Is Your Organization Over-Allocating Resources to Corporate Services?

Four key workload categorizations to consider as hospitals reimagine operations

"The new normal" is a phrase that many people throughout the world have likely become numb to. COVID-19 has permanently changed many aspects of how we live our lives and how most industries operate, with healthcare delivery chief among them.

COVID-19 is demanding a new and improved cost structure from hospitals around the country. Hospitals with historically strong balance sheets are burning through cash at an alarming rate, while others are struggling to make ends meet. Whether organizations are planning for a more challenging time or just trying to stay afloat, they should have executable strategies in place to respond to this climate. Those strategies should examine the causes and effects of necessary adjustments; without doing so, cutting headcount can come with unintended consequences and costs.

COVID-19 has hospitals making unprecedented moves to preserve cashflow and keep employees safe. Before reverting to the old model of operating, leadership should think about what this new way of operating may look like. Many organizations have been forced to make difficult decisions, such as furloughing or laying off staff. Now is the time to examine the impacts of those changes. Have service levels suffered since the reduction took place? Is the reduced model sustainable? How could the department change as a result?

Additionally, many employees are being asked to work from home. The question is: have employees been as effective in their roles when working from home? If employees can work effectively in this new way, are large corporate offices necessary to house people physically coming to work each day? The question is not only how to reopen, but where.

At this time, hospital leadership should review historical efforts to improve financial performance that have typically covered workforce staffing to demand, revenue cycle, and supply chain improvements. While these present viable opportunities for financial improvement, corporate services is an area often overlooked and rarely addressed by improvement initiatives. The needs of each organization differ and change over time, and the workload performed by corporate services departments often grows based on the organization’s appetite for a higher level of service. Industry benchmarks in this space are often difficult to interpret. Organizations commonly add headcount to address new business needs. However, organizations have not routinely established success metrics for new positions or reevaluated whether they are achieving the appropriate ROI.

Examples of corporate services include:
- Finance
- Information Technology
- Legal
- Compliance
- Privacy
- Human Resources
- Marketing
- Supply Chain
- Revenue Cycle
- Credentialing/Privileging
- Quality
- Education
Rethinking corporate services should first involve an evaluation of the current organizational structure and a detailed itemization of the workload performed by each department, matching the quantifiable inventory of tasks and processes against total allocated resources. The following considerations should be built into your evaluation tool:

1. **Core Work** – Which services highlighted are considered core work, delivering required output critical to the success of the organization?

2. **Projects** – This is time dedicated from the allocated resources to take on temporary workload, suggesting that there is capacity within the department to do so. When the project ends, what happens with that capacity?

3. **Nice-to-Haves** – This work is likely the result of personal preference, custom reporting, or other discretionary tasks. These can be examined to identify whether they are worth the resources being allocated to them.

4. **Idle Time** – If a team has ten full-time equivalents (FTEs) but only requires nine to maintain a quantifiable workload, does the team need ten FTEs?

Taking the approach defined above is different from traditional benchmarking exercises, where any identifiable benefit can be argued away by a savvy leader. Rather, it is a more accurate method to creating a zero-based budget for the potential new normal way of operating. It captures the nature of work being done by each department and allows leadership to ask: Is that the right work that should be focused on? The department might be sufficiently productive, but is it doing the right work?

Whether your organization is struggling to make ends meet or wants to sustain financial strength well into the future, COVID-19 is demanding that healthcare organizations reimagine how they operate. Examining corporate services allows organizations to make more educated decisions about adjustments they are considering. This serves as a better alternative to simply cutting, without examining the underlying workload and associated risks of doing so. In general, corporate services is made up of well-compensated positions that do not experience the same levels of turnover as other hospital functions.

Is your organization over-investing in corporate services at the expense of clinical services? Does your organization need to be as large and robust to be successful? These are the questions many organizations should be evaluating in this time of crisis. Now is the time to perform a zero-based budget exercise and structure departments in an optimal fashion from the ground up.

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