THE CHALLENGE
Hospice By The Bay (HBTB) is the second oldest hospice in the United States. Headquartered in Marin County, Calif., with offices in San Francisco and Sonoma, the free-standing, not-for-profit hospice serves 400 patients daily. Like other providers throughout the country, downward pressure on Medicare rates had spurred the facility to review costs and look for efficiencies. In fiscal year 2009, HBTB had total per-patient-day costs of $213 and posted a 10 percent operating loss. Based on their projections, they knew that they could possibly see a $5-7 million impact on their bottom line within five years. According to the facility’s controller at the time, “We knew that in order to continue our legacy of being a hospice industry leader we had to make major financial improvements so that we could continue to provide quality care, attract and retain donors, enhance employee morale and position ourselves for long-term viability.”

THE SOLUTION
HBTB’s Finance Team identified focus areas by comparing overhead to what it had been three years earlier. They prepared five-year projections, based on future Medicare rates, using realistic census projections and estimates of cost increases. The team reviewed the facility’s historical data and future projections, then started brainstorming. Once they had a good idea of what they wanted to focus on, the team initiated ten projects within the framework of the facility’s overall financial improvement project. During the course of initiating improvements they expanded the project team to include all members of management and then all employees, realizing that in order to sustain improvements, they needed the cost containment focus to become embedded into the fabric of the organization.

The objective of the financial improvement project was to achieve a net return of 14 percent in FY2012 (a benchmark for outstanding hospices) while simultaneously growing the number of patients served and improving the quality of care. In previous years, HBTB’s financial performance had been below national median return for hospices of 4-6 percent.

Among the initiatives were:

- Completing a salary study and staffing consideration review.
- Reviewing copier leases and printer/paper usage.
- Paying down the facility mortgage and renegotiating leases.
- Reviewing and improving processes within the Accounts Receivable Department.
- Becoming self-insured for unemployment insurance.
- Exploring shared service opportunities.

A SHORT TAKE ON SUCCESS

The Challenge:
- High per patient day costs.
- Facing significant reimbursement cuts.

The Solution:
- Initiate a financial improvement project team and identify ten key projects to focus on.
- Engage Intalere in cost reduction and standardization initiatives.

The Outcome:
- Trimmed more than $1.3 million from overhead costs.
- Reduced per patient day costs to $193/day.
- Posted a record operating surplus and delivered excellent care as shown by the scores received on the Family’s Evaluation of Hospice Care (FEHC) Surveys.
Several of the improvement areas identified involved working with Intalere, through affiliate Health Resource Services (HRS) to:

- Centralize purchasing.
- Institute a fleet leasing and fuel program.
- Revise formularies and review vendors for DME, medical supplies and pharmacy.
- Increase efficiency through technology and automation efforts.

The decision to centralize purchasing was one that was initially resisted, but made sense, given the logistical difficulties and diversity in pricing experienced by the facility’s local affiliates. The team realized they really had to rethink the way they were doing business. In the past, they had purchased locally, and throughout their territory, many were using independent suppliers and distributors. When HBTB centralized the purchasing function, they found the savings to be almost double in some areas.

As part of their technology/automation efforts, HBTB utilized Intalere supplier Southern Computer Warehouse (SCW) to outfit all of its clinicians with iPads. They also were able to take advantage of Intalere’s strategic relationship with Verizon in implementing this initiative. The contracts offered excellent discounted rates, but the gains in accuracy and efficiency were even better. Clinicians could login almost immediately with the iPad and document at the bedside, saving an enormous amount of time. The new process allowed them to see more patients and improved their efficiency by 50 percent.

**THE OUTCOME**

HBTB trimmed $1.3 million from overhead, reduced per patient day cost to $193/day and posted a record operating surplus of 18 percent in fiscal year 2011-2012. Their cash flow improved and they were able to pay off their headquarters’ building mortgage while also establishing a board designated endowment to allow for investment income and additional stability through uncertain economic times.

“Working with Intalere and centralizing purchasing, the cost savings on day-to-day purchases was amazing. As we form alliances with other hospices in the area, we are spreading the word about everything they have to offer.”

*Controller ∙ Hospice By The Bay*

Their efforts were also noted by their peers as a best practice. HBTB was selected to present their case study at two major events—the National Hospice and Palliative Care Management Leadership Conference and the California Hospice and Palliative Care Association Annual Conference. At these conferences they were able to teach other hospices from throughout the United States how to initiate a similar cost containment initiative.

Most importantly, they delivered excellent care in the eyes of customers, as shown by the scores received on their Family’s Evaluation of Hospice Care (FEHC) Surveys.

Facility representatives asserted that the amazing turnaround would not have been possible without the partnership with Intalere/HRS. They continue exploring further opportunities to enhance savings and efficiency, making sure that all purchasing goes through Intalere contracts in order to maximize savings.

In forming alliances with other hospices and spreading the word about the success they have had, HBTB has also been a strong proponent of the benefits that working with Intalere has brought them.