

# Cost Reduction Strategies: Part 1

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It is Monday morning the week after the close of another month and once again your Board, Finance Committee, or Hospital CFO has gathered to review the financial results of the previous month. The same questions are being asked. How did we lose money when our admissions were up? Our revenue was down, but our expenses were up from the previous month, why? What can we do to improve our financial results?

In the past there was less pressure from Medicare and Medicaid to reduce total costs – but not now. After two years under the new Medicare Prospective Payment System (PPS) the need for a way to reduce costs becomes important for survival. Are you still struggling to understand how to manage costs under PPS?

One thing is certain, in order to survive, agencies must become more cost conscious and must focus on reducing the true costs associated with providing services. There is a new agenda requiring change. This is the first in a series of articles with tips for accomplishing these goals under current circumstances.

## Increase Efficiency by Reviewing Current Processes

A well designed home health agency is built upon efficient processes that meet the needs of patients and employees while reinforcing the goals and vision of the organization. We can no longer think “if it ain’t broke don’t fix it”. Constant review of every process from Intake to Billing will determine the most economical way of conducting business.

Eliminate any unnecessary work through process reviews and activity analysis. Assign each department the task of listing their day to day activities. Next to each activity list



things that increase the costs and require more time for performing the activities.

Build a flow chart for each process and start a map on your largest wall. Mapping out all your processes will show how each activity may or may not be related to another department. This construction will vividly demonstrate to home care organizations where duplications, bottlenecks, weaknesses, and non-value activities exist, and provide a basis for redesigning processes. This is a very good time to ask: “Is this the best way we can do this?”

When implementing new processes, continue to go back and review with staff their activities. Many times, a new process will be effectively implemented but as time passes staff will return to their old ways out of habit.

Steer away from applying “Band-Aids” to problems. More time and money is spent creating temporary fixes to problems than designing lasting solutions. Remember, “Band-Aids” create additional problems and frustrations down the road.

Review the organizational structure to identify areas for opportunities to improve

effectiveness. How many managers do you have? Do you have too many Chiefs and not enough Indians?

Take a strategic view of your reporting relationships. Do managers or supervisors have five or fewer direct reports? Reduce management layers to cut staff costs and streamline operations.

Conduct a task analysis of each position by examining the work activities performed by each position. In many home care agencies, the job descriptions loosely define what tasks should be performed, are often outdated, and seldom conform to current objectives and standards. Does each job fit in the current structure of the system as you have flowcharted and documented? Review each job function to determine how much work is being produced in an eight-hour day.

Look at the type of employee you have performing certain job tasks. It is less expensive to hire a data entry clerk than have a registered nurse perform data entry functions.

Hire more part-time workers than outside contract labor.

Perform cost benefit analysis to ascertain whether it would be economical to outsource some non-core services (i.e. billing and collection, compliance review, internal audit, accounting services, etc.)

Are you committed to finding problems, not just solving them? Home care agencies must prepare to change how they structure and approach the overall delivery of home care services. Every employee must be directed towards ensuring that services are provided in the most economical and efficient manner.

***This is Part 1 of a series of 3 articles on Cost Reduction Strategies.***