7.0 Implementation Plan

Because of the serious and deteriorating state of the hospital's finances, we urge the hospital to focus its first efforts on reducing its operating costs through the identified clinical and operational efficiencies.

Once these efforts have been initiated it should then turn its attention to implementing the recommendations of this report related to improving its governance and management structures and processes.

The implementation plan involves initiatives related to:

- Organizing for change
- Redesigning care processes to achieve savings from clinical efficiencies
- Redesigning work processes and systems to achieve savings from improvements in functional centre productivity that can be achieved without a facilitating capital investment
- Implementing recommended improvements in management processes
- Implementing recommended improvements in governance structure and processes
- Implementing savings from improvements in functional centre productivity that require a facilitating capital investment.

The key elements of this implementation plan are discussed briefly in the paragraphs following.

Joint Review of Report and Recommendations

The first implementation step will be for the department and the hospital to review the report and recommendations and determine the recommendations and levels of savings that they are individually and jointly prepared to accept and implement.

The Department should provide the hospital with a clear mandate from the Minister of Health to achieve a clearly articulated savings target within a defined timeframe. The ministry should develop and implement its communication plan for the release of the report and the articulation of its expectations of the hospital.

The hospital should identify and plan for those recommendations that it accepts and is willing to implement. An important component of this activity will be to communicate to key stakeholders the findings and recommendations of the review and the hospital's response. The communication plan should create a sense of urgency within the hospital and communicate clearly the organization's

- commitment to achieving the necessary savings and
- conviction that the hospital will be strengthened by a new focus on quality and efficiency and that
- commitment that the volume and quality of care will not suffer.

Negotiate Recovery Plan with Department of Health

The overall objective of this review has been the development of a recovery plan to make strategic, operational and management improvements to achieve a positive financial position consistent with the delivery of effective and efficient hospital services. The recommendations of this report, if implemented, will allow the hospital to achieve significant efficiencies in its clinical and operational processes. Based on the findings and recommendations of the review the Hospital should negotiate with the Department of Health to establish:

- A strategy and a plan for reducing the hospital's operating costs as recommended in this review
- A strategy and a plan for restoring the hospital's working capital to a positive position

Organize to Implement

The hospital will need to create a special structure to lead, oversee, guide and generally create a focus on the implementation process. The overall process of change should be led by a special team that includes the senior management team and representatives from the unions and physicians. This group should meet weekly with its only purpose to direct the implementation process. Possibly should be chaired by the Vice President Finance or the Vice President Human Resources who will need to act as the champion for implementation. Staff support should be dedicated to the implementation process. These should be drawn from the expanded decision support group within the Department of Finance and the expanded utilization management resource of the hospital.

Clinical Efficiencies

Given the recent investments and growing robustness of its structures and processes for utilization management, we feel

that the savings from clinical efficiencies can be quickly realizable. We expect that some of these savings have already been achieved in 2001/02. The remainder of the savings should be achievable over the next two fiscal years. We would expect that the percentage of inpatient cases, the ALOS of admitted patients and thus number of patient days will decline steadily over the two year period as:

- hospital systems improve
- physicians become more involved in and committed to utilization management
- physicians increase the percentage of care provided as ambulatory care
- physicians are able to finish the course of treatment more quickly and as
- physicians begin to write discharge orders for their patients more quickly after the completion of the episode of care.

Also, we would expect that discharge planning will develop protocols that will involve earlier planning for discharge for those programs and patients with the most significant opportunities for reductions in length of stay. As has been discussed, we expect that clinical efficiencies will provide net annual operating impact of $7.1 million in 2002/03 and an additional $6.7 million impact in 2003/04. Increasing availability of outpatient activity will facilitate these improvements in clinical efficiency. Space to support this increased outpatient activity, if required, should be made available as quickly as possible.

Operational Efficiencies

Operational efficiencies may take as long as 2 years to fully realize. Some of these savings are dependent on facility redevelopment, system acquisition and/or technology acquisition. However, significant savings are available to the hospital without the need for any capital investment. Savings totaling as much as $7.5 million will be available to the hospital within the first year of this implementation period (and some of the savings may have been realized in 2001/02). An additional $8.2 million in savings will be available in future years[103].

[103] And there are additional savings of as much as $2.6 million from productivity improvements in Laboratories, Imaging and Laundry services that are not reflected in these estimates because of concerns about the quality of the data provided by the hospital to support this review.

Some of the operational improvements in Critical Care, Laboratories and the Emergency Department will be facilitated by facility renovation/redevelopment and/or technology acquisition. These costs have not been included in our analyses. Delays in redevelopment and/or technology acquisition will delay realization of some of the savings presented here. The hospital and the Department should proceed as quickly as possible to facilitate the suggested improvements in efficiency, effectiveness and quality of care at the HCCSJ.

Governance & Management Processes

Although the hospital has reasonably strong governance and management processes, there are still some significant opportunities for improvement. These include:

- Development of a long-range plan and a supporting strategic plan
- Enhancement of the operational planning & budgeting processes
- Improved reporting for the board, senior management and functional centre managers
- Refinement of the roles and relationships of Chief of Staff and MAC in the context of program management and quality monitoring on behalf of the board
- Enhancements to management processes

Although all of these are important to the success of the hospital, we feel that initiatives to restore the financial health of the hospital and ensure its long-term viability should take precedence. As a result, we feel that these activities should be deferred until the hospital can begin work on achieving the targeted clinical and operational efficiencies.

Progress Reporting to the Department of Health

Because of the likely need for Department of Health support until the hospital achieves the targeted cost savings it will be incumbent on the hospital to account for its progress toward achieving these targets.

7.1 Implementation Plan

The following table presents our suggested scheduling of initiatives to improve efficiency of the hospital. It also presents estimates of the savings that will be achievable in each year. For the purposes of this exercise, we have assumed

no changes in patient volume, content of care or the unit cost of labour, supplies and services from 2001/02[104].

As can be seen, over the next 3 years, the hospital should be able to achieve almost all of the savings from the improvements in clinical and operational efficiency identified in this review. These changes will provide a reduction in the hospital's operating costs of almost $30 million. This should provide for elimination of the hospital's operating losses in 2002/03 and provide for the gradual elimination of its working capital deficit. Ultimately, assuming continued funding support by the department, the reduced running rate of expenses for the hospital will provide it with the ability to accumulate working capital to support new patient care initiatives for the community. And it should be remembered, that the targets and cost savings estimates established for the hospital have been tempered to recognize both the current operating characteristics of the hospital and concerns about the quality of the data provided by both the HCCSJ and the comparator hospitals. We are confident that the level of savings estimated here is achievable by the hospital. Additional improvements and cost savings may be realizable. The hospital should pursue these additional savings opportunities through a process of Continuous Improvement of its Clinical and Operating Processes.

The schedule of cost savings assumes that the hospital moves expeditiously to implement the recommended change. Although their will be issues related to staff morale and seniority rights to employment that will need to be addressed, our experience is that change of this magnitude is best dealt with quickly. It will require clear, consistent and honest communication of the necessity of change and the breadth of initiatives to be undertaken. Some of the improvements in quality and/or efficiency will require facility redevelopment. Delays in completing these capital projects may delay full realization of the estimated benefits.

[104] In this table, we have used a factor of $57,500/FTE to estimate the FTE reduction related to the reduction in patient days from clinical efficiencies.

Exhibit 7.1:
Cost Savings Implementation Schedule

			2001/02		2002/03		2003/04		2004/05	
	Area	Initiative/Recommendation	FTEs	Dollars	FTEs	Dollars	FTEs	Dollars	FTEs	Dollars
Short-Term Operating Cost Savings										
	Corporate	Minimize call in for sick relief	-3.51	-$152,549	-21.09	-$915,294	0.00	$0	0.00	$0
	ORs/PARRs	Temporary Closure of One OR	-0.50	-$26,467	0.00	$0	0.00	$0	0.00	$0
Clinical Efficiency Cost Savings										
		Reductions in patient days			-135.65	-$7,800,000	-271.30	-$15,600,000	-271.30	-$15,600,000
		Ambulatory Clinic Investment			6.96	$400,000	21.91	$1,260,000	21.91	$1,260,000
		Utilization Management Analysts and Tools			5.22	$300,000	8.70	$500,000	8.70	$500,000
Operational Efficiency Cost Savings										
	Bell Island	Conversion to Ambulatory Care Centre	0.00	$0	0.00	-$177,134	0.00	-$708,534		-$708,534
	Emergency Depts.	Discontinue Janeway Telephone Lines	-0.50	-$27,829	-3.00	-$166,975	-3.00	-$166,975	-3.00	-$166,975
		General Productivity Improvements	0.00	$0	-6.33	-$352,318	-12.66	-$704,636	-12.66	-$704,636
		General/Janeway ER Consolidation	0.00	$0	0.00	$0	0.00	$0	-6.80	-$378,478
	ORs/PARRs	PARR Productivity Improvements	0.00	$0	-1.89	-$117,413	-3.77	-$234,826	-3.77	-$234,826
		OR Productivity Improvements	0.00	$0	-1.22	-$75,442	-2.44	-$150,883	-2.44	-$150,883
	Critical Care	CCU Productivity Improvements	0.00	$0	-5.85	-$364,074	-11.69	-$728,149	-11.69	-$728,149
		ICU Productivity Improvements	0.00	$0	-17.26	-$1,074,782	-34.51	-$2,149,565	-34.51	-$2,149,565
	Nursing Administration	Reduce Administrative Directors	-0.50	-$44,543	-3.00	-$267,258	-3.00	-$267,258	-3.00	-$267,258
	Medical/Surgical Program	Medical Program Productivity Improvements	0.00	$0	-10.57	-$588,032	-21.13	-$1,176,063	-21.13	-$1,176,063
		Surgical Program Productivity Improvements	0.00	$0	-5.92	-$329,498	-11.84	-$658,996	-11.84	-$658,996
	Child Health	Reduce Janeway Management Structure	-0.17	-$12,568	-1.00	-$75,411	-1.00	-$75,411	-1.00	-$75,411
		PICU Productivity Savings	0.00	$0	-4.09	-$227,365	-11.56	-$643,412	-11.56	-$643,412
		NICU Productivity Savings	0.00	$0	-6.65	-$369,850	-19.95	-$1,110,386	-19.95	-$1,110,386
		Pediatric Inpatient Productivity Savings	0.00	$0	-10.67	-$593,876	-32.17	-$1,790,533	-32.17	-$1,790,533
	Mental Health	Psychiatry Unit Productivity Improvements	0.00	$0	-16.14	-$898,049	-32.27	-$1,796,099	-32.27	-$1,796,099
	Rehab & Continuing Care	Reduced Management Structure	-0.17	$12,568	-1.00	-$75,411	-1.00	-$75,411	-1.00	-$75,411
		Chronic Care Productivity Improvements	0.00	$0	-5.42	-$301,827	-10.83	-$603,654	-10.83	-$603,654
		Intermediate Care Improvements	0.00	$0	-2.53	-$141,020	-5.06	-$282,039	-5.06	-$282,039
	Allied Health	Productivity Savings	0.00	$0	-7.50	-$396,341	-15.00	-$792,681	-15.00	-$792,681
		Replace PCC model with Program Council Model	0.00	$0	-1.56	-$106,267	-6.25	-$425,068	-6.25	-$425,068
	Pharmacy	Reduced Management Structure	-0.17	-$13,515	-1.00	-$81,091	-1.00	-$81,091	-1.00	-$81,091
	Housekeeping	Reduced Management Structure	-0.33	-$22,782	-2.00	-$136,689	-2.00	-$136,689	-2.00	-$136,689
	Dietary	Reduced Management Structure	-0.50	-$30,578	-3.00	-$183,469	-3.00	-$183,469	-3.00	-$183,469
		Operational Cost Savings (Staff and materials)	0.00	$0	-9.58	-$559,231	-19.16	-$1,118,461	-19.16	-$1,118,461
	Health Records	Productivity Savings	0.00	$0	-6.05	-$196,843	-12.10	-$393,686	-12.10	-$393,686
	Information Systems	Increase Support	0.00	$0	5.50	$410,355	11.00	$820,710	11.00	$820,710
Estimated Total Annual Cost Saving Opportunities			-6.35	-$318,263	-272.26	-$15,460,604	-506.09	-$29,473,265	-523.89	-$29,851,743