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Dispatch is the official newsletter of the Virginia Chapter-Healthcare Financial Management Association

Winter 2003

Boosting Financial Strength: Educating Workers on Your Hospital's Finances

By Kim Godley

A hospital bed is a perishable commodity. Each day a bed goes empty, the revenue is gone forever, while the expense remains. Frontline employees greatly impact that revenue and expense, and are the most powerful resource to improve profitability and ultimately increase the value the hospital gives to patients.

If your managers are not helping employees understand the role they can play in improving the institution's financial operations and profitability, you're wasting resources.

"Just as patient safety is now recognized as every employee's responsibility, contributing to the organization's financial health is also every employee's responsibility - not just the finance department," says Gene Woods, senior VP for Operations at Washington Hospital Center. "The tremendous financial pressures on hospitals today have created an absolute imperative that everyone in the organization be fiscally literate."

The road to improved operations and profitability comes with work. But that journey may be easier than you think. This article highlights the benefits of getting employees to understand the basics of hospital finances, and offers some concrete steps to reap the benefits.

The Pay-offs of Teaching Hospital Finance 101

Baltimore's Mercy Health Services recognizes the value of involving supervisors in monthly financial performance reviews, and sees the returns on this approach. Last year, increased productivity allowed Mercy to reduce unit costs by \$80 per patient day, while giving RNs an 8% salary increase, according to Tom Mullen, CEO and President. The benefits of instilling Hospital Finance 101 upon workers include:

Making your job easier by sharing financial responsibility (and accountability). Often employees don't grasp the role their job duties play in the general operations, even though they actually *want to* understand their contribution to the operations and get feedback on how they're doing. Employees who understand the financial pressures behind management's decisions are more inclined to use better judgment and support new strategies and tactics.

Relate salaries and benefits to the output of the hospital (patient days, number of clinical visits, etc). Employees need to understand that in order to care for patients and the community, even not-for-profit hospitals need to make money. As executives know, the fiscal pressures facing hospitals are enormous. Share that with workers and help them understand that securing a profit is necessary to

Inside

Finance 101 Article	1
Officer's Corner	2
Finance 101 Continued	3
Winter Conference	4
Leadership Article	6
Certification	7
Sponsorship	7
New Members	7

reinvest, stay competitive, provide a positive work environment and secure the future of the organization.

When workers feel they share responsibility in the hospital's financial health, the adversarial "we vs. they" struggle between finance and other departments dissipates. Emphasizing "we're in this together" helps the finance group to become integrated and accepted by others, allowing it to enlist allies throughout the hospital who can better appreciate operational pressures and capital concerns. Involving directors/managers/employees eases pressures on the financial department and ultimately makes that group's job easier.

Improving financial processes. Instilling hospital financial awareness can improve the budgeting process. Departmental heads often have a clinical background, and lack a bottom-line focus. Sharing the big-picture financial situation allows them to recognize

continued on page 3

Boosting Financial Strength

continued from page 1

revenue and savings opportunities from their inside-the-process viewpoint.

“If people understand how the budget is developed, and know how volume and efficiencies drive revenue, then they will more likely take ownership and accountability to self correct their budget variances,” says Peggy Naleppa Executive VP and COO of Peninsula Regional Medical Center.

Moreover, when employees (rather than some outside expert) come up with ways to work more efficiently, they are more likely to buy into improvement strategies and implement different approaches.

Hospitals that put a priority on helping workers understand hospital finances see that the finance group becomes more involved in strategy. Some hospital financial groups have designated operational support people to respond in real-time to different departments’ budgeting and planning efforts. As a result, the finance group, which possesses critical tools and information to move toward management’s goals and vision, becomes more involved in strategy and operations and is viewed more positively.

Cutting expenses and growing revenue. Employees think hospitals have deep pockets. But when they understand the financial pressures hospitals face and how thin margins can impact jobs and quality of care, workers begin to think differently.

When workers know the cost of time and supplies, they see that maximizing time utilization makes more sense than cutting staff, and that supplies are dollars already spent that need to be conserved. Revenue stream and revenue cycle are severely impacted by incomplete patient data and charge capture, a problem that is often not appreciated by employees. Employees become more conscientious when they know the true cost of their cavalier attitude.

Making Your Workers Financially Savvy

A new core competency hospitals managers must have is a basic understanding of the hospital’s finances. Hospitals can take several steps to help make managers/employees more financially savvy, including:

Educate on Finance. Introducing a common financial context and vocabulary for workers opens the lines of communication across hospital departments. Enlist the Education/Leadership Development group to help you jointly present financial education sessions. The finance group has the content expertise; the education group facilitates the process.

One of the largest Catholic healthcare systems in the country has accomplished this with a hands-on financial business simulation with 1,000 managers recently, as a joint effort between the Senior VP of Performance Management and the CFOs at each hospital. Participants calculate an improving Income Statement, Balance Sheet, and Capacity Utilization Ratio for each year, to grasp how using current resources more effectively increases bottom line.

“A primary benefit of the simulation is that front line managers learn about resource planning and the costs of doing business,” the Senior VP reports. “They understand the business cycle and how much their staffing and supply decisions cost the hospital.” With their newly acquired financial perspective, nurse managers at one hospital immediately implemented a 50% reduction in agency utilization, with a target of 100% reduction by the end of 2003.

Communicate, communicate, and communicate. Establish two-way communication channels between the finance group and other hospital departments. Employees must understand financial operations and their own individual impact, before they can

be held accountable. The information you disperse is very useful, but the cycle is not complete unless you invite questions and improvement suggestions, and then respond.

Meet monthly with other departments to present current budget/revenue/expense performance metrics using simple and colorful graphics. Be aware, when the finance group talks like accountants, they lose people, so they should ask if they are communicating clearly. A key goal of a financial presentation: manager/worker appreciation of how they are a puzzle piece in the bigger picture. And get out of the foxhole and talk to frontline staff (e-mail won’t do).

Reward for improvement. Get support for financial improvement by initiating a joint effort between the finance group and Human Resources to reward improvements. HR can help build a strategy to support successes with generous recognition and incentives. Together you can build a culture of financial accountability. Otherwise, why would employees care about getting more involved in the finances of the hospital?

Conclusion

Increasingly, hospitals and health systems see the bottom line results of instilling financial literacy in the workforce. That means the financial group must take action: to recognize the payoffs and initiate the steps to spread financial accountability across the organization. Then employees can balance the financial mission with the caring mission, and they can do their part to use resources in the best possible ways to improve profitability and ultimately increase the value that the hospital gives to patients.

Kim Godley is a principal with ChangeAbility, a firm that works with healthcare financial executives to increase the financial involvement and accountability of workers through bottom-line education/simulations and consulting. Contact Godley at KimGodley@ChangeAbilityGroup.com