

Estimate of the Situation

Critical Information for Critical Times, Edition of Wednesday, January 22, 2014



The Affordable Care Act: Real World Impacts and Options

“Do what you can, with what you have, where you are.”

-Theodore Roosevelt

Six Critical Positioning Steps

The Affordable Care Act is changing utilization and reimbursement in unpredictable ways. Waiting for the dust to settle would have been the right thing to do in “the good old days”. Waiting today is potentially dangerous.

Here are six powerful positioning steps that can be undertaken immediately.

- **Evaluate your management structure.** Our last issue dealt with this in some depth but it is important enough to warrant another mention. Is the span of control principle being applied? Are all critical outcomes (not just departments) effectively managed? Are you top heavy? Are there too many layers between executive management and patients? Between executive management and physicians? Are short and reliable feedback loops in place to identify and expedite needed changes in service on a real time basis?
- **Develop a Market Intelligence Capability.** How is your operating environment changing? What is your market share for each critical business line? Are competitors developing inroads? What will affect the health of the local economy, positively and negatively? Is new business development occurring? How will developing technology affect critical service lines? How are community demographics changing?
- **Evaluate your organizational structure.** Should your business model change? Are there potential advantages to spinning off subsidiary non-hospital organizations to provide selected services at reduced prices? Are there services you should discontinue? Are there services you should add? Are you at risk from other hospital and non-hospital competitors? Will your current charge structure allow you to compete in an era of price transparency?

- **Upgrade department head management skills.** Do your department heads fully understand and operate the complete management cycle? Do they really possess the skills necessary to plan, organize, direct and control the resources for which they are responsible? If they aren't really functioning as managers, either executive management is taking up the slack or it's not being done at all! Upward delegation is a real problem when department managers don't perform the full scope of their jobs. Success moving forward is going to require making the most of your management team's abilities and skills.
- **Develop an organizational culture that demands high performance.** Institute a "tough love" approach to employee retention and promotion. If non-performance is due to a lack of training, provide the training. If previously excellent employees can no longer get the job done, either find a suitable new position for them within the organization or provide generous severance. The bottom line is simple. Do not tolerate non-performance. Rid the organization of poor performers. Continuing to employ them isn't fair to the organization, to their co-workers, to patients, and ultimately it isn't fair to the poor performers who may see no reason to improve.
- **Update your labor management goals to match current workload.** Have your utilization patterns changed since staffing standards were established? Do core staffing levels still make sense given today's workload? Do previous staffing assumptions remain valid? Do work shift structures, task assignments, shift durations, and the staff's full-time/part-time mix match staffing to workload? Are your hours-worked to hours-paid ratios where they should be?
- **Provide pay period productivity reporting and utilization and revenue trend projections with ongoing access to updated labor benchmarks for the current period and year-to-date.** Have you established "variance triggers" which require management action by responsible managers and executives when pre-defined conditions exist? Will the system flag those departments for action and alert responsible managers when variance triggers are tripped?

It's easy to get caught up in the day-to-day demands imposed by daily routines and the administrative workload created by the Affordable Care Act. However, we genuinely believe that taking these steps will be essential to success going forward. Please let us know if you would like more information about any of them.

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