



CBA's 100-Day Workouts and High Impact Margin Improvements Net Maricopa \$77.9M in CFO-Validated Savings

CHALLENGE

MIHS had exhausted internal capabilities from labor benchmarking and GPO contract optimization. After a \$60 Million slash in state funding, they realized a comprehensive, hands-on approach delivering results in the first 30 days was crucial for continued success.

SOLUTION

CBA 100-Day Workouts

- Quality Waste
- In-Quality Staffing
- LEAP Leader Development Method
- Growth/Leakage

High Impact Margin Improvement

RESULTS

Over 1,450 plans identified in just the first four workouts.

\$77.9M in CFO-Validated Savings.

Targeted changes in LEAP alone delivered \$34M in planned savings - 5% of MIHS' operating budget.

Situation

Maricopa Integrated Health System (MIHS), a health care safety net for citizens of Maricopa County, AZ, faced fundamental challenges that made it difficult for them to be profitable, including:

- Geographic/demographic challenges
 - Serve people of many races and nationalities, speaking different languages.
 - Difficult payer mix of Medicaid, self-pay and/or no health insurance.
 - Not a high-paying market.
- Experienced a \$60 Million slash of State funding, leaving only ten months of Cash-On-Hand.
- Needed to limit board involvement in approving new budgets for consulting fees by using alternative payment options.
- Had exhausted internal capabilities from labor benchmarking and GPO contract optimization.

To combat these challenges, MIHS initially considered traditional turnaround firms like Huron, Price Waterhouse Coopers and Navigant. However experienced these firms, MIHS recognized that all their solutions were plagued by the following issues:

- No leader development, hands-on guidance, or training.
- Required several months of analysis during their planning stages before any meaningful action plans launched or impact to the bottom line.
- This approach would not fully engage managers and directors or break down the barriers protecting the status quo.

Concluded CEO Steve Purvis¹, "This is exactly the opposite of what we need."

MIHS determined it was vital that any solution include the following to meet the rapid changes occurring in their environment:

- Immediate rapid results in the first 30 days.
- Documented sustainability.
- A leader development approach that enhances director and manager capabilities as skilled change agents.

Solution Applied

After an exhaustive RFP process, MIHS engaged CBA, tapping its expertise and 15 years of ensuring continuity and sustainable work through leadership coaching and driving accountability. Further supporting their selection of CBA were the following:

- CBA's 3:1 guarantee with deferred payment.
- Former CEO/C-Suite on-site coaching at least four days per month (vs. lower levels of staffing offered by other firms).
- "Day 1" readiness via CBA's 100,000+ online searchable idea database to jump start bottom line results.

Together, they focused on designing an accountability system that included proven methods from CBA's American College of Healthcare-sponsored research of U.S. top margin improvers, featuring the following critical success factors:

- 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.

This system included two separate and parallel implementation tracks:

- Director-driven 100-Day Workouts in which each director and manager is coached to implement two changes per month to increase margin in their cost centers.
- Senior Leader Track focusing on High Impact policy-level and strategic interventions proven in CBA's national research to impart immediate bottom line impact.

Part I – Engaging Managers & Directors

First, MIHS adopted CBA's 100-Day Workout accountability structure for four initial key business processes. This system makes progress, or its absence instantly visible, thus demanding a corrective response from leadership when unacceptable deviations from plans occur.

To create a sense of urgency and encourage the commitment to change to run throughout the organization, each 100-Day Workout included a minimum of two (mandatory) successful process changes per month for all managers, directors, and senior leaders. These changes would all move the hospital toward its financial goals.

The first 100 days were devoted to coaching directors to remove process Waste from their departments, producing CFO-validated cost center impact as the exhaust. These workouts taught directors how to "connect the dots" between process change and cost center impact. By the end of day one, each manager had recorded several ideas and was expected to record eight plans that they could fully implement in the next 100 days.

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

The second 100 days focused on CBA's "In Quality Staffing" concepts, in which directors are coached to reduce variation in hour-by-hour staffing-to-demand and Rapid Cycle Test inter-department staffing changes vs. simply working in their benchmarked silos. Ideas for directors were stimulated through coaching 35 proven staffing change concepts.

The third 100 days introduced CBA's LEAP approach (Leadership Effectiveness and Accountability Program). This leader development approach assesses each director and manager based upon the number of successful changes they have completed, and sorts them into one of four groupings. Then they are assigned to accountable workgroups with margin improvement goals of five percent improvement in the cumulative cost centers represented in the group. Should any member fall behind, the remainder must be made up by the team. While the tension created by this accountability might appear on the surface as threatening, in practice, this cross-department collaborative approach actually produces the opposite – confidence, self-esteem, skill building and skill sharing, and camaraderie of purpose.

And finally, MIHS's fourth 100-Day Workout concentrated on Growth and Leakage to help build market share and revenue by eliminating waste such as missed appointments, waiting times, delays in procedures, and other events that sub-optimize care delivery.

Equally importantly, and beginning with the first phase and continuing throughout, CBA also taught MIHS's staff how to leverage its core programs like Rapid Cycle Testing and the resources of the CBA ToolBOX, so they could act on the information they were receiving to improve operating margin as a whole. This approach created an experimental mind set, reducing the fear of failure, increasing speed and reducing barriers to change.

Most importantly, the 100-Day Workout process introduced **CBA's EXCELeRator™**, an online accountability tool - giving MIHS a structure for:

- Taking ownership of changes, assigning accountability and tracking key plans.
- Creating a sense of urgency.
- Providing a way to monitor implementation.
- Validating process changes that affect the bottom line.

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

In parallel to engaging directors and managers in tactical, process-oriented organizational change, senior leaders embarked on a series of policy and strategic High Impact Margin Improvement initiatives focused on moving quickly from volume (fee-for-service) to value, linking quality and payment as part of the process.

Caldwell Butler uses its hands-on, High Impact Margin Improvement Program to assist health systems with closing their growing margin gap in an increasingly challenging operating environment. This is initiated with a six to eight week assessment to validate needs and prioritize opportunities using CBA's High Impact checklist. The next step was implementation, featuring on-site "Chief Implementation Officer" support provided by one of CBA's former turnaround CEOs. This program focuses on several high-return areas:

- Labor management
- Non-labor management
- Perioperative Optimization
- Growth and Leakage
- Physician Alignment/ Clinical Co-Management

MIHS and CBA worked together using CBA's High Impact checklist, internal best practices, external benchmarks, and CBA's C-Suite-experienced coaches to identify and validate margin improvement opportunities. These "Million Dollar" opportunities were then prioritized by magnitude, time, and difficulty to execute. An implementation plan was then developed in collaboration with the senior leadership team, physician clinical chiefs, and other key stakeholders to achieve and sustain the margin improvement efforts. These included:

- Inserting detailed action plans roadmaps, and, most importantly, contingency plans for results and/or timeline slippage into CBA's proprietary online results tracking and monitoring system, GPS.
- Training staff in CBA's 6-Step High Impact Results Realization process.
- Re-engineering their contract management process to make it easier and faster to acquire products the hospital needed while saving money and improving service levels.
- Renegotiating key contracts for supplies, biomedical contracts and service levels medical gases, and other high impact contract services.
- Brokering a high impact outsourcing process for housekeeping and food service.
- Labor practices and HR policies.
- Span of Control, Overhead, and the Cost of Management.
- Non-Labor (supply chain, GPO optimization, purchased services, biomed and other maintenance contracts, and contract management processes).
- High opportunity department work redesign.
 - Building upon the CBA High Impact checklist, five departments were selected for more intensive work redesign.
 - CBA orchestrated acquisition of outsourcing proposals through their MedAssets partners.
 - These proposals and CBA's turnaround CEOs expertise produced an aggressive improvement plan for rapid results.

Results

CBA delivered the results MIHS was seeking. Cumulatively, MIHS's margin improvement topped \$91M, with the CFO having budgetized over \$59M within the current fiscal year, and the remaining budgetized for next fiscal year.

CBA's methods provide a record 92% sustainability of implemented changes.

CBA's commitment to deliver \$3 for every \$1 clients invest by changing culture and structure enabled MIHS to:

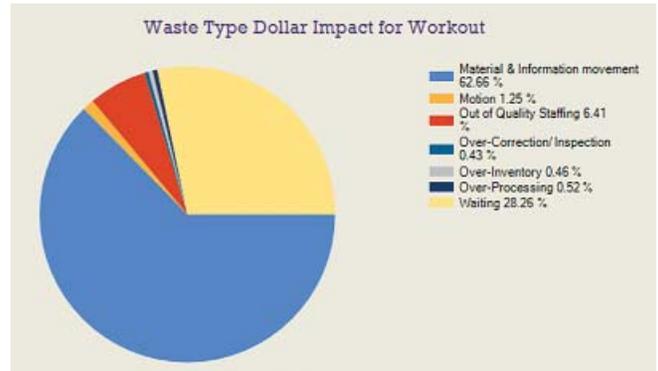
- Avoid board involvement / approval
 - No separate consulting budget needed
 - Payment for CBA's professional fees deferred until they are realized through implemented savings.
- Overcome common hurdles preventing sustainable performance gains and realize huge marginal improvements in each phase.

Below is a detailed look at Maricopa's \$77.9 Million in CFO-validated results.

100-Day Workouts 1 & 2: Quality Waste and In Quality Staffing

The first 100-Day Workout produced over \$10M in the first thirty days, and \$17.8M by the end. Directors had fully implemented over 350 cost center level changes and trained to used Rapid Cycle Testing to hard-wire and sustain their remarkable results.

By the end of this second 100-Day Workout directors and managers amassed over \$31M in CFO-validated margin improvement. Moreover, directors were well on their way to becoming world-class leaders who assure sustainability for the challenging times ahead.

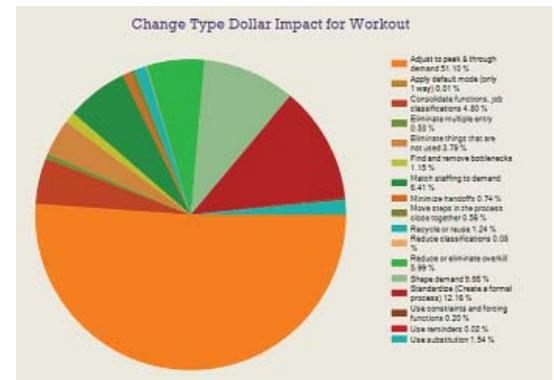


Savings from detailed plans	\$42.75M
Completed changes	\$35.88M
Validated & budgetized by CFO	\$31.36M
Director/manager changes	699: 10 per manager

100-Day Workout 3: LEAP

Using this leader development method resulted in 486 slated changes with CFO-validated margin improvement of \$34M, over 5 percent of MIHS' operating budget, in just 100 days.

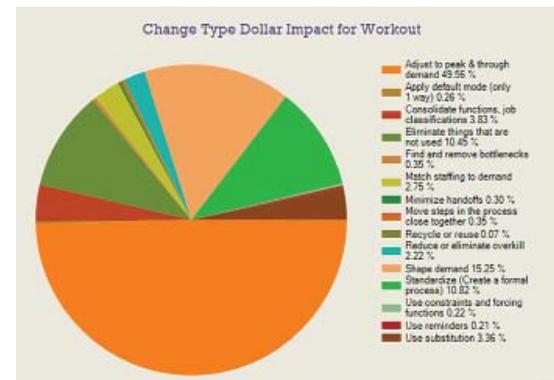
Savings from detailed plans	\$34.56M
Completed changes	\$27.2M
Validated & budgetized by CFO	\$26.66
Director/manager changes	486: 9 per manager



100-Day Workout 4: Growth/Leakage

This in-progress workout includes methods to improve patient access and physician-related leakage with \$16.3M currently in margin improvement from 265 slated changes.

Savings from detailed plans	\$16.3M
Completed changes	\$5.6M
Validated & budgetized by CFO	\$3.2M
Director/manager changes	265: 6 per manager



High Impact Results

	Labor	Span of Control	Non-Labor
Savings from detailed plans	\$16.6M	\$837K	\$3M
Validated & budgetized by CFO	\$16.3M	\$497K	\$2.1M

Cumulative Margin Improvement

Detailed Plans	Completed	CFO-Budgetized
\$111M	\$86M	\$77.9M

Moreover, MIHS is well positioned for the challenging times ahead with the presence of a sustainable accountability system and leader skill development of senior leaders, directors, and managers who have mastered short-term goal-setting, project management, overcoming barriers to rapid change, building coalitions and collaboratives, Rapid Cycle Testing, and more.

The CBA Advantage

CBA is the nation's leading expert in successfully leading transformational initiatives and margin improvement for healthcare. For the past 15 years, CBA has conducted national research and published its findings on the methods of top performing organizations to improve performance. These proven methods have been field-tested and CBA has refined these concepts into proven tools you can deploy in your organization.



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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