

## WHITE HEALTH CASE STUDY

### *A small health system focuses on cost reduction*

#### **Assessing the Situation**

White Health is far and away the largest and best known full-service health system in its large, mostly rural service area. Nonetheless, White Health's management team recognizes that the continued existence of the organization in its current form is far from assured.

Despite its local dominance, White Health faces several challenges:

- There is a dominant payer in the state that has a significant majority of market share in the commercial market as well as in Medicare Advantage and Medicaid managed care plans. Two other payers are also present in the market, but none of the three payers needs White Health as much as it needs them.
- All three of the payers are feeling pressure from employers to hold down premium costs, and are seeking rate cuts from provider organizations, including White Health.
- White Health receives a significant percentage of its revenue from Medicare and Medicaid and expects that, at a minimum, it will need to break even at Medicare payment rates to ensure its long-term survival.

Faced with these challenges, White Health has declared that "cost optimization is our mantra and our culture." The CEO, management team, board, and most physicians are on board.

#### **Considering the Options**

Sixty percent of White Health's costs are in its people, so productivity improvement will be an essential part of its cost reduction efforts. Options for White Health include:

- Reduce FTEs by:
  - Eliminating positions
  - Retraining staff to handle more than one position
  - Flexing staff time to fit variations in demand
- Alter or reduce the amount of work to be done by:
  - Leveraging or substituting technology
  - Encouraging patient self-care
  - Eliminating duplication
  - Decreasing the need for rework
  - Decreasing transaction costs (e.g., travel time, transition time, and information-sharing costs)
- Reengineer workflow patterns by:
  - Identifying nonessential work
  - Reengineering workflows based on Lean or other process improvement approaches
  - Reengineering workflows around population health management principles



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White Health has also identified supply chain as a second area of focus for its initiative.

### **Determining the Process**

Key steps in White Health's cost optimization process included:

- *Designing the process* . White Health's leaders consulted other systems that had gone through similar processes. They decided to engage a consultant to assist in designing the process, training internal trainers, and providing outside metrics for comparison.
- *Introducing the process*. White Health's CEO announced the process at an all-staff meeting and has conducted regular progress update meetings. She established the overall goal to get to Medicare break even within three years. She committed to maximum effort to retain all staff, even though they may end up with a different role. She stressed the critical importance of this process to the well-being of the organization and its patients.
- *Forming the oversight team and training leaders*. The oversight team combined layers and roles from the organization. Members were given priority and time for the work. Members were personally guaranteed they could return to their old positions when the work was completed. Training was both on-site and at the site of another health system that had already been through a similar process.
- *Establishing goals, projects and metrics*. The first round of projects were selected. They had a range of small and large targets and were spread throughout the organization. Senior management and the board ratified the oversight team's project selections.
- *Beginning project-based work* . Teams were formed around each project. A central project leader and staff coordinated the work.
- *Conducting check-ins*. Frequent check-ins were conducted, including CEO check-ins with the oversight team. A running scorecard was kept of specific actions proposed, potential barriers, projected savings, and other related impacts.
- *Proposed actions, impacts, and approvals*. As each project was detailed, it received broader review and approval.
- *Implementing the projects*. Individual projects were implemented on a project-specific timeline.
- *Adjusting the process and envisioning the next round of projects*. Lessons learned were analyzed, process adjustments were made, and the selection of Year 2 projects began.



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## Accomplishments

Year One accomplishments for White Health's optimization process included:

- Thirty-four process improvement projects implemented.
  - Twelve led by nursing management, four by finance, four by nursing staff, four by supply chain managers, four by the chief medical officer, two by the chief information officer, and four by others.
  - Net changes (before considering growth and other changes below) included an eight percent reduction in people-related costs and a four percent reduction in supply costs. Six purchased items were standardized.
- Clinical support staff agreed to flex their schedules to meet fluctuations in demand.
  - Time is now managed by existing staff, with a 50 percent reduction in use of agency and temporary staff.
- The management team has taken on additional roles and assignments.
  - The president of White Medical Group (an employed medical group) continues to serve as White Health's senior vice president for human resources. White Health's CFO also serves as the system's chief contracting officer, supervising contracts with payers, suppliers, contractors, and consultants. The chief medical officer oversees quality for the health system and its affiliated network of small rural hospitals.
- A new business was initiated with minimal impact on staffing.
  - White Health opened its first long-term care facility. The management team for the new facility is comprised of managers with responsibility for ancillary services; only one mid-level manager has been added for the facility.
  - Additional caregivers and custodial staff were hired for the new facility, but there were no resulting net changes in senior management, security, maintenance, finance, or supply.
- New volume-based supply options have been implemented.
  - Supply costs purchased under White Health's national contract were held constant despite a three percent growth in patient volume.
  - White Health has joined with other systems to form a regional buying group.
  - White Health's national supply chain contracts have been extended to cover its affiliated network and the regional buying group.
  - White Health realized a net savings of five percent.



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