Strategies for Healthcare Excellence

VOLUME 7 JUNE 1994 NUMBER 6

CASE STUDY

Reinvigorated Holy Cross Hospital tots up rapid quality, financial gains

Chicago hospital focuses on staff empowerment, excellent physician relations, and sound planning

David O. Weber

It could, perhaps, be viewed as a miracle. But if so, the saintly intervention certainly turned on those most mundane of contemporary human instruments: strategic planning, organizational restructuring, and a systematic program of individual empowerment.

The results were no less miraculous for that. A failing, demoralized hospital progressed within two years from a $9 million operating loss to a $1 million operating gain, and the black ink will have more than doubled again by the end of the current fiscal year in mid-1994.

Dismissed as uncreditworthy only 18 months earlier, the institution was judged to merit a solid triple B-plus bond rating by March 1994. Accordingly, investors snapped up some $25.5 million-worth of revenue bonds to finance a major expansion of facilities, including a new maternity unit, a new centralized outpatient mall, a new same-day surgery unit, and a new office building for a rapidly expanding staff of eager young physicians.

Languishing as recently as December 1992 in the bottom 5 percent of all hospitals participating in the Press Ganey survey of inpatient customer satisfaction, the reinvigorated hospital ended the month of April 1994 in the 98th percentile. Those responsible for the astonishing turnaround have been asked to describe their success when all 500 Press Ganey institutions gather in Atlanta later this year.

Religious roots

Like many miracles, this one has a religious prelude. It begins in 1907, when a young Lithuanian immigrant, Casimira Kaupas, founded a new congregation of Roman Catholic nuns to serve the spiritual and worldly needs of her own ethnic community in Scranton, Pennsylvania.

From the bottom 5 percent of all hospitals in the Press Ganey survey in December 1992, Holy Cross ended April 1994 in the 98th percentile.

Four years later, the Sisters of St. Casimir—the name honors one of the Baltic nation's most revered figures—opened a school in a suburb of Chicago known as Marquette Park. A neighborhood of tidy bungalows on

IN THIS ISSUE

Benchmarks for success at 100 most effective US hospitals; HCIA/Mercer study analysis.....9

Coming up in July:

Quality ties in with culture changes at Butler Memorial Hospital, Butler, Pennsylvania.

the southwestern side of the city not far from today's Midway Airport, the area was an enclave of families of Lithuanian and other Eastern European origins.

In 1928, at the request of the Chicago archdiocese, the Sisters of St. Casimir boldly borrowed $250,000 to complete and staff a hospital in Marquette Park as well. Mother Maria, the name the founder had taken, christened it Holy Cross. A decade later the Sisters assumed responsibility for a second Chicago healthcare institution, Loretto Hospital, in the central city.

"Our costs were too high. We were overstaffed—Holy Cross had gotten bloated."

For more than half a century, both the order and its undertakings flourished. By the year of her death in 1940, Mother Maria was overseeing schools, homes for the aged, hospitals, and missions on the East Coast, in the Midwest, in New Mexico, and in Lithuania. The Sisters of St. Casimir were about to establish a strong presence in Argentina. At its height, the congregation—its Mother House located across the street from Holy Cross—numbered almost 500 nuns worldwide.

Changing environment

But the social order that nurtured religious vocations among American Catholics would undergo an accelerating metamorphosis beginning in the 1960s. So too would the environments, both economic and cultural, in which the Sisters of St. Casimir provided healthcare.

By 1990, age had severely reduced the ranks of the congregation. Several facilities had been relinquished. Loretto Hospital was in deep financial trouble. Its president, Sister Marian, was ailing and anxiously contemplating retirement. Although the operating margin was still an adequate 3.5 percent, Holy Cross was also struggling to navigate the demographic riptides and the shifting winds of national healthcare reimbursement policy that had driven Loretto onto the rocks. Sister Teresa Mary Clarkson, the longtime president of Holy Cross, was herself nearing her 70th birthday and in declining health. A successor was being groomed from among the 240 active Sisters; but this nun too fell ill.

As chief operating officer of 412-bed St. Francis Hospital & Health Center in Blue Island, a 20-minute drive from Marquette Park, Mark Clement was only vaguely aware of Holy Cross. With separate patient pools and medical staffs, the two institutions were not significant rivals. What Clement did hear about 413-bed Holy Cross, moreover, was relatively unimpressive. Its reputation, he says, was that of "a sleepy community hospital, somewhat passive, that was not responding very well to changes in the healthcare environment."

Quick downward slide

Gravely concerned about the deteriorating state of Loretto Hospital, the General Superior of the Sisters of St. Casimir, Sister Marilyn Kuzmickus, and her council decided outside help was urgent. Consultant Michael E. Rindler, a former hospital CEO and president of The Rindler Group, of Beloit, Wisconsin, was engaged to assist the board and administration in stabilizing the institution. In October 1991, its immediate problems wrestled under control, ownership was transferred to Midwest Hospital Corporation, a not-for-profit subsidiary of Summit Medical Management, Inc., of Atlanta.

Meanwhile, the Sisters were reeling from a second bolt of bad news, this one from Holy Cross. For 1991, accounts indicated, the congregation's flagship hospital would have to report a loss of almost $9 million.

"We were pretty shocked," says Wesley Walton, a veteran Holy Cross board member. "The financials had looked good, the sisters appeared to be running the hospital very well, and so we'd generally left the managers to themselves. But things went downhill very quickly."

The fiscal problems at Holy Cross, according to

Strategies for Healthcare Excellence (ISSN 1058-7829) is published monthly by COR Healthcare Resources. Editor: Susan J. Anthony 415/824-8007. Managing Editor: Janet Glasheen. Publisher: Dean H. Anderson 805/564-2177.

Send address changes, subscription inquiries, and all correspondence to Strategies for Healthcare Excellence, P.O. Box 40959, Santa Barbara, CA 93140-0959; 805/564-2177; fax 805/564-2146

Subscription rates: One year (12 issues): $227. Outside U.S. and Canada: $240 a year. Back issues are $20 each.

© 1994 COR Healthcare Resources. All rights reserved. Permission to photocopy any portion of this publication for any use, including internal routing, is granted provided a fee of $2.00 per page is paid directly to Copyright Clearance Center, 27 Congress St., Salem, MA 01970. Fee code 1058-7829/94$2.00.

Clement, "were the culmination of a lot of things: eroding utilization, declining profitability, some major expense items—especially a couple of bad contracts that had negative expense implications. On top of that, the hospital had never developed clear financial or strategic plans."

The streets of Marquette Park, in the meantime, were undergoing their own change. No longer were they home to so familiar and homogeneous a populace as Mother Maria and her black-habited companions had once taught at Maria High School—still a flourishing local academy with a student body of 1,000 girls—and ministered to at Holy Cross. Increasingly there were African-American families, Hispanic-American families, Arab-American families living next door to the descendants of the original Lithuanians, Poles, Irish, and other ethnically Northern and Eastern European settlers.

"It's really a melting pot," says Clement. "But while it has taken on a more diverse character, it remains a community with a solid economic base. The residents tend to be working class, but they own their own homes. Still, the change has created challenges. The hospital, for example, has seen an increasing percentage of no-pay and Medicaid patients." Indeed, government health benefits now account for fully three-quarters of Holy Cross' gross revenues.

Belt-tightening measures

Free now to direct his attention to Holy Cross, Rindler—at the request of Sister Marilyn and her council—began spending several days a week at Sister Teresa Mary's elbow. In a role he characterizes as "kind of an in-house counsel," and with the board's backing, he suggested a series of belt-tightening measures including a workforce reduction of almost 10 percent. Some 130 employees—"a significant proportion of them managers," notes Clement—were laid off, winnowing the hospital's roll of full-time equivalents to 1,270 and the number of FTEs per patient day to 4.1, well under the Chicago-wide average of upwards of 4.6.

"Times change, and like any business the healthcare industry has changed tremendously," notes Walton. "We hadn't changed with them. Our costs were too high. We were overstaffed—Holy Cross had gotten bloated. We had to make some very tough decisions. If we hadn't, within a couple of years it would have been the end."

Walton, who "somewhere along the line in all this became board chairman (I guess to atone for my failings in the past)," credits both his predecessor, a retired telephone company executive who had headed the ten-member panel for a decade, and Sister Teresa Mary for unflinchingly administering the bitter remedies required to resuscitate Holy Cross.

"I'm sure she felt a great personal responsibility," observes Walton of the latter. "The whole situation was a great frustration for her." Similarly, he says, the former chairman, who continues to sit in an emeritus capacity, "has been very supportive through it all. He was worried sick, himself, about the future of the institution."

The physicians were hedging their bets and getting on other staffs."

While the purposeful application of tourniquets and clotting factors was beginning to stanch the flow of red ink, Holy Cross board members—including Sister Marilyn and three of her colleagues from the order—bent to the issue of Sister Teresa Mary's impending retirement. "We all recognized we were going to have to bring in a layman as CEO," says Walton. "The Sisters really had no one qualified to be her successor."

Under Rindler's guidance, the board also began spending "a lot of Saturdays hammering out a meaningful strategic plan to bring the hospital forward," says Walton.

By January 1992, operating expenses at Holy Cross had been ratcheted into parity with revenues. Thereafter, Walton notes proudly, the hospital actually began to make money. As of June 30, earnings from operations for the 1992 fiscal year totaled $80,291,704. Expenses amounted to $80,216,162. The bottom line: a positive income for the year of $75,542.

Considering the multi-million dollar fiscal debacle the institution had suffered a mere 12 months earlier—"there was a victim mentality, a sense the hospital was going down the tubes," says Clement, "the physicians were hedging their bets and getting on other staffs"—that wafer-thin margin was a cause for jubilation. It was also a first sign that the Sisters of St. Casimir might not be disappointed, notes Walton, at having

made the gritty decision to "stay in Marquette Park and fight it out!"

In July 1992, after a candidate search spearheaded by Rindler—who claims as his specialty tough CEO transitions—St. Francis' Clement was offered the top post at Holy Cross. He accepted.

"One of the things that attracted me," he says, "is that this was a clean palette. I was convinced the hospital had tremendous potential. The board and the Sisters of St. Casimir were committed to doing things and supporting the management team in what it takes to succeed. I saw an opportunity to rebuild and reposition the institution within the community it serves."

Ambitious strategic plan

Although his appointment would not be effective until September, Clement immediately joined the Holy Cross board in their weekend skull sessions, at which a clear, future-oriented mission statement was composed and an ambitious, detailed strategic plan outlined. It contained the following major goals:

1. "To stabilize and reverse the decline in the number of loyal medical staff through succession planning, physician bonding efforts to increase loyalty," and aggressive recruiting, especially of primary-care physicians.

Actions proposed to achieve those ends included completion of a medical staff development plan and identification of annual recruitment targets and specific physician enticements.

2. "To increase the hospital's outpatient revenues over the next five years, not through decline in the inpatient base, but through growth in market share for outpatient services." These would, moreover, be "well-integrated... to encourage the use of the entire continuum of care provided at Holy Cross."

Specific actions proposed toward this end included reconfiguration of the scheduling, registration, coordination and other customer-oriented aspects of outpatient services—a neglected and declining aspect of hospital operations up to that point; development of a facility plan; and evaluation of the feasibility of siting outpatient services in a new on-campus medical building and/or in various off-campus locations coupled with doctors' offices.

3. To bolster cardiovascular; rehabilitation/ortho-neuro; obstetrics/gynecology/pediatric; and oncology services. There the goals included:

- Boosting cardiac catheterization volume to 750 cases in two years (through installation of a new, dedicated cardiac cath lab) and pursuit of an open-heart certificate-of-need when warranted by enhanced volume;
- Expansion of the rehab caseload through modernization of the existing unit; development of a comprehensive outpatient rehab facility (or CORF); recruitment of additional orthopedic and neurosurgeons; and formulation of a rehab marketing strategy/business plan;
- Bringing the number of babies delivered at the hospital to at least 1,000 each year through modernization of OB facilities (incorporating the labor/delivery/postpartum room, or LDRP, concept), formulation of a marketing plan for maternity and women's services, and recruitment of additional OB/GYNs and pediatricians; and
- Promotion of inpatient and outpatient cancer treatment activities through development of an on-campus radiation therapy service, an outpatient chemotherapy clinic, and community outreach programs of cancer screening and education.

4. To strengthen ties with the community—"both to ensure that Holy Cross has the community's support, and to ensure that the community remains solid economically and socially."

Holy Cross administrators would be encouraged to play a more active role in community organizations.

To further these objectives, a vice president responsible for strategic implementation would be hired, a community advisory council set up, and a community relations program inaugurated to project consistent themes and messages. Holy Cross administrators would be encouraged to play a more active role in community organizations.

5. "To increase Holy Cross' penetration of the large and growing market for managed care on the south-

west side of Chicago...." While managed care contracts had begun to represent about one-fifth of hospital revenues metropolis-wide, notes Clement, they were contributing less than 5 percent at Holy Cross.

To swing aboard this accelerating train, the strategic plan called for recruitment of an experienced managed care professional to assume responsibility for growing and administering the business, along with development of targets, contracting vehicles, and educational efforts to bring staff and physicians up to speed on the utilization, cost control, and pricing factors underpinning managed care.

Enabling strategies

Three "enabling/supporting strategies" were also key elements of the document. They included revising the master facility plan to incorporate any physical layout changes required to meet the new operating goals, securing a C-O-N for whatever construction would be entailed, and devising a capital financing strategy to pay for it all. Holy Cross would also pursue clinical and teaching affiliations as appropriate, "to gain a halo effect" on the hospital's image as a high-quality institution.

Finally, the organizational structure of the hospital would be revamped to create and support a culture of "value-driven management and staff expectations/accountabilities." The internal makeover would entail extensive and ongoing: "training; communications and team-building; process improvement and service quality enhancement; and reward, recognition, and staff development initiatives."

"The title 'employee' has a subordinate connotation. It's somewhat demeaning."

That last piece of the strategic plan was critically important, Clement emphasizes. "Success in healthcare is not going to come just from doing the right things in the marketplace," he asserts. "It's a function of working together as a team. Being effective as an organization is just as important as being effective at adjusting to changes in market conditions."

In his previous post, Clement had been primarily responsible for implementing at his institution a sweeping continuous quality improvement program launched at all 18 hospitals of the St. Louis-based SSM Health Care System, St. Francis' sponsoring organization.

"In my last three jobs I'd had experience working on various chunks of CQI and organizational development," he notes. "What I really wanted to do was pull both together. This was the chance I'd been looking for." One month after his arrival at Holy Cross, Clement gathered all 60 of his managers at an off-campus retreat to "look at ourselves and agree on what we wanted to be about as an organization and as a healthcare institution in terms of quality and service." Over the next seven months, four more management retreats were held, at which a set of fundamental values was articulated.

A common ethos

"In organizations, there's rarely a common mindset, a common goal, a common vision," Clement observes. "But that's what we were trying to arrive at." At an intensive two-day leadership training session in June, a set of five basic principles—summarized by the acronym SERVE, for Service, Excellence, Respect, Value, and Enthusiasm—were formally adopted as the ethos under which a "New Holy Cross Hospital" would take shape.

In line with the roll-out strategy devised by a task force of managers and Sisters assigned the planning—the first of a host of such *ad hoc* problem-solving groups that would soon put heads together all over the hospital under the rubric "Positive Idea Committees," or PICs—the week of July 19 was designated Values Week at Holy Cross. A series of assemblies and daily activities were staged to explain the SERVE mnemonic and illustrate its applications in seven "key result areas": customer satisfaction, quality, people growth, organizational climate, innovation, productivity, and economics.

"Prior to Mark's arrival," notes nurse Mary Rickert, of the Education and Development Department, "we really hadn't articulated any specific organizational values. If you went around the hospital two years ago asking people what our values are, they'd have been at a loss. Now, every single partner would go with the acronym SERVE. We all know what it stands for, by heart. And they're more than just words. They're how we live."

As foundation for the third letter in the Holy Cross

values formula—the *R* for "Respect"—managers and employees would no longer be referred to in those terms, it was announced. Henceforth, they would be "leaders" and "partners."

"The title 'employee' has a subordinate connotation," Clement says, in justification of the new vocabulary. "It's somewhat demeaning. We believe our success is a function of teamwork." Everyone in the organization, for instance, he adds, is now empowered to commit up to $250 to any expenditure he or she believes will improve customer satisfaction by meeting a special need—replacing a lost set of dentures, for example, or providing emergency grocery money.

A "hands-on guy"

The cap to Values Week was a Saturday Partners Picnic—the first of four major all-staff get-togethers planned for the year by a newly established hospital Activities Committee, and the first such event in Holy Cross history. Equally unprecedented was the appearance of Clement perched on a stool above a tank of water. Those among the 1,800 participants who wished could heave a baseball at a target and, if accurate, plunge him into the water.

("He was up there a long time letting folks take a crack at him," says Walton admiringly. "The only thing that bothered me was that my own 7-year-old son tried it—and he hit the bullseye. He dunked the president!")

A "hands-on guy," as Walton characterizes him, Clement and his top aides became ubiquitous figures, acting out a conviction that effective management entails indefatigable walking around.

"You'll see Mark or Quint [Studer] or Bill [Heyna, both newly recruited vice presidents] here at 2 a.m.," says rehab nurse leader Sue Mikals. "But it's not that they're checking up on people. They're asking what they can do to make things better for them. Mark's like the little Energizer Bunny. He just keeps going all the time. And Quint's always telling us he wants us to be the Nordstrom of healthcare."

Initially, says Mikals, who has spent 17 years at Holy Cross under three different administrations, jaded staffers tended to regard Clement's innovations with a wary "uh-oh, here comes another program." With time, however, she says, "it became clear this wasn't just a passing thing. They've shown us their word is good."

Decisions, indeed, are "now made very collaboratively," she agrees, "not just from the top down. When we were in the process of hiring a new vice president for human resources, for example, Mark screened the candidates, but then he brought in the three he liked best to be interviewed by us, the middle managers—so we could be the ones to decide if we felt a person would fit into our culture.

"Before," she continues, "you'd see a vice president maybe once a month—and the CEO if you were 'beckoned.' But now they're making rounds constantly. And so you go the extra mile yourself, because you know they're giving 365 percent of themselves each and every day."

"Before, you'd see a vice president maybe once a month—and the CEO if you were 'beckoned.' But now they're making rounds constantly."

While two other area hospitals were announcing layoffs late last year, notes Mikals, "everybody here received a raise and a bonus. 'This is your dividend, because you made it happen,' we were told. Can you imagine what a powerful message that is?"

Ten pages of accomplishments

Revelers at the staff Christmas Party in December 1993, where the paycheck lagniappes were announced, had plenty to smile about. Behind them was a year in which a list of significant accomplishments compiled by Clement ran to ten single-spaced pages, encompassing 88 items. These were some of the highlights:

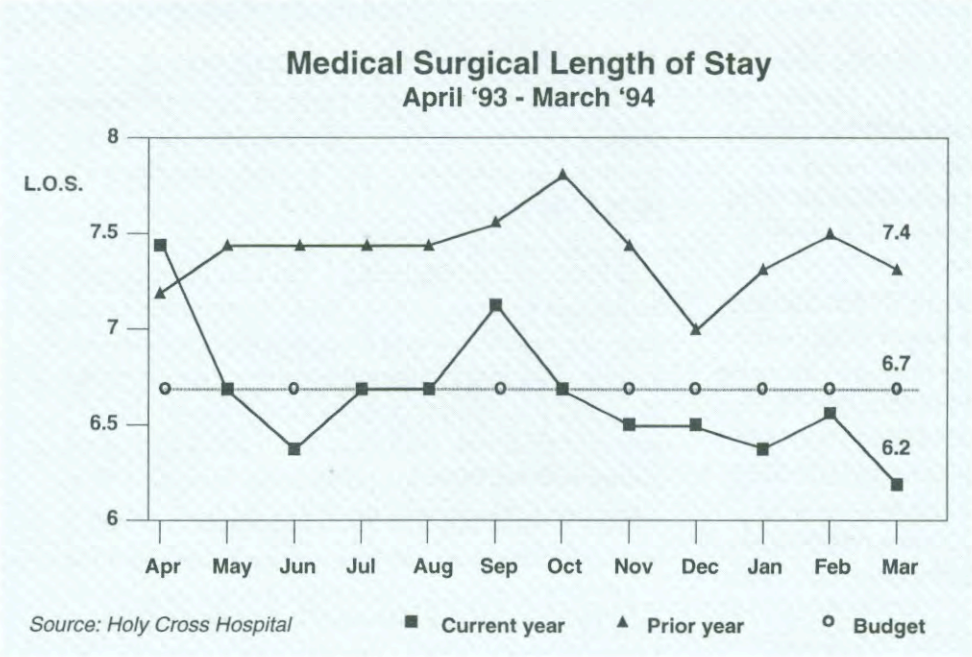
■ Seventeen new full-time primary-care physicians have been recruited to the Holy Cross medical staff, along with a general surgeon, an otolaryngologist, and a pulmonary medicine specialist. (The five-year target is 60 additional practitioners. Over the preceding four years, a total of seven doctors had been added to the aging staff.)

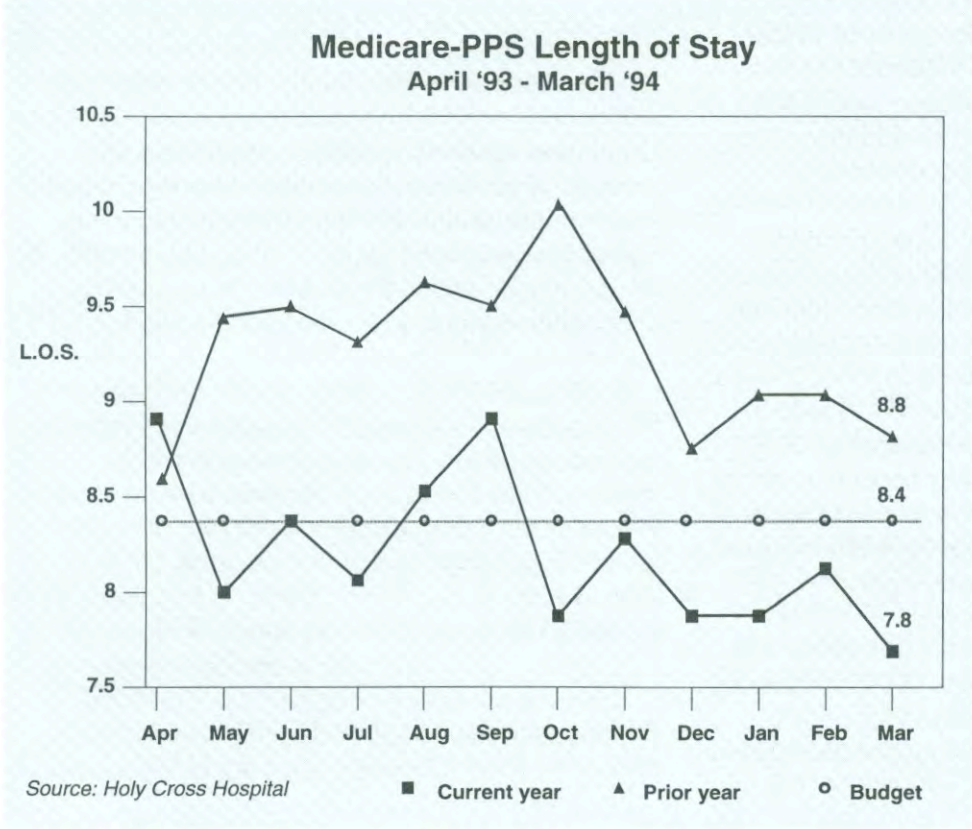
To attract young primary-care physicians, the hospital offers to pay them a salary for two years, during which time they can build a practice while providing care through hospital-operated off-site clinics—of which six were launched in 1993. Two more clinics have opened in '94, and an additional three are on-line

to begin operations in the summer. "Two years from now," says Clement, "we're likely to have 15 clinics going. Our goal is not to create a salaried medical staff, but rather to develop a productive partnership with all our doctors."

In 1993, about half of Holy Cross' 200 physicians joined to form an Independent Practice Association to facilitate managed care contracting and the formulation of a Physician-Hospital Organization. The IPA now includes some 150 of the hospital's 250 admitters.

■ The physical appearance of Holy Cross was spruced up by a chemical cleaning of the exterior and the planting of 246 trees, shrubs, and bushes around a newly landscaped campus. A number of internal layout changes, renovations, and the construction of a new five-station dialysis facility on the fifth floor promise potential paybacks in enhanced efficiency, service quality, and capacity.





■ Four in a course of six bi-monthly two-day training sessions designed to turn managers into leaders who "foster innovation, teamwork, and partner involvement in problem-solving and operations improvement" were held under the auspices of Inverness, Illinois, management consultant Clay Sherman. In the wake of "The Uncommon Leader," seminars, Positive Idea Committees generated more than 100 suggestions monthly.

The first, proposed within minutes of the formation of the first PIC, was to allow partners to punch in on any convenient time-clock. It was implemented. Subsequent PIC-inspired improvements have ranged from offering free meal trays to patients' guests, to warming up X-ray tables with electric blankets. A proposal to extend the hours of mammogram service added 14 patients a week and, with reduced radiologist fees, generated $23,400 a year in new income for the hospital.

Not surprisingly, perhaps, both patient and staff satisfaction survey scores have risen sharply. Not long ago ranked in the bottom quartile among some 500 hospitals using Press Ganey customer satisfaction measurements, Holy Cross has now bobbed to the top of the top quartile. Partners too are 26 percent more positive about their jobs than five years ago, and in most key aspects more positive than their peers at hospitals using the same instrument.

■ Outpatient admissions rose 7.3 percent and emergency room admissions 10 percent in 1993. Monthly admissions between July 1993 and April 1994 have been 6 percent higher on average than in the same months a year earlier. By comparison, the average Chicago hospital saw admissions shrink by 1 to 2 percent in 1993.

"Our patient days are down, though," notes Clement. "That's because we've reduced our length of stay—which had been among the longest in Chicago—by more than a day. That translates into at least $1 million in cost savings. And I think there's an opportunity to take off another day. Incidentally," he adds, "over the last five months of the fiscal year, outpatient admissions were up about 19 percent. Our share of revenues from outpatient services had been running at half the industry-wide average."

■ Cost-saving measures, both labor and non-labor, trimmed $1.5 million from the budget in fiscal 1993. Among significant contributors: a 90-percent reduction in nursing agency usage, an $850,000 expense item in FY92, to $82,000 in FY93. Staffing flexibility was improved through the recruitment of 34 new RNs.

■ Operating margin for fiscal 1993, anticipated by budgeteers to approximate $150,000, tipped the scales at $1,004,509. On a year-to-date basis, fiscal 1994 operating profit had already doubled in March, to $2.1 million—3.4 percent of net revenue. In fiscal 1991, it was a negative 11.9 percent. Chirps Walton: "If this were a profit-making organization that had stock on an exchange, we would've been a good buy because of the great turnaround we've achieved. We're not rolling in money yet—and anything can go wrong in this business. But progress is definitely being made."

Perhaps the most notable milestone was the successful $25.5 million bond sale in March. The first financing in Holy Cross history, the money, says Walton, will "help build this into a healthcare facility for the '90s and beyond."

Sister Marilyn, needless to say, was especially proud when she welcomed the Lithuanian Minister of Health to a revivified Holy Cross last summer. He was there to thank the organization and the Sisters of St. Casimir for their continuing contributions to his economically beleaguered nation's welfare. A hospital task force arranged collection and shipment of some $500,000-worth of medical supplies to Lithuania last year alone.

Intensive redesign planned

Clement, while happy to tick off the list of achievements, remains careful not to tempt fate. "It's a long journey," he acknowledges. "The last thing I want to do is declare victory."

Moreover, he observes, "I don't think any organization can survive or thrive on only an internal strategy. We're still in Phase One, building organizational muscle. The next phase will involve an intensive redesign of our delivery system. And we're evaluating strategic alliances, examining the feasibility of participating with ten other hospitals in the formation of an integrated Catholic healthcare system for Chicago."

"People smile, they walk patients to procedures...you can feel the warmth."

Of 15 institutions that initially met to consider the proposition—several have since dropped out—Holy Cross, notes Clement, now enjoys the lowest cost structure of all, "defined as cost per discharge. Organizations that can provide high quality, high service, high patient satisfaction at low cost are the ones that are going to be around for a while," he says. "What we're doing is going to position us well, I think."

So does Mikals. "I've never seen us more powerful, or positive," she says. "This whole organization is alive! People smile, they walk patients to procedures...you can feel the warmth. And the word is getting out to the public. People want to come here. We tarnished our image a bit for a while there, but the shine is coming back. It's wonderful to be a part of it. I actually feel lucky I can work here." ■

**For more information please visit
www.GoldStandardManagement.org**