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Lambert tells county commission losses could be as high as \$1.5 million by end of year if action is not taken now

By ROBERT PIERCE • Daily Leader EDITOR'S NOTE: This is the second in a series of articles concerning the joint meeting Thursday between the Seward County Commission and the Southwest Medical Center Board of Trustees. This story examines what actions the hospital is taking to correct a projected \$1.5 million deficit for 2010. Future stories will address feedback from Thursday's audience and members of the commission and the board of trustees.

Through July, Southwest Medical Center had an \$800,000 loss in net income, and if nothing is done, its CEO estimates the deficit could be as much as \$1.5 million by the end of the year.

Norm Lambert said Thursday, given those numbers, some kind of corrective action had to be taken.

"You just can't go out there and say we expected \$1.5 million by the end of the year," he said. "Let's just watch it. We had to do something."

Lambert said some actions have already taken place to help with the problem.

"We've seen a decrease in the number of full-time equivalents at the hospital," he said. "That was not that painful because we didn't have to force the issue. It was the employee's choice."

Lambert said a productivity system has likewise been instituted at SWMC.

"What we did with that is we had consultants from a national firm come in and do a study to look at the number of people we have compared to the patient volumes that have," he said.

Lambert said that firm has benchmarks from 600 hospitals throughout the country, including 100 of them similar in size to Liberal's.

"At least 50 percent of the hospitals in the country have a productivity system," he said. "It's obviously very important to have enough staff to take care of patients. At the same time, you've got to balance that against the budgets and the financial considerations."

Lambert said initial reports estimated SWMC had as many as 74 more full-time equivalents, but hospital officials did not buy that number.

"We had to go back and look at some other things again," he said. "The final report came in and said 'You're 50 FTEs too high.' We purposely went in and said we're not going to lay off 50 people just because these numbers say that. We're going to go back and look at each

department and look at the productivity. We started working with the department managers.”

Lambert said under the system, some employees were sent home an hour early due to a lack of patients.

“It’s a system hospitals all over the country use,” he said.

Lambert said hospital officials next looked at ways to raise revenue.

“We had some consultants come in and look at everything that we charge,” he said. “We’ve got thousands of different charges.”

Lambert said the consultants looked at how the hospital charges and areas where charges could be raised to get some of the money to make up for the deficit.

“We also looked at some coding in our ER, looking at improving that,” he said. “We were doing the work, but if you don’t code it and document it correctly, a lot of these insurances won’t pay you unless you can document that you’ve done the work.”

Lambert said the impact of that move for the fourth quarter of 2010 would be a savings of \$105,000, with a savings of \$400,000 for the entirety of 2011.

He said the next issue addressed was cost containment.

“We spent quite a bit of time looking at a lot of different things,” he said. “Probably one of the most painful things we’ve done was to eliminate the psychiatric program.”

Lambert said this was a difficult decision, but he estimated the department would lose as much as \$500,000 this year.

“That psych program has probably never made money for the hospital, but because of the other volumes and the other things we had for patient services, we were able to pay for the psychiatric loss,” he said.

Lambert said hospital officials have met with Southwest Guidance Center Director Jim Karlan, who Lambert said is trying to help the hospital place patients and find other avenues of care.

“It’s not going to be perfect,” Lambert said. “There’s just limited resources.”

Lambert said psychiatric programs are being cut all over the state, including the state’s program.

“Coffeyville shut theirs down,” he said. “Hutchinson’s shutting their program down. It’s difficult because when you try to balance the whole hospital’s health against a service that’s losing a half a million dollars, you have to make a tough decision. It’s going to be some negative impact for patients, and I wish I had another answer.”

The next step taken for the hospital was to freeze salaries for all employees for a one-year cycle, according to Lambert.

“For all employees, when they come up on their next anniversary date where they would normally get a raise, they will not get that this year,” he said. “That includes me. It includes every other employee. It’ll essentially be two years for some employees before they get a raise.”

Lambert said the impact of that step would be a \$94,000 savings for the remainder of 2010 and \$282,000 in savings for the first three quarters of 2011.

He said some selected staff positions have also been reduced, and through analysis in some departments, it was found that some work could be done with less people.

“It didn’t make it any less painful for the people in that department though,” he said. “The impact of that is another \$500,000.”

Lambert said reductions in smaller areas were likewise looked at, and that included travel.

“We didn’t cut it out because some of the travel is for educational purposes,” he said. “You can’t stop educating your staff. That’s usually where hospitals look first to cut budgets. That’s not a place to do that.”

Lambert said the hospital has also looked at some relief on its payment strategies for a 2001 bond, which is scheduled to be paid off in the next three years.

“Somewhere before the end of this year, we’re going to place the bond payment for the next three years into an Escrow account. At one point, we were looking at \$2.7 million.”

Lambert said, however, the balance should be less than that, and he added SWMC currently has \$18 million in the bank plus another \$17 million from bond proceeds.

“We can take the \$2.7 million and put it into an Escrow account and on Aug. 1 of next year call the 2001 bonds,” he said. “We’re going to pay off those three years remaining, and when we pay out of that Escrow account, we’re actually going to save interest.”

Lambert said given the current financial state of the hospital, the decisions made were the correct ones.

“When you’re trying to balance the health of the whole hospital, we felt we had to take these actions now,” he said. “It was painful for some. We knew it would be. It’s going to be painful for those that have salaries frozen. All of the people involved in this have stepped up, and they need to be commended for what they’ve done.”

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