

Without a doubt, 2014 has been a difficult and uncertain year for hospitals. External factors beyond our control have caused many financial challenges – across the nation and here at HRH. In the face of these concerns, our associates have pulled together to find ways to improve operational efficiency, streamline work and reduce costs, all while still providing excellent care to our patients. I speak for the entire leadership team when I say how appreciative we are of your hard work.

Unfortunately, despite our efforts to overcome these external factors, we are looking at a 2015 budget shortfall of \$2 million. Low reimbursements from payors have contributed significantly to this deficit. For example, when our state legislators decided against expanding Medicaid, HRH lost \$1 million in reimbursements over the past year alone. We have also seen a dramatic change in our payor mix, and not for the better.

To help us shore up our budget gap and improve operational efficiency, HRH leadership has been working closely with JWB Consulting. JWB has worked with many hospitals across the country, helping organizations identify areas of potential growth and explore efficiency improvements. Data collected helps the consultants determine what it takes to run an operationally efficient organization.

As our partner, JWB has been meeting one-on-one with directors and assessing many operational aspects of the hospital, including staffing levels. One outcome of this review is that HRH has several areas of “high variance” in staffing. This means that some departments have more staff than would normally be expected for a hospital our size.

In some cases, there are good reasons – or validation – for these staffing variances. That’s why our consulting partner is working closely with each individual department. We want to be sure no stone is left unturned, and avoid making knee-jerk reactions. For example, we don’t want to under staff where business development opportunities are creating areas of growth.

With these things in mind, I want to be transparent and open in talking about the next steps. Over the next 30 days, our directors will be working closely with Management Council to create and begin implementing action plans to improve efficiencies in their areas. For some, this will include a reduction in staff.

Timelines are not final at this point, but reductions are targeted to begin in early 2015. However, as action plans are implemented throughout the hospital, it may take several months before all reductions are determined. I want to assure all of you that this difficult process will be handled with the care and respect it deserves.

There are some difficult changes coming our way. However, HRH is a very strong organization – both in our culture as well as financially. By making these changes, we will continue to be fiscally strong and remain independent despite this uncertain healthcare environment.

When Management Council sat down with department directors recently to discuss these concerns, I encouraged our leaders to be open, transparent and inclusive with their teams. This will not be an easy process, and now more than ever, we need to pull together. That’s what defines us, and sets us apart from other organizations. It’s what makes us who we are.

Respectfully,
Kevin P. Speer