



From John O'Brien
 February 1, 2012

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

A third message to our communities will run in newspapers tomorrow. [Link to it here.](#)

Over the past weeks, many of you have responded to my emails with suggestions on steps we can take to become more affordable for our patients while maintaining and increasing the quality of care. Thank you for your engagement in this work. And, importantly, thank you for your continued focus on our patients every day.

In writing to you last week, I was able to describe many of the positive steps we are taking to decrease our expenses, such as standardizing supplies across our system, saving us millions of dollars. We wish we could become more affordable for our patients just using tactics like standardization. However, because almost two-thirds of our costs are related to salaries and benefits, it is impossible to make the necessary changes without reductions in this area.

To respond to immediate declining volumes and reimbursements at our Medical Center during the first quarter of this fiscal year, we 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.

Our Worcester-based clinical chairs and chiefs along with senior administrators met over the past weeks to develop a response plan. It includes:

- We will eliminate approximately 150 full-time equivalent positions from the Medical Center, Medical Group and corporate “overhead” departments. Eliminations will particularly be in areas where we are not meeting expected volume projections, although other programmatic changes are expected. The detailed reduction plan is being finalized. We meet with union leaders today to discuss this work.
- We will reduce the expenses of our Worcester-based corporate “overhead” departments by more than \$4 million (these departments include Fiscal, IT, Marketing, HR, etc.)
- We have curtailed hiring for our corporate departments, Medical Group and Medical Center with the only exceptions to be positions that impact patient care and safety.

In addition to these steps that we are taking to address the declines in volumes and reimbursements in the first quarter of fiscal 2012, we also continue to review services and programs throughout the system to assure that we are offering care in the right settings that are financially sustainable. That review has resulted in two decisions we are announcing today.



We spoke with the staff of our Hospital Labs to discuss a potential sale of the **Hospital Labs Outreach Business**. Reimbursement for lab tests have been falling dramatically for quite some time and insurers are directing their patients and physicians to use labs that are lower cost than our service. The business is changing and, in response, we are having confidential discussions with a potential buyer. (The potential sale does not include our community hospital labs, our Medical Center rapid response labs, anatomic pathology or Blood Bank.) More information to be posted on OurNet this afternoon.

And, in still another separate decision, we will seek a potential buyer for our **Worcester-based Home Health and Hospice (HH&H)**. Despite the outstanding work of our staff, the HH&H associated with our Medical Center took in \$2 million less in revenues than it paid in expenses last year and it is seeing a significant decline in referrals. Because our HH&H is part of an academic medical center, its cost structure is higher than community-based agencies. For now, we will continue to care for patients and continue to accept referrals of new patients. This step will not affect the HH&H services at our HealthAlliance Hospital and Wing Memorial Hospital. More information to be posted on OurNet this afternoon.

In addition, I've noted in past communications that the work to become more affordable and to right size our operations is so significant that we need to draw on the experience of industry experts doing this type of transformational work at health care organizations across the country. We have selected two firms to become our partners in this change. Soon, we will announce the details. We expect the work to encompass every one of our hospitals and other entities. It will look at our operations at all levels including clinical, finance and revenue cycle, staffing, supply chain, salaries and benefits and our overall organizational structure.

Let me assure you that we are confident that these and other steps are necessary to transform our system for a strong and successful future. Our goal is to be affordable while meeting the health care needs of our community to the best of our ability. I appreciate your thoughtfulness and support as we undertake these and other changes. If you have suggestions or concerns, please provide feedback to communications@umassmemorial.org.