Achieving Effective Cost Reduction: Strategic Cost Advisor™ Provides a Valuable Management Tool for Healthcare Organizations

Hospitals and health systems increasingly are seeking to reduce costs and generate efficiencies as they face the dual pressures of decreasing patient utilization and declining payments from government and commercial payers. At the same time, organizations are working to strengthen their operating margins to support strategic investments needed to succeed in the transition to a value-based business model.

To help address these challenges, Kaufman Hall’s Strategic Cost Advisor™ provides invaluable tools that enable management to design and implement effective and sustainable cost management programs. The software tool was introduced in late 2013, and allows organizational leaders and managers to identify areas of potential labor and non-labor cost savings by pooling data from general ledger, payroll, and productivity reporting systems. That data then can be used to evaluate historical patterns and compare performance to both internal and external benchmarks.

Through this process, Strategic Cost Advisor provides a structured way for organizations to assess opportunities for cost reduction and develop department-specific plans aimed at realizing those objectives. Departmental managers also benefit from having a clearly defined and transparent planning process with standardized forms and analytics, and built-in process controls to encourage collaboration.

Multidisciplinary teams at Mary Washington Healthcare, based in Fredericksburg, Va., are using the tool to develop plans aimed at realizing more than $30 million in annual cost savings organization-wide. “There is a lot of excitement and engagement around our whole cost reduction planning process, and I think this tool has helped engage the staff and allowed them to feel in control of the process,” said Sandra Brown, the health system’s Controller. The software has proven to be intuitive and user-friendly. “The managers all learned to use it quickly with very little training,” she said.

Like many other health systems, Mary Washington is focusing on strategic cost reduction in order to respond to impending changes in payment and declining inpatient volumes, with the goal of remaining financially vibrant and independent. Strategic Cost Advisor is facilitating a process by which leaders from across the organization are developing data-driven, specific, and sustainable cost reduction plans to accomplish their long-term goals. The tool allows managers to model various strategies as they develop their plans. Having that level of control has helped Mary Washington’s leaders gain critical buy-in from staff that is essential in making a lasting difference for the organization.

“This is a product that will help us pinpoint savings opportunities and develop actionable plans now and into the future. For example, we may use Hospital Advisor® to develop a plan that indicates we need to achieve a 10 percent bottom line—but then how are we going to get there? This tool will help us accomplish that goal,” Brown said. “As we continue to experience pressures from healthcare reform, we’ll be able to identify what we need to do and how to do it.”

For more information on Strategic Cost Advisor, please contact Russ Anderson at randerson@kaufmanhall.com or 847.441.8780.

Staff Notes

Please join us in welcoming...

Wayne Ziemann joined Kaufman Hall as a Senior Vice President directing the firm’s Strategic Cost Management practice (see article on page 9).

In the Strategy practice, Andrew Jang, Andrew Meehan, and David Nienhueser joined as Senior Associates, and Jonathon Gali and Theresa Osunero joined as Associates.

James Tomkins joined the firm as a Senior Associate in the Mergers and Acquisitions practice and Andrew Philippi joined as an Associate in Kaufman Hall’s Strategic Cost Management practice.

In the Software division, James Itterly joined as a Software Implementation Consultant and Brian Raymond joined as a Technical Analyst.

Ashley Donovan joined Kaufman Hall as Receptionist.

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