CUH
Ospidéal na hOllscoile Corcaigh
Cork University Hospital

FINANCIAL MANAGEMENT AND CONTROLS

THE CHANGE PROGRAMME 2013–2015

Overview of Cork University Hospital

Cork University Hospital (CUH) with over 40 different medical and surgical specialties on site is the largest university teaching hospital in Ireland and the only Level 1 Trauma centre in the country.

It is the tertiary referral centre for the HSE Southern area, and the supra regional area of Limerick, Clare, Tipperary, Waterford and Kilkenny. CUH functions as a regional centre for secondary and tertiary care for the catchment population of 550,000 served by the HSE Southern area and a supra-regional centre for a total a population of 1.1 million.

In 2014 CUH had 65,000 ED presentations, 33,000 inpatient discharges, 82,000 day case discharges and 200,000 outpatient attendances. In 2014 CUH Maternity service (CUMH) had 14,800 inpatient discharges, 4,000 day case discharges and 8,000 births annually, making it one of the busiest maternity hospitals in the country.

CUH has 800 beds and the maternity service has 198 beds and has undergone significant change in respect of the service configuration as a result of the implementation of strategies such as the reconfiguration programme, the cancer strategy and the implementation of the small hospitals framework. As a direct consequence of these changes both scheduled and unscheduled activity has increased in the Hospital and managing these, at times conflicting demands, is a constant challenge.

The hospital currently employs 4,000 staff (3,555 WTE) of multiple professions and is the primary teaching hospital for the Faculty of Health and Science in University College Cork.

Governance

A well governed service is clear about what it does, how it does it, and is accountable to its stakeholders. It is unambiguous about who has overall executive accountability for the quality and safety of the services delivered. Formalised governance arrangements ensure that there are clear lines of accountability at individual, team and service levels so that healthcare professionals, managerial staff and everyone working in the service are aware of their responsibilities and accountability.

Furthermore the HSE Controls Assurance Process requires that as managers we are aware of the internal control framework within which authority, responsibility and accountability is delegated to managers who are charged with making decisions on a service in order to accomplish the mission and goals of the HSE Directorate.

Accountability Framework

The HSE recognises the critical importance of good governance and of continually enhancing its accountability arrangements. In this regard, and in the context of the establishment of the Hospital Groups and Community Healthcare Organisations, the HSE introduced in the 2015 Service Plan new accountability arrangements outlined in the Accountability Framework.

This enhanced governance and accountability framework makes explicit the "responsibilities of all managers" to deliver on the targets set out in the Service Plan and in the Balanced Score Card Framework in relation to access to services, the quality and safety of those services, financial resources and workforce. The process involves the introduction of a formal escalation, support and intervention process for underperforming services which will include a range of sanctions for significant or persistent under performance.

One of the most important elements of the HSE's strengthened accountability arrangements will be a requirement that "Managers at each level" ensure that any issues of underperformance are identified and addressed at the level where they occur. Where there are however issues of persistent underperformance in any of the quadrants of the Balanced Score Card, the HSE will implement a formal Performance Escalation, Support and Intervention process as part of its Accountability Framework.

Achieving Excellence in Clinical Governance - Towards a Culture of Accountability

In July 2010 the HSE published the document "Achieving Excellence in Clinical Governance - Towards a Culture of Accountability" with the aim of providing healthcare organisations with further guidance on what is meant by 'clear accountability arrangements.'

The document outlines that clear accountability arrangements are a fundamental building block of good clinical governance, bringing clarity to the authorities and responsibilities of individuals, teams and committees (or groups), for the delivery of safe, high quality, cost-effective care. Without such arrangements the risks to access to services, safety, quality of services and public budgets can increase with potentially significant and, in the case of service user safety, catastrophic consequences.

CUH Change Programme

As a direct consequence of a catastrophic economic situation, annual expenditure on the Irish health system contracted by over €2.0bn (c. 15%) in 2014 relative to 2007. The annual incremental reduction in the intervening years is reflected in the annual resourcing of Cork University Hospital (the Hospital).

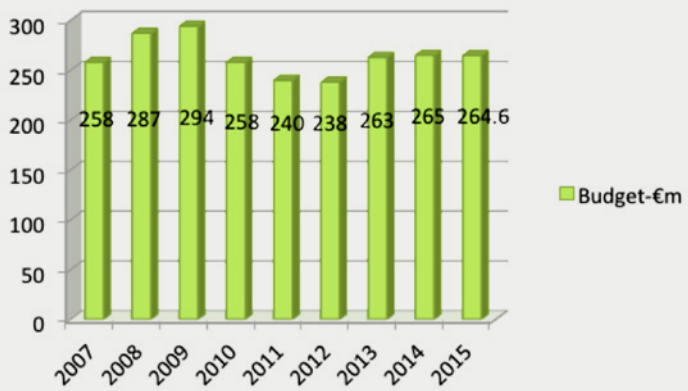


Figure 1: Cork University Hospital Budget 2007–2015

The resultant need to implement a radical change programme necessary to deliver quality care in a rapidly constraining fiscal environment was paramount and resulted in significantly increased efficiency and performance in the Hospital.

In what is a staff intensive environment, pay costs account for c. 70% of the annual budget of the Hospital and Figure 2 represents the trend in staff numbers employed in the period 2007–2015.

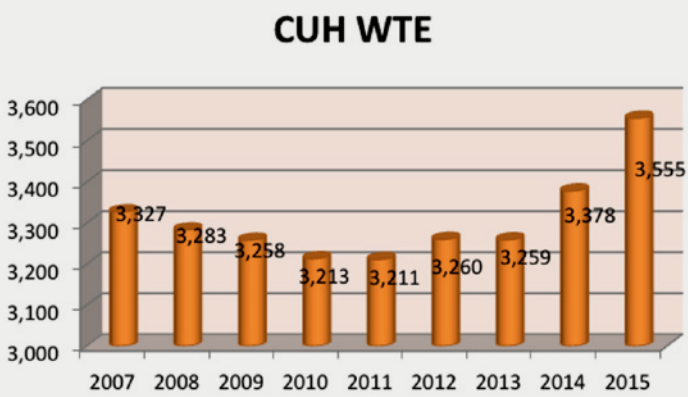


Figure 2: Whole-time Staff Numbers Employed 2007–2015

Note: Movement in staff numbers include staff transferring into the Hospital with service transfers from other hospitals.

Of necessity much of the focus in implementing the change programme related to initiatives designed to reduce pay expenditure and to deliver services differently and creatively. In essence the Hospital had to implement enormous change at a rapidly accelerated rate, a challenge that differentiates this process from others and that offers learning for other similar change programmes.

Government pay policy incorporating a moratorium on the employment of staff, pay reductions and increased taxes, created a climate of conflict and an adversarial environment in which the implementation of change was ever more difficult. The agreement reached between unions and the Government in 2010 termed the "Croke Park Agreement" incorporated provisions that facilitated change in return for employer undertakings that pay would not be further reduced. This Agreement and a subsequent similar agreement reached in 2013 provided the basis for the implementation of changes in work practice, revised staffing arrangements (the Haddington Road Agreement) and changes to skill mix creating the environment for a more cost efficient service. Within this framework the EMB implemented changes to staffing rosters, introduced outsourcing and other service delivery options to maximise the opportunities that Croke Park and the Haddington Road agreements presented. The following demonstrates the range of change initiatives implemented:

Changes in Staffing and Work Practices

- Redundancy scheme offered to certain grades of staff
- Redeployment to critical functions
- Assignment of additional duties to middle managers
- Radical reorganisation of administrative support to clinical services
- Elimination of nursing night Dialysis shift
- Increase in use of skill mix by utilising Health Care Assistants and Theatre Assistants.

Outsourcing of Services

- The negotiation with staff unions on the contracting of the cleaning function
- The outsourcing of the outpatient department catering function
- The validation of waiting lists
- Specialist radiography MRI services.

Changes in Processes

The application of Six Sigma and Lean Management in

- The Bed Management function
- The Productive Theatre Operating Theatre (TPOT)
- The radical reorganisation of the Outpatient function
- The reorganisation of the patient pathway in the Breast service patient pathway, the cardiology patient pathway and the Obstetrics and Gynaecology patient pathway.

Implementation of Information Technology

The implementation of the Electronic Bed Management system
The commencement of the national electronic referral process
The implementation of the Cardiology management system
The Implementation of the Intensive Care management system

Financial Management Reports

The provision of accurate, timely and high quality management information to the EMB and other parts of the governance structure is absolutely critical to the implementation of management systems. In order to ensure that robust and transparent measure are in place to give effect to good financial management, the CUH finance function has had to change and adapt in recognition of increased accountability arrangements and the need to interrogate expenditure and the implementation of Activity Based Costing. The EMB introduced a financial management reporting system which provides real time data on a range of finance issues and the following is a summary of the changes implemented to give effect to the change programme.

- Development of internal controls
- Development of structured authority and accountability arrangements
- Implementation of stock pay controls
- Management of WTE's on a weekly basis
- Rigor of determining priority posts against pre-determined criteria
- Process for investigation of adverse trends in pay expenditure
- Weekly budget meeting with Materials Management, Hospital Management, Clinical Directors and Pharmacy
- Proactive management of income generation by Finance Officer and senior nursing staff to ensure maximisation of private income.

Finance Reports

- Weekly report on staff movement
- Weekly pay and non-pay management report
- Weekly income management report
- Weekly new starters report
- Weekly Private Income report
- Weekly 'top 10 drug' expenditure report
- Monthly finance report
- Monthly absenteeism report

Additional Internal Controls

The Executive Management Board mindful of the requirement to manage within the allocated budget and to build on the control measures in place introduced a number of additional internal controls such as:

- HR Application Posts process for all Line Managers.
- Weekly stress testing of the applications by the Operations Manager and the Human Resource Managers.
- Executive Management Board and Senior Management Team weekly approvals meetings.
- Monthly WTE reconciliation report v ceiling and follow on meeting with the Finance Manager, Human Resource Manager and Operations Manager.

- Monthly accounts reports to Executive Management Board and Senior Management Team to include detailed analysis.
- Analysis of the monthly overtime reports and dissemination to relevant managers.
- Discussion on and dissemination to line managers of agency reports.
- Starters and leavers report received monthly and disseminated.

The benefit from the implementation of the change programme has resulted in the hospital achieving a month on month performance within approved funding levels and is projecting a breakeven position by year end. This is represented in figure 3.

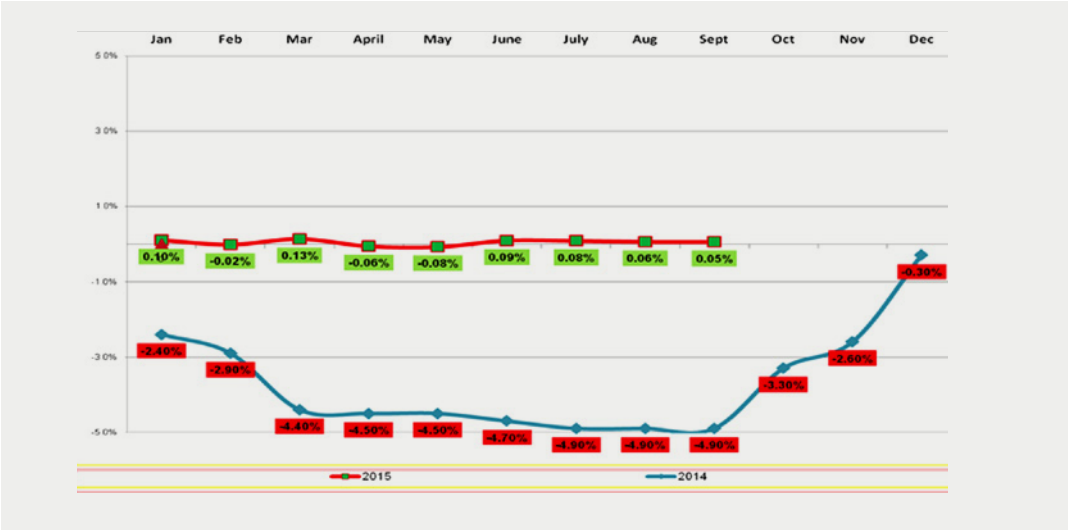


Figure 3: CUH Group – Surplus/(Deficit) percentage % 2015

Cost Containment Measures

In order to provide transparency and accountability at all levels in the organisation and to have strict controls in place in relation to the monitoring of expenditure, the CUH Cost Containment Group chaired by the CEO, was established in 2013. The group meet on a weekly basis and is charged with the responsibility of monitoring the weekly hospital income and expenditure.

Membership: The core membership of the group is as follows:

Mr. Tony McNamara	Chief Executive Officer
Dr. Ken Walsh	Clinical Director, Peri-operative Directorate
Dr. Mike Clarkson	Consultant Nephrologist
Ms. Mary Owens	Director of Nursing
Ms. Olive Long	Director of Midwifery
Mr. Jason Kenny	Operations Manager
Mr. Stephen Lynch	Assistant Head of Logistics & Inventory Management
Ms. Deirdre Lynch	Chief Pharmacist
Mr. Terry Kiely	Finance Manager

The Business Managers of the Directorates and other high-spend areas are required to attend this meeting on a bi-monthly basis. This entails a review of the major spend items in their area of responsibility as well as affording an opportunity to bring forward cost savings and Value for Money initiatives. The line Managers from other service areas attend on a quarterly basis to report on the expenditure in their respective services / departments and present on any Value for Money initiatives they wish to progress. A range of financial issues are discussed to include:

(1) Trendline update; this report, compiled by HBS Procurement sets out the weekly total of non-stock orders placed on behalf of CUH. It provides a comparison with budget, previous year spend and cumulative year-to-date total by the major spend departments. A sub-report provides a breakdown of spend over the individual theatres together with supplementary analysis of high-spend amounts.

(2) Pharmacy update; the Chief Pharmacist submits a monthly report on the Top 100 Drugs and Medicines orders placed. Weekly

(3) Bed occupancy; the weekly report on the private patient bed occupancy, circulated by the Finance Manager, is reviewed. Actual income figures are also reviewed on monthly basis.

(4) Private Consultant claims; the weekly report on the outstanding consultant claims, circulated by the Finance Manager, is reviewed and action points agreed in respect of individual and/or specialties with high numbers of outstanding claims.

(5) Monthly update; the group receive a presentation from the Directorate Business Manager or Line Manager rostered to attend for a bi-monthly update.

(6) Routine Expenditure Requests; any requests for items of routine expenditure exceeding €25k and for items of non-routine expenditure exceeding €500 are required to be submitted to the group on the prescribed template for approval.

Activity Based Costing

The impact of changing the funding model will have a significant effect on the way the hospital's budget will be calculated in the future. Hospital revenue will be directly linked to activity. Each episode of care will generate a DRG and depending on the national base price for each DRG, the hospital will receive its funding. The development of activity based funding in Irish hospitals is a major programme and it is an essential building block for the government's planned Universal Health Insurance and its importance in this context is clear.

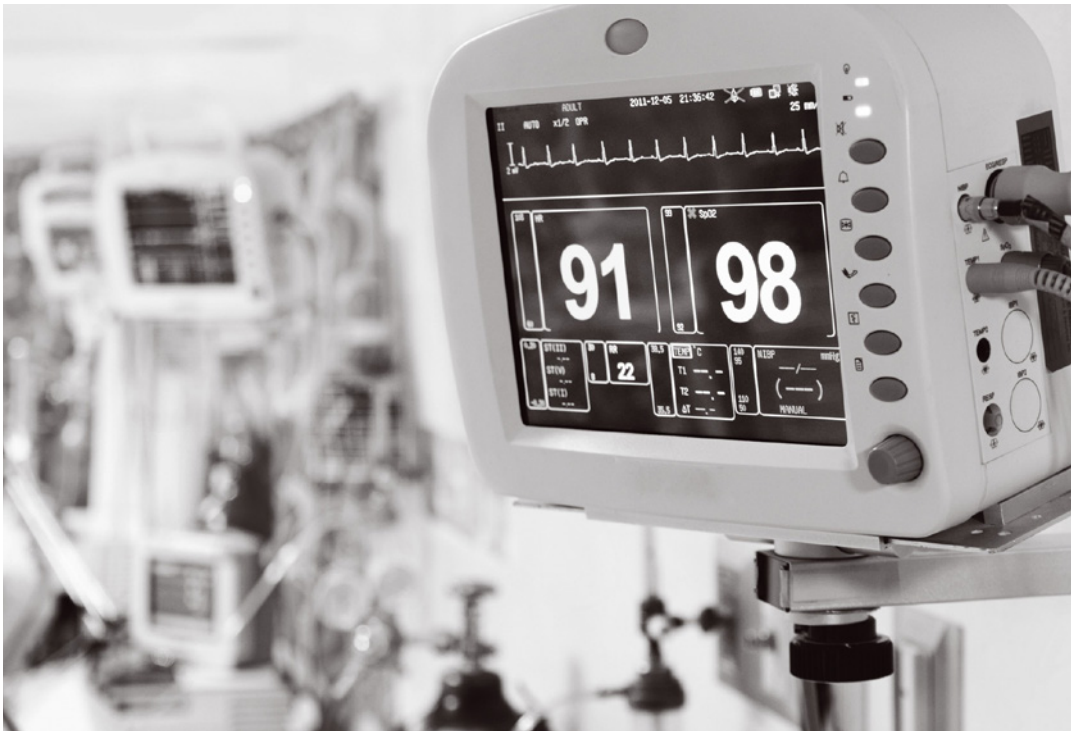
Whilst revenue linked to coded activity has a long history and is well known, a gap exists in knowing the cost associated with the revenue attributed to the episode of care. Understanding this cost will place a new reliance and focus on Patient Level Costing which will be a fundamental change for the hospital.

This fundamental change has a serious impact throughout the whole hospital and to meet this challenge the hospital has instigated a change management approach to the finance structures within the hospital. It proposes a change model which outlines how the Finance department needs to significantly enhance their process in order to ensure an effective implementation and successful transition to ABC. It is imperative that the hospital is prepared to meet this challenge and has the supports in place to support the transition.

Implementation priorities for Activity Based Funding

- Restructure the Finance Department with clear separate defined roles and responsibilities for both Financial Accounting and Management Accounting, while continuing to share vital information that will be of benefit to both areas.
- Development of Management Accounts function to interrogate the cost base of the CUH group following:
- Establish a Clinical Funding Unit (CFU)
- The new Clinical Funding Unit to liaise regularly with the HIPE Department to establish potential loss of income due to uncoded cases and ensure complexity is being accurately captured once MFTP invoicing commences.

- Increased financial expertise in the group through the introduction of full time
  – Business Analyst for Directorate's (.5 WTE for each Directorate).
  – Continue to increase the data collection at "MRN level" for PLC (this will enhance the accuracy of cost per episodes of care).
  – Audit the 2014 PLC results to National Pricing Rates.
  – Develop IT Skills for full implementation of PLC software.



Summary

It is evident that CUH has implemented a significant change management programme within the Finance service and this is manifested in the ability of the hospital to achieve budget compliance month on month with an expected break even status by year end.

J. A. McNamara
Chief Executive Officer
Cork University Hospital Group

October 2015

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