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Accenture's Global Health
Industry Practice

Helping Phoenix Children's Hospital Pave the Way to High Performance and Financial Viability

Phoenix Children's Hospital is the only comprehensive children's hospital in Arizona. It has evolved over the course of more than 20 years to become the major provider of pediatric care in Arizona, with the largest pediatric and neonatal intensive care units in the Southwest United States. Phoenix Children's Hospital is also a regional referral center for children with highly specialized illnesses and injuries.

Business challenge

Several years ago, Phoenix Children's Hospital was an organization leasing space and services from an adult hospital. In its efforts to achieve high performance, Phoenix Children's Hospital transitioned to a full-service, stand-alone hospital with its own freestanding acute and ambulatory care campus. This ambitious transition was marred by significant challenges. Delays in opening, significant construction

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Trish Stark, chairman of the board-Phoenix Children's Hospital

overruns, damage from flooding, no flexibility in staffing levels and an obligatory change in establishing reserves for bad debts all contributed to a downward financial spiral that threatened the hospital's very survival.

Just six months after opening its new facility, Phoenix Children's Hospital faced accumulating operating losses of nearly US\$50 million. With just nine days' worth of cash to cover operating expenses on hand and staff confidence at an all-time low, the hospital knew that its dire situation called for fast and drastic measures. With no time to waste, Phoenix Children's Hospital asked Accenture to assist with management functions on an interim basis, and to plan and implement the hospital's return to profitability.

How Accenture helped

Accenture recognized that the hospital needed to achieve immediate improvements in financial performance. Equally important, however, would be the implementation of organizational and functional changes that would position the hospital for long-term success.

Accenture worked with the hospital's Board of Directors to stabilize the hospital's leadership with contracted interim positions supported by an Accenture team. In addition, Accenture supplied proprietary methodologies, leadership, pertinent experience and accelerated work environments to help redesign clinical and business processes, restructure management, and align employee incentives with both service and financial objectives. Implementation teams—including Accenture facilitators and subject matter experts, hospital physicians,

clinicians, executives, and business offices' staff—focused on strengthening a number of key areas, including:

- **Revenue cycle management.**

This effort focused on strategic pricing, managed care contracting, cash acceleration, and redesign of denial management and other key revenue cycle processes

- **Physician services.** This effort focused on raising the productivity of the 70- plus general and specialty physicians and the clinical and non-clinical staff through position control tied to daily and bi-weekly productivity monitoring, and incentive compensation plans

- **Patient care.** The team focused on redesigning nursing tasks and support functions to stabilize the nursing workforce and improve recruitment and retention

- **Surgical services.** In this area, Accenture and Phoenix Children's Hospital developed and implemented new scheduling methods to increase operating room utilization toward best practice benchmarks and allow for service growth
- **Support services.** This effort involved identifying best practices in contracted services and aggressively renegotiating contracts for food services, environmental services, and plant operations and maintenance
- **Human resources.** Accenture and the hospital redesigned benefits and pay policies, and incorporated incentive compensation for management
- **Information services.** In this area, the team focused on providing the hospital with robust, integrated IT service and support to enable the redesigned clinical and management processes. Ultimately, Phoenix Children's Hospital outsourced management of its information resources to Accenture, with the expectation of improved economics, better access to specialized staff and enhanced career opportunities for in-house IT staff
- **Program development.** The team recognized the importance of continually expanding patient services such as a joint Mayo Clinic/Phoenix Children's Hospital bone marrow transplant program, a renovation and reconfiguration of neonatal intensive care units, and enhanced cardiac and neurosciences services

To sustain change over the long term, the Accenture team worked closely with the hospital to strengthen the hospital's executive management capabilities and promote physician leadership. A key element was the establishment of a physician advisory committee, which participated actively in monitoring and evaluating the hospital's service levels, quality of care, financial performance and technical capabilities.

Collaboratively, Accenture and the hospital determined the metrics that would measure progress toward financial and productivity goals. Teams constantly referred to these statistics to monitor their performance.

High performance delivered

With Accenture's help, Phoenix Children's Hospital realized substantial, measurable financial improvements in a remarkably short period. Specifically:

- Within four weeks of the engagement start-up, the organizational and process restructuring efforts generated annual cost savings of US\$6.3 million. The team also instituted board oversight for cash projections and payables.
- Within eight weeks, the team completed the initial wave of revenue cycle improvements, which focused on accelerating cash flow, establishing strategic pricing, reducing and remedying denied claims, and delivering more efficient patient care. These improvements produced a conservative annual impact of US\$4 million.
- The hospital ended its first fiscal year with financial improvements of US\$17.6 million.
- The hospital's financial performance improved from an operating loss of US\$49 million to a profit of US\$3 million—representing an operating margin in line with that of other children's hospitals across the United States.
- The hospital is ahead of projections for the current fiscal year.
- The hospital's cash reserves have increased from a low of nine days cash-on-hand (barely enough to cover one pay period) to more than 60 days.

In addition, operating revenue, patient days and surgical volumes are continuing to increase, consistently exceeding budget projections and demonstrating physician referrals and confidence in the hospital. Financial health has enabled Phoenix Children's Hospital to reinvest in new technology and critically needed programs. Innovative specialized programs such as a pediatric bone marrow transplant program developed in cooperation with the Mayo Clinic remained a priority despite the hospital's financial crisis.

According to Trish Stark, chairman of the board-Phoenix Children's Hospital, "Accenture came in with an attitude of really trying to understand the culture at Phoenix Children's Hospital, and working within that culture, really partnering with the various constituencies to understand their needs. But at the same time, being very clear about what needed to happen from a financial standpoint, to allow us to have a long term, viable future."

About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With approximately 177,000 people serving clients in more than 120 countries, the company generated net revenues of US\$21.58 billion for the fiscal year ended Aug. 31, 2009. Its home page is www.accenture.com.

About Accenture's Health Industry Practice

Accenture's health service group provides innovative solutions to both the private and public sectors of the health care industry, including integrated health care providers, health insurers, managed care organizations and public health organizations. The company has thousands of resources dedicated to helping organizations in the health industry achieve and sustain high performance.

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The work described in this document was previously performed by professionals who were part of a company that Accenture acquired in 2005.