The healthcare system is at a crossroads. Healthcare organisations are under constant pressure to deliver more and better services within their existing or eroding resources. At the same time, advances in medicine and an ever-aging population, are causing more strain on the system than ever before - causing financial struggles for organisations and increased public dissatisfaction with access times and levels of care.
Healthcare

Considering the current demand for resources, the governments cannot continue to increase healthcare funding. Instead, healthcare organisations will be required to look at new ways of allocating and utilising resources. Recent external reviews of healthcare organisations have highlighted that more needs to be done to improve the financial efficiency of organisations.

Financial sustainability is achievable. The UK is a prime example - it realised improvements to its healthcare system by applying private sector principals in financial turnaround to improve operational and financial efficiency. This has led to organisations in the country achieving surpluses that have been reinvested in patient care and in enhancing the patient experience.

The current economic downturn provides an impetus for healthcare providers; now is the time to find ways to improve efficiency and to embed sustainability in financial and operational practices.

What is the Current Status?
The current economic climate is going to result in increased scrutiny of public sector spending, and the reality is that any significant additional funding is not likely to be available. While a number of hospitals have deficit elimination plans, many do not appear to be delivering the efficiencies expected - at the pace required to meet these expectations. Within the industry, there has been a focus on developing health improvement plans though on their own, these are unlikely to provide solutions to improving operational efficiency. Organisations must look more widely for examples of leading practices and take a wider health system approach.

In the past, the National Health Service (NHS) in the UK reported significant deficits and inconsistencies with improvements made to patient care. Hospitals were experiencing increasingly large working capital deficits, investments in patient services were delayed, staff were demoralised, and the patient experience was not as required. Wait times and access indicators were showing deterioration, and objectives of the NHS improvement plan were not being met.

In the UK, rapid and transformational action came by taking advantage of approaches used in financial turnaround and combining these with performance improvement tools. This enabled the Department of Health to understand the deficits better, and to provide the support each hospital required as they developed individual turnaround plans that were achievable, engaged clinicians and managers, addressed strategy and leadership issues, and set them up on a clear path to recovery. Now, as organisations move forward, they are better positioned to address the needs of their patients and plan for future changes in service requirements.

Understanding the System Challenges

The lessons learned as part of the UK experience may help other healthcare organisations facing similar financial issues. However, in order to address their challenges in the short and medium term, organisations need to take a ‘systems’ view. By understanding system challenges, organisations can ensure integrated service delivery is at the core of all their change initiatives, and that all changes support long-term success. Some of the system challenges facing healthcare organisations include:

- **Strategic Direction**: Financial pressures due to increased demand and inappropriate case mix. As advances have been made in medicine, life expectancy has steadily increased. This has not always been matched by changes in the wider healthcare system, such as the development of community based services. Patients often resort to accessing care from hospitals due to familiarity with the process and lack of information on alternatives. An analysis of the case mix of large hospitals is likely to indicate that many services could be provided more efficiently and effectively in a different setting - for example in primary care within the community through clinics. Hospitals have responded to these challenges by increasing bed capacity but have not sought to work with the wider healthcare system to develop new care models. This has led to a continued increase in financial resources required to run hospitals.

- **Chronic Disease Management**: Shifting the focus. There has been an increase in the prevalence of chronic conditions which may be attributed to demographic changes and a shift in the standard of living. The impact of these conditions on hospitals is increasingly complex due to co morbidities. At the same time, there is a limited focus on proactively managing these chronic diseases - an action which could reduce the utilisation of more costly acute care services over the long-term.

- **Information Technology**: Leadership is data rich and information poor. The current healthcare landscape requires proactive and strategic decision making, which requires robust financial and non-financial information with insightful analysis. The health system collects a plethora of data; however this data is not analysed suitably to provide information. This limits the ability of leadership teams to make proactive decisions. In addition, information used to make decisions is often six to eight weeks out of date. This time delay cascades into business plans and budgets, leading to inappropriate allocations of resources.

- **People**: Enhancing capacity and capability to continuously improve. Most organisations in “reactionary” mode will develop programs to resolve issues as they occur. While it is important to manage these immediate concerns, any resolution should be done with a view to achieve longer term change and, more importantly, making the change stick. When management resources are utilised in “fire-fighting” mode, innovative ideas are not forthcoming.

- **Process**: Performance measurement. It is widely recognised that what gets measured gets done. The important caveat, however, is the need to have the right measures of performance. While key performance indicators should be enhanced over time, they should not be changed solely so progress can be demonstrated. Cost improvement indicators, such as performance against a deficit elimination plan, may be identified by organisations, but are rarely tracked and reported.
Short-term Fixes: Identifying long-term solutions. Due to the pressures and issues discussed above, healthcare organisations are finding it increasingly difficult to balance their books. As a result, a variety of organisations are reporting financial deficits. While one-off fixes may resolve the current financial challenges, the underlying position remains. To be effective, a practical, robust and sustainable deficit elimination plan is required. The management team should be accountable for managing, tracking and reporting of milestones on a monthly basis. Effective leadership should be provided to a dedicated team focused on ensuring work streams are being implemented.

Six Common Management Issues
Management issues of an organisation in distress will vary; however, common characteristics do exist. All too often, these similarities can be attributed to procedural issues or to being the result of structural change. Based on global experience working in the healthcare industry, we have identified six common problem areas:

- **Budgets and Funding**: An organisation's budgets regularly report overspends without associated increases in productivity. Over time, as deficits are recorded, the organisation typically begins to experience funding issues, which are then addressed by short term financing. This recurring process is not sustainable.

- **Financial Reporting and Accountability**: The quality of an organisation's financial reports, including financial statements, is poor and not accompanied by sound analysis and narrative. Often, budgets and operational responsibilities are also not aligned effectively.

- **Decision-Making**: An executive management team and Board of Directors become complacent with surprises that have resonating impacts, such as deficits becoming apparent late in the fiscal year. Often decisions are changed or reversed as new information comes to light, well after significant costs have been incurred. In some instances decisions are not made in the hope that the government will provide additional resources that will address the current issue.

- **Continuous Internal Structural Change and Stakeholder Engagement**: An organisation's structure is constantly being changed to address performance issues, but there is little recognition of the significant impact these changes have on accountability and controls. Decisions are made without due consultation or regards to internal and external stakeholders. This leads to significant re-work and at times to projects failing - because these stakeholders do not feel their objectives are being served.

- **Skills and Capacity in Key Positions**: The organisation has difficulty in filling positions or experiences a high rate of staff turnover. Key positions are not necessarily defined by seniority, but rather by the importance of the role. The lack of continuity of staff and organisational history leads to changes and developments not being realised.

- **Patient Experience**: Quality of service indicators for an organisation are frequently unfavourable due to operational performance issues. Organisations experiencing financial distress often resort to short-term measures such as sudden reduction in staffing leading to a direct impact on patient services.

The Next Steps Towards Efficiency
In order to have a system that provides sustainable, good quality, and integrated care, financial effectiveness needs to be a cornerstone of organisational strategy. This improved financial effectiveness should be underpinned by a culture of continuous operational improvement. However, the development of a sustainable program that delivers short-term targets while embedding a framework for delivering long-term efficiency requires focus and external support. External advisors with expertise in performance improvement and turnaround can bring their experience, ideas and knowledge to bear in the development of a sustainable efficiency plan. This was the approach used to great effect by the National Health Service in the United Kingdom.

In our experience, resolving deficits requires an incisive analysis of root causes, and issue resolution through working with clinical staff and implementing a continuous process of improvement. Effective change programs are led by clinical staff, with strong support and organisational leadership by the management team. Looking at turnaround approaches presents an opportunity for an organisation to make effective and sustainable changes that will better equip them to handle economics and fiscal challenges while continuing to improve patient care.