

March 2025

Creating a sustainable approach to corporate shared services

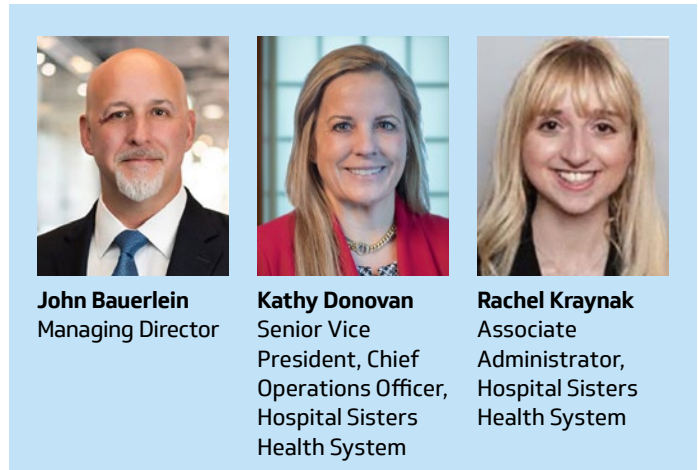
Health systems across the country continue to face higher operating expenses as well as clinical staffing shortages due to disruptions caused by the Covid-19 pandemic. Changes in operations and services, coupled with the need to invest more in patient-facing services require systems to assess corporate shared services to maximize efficiency and cost-effectiveness. Many times, this means reducing the size and scope of corporate and back-office services to appropriately support the new clinical operating environment.

Corporate shared services can range from 10% to 20% of a health system's total operating revenue and represent a prime area ripe for savings and improvements. Efforts to achieve sustainable expense reductions in corporate shared services, however, are often unsuccessful due to:

- A simplistic approach that seeks to maintain expenses to prior year actuals or imposes across-the-board percentage reductions for all functions
- A range of activities performed by professionals across services that make simplification and consolidation of services—and meaningful cost reductions—more difficult.
- A tendency to treat corporate shared services as a protected interest immune from cost reduction and productivity efforts.
- A lack of ongoing vigilance, accountability and transparency to prevent costs from creeping back over time.

In today's challenging environment, evaluating, improving, realizing and sustaining meaningful savings requires a new approach:

- Bottom-up quantitative and qualitative analyses to identify the precise opportunities and magnitude of potential improvements.
- The collaborative development of detailed improvement plans based on these analyses and a realistic outline for how to achieve savings.
- A transparent change management process that reaches the front lines.



- Monitoring and reporting of key performance indicators and standards on a regular basis, coupled with corrective steps to maintain efficiency and cost-effectiveness

The objective of this approach is to redesign the corporate chassis and sustain improvements. It results in a redesign that is sensitive to the demand for services within each functional area; evaluated within the context of industry benchmarks and leading practices; and based upon operational, structural and task considerations. By situating the unique needs of the individual health system and its functional areas within this context, this approach helps to ensure that corporate shared services are appropriately staffed and that savings opportunities can be sustained in the long term.

Case study: Hospital Sisters Health System

Hospital Sisters Health System (HSBS) was founded in 1875 by the Hospital Sisters of the Third Order of Saint Francis in Springfield, Illinois, and has since grown to a network of 13 hospitals and physician practices servicing communities located in Illinois and Wisconsin. When HSBS decided to divest from its markets in western Wisconsin, it saw an opportunity to restructure the system as a whole. A significant component of this restructuring included rethinking and right-sizing the structure of its corporate shared services, and HSBS engaged Kaufman Hall, a Vizient company, to assist with this effort.

Several years ago, HSHS had engaged in an initiative to reduce corporate shared service expenses, but those efforts were based on recommendations that led to sweeping and imprecise workforce reductions that negatively affected several departments. A goal of this new effort was to ensure that recommendations would be more detailed and precise, with unique recommendations for each functional area based on quantitative and qualitative assessment results.

Combining quantitative and qualitative assessment results
Kaufman Hall’s work began with an assessment of HSHS’s current state and savings opportunities, based on a process that combined quantitative and qualitative components. The assessment drew upon three primary sources:

- Benchmarks derived from internal data sources.
- Benchmarks derived from national data sources. The benchmarks represent commonly accepted industry standards across functional areas; because each organization’s corporate structure is unique, however, a required step is to align the organization’s structure with the benchmark categories. Following this step, the HSHS assessment included 14 functional areas.
- Interviews with mutually agreed upon leaders across corporate shared services functions.

The qualitative component of this process—interviews with the operational leaders—played a significant role in ensuring that recommendations aligned with HSHS’s unique system needs. These interviews provided insight into HSHS’s operating and delivery model, clarified the services offered across the different functional areas, helped evaluate HSHS’s current status versus leading industry practices, and validated the findings of the quantitative analysis.

A comprehensive restructuring

HSHS’s goal was to complete a comprehensive analysis of its corporate shared services function to identify opportunities within all “pillars” of high-performing corporate shared services structures, viewing opportunities through a variety of perspectives. The end result would be a redesign of corporate shared services that would deliver high-quality services efficiently to internal clients with an appropriate staffing and cost structure (Figure 1).

As one example, HSHS took advantage of its market restructuring to look for opportunities to centralize services. This analysis started with a look at the top. Under its former, state-based structure, HSHS had CEOs at each of its individual hospitals. When it moved to a market-

Figure 1: Identifying corporate shared services opportunities

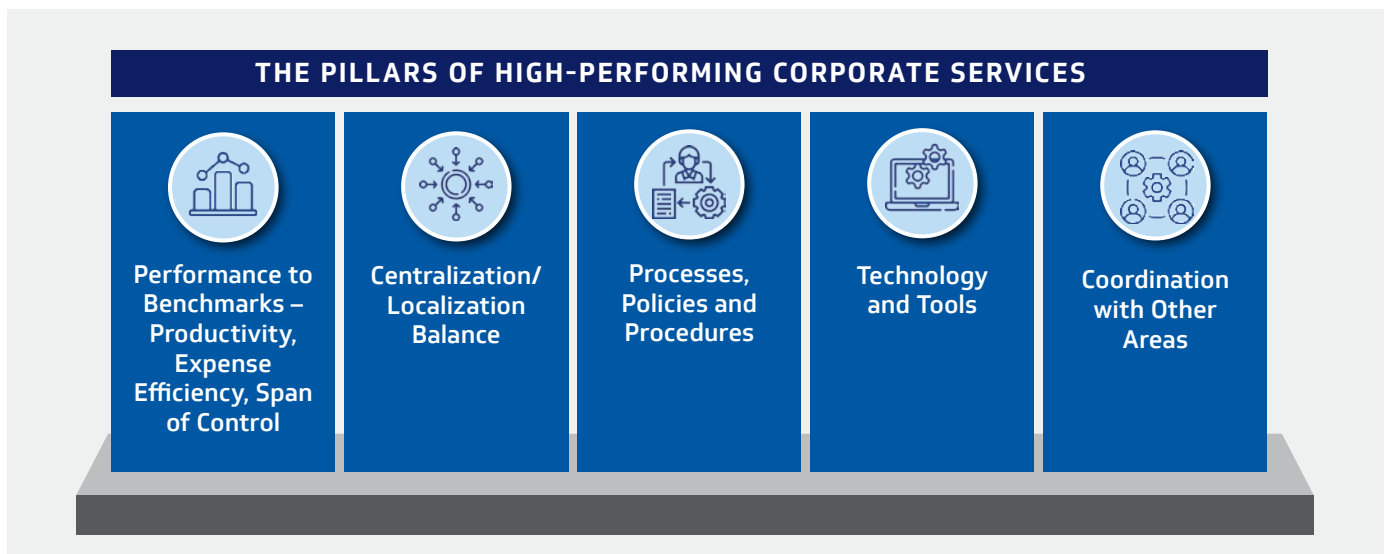
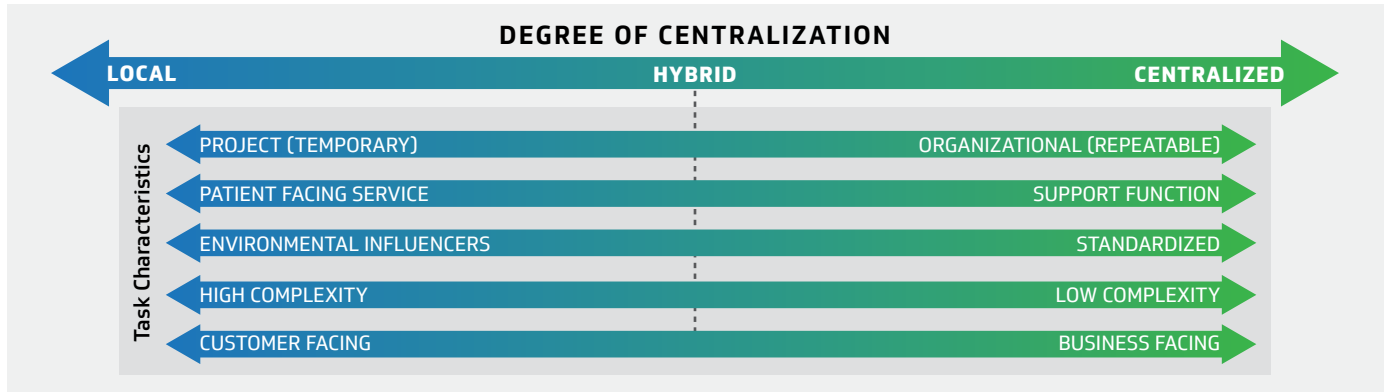


Figure 2: Centralization decision matrix



based structure, it also eliminated hospital-based CEOs—replacing them with chief administrative officers (CAOs) at the local level—and created three new CEO positions for each of its three markets (the North market in eastern Wisconsin, and Central and South markets in Illinois). The three market CEOs report directly to the system COO. This structure keeps care decisions local and intentionally places nurses and clinicians in senior positions accountable for providing an exceptional experience for HSHS patients.

For centralization opportunities across corporate shared services, decisions were structured around an analysis of a matrix of factors that identified which services should remain local (tasks, for example, that require direct and unique patient interactions), which could follow a hybrid model (tasks that can follow centralized operating practices across entities but require local delivery), and which could be centralized (tasks that are relatively low in complexity, scalable and standardized—and for which centralization can generate quantifiable cost and efficiency improvements) (Figure 2).

Outcomes and factors contributing to the initiative's success

Following HSHS's review of Kaufman Hall's recommendations, HSHS developed a plan to achieve a 12% reduction in the shared services expenses analyzed as part of the plan and a 12.9% level of shared services spend as a percent of net patient service revenue.

Cost reduction initiatives are always challenging, but HSHS followed a process that contributed to the plan's long-term success:

- The system CEO, Damond Boatwright, remained close to the work throughout the project and took personal responsibility for reductions in executive positions.
- The tailored approach to cost reductions, with recommendations unique to each functional area, was more palatable—and more easily communicated—to stakeholders within the functional areas, gaining buy-in for the process and outcomes.
- The corporate shared services initiative was not presented as a “one-off” but part of a broader system restructuring, providing the opportunity to reimagine how they deliver services and support across the system.

Implementation is just a starting point: achieving targeted improvements will require ongoing monitoring and identification of obstacles. Longer-term sustainability will require a disciplined approach to analytics and tracking to ensure costs do not leak back in, as well as continued benchmarking to identify new savings opportunities. Transparency, accountability and the continued support and involvement of the CEO and system leadership will be critical as well. HSHS is confident that its reasoned approach and reliance on analytics and accountability will generate sustainable savings to position the system for success.

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