

Are you looking for NEAR-TERM SAVINGS in the wrong places?

Nearly 80% of health system executives report they need to aggressively cut operating costs within the next three years.

The “go-to” strategy for many leaders is to disproportionately focus on labor budgets—specifically nursing labor budgets. **But if you need to cut hundreds of thousands (or millions) in operating costs within the year, you’ll need a different strategy.**

Hospital Operating Costs



This shows the typical breakdown of hospital operating costs. But how much a hospital currently spends in a category doesn't tell you the **size of the cost-saving opportunity** within each category.

Opportunities for Rapid Savings



Even though labor represents a sizeable amount of hospital operating costs, it has a **relatively small cost-saving opportunity**. There are three additional sizeable—and often overlooked—opportunities for achieving near-term savings.

Follow These 11 Strategies to Capture Rapid Savings

EXAMPLE

Labor	<ol style="list-style-type: none"> 1. Hire Advanced Practitioners as “Nocturnists” 2. Spotlight Incremental Overtime 3. Bolster Accountability for Sitter Use 	<p>▶ Replace select night hospitalists with advanced practice nurses.</p> <p>GOAL: To strategically replace physician nocturnists with less-expensive, but well-qualified, APs.</p>	<p>ESTIMATED YEARLY SAVINGS OPPORTUNITY</p> <p>\$370,000 (300-Bed Hospital) \$1.5 M (5-Hospital System) \$2.5 M (Regional System)</p> <p>WILL IT WORK FOR YOU?</p> <ol style="list-style-type: none"> 1. Do you have difficulty filling vacancies for nocturnist providers? 2. Could an AP fulfill the functions of a nocturnist job description? 3. Are there APs available for hire in your market? 	
	Care Protocols	<ol style="list-style-type: none"> 4. Reinforce Nurse-Led Sepsis Protocols 5. Expand Value Analysis to Standing Orders 	<p>▶ Streamline protocols to identify sepsis cases during patient intake.</p> <p>GOAL: To expedite treatment and reduce patient mortality (while also reducing avoidable costs).</p>	<p>ESTIMATED YEARLY SAVINGS OPPORTUNITY</p> <p>\$2 M (300-Bed Hospital) \$5 M (5-Hospital System) \$7.5 M (Regional System)</p> <p>WILL IT WORK FOR YOU?</p> <ol style="list-style-type: none"> 1. Do a large proportion of sepsis cases come in through the ED? 2. Are most sepsis cases detected in the hours following the intake process, rather than further on in the patient stay? 3. Is your organization losing money on each sepsis patient?
		Supply Waste	<ol style="list-style-type: none"> 6. Trade Disposable for Reusable Supplies 7. Employ Supply “Garbage-ology” 	<p>▶ Update OR supply kits to include only frequently used supplies.</p> <p>GOAL: To ensure less frequently used supplies remain sealed unless needed.</p>
Unfavorable Contract Terms	<ol style="list-style-type: none"> 8. Direct Contract for High-Cost Clinical Preference Items 9. Block Physician Preference Item Savings Leakage 10. Optimize Purchased Services Contracts 11. Close Benefits Contract Loopholes 		<p>▶ Evaluate the frequency and quality of negotiations with vendors.</p> <p>GOAL: To prompt more competitive negotiations where appropriate.</p>	<p>ESTIMATED YEARLY SAVINGS OPPORTUNITY</p> <p>\$3 M (300-Bed Hospital) \$7.5 M (5-Hospital System) \$10 M (Regional System)</p> <p>WILL IT WORK FOR YOU?</p> <ol style="list-style-type: none"> 1. Has it been more than three years since your organization last negotiated a particular contract? 2. Are other organizations receiving more favorable terms for this service? 3. Has your organization contracted for similar (or identical) services from another vendor?