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We hope these experiences will enlighten and motivate individuals in all types of health care organisations.

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BUSINESS IMPROVEMENT PROJECT

The Problem

The Australian population is ageing rapidly and over the past decade the aged care sector has experienced a shift in demand away from residential services delivered in low-care facilities to community services delivered in the home. As a result, most residents are entering residential care facilities with higher care needs. However, the aged care sector is not keeping up with the increasing costs of delivering this higher level of care.

The ageing population and its influence on the workforce further impacts the sustainability of the sector as it becomes increasingly difficult to recruit and retain staff.

For several years Benetas had been experiencing challenges in areas such as finances, staffing and clinical care as a result of these industry issues. In 2008/2009 Benetas enrolled in an industry benchmarking program. The results identified that for nine of their 12 residential care facilities, Benetas was in the bottom 25 percentile in terms of their Return On Investment (ROI).

In December 2008, Benetas management presented a paper to the Board providing an analysis of the residential services function, highlighting the key areas of improvement required to address an increasing budget deficit. Together with the industry benchmarking results, this paper highlighted that the situation at Benetas was clearly not sustainable, and corrective actions were urgently required to ensure the future of the organisation.

Planning methods

In January 2009, the Benetas management team formed the Business Improvement Project (BIP) to address the operating deficiency in residential services and improve the business efficiency and budget performance.

This was the most challenging project ever undertaken at Benetas, and was unique in its focus on addressing key business drivers rather than simply cost reduction. The two main aims were to bring about cultural change within the organisation; and ensure the long-term sustainability of Benetas.

The BIP used a tailored project management approach, based on the Product Management Body of Knowledge (PMBOK) model and consisted of six discrete projects (streams) undertaken over an 18 month period. A Press Ganey client satisfaction survey was conducted during the BIP, at the end of 2009. These results were used to check if strategies were effective in addressing client issues.

Benetas leaders were identified to drive and oversee stream activities, and additional Benetas staff identified to support activities within each stream. Stream Leaders meet fortnightly as part of a Project Control Group. The Business Improvement Project is governed by a Steering Committee chaired by the Benetas CEO and meets monthly. A Project Director (Benetas' Manager Strategy and Business Development) oversees the entire project.

Six Key Performance Indicators (KPIs) were identified as critical to the sustainability of Benetas and targeted as specific goals for improvement:

1) Average Aged Care Funding Instrument (ACFI)/ Resident Classification Scale (RCS)

Average ACFI/RCS aims to measure the acuity of residents and is an indication of potential government funding. When average acuity is high but actual funding is lower than average, it indicates that inaccurate claims may have been submitted.

2) Average income per bed day

We identified an opportunity to increase the average income per bed day by resubmitting inaccurate ACFI assessments – an audit was conducted of ACFI submissions and 62% required reassessment.

3) Productive (actual hours spent delivering services including care hours, administration etc) and non-productive (training hours, sick leave etc) full-time equivalent (FTE) staff

FTE staffing levels provide information about the effectiveness of staff utilisation. A number of facilities were identified with higher than 70% staffing costs to income which is not sustainable.

4) Use of Agency staff as a percentage of salary and wages costs

The use of Agency staff was a key cost driver that contributed significantly to residential services deficit.

5) Salaries and wages as a percentage of income

Increases in salaries and wages costs must be in line with increases in ACFI income to ensure sustainability.

6) EBITDAS/EBITDA and net return

Earnings Before Income Tax, Depreciation, Amortization and Support Services (EBITDAS) measures the operational contribution towards capital and support services costs. An improvement of EBITDAS indicates operational efficiency.



Programs and Initiatives

The Business Improvement Project focused on six key areas for improvement:

Stream 1) Staff capabilities, competencies, culture and mix

Stream 2) Improving client admission process, client mix and maximisation of government funding (ACFI)

Stream 3) Improving supporting services i.e. laundry, catering and maintenance

Stream 4) Improving purchasing and procurement processes

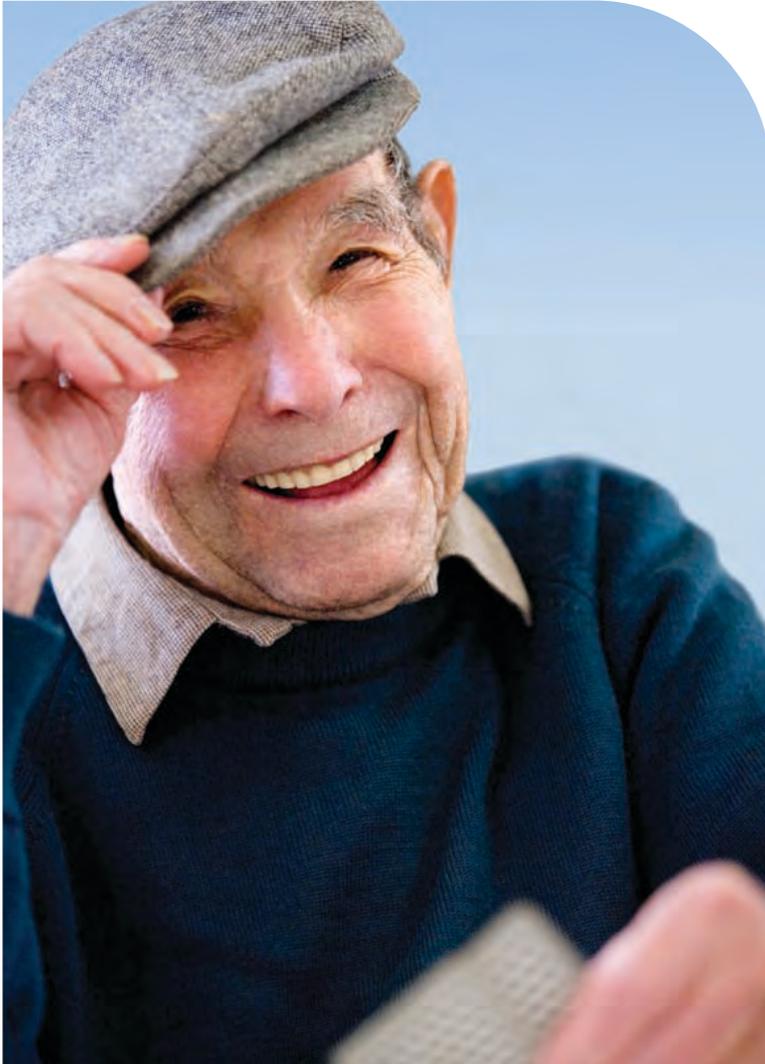
Stream 5) Improve the business performance of Direct Care Services (care and services delivered in the home)

Stream 6) Increasing staff retention and improving reporting on staffing related areas

Each stream was managed by a 'Stream Leader' who was responsible for engaging management and other internal stakeholders to ensure the success of the project.

A number of risks were identified for the project, and a Risk Management Plan was developed. High level risks included competing priorities within the organisation for budget, resources and expertise; size of the change program that has already commenced within the business and the possibility of change fatigue; and expertise required to support the project is dependent on a small team of staff.

To tackle these obstacles, staff members 'on the ground' were engaged as part of the solution and encouraged to take responsibility for issues contributing to the operating deficit. Benetas identified that staff members experiencing problems on a daily basis had a better understanding of possible solutions and were asked to help generate ideas accordingly. Central support from the BIP was provided to implement these solutions. One manager or residential site was responsible for piloting solution ideas. Changes were identified and modifications made before solutions were implemented elsewhere in the organisation.



Results

Through a focused program of activities and holistic approach to addressing operational deficits and business inefficiencies, Benetas has improved its operating return by 60% or \$5 million in just 18 months.

Key achievements of the Business Improvement Project have resulted in the following budget improvements since November 2008:

- Average operating income per resident per day increased from \$117.88 in November 2008 to \$145.80 in June 2010
- Total income for residential services per month increased from \$3.1 million in November 2008 to \$3.7 million in June 2010
- Productive FTE staff has been reduced from 466 in November 2008 to 428 in June 2010
- Overall FTE reduced from 514 in November 2008 to 494 in June 2010
- Agency staff costs reduced from 11.7% in November 2008 to just 0.9% in June 2010

The BIP resulted in a significant cultural change, particularly amongst management staff who take greater responsibility for the financial performance of their business and in driving change. The project appears to be well received by all staff members across the organisation. It has helped to improve the level of care for Benetas clients, particularly through the minimal use of agency staff ensuring consistency of care for clients who have indicated they appreciate familiar faces and staff who understand their needs. ACFI reassessment and increased funding has also allowed for the maximum level of care to be provided to each client according to their needs.

An independent evaluation has been undertaken to assess key learnings from the project so these can be applied in future.

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