

Transforming HR to Drive Organizational Change



Mike Rude – SVP & CHRO

Option Care: A Leading U.S. Healthcare Provider of Home Infusion Therapy

- \$13B U.S. market growing at ~6%; Option Care has 14% market share.
- Support a broad range of infusion and injectable medications therapies to treat complex and acute conditions in the comfort of each patient's home and at Alternative Treatment Sites.
- Revenues of \$2.0B with 4,600 employees and presence in almost every state.
- Separated from Walgreens in April 2015 after 7 years of ownership, and now owned by Chicago-based private equity firm, Madison Dearborn Partners.
- The competitive landscape for infusion service providers is segmented into national, regional, specialty and local providers.
- Radically changing healthcare industry.



Option Care: What we inherited upon separation from Walgreens

- A consistent Passion for Patients and desire to deliver Quality Care
- Almost no Corporate functional resources
- 84 branch locations with 84 “CEOs”; lack of operational standardization; inconsistent quality practices across compounding pharmacies
- Outdated core IT platform; lack of integration of prior acquisitions
- Retail pharmacy practices and policies environment, not well suited for Patient Centered, Service Business
- Low employee engagement and high turnover; no management “basics”
- Culture lacking of accountability and performance driven results
- Uncertain regulatory/reimbursement environment; Cures Act 2017 (Medicare Part B infusion drug reimbursement)
- Need to grow **20%+** five-year Adjusted EBITDA CAGR with significant location and employee consolidation



Option Care: *Our Iceberg was Melting!!*

- To achieve improved quality outcomes, lower cost of delivery, deliver exceptional patient satisfaction, and drive increased company valuation, we needed to **TRANSFORM** the entire business.
 - Technology Transformation
 - Operational Transformation
 - Reimbursement Transformation
 - Culture Transformation
 - HR Function Transformation



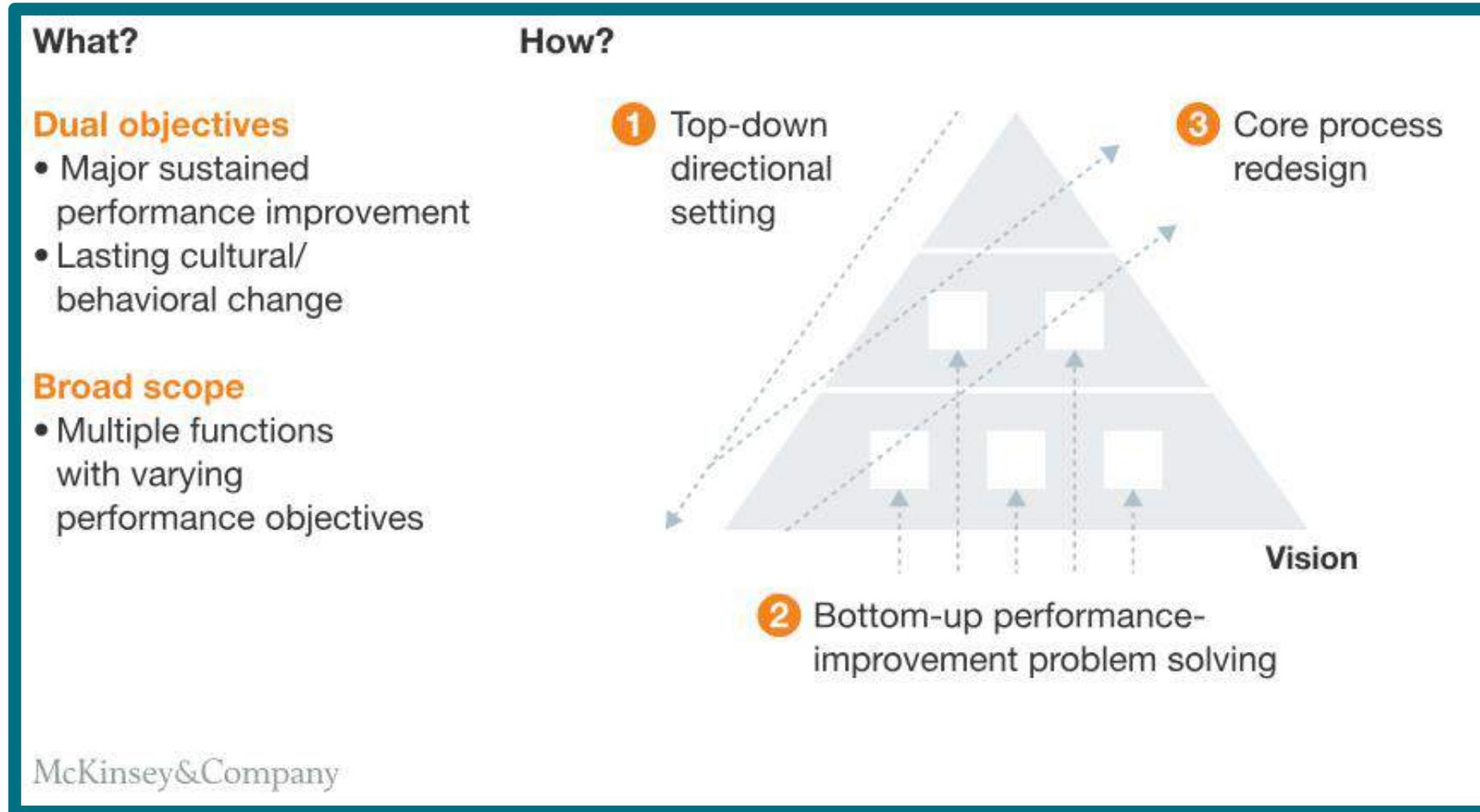


“We’re doing a heart and lung and liver transplant all at the same time.”

*John Rademacher
Option Care CEO*

McKinsey Integrated Transformation Approach

Key Axes of Change



- 1. Top-down direction setting** to create focus throughout an organization and develop the conditions for performance improvement.
- 2. Broad-based, bottom-up performance improvement** to get people at all levels to take a fresh approach to solving problems and improving performance.
- 3. Cross-functional core process redesign** to link activities, functions, and information in new ways to achieve breakthrough improvements in cost, quality, and timeliness.

Integrated Transformation Approach Initiatives

Direction

1

Top-Down Direction Setting

- Goals
- Vision
- Leadership Agenda
- Process Design
- Communications
- Training
- Measurement

Involvement

2

Bottom-Up Performance Improvement

- Performance Targets
- Goal Setting
- Benchmarking
- Problem-Solving Approach
- Involvement
- Implementation Driver
- Work Redesign

Collaboration

3

Core Process Redesign

- Process Identification
- Performance Objectives
- Redesign Process
- Change Management
- Shared Values
- Measuring and Monitoring

Human Resources needed to be an Integral Contributor to and Enabler for the Transformation

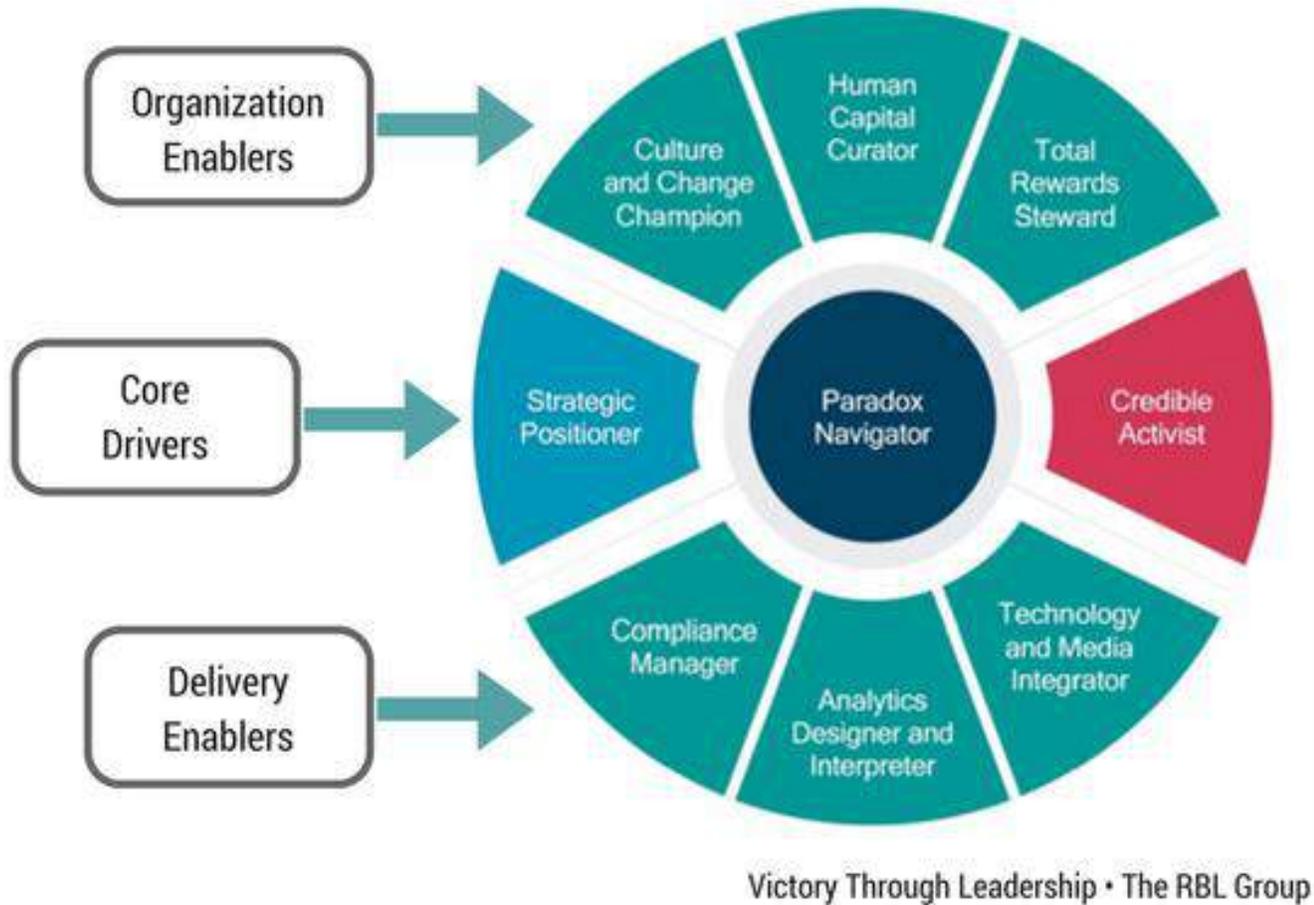
Human Resources Function Post Separation

- Initial HR function consisted of 8.5 FTEs for 5000 person company focused on reactive employee relations work; limited abilities to provide organizational and talent insights
- Limited HR systems with no regular reporting or analytics
 - No HRIS – only payroll system for HR data
 - Three disparate learning management systems
 - No performance management tools
- No Compensation and Benefits function or consistent compensation approach
- Limited Staffing function
 - One recruiter and two contract recruiters for over 400 open positions
 - Outdated applicant tracking system
- No Training & Development resources

Human Resources Transformation Strategy

1. Build out Human Resources function resources, systems and capabilities to deliver on our strategic priorities
2. Implement Organizational Culture and Employee Engagement Initiatives
3. Implement redesigned Recruiting and Staffing strategy to more quickly and effectively hire, on-board and train new employees
4. Deliver Core Management Training to front-line supervisors and managers, and develop General Manager development program
5. Implement necessary Total Rewards Strategy to attract and retain high quality talent

HR Competency Model



Organization Enablers

- **Culture and Change Champion**
 - Designs Culture
 - Manages Change
- **Human Capital Curator**
 - Develops Talent
 - Develops Leaders
 - Drives Performance
 - Develops Technical Talent
- **Total Rewards Steward**
 - Designs Meaningful Work
 - Manages Compensation and Benefits

Core Drivers

- **Strategic Positioner**
 - Interprets Business Context
 - Decodes Stakeholder Expectations
 - Understands Internal Business Operations
- **Paradox Navigator**
- **Credible Activist**
 - Influences and Relates to Others
 - Earns Trust Through Results

Delivery Enablers

- **Compliance Manager**
- **Analytics Designer and Interpreter**
 - Gets the Right Data
 - Interprets Business Data
- **Technology and Media Integrator**
 - Leverages Social Media Tools
 - Integrates Technology

Human Resources Transformation: First 2 Years

1. Develop and sell **business case** for Board investment of **\$4 million**

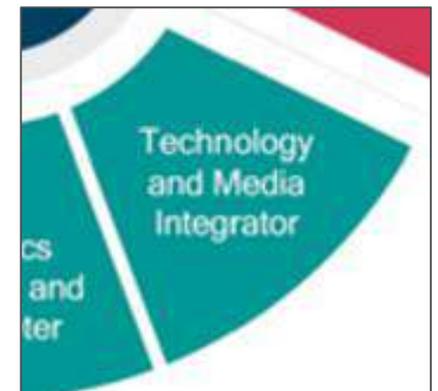
2. Build out HR function with ***Credible Activists*** in key roles

- Leader of HR Business Partners, Talent Acquisition, HR Operations and field Business Partners
- From 8.5 to 30 FTE over 3 years
- Immerse them in the business operations



3. Implement enabling ***Technology***

- Workday HR Systems suite
- Learning management system
- Achievers recognition system



Human Resources Transformation: First 2 Years

4. Implement **Culture**, Organizational **Change**, and Employee Engagement initiatives

- Vision, Mission and Values initiative
- Transformation Rationale “Story” and engage senior leaders
- Employee Recognition Program aligned to Values
- Employee Engagement survey (Gallup Q¹²) and action planning
- Regular Communications cadence



5. Implement **Total Rewards** Strategy

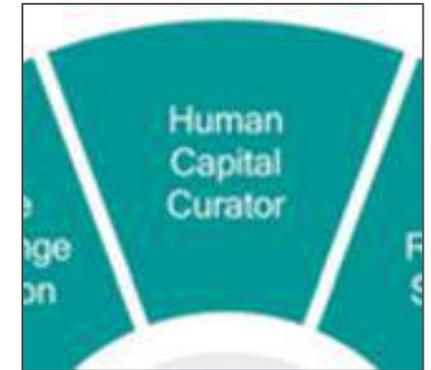
- Equity Plan for select roles (top 150)
- Sales Commission Plans
- Comprehensive Benefits Plans
- Job Grading, Titling Structure and Pay Positioning



Human Resources Transformation: First 2 Years

6. Build out *Human Capital* acquisition and development capabilities

- Talent Framework (Gallup Path)
- Talent Acquisition team and Employee Referral Program
- External assessment interview process for select roles
- New-Hire Training curriculum (30-60-90 days) and comprehensive On-Boarding process
- Core Front-Line Management Training and General Manager Development Program
- Development Tools like Gallup StrengthsFinder



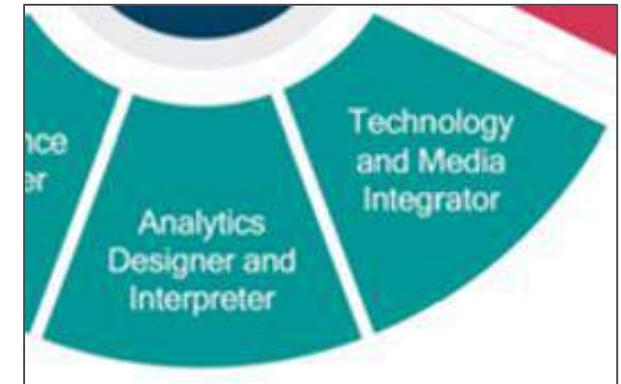
Human Resources Transformation: The Next 2 Years

7. Develop stronger Organizational & Talent *Analytics* capabilities

- Must move beyond simple reporting and integrate operational and financial data to gain deeper business insights
- Workforce planning, staffing ratios, predictive turnover models, talent bench strength
- Integrate with business Balance Scorecard efforts

8. Establish closer connections with Employees through newer and varied *Technology Media*

- Deploy technology to field staff (Nurses)
- Must rethink communication strategy and tactics – Yammer, Twitter, etc.
- Establish new and stronger Information Security Protocols and capabilities
- Find appropriate balance of timely, complete information sharing without overloading the organization



Critical Lessons Learned – Consider these before you “Leap” into your HR Transformation

- ✓ Agree upon a Transformation Framework to provide structure and focus priorities and ensure to staff with dedicated resources.
- ✓ Communication is the biggest challenge – cascading rarely works effectively during significant change; find ways to go direct (i.e., social media) and skill up local managers; spend more time communicating the Rationale for Change, location by location.
- ✓ Don’t “under club” the training resources and time.
- ✓ Develop your needed analytics and balanced scorecard early and iterate as you go; standardize and provide clarity on performance expectations – *“Begin with the End in Mind.”*
- ✓ Focus on fewer, high-return initiatives – don’t boil the ocean.
- ✓ As best you can, engage as much of the front line as possible on the process changes – be open to feedback (*you don’t have all the good ideas!*).

Thank You!

