly in size, but they all have a common goal that can help improve their operations: identifying opportunities for improvement within their system and defining cost structure. At Carilion Clinic, which is headquartered in Roanoke, Virginia, and provides care for nearly 1 million Virginians, we have found great success in our cost-saving efforts through the implementation of new tools and technology. The main objective of our program is to develop an organizational structure that helps us create a culture of cost discipline and enables us to review cost improvement strategies across both clinical and non-clinical areas. In the past two years, we have identified over \$9 million in cost savings opportunities using this model.

Creating an Internal Culture of Collaboration

The first step Carilion took when beginning its transition to a service line and decision support governance structure was to create an entity called the Operational Efficiency and Continuous Improvement (OE/CI) program. This multidisciplinary team consists of operational leaders, clinical leaders, and finance representatives. They collaborate to identify standardization gaps and other areas of opportunity, which help us improve cost structure to sustain and improve our operating margin. The team also looks at individual physician practices to pinpoint opportunities for improvement. While implementing new strategies, we had to create a governance structure that flowed two ways so we could communicate changes to departments within the organization as well as track and report the results from those areas.

Across our labor efficiency, clinical variation, and supply initiatives, we took a top-down approach from our OE/CI committee and program sponsors, who communicated the set priorities and targets to program leaders. The program leaders then guide their respective teams to meet those goals. Reporting and tracking our progress takes an opposite, bottom-up approach, beginning with teams who implement the changes directly into their practices. They then share their progress with the program leaders, who can pass it along to the sponsors and OE/CI committee. Having a governance structure in place enables accountability and collaboration among the team, which ensures targets are being achieved and sustained.

Carilion has been able to use this detailed information from each department to identify areas for cost savings across its pharmacy, laboratory, and orthopedic segments. For example – using Strata’s planning, analytics, and performance platform, StrataJazz®, we realized making the switch from brand name Cubicin (which treats Staph and skin infections) to its generic Daptomycin could significantly reduce costs. The estimated annual savings we identified were just under \$1 million, and the actual savings well surpassed that number. After just two months, we had fully converted to the generic drug, and within nine months, we saved \$1.2 million. Between October 2021 and April 2022, we have achieved just under \$3 million in savings. This might have been missed without the convergence of clinical and organizational data provided through StrataJazz and its Continuous Improvement module.

Implementing Cost Savings Initiatives in Other Organizations

When looking to implement new cost savings tactics and technologies, leadership should start by asking the following questions: Do we have a centralized staffing model? What is our bandwidth for technological implementation? How can automation streamline the workflow– or what areas of improvement can we address?

Carilion identified three key takeaways that are essential to streamlining program implementation. First, accountability and collaboration are crucial when making huge organizational shifts like this. New territory also requires new ideas, so thinking outside the box to analyze and identify opportunities is important as well. For example, reviewing data within specific diagnostic-related groups and partnering with the revenue cycle team to improve denial rates will have an impact on overall revenue and reimbursement. Once the program is underway, continuing to focus on ancillary areas of the organization will help maintain steady progress and enable hospitals to stay on track, even during operational disruptions and challenges.

For example, over the course of the pandemic, [staffing shortages](#) have been highlighted as one of the key issues continuing to affect hospitals. To combat this, health systems can take advantage of their cost improvement initiatives to analyze their staffing efficiency and better understand where their employees’ hours are being spent. At Carilion, we noticed an opportunity to centralize services on both the provider and patient side – when patients needed multiple services, we prioritized having this done in one place with one provider, rather than having the patient travel to different offices. This helps all parties save time and money.

The most difficult part of implementing these cost-saving strategies is establishing relationships with organizational leaders that have the power to initiate conversation and promote change. We were most successful when we focused our messaging on how changes would help departments save money, rather than how they would benefit the entire organization.

Having the individual cost-saving initiatives vetted before bringing them to leadership helps immensely, as does setting achievable targets for projects and holding all parties accountable during the process.

Now, more than two years into the program, Carilion can be used as a model for other hospitals and health systems that are working towards a continuous improvement model. Taking the next step in understanding how to optimize its capabilities can improve the patient experience while also decreasing the cost of care.

About Damian Chipriano

Damian Chipriano is the Director of Financial Services at [Carilion Clinic](#) and has been driving the non-profit health system's cost savings initiatives over the past two years. He has over 12 years of experience in the healthcare industry with management of decision support-based reporting and systems.