

# **MelroseWakefield Drives Accountability and Quality, Improves Operating Performance by \$17.8 Million in One Year**



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Partnership with Guidehouse Instilled a Culture of Safety and Discipline, Enhanced Quality of Care While Reducing Labor Costs

“Guidehouse led the MelroseWakefield team through a transformational initiative that pulled the health system from a state of financial distress to one of sustainability and growth in just one year. We’re deeply appreciative of the level of change management expertise Guidehouse brought to its work with our system.”

Michael Connelly, CFO,  
MelroseWakefield Healthcare.

### **Challenge**

In August 2017, MelroseWakefield Healthcare (MWHC), a community health system in Melrose, Mass., was facing a fiscal year of financial losses. In FY 17, the two-hospital system posted an operating loss of \$20.55 million — much of it due to excessive labor and supply chain costs and inefficiencies in operations.

Leaders for MWHC and its parent health system, Wellforce, knew MWHC needed a strong financial and operational turnaround to sustain its ability to meet the healthcare needs of its community. But the health system lacked the internal expertise to drive the level of change needed.

### **Solution**

Wellforce and MWHC partnered with Guidehouse to lead a multifaceted project that would strengthen not only the financial performance of MWHC, but also quality of care, safety, and patient access at its two hospitals — MelroseWakefield Hospital and Lawrence Memorial Hospital of Medford (LMH) — as well as its ambulatory locations.

With the pending retirement of MWHC's CEO in February 2018, Wellforce and MWHC executives worked with Guidehouse to provide interim leadership. An interim executive was first hired as an organizational advisor to the MWHC CEO, transitioning to the role of interim MWHC president and CEO in February 2018. This interim leader was the ideal choice since she was already part of Wellforce, serving as interim chief integration officer for the health system.

Approximately \$10 million of MWHC's annual operating losses could be attributed to declining inpatient volumes at LMH and the high cost of operations. MWHC leaders had already made the difficult decision to close 50 medical-surgical and intensive care beds at LMH, effective November 2017. The decision would reduce operating losses at LMH, but not eliminate them, and more cuts would be needed. In addition to the losses at LMH, MelroseWakefield Hospital's 2017 performance did not meet budget expectations, with the hospital also experiencing declining census and high labor costs. In fact, MWHC labor expenses comprised 70% of the health system's operating revenue, well above national benchmarks.

Four action steps were integral to MWHC's operational and financial transformation:

**Creating a culture of safety.** Before undertaking any financial interventions, Guidehouse implemented a daily safety huddle at MWHC. Each day, all hospital directors and nurse managers met for 30 minutes to review issues, needs, or concerns, as well as any incident reports over the past 24 hours in a structured roll-call format. The huddles not only strengthened the organization's commitment to safety, but also increased transparency of issues and encouraged cross-departmental, real-time problem-solving. The huddles became the foundation for organizational change.

**Instilling a culture of discipline and accountability.** In partnership with Guidehouse, MWHC put intense focus on increasing labor efficiency and reducing costs. System leaders implemented a flex-staffing model

that required all employees — not just nurses and other clinicians — to adjust their hours when hospitals did not meet budgeted census levels. Through focused reporting and increased accountability, MWHC reduced hospital labor costs by \$1 million to \$1.5 million per month. Partnering with the president of the medical group, MWHC also significantly increased physician productivity, growing office visits by approximately 30% over two years, thus improving downstream revenue.

Leaders also examined span of control, adjusting the leadership structure for MWHC's nursing staff and its medical group. This restructuring resulted in approximately \$1 million in savings.

**Closing gaps in knowledge for sustainable improvement.** Leaders held town hall meetings with employees and physicians to explain why transformative change was needed and the actions necessary to achieve the system's goals. MWHC provided education for leaders at every level around benchmarking, managing to budget, and opportunities to optimize operational efficiency. It also stepped up safety education for all staff, focusing on ways to reduce serious safety events, surgical site infections, and left-without-being-seen rates.

**Relentlessly focusing on results and outcomes.** During every daily safety huddle and in meetings at every level, staff reviewed progress against the organization's objectives and identified opportunities for continued improvement, as well as potential service line growth.

## Results

### MelroseWakefield Drives Accountability and Quality, Improves Performance by **\$17.8 Million** in One Year

Through a performance improvement initiative with Guidehouse, MelroseWakefield:



Moved from \$21.5M FY 17 operating loss to a \$3.7M FY 18 loss — a **\$17.8M improvement**.



Reduced labor costs by **\$1M to \$1.5M** per month.



Identified **\$14.5M in supply chain synergies** with Wellforce.



Identified **\$3.2M in revenue cycle improvement opportunities** via enhanced charge capture, clinical documentation, and point-of-service collections.



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