 radical redesigns in an era of healthcare reform

Top performers share metrics for success

By Chip Caldwell and Greg Butler

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It's been predicted that artificial intelligence will continue its exponential growth rate-doubling every six months for years. Compare that to the rate of change in healthcare. CMS head Dr. Don Berwick observed in one of his keynotes, "The way I provide care today is almost identical to the way I provided care 20 years ago - and I think the doctors and nurses in the room know what I mean."[1]

While the specifics of healthcare reform might be cloudy, an American Society for Quality survey of CEOs, CFOs, COOs and CNOs from top-performing organizations suggests one certainty: The ease for politicians to target healthcare to help solve national and state budget crises will drive reimbursement at least 15 percent lower than current levels. Many predict that within three years, Medicare might be our best payor.[2]

For example, El Camino (CA) Hospital CEO Ken Graham in 2010 observed, "As insurers bundle, we expect a 10 percent to 15 percent decrease in reimbursement rates (at El Camino Hospital)." The leaders who participated in the survey, combined with a detailed analysis of over $300 million cost savings from 65 healthcare organizations, suggest that those who coddle the status quo risk survival.

Issues of Reimbursement

Much of the planning for the future depends on senior leader assumptions about reimbursement and the tools needed to achieve the presumed rate of reimbursement decline (Table 1).

### Table 1: Reimbursement Assumptions, Tools

<table>
<thead>
<tr>
<th>Reimbursement Scenario</th>
<th>Likelihood Consensus</th>
<th>Most Effective Tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up a Lot</td>
<td>Very Unlikely</td>
<td>Status Quo will work</td>
</tr>
<tr>
<td>Up a Little</td>
<td>Very Unlikely</td>
<td>Benchmarking Same approaches</td>
</tr>
<tr>
<td>Down a Little</td>
<td>Very Likely</td>
<td>Incremental improvement Lean</td>
</tr>
<tr>
<td>Down a Lot (Medicare Rates)</td>
<td>Highly Probable</td>
<td>Breakthrough Design Extend improvement to physician care processes</td>
</tr>
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</table>
If your organization believes that reimbursement will increase, then the same old methods used for the last several years like benchmarking will suffice for the future. If, however, you believe that reimbursement might approach Medicare rates, then new skills and methods like Breakthrough Design and physician care-hospital care improvement collaborative structures will be needed (Fig. 1: Impact of Potential Reimbursement Scenarios).

**Strategic Positioning**
In readiness for the coming storm, survey participants and enlightened senior leaders are going far beyond the current flurry of physician contractual redesign concepts and legal infrastructure development and taking action today to achieve a three-prong strategic positioning:

1. Speed of change. Adopting the speed of change as their ultimate competitive advantage;
2. Far-reaching accountability. Building a cross-functional culture of accountability involving directors, managers and physicians toward “boundary-less” collaboration; and,
3. Use of accelerating quality methods. "Upping the game" of accelerating quality methods like lean and Six Sigma to cross-functional/cross-entity levels.

Believing that a breakthrough scenario is likely, senior leaders voiced the requirement to master a new set of key competencies, including:

- Become skilled change agents (not our current strong suit).
- Manage improvement across a continuum of care vs. current silo thinking.
- Conduct cost management across a continuum, not just in silos.
- Manage risk (processes, scalability and technology).

**Speed of Change**
In observing the impact of senior leader activities, processes and communications, it is clear that the speed of implementation is viewed as the ultimate competitive advantage. While their low-performing counterparts continue to dwell on the available data, question its validity, seek additional analysis, hold numerous meetings and generally experience delay after delay, top performers are quick to establish the metrics for success. We found in our survey that top performers set speed to action plan implementation higher than the aggressiveness of the goal and center their interventions around implementation-oriented tasks, not analysis-oriented tasks. Senior leaders exhibit an uncanny ability to discern when enough data is adequate to launch improvement plans as opposed to their low-performing counterparts.

**Far-Reaching Accountability**
Top performers also recognize two vital components—the culture of accountability and the structure of the organization-wide accountable change model. The future restructuring of these two elements will become increasingly more complex as the physician continuum is added.

Survey participants ranked the organization-wide accountability model 30 percent higher than any other factor. While variation was observed, consistently appearing factors included shorter goal achievement implementation cycles, standardized action plan documentation and monthly accountability check-in meetings. Fig. 2 illustrates the trimester implementation cycle that we termed the 100-Day Workout. (Fig. 2: Implementation-oriented Organization-wide Change Model)
Multi-hospital System Performance
An analysis of eight multi-institutional systems, some of them top performers and some low performers, uncovered one reason why systems sometimes unwittingly set themselves up for failure. The secret to multi-institutional excellence lies in understanding the two components of any effective change model: the idea generation process and the implementation/change process. Low-performing corporate senior leaders and their lean experts often fail to recognize these two distinct elements of change and, thereby, with good intentions, take both upon themselves. This approach is not an effective route to system-wide improvement.

The best role for the corporate function, whether lean or other functional area whose job is to stimulate improvement, is to foster creativity and construct an agreed-upon playbook for implementation. Low-performing system senior leaders and their lean staff fail in assuming that the corporate office can drive implementation when implementation accountability is best placed on the shoulders of the entity CEOs. (Fig. 3 highlights the differentiation between the role of system offices and the role of entity CEOs. (Fig. 3: Multi-institutional System Change Model)

Accelerating Quality Methods
There is, however, a naïveté among senior leaders regarding the use of accelerating quality systems, particularly lean. Senior leaders at top performing organizations use lean as their tool of choice and, thereby, insert an active role for themselves far beyond the role taught in a manufacturing lean approach called "executive champion." Senior leaders in low-performing organizations perceive lean as a set of projects; senior leaders in top performers see lean as a means to achieve strategic outcomes.

Low performers have a tendency to utilize significantly more analytic tools and very few implementation-oriented tools. Therefore, lean and Six Sigma experts continue to press for tools that fall into the analytic set, like spaghetti maps, value stream maps, root cause analysis and regression analysis. Once a first run of analysis is completed, the expert presents the results to the managers, asking, "What additional analysis do you need?" And, the analysis loop repeats itself.

Lean experts at top performers, on the other hand, work diligently to complete the analysis, asking managers, "Do we have enough analysis to begin testing changes while I continue to gather more data?" as opposed to "Do you want more analysis?" This subtle difference in mindset has a huge impact; top performers implement two to five times more changes than their low-performing counterparts. (Fig. 4 and 5 highlight the point.

Fig. 4: Low Performers Emphasize Analysis

Fig. 5: Top Performers Emphasize Implementation
Moreover, if radical payment rate reform is expected, these insightful leaders are beginning to explore breakthrough design approaches that, while common in software and other industries, have yet to achieve the mainstream in healthcare quality management.

Senior leaders in top performing organizations believe that reimbursement rates will take a steep decline over the next three to five years and promote taking action today to ready their organizations by radically increasing their speed of improvement, bringing physicians into their change models, and assisting managers in their expanded roles as continuum of care change agents.
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Additional Information:
Readiness for health reform and "living on Medicare rates" is one of the top concerns of senior leaders. For those organizations that would like a benchmark comparison of their senior leader and manager readiness for health reform, contact Chip Caldwell at chipc@caldwellbutler.com for a link to the survey. Results of that survey are available within a few hours and will be sent back to the requestor.

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