

Attention Hospital CFO: *Save Lives. Save Time. Save Resources.*

by Greg Nelson

In national research the number one cause of sentinel events in health care is communication between nurse and doctor. Most CNOs and CMOs know this, but not all. Many CFOs aren't even sure what a sentinel event is--which is a very expensive gap in knowledge for hospitals, for care givers, and for administrators. Financial executives in hospitals across the country are taking notice—some with renewed focus—as they begin to dig deeper into the relationship between clinical protocols and profitability.

If our mission is defined broadly to care for the health needs of the community and you heard you could reduce mortality in your hospital AND save money doing it, wouldn't you just have to know how? For example, in Charleston, WV the Charleston Hospital reduced the mortality rate of severe sepsis patients from 31% to 17% in one year—a patient population which, on average, has more than a 10-day average length of stay. In Charleston, the ALOS is under ten days. Saved lives. Saved time. Saved resources.

Financial leaders are aware that the predominant number of processes in a hospital are clinical—processes that veil incremental, yet potentially significant contributions to the bottom line. Analyzing the ROI on capital requests for costly medical equipment and similar budget requests are familiar territory for most financial leaders. The cost analysis of a clinical pathway, skill requirements and effective interpersonal communication are less familiar, yet more predictable.

Clinical outcomes and financial performance are very tightly wound around each other. While obvious perhaps, decision-making in the past often does not reflect this. For example, labor is often tagged as the most expensive line item. The truth is that significant financial potential is hidden in clinical gaps. It appears as redundancy, re-work, unclear instructions, turnaround time, hospital-acquired infections, falls, medical errors, scheduling conflicts, wrong-site procedures, medically unnecessary delays and legal defense.

Why Important?

Financial leaders may not view refining incremental clinical “tasks” to be as important as a new surgical robot perhaps or high profile staff neurologist. And many have gleaned the potential return on applied process improvement for many administrative processes. However, the largest and most sustainable cost savings are embedded in clinical efficiencies and the cumulative impact on revenue is significant—especially when aligned with capital expenditures.

Consider a simple example: hand hygiene. This purportedly “non-negotiable” for healthcare staff is a critical component of efficient care. Yet more than 2 million people acquire an

infection during the average stay, and 90% of those can be avoided. The hospital has to treat HAI. The hospital isn't reimbursed, and the average loss to a hospital is \$5,351 per case and accounts for 63% of IP net operating losses. This is compelling. Perhaps even more compelling is that 5.82% of patients die as a result of HAI. Saved lives. Saved time. Saved resources.

Reader: Please consider providing specific feedback to greg@gregdnelson.com