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PHYSICIAN AFFAIRS**Research programs boosting community hospitals' prestige, physician alignment, but not revenue**

Seeking to bolster their clinical reputation and build physician alignment, some community hospitals are pursuing research ventures previously left to academic medical centers, such as drug trials and clinical disease studies. But although research programs can improve a community hospital's prestige and physician relations, they tend to be complex to develop and are not guaranteed revenue generators.

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PAYER AFFAIRS**Independent service providers lobby for delay to imaging reimbursement cuts; volume shifts expected**

While providers debate whether proposed CMS cuts to the technical component of medical imaging services at freestanding centers will limit care access or simply reduce unnecessary imaging procedures, many observers predict that hospitals will see an influx of imaging volumes if freestanding facilities decide they can no longer accommodate Medicare patients, or shut down.

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REVENUE & CAPITAL MANAGEMENT**New applications help solidify CCTA as diagnostic frontrunner**

With 64-slice CT solidly in place as the new gold standard in imaging and hospitals and diagnostic centers clamoring to purchase their own multi-million dollar machines, coronary CT angiography has emerged as a mainstream diagnostic modality.

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COST MANAGEMENT**Tackling waste, inefficiency in food service generates savings for hospitals**

Seeking untapped sources of cost savings, some hospitals are finding new opportunities in an oft-overlooked multi-million dollar line item—food service. While the average 250-bed hospital may spend \$3 million per year to cover food costs, hospital CFOs may not assess food production as rigorously as other spend categories, in part because they lack familiarity with metrics to measure waste in, for example, mashed potato production. However, food services are injecting recognizable finance tactics into their production models, as they convert to run more efficiently and reduce waste through new initiatives, such as room service and vendor offerings (*Watch* interviews, 10/10/06; 10/19/06).

Over the course of a year, the typical hospital food service prepares several hundred thousand meals for patients and for retail sale in cafeterias, accounting for 2% to 3% of the average hospital's budget, according to Linda Lafferty, associate director of food and nutritional services at Chicago-based Rush University Medical Center and president of the National Society for Healthcare Foodservice Management (HFM) (*FoodServiceDirectorOnline.com*, accessed 10/11/06; *Watch* interview, 10/19/06). Generally, hospitals hope to break even on food service; in addition to supply costs, Lafferty notes hospitals must allocate significant space for food production and, unlike many restaurant workers, food service employees tend to receive full benefits. While retail sales can serve to cross-subsidize the costs of patient food, hospital staff do not expect to spend very much at in-house cafeterias, depressing the price of most items.

Switching to centralized production, refrigerated food can enable savings...

Given the constraints around boosting prices and growing revenue, some hospitals have first looked to overhaul the production model to cut costs. While about 75% of hospital food services use traditional cook-to-serve tray lines, according to a recent HFM survey of 475 operators, about 15% of hospitals now use cook-chill technology, which can benefit some larger facilities by streamlining production and reducing waste, says Todd Foutty, director of food service at Cleveland-based MetroHealth (*Watch* interview, 10/19/06). In recent years, MetroHealth has switched from a traditional, 12-hour tray service at its three kitchens to a single cook-chill tray line, where two employees produce and refrigerate nearly 60% of all served meals. The refrigerated food is transported to MetroHealth's two other locations, where it can be reheated using "retherm" technology, eliminating the expense of building kitchens at those facilities. These initiatives reduced labor and supply costs and cut the disposal of uneaten hot food, which represented as much as 15% of waste; as a result, Foutty says that MetroHealth achieved full ROI on the \$700,000 cook-chill and the \$3.5 million retherm systems within two years.

...while lean management transforms model to boost efficiency

Regardless of whether food services use cook-to-serve or cook-chill methods, they rely on an "assembly-line" production model that can be improved using out-of-industry tactics, according to Shawn Noseworthy, administrative director of Orlando-based Florida Hospital's food service. Noseworthy several years ago revamped the hospital's food service production using "lean management" principles first developed in the manufacturing sector (Buzalka, *Food Management*, August 2006).

After a review by outside lean management consultants, Noseworthy learned that many food-prep activities wasted time and resources rather than adding value, prompting Noseworthy and an interdisciplinary lean management team to overhaul the department. For example, the team determined that it would be less time- and labor-intensive to simply "outsource" vegetable preparation by purchasing fresh-cut product; the resulting move improved sanitation, freed up over 350 ft² in the production area, and reduced labor from five FTEs to one, leading to annual savings of \$87,241. Another initiative combined the sandwich and salad lines to capitalize on shared ingredients and shifted preparation from traditional batch production—in which an item is assembled one ingredient at a time—to one-piece production, in which a worker makes a single unit at a time; the move freed up another 375 ft² in the production area and drove up per-employee sandwich production by 220 units per day, reducing the number of FTEs needed from eight to three.

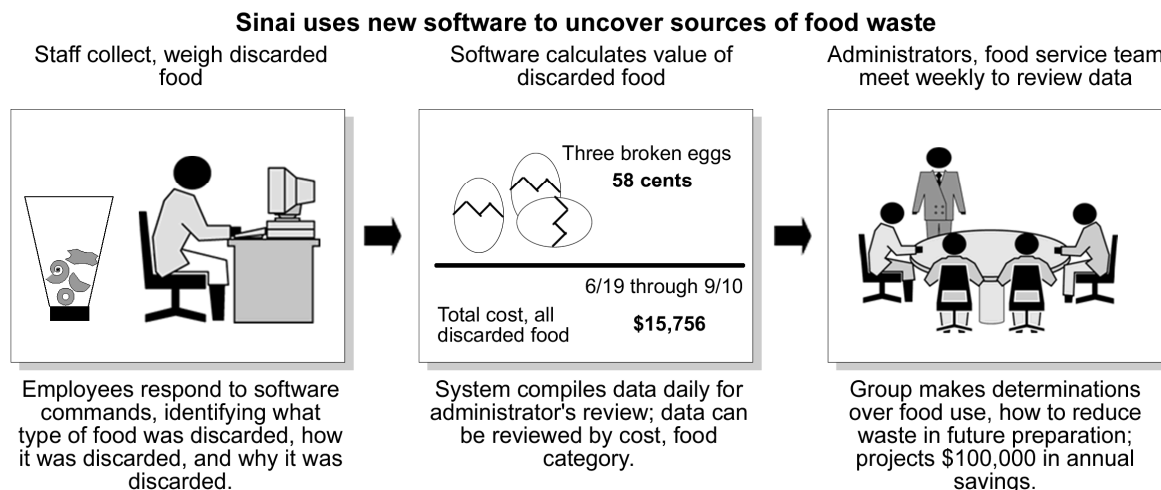
Room service-style food programs boost patient satisfaction, reduce uneaten food

Some hospitals are departing altogether from traditional production models and launching room service-style programs that tailor entrees to patients' dietary needs and requests. According to HFM's Lafferty, room service has emerged as the latest "must-have"; in the organization's recent survey, 22% of respondents offered room service and another 17% planned to implement programs within the year (*Watch* interview, 10/19/06). The programs, which allow patients to select their meals made-to-order from a range of customized options, have gained popularity for helping to boost patient satisfaction and speed recovery. For example, Connecticut-based Bridgeport Hospital's implementation of Sodexho's "At Your Request" computerized food ordering system helped boost patient satisfaction with food service from under the 20th percentile in a 2002 Press Ganey survey to the 74th percentile in a survey last year (*Watch* interviews, 9/14/06; 9/15/06).

Although implementing a 24-hour room service-style program often requires a significant outlay to modify kitchens, train staff, pay overtime, and in some cases, purchase a computer-based program, a Sodexho representative contends that the programs eventually achieve cost neutrality (*Watch* interview, 9/15/06). Bridgeport administrators say savings on wasted food through the on-demand system, which varies in cost depending on hospital size, have not only recouped startup costs but have ultimately reduced food service spending; other hospitals that offer room service, such as Canton, Ohio-based Mercy Medical Center, estimate the programs can save as much as \$1,000 per week in uneaten food (Powell, *Akron Beacon Journal*, 4/8/03).

By weighing and cataloguing waste, managers find areas to improve

Overall, these initiatives have helped to reduce waste by customizing meals and eliminating the need to dispose of uneaten food; however, some kitchens still overproduce items such as produce and starch sides, create "trim waste" by inefficiently preparing or cutting raw produce or meats, or generate waste by failing to use products before their expiration dates—which together may add up to about 5% of an average hospital's food costs and increase disposal expenditures (*Watch* interview, 9/28/06). While vendor-designed software programs have long been available to analyze inventory and line-item spending, a new waste reduction technology from vendor LeanPath integrates waste-assessment hardware directly into the production line (*Watch* interview, 9/29/06). Hospitals using the system install a touch-pad scale by the kitchen's main garbage can, where kitchen staff collect and measure discarded food as they prepare it in large batches; software then tracks costs and enables administrators to monitor food production. According to Gary Donnelly, assistant director of food and nutrition services at Baltimore-based Sinai Hospital, deploying LeanPath's system—which costs \$15,000 upfront and \$2,500 in annual support fees—at Sinai's two main kitchens has for the first time enabled the hospital to quantify its losses on wasted food (Wentworth, *Baltimore Business Journal*, 9/22/06).



Source: Wentworth, *Baltimore Business Journal*, 9/22/06.