



St. Peter's Health Transforms Operational Performance, Saves \$25.5 Million



Initiative with Guidehouse Rapidly Revamped Hospital's Approach to Care Delivery, Customer Service, Billing, 340B, and More

“As community hospitals across the country struggle with operating income challenges, St. Peter’s Health isn’t just surviving — it’s thriving. We’re grateful to Guidehouse for being a true partner in our transformation, with on-the-ground support from senior leaders and a proven model for operational change.”

Wade Johnson
CEO, St. Peter’s Health

Challenge

In 2017, St. Peter’s Health found itself at a critical juncture in its 130-year history. The 99-bed acute care hospital in Helena, Mont., had recently welcomed a new CEO and was beginning work to implement a new strategic vision, which included improving access to care, reducing wait times, and adding new services.

The system’s financial health was strong, with more than 300 days’ cash on hand. However, St. Peter’s battled declining market share and revenue, and leaders anticipated more cuts in commercial and Medicaid reimbursement.

As the need for capital infrastructure improvements continued to intensify, St. Peter’s CEO Wade Johnson knew the hospital would have to realign its cost structure in order to make the critical investments that would allow the hospital to best meet the needs of the communities it serves.

Solution

In late 2017, St. Peter’s engaged Guidehouse to provide a rapid assessment of opportunities for performance improvement and operational transformation in nine areas: payer contracting, revenue cycle, physician enterprise, corporate services, inpatient cost to treat, supply chain, pharmacy, laboratory, and hospital enterprise.

Guidehouse uncovered \$14.7 million in savings opportunities within two months, and in January 2018 presented a road map for performance improvement to the St. Peter’s leadership team and board of directors. St. Peter’s then partnered with Guidehouse on several initiatives to improve the value of care by increasing quality and reducing costs, resulting in a \$25.5 million savings, including \$9 million in 340B savings alone.

The initiatives included:

Payer Contracting. As one of the lowest-cost health systems in Montana, St. Peter's charges fell 21% below those of its competitors and significantly below the market median. Hospital leaders implemented several contractual provisions that improved St. Peter's standing with payers and established a strategy to pursue more value-based contracts. They also reviewed the hospital's chargemaster structure and conducted a detailed review of physician fee schedules to ensure the schedules aligned with the chargemaster, limiting revenue losses.

Revenue Cycle. The analysis showed St. Peter's could increase revenue from \$1.8 million to \$2.6 million by enhancing process efficiency, accuracy of data and charge capture, billing and collections, denials management and prevention, and reporting. Key action steps included:

- Improving denial resolution and prioritization of accounts through more streamlined billing system workflows.
- Leveraging front-end edits and system-driven prompts for capturing information at the point of service to decrease denials.
- Optimizing its electronic health record to improve accuracy of documentation and charge capture.
- Eliminating the coding backlog, which had led to higher-than-average discharged-not-final-billed-accounts.

Revenue cycle leaders also standardized workflows related to patient access, revenue integrity, and self-pay billing and follow-up. They sought to more aggressively increase point-of-service collections. Finally, St. Peter's hired a new CFO and controller to strengthen oversight.

Inpatient Cost to Treat. The analysis showed St. Peter's could help prevent excess length of stay associated with three conditions and reduce cost per case by:

- Eliminating variability in care.
- Incorporating the use of physician order sets, beginning with cardiac surgeries, to ensure adherence to best practices of care and minimize incorrect or incomplete prescribing.
- Redesigning care management to more effectively align inpatient and outpatient care activities.
- Seeking ways to reduce excess use of supplies and pharmacy costs per DRG.

During this transformational process, St. Peter's hired a new chief nursing officer and restructured its quality department. Team members across clinical units worked together to design workplans for quality initiatives. Through implementation of a sepsis early warning system and sepsis bundle, St. Peter's improved early management of sepsis or possible sepsis by 22%. This helped to decrease the incidence of preventable severe sepsis or septic shock by 60% in 18 months.

Physician Enterprise. St. Peter's implemented a new physician compensation model — phased in over 18 months — designed to increase productivity while preparing physicians for performance under value-based payment models. Leaders also decreased excess staffing of mid-level professionals through attrition, created a committee structure that allowed for increased physician involvement in decision-making, and reduced drug costs associated with a medical office-based infusion clinic.

Supply Chain, Pharmacy, and Laboratory. St. Peter's achieved more than \$2.2 million in supply and pharmacy savings through improved pricing for physician preference items and hospital equipment (e.g., renegotiating contracts for printers, copiers, and furniture); standardization of supplies; efforts to drive fact-based decision-making among key stakeholders; and alignment of pharmacy staffing with clinical demand. Additionally, St. Peter's found it could reduce laboratory expenses by investing in capital improvements that would increase efficiency; renegotiating pricing for tests and blood products; determining whether certain outsourced tests could be managed internally; reviewing utilization of high-volume tests; and using performance dashboards to more effectively track productivity and performance.

340B Participation: St. Peter's discovered the hospital qualified to participate in the federal 340B Drug Pricing Program — an opportunity that saved the hospital \$9 million while ensuring patients have access to lower-cost medications.

To engage team members in these initiatives and empower them to lead the change process, St. Peter's was the first Guidehouse partner to offer a bonus to staff for reaching the organization's goal. Today, staff continue to identify opportunities for performance improvement and the original steering committee remains intact.

Impact

GUIDEHOUSE HELPS ST. PETER'S HEALTH TRANSFORM OPERATIONAL PERFORMANCE

SAVINGS
\$25.5M
IN 18 MONTHS



340B SAVINGS 
on track to reach full run rate of **\$12M ANNUALLY IN FY20**

340B: \$9M	Payer Contracting: \$3.2M	340B Optimization: \$900,000
Physician Enterprise: \$3.88M	Supply Chain: \$2.25M	Corporate Services: \$640,000
Revenue Cycle: \$3.45M	Hospital Enterprise: \$1.84M	Inpatient Cost to Treat: \$320,000

DECREASED 
INCIDENCE OF
PREVENTABLE SEVERE SEPSIS OR SEPTIC SHOCK
BY 60%

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