

St. Joseph Health System Finds the Cure

The “Patient”

St. Joseph Health System (SJHS), a ministry of The Sisters of St. Joseph of Orange, California, and a client of Decision Sciences Corporation (DSC), provides a full range of facilities including acute care hospitals, home health, hospice, outpatient, skilled nursing, community clinics, and physician organizations. SJHS’s facilities and services also appear in non-traditional settings including school rooms and shopping malls. Here are some recent SJHS statistics:

- 14 Facilities (California, Texas, Eastern New Mexico)
- 24,000 Employees
- \$3.69 billion in Total Net Revenue
- \$266.7 million in Community Benefits, including care for the poor
- 3,607 Licensed Beds
- 2,061,026 Outpatient Visits per Year
- 235,177 Home Health Visits per Year

In 2009, SJHS received **The Gallup Organization’s “Great Workplace Award”** for the 3rd consecutive year (workforce experts selected SJHS with 22 other organizations throughout 150 countries).

The “Symptom”

In 2006, SJHS had applied basic Monte Carlo Analysis within its major construction process, with analyses facilitated by a professional analyst. However, the data gathering typically required several weeks, during which time project team members were interviewed in order to get the required inputs. In that time, of course, several aspects (and estimated costs) of the project could change. This meant that not only did it take a long time to gather data but the results at times might not reflect the current project conditions.

The “Cure”

After reading an article* written by DSC and evaluating the proposed services, SJHS decided to try Value-Based Risk Management® (VBRM®). The first project to which VBRM® would be applied would be a new cancer center under design.

Using VBRM®, DSC was able to provide the same level of results as that delivered by basic Monte Carlo Analysis with **only a single day of data gathering**. The one-day facilitation also provided a synergy of information sharing between project team members – a level of **communication and understanding previously missing from their risk analysis process**.

In addition, VBRM® delivered some value-added information including: the Uncertainty **Benchmark** (determines whether the team’s inputs are reliable); **Contingency Allocation** (how contingency needs to be distributed amongst the critical cost items); and Uncertainty **Grading** (a method for improving the team’s ability to identify and quantify project uncertainties).

VBRM® was subsequently applied during the project life cycle for the cancer center. Upon project completion, the **actual cost was less than 1% different from that projected by the first VBRM® analysis**.

The “Prognosis”

SJHS’s local hospital board was pleased not only by the effectiveness of the VBRM® process but also by the **straight-forward language** used to communicate

sometimes complex risk analysis details. Since that time, DSC has conducted 13 additional VBRM® assessments for SJHS, across 10 capital projects ranging from facilities expansions and upgrades to new facility designs and construction. Recently, SJHS began applying DSC's Remote VBRM® process: a **web-based facilitation conference for the data gathering phase**.

SJHS continues to apply VBRM® to its capital project planning and execution, and is currently preparing to share the benefits of VBRM as a "**best practice**" with other health systems in California and nationally.

* The article, "Value-Based Risk Management (VBRM)" appeared in *Cost Engineering*, Vol. 48, No. 2, Feb. 2006. *Cost Engineering* is a monthly trade magazine published by AACE International (Association for Advancement of Cost Engineering) of Morgantown, WV.

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