

# **Strategic Partnerships Between St. Louis Children's Hospital and the Department of Pediatrics**

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# St. Louis Children's Hospital Incentives

## Centralized incentives established by BJC HealthCare

### Control costs

- Largest cost: personnel (26,000 employees, >\$1.4 billion in salaries)

### Metrics (monitored monthly)

- Labor per stat (labor hours (FTEs) per patient day)
- Volume performance index (VPI) (weighted volume indicator used for budgeting)
- Unit cost (cost per hospital day) and margin
- Making BJC Better (MBB)

### Blended bottom line split (BJH/BJWC/SLCH) benefits Washington University Medical School

- New affiliation agreement (December, 2013) maintains cap of bottom line split at SLCH margin of 9% (which SLCH has consistently exceeded)

# Departmental Incentives

**Decentralized incentives established by Washington University**

**Enhance University mission (clinical care, research, education)**

- Each Medical School Department expected to generate a margin
  - Reviewed and monitored centrally (Dean's office)
  - Departmental budget deficit shifts financial responsibility to Dean's office and results in tighter financial oversight
  - Loss of financial control for Department

**Washington University academically and financially successful**

# Methods to Leverage Strategic Partnerships

## SLCH/BJC governance

- **Joan Magruder** – President, SLCH
- **Peggy Gordin, M.S., R.N., NEA-BC, FAAN** – Vice President for Patient Care Services
- **Michele McKee** – Vice President of Finance and Chief Financial Officer
- **Rick Majzun** – Vice President for Strategic Operations and Planning; Interim Vice President for Women and Infants' Program
- **Sandra Young** – Vice President for Human Resources
- **Gary LaBlance, Ph.D.** – Vice President for Quality, Service, and Information Management
- **Janice Bailey** – Vice President for the St. Louis Children's Hospital Foundation
- **Katrina Farmer** – Vice President for Diversity, Inclusion, and Equity

# Methods to Leverage Strategic Partnerships

## Each SLCH Vice President accountable for specific areas

- Peggy Gordin: All patient care services except Radiology
- Rick Majzun: Radiology, Children's Direct, Facility Services (including campus renovation planning), Pharmacy/Clinical Laboratories, Offsite Services (OPAC, MBMC, PWHC), Women & Infants' Services
- Michele McKee: Admitting, Planning, Physician Services, and Transplant Financial Services, Finance, HIM and Care Coordination, OR, Supply Chain
- Gary LaBlance: Emergency Preparedness, Patient Experience, Food and Nutrition, Information Technology, Therapy Services, Audiology, Performance Excellence, Center for Clinical Quality and Safety, Medical Staff Office
- Sandra Young: Human Resources, Marketing and Communication
- Janice Bailey: St. Louis Children's Hospital Foundation
- Katrina Farmer: Child Health Advocacy & Outreach, Center for Diversity & Cultural Competence

**Each Vice President has Directors who report to her/him; Unit Managers report to Directors; front line staff report to Unit Managers**

# Methods to Leverage Strategic Partnerships

## Important considerations

- Leverage (not add) infrastructure (i.e., FTEs) (approximately 3,000 SLCH employees)
- Reallocate/reduce rather than add resources through Lean or Six Sigma methods and Making BJC Better
- Build on strong medical, academic leadership, and partnerships
- Identify critical success factors for project
- Estimate start up and operational costs and impact
- Establish project governance to mirror both financial risk/benefit and medical leadership

# Methods to Leverage Strategic Partnerships

## Unlikely to succeed: Psychology services

- Needed to address clinical needs, educational expectations, research requirements
- Psychologists currently employed by SLCH
- Poor reimbursement, large demand
  - Labor per stat: negative impact (no additional patient days)
- Option: move Psychologist FTEs to a Department in the Medical School as primary employer
  - Improves SLCH labor per stat
  - Assigns employment costs to Medical School
  - SLCH pays Medical School to defray expenses?

# Methods to Leverage Strategic Partnerships

- Option: move Psychologist FTEs to a Department in the Medical School as primary employer
  - Medical School Department impact: unlikely to cover costs even with SLCH subsidy
    - Large Medical School overhead per employee
    - Most appropriate Departmental home?
  - Conclusion: neither Department nor SLCH interested in changing Psychology service model
    - Options: enhanced reimbursement for Psychology services; cross subsidy from SLCH or Department(s); extramural support; philanthropy



# Methods to Leverage Strategic Partnerships

## Successful: MRI services

- Capacity existed with addition of 3<sup>rd</sup> magnet with fixed and variable costs
- SLCH collaborated with Anesthesiology to increase utilization of MRI (sedation)
  - High reimbursement/high margin procedure
  - Neutral impact on labor per stat, VPI
  - Addition of Anesthesiology services did not impact SLCH labor hours but favorably impacted SLCH and Anesthesiology reimbursement

# Methods to Leverage Strategic Partnerships

## Successful: Hematology-Oncology Integration

- SLCH may purchase chemotherapy medications for less than Department of Pediatrics (340B)
- Department wishes to benefit from reduced costs of chemotherapy medications
- Opportunity to enhance integration of information technology, inpatient-outpatient clinical operations, and reduce medical errors
- Necessity for medical leadership and collaboration
- Sharing of employees has neutral impact on SLCH labor per stat, chemotherapy increases SLCH margin, and both Department and SLCH share financial benefits

# Methods to Leverage Strategic Partnerships

## Hopefully succeeding: Campus Renovation/Women and Infants' Program planning

- Neonatal, pediatric, and cardiac intensive care profitable for both SLCH and Department of Pediatrics
- Capital intensive project
- Requires medical leadership across multiple Medical School Departments (Joint Office of Strategic Planning)
- Allows BJH to use vacated space to achieve a phased campus redevelopment plan
- Favorable impact on SLCH labor per stat, VPI, and margin
- Favorable impact on Medical School's mission

# Summary

## Leveraging strategic partnerships between Department of Pediatrics and St. Louis Children's Hospital

- Harmonizing Departmental and SLCH missions and incentives
- Planning with Departmental administration and FPP Joint Office of Strategic Planning
- Committing to patience, listening, and education of our hospital colleagues