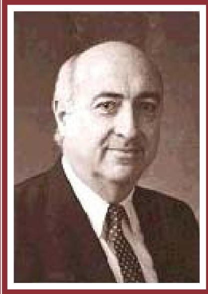
FYA For Your Advantage
INNOVATIONS
An Essential Tool for Healthcare Leaders
Volume 6, Issue 8
April 16, 2007
From TrendLeader Connections
Sponsored by PHNS The HealthCaring Solution



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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.

The newsletter is provided free to healthcare CEOs only. CEOs may use the material in any way they wish—except for the editorial content that is copyrighted by the author. You are welcome to print copies of FYA.

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# Innovation 2008 – The "No Hassle" Learning Organization

*By John W. Kenagy, MD, MPA, Director, Kenagy & Associates*

This month's column continues to look at "Innovation 2008 – What's Hot and What's Not."

**Healthcare Innovation 2008**

| What's Hot | What's Not |
|---|---|
| Growing Return on Investment (ROI) from operations | Capital expenditures for new technology and facilities |
| Developing people and relationships | Implementing IT systems |
| Purpose, trust and optimism | Power, compliance and competition |
| Local knowledge, ingenuity and innovation | Consultants and manufactured innovation |
| Transforming your culture | Fighting entrenched cultures |
| Multi-purpose hospitals | Specialty hospitals |

Last month's column predicted the huge, expensive, cumbersome IT system bandwagon would be on your "What's Not Hot" list in 2008. "What's Hot" in 2008 will be developing your people as your number one asset.

It's not hard to find the evidence for developing people number one if you agree that, in a constantly changing world, it's not what you are doing now that's crucial; it's how you adapt what you are doing now that will make a difference. If you believe otherwise – "we'll just keep doing what were doing and be successful" – then save yourself the time, and read another column. If you believe otherwise, read on.

Adapting requires that an organization learn to do something different. The data is overwhelming that the hot hospitals in 2008 are going to be doing just that – becoming **No-Hassle Learning Organizations**.

Harvard Business School and Kenagy & Associates' research and experience (e-mail me for complete data and references) show common healthcare operational problems – we call them "hassles" – are a root cause for a dysfunctional point-of-care.

We have observed two classes of hassles present in every healthcare environment:

1. < Five percent of the hassles were **Errors** – execution of a task or process that was either unnecessary or incorrectly carried out
2. > 95 percent of the hassles were **Problems** – disruption in a worker's or team's ability to execute a prescribed task because:
   a. Something the worker or team needed was unavailable in the time, location, condition or desired quantity needed, preventing the task from being executed as planned
   b. Something was present that should not have been, interfering with the designated task or team activity.

*(Continued...)*

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## Innovation 2008 – The "No Hassle" Learning Organization (Continued...)

Given that the vast majority of hassles are problems rather than errors, it only makes sense that a focus on operational problem solving leads a hospital to learning and adapting.

Staff members and physicians experience five broad categories of hassles in performing their work.

- Missing or incorrect information
- Missing or broken equipment
- Waiting for a (human or equipment) resource
- Missing or incorrect supplies
- Multiple and simultaneous demands on their time

The key is to look at these hassles as **chronic, small system failures** that predispose to dysfunctional performance in unpredictable and uncontrollable ways. For example, they often occur outside of, or separate from, the activity they affect, *e.g.*, nursing problems are most likely to occur while nurses are preparing to provide patient care (88 percent). Additionally, staff, clinicians and management have no way to avoid the problem because most (91 percent) were caused by a breakdown in information or material transfer outside of their control.

In every healthcare environment we have studied, caregivers spend 40-50 percent of their time working around hassles by doing **first-order problem solving**. First order problem solving occurs when staff members compensate for a hassle by getting the missing or unavailable supplies, information or people needed to complete a task. The problem is, in first-order problem solving, the staff members cannot address the underlying causes (root causes) of the problem and, therefore, fail to reduce the chance that it will reoccur. Implementing a short-term fix gets patients what they need, but without taking any action to prevent a similar failure, the problem only recurs and, therefore, the organization fails to learn. Ask any nurse or doctor – it's usually the same hassles, over and over again.

In contrast, Adaptive Design® develops the skills and tools necessary for **second-order problem solving**, in which the staff, physicians and management get the patients what they need, and also take action to address the root cause of the hassle. Adaptive Design® uses the occurrence of a system failure ("a problem") as the signal for disciplined, structured, second-order improvement and thereby, generates true organizational learning. In our experience, this structured, real-time, second-order problem solving simultaneously delivers sustainable improvement, increased effectiveness and institutional learning. And No Hassles means a happier staff, physicians and patients.

A No-Hassle Learning Organization uses problem solving to eliminate the small system failures that plague hospitals everywhere. Want to know more about No-Hassle Learning? E-mail me at jkenagy@kenagyassociates.com.

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**About**

PHNS is an innovative healthcare services company providing strategic outsourcing services in information technology, health information management and receivables management to over 400 hospitals. PHNS is not a consultant, vendor or software company but a partner, a solution. PHNS understands healthcare because our partners are healthcare and healthcare only. Unlike its competitors, PHNS strategically aligns itself with a hospital's clinical and financial goals and objectives. Through its unique business model, PHNS reduces costs by aggregating, consolidating and sharing resources among its participating hospital partners. PHNS helps hospitals manage information systems, computer technology, patient records, coding and patient billing to improve patient care, safety and efficiency and increase profitability and efficiency. For more information, visit www.phns.com.

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# Is There an ROI on Your IT Investments?

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

After decades of under-investment in information technology ("IT"), a steadily increasing number of hospitals have finally decided that they can solve all of their patient safety, patient service, cost and performance needs with a substantial investment in new IT. And these hospitals are encouraged by an enthusiastic chorus of software, hardware and consulting vendors who encourage increased IT investments as the solution to all of the healthcare industry's needs. But the key question is whether IT really delivers what it promises, particularly whether hospitals really will realize a return on their investment ("ROI") in IT.

If your hospital has already spent, is spending or is planning to spend significant dollars on new IT, then you ought to read an interesting new study by PriceWaterhouseCoopers called "*The Economics of IT & Hospital Performance*." The econometric analysis techniques used in the study are extremely detailed and somewhat mind-numbing, but the conclusions are very interesting and worth a read and an analysis:

- "Higher investment in IT improves hospital business performance." However, the study states that the "degree of the effect, while statistically significant, is modest." That won't make your hospital's board comfortable with significantly increased IT expenditures.
- "Until IT investment reaches a threshold, total operating expenses increase in hospitals that have little IT." Translation – if your hospital has been under-spending on IT for years, then it's going to be extremely difficult to show an ROI on an increased IT investment, at least in the short-term.
- Not-for-profit hospitals tend to spend more on IT than for profit hospitals. While the study doesn't have a conclusive answer to why this is true, it states that "one hypothesis is that for-profit hospitals tend to be more likely to be part of a large system that has centralized IT acquisition, and thus, greater capacity for standardized approaches to application development." That is potentially a blockbuster point – perhaps independent not-for-profit hospitals need to start sharing standardized IT selection, design and implementation approaches instead of continuing to act as islands unto themselves by continually reinventing a new IT wheel, and thus, overspending on IT (much to the pleasure of those who profit from such overspending).
- "IT capital investment has the potential to pay for itself…." The study concludes that increased hospital IT investments will eventually level off and "IT capital at some point pays for itself by displacing costs elsewhere in the hospital."
- "The effect of IT capital investment has been proven in other industries – the studies of other industries…demonstrated far more powerful effects of IT…Over all, then, these results for hospitals are rather disappointing. A likely culprit – that hospitals have failed to take advantage of IT by making more significant process changes in business and clinical activities – cannot be verified by this study and requires future research." That is a huge red flag for major hospital IT investments and deserves significant analysis by hospitals before pushing the button on major new IT expenditures.
- "[R]eal performance benefits [from IT] may take at least two years to become fully apparent." Thus don't believe in or expect any quick economic scores that IT vendors often promise.

This study and its conclusions are worthy of careful analysis before your hospital decides to spend significant new dollars on IT – or to analyze the ROI of your hospital's previous significant expenditures on IT.

**I would like to hear your comments.**
**Send them to:**

**Richard.Kneipper@phns.com**

***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."

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# Where Candidates Stand on Healthcare

Crystal balls are coming out as the political primary race heats up earlier than ever before. One prediction is virtually unanimous: healthcare has become the leading domestic policy issue for American voters. Writing in *The New York Times*, last week, Robin Toner suggested that this was an especially hot issue among Democrats.

Eighty-three percent of the Democrats in a New York Times/CBS News Poll in February said that they believed the number of uninsured Americans (45 million, in the last official estimate) was a "very serious" problem for the United States.

Toner wrote that Senator Barack Obama's campaign for the Democratic presidential nomination faces many tests over the coming months, but few are as fraught with risk and opportunity as this: His promise to produce a plan that will achieve universal health coverage by January 2013.

Sen. Obama's main rivals have been campaigning aggressively on the issue for months now.

Toner points out that Senator Hillary Rodham Clinton begins the race with a lot of unhappy history on healthcare, but also a lot of credibility. A survey released two weeks ago by the Kaiser Family Foundation showed that Sen. Clinton led the pack, by a significant margin, when Democrats were asked which candidate "best represents your own views on healthcare." And as she develops her own health proposals for 2008, she is keenly aware of every political landmine on the issue, having stepped on most of them during the Clinton healthcare push of 1993-94.

Another of Sen. Obama's rivals, former Senator John Edwards of North Carolina, laid down a universal coverage plan in early February, financed, in part, with a rollback of the President's tax cuts on the most affluent.

"People who are activists – particularly younger activists – think this is a problem that can and should be solved," said Bob Blendon, an expert at Harvard on public opinion and health.

Sen. Obama delivered a speech in January embracing the cause of universal coverage, and has been pressed several times since then to describe just how he would do it – notably, at a candidate forum on healthcare held in Las Vegas last month where he offered only vague language about his approach.

His campaign says he is listening to an array of healthcare experts, including veterans of past debates like Ken Thorpe at Emory University and Jonathan Gruber at MIT, both of whom served in the Clinton Administration.

There are only so many routes to expanding coverage, as Harvard's Blendon pointed out to *The Times*. At one end is the single payer option – essentially expanding Medicare to every American and creating a national health insurance program, an approach popular on the left, but considered politically unlikely. At the other end is pure incrementalism – encouraging coverage with tax credits and the like, but creating no new mandates on individuals or employers, and settling for less than universal coverage.

And then there is the middle ground, a mixture of government and private insurance: expanding the already existing public programs to catch more low and moderate income people, creating new requirements for employers to provide or help pay for coverage, creating new mandates and opportunities for individuals to obtain affordable health insurance.

Most of the Democratic candidates are expected to end up somewhere in this middle ground – including Sen. Obama.

"He's clearly not a single payer guy, but he's clearly not a Band-Aid guy," said MIT's Gruber, who said he advises widely on healthcare. "[The Senator] wants to do something transformative, but at the same time, he isn't politically tone deaf."

This middle ground is hardly without risk: How will a candidate pay for the expansion of coverage? What, exactly, will be required of individuals and employers? These are the details that, of course, ultimately derailed the last serious effort at overhauling healthcare.

Healthcare, in short, is a rite of passage for Democrats aspiring to leadership.

*[We'll follow the Republican presidential candidates' stances on healthcare in a future issue of FYA]*