



From John O'Brien
January 27, 2012

Part Two: Working together to be more affordable for our patients

A second message to our communities will run in newspapers this Sunday. [Link to it here.](#)

Last week, my newsletter alerted you to some challenges we are facing. While I'd like to provide you with more detail today, first I want to thank you for your great work on behalf of our patients. Let me add a special thank you to those at our Medical Center, Clinton Hospital and Marlborough Hospital who have become proficient using Soarian this week. The transition to our new electronic medical record system took a great deal of time and energy, and you should all be very proud of your work.

As with all we do, our goal is to continue to provide outstanding, high-quality care to the community and an excellent place for our physicians and employees to work. But we have to modify our work to assure that our hospitals and physician practices are an affordable choice for our community.

A patient recently wrote us: "My husband and I have Blue Cross & Blue Shield for health insurance and we can no longer afford to go to your hospital because we will have to pay a much higher copay if we do. It makes it very difficult because all of our doctors are affiliated with your hospital, which means that we will have to get new ones. We really like the doctors we have had for years but we can not keep paying the high copays. I wish you could look into doing something about it."

This is particularly important because many insurance companies are now directing their members to use lower-cost health care services. (This is called "tiering." The sidebar provides a patient's view on how tiering is affecting her ability to receive care at the Medical Center.) While our community hospitals are among the region's affordable providers, our larger Medical Center often is not. Given that the Medical Center's size drives our overall system financial performance, we must reduce our Medical Center costs immediately.

While our patient activity varies day to day, and I recognize how hard you work every day to care for our patients, some straightforward numbers show that our volumes were significantly below budget at the Medical Center during the first three months of our 2012 fiscal year (October through December 2011):

- Discharges are down 6 percent overall
- Births are down 9 percent
- Electrophysiology procedures are down 17 percent
- Cardiac catheterizations are down 8 percent
- Home health visits are down 5 percent

Even though our community hospitals are largely on budget, because the Medical Center is the largest contributor of revenue that is used to support programs and services across our system, this volume decline – coupled with ever declining reimbursements impacting all of us – does not bode well for UMass Memorial Health Care. To respond, we've identified a need to reduce our expenses by about \$50 million right away if we are going to avoid ending the current fiscal year with a loss.

How will we do this? We are currently evaluating a number of options because it is clear that these trends are here to stay and we must act quickly to be more affordable. Among just some of the steps already in process, we are:

- Introducing what are called “care bundles,” initially in joint replacement and heart surgery (bundling is a way to improve care and reduce costs by better connecting all the individual services that contribute to a larger procedure, such as a knee replacement)
- Capitalizing on being a system of care by having some of our Medical Center specialists – such as general, vascular and thoracic surgeons – practice at our lower-cost community hospitals as well as at the Medical Center
- Continuing our efforts to standardize our medical products and supplies across the system (last year we saved \$8.4 million through this work)
- Training our staff in process improvement principles; for example, this work resulted in a \$5 million improvement in pharmacy operations and accounts for more than \$12 million in system savings to date

We know to be successful we must also take some difficult but necessary steps. While these steps will impact our Medical Center most materially, we are partnering with all our UMass Memorial Health Care entities on plans to adjust our expenses. Our senior leaders are currently discussing:

- Programs and services, that while important, may not fit as closely into the picture of our future health care delivery system and might be more affordably provided by non-UMass Memorial Health Care providers
- Aligning our staffing to more appropriately match the number of patients receiving care in specific service areas
- Partnering with our unions on ways that together we can become more affordable by reducing our salaries and benefits so we can preserve as many jobs as possible
- Continuing work on our roadmap for the future by adding the expertise of specialists in this work to work side-by-side with our team for several years as we right-size our operations and make our system even stronger than it is today

Thank you for your partnership. I am relying on each of you to help us identify strategies that put quality first in an affordable way, and ask you to watch for information on how you can directly support these efforts on an individual basis. I am confident that our team can develop creative approaches to transform our system for a long and strong future.

As we have more details on these and other changes, I will provide further updates. In the interim, if you have suggestions or concerns, please provide feedback to communications@umassmemorial.org.