



# Developing sophisticated systems for success

## How CARF accreditation exposes organizations to the systems they need to thrive

By John Franklin, Managing Director/Group Head BB&T Capital Markets Healthcare Finance Group

### INTRODUCTION

One of the benefits of being a member of boards, participating on various professional task forces, and serving hundreds of organizations over the past 30 years, is the opportunity to gain insights on business improvement and to share those insights with others.

My recent addition to [CARF International's](#) Financial Advisory Panel very quickly has led me to define insights I believe are critical to the success of health and human service organizations. These insights especially are critical for smaller organizations that may lack the resources to develop and maintain what I have identified as the "Four Cornerstones of Success" – leadership, intellectual capital, technology, and sophisticated systems.

This paper will briefly discuss the Four Cornerstones of Success and describe how CARF accreditation can significantly increase the likelihood of achieving and maintaining the fourth and most important of these critical cornerstones—sophisticated systems.

### BACKGROUND: THE FOUR CORNERSTONES OF SUCCESS

Early in my career, I spent a great deal of time working in the nonprofit hospital world. During the 1990s, I saw a fair amount of merger and acquisition (M&A) activity as for-profit providers paid very high prices to acquire stand-alone nonprofit hospitals. At the time, the motivation for nonprofit entities to become acquired was easy to understand because typically they used the M&A money to set up nonprofit foundations supporting good work in communities. In addition, many of the hospitals being acquired were weak financially and therefore did not have the financial means to remain competitive as stand-alone entities.

During the early- to mid-2000s in the acute care industry, another wave of mergers occurred where the motivation was less clear. In this wave, most of the mergers were occurring through nonprofits acquiring other healthy nonprofits and with no obvious financial

incentives driving the phenomenon. So what was driving this new merger trend? Answering that question and carefully watching additional industry trends led me to develop the concept of the Four Cornerstones of Success for nonprofit service providers.

Each of the Four Cornerstones of Success is critical and all are interrelated, with failure in one usually leading to failure in the others. The Four Cornerstones are:

1. **Leadership** – Many books have been written on leadership and every successful organization has effective leaders, especially at the CEO level. During the merger wave at the beginning of the century, many nonprofit hospitals that had not developed an effective succession plan were having a difficult time recruiting talent to replace an aging or retiring CEO. As a result, merging with another nonprofit became the de facto succession plan and the only option short of being shuttered.
2. **Intellectual Capital** – Organizations that create intellectual capital and keep it usually win in the long run because good ideas come from employees who are smart and motivated. Because smaller organizations cannot provide the same type of opportunity as larger organizations, their most talented people often leave and deplete the organization of intellectual capital. This is also what was happening during the merger wave. It is important to note factors that can compel employees to stay – effective leadership, a mission they believe in, a superior work culture – all things small organizations are capable of offering.
3. **Technology** – Due to changing technology and the potential to leverage that technology to work faster and smarter, the need to stay on top of the latest technological advancements has never been greater. Technology can be used to gather data and track trends. This data then can be used to inform practices related to population health management, enhanced service delivery, and more meaningful planning. Organizations that develop, use, and leverage technology effectively are usually more productive, market savvy, and successful than those that do not.

4. **Sophisticated Systems** – Sophisticated systems are the methods and processes an organization uses to create and measure outcomes. They help develop and implement a strategic direction. An organization cannot thrive, or even survive, in the long run without proper systems in place. These systems are key to accomplishing complex goals and objectives such as expanding into a new market, repositioning a campus, increasing occupancy, enhancing revenue, reducing turnover, cutting costs, or enhancing efficiency. The sophisticated systems needed to achieve complex goals are related to workforce development, performance management, strategic planning, risk management, etc. The better or more sophisticated the system, the better the outcomes.

Sophisticated systems is the most important cornerstone because the other cornerstones require these systems to work effectively and to produce measurable progress and outcomes. It takes leadership to create the culture, intellectual capital to provide the ideas, and technology to provide the platform. But how does an organization develop and monitor its systems to not only optimize the other cornerstones, but also to create best practices and optimize organizational effectiveness?

For example, the sales process used does not depend on technology to be an effective sales process, although technology can increase its effectiveness. So an organization's sales process should be set up to effectively leverage what exists.

Many smaller organizations do not have the resources to recruit the best leaders, employ the best talent, implement the technology, or develop the best systems. This puts them at a competitive disadvantage and magnifies the need for sophisticated systems. These organizations are too often forced to merge or affiliate with other entities that have those systems in place or, worse, they fail.

## **CARF AND SOPHISTICATED SYSTEMS**

Helping create best practices using proven systems and approaches is where CARF accreditation adds tremendous value, especially to small or stand-alone healthcare and service providers. Some organizations may think of CARF accreditation as just a "seal of approval," a necessary "hoop to jump through," or a fancy seal to put on marketing brochures and never fully understand the impact and value the process of accreditation itself can bring to their organizations.

In addition to the many additional benefits accreditation through CARF provides—including the rigorous standards that push your organization out of its comfort zone, being able to examine your strengths and challenges without an internal filter, and demonstrating to stakeholders that you are accountable externally—it also exposes your organization to intellectual capital and perspective to which it would not otherwise have access.

This is extremely valuable for small providers as they look to develop the necessary sophisticated systems that will help them produce better outcomes. So how does going through the CARF accreditation process do this?

### **1. CARF Standards**

The collective intellectual capital that goes into developing CARF standards is quite deep. CARF standards are developed by soliciting experience and wisdom from expert stakeholders in the field including providers, consumers, industry associations, and payers. In effect, organizations going through the accreditation process are able to leverage and utilize intellectual capital from other leaders and service providers who face similar issues and challenges.

### **2. CARF Surveyors**

Additional intellectual capital is gained through the on-site survey. Unlike some accreditation processes that appear punitive, CARF accreditation surveys are conducted by peers who truly want to help the organizations they are reviewing. Surveyors' input is based on combined experiences from applying the CARF standards and practices at their own organization and at the many organizations they have surveyed. The process is meant to validate, educate, and improve practices.

More than 98% of organizations who go through the CARF accreditation process report it improved their performance. Specific areas of improvement reported include performance improvement practices, risk management, human resources management, and increased referrals/funding. The CARF process provided access to the systems they needed to accomplish this improved performance.

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## CARF AND SOPHISTICATED SYSTEMS IN PRACTICE

I spoke with leadership at three health and human service organizations who had recent experience implementing the CARF standards. They shared some specific examples of the sophisticated systems their organizations were able to leverage and the business results they enjoyed.

I spoke with:

**Belinda Needham-Shropshire, Director of Rehabilitation,**  
[Mt. Ascutney Hospital and Health Center](#)

Mt. Ascutney Hospital is a critical access hospital in Windsor, Vermont, with 25 beds and a 10-bed distinct part acute rehab unit. Affiliated with the Dartmouth-Hitchcock Health System, it received CARF accreditation for the first time four years ago and recently achieved reaccreditation.

**William Springs, Former Chairman of the Board,**  
[Aldersgate Retirement Community](#)

Aldersgate is a large, single site Life Plan Community located in Charlotte, North Carolina. Aldersgate received CARF accreditation for the first time two years ago during a major campus and product repositioning.

**David Wilber, Executive Director,** [Diversified Enterprises](#)

David Wilber has served in senior leadership roles with CARF-accredited service providers for many years, with an emphasis on employment and community services for individuals with intellectual and developmental disabilities. He recently transitioned to his new role at Diversified and is leading that organization's efforts to pursue CARF accreditation.

### ***Performance improvement and outcomes management***

One of the most valuable and frequently cited examples of CARF standards improving a provider's business operations is in the area of performance improvement and outcomes management.

Belinda Needham-Shropshire at Mt. Ascutney Hospital shared how accreditation resulted in an immediate system enhancement around its use of the Functional Independence Measure (FIM), an industry tool that is used to measure patient progress in rehabilitation units.

"As a small organization, we were not truly analyzing our data from the FIM reports on a regular basis," says Needham-Shropshire. "It was easy to get side tracked with the day-to-day work and forget to use your data for identifying possible improvement areas. With

*"We had a lot of resistance initially to CARF accreditation due to cost and time commitment and fear that it would be a punitive process. However, our staff found the surveyors to be true peers with a sense of humor and who looked for ways to help our organization adopt better systems, even to the point of sharing spreadsheets. The process was validating for our staff and the learning that occurred would be difficult to measure, but was incredibly valuable. It provided a "recipe book" for performance measurement and improvement."*

*- Belinda Needham-Shropshire*

the CARF survey, we were asked about our data and performance measures. There was a lot of emphasis on what 'report card' we were using and it helped us reengage with the measurement tools we had already available to us."

While onsite, the CARF surveyors not only pointed out how the hospital's existing tools like FIM could be better used within sophisticated systems, they also provided examples to help craft them. Other than FIM, Needham-Shropshire shared that the accreditation process directly informed how the hospital uses indicators to track areas like its internal educational system, emergency drills, and medical preparedness practices for employees. "The accreditation process totally changed the mindset and culture of the organization by making everyone more accountable," says Needham-Shropshire.

This improved performance management directly impacts an organization's bottom line. Revenue at Mt. Ascutney Hospital's acute-care rehab unit is measured using a per-discharge methodology, rather than per-diem, so an increase in discharges translates to an increase in revenue. In the five years prior to its accreditation, the hospital averaged 211 discharges each year. In the three years since, it has averaged 225 per year and its annual revenue has increased by between \$350,000 and \$500,000. Needham-Shropshire credits systematic efficiency gains as a result of the CARF process for this improvement. "We had more discharges because we admitted more patients. Both the demand was there and the turnover was possible."

## ***Strategic planning and business opportunities***

Often improvement in performance and outcomes management will position an organization to take advantage of new business growth opportunities. David Wilber shared a terrific example with me from one of his previous organizations.

“CARF accreditation helped the organization I was with respond to new business opportunities because much of the performance outcomes data that was requested by funders or proposals was in place and being tracked,” says Wilber. “In one instance, we had the opportunity to respond to an RFP to provide services to persons experiencing traumatic brain injuries. Our accessibility and service access data told us that this was a viable population for the organization to support, and the market was an important and strategic market location for us to enter. As a result, the organization was able to prepare for this and respond successfully to the RFP.”

And this is only one example. Wilber’s previous organization also used its service access data, combined with operational need surveillance, to move into other new markets. They were able to start a new residential services business line and support an additional 90 individuals served in those markets. These opportunities would have been lost if the right sophisticated systems had not been in place to quickly assess their value.

“I have found over the last 10 or so years that growth is less organic in our industry and more strategic in nature,” concludes Wilber. “To continue to be a viable and competitive entity, an organization must think strategically. While growth may happen, as Louis Pasteur said, ‘Chance favors the prepared mind.’”

## ***Financial planning***

Meanwhile, for Aldersgate and other providers in the aging services arena, strategic planning efforts place a particular emphasis on financial planning. William Springs shared with me how the CARF accreditation process helped the organization align its financial planning efforts with both outcomes objectives for residents and organizational performance objectives.

“The CARF section on financial planning and management ties back to the section on performance measurement and performance indicators,” says Springs. “The CARF examples speak to efficiency, effectiveness, access, and satisfaction. Specifically, the CARF annual benchmarking publication Financial Ratios & Trend Analysis of CARF-Accredited Continuing Care Retirement Communities enabled us to see where we lagged other CARF-accredited continuing care retirement communities in profitability, liquidity, and capital. We continually use these benchmarks to evaluate

*“As a Board Member, I saw CARF accreditation as more of an outcome than a process and saw the accreditation as a seal of approval that would help our marketing staff sell units and improve occupancy. I was not prepared for the amount of time and energy that went into the process, but believe that the process of going through accreditation was a part of the organization’s successful turnaround. I credit CARF for helping put systems and best practices in place that drove better outcomes and a culture of accountability and success.”*

*– William Springs*

current performance and guide our strategic decisions. A strong financial position gives us the operational and strategic flexibility we need to realize our mission and vision in serving our elders and enhancing the surrounding community.”

What Aldersgate was able to access by going through the accreditation process is the collective intellectual capital of CARF’s Financial Advisory Panel ([www.carf.org/About/FAP](http://www.carf.org/About/FAP)), which is composed of leading finance experts. This helps to strengthen the organization’s financial position and provide a foundation for success in the longer-term future.

## ***Human resources, turnover, and retention***

Another common system area where the CARF process brings tremendous value is in human resource efforts. Mt. Ascutey Hospital, for example, revamped its performance evaluation practices because of the CARF standards. As a result, the hospital identified many skill sets and competencies that were missing from its workforce. They were then able to conduct targeted training and make necessary personnel changes that strengthened the organization.

David Wilber, on the other hand, saw an improvement in one of his previous organization’s ability to retain talent. Specifically, the organization faced a challenge retaining direct support professionals (DSPs), whose average turnover rate may approach 45%. “While the entry level wage is low, one way we were able to increase retention and also focus on organizational outcomes was the introduction of performance based pay for DSPs,” says Wilber. “This was implemented based on the use of data and input from stakeholders of the organization.”

I find it worth highlighting that CARF's human resource standards go beyond simply assisting with compliance of regulatory HR issues to helping with the issues of recruitment, retention, and ongoing personnel education. As I discussed earlier, loss of intellectual capital inordinately affects smaller providers.

### ***Others (Health and safety, cultural competency, and beyond)***

There are several more sophisticated systems the contributors shared with me. All are important to the success of organizations, and different providers will find varying degrees of value depending on their unique situations. I wish I could mention all the systems that are positively impacted by CARF accreditation, but am limited in space.

Before concluding, however, I do want to highlight two more areas that I think are significant: health and safety and cultural competency.

David Wilber shared a story from one of his previous organizations that experienced a hurricane event in the early 2000s. Downed trees and power lines caused several homes to lose power for multiple days, and programs were not operational. "While the event was challenging, the team I worked with was well prepared because of the various health and safety contingency plans we had put into place," says Wilber. "Once it was safe, programs that could be operational expanded to accommodate the needs of the persons served who were displaced as was planned."

Wilber credits the CARF Health and Safety standards for providing a roadmap in advance of this disaster. Being prepared for unforeseen emergencies like a hurricane is not only critical for the safety of the people you serve, but also an important step to quickly getting back on your feet as an organization.

At Aldersgate, creating a robust plan for cultural competency, diversity, and inclusion that addressed residents, board members, staff, and other stakeholders was a priority even before pursuing accreditation. But a specific finding of the accreditation process was that the current plan was not comprehensive enough, nor was it being consistently applied across the organization. Using the leadership section of standards as a guide, Aldersgate began to focus on how to create processes, systems, and expectations to better implement an effective cultural competency and diversity plan. This not only sets the tone for a more inclusive organization across all stakeholder perspectives, but gives Aldersgate a unique position in the market to broaden its potential resident base. These initiatives around diversity and inclusion have also provided Aldersgate with a stronger recruiting position for both leadership and board members. As just one example from these efforts, Aldersgate recently hired its first Chief Diversity and Inclusion Officer.

### **IN SUMMARY**

As one of the Four Cornerstones of Success, sophisticated systems are critical to creating better outcomes across the entire organization. By exposing themselves to the CARF process, organizations are able to better identify areas needing improvement and develop plans to meet or exceed improvement goals. I cannot overstate how much CARF accreditation has helped organizations establish sophisticated systems and best practices.



# About CARF International

## FOUNDED IN 1966 AS THE COMMISSION ON ACCREDITATION OF REHABILITATION FACILITIES, CARF International is an

independent, nonprofit accreditor of health and human service providers. For more than 50 years, the CARF seal has been the hallmark of quality in human services. CARF's mission is to promote the quality, value, and optimal outcome of services through a consultative accreditation process and continuous improvement services that center on enhancing the lives of persons served.

Through accreditation, CARF helps service providers improve the quality of their services, demonstrate their value, and meet internationally recognized business and program standards.

CARF's reputation for advancing excellence in the industry is founded largely on its unique peer review accreditation model, which is comprised of a consultative survey and field-driven standards. CARF offers accreditation in the following areas:

- Aging services
- Behavioral health
- Child and youth services
- Employment and community services
- Medical rehabilitation
- Opioid treatment
- DMEPOS

## CARF'S BUSINESS PRACTICE FRAMEWORK

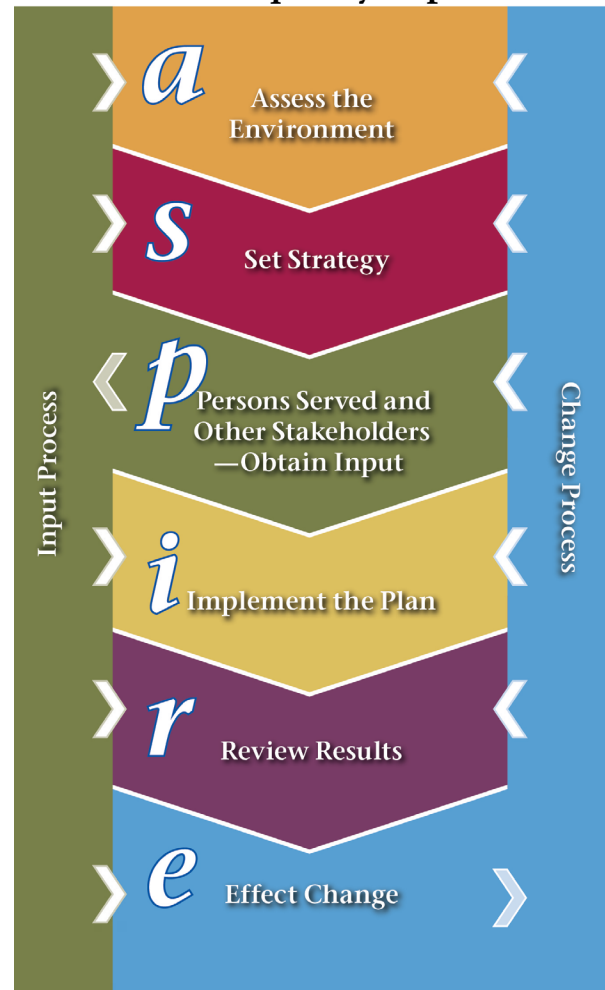
CARF's ASPIRE to Excellence® quality framework is a set of business practice standards that provide a logical, action-oriented system for organizational sustainability. The ASPIRE to Excellence® framework:

- Helps ensure the organization's purpose, planning and activity result in optimal outcomes.
- Emphasizes continuous improvement and integration of organizational functions.
- Reaffirms importance of stakeholders and persons served.

Achieving excellence demands sophisticated systems that seamlessly integrate all organizational functions with stakeholder engagement for continuous performance improvement.

Contact CARF at (888) 281-6531 or [carf.org/contact](http://carf.org/contact) to learn more.

## CARF's ASPIRE to Excellence® framework for quality improvement



# BB&T Capital Markets

BB&T's Healthcare Finance Group is headquartered in Richmond, VA. The Healthcare Finance practice is national in scope and includes 17 origination professionals located in 8 offices around the U.S. The Municipal Sales and Trading Platform include 71 institutional professionals and over 600 retail representatives. As a national leader in providing financing and advisory services for non-profit senior living providers, BB&T has led (as the Senior Manager, Sole Manager, or Structuring Agent) 206 Senior Living transactions exceeding \$6 billion over the past 13 years.

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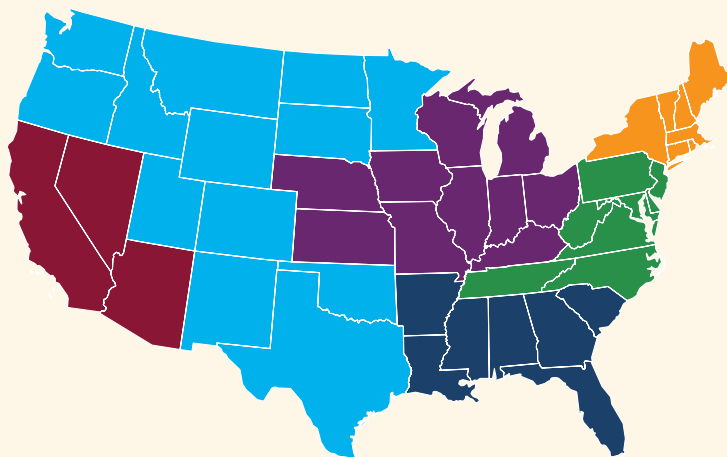
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