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About FYA

FYA - *For Your Advantage*, is a free twice - monthly newsletter published by TrendLeader Connections.

With every issue, FYA provides insights into the topics that concern healthcare leaders today and the challenges that will be faced in the near future.

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Introducing Innovations

Without change, we risk becoming irrelevant.

In that spirit, we are fine tuning the focus of FYA. The second issue each month will feature innovation in management and innovation in technology that will change the delivery of healthcare. The first issue each month will continue to address the current challenges you face as a healthcare leader.

We hope we are a helpful and interesting resource as we approach our 100th issue.

The New Success Factor: Innovation in Health Care - The Holy Grail?

By John W. Kenagy, MD, MPA

"What does it take to get a &%\$#*^ wheelchair around here? Would you want to have your hip replaced in a hospital that can't keep track of its wheelchairs"

- A charge nurse in a large community teaching hospital

"Insanity is repeating the same behaviors and expecting different results."

- Albert Einstein

Merriam-Webster's 11th Collegiate Dictionary defines innovation as:

- 1: the introduction of something new
 - 2: a new idea, method or device: NOVELTY
-

Many believe it is time for something truly novel in healthcare; that we need to be "truly innovative." Ideally, if we need to innovate, we would, but in the experience of most people I talk to, a novel health care solution that is completely effective is more than rare - it is a Holy Grail that everyone talks about but never seems to find.

Why are "novel and effective" almost an oxymoron in health care? - Based on my and other's research at Harvard Business School, "our current methods are perfectly designed to deliver exactly what they deliver" (see [FYA, Volume 4, Issue 24 - December 19, 2005](#)). In my experience, the new success factor in health care is developing the capability to truly innovate. What's my definition of a "true innovation?" - It is "novel and effective," for example, simultaneously providing much higher quality care with greater flexibility and responsiveness to patient needs at much lower cost.

Let's move beyond myth, conjecture and theory to real-life, real-time health care. How would your team manage this operational problem?

"What does it take to get a &#%*#@ wheelchair around here," asked Jan, the
(continued...)

Innovation in Health Care - The Holy Grail? (...Continued)

charge nurse. "I've got two patients waiting in the PACU for beds, but Unit Support can't find a wheelchair to discharge a patient in Room 436, and we're waiting for Physical Therapy to find another wheelchair to clear the patient in Room 458. Nothing changes around here. Would you want to have your hip replaced in a hospital that can't keep track of its wheelchairs?"

Jan is one of three charge nurses on 4E, a 44-bed medical/surgical nursing unit in a profitable, 250 bed suburban hospital. This busy unit averages 90 percent capacity and is staffed by 160 RN's and other employees (many part-time). Over 100 different physicians manage patients on the floor with a core of 30 high-frequency admiters in orthopedics, general and vascular surgery, urology, oncology and general medicine. The executive team has made many investments in information technology and is scheduled to rollout a new Automated Medical Record (part of a \$60 million, 17 hospital, system-wide project) in 12 months. The hospital and health system are nationally recognized leaders in Quality Improvement and consistently excel in their JACHO surveys. Cost control is a very high priority and they have invested in a nationally recognized benchmarking service and consulting firm. This unit's FTE/AOB (FTE = Full Time Equivalent, AOB = Adjusted Occupied Bed) numbers are consistently too high. Oh, and they have bought a lot of wheelchairs.

This hospital's management team is very busy using the following five improvement methodologies:

1. Compliance-driven (JACHO, Board of Health and Leapfrog) measurement and quality improvement initiatives,

2. Clinical team building and Best Practice implementations (IHI initiatives and other consultants),
3. Industrial engineering-based improvement projects (e.g., PDCA and Rapid Cycle Improvement while considering others like Six Sigma, Lean, Toyota Production System or Lean Sigma).
4. Measurement and benchmark-based cost reduction efforts using FTE/AOB standards through a nationally recognized consulting firm.
5. Many frontloaded, capital-intensive technology and facility improvements (Computerized Medical Records, CPOE, new clinical technology, renovations, new facilities, *etc.*). Access to more capital is a significant challenge.

Is Jan's problem significant? What more do you need to know? What would your management team do? Will one or more of the five improvement methodologies this management team is currently using solve Jan's problem? Should they seek a more "novel," innovative solution? If so, what should they do and how should they do it? Send me your ideas or questions to: jkenagy@kenagyassociates.com.

Is there a Holy Grail? The unit's actual methods and results will be the subject of next month's column.

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About



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Medical Spas: Revenue Potential for Hospitals

By Tony Paquin

In this era of tightening Medicare reimbursement rates, hospitals are finding new sources of high margin revenue by providing healthcare related retail products and services. This 'mission-based retail' trend is rapidly being adopted by hospitals of all sizes throughout the United States. One segment of that trend we see frequently is the development of medical spas by hospitals.

A "day at the spa" may now mean a trip to a hospital campus near you. Many of the alternative forms of treatment popularized by spas have been found to reduce costs by promoting faster healing. Patients also view spa treatments as an alternative to more unpleasant, invasive surgical procedures. As a result, hospitals are entering the spa market at an increasing rate.

"There's an obvious economic side...as well," sites Michael Efflier, a founding member of the Medical Spa Association. Spa services are almost entirely self-pay, and some type of spa-related merchandise is usually for sale.

According to PricewaterhouseCoopers research, spa industry revenues in 2001 totaled \$10.7 billion, ahead of amusement/ theme parks revenue and box office gross receipts. If run well, a 5,000 square-foot medical spa can generate in the neighborhood of \$4.5 million in gross revenues annually.

The music is soft; a fountain gurgles; and the surroundings are luxurious. But it isn't a spa. It's a new on-site surgical center and skin salon. Spa MD in La Jolla, California, offers medical expertise while experiencing the comfort and luxury of a spa.

At the time of conception, many of La Jolla's baby boomers were seeking local day spas for cosmetic procedures that were pushing the limits of warranting medical supervision. Offering spa services was seen as an opportunity to introduce the hospital, and its cosmetic surgeons, to people who might not otherwise visit.

The 15,000-square-foot spa sits adjacent to the hospital's outpatient complex. Spa MD in La Jolla is designed as "luxury, with an Asian flare," says Dr. Mitchell Goldman.

Displays of vitamins, Spa MD Skin Therapy™ items and an ever-changing line of treatment products are found throughout the spa. The retail section accounts for over 18 percent of the spa's revenue.

Services include both medical treatments, such as collagen injections, laser peels and spa treatments, such as various facials. This space is also utilized as a consultation for procedures such as liposculpture, hair transplantation, facial lifts and body contouring.

Fees run from a \$135 medical cosmetic consultation to \$900 to \$1,250 for laser facial peel. Facials (\$110), Microdermabrasion (\$150), and Cosmecanique Facial (\$150)

are among the most popular of spa services.

About 26 percent of the Spa's clients become a healthy referral base of patients directed to the Cosmetic Surgery Center associated with the hospital.

The Med Spa cost \$5.4 million to retrofit 15,000 sq. ft., plus \$1.2 million in equipment. The spa was projected to turn a \$52,000 profit on \$920,000 revenue the first year and a \$259,000 profit on \$1.2 million revenue in year three. Visitors number about 15-20 per day.

PricewaterhouseCoopers reports these Spa Specifics:

- There are 9,600 spa locations in the United States, most (7,208) being day spas and relatively few (225) being medical spas. The number doubles every four years.
- Half of revenues are derived from treatment rooms; beauty salons and product sales account for 19 percent and 17 percent respectively.
- Demand is fueling growth. Despite weak economic conditions, the number of spa visits shot up 71 percent between 1999 to 2001.
- There is a strong trend toward "medical type" products and services (laser treatments, microdermabrasion, chemical peels, light therapy, medical therapy, and skin products).
- The industry is robust and positioned for future growth, with the expectation that certain spa services will soon be covered by insurance.
- Men account for one-quarter of all spa visits.
- People see the spa as a requisite to staying healthy and looking good.

Medical Spas are another way that hospitals can benefit from the rising trend in usage of retail healthcare products and services. Consumers benefit from the improvements in quality and the hospital gains much needed revenues and a powerful marketing presence with their key consumers.

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Tony Paquin is skilled at developing retail business opportunities within healthcare systems. He has over 20 years experience leading strategic companies in the insurance and healthcare industries. He previously founded and managed one of the largest technology companies in the insurance sector, and was CEO of a NASDAQ listed healthcare services company.



Improving Communication in a Diverse Workforce

By Angela Kennedy

Walk through the halls of most hospitals and you will see and hear an increasingly multi-national, multi-cultural operating environment. This diverse workforce brings with it different approaches to problems and forms stronger teams than would otherwise be possible. However, it can also form impediments to communication while nonnative speakers struggle with English pronunciation. In the healthcare environment, this can mean the difference between quality care and satisfaction and frustration and clinical error.

Degraded spoken communication affects a hospital throughout its operation. Patients do not understand discharge instructions. Physician conferences are belabored and less efficient. Transcription of foreign medical graduates is often error prone and expensive. Everyone from the receptionist to the respiratory therapist to the nurse to the attending physician has the opportunity to impact quality, satisfaction and risk. Some organizations have even been forced to settle malpractice cases due to the inability of the physician to present well at the deposition.

This challenge is only going to increase with time. More foreign medical graduates and nurses are coming to fill the difference in the supply and demand for domestically-trained talent in our healthcare system. The English as a second language population of the United States has more than doubled in the last decade and has grown eight times faster than the population as a whole. In 2003, more than 10 percent of students in the public school system were nonnative speakers of English.

Healthcare is not the only industry facing the spoken communication challenges of an increasingly "flat world." The business process outsourcing sector has been addressing this problem head on and is looking to technological solutions to address individualized training needs.

To that end, Carnegie Speech, a spin-off from Carnegie Mellon University in Pittsburgh, has developed an artificial intelligence-based speech recognition software package that listens to a user's pronunciation, rhythm and pitch, explains what they did wrong and how to correct the problems. Then, it listens and responds patiently, again and again, until the user is able to pronounce the sound like a native speaker

would. In as little as 13 hours of training, business process outsourcing personnel around the globe have shown dramatic improvement in their pronunciation capability due to the individualized curriculum the product delivers. Combined with Carnegie's speech assessment software, the two products could deliver everything a hospital needs to perform quality assurance screening and training in this area.

It has been calculated that a teaching hospital invests about \$15,000 to make a nurse productive in its environment. Community hospitals invest about \$10,000. Until Carnegie Speech came out with its computerized assessment and training program, a hospital had no way of predicting whether that investment would produce a fully-functioning nurse. The pronunciation training is a tiny investment to ensure that all of the medical staff's other expensive training can be utilized effectively. Some Chief Medical Officers who have heard about the Carnegie Speech program have said that they would even consider changing their medical by-laws to require assessment and training before privileges are offered so that they could ensure that their doctors speak English clearly. Hospitals in the Sun Belt have calculated that about 30 percent of their entire employee base could benefit from pronunciation training.

In order to maximize the potential of our healthcare organizations' increasingly diverse workforce, the communication issues need to be addressed. Luckily, technology is providing us with a solution. With a modest investment in both time and dollars, we can realize a significant increase in the spoken communication capabilities of our organizations. This will have a significant impact on the quality of care we deliver.

Learn more at www.carnegiespeech.com.

Angela Kennedy is chief executive officer of Carnegie Speech. She has held significant management positions with Westinghouse Electric and IBM. She has authored articles in the fields of artificial intelligence and cognitive science. Ms. Kennedy holds an M.S. in computer science from Carnegie Mellon University and a B.A. from the University of Tennessee.

