



# PHYSICIANS ARE CRITICAL TO THE SUCCESS OF THE VALUE MANAGEMENT INITIATIVE

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## INEVITABLE CHANGE DRIVES PROACTIVE STRATEGY

Prior to the passage of the 2010 Patient Protection and Affordable Care Act, the need to reduce the cost of healthcare in our country had become manifest, but it was healthcare reform that brought the issue to a head, necessitating system-wide change at Lancaster General Health.

In anticipation of the effects of healthcare reform, particularly changes in reimbursement, the leadership team at LG Health has taken measures to reduce our cost structure in order to maintain our operating margin. We set a goal to recover \$110 million through real and sustainable changes over the course of three years, during fiscal years '11 through '14. Several principles were established up front:

- In order to prepare for the future of healthcare, LG Health needed to recognize that the model of care was changing. We would no longer serve as just a care-delivery organization, but a care-management organization as well.
- Proposed changes should not negatively impact the quality of clinical care and patient outcomes, nor diminish the patient experience.
- LG Health must maintain its ability to stay competitive through growth and reinvestment in advanced technology

## THREE KEY AREAS

LG Health enlisted the expertise of Deloitte Consulting to assess opportunities for cost containment and savings throughout the organization. Together, we identified three distinct arms that would comprise the system-wide Value Management Initiative (VMI):

- Revenue Cycle Enhancement—capturing payment for all services
- Supply Chain Management—optimizing utilization and identifying opportunities for cost reduction
- Process Improvement—ensuring that all service areas are operating at top quartile efficiencies when benchmarked across the country

## PHYSICIAN ENGAGEMENT ENSURES HIGH STANDARDS

Several years ago, we completed a strategic reorganization to place physicians in key executive positions at LG Health. As division chiefs and chairs of their clinical departments, our physicians work closely with administrative leaders and share accountability for the governance of the organization and overseeing the delivery of care.

From the outset of the VMI, it was clear that the success of the plan would hinge on the active participation and support of our physicians. Our leadership team initially met with a physician advisory group to ensure that any proposed changes would not negatively impact patient care or cause undue disruption. We continue to meet regularly with physician representatives from each practice and service line. Following are some examples of this collaborative effort in action.

## REVENUE CYCLE ENHANCEMENT

Simply put, the goal of revenue cycle enhancement is to collect what is already owed to LG Health for services provided. This is achieved in several ways. On the front end of the revenue cycle, our physicians and staff are tasked with keeping the patient registration process as clean as possible in order to minimize financial denials on the back end. Thorough and careful clinical documentation of the patient's condition and the services we render falls under the responsibility of our medical staff and ensures accurate coding and appropriate billing. LG Health's transition to electronic medical records (EMR) has enhanced this effort and will make it easier over the long run to collect and share patient information. Under the VMI, at the mid-way point, revenue cycle enhancements have resulted in roughly \$25 million in recouped revenue.

## SUPPLY CHAIN MANAGEMENT

Optimizing the utilization of supplies is a responsibility that touches every department and function in our organization. One example of how it affects our physicians is the use of orthopedic surgical implants.

Under the VMI, surgeons were asked to evaluate the variety of devices being used in joint replacement surgery and to come to a consensus to reduce that number. Clinical quality and patient outcomes were foremost in the decision making process. By narrowing down the choices, we were able to approach our suppliers and leverage an offer of semi-exclusive contracts to renegotiate their rates to more competitive levels. Tasked with the goal of reducing costs by \$18 million over three years, the surgical supply chain has already realized \$10 million in sustainable savings. A similar approach by our pharmacy leaders yielded savings through improved drug protocols as well.

#### PROCESS IMPROVEMENT

The third arm of the VMI—process improvement—requires thoughtful consideration and a scientific approach. LG Health has a long-standing commitment to quality care and extraordinary service and has consistently earned third-party certifications and awards that attest to our high standards. An example of this is our low hospital readmission rates, recently ranked as the best in the country among 1,159 hospitals in 44 states that were evaluated by Consumer Reports.

Our challenge is to identify opportunities to improve efficiency without sacrificing quality. To

accomplish this we have benchmarked ourselves across the country to see how we compare in the areas of efficiency and productivity. In areas where we fall outside the top quartile group, we are reaching out to facilities that have been successful in those areas to identify new protocols and business models that may be transferable to LG Health. Physician involvement is key to this process to ensure that there are no negative consequences for the quality of care or patient experience.

#### A PARTNERSHIP FOR SUCCESS

At the halfway point in our Value Management Initiative, LG Health has realized \$60 million of real and sustainable enhancements system-wide, and we are on target to reach our \$110 million goal by the end of FY14. Physician support and participation in these efforts has been outstanding. Our doctors share our commitment to strengthening the future of the organization and appreciate being part of a robust healthcare system as the industry continues to change.

It's an exciting time to work in healthcare and LG Health will continue to look for ways to advance patient care, increase value, and improve efficiency, quality and safety. I thank our physicians for your teamwork, hard work, and dedication to this organization, to our patients, and to our community.

#### REFERENCES

1. "How Safe Is Your Hospital?", Consumer Reports, August 2012