

3 REASONS WHY HEALTHCARE NEEDS
A CONTINUOUS IMPROVEMENT (CI)
MANAGEMENT MODEL

Out of curiosity I recently ran a book search on Amazon using the key words “Lean” and “healthcare.” This search turned up 570 distinct book titles. I then searched for “process improvement” and “healthcare” which turned up 210 results. Finally, I typed “continuous improvement” and “healthcare” into the search engine and received 209 results. In scanning through the results I did see some overlap (i.e., certain titles appeared in multiple searches) but I feel pretty confident in saying at this point that hundreds of books have been written specifically to promote and/or teach the application of well-known continuous improvement methods and concepts, many of which originated in manufacturing, to healthcare providers (e.g., hospitals, clinics, outpatient centers, long-term care facilities, etc.).

Looking beyond published works, there are numerous web sites that teach, and conferences that promote, continuous improvement for healthcare as well as a variety of consulting firms dedicated to partnering with healthcare providers to implement CI. Based on some of these data points as well as our own direct interactions with a number of leading healthcare systems, it seems clear to us that healthcare providers are increasingly making a commitment to the application of continuous improvement.

But even though there appears to be a growing consensus that continuous improvement has a role to play in healthcare, we’ve still talked to a number of providers that have made only a tepid investment in CI as of yet and are, quite frankly, struggling with the decision about whether to fully commit to CI and how to do it the right way. With that in mind, I believe there are three critical reasons for every healthcare provider to make a meaningful commitment to the application of continuous improvement (or “Lean” or “process improvement” or whatever term you prefer) through the implementation of a formal CI management model. As an aside, and because it’s relevant to the focus for this article, we define a CI management model as follows:

The combination of resources, governance processes, methodologies, and tools required to undertake meaningful and lasting improvement.

Framed another way, institutions with an effective CI management model have taken a deliberate and thoughtful approach to all aspects of CI for the entire organization with an eye toward the dual objectives of impact and sustainability. The alternative is to take more of a “hands off” approach whereby different pockets of the organization make their own decisions about whether to invest in CI and, if so, how to best go about it.

The remainder of the article will seek to highlight three critical reasons why having a CI management model is so crucial right now in healthcare.

REASON 1: TREND TOWARD CONSOLIDATION

According to a December 2013 article by HealthLeaders Media based on research done by Booz & Company, as many as 1,000 of the ~5,000 hospitals in the U.S. will seek a merger within the next 5 to 7 years (many have already done so in the time since the article was published). In addition, a 2014 article in Modern Healthcare noted that the number of doctors employed by healthcare systems increased 39% in 2013 alone. These two statistics only represent a small sub-set of data that shows a growing trend toward consolidation among healthcare providers. There are, of course, a number of factors driving this trend (e.g., cost reduction in the face of declining reimbursement rates, diversification of services to better manage patient care, etc.) but regardless of what's driving it, what should be clear is that diversified, multi-facility healthcare systems can only differentiate competitively and extract maximum value from their increased scale if they can align the entire system on a common strategy and execute an improvement agenda based on that strategy.





Let me use a simple example to illustrate my point. Let's pretend that Acme Health has defined a strategic objective to drive a step change improvement in patient satisfaction scores. If Acme were only a single hospital, it would still face the dual challenges of (a) translating that one strategic objective into a corresponding set of department-level (e.g., surgical services, emergency, laboratory, pharmacy, radiology, etc.) objectives and improvement initiatives and (b) managing the execution of those improvement initiatives across all departments. However, that challenge becomes exponentially more difficult if Acme Health is a diversified network of hospitals, clinics, and long-term care facilities operating over a geographically dispersed area. That one system-level objective may end up generating dozens of child objectives (e.g., improve discharge transition processes across all departments, reduce overall patient wait time by 25%, etc.) and even more improvement projects (e.g., reduce cycle time from emergency department to in-patient care, standardize and streamline surgical patient prep, standardize processes to reduce patient falls, etc.) that require the active involvement and engagement of hundreds of staff. So the ripple effect that's created from defining just one system-level strategic objective is dramatic, not to mention the reality that there are likely multiple system-level strategies that the organization will need to deploy concurrently. Long story made short, the management challenges associated with driving a broad-based improvement agenda across a diversified healthcare system are significant, which necessitates having a thoughtful and deliberate approach to continuous improvement.

REASON 2: INCREASED FOCUS ON PERFORMANCE

Among the many changes brought by the Patient Protection and Affordable Care Act is increased attention not only to providing appropriate healthcare services (i.e., fee for service model), but on doing so with an eye toward meeting or exceeding certain standards for patient and staff satisfaction, readmission rates, and other key performance indicators (i.e., pay for performance model). At the same time the number of people covered by insurance, and therefore consuming a broader range of healthcare services, is on the rise, which will put additional pressure on healthcare providers to be highly efficient in order to accommodate the increased demand for their services. Put another way, healthcare providers will need to improve across a wide-ranging set of clinical and non-clinical performance criteria while simultaneously accommodating an increase in demand for their services... a tall order by any measure.

The practical impact of these changing dynamics is that providers can no longer afford to simply “stick their toe in the water” when it comes to continuous improvement. Quite the opposite actually... the organizations that are most forward leaning in their application of CI methodologies and tools are the ones that will benefit most in a rapidly changing environment. Simply put, healthcare providers won't be able to drive sustainable improvement simply through greater discretionary effort. No, a major step change in performance will require improving the capability and increasing the engagement of staff at all levels and changing how work gets done. In other words, it's difficult to envision a scenario whereby any provider can reasonably expect to thrive in the months and years to come without a CI management model in place.



REASON 3: OUTSIZED VALUE CAPTURE

As touched upon above, in a world characterized by (a) consolidation and diversification of services and (b) a heavy emphasis on improving critical performance outcomes, a scattershot approach to CI is highly likely to yield disappointing results. What's required is a systemic approach that gets everybody in the organization sitting in the same boat rowing in the same direction. In manufacturing, the companies that have successfully implemented a systemic approach – Toyota, Procter & Gamble, DuPont, and Caterpillar to name just a few – have realized huge benefits. DuPont for example, a company that P5G partnered with to deploy the DuPont Production System (DPS), has reported financial benefits to the tune of more than \$2 billion since beginning their DPS journey in 2007. And while healthcare is certainly a different world than manufacturing, there's no reason why the benefits achieved can't be similarly striking. In fact, many leading healthcare organizations have realized tremendous benefits from their CI efforts, including reduced patient wait times, better patient flow, fewer administrative errors, and better clinical outcomes (e.g., infections, readmissions, etc.).

But these benefits don't just happen. They occur when an organization really commits to continuous improvement and implements a CI management model to reflect that commitment.

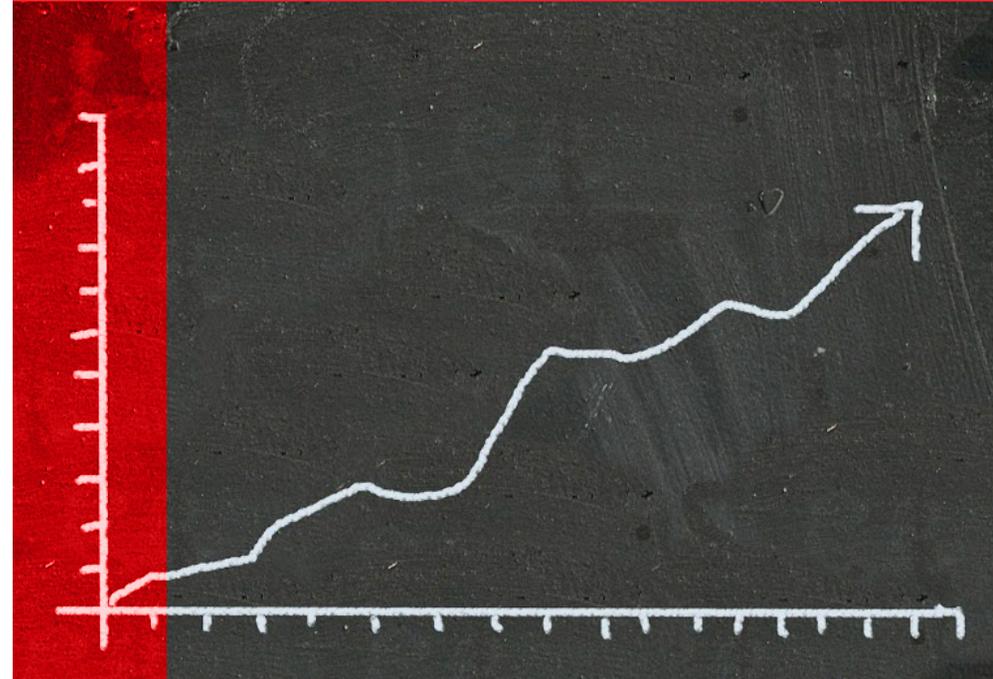


MANAGE CI BETTER WITH EON

When Phase 5 Group set out to develop EON, we did it based on our experience working with premier organizations that were committed to CI but frustrated by the inadequate tools available to really manage all of the various CI work streams – strategy deployment, project execution, and standardization of work practices & business processes – with the discipline and rigor required to drive impactful and sustainable improvement. EON is a dedicated and comprehensive cross industry improvement management platform that seamlessly integrates with any organization's existing CI management model or, for organizations that are just beginning their journey with CI, dramatically accelerates the implementation of their new management model. Companies that use EON can expect to capture value in one or more of three ways:

1. Reduction in non-value added work by eliminating the manual processes required to analyze and report the status of CI across the organization
2. Lower deployment costs by transitioning ownership for CI from the specialists/experts to the larger workforce more quickly and with less risk
3. Accelerated value capture through more rigorous oversight of the improvement agenda

If you'd like to learn more about what it takes to truly manage CI the right way or how EON helps organizations to do just that, please contact us.



For more information about Phase 5 Group and EON, please visit our website at www.phase5group.com