



Agnesian Healthcare Nets \$6.12M in CFO-Validated Savings with CBA's High Impact Margin Improvements and 100 Day Workouts

»»» CHALLENGE

Agnesian was proactively anticipating margin pressures. They needed an action-oriented approach that would go beyond just planning, to involve the entire staff in leading change, increasing accountability, and increasing agility.

»»» SOLUTION

CBA 100 Day Workouts

- Quality Waste
- In-Quality Staffing
- One-More-Throughput

»»» RESULTS

Over 1,700 plans identified in just the first three workouts.

\$5.5M in Validated Savings.

Charges Not Submitted >16 Days After Service Provided dropped 86% from 1,597 to 226.

Cumulative Net Revenue jumped from \$0 to \$130,800 in just five months.

\$522K (21%) reduction in planned annualized OT expenses.

Situation

Agnesian Healthcare, an integrated, not-for-profit, community-based healthcare system, faced several key challenges, including:

- Declining reimbursement rates.
- Competing for patients with surrounding, well-known healthcare organizations.
- Searching for ways to stem the erosion of operating margins and minimize or eliminate their budget gap.
- Needing a structure to monitor and track improvement.
- Lacking an accountability structure to drive change and improvement.

As such, Agnesian needed to enhance their focus on, and execution of, strategic initiatives - to not only correct budget and other issues right now, but to also achieve their goals long term.

Initially, Agnesian considered expanding their Lean Six Sigma efforts by providing their staff with expanded Lean training. However, the leadership team realized that additional, traditional training alone would not produce the strategic or financial gains they required. Nor would it help them fully engage managers and directors, or break down the barriers protecting the status quo.

To meet the rapid changes occurring in their environment they needed an action-oriented approach that would go beyond just planning, to involve the entire staff in leading change, increasing accountability, and increasing agility.

Solution Applied

Agnesian Healthcare engaged CBA, tapping its expertise and 15 years of national research on the attributes of top performing organizations. Together they focused on designing a system for accelerating transformational work that included:

- High Impact focus areas.
- Accountability and speed of implementation – driven by removing organization complexity, barriers to speed, and culture of inertia.
- Inter-department collaboration constructs.
- Training directors and senior leaders to “connect the dots” between process changes and cost center impact.

Part I – Engaging Managers & Directors

First, Agnesian adopted CBA's 100-Day Workout accountability structure for three initial key business areas to make progress, or its absence instantly visible, thus demanding a corrective response when deviations from plans are unacceptable. Each workout included mandatory action targets of a minimum of two successful process changes for all managers, directors, and senior leaders, per month, that would move the hospital toward its financial goals. This created a sense of urgency and encouraged the commitment to change to run throughout the organization.

Hospital leadership elected to focus its first 100 days on removing quality waste in all its forms by exposing managers to Lean concepts and an easy-to-understand overview of the 7 categories of quality waste. By the end of day one, each manager had recorded several ideas and was expected to have 8 plans identified in the first 30 days that they could fully implement in the next 100 days.

Each leader utilized core CBA approaches to improvement like Rapid Cycle Testing and the resources of the CBA ToolBOX. This included teaching Agnesian's staff how to leverage its ToolBOX apps and act on the information they are receiving to improve operating margin as a whole. Think of it as an approach that creates an experimental mind set, reducing the fear of failure, increasing speed to action and identifying and eliminating barriers to change. These methods spurred Agnesian to increase the number of plans implemented and achieve results quickly.

Most importantly, this introduced CBA's **EXCEerator™** - giving Agnesian a structure for:

- Assigning accountability and tracking key plans.
- Monitoring implementation.
- Validation of process changes that led to budget gains.

Part II – Senior Leader Strategic Initiatives via High Impact Margin Improvements

In addition to engaging directors and managers in tactical, organizational change, senior leaders embarked on a series of parallel, High Impact Margin improvements to focus on high-level, high-impact results that would directly affect Labor.

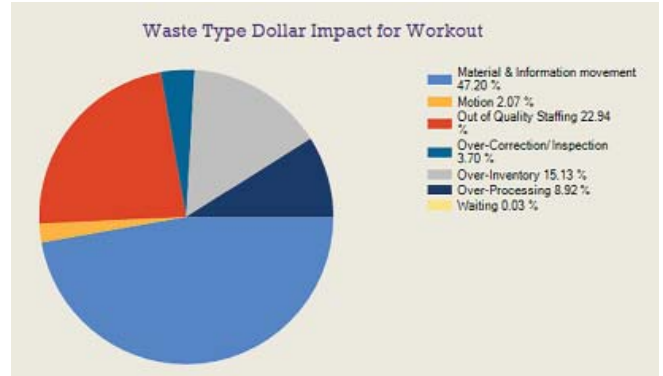
Caldwell Butler's hands-on, High Impact Margin Improvement Program began with a six to eight week assessment to validate needs and prioritize opportunities using CBA's High Impact checklist. From there, the implementation phase, featuring on-site "Chief Implementation Officer" support provided by one of CBA's former turnaround CEOs, provided hands-on guidance and support to help Agnesian's staff actually reach the planned results.

▶▶▶ METHODS APPLIED

- 100 Day Workout Structure
- General introduction to Lean Concepts of:
 - Quality Waste Recovery (7 Categories of Waste)
 - In- and Out-of-Quality Staffing
 - Material & Information Movement
 - Over-Processing
 - Over-Inventory
 - Motion
 - Over-Correction / Inspection
 - Waiting
- Rapid Cycle Testing
- Action Targets
- EXCEerator™
- 84 Proven Change Concepts

Results

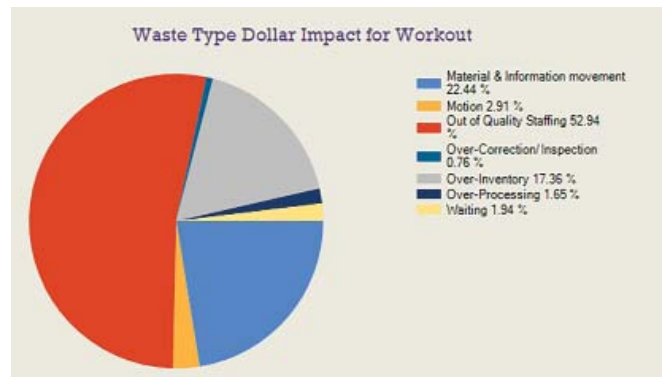
- Changing culture by changing structure enabled Agnesian to overcome common hurdles preventing sustainable performance gains.
- 100-Day workouts combined with on-site coaching provided Agnesian's staff with tools for implementing effective change.
- Agnesian Healthcare's managers responded by creating 1,744 changes to work processes and separate plans to improve CFO-validated margin by \$5.5M in during their first series of three 100-Day Workouts.
- The Finance Department assigned financial liaisons to assist managers in linking changes to specific cost centers and validate the financial tangibility of the changes by integrating these efforts within the budget process.



Below is a detailed look at Agnesian Healthcare's results:

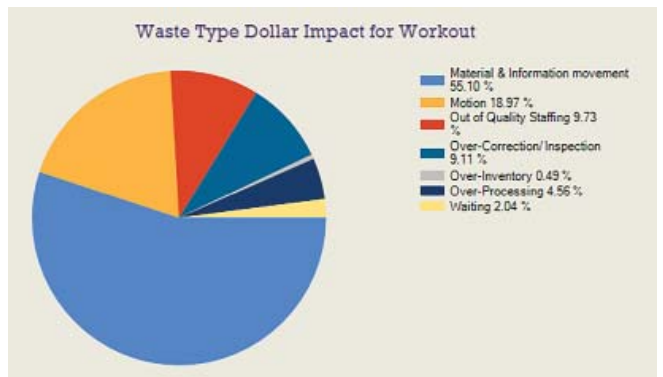
100-Day Workout 1: Quality Waste Recovery

Savings from detailed plans	\$3,381,534
Completed changes	\$3,212,749
Validated & budgetized by CFO	\$3,093,349
Director/manager changes	667: 9 per manager



100-Day Workout 2: In-Quality Staffing

Savings from detailed plans	\$1,902,960
Completed changes	\$1,748,455
Validated & budgetized by CFO	\$1,244,681
Director/manager changes	566: 8 per manager



100-Day Workout 3: One-More-Throughput

Savings from detailed plans	\$2,649,142
Completed changes	\$2,414,862
Validated & budgetized by CFO	\$1,182,658
Director/manager changes	511: 7 per manager

High Impact Results

Key highlights included and overall ROI of 5:1 and a reduction of \$522K (21%) in planned annualized OT expense, despite a \$13.8M (10%) increase in Regular Earnings. Of the total projected annualized savings; a \$298K year-over-year reduction from July through October were attributed to the efforts of the IQS Workout. A remaining \$224K corresponded to the focus and implemented system-wide management controls from the High Impact work.

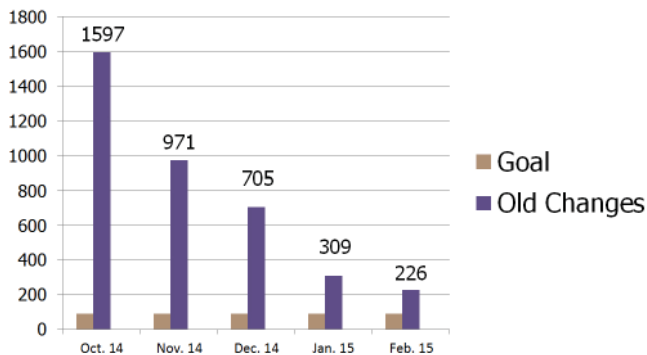


5:1 ROI
FROM HIGH IMPACT

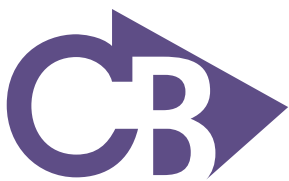
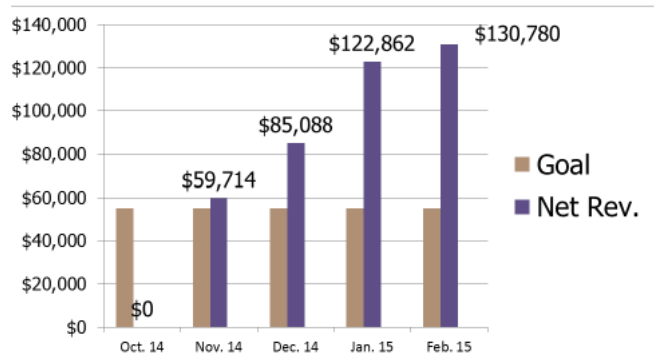
	Labor
Savings from detailed plans	\$716,756
Validated & budgetized by CFO	\$597,497

Specific Measures Targeted for Improvement

Charges Not Submitted > 16 Days After Service Was Provided



Clinic: Cumulative Net Revenue Improvements



Caldwell Butler
& Associates

For additional
information, contact:

Greg Butler
832.372.2465

gregb@CaldwellButler.com

or visit:

CaldwellButler.com

Caldwell Butler & Associates, LLC

Caldwell Butler & Associates is an innovative firm specializing in strategic deployment of Lean-Six Sigma resulting in cost position improvement, financial turnarounds, and patient throughput optimization. Caldwell Butler & Associates has assisted hundreds of clients increase productivity, maximize patient throughput, and improve patient satisfaction. Our team is exclusively dedicated to healthcare and brings extensive practical experience in hospital operations to each project. Our knowledge of the healthcare environment allows us to implement effective performance improvement programs tailored to the specific needs of your organization. Caldwell Butler & Associates is the trainer of choice for both the American College of Healthcare Executives and the American Society of Quality. During the past decade, Caldwell Butler & Associates has personally trained thousands of senior hospital executives in the effective healthcare application of Lean-Six Sigma.

Unlike traditional consulting firms, Caldwell Butler & Associates believes on-site mentoring and apprenticeship are the most effective methods for achieving sustainable gains in performance. Our on-site programs empower your employees by providing them with the tools to attain new levels of performance. We offer proven techniques and methods for enhancing personal accountability, monitoring progress of initiatives and tracking your ROI on each project. Where most consulting firms are satisfied with finding "identified savings," Caldwell Butler & Associates works along side your team throughout implementation thus providing you with a sustainable process for managing the entire productivity improvement cycle.

Caldwell Butler & Associates apprenticeship and mentoring programs include:

- Effective use of aggressive benchmarking data
- Proven techniques for non-negotiable goal-setting
- Methods of identifying waste and generating cost savings strategies
- Creation of implementable 100-Day Action Plans
- Flawless execution of performance improvement projects
- Creation of internal tracking methods for enhancing personal accountability