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# HEALTHCARE EXECUTIVE ALLIANCE

INSIGHTS FOR HEALTHCARE LEADERSHIP

**H**ealthcare organizations do a phenomenal job. Today, an increasing number of diseases are treated successfully and people enjoy a better quality of life even into old age. Yet, while much is being done to discover new ways to improve patients' lives, we now see radical changes to structures, incentives, and processes within healthcare to sustain provision for our inhabitant-rich planet.

Gone are the days of the simple equation that a higher price guarantees quality and vice versa. Faced with cost pressures, we see provider strategies of consolidation, industrialization, and population health management to meet the growing care demands. Times have changed: Today, healthcare and its delivery are increasingly validated and regulated by performance metrics. This development has led to nothing short of a paradigm shift in the structures and infrastructures of care.

In times of transformation, success comes from leading the changes. Riding the wave, rather than being washed away. We believe that effective healthcare transformation must include clinical, operational, and financial improvements. Delivering healthcare to more people with fewer resources is possible. But the levers need to be ideally set to improve your particular clinical outcomes, streamline your operations, and optimize your financial performance.

Through the Healthcare Executive Alliance initiative, we would like to support you and your teams to find insights, ideas and solutions for succeeding in these times. Our goal is to be your inspiring partner helping you to achieve better outcomes and reduce costs. As a starting point, we developed this set of white papers to help identifying key challenges in your healthcare organization with some first outlines on improvement methods.

*Now's our time to inspire the future of healthcare together.*




**Dr Bernd Montag**

Chief Executive Officer  
Siemens Healthineers

# A SUCCESSFUL HR STRATEGY IN HEALTHCARE

## NEEDS, CHALLENGES, AND OPPORTUNITIES IN RECRUITING AND RETAINING MEDICAL PROFESSIONALS

Developed and developing countries alike struggle to supply adequate numbers of trained, qualified healthcare professionals, especially physicians and nurses. Sourcing, attracting, and retaining experienced employees are therefore among the biggest management challenges globally.<sup>1</sup>

### Staff Shortages Worldwide

Unemployment is a rare phenomenon in the healthcare sector. In Germany, for example, the unemployment rate is only about 0.7 percent for nurses and 1 percent for doctors. A similar situation exists in the U.S., with an unemployment rate of 0.8 percent among doctors.<sup>2</sup> The demand for nurses in the U.S. is estimated to increase by 26 percent by 2020.<sup>3</sup> So where does the staffing challenge lie?

Firstly, most countries have been experiencing personnel shortages for many years. Secondly, the world population has grown by approximately 1.2 billion since 2000 – an increase of 20 percent in just 15 years.<sup>1</sup> Globally, there are 1.8 doctors per 1,000 population.<sup>4</sup> Thirdly, longer life expectancy is increasing the average age of patients, leading to higher medical care costs per patient. Finally, there is an uneven distribution of caregivers. This shortage of qualified professionals is one of the key challenges for the industry.<sup>1</sup>

### Political Support

Governments around the world have recognized and are responding to the enormous HR challenges facing their healthcare systems. In many countries, governments directly influence the level and structure of physician remuneration because they are a key employer of physicians, purchase services, or regulate their fees.<sup>5</sup> China has taken action to speed up caregiver training in response to the needs of its rapidly aging population. The country has also set a target to train six million caregivers by the end of 2020. In Brazil, the government has introduced a program to hire local and foreign doctors to work in poor and remote areas where there are shortages. By mid-2014, approximately 15,000 new clinicians had enrolled, more than three-quarters of whom came from Cuba.<sup>6</sup>

In response to shortages of doctors, some countries have developed more advanced roles for nurses. Evaluations of nurse practitioners from the U.S., Canada, and the U.K. show that advanced practice nurses can improve access to services

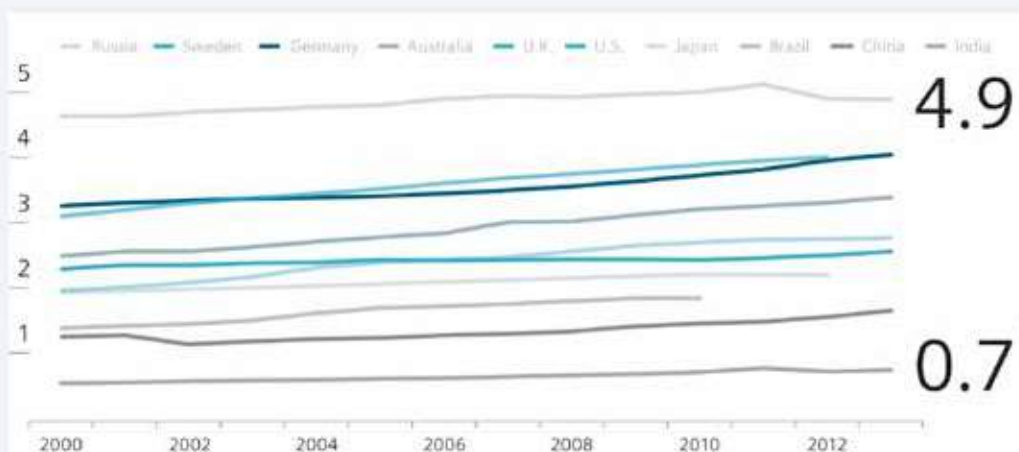


**“ TO ACCOMMODATE THE PREFERENCES OF THE MULTIPLE WORKFORCE GENERATIONS, HOSPITALS NEED TO REPLACE TRADITIONAL HUMAN RESOURCES POLICIES. ”**

and reduce waiting times while delivering the same quality of care as doctors to a range of patients.<sup>5</sup> However, there are shortages of nurses as well as doctors, and nurses greatly outnumber physicians in most OECD countries.<sup>5</sup> The Royal College of Nursing in the U.K. estimates that there are 20,000 unfilled nursing posts across the country. The Center for Workforce Intelligence forecasts a shortfall of 47,000 nurses in the next few years.<sup>7</sup>

## Practicing Physicians per 1,000 Population

In most countries, the number of physicians per 1,000 population has not risen significantly in the past decade. However, regional differences are large with 0.7 physicians per 1,000 population in India vs. 4.9 in Russia.



Source: OECD Health Statistics 2013

### Increasing Workforce Productivity

In the past, hospitals have often made the mistake of requiring doctors and nurses to do more in less time. The consequence of this is high staff churn, a high level of absenteeism, and low overall employee satisfaction. In Germany, no other occupational group has more sick days than health professionals (4.5 percent).<sup>8</sup> According to a study by Germany's largest statutory health insurance company AOK, nurses have the most burnout-related sick days of any occupational group.<sup>9</sup> According to a British study, 15 percent of all sick days in NHS hospital trusts result from psychological stress at work.<sup>10</sup> The aim of effective hospital HR management must therefore be to use staff more sensibly instead of burdening them with overtime.

Automation, for instance, reduces the manual workload involved in setting up or evaluating clinical protocols. In addition, targeted training enables a more flexible use of staff – a key aspect of business management. The flexible deployment of staff also increases employee satisfaction, as their tasks become more varied. Doctors and nurses spend less time on unpopular administrative tasks, which reduces loss of information and frictional losses. If individual employees do fall sick, their work can be easily delegated to other employees thanks to the greater versatility of the staff. Additionally, modern information management is crucial for the speed and accuracy of care decisions by hospital staff. This is also an important factor in higher employee satisfaction.

### Employee Satisfaction Lowers Costs

When a hospital's reputation improves, its costs for attracting and retaining qualified personnel fall. In the U.K. for instance, the reputation of an NHS trust as an employer is the first

**“ THE MESSAGE FOR HEALTHCARE SERVICE PROVIDERS AND NHS TRUSTS IS A SIMPLE ONE. REPUTATIONAL RISK AND EFFECTIVE COMMUNICATIONS – AND IN PARTICULAR POSITIVE EMPLOYEE ENGAGEMENT – NOW NEED TO BE TOP OF THE AGENDA FOR ANY BOARD THAT HOPES TO ATTRACT AND RETAIN THE BEST STAFF. ”**

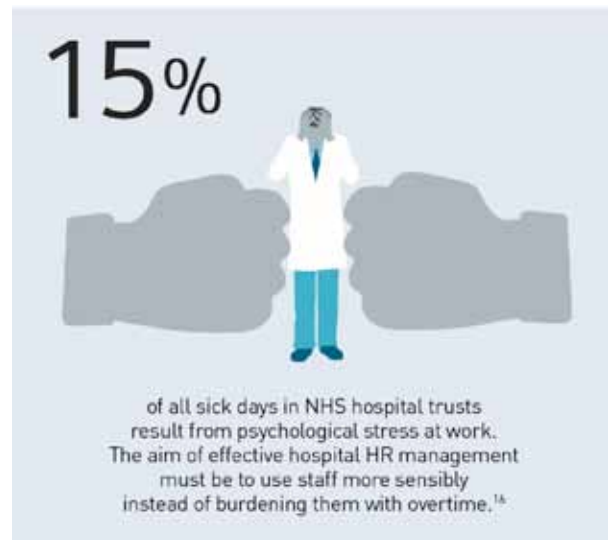
Nicola Bullen, TMP Worldwide, U.K.<sup>16</sup>

consideration for one in five nurses when looking for a new job. Other important factors include a healthy work-life balance, good career prospects, and salary.<sup>11</sup> As a result, hospital operators now optimize their clinical and administrative processes. They modernize their compensation and working time models, improve the promotion of education and scientific research, and create a corporate culture that makes them an employer of choice for scarce professionals.<sup>12</sup> A good working relationship with colleagues is also a prerequisite for high employee satisfaction. In the healthcare sector in particular, effective communication and appropriate information exchange between work shifts are essential components of the job.<sup>13</sup> Thus, modern, user-friendly IT solutions that help staff efficiently share information across departments are key to job satisfaction. Additionally, there is a great desire and need for the systematic provision of further training

## In a Nutshell Workforce Challenges in Healthcare

1. Given the tight labor market in the healthcare industry and the challenge of retaining and attracting skilled professionals, it is crucial for healthcare providers to foster their reputation as good employers by offering professional development, sound education, and an efficient work environment. This is true for medical personnel as well as for hospital managers with future-proof leadership skills and a high degree of willingness to change.
2. Hospitals need to establish new work models in order to increase efficiency and workforce satisfaction. Relevant measures do not mutually contradict but rather encourage each other, and they should always be planned and implemented holistically. Measures that systematically reduce e.g. overwork to counteract the industry's high rates of absenteeism and staff turnover also play an important role.
3. Quick and comprehensive access to relevant patient data also determines the efficiency of a hospital workforce. In addition to full availability, the needs-based processing/presentation of data is especially important; therefore, information management is crucial for the speed and accuracy of care decisions by hospital staff.
4. The feminization of the medical profession is a worldwide phenomenon. In order to become an attractive employer, hospital operators must adapt to the specific needs of their female workforce to take advantage of their increasingly important role.
5. The flexible deployment of personnel is mainly relevant from a business management point of view. It allows for optimizing schedules and a more varied work environment for employees. However, it requires establishing the right conditions in processes, skills management, and technology.

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measures. Besides preventing potentially costly errors, training promotes personal development, a more needs-based use of equipment, and the greatest possible flexibility in deploying staff. Job satisfaction is also based on making informed decisions based on one's own knowledge and reliable information.

### The Gender Factor

In the quest for well-qualified staff, female medical personnel play a key role, and their numbers are rising. In 2011, an average of 44 percent of doctors across OECD countries were women. Since 2000, the proportion of female physicians has increased in all OECD countries for which data is available.<sup>5</sup> This trend is continuing, giving hospital managers more reason to specifically address the needs of the growing number of female doctors and nurses – such as flexible working hours, compressed work schedules, and fully paid maternity leave.

Naturally, such criteria differ from country to country. For example, fully paid maternity leave is mandated by law in countries such as Spain and Germany. In these countries, maternity leave therefore does not act as a differentiator in employer branding. In the U.S., however, these female-friendly criteria set top-rated U.S. companies apart from others.<sup>14</sup> ■



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# IDENTIFYING, CONTROLLING, AND REDUCING OVERHEAD COSTS

## PRECISELY DEFINING INDIRECT OVERHEAD COSTS OR DIAGNOSIS/TREATMENT-RELATED EXPENSES IS A CHALLENGE

Certain operating expenses are necessary to keep businesses functioning. However, in healthcare, drawing clear boundaries between diagnosis/treatment-related expenses and overhead costs is not always easy. In some cases, overhead expenses might even improve the overall economic performance of a hospital.

### Overhead Costs are Unavoidable to a Certain Degree

Overhead costs are expenses that are not directly attributable to a patient's medical care. Among other things, they can include governance and documentation, billing, or supplies. In many cases, however, there seems to be no precise definition for indirect overhead costs and direct, diagnosis/treatment-related expenses. Examples of these hard-to-define costs include things such as labs and laundry.<sup>1</sup> Still, setting out to reduce overhead costs across the board would be a mistake. Hospital operators who reduce avoidable overhead costs and invest in overhead expenses that create value and improve overall economic performance and medical care will increase their competitiveness.

### Rising Costs and High Administrative Expenses Worldwide

In the U.S. healthcare system, \$750 billion is spent annually on expenses that are not directly linked to healthcare.<sup>2</sup> The causes of unnecessary spending vary widely, but generally point toward administrative expenses. A study of hospital administrative costs in several countries found that costs are highest in the U.S., where they consumed 25.3% of hospital budgets in 2011. Administrative costs were lowest in countries operating under single-payer health systems, such as Scotland and Canada. There, hospitals are paid global operating budgets, with separate grants for capital, which results in administrative costs of around 12%. Reducing U.S. per capita spending on hospital administration to Scottish or Canadian levels would have saved more than \$150 billion in 2011.<sup>3</sup>

### Complexity and Competition as Cost Drivers

According to the survey, the high administrative costs in the U.S. are caused by, among other things, the complexity of the



health system and billing multiple insurers. Another cause is the need for hospitals to generate a profit (or, for non-profit hospitals, surpluses) in order to fund the modernization and upgrades that are essential to survival. Paradoxically, this entrepreneurial imperative and the reliance on market mechanisms raises administrative costs and reduces efficiency – due to, for example, higher marketing expenses and the need to provide high-volume services.<sup>3</sup>

### Allocating Overhead Costs Correctly

According to Australia's Independent Hospital Pricing Authority, all costs accumulated in overhead costs centers should be allocated to the final cost to ensure that each product category (patient and non-patient) has its fair share

## In a Nutshell Overhead Challenges in Healthcare

1. The most important prerequisite in eliminating avoidable overhead costs is to precisely define and record these costs, and allocate them properly. This is crucial in order to control these costs in a sensible way.
2. In terms of value, overhead costs are not necessarily economic burdens. They can contribute to higher levels of cost efficiency and care quality. However, costs that do not contribute to a higher quality of care should and must be reduced.
3. Hospitals in countries with particularly complex health systems and highly competitive markets tend to operate under the highest overhead costs.
4. There is considerable potential for optimization in the area of service accounting. The increasing use of electronic transactions helps to avoid unnecessary overhead costs.
5. Like other industries, healthcare providers have financial considerations. Benchmarking with other industries and investing in a management team that is well trained and experienced in business administration helps optimize overhead costs.
6. Comprehensive, flexible digitization of healthcare processes can be key to increasing cost transparency and process quality, systematically controlling overhead costs, and ultimately increasing cost efficiency and care quality in the long term.

Read the QR-code to watch a short video introduction about the topic of overhead burden on YouTube.



of overhead. This should be done before making any attempt to partition costs into product categories and subsequently into end classes within product categories.<sup>4</sup> Incorrect allocation impedes or prevents intervention measures to reduce costs. Conversely, it becomes more complicated to make targeted and useful investments in overhead expenses where the investment creates demonstrable added value.

### Learning from Other Industries

For healthcare providers, it would be wise to look to successful cost-efficiency measures in other industries, such as the manufacturing industry. There, such factors as short throughput, optimum utilization, minimum downtime, and low error rates are undisputed determinants of success, and high levels of attention and planning are devoted to them. In Germany, the introduction of fixed prices for DRGs made it indispensable to have an accurate grasp of the entire treatment process, its time requirements, and its direct costs (e.g. physician time) and overhead costs.<sup>5</sup>

### Optimization Potential in Service Billing

One of the most effective ways to reduce overhead costs is to optimize the recording and billing of the services provided. In the U.S., healthcare providers manually handle around 28% of eligibility transactions, which accounted for more than 2.4 billion transactions in 2013.<sup>6</sup> The potential for significant cost savings is enormous. The estimated cost for a manual transaction is roughly \$5, while an electronic transaction is approximately \$1.60. Thus, U.S. healthcare providers could save a total of approximately \$7 billion annually by switching six routine business transactions from manual to electronic.<sup>6</sup> This represents an average savings potential of 86% compared to the costs of manual transactions.

### IT as a Cost Reducer

Enhancing efficiency through comprehensive and flexible digitalization of hospital processes is essential in the long term to counteract the overhead costs caused by complexity and a lack of transparency. One problem with today's IT systems is that their concepts are too rigid, they are often operated as standalone solutions, and they are not sufficiently interconnected. A study by the management consultancy A.T. Kearney says that only carefully coordinated processes within the IT system can guarantee an accurate management of processes and thus reduce the administrative burden.<sup>7</sup> The authors add that communication processes through third parties should be eliminated, as lean information flows would reduce interfaces and thus save money. ■



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# STANDARDIZING QUALITY OF CARE

## HOW AND WHY STANDARDIZATION CAN HELP HEALTHCARE PROVIDERS IMPROVE QUALITY AND INCREASE EFFICIENCY

Standards can improve efficiency, particularly in complex areas such as healthcare. Standardized clinical pathways are increasingly influencing the debate about sustainable, affordable, and efficient healthcare. Proven, standardized procedures can make the quality of care more measurable and reproducible for providers, patients, and payers.

### Clinical Pathways: A Promising Instrument for Managing Quality

Patient surveys indicate that quality of care is a decisive criterion when choosing a hospital.<sup>1</sup> For many years now, quality-related selection factors such as expertise in a specific illness or treatment and the history of low numbers of medical errors top the list from the patient's perspective.<sup>2</sup> Therefore, the quality of healthcare influences occupancy and the commercial success of a hospital. Accordingly, systematic quality management is an important task. Improvements along clinical pathways can positively influence the quality of care. This makes enhancing the pathway a promising focus for achieving reliable, reproducible care improvements in daily routines.

Evidence of this can be found all over the world. For example, a 2014 study of cancer patients at Xi'an general hospital in China produced impressive results. A specific clinical pathway was designed to standardize the treatment processes of partial hepatectomy (removal of the liver) for patients with HCC (hepatocellular carcinoma, or liver cell carcinoma). In all areas of postoperative outcomes – total complications, mortality, and readmissions – the results were clearly in favor of the patients who were treated according to the clinical pathway, as opposed to the patients who were not.<sup>3</sup>

### Quality of Care: Large Differences, Poor Transparency

The concept of defining clinical pathways has existed since the 1980s in healthcare systems worldwide. Despite promising results from various projects, the concept has only recently received widespread attention in conjunction with the buzzword "evidence-based practice."

The reason for this is growing economic pressure: In the interests of sustainable, cost-effective healthcare, resources must be used as effectively and efficiently as possible. Therefore, hospital financing is strongly linked to objective, verifiable quality criteria, such as successful surgeries or treatment and readmission rates. Current examples of specific initiatives



include Germany's Hospital Structure Act, and the Affordable Care Act in the U.S.

Indeed, there is a need for action on quality of care. There are significant differences in the quality of treatment between developed countries on the one hand and emerging or developing countries on the other. This is reflected in, for example, the survival rates of cancer patients. For breast and prostate cancer patients, the home country seems to be a factor in their survival, since sophisticated diagnostic and therapeutic options do exist, but not necessarily in all countries. In many countries, there is a call for reliable quality standards from payers, government officials, and patients' organizations. Figures from the German Cancer Society (Deutsche Krebsgesellschaft, DKG) confirm the contribution that quality standards can make to better patient care. They indicate that the society's approximately 950 certified cancer centers

achieve significantly higher survival rates than many of the non-certified hospitals.<sup>6,7</sup> In the future, German hospitals must therefore expect deductions or could even be completely excluded from providing some health services if they fail to reach a certain number of cases or if they permanently fall below a defined minimum standard, which would indicate that they do not provide adequate treatment quality. For hospital managers, therefore, it is increasingly becoming an existential matter to prove their hospital's quality of care by means of evaluation criteria.

**“ THE QUESTION IS WHETHER YOU, AS A SYSTEM, HAVE A PLAN TO EFFECTIVELY ENSURE ADHERENCE BY ALL TEAM MEMBERS. ”**

Gerald Hickson, MD  
Vanderbilt University Medical Center in Nashville, U.S.

work for employees.<sup>5</sup> Thus, in the interests of having the broadest and most up-to-date database possible, hospitals could rely on routine data, i.e., data they have to collect anyway for billing purposes or official health statistics. This significantly reduces the burden on the staff compared to using separately developed process indicators, and increases the willingness to cooperate.

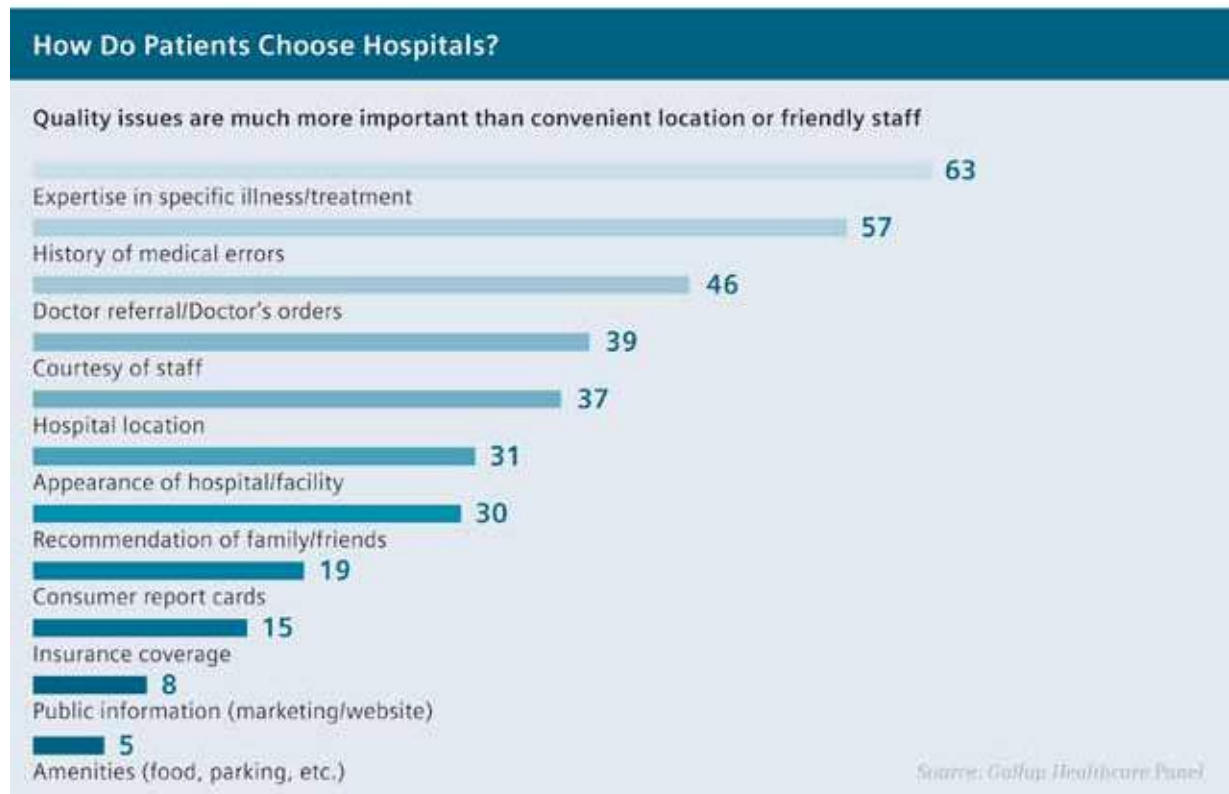
Evidence-based standards not only improve cost efficiency, but can also help doctors make decisions, avoid medical errors and omissions, explain therapeutic decisions to patients, and can support high-quality care. For example, Helios, a German hospital chain, has relied on structured quality management and continuous improvement processes for many years. As part of the Initiative for Quality Medicine (IQM), the quality indicators developed by Helios for its companies are now also used in Germany, Austria, and Switzerland by numerous hospitals outside the group.<sup>8</sup> Ideally, participating providers can use the figures to compare efficiency across institutions, and the IQM process to manage quality and derive optimum treatment paths.

**Managing Complexity through Evidence-Based Standards**

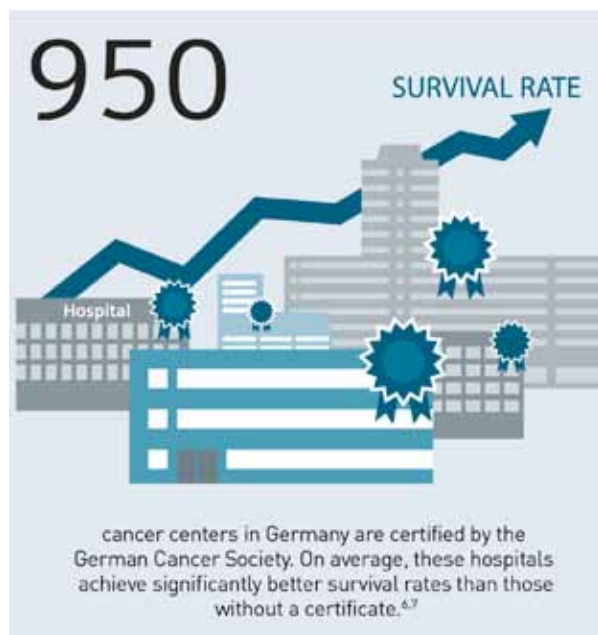
Wherever standards and guidelines serve as a basis for treatment, it is important to develop them using the best possible evidence and to regularly review them using reliable measurement and comparative data. The collection and evaluation of appropriate datasets often involves considerable additional

**Limitations and Challenges**

For doctors and patients, the introduction of standards in combination with increasing economic pressure also leads to misgivings. Many doctors fear that standardization will restrict them in their individual treatment decisions. And patients are worried that they will not receive individualized – and therefore maybe more expensive – therapy.



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## In a Nutshell Standardization Challenges in Healthcare

1. Standardization does not aim solely at lowering costs, but first and foremost at ensuring reliable, high-quality results. This makes it a key issue for providers, payers, and patients.
2. Standardized clinical pathways can make quality of care more measurable and reproducible for providers, patients, and payers, supporting more consistent, reliable treatment decisions.
3. For standardization projects to succeed, hospital managers must actively address the concerns of clinical staff and patients, persuade all parties, and motivate them to participate.
4. In view of rising costs and the existing differences in quality, payers, government officials and patients' organizations in many countries are calling for reliable quality standards. For hospital managers, they are increasingly becoming a matter of survival.
5. Evidence-based standards and guidelines can provide support to doctors in making complex decisions, help them avoid medical errors and omissions, and help ensure that all patients get a consistently high quality of treatment.
6. Existing standards and guidelines should be subjected to regular empirical reviews and adapted to current findings. Rules that are based solely on tradition, or pragmatic consensus can endanger the quality of care.

To enforce standards within healthcare facilities, resolute and well-thought-out change management is required. One important prerequisite for success in standardization projects is that providers persuade everyone involved of the benefits and motivate them to participate.<sup>9</sup>

Even with clinical guidelines in place, a doctor's individual clinical decision-making and individual opinions about the patient will still be needed in the future. This is particularly true in regard to the increasing number of patients with multiple chronic diseases, for whom using various clinical guidelines developed for single diseases may have adverse effects.<sup>5</sup> Decisions must continue to be made individually and sometimes subjectively if there is insufficient empirical knowledge to secure a specific clinical pathway. To apply evidence to a specific patient care situation, the clinician needs evidence plus good judgment, clinical skills, and knowledge of the patient's unique needs. ■



Read the QR-code to watch a short video introduction about the topic of standardization on YouTube.



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**SIEMENS Healthineers**

White paper for HR leaders

SIEMENS.COM/EXECUTIVE-ALLIANCE

### Approaches for a Successful HR Strategy in Healthcare

Necessities, challenges and opportunities in recruiting and retaining medical professionals

**1.8**

Introduction

The operations of healthcare facilities around the world face a huge challenge in their operations and healthcare organizations' development and operating. Countries are struggling to supply adequate numbers of human resources, especially in high-demand specialties such as radiology, oncology, orthopedics, and neurology. The increasing number of aging patients and the need for more specialized care are also driving the demand for medical professionals. In addition to recruitment and retention, the ability to attract and retain medical professionals is also a key challenge for healthcare organizations. This white paper explores the challenges and opportunities in recruiting and retaining medical professionals, and offers strategies to address these challenges.

**SIEMENS Healthineers**

A leader in an industry?

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### Identifying, Controlling, and Reducing Overhead Costs in the Healthcare Sector

Many expenses cannot only be attributed to individual patients, diagnoses, or therapies – a challenge for every provider

**\$190 bn**

Introduction

As the healthcare industry continues to grow, the need for cost-effective solutions is becoming increasingly important. Overhead costs, which are the costs of running a business, are a significant portion of the total cost of care. In the healthcare sector, overhead costs can be particularly high, and they can be a major barrier to providing high-quality care. This white paper explores the challenges and opportunities in identifying, controlling, and reducing overhead costs in the healthcare sector, and offers strategies to address these challenges.

**SIEMENS Healthineers**

A key to manage complexity?

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### Standardizing Quality of Care

How and why standardization can help healthcare providers build structures, improve quality, and gain efficiency

**Top 2**

Introduction

Standardization is a key to managing complexity in the healthcare sector. It can help healthcare providers build structures, improve quality, and gain efficiency. This white paper explores the challenges and opportunities in standardizing quality of care in the healthcare sector, and offers strategies to address these challenges.

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## Healthcare Executive Alliance

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