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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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Adopt the Motivational Cycle of Continuous Improvement

By Fred Lee

W. Edwards Deming introduced some graphical tools of statistical analysis to the relatively uneducated workers of industrial organizations. It worked such wonders in Japanese companies that he is acknowledged throughout the world as the father of the quality revolution. It may have seemed like a revolution to Japan's competitors in America, but it took about six years of sustained effort before it "suddenly" became as visible as a tidal wave to the rest of the world.

Deming understood the refueling effect that measurement, dissatisfaction and improvement have on human motivation. Most of the statistical tools Deming taught were adopted from the writings of Walter Shewhart, a quality analyst at AT&T in the 1930's. Deming's great contribution was not so much in original statistical approaches, but in his keen understanding of human motivation and the barriers to improvement that exist because of poor management systems and the American penchant for command and control structures that seemed to work so well in the crisis of World War II.

One of Shewhart's models became a cornerstone of Deming's teachings. It was the cycle for continuous improvement, often referred to as the PDCA (Plan, Do, Check, Act) cycle. There are many variations in the words used, but the cycle is a fundamental concept in performance improvement. Basically it pictures a heavy sphere moving up an incline by rotating constantly through the steps of planning, implementing, measuring, being dissatisfied with the results and starting the cycle over again. Over time, the results keep improving and the ball progresses up the incline toward perfection, which is always just out of reach. The point here is that it takes being dissatisfied with current results to keep the ball from resting in a state of inertia or rolling backward. What inspires and motivates and is ultimately gratifying to people is the positive trend they see over time, which makes all their cyclical efforts worthwhile.

A good example is the effort made by the radiology department of Florida Hospital East Orlando. The director, Lester Rilea, ran a busy department, with just four rooms, that was doing 42,000 radiology procedures a year for the entire hospital, including emergency and outpatient. They worked as quickly as they could but did not know exactly what their average turnaround time was. They started with emergency procedures (completed procedure minus the time the procedure was ordered) which represented about 25,000 procedures. More than 50,000 patients pass through the emergency department (ED). The average radiology turnaround time was 40 minutes. The national benchmark, according to the Healthcare Advisory Board, was 25 minutes. The department had every right to be satisfied with its comparison since it did not have digital equipment and had such a heavy load on just four rooms, none of which were attached or

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Adopt the Motivational Cycle of Continuous Improvement (Continued...)

dedicated to the ED.

But Rilea was not satisfied. Neither was his staff. They wanted to see what they could do to improve their performance without adding staff, space or new equipment. The first thing they did was to post measurement results where everybody could see them, and ED turnaround time was added to everyone's performance expectations from director to technical staff.

Then they reorganized the workload so that there was more teamwork in transporting patients, hanging films and answering the phones.

Performance was also graphed by time of day to identify times when bottlenecks frequently occurred. By adjusting staffing for these load times, productivity improved about seven percent, measuring examinations per hour worked.

A board was put up with slots to track manually where each procedure was in the schedule and how many were waiting to be done. This allowed the supervisor to allocate staff time more efficiently.

Any procedure taking more than 30 minutes was analyzed for reasons why and ways to decrease the time. This resulted in more noticeable improvements.

Finally they further shortened the time by having all radiographs placed on a multiviewer in the ED where emergency physicians could look at them before the radiologist provided a final reading.

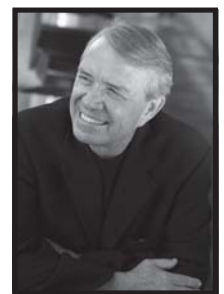
These and other efforts helped the department match the national benchmark in less than a year. This meant a 38 percent reduction, which translated into a time savings

of 5,000 hours per year to the ED and its patients. Think of the double win this effort garnered for the hospital: happier ED patients (they received the highest satisfaction scores of any step reported on ED surveys) and a sizeable savings in the bottom line. The last I heard they are even surpassing that.

What is important about this example is that the pressure to reduce radiology turnaround time for emergency patients was not driven by edicts from top management. It was driven by a staff that was dissatisfied with average performance and wanted to be the best in the nation – this in spite of serious space limitations, high patient volume, old equipment and staffing constraints.

The literature is filled with stories like Rilea's from all departments in healthcare. Any department manager interested in what others are doing can readily get benchmarking information and process-improvement ideas. Many present their improvement stories at national conferences. The most successful efforts, like those of Rilea and his staff, are self-imposed and continuous. They represent departmental cultures in which dissatisfaction with the status quo generates excitement and excellence.

Fred Lee is a highly popular speaker; and the author of "If Disney Ran Your Hospital." His book was named the 2005 book of the year by the ACHE.



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About

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Does Washington Finally Have the Will To Fix Healthcare?

By Rick Kneipper, Chief Administrative Officer and Co-Founder of PHNS

Our new Democratic led Congress and all in the plethora of Presidential candidates are promising to reform our U.S. healthcare system. That could be cause for optimism that the cavalry is finally on the way to save our ailing and flailing healthcare system – but it sounds to me more like "déjà vu all over again" since we've heard those promises before and nothing substantive has happened yet. Moreover, the skeptic in me believes that the politicians are more interested in getting elected/re-elected than in enacting the far-reaching healthcare changes that are sorely needed. Thus I fear that our politicians in Washington will only tinker to the minimal amount necessary to appease the increasing public concern about our healthcare system, but that they will not significantly disrupt the status quo lest it hurt them at the election booth.

The financial pressure for major healthcare change is huge and is growing. Healthcare spending in the U.S. hit 16 percent of gross domestic product in 2005 according to statistics recently released by the U.S. Centers for Medicare and Medicaid Services (CMS), which is far more than any other country in the world. The next highest are Germany – 10.6 percent, France – 10.5 percent, Canada – 9.9 percent, Italy – 8.8 percent, United Kingdom – 8.4 percent and Japan – 8.0 percent, according to CMS. And there are numerous studies that have shown that Americans aren't getting better healthcare for all the money spent compared to other citizens of other countries – for example, the average life expectancy in both France and Japan is higher than in the U.S. and the infant mortality rate is lower. As Justin Lahart stated in a commentary in last week's *Wall Street Journal*, "When it comes to managing its citizens' health, the U.S. is a model of inefficiency." And the financial differential is huge – according to such commentary, "Bringing healthcare spending down to the same percentage of GDP as in France, for instance, could arguably free up \$600 billion a year."

So where should our politicians start? Consider the following "top 10" priorities for Congress to address in the next five years according to the ninth Commonwealth Fund Health Care Opinion Leaders Survey:

- Expand coverage for the insured (88 percent)
- Enact reforms to moderate rising healthcare costs (81 percent)
- Reform Medicare to ensure its long-run solvency (80 percent)

- Increase use of IT to improve quality and safety of care (80 percent)
- Expand the State Children's Health Insurance Program to reach all uninsured children (76 percent)
- Ensure families don't pay excessive out-of-pocket costs in relation to income (75 percent)
- Address shortage of trained healthcare professionals (70 percent)
- Control the rising cost of prescription drugs (66 percent)
- Reform Medicare payments to reward performance on quality and efficiency (64 percent)
- Reduce racial/ethnic disparities in care

An imposing list, isn't it? Do you have any additions? Do you think our political leaders are up to the task?

I would like to hear your comments.

Send them to:

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About

TrendLeader Connections

FYA - For Your Advantage is brought to you by TrendLeader Connections. The function of TrendLeader Connections is producing educational materials and seminars that help healthcare executives differentiate between fads and trends; and making connections with "Trend Leaders" within the healthcare industry.

We are committed to delivering new perspectives and ideas, creative and innovative healthcare solutions, provocative concepts and quality educational materials to today's healthcare leaders. We want to concentrate on "what comes after what comes next."

Seven Key Issues for 2007

In 2007, the convergence of market pressures, public policy developments and cost recovery concerns in the healthcare provider sector will drive momentum for wider adoption of electronic records, improved efficiencies, greater transparency and new metrics for quality care, according to Ernst & Young's healthcare provider practice.

"Healthcare is operating under a growing strain to serve more patients, cut costs and maintain – and demonstrate – quality of care," said E&Y's Dee Balle. "We are likely to see more focus on a transformation in business processes and operations in the coming year as hospitals and hospital networks confront these challenges. And the leaders – those who get out front – will raise the bar and create a more competitive environment among healthcare providers."

Among the key issues that will shape 2007 for the healthcare provider industry:

Cost Recovery. Since 2000, the percentage of individuals without health insurance has increased from 14.2 percent to 15.9 percent of the population. To compound the problem, states facing budget challenges are pushing back on their contributions to Medicaid and there is explicit concern regarding underfunding for Medicare and Medicaid. The U.S. Government Accountability Office (GAO) recently issued a report advising the incoming Congress to reform Medicare and Medicaid. "Absent reform, Medicare's and Medicaid's long-term fiscal sustainability for supporting health care for elderly, disabled and low-income Americans is in jeopardy," reports the GAO. While resolution may be unlikely due to political posturing, the dialogue around the problems and possible remedies will escalate.

Technology "Catch Up". The healthcare sector lags behind other industries in its use of technology for business processes; especially notable is that only a small percentage of medical records are computerized. To spur progress in this area, there is growing support for the federal government to play a leadership role in establishing standards and funding. The new Senate Health Committee Chairman Edward Kennedy (D-MA) has stated that one of his top priorities will be to pass health information technology (IT) legislation.

Transparency. Congressional interest in health IT stems, in part, from patients (voters) who are demanding more information and services from their healthcare providers – on their terms. In August 2006, President Bush signed an executive order requiring more transparency in pricing and quality reporting. Communities increasingly want to understand all hospitals' pricing and quality of treatment and outcomes. There is an argument that greater transparency and communication will change attitudes about healthcare, give consumers the ability to make more intelligent choices about hospitals and physicians and enable hospitals to better

track quality and efficiency and use that information to incentivize physicians.

Professional Staffing Challenges. Labor costs are rising at a faster rate than inflation at hospitals and skilled nursing facilities. With the aging baby boomer population expected to place unprecedented demands on the healthcare system, the U.S. Department of Labor predicts an additional 5.3 million healthcare workers will be needed by 2010 (2.2 million replacements, 3.1 million new positions). Issues of cost and how to efficiently increase staff according to demand will receive much attention from healthcare leaders in 2007.

Pay for Performance & Gainsharing. In the interest of improving quality and reducing costs, healthcare payors, including Medicare, are looking to incentivize doctors and hospitals based on quality and safety performance. The Centers for Medicare and Medicaid Systems (CMS) will implement a "pay for performance" program in this year, under which doctors serving Medicare patients can qualify for a 1.5 percent bonus if they report data on the quality of care, using measures specified by the government. Gainsharing is another incentive program that is being discussed at many levels. Gainsharing occurs when hospitals provide physicians with a percentage of any reduction in hospital costs resulting from the physician reengineering of patient care without sacrificing quality. The ultimate goal of gainsharing is to reduce overall costs.

Community Benefit and Tax Exempt Status. Not-for-profit hospitals are facing a growing burden to demonstrate their value to the community. As pressure increases on the federal deficit, discussion in Washington questions the benefits that tax-exempt hospitals provide that taxable hospitals do not, which gets to the very heart of whether they should be granted tax-exempt status.

Private Equity (PE) Investment in Healthcare. Private Equity Funds typically target companies with lagging performance, potential for profit growth and strong cash flow that can be leveraged to pay off incurred debt from the deal, all of which are characteristic of many healthcare organizations. Despite the current array of challenges facing healthcare today, PE funds have observed the combination of growth potential and opportunity for business operations improvement to increase efficiency and turn a bigger profit.

"Business process transformation will be a major focus in 2007, but looking ahead, the healthcare industry as a whole must continue its shift toward preventative medicine, especially related to chronic conditions such as obesity, depression, diabetes and cancer," said Balle. "This will be one of the keys to unlocking the efficiencies critical to treating the growing aging population on one hand, while managing potential staffing shortages and controlling healthcare costs on the other."