

PART  
I

# Necessary Essentials for Financial Viability

Some may wonder why we have included the chapters in Part I in a financial management book. After all, why aren't we getting right into finances and budgeting? Actually, we start with these chapters for a very specific financial reason. As will become clear later, any time we make the finances, or bottom line, come first, we create more financial problems—things become more expensive. So, for the most effective bottom line, the bottom line cannot be first priority! It has to become second behind some *very* important issues.

Part I is given first placement in this book because the issues discussed are basic and when broken result in serious financial issues. If we do not pay attention to every aspect discussed in Part I, we will lose money! However, when these aspects are functioning well, we have the foundation in place to realize financial success.

Part I starts with a letter to nurses about doing what is right for patients, written by a hospital chief operating officer who is also a nurse. The message behind the letter is, if we do what is right for the patient (more about this in the next section), the money will follow. We found this letter to be energizing and personally moving. We hope you do too.

The second chapter is concerned with quantum leadership. Leadership is what happens between two or more people as they interact. *Staff need to be leaders. Patients need to be leaders in determining their care.* Administrators need to **support** leadership as it takes place at the bedside. If the administrative leadership is broken at any level—especially at the top—everything else is broken within an organization, and the organization will lose *a lot* of money. Fish rots from the head. But money is only a minor problem compared with patient suffering or death, and poor patient outcomes. Patients are in jeopardy if the administrative and staff leadership is inadequate.

The placement of this chapter is deliberate because we need to pay attention to our administrative leadership before we can expect improved patient outcomes and better reimbursement! If the administrative leadership is ineffective at any level in the organization, other financial problems will follow. But this isn't enough. Staff and patients need to be empowered to be leaders every day in the care given and received.

The third chapter is concerned with organizational strategies. Organizations are complex, as is the healthcare environment. As they become more complex they become bureaucracies. Complexity breeds problems and errors. To deal with this effectively, we need to simplify organizational processes, do only

what the patient values, and, as decisions are made, do what is best so that patients can achieve what they value. Thus, the patients, supported by staff at the point of care, make decisions about their care.

Most of the day-to-day decisions need to be made at the bedside. It is important that staff leaders at the point of care make 90% of the decisions about their work. Interdisciplinary shared governance, collaboration, and teamwork promoting healthy collaborative cultures are all part of our administrative work as we design the organization. To stay in touch with what is happening at the point of care all in the organization need to do regular rounds, talking and listening to patients and staff about what is happening. Rounds need to replace some of the meetings so that everyone has a more realistic assessment of the organization.

As we deal with needed changes, we must avoid “quick fixes” that worsen problems rather than repair them. Instead, we need to make small incremental changes that simplify the bureaucracy.

These first three chapters set the stage as the basis of effective financial management. This is supported by the American Hospital Association’s 10 “must do” strategies for financial success in this new value-based environment. Financial viability follows when this foundation is in place. It never should be top priority, or the bottom line—as well as the patients—will suffer.

# An Open Letter to Nurse Leaders: If We Do What Is Right for Patients, Financial Well-Being Will Follow

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## OBJECTIVES

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- To understand the importance of developing a personal mission statement.
- To identify resonance between your personal mission statement and the organization's mission statement.
- To accept that it is possible for a nursing leader to create an environment in which both fiscal responsibility and exceptional patient care can coexist.
- To recognize the importance of communication and celebration.
- To embrace the concept of considering what is right for the patient in all thoughts and actions.
- To feel joyful and excited about the opportunity to be a nurse leader who strives daily to connect hearts and minds to the noble calling of patient care.

It is not easy to be a nurse leader/manager. I applaud you for your endeavors and encourage you to bring your best efforts to this very important role. Excellent nurse leaders are the key not only to exceptional patient care, but also to financial health.

Healthcare costs are out of control in this country. Program after program is launched to control the runaway costs of health care and to increase fiscal accountability for the use of the healthcare dollar. This scenario can create a difficult environment for nurses. Our healthcare organizations have reacted to diminishing fiscal resources by downsizing and reengineering. Doing more with less has become a route to survival. In this time of crisis, nurses have come close to the edge—the edge of losing control of our values and our ability to make a difference.

Nurses are good people, compliant with the rules. Nurses want to do the right thing and to be team players. In these years of declining reimbursement, however, there has been an alarming trend to make our decisions on behalf of dollars instead of patients. Nurses have come close to becoming followers instead of leaders.

This letter is a call to leadership to believe in yourself and the nurses you lead. As the gospel hymn says, “We are the people we’ve been waiting for.”

Your calling in life is to do what is right for your patients. It has been my experience (and that of many others) that doing what is right for the patient leads to a positive bottom line. It is important to believe that if you *make decisions on behalf of patients, the dollars will follow*. “A good outcome leads to a good income,” as one of my friends declares.

All nurses know this is true. You have seen it with your own eyes. The relative value of nursing care is huge. Evidence supports this. There is no substitute, and there are no shortcuts. It is up to you and other nursing leaders in your organization to carry this message to all corners of your realm of influence—to the community in which you work, to the board that directs your organization, to the physicians, to the patients, and to the nurses whom you lead.

Now is the time. You are fortunate to live in an era in which there is awareness of the need for a values-based workplace. People are seeking a connection between their personal values and their work. It is recognized that there is a need for the practical application of principles and values to breathe spirit and meaning into what people do with their lives. This belief is a natural fit for nurses because it is what true nurses have always believed.

It is easy to catch the wave of “doing the right thing” but difficult to stay on top of it. It takes courage, persistence, and a lot of hard work. It requires that you align your daily work with the dictates of your heart. Having blind faith without looking back helps a lot when you champion a cause. Always remember that you and your nurses embody the standard of care. Know, too, that a high standard of care leads the organization to a profitable position. *Reflect on what is right for the patient in everything you say and do*. It is a winning formula. I guarantee it. Say it out loud a lot. People want to hear it. And best of all, it is catching. Soon you will hear people around you saying it and acting it out.

Another current trend that supports the nursing cause is patient safety—the prevention of errors. The research literature, as well as the popular media, concludes that patients must come first. Errors not only harm patients, but they also cost more. Doing what is right for the patient saves money. Staffing with an adequate number and mix of registered nurses (RNs) prevents errors. Nurses have always known this in their guts. Now there is evidence to prove it. There are many ways to prepare yourself for this crusade on behalf of the patients. Know your business. Be credible. Be smart. And, most of all, communicate and develop relationships. Health care (as with most things in life) is about relationships. Let me explain what I mean.

## Mission

To be successful, know (and feel) the relationship between the organization's mission and your personal objectives. **Exhibit 1–1** illustrates this idea.

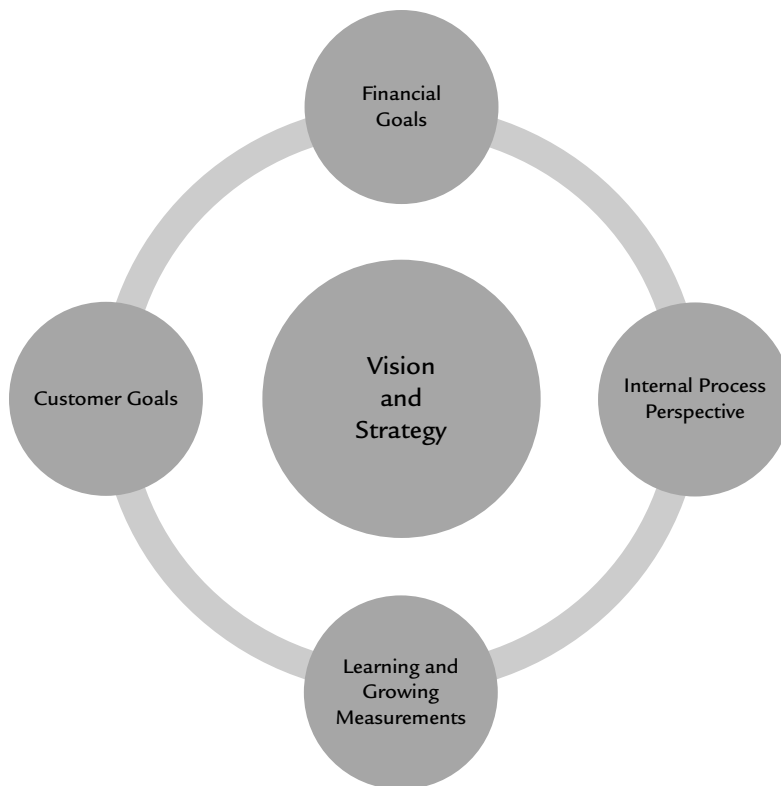
The first step is to know yourself. What are your personal objectives? What is important to you? What values do you hold dear? What do you mean when you say, “I want to be true to myself”? What is your mission? It is a good idea to develop and write down your personal *mission statement*. This exercise takes time and thought. It is a document you will reflect on and revise throughout life. To get started it is helpful to list your values. Enter *Personal Values Checklist* into your search engine. Many lists are available to get you started on developing your own mission statement. Knowing yourself better will be of great help to you with the many difficult decisions and situations that a nurse leader must address. It will make you a better leader.

Spend some time thinking about this, reflecting on it, and discussing it with others in your workplace. It is important to personally embrace the alignment between your mission and the mission of the organization, and to understand how what you do supports the mission. To feel a resonance between your spirit and the cause of the organization is very powerful. If you believe in what you are doing, work becomes a joyful thing. Your role as a nurse leader is to develop a unit-based mission that supports the organization's mission and strategy. The most effective approach is to engage your team in this effort. Personal involvement for each nurse inevitably leads to buy-in and success. It takes a lot of time up front, but there is a huge return on this investment because when you do this exercise each heart connects personally to the mission. **Exhibit 1–2** shows the basic components of a *balanced scorecard*.

You can see how this concept can be carried to the unit level and connected to personal values. Regular and timely reporting on progress toward goals helps to keep nurses and other caregivers engaged in the process. Pride and teamwork grow with the realization that every individual brings value to the patients and the organization.

**Exhibit 1–1** Organization's Mission and Your Personal Objectives



**Exhibit 1–2** Basics of a Balanced Scorecard

## Staffing

One of the biggest expenses of any healthcare organization is personnel cost. Therefore, you must become an expert in knowing how much nurses cost, how many you need, and why. An important key to success is to thoroughly know and understand how your nurses deliver patient care. What are the needs of each patient population that your unit serves? What are the needs of the unit as a whole? Exactly how many full-time equivalents (FTEs) are needed to deliver cost-effective high-quality care? Ask all the questions you need to develop a comprehensive construct of staffing requirements.

Next, sort this out in terms of skill mix. What delivery of care method should you use? Try several ideas. How many RNs do you need? Be reasonable. There really is a shortage of labor and revenue. Be able to justify your request for high-priced personnel to senior management. Know the *hours per patient day (HPPD)* or *relative value units (RVUs)* that are required to deliver excellent patient care. Turn to the evidence for support. Know this by day, by shift, and by hour. Know exactly what skill mix you need. Be able to visualize who will do what on each shift. What exactly is the role of the RN, and what exactly is the role of everyone else? And, finally, how do these roles mesh to deliver safe, seamless care that satisfies the customer(s)? This exercise, of course, is the first part of the budgeting process. To do it as a group project with your staff is the most effective method. Everyone can then understand where the budget

(the staffing) comes from and how important it is to work as a team to care for patients. When they are involved in the process, nurses start to feel more like participants and owners of the process and less like victims of it.

It is essential for you to develop or use quality measures to justify staffing budgets. Be able to show evidence that your requests are necessary to provide patients with safety and high-quality outcomes. It is helpful to develop a balanced scorecard for your unit that measures the same indicators that the overall organization uses to measure its progress toward goals. Enter *Nursing Balanced Scorecards* into your search engine for some examples.

## Budgeting Process

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Often, the annual budget is developed without much input from managers. Historical performance is used in the forecast, and some adjustments are made based on economic predictions. If this is the case for you, you still have opportunities for influence.

To be effective you need to know the steps of the budgeting process for your organization. Find out who develops the wage and salary budget. It may be a management engineer or someone in the human resources or finance department. The best way to find out is to ask the chief financial officer (CFO). CFOs are usually delighted that someone is interested in learning more about the budgeting process. It is likely that he or she will candidly and eagerly answer all of your questions.

Developing a partnering relationship with the CFO is key. You need each other to be successful. The CFO is often the pivotal contact between the board and the organization. Even if most board members have little healthcare experience, they usually have a lot of expertise with financial reports. Therefore, they scrutinize expenditures and want explanations. The budget for nursing is often one of the biggest, and the CFO must be prepared to defend it. With input from the chief nursing officer (CNO), the CFO is well equipped to defend the nursing budget and to explain the direct link between nurse staffing and excellent patient outcomes.

Get involved in forecasting the budget at the very beginning. If your organization's fiscal year coincides with the calendar year, this may be as early as the middle of the second quarter. Make recommendations to the appropriate person for the staffing your unit needs. Be detailed—include full-time equivalents, skill mix per shift, allocation to each shift, and so on. Be sure to include a line item for education and development. It is a good idea, too, to compare your staffing tables with *benchmarks* recognized as respectable in the industry. These are available online. Comparing to benchmarks helps you verify your work to yourself, your nurses, the CFO, other senior management leaders, and the board. You may not find exact comparisons, but you will be able to find scenarios close enough to your own to be helpful. If you can get both staffing numbers and information about patient outcomes from the benchmark, you are well on the way to building the case for putting patients first.

Most organizations expect managers to review the first draft of the budget before it is finalized. This is an opportunity for you to give valuable input. However, you may need to negotiate with your peers at this late point in the allocation process. In other words, the size of the pie has been determined. All that remains to be decided is the size of the slice for each department. Be fair. There may have to be some give and take. Before you go to budget meetings be clear on what can and what cannot be changed in the budget you are proposing.

As the year progresses you will be asked to talk about your financial performance. You will be expected to monitor and be knowledgeable of revenue and expenses per unit of service. It is important to know

what percentage labor is of total expense and the relationship of *productive time* and *nonproductive time* to your unit's overall productivity and labor expenses. There may be the need to calculate *return on investment (ROI)* for capital equipment expenditures.

Take note of what financial indicators are on the organization's balanced scorecard and be able to report on these same indicators at the unit level. It is likely that your organization has an agreement with insurers or payers called *pay for performance*. It used to be that care providers were paid by a system called *fee for service*. The emerging trend is for organizations to be financially rewarded (receive better reimbursement) for delivery of healthcare services that meet preestablished targets. Keep your staff informed of what these targets are and on the progress toward these goals. Providing this information increases buy-in and group synergy.

## Nursing Team

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You are running a business. You are responsible for influencing a team to walk the fine line between fiscal responsibility and excellent patient outcomes. Your challenge is to find that sweet spot where these goals align. The bad news is that this is difficult. The good news is that you are not alone. Everyone in the organization is trying to do the same thing. It helps to approach your work in the knowledge that you are part of a team. Be collaborative with your colleagues as well as with your direct and indirect reports. Be there for each other.

There is significant power in having a strong nursing leadership team. Know your strengths. Know your plan. Stand as one. In unity there is strength. Be the world's best champion for front-line nurses and for patients. Be quite clear on whom your customers are and how to delight them. Meet frequently as a team and share your progress toward goals. Celebrate. Have fun. Incredible synergy and creativity will emerge. Get worked up. Be excited. Your work is very meaningful. It is a cause worthy of your best effort. Nursing is the noblest calling—serving humankind. What could be more important? Be positive and optimistic. People want to follow a leader who strongly believes that the goals can be met. Praise is a powerful motivator for everyone. People want to be part of a winning team. A strong visionary team can master any challenge.

## Group Think

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A potentially powerful attribute of having a strong leadership team is the ability to make good decisions. When resources are scarce, every decision about their use must be a careful one. A team that recognizes the strengths of each member and is open and trusting is a vehicle to success. Listen to the stories your colleagues tell about what works in terms of motivating staff and reaching goals. Accentuate the positive. Be open to communication, especially listening. In an environment of open communication, barriers to success can be explored from different perspectives. Divergent opinions and disagreements can stimulate spirited dialogue and new ideas will emerge. Concurrence and convergence on a plan of action result in an even stronger team. Every decision should be tested for its possible short-term and long-term consequences. For example, a short-term plan of conservative staffing to save money may result in a long-term result of poor staff retention and less-than-excellent patient outcomes. It may cost more money in the long run. The more good minds you bring to bear on a problem, the better your decisions will be, as long as you are nimble and quick in getting to the plan of action.



## Other Relationships

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Depending on your perspective, just about everyone is your partner and/or your customer. The personal relationships you develop with each and all are an important part of your base of power. Nursing leaders usually have excellent interpersonal skills. Building relationships is easy for nurses. Capitalize on this skill. Use every opportunity to communicate and educate. You are the nursing expert. You, better than anyone, can explain why nursing is the backbone of the organization—the key to impeccable patient care and financial health.

Following is a list of leaders in your organization who can be pivotal to a nurse manager's success:

- **Chief Administrator (CEO, COO, CAO):** This person wants to be credible in the eyes of the board and the physicians. His or her goal is to ensure that high-quality health care is provided in a fiscally responsible manner. Your goal is to be seen in the eyes of this person as a key component to the organization in meeting its targets.
- **Chief Nursing Officer (CNO):** The same thoughts apply here. If you report to the CNO, always know what goals the CNO is working toward and mesh into those. Be an asset and not a liability. Suggest solutions to barriers to success. Remember to keep your conversations focused on what is best for the patient(s).
- **Human Resources Director:** This person is responsible for many functions of the organization that are key to your success—recruiting the best people, establishing competitive wages, offering benefits that retain and satisfy employees, developing feedback methods that reinforce goal-oriented performance, gathering information about employee satisfaction, and helping in the process of severing from the organization employees who do not share the values and the goals of the organization.
- **Staff Educators:** The role of these professionals is essential to your success. Collaboration with you and other nursing leaders will help the organization and, therefore, you and them achieve goals. The nurses of the organization are one of its most valuable assets. It is important to make a significant investment in the education of nurses. Start with a stellar orientation—a little extra time and effort up front will pay off handsomely. Offer education abundantly. Nurses like to keep learning. They also like to teach. Pay them a stipend when they mentor new employees. Excellent experienced nurses are the standard of care. Reward them for passing on their knowledge.
- **Chief Information Officer (CIO):** Let the CIO know you are a proponent of the organization's information systems. The electronic health record (EHR) is here to stay. Nurses must embrace it. Timesaving and error-preventing information, monitoring, and documentation systems are an absolute necessity. The learning curve may be steep, but the EHR ultimately eases the paper burden on our nurses and increases patient safety.
- **Chief Financial Officer (CFO):** The importance of this relationship has already been discussed. However, here are some encouraging words from a healthcare CFO. When asked what he expects from nurse managers he states the following: knowledge of the fundamentals of labor management, charge capture, employee satisfaction, patient satisfaction, physician satisfaction, and positive clinical outcomes. In addition, he looks to nurse leaders to maintain an open mind and positive attitude toward their financial responsibilities and to think of their work as shepherding a valuable community asset. He feels it is of prime importance for nurse managers to create a positive experience for themselves and their coworkers, including the finance people like him. He emphasizes his belief that a positive attitude goes a long way in building a collaborative culture that best serves the patient.

- **Physicians:** When nurses consistently provide excellent patient care, their greatest allies are physicians. A culture of teamwork develops. Exceptional patient care becomes the norm. Nursing alone cannot be successful. Everyone needs to embrace the thought that patients come first. Your job is to get all departments to support the work of the nurses. This is not easy to do if you appear superior or demanding. Express your appreciation. Celebrate successes. Share progress toward goals as a mutual endeavor and accomplishment.
- **Governing Board:** The governing board is your ultimate partner and customer. The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) requires that the voice of nurses be heard at the board level. Ideally, the CNO attends all board meetings. At the least, the CNO should report regularly to the board. Use this forum wisely. Report progress on established goals. Emphasize improved performance. Using objective data, make your needs known, e.g., staffing requirements and competitive wages. No whining allowed. Never undercut the CEO. Rehearse your presentations. Remember that you are equal. Do not be intimidated. Communicate that *the board's goals are your goals*. Study after study shows that nurses are the most respected of all professionals. Let your presence reinforce that well-deserved stature.

## Keep Your Promises

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Strive tirelessly to meet and exceed the goals you establish. This is sometimes the hardest part—especially if you have set “stretch” goals (and you should). In linking mission to strategy to goals, you can develop a dashboard of indicators that helps you steer your course. These indicators include patient outcomes that reflect excellent patient care, clinical and safety outcomes, adherence to evidence-based practice, and so forth. Monitor indications of the well-being of your nurses, such as retention rate, employee satisfaction, and hours of nurse education. And, of course, monitor adherence to your staffing plan, including hours per patient day, skill mix, agency hours, and overtime hours. Review your progress frequently. It is essential that you share timely information with your staff. Celebrate successes. Develop action plans with staff input when you get off track. A good rule of thumb is that three data points are a trend. If you have three data points off track, it is time to act. Think of negative trends as opportunities for improvement instead of problems. Remember also that flexibility is important. That is not to say that you should ever lower the standard of care. Impeccable patient care is sacred. However, health care is changing so fast these days that a goal established 6 months ago might no longer be applicable. Change your plan if the plan no longer fits.

Though objective measurable goals are essential in securing the resources you need and in measuring your success, subjective feedback is also very valuable. Listen carefully to what your customers are saying—patients, families, nurses, other caregivers, and physicians. You will hear compliments and complaints. Pass the compliments on to those who have earned them. Consider the complaints as gifts. This is often free advice on how to make things better. There is a grain of truth in every complaint. Do not let complaints get you down. Remember this: When people bring their concerns to you, they believe in you. They know that you have the power to make a difference. I believe that, too. Godspeed.

*There is one question, one answer, one passion: What is right for the patient?*

## Discussion Questions

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1. “Make decisions on behalf of patients, the dollars will follow.” What does this statement mean to you as you approach your management responsibilities to provide patient care?
2. Based on your experience or understanding, what would you say is the winning formula for achieving good patient care outcomes?

3. Some would say that you can catch more flies with honey. As a nurse administrator, how would you implement this approach?
4. What are the critical statistics that you should have on the tip of your tongue when you are justifying your needs to provide safe, quality care for your patients?
5. As the nurse manager of your unit, give examples of which elements are important for you to provide to achieve an appropriate budget. How will you use your influence as a manager to present your budget to administration to achieve the best possible outcome for your unit?
6. Communication with your nursing team is crucial. Remembering that your front-line nurses are most important for your success and excellent patient care, who are other critical partners essential to ensure exceptional patient care outcomes?

## Glossary of Terms

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**Balanced Scorecard**—a strategic management system based on measuring key performance indicators across all aspects of an organization.

**Benchmarks**—a standard, best practice or point of reference against which outcomes can be compared or assessed.

**Evidence-Based Practice**—clinical approaches supported by research findings that have proven effective at improving outcomes.

**Fee for Service**—a payer model in which providers are paid for each patient service regardless of outcomes.

**Hours Per Patient Day**—the amount of direct and indirect care that is required to provide care to a patient in a 24-hour period.

**Mission Statement**—a formal summary of the aims and values of a company, organization, or individual.

**Nonproductive Time**—the amount of employee time spent on vacation, sick days, holidays, and education.

**Pay for Performance**—a payer model in which providers are given financial rewards for achieving or exceeding specified quality benchmarks, and taken away when certain benchmarks are not achieved.

**Productive Time**—the amount of employee time spent in providing direct and indirect care to patients.

**Relative Value Units or Units of Service**—a financial or quantitative method of measuring patient care based on personnel time, level of skill, acuity, and resources required.

**Return on Investment (ROI)**—the profit made or loss sustained as a result of expenditure.

## Relevant Websites

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Appreciative Inquiry: <http://appreciativeinquiry.case.edu>

Balanced Scorecards: [www.ache.org](http://www.ache.org)

Baldrige Performance Excellence Program: [www.nist.gov/baldrige/index.cfm](http://www.nist.gov/baldrige/index.cfm)

Evidence-Based Practice: [www.ahrq.gov/qual](http://www.ahrq.gov/qual)

Healthcare Mission Statement (example): [www.nahealth.com/AboutNAH/MissionStatement](http://www.nahealth.com/AboutNAH/MissionStatement)

The Joint Commission: [www.jointcommission.org](http://www.jointcommission.org)

Nursing Mission Statement (example): [www.ijhn.jhmi.edu](http://www.ijhn.jhmi.edu)

Personal Mission Statement (example): <http://allnurses.com/post-graduate-nursing/personal-mission-statement-483464.html>

Personal Values Checklist (example): [www.lifecoachvictoria.com](http://www.lifecoachvictoria.com)

Public Opinion, Nurses: [www.nurseweek.com/features/99-7](http://www.nurseweek.com/features/99-7)

