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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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## Disney, Learning Lines and Decentralizing the Authority To Say "Yes" in Health Care

By John W. Kenagy, MD, MPA

Fred Lee is a regular columnist for FYA and the author of the ACHE 2005 Book of the Year *If Disney Ran Your Hospital*. Fred's FYA column two weeks ago told a very familiar healthcare story about how centralized authority prevented front line staff from solving problems as they happen. Disney would work differently. So how can a hospital work differently?

As the story goes, Fred was conducting a series of customer relations training sessions for frontline employees. After several successful sessions, he and the attendees arrived to find the classroom door locked. The security officer they called to open the door had actually taken the same class the prior day. In other words, he had all the information he needed to know that opening the door was safe and legitimate.

But, rather than open the door, his response was, "I do not have the authority. I am not allowed to open a door without permission from the central office - 20 miles across town." No authority, no keys, no classroom and, certainly, no way to say "Yes."

Fred described the problem as a functional silo that required decision-making a long way in time and place from the work. In this case, the frontline worker could only say, "No," or at best, "Please wait for me to get permission." The authority to say "Yes" was isolated from the action in a functional silo with authority at the top.

So, what if Disney ran this hospital? Would the hospital work any differently? Fred described how Disney dismantled silos by restructuring its bureaucracy to put functional areas under a manager who could have all the unit's employees focus on what was best for customer service in their area. As Fred says, the result was a team that "could all get behind whatever makes sense in terms of more revenue or better service at our show, and everyone enthusiastically makes it happen." But, that's Disney - can a hospital create such focus? Can a hospital restructure to decentralize the authority to say, "Yes?"

The answer is "Yes." We have dismantled functional silos in over 40 different hospital units by creating Learning Lines<sup>sm</sup> (See *For Your Advantage: Volume 5, Issue 4*, February 20, 2006 and *Volume 5, Issue 6*,

(Continued...)

## Disney, Learning Lines and Decentralizing (Continued...)

March 20, 2006 for details). Empowered by senior management, Learning Lines are specific units designed to create the environment that allows a hospital to learn how to work differently. And decentralizing the ability to say "Yes" is definitely something different for many hospitals.

All staff and physicians on the Learning Line are instructed to identify when hospital systems do not allow them to meet patient needs ideally (Ideal = exactly, customized, immediate, no waste and safe). And, they are all given the training and skills necessary to use a structured, disciplined method to improve the system as a part of their regular work when it fails to provide the support for "Ideal."

Hospitals are big, complex businesses managing delicate, potentially life-saving and life-endangering work. They are not the place to make changes willy-nilly nor allow actions and activities to occur on an *ad hoc* basis. For this reason, hospitals currently tend to centralize authority into the management system, best practices, IT systems, regulatory compliance and policy and procedure. Learning Lines make it safe for senior management to decentralize the authority to say "Yes" when patients

need a "moment of truth" response at the point of care. And making it safe for an empowered staff and physicians to say "Yes" to meeting patient needs ideally is the first step toward eliminating the waste, rework and redundancy that keeps hospitals from realizing their goals. Saying "Yes" to creating Learning Lines means decentralizing authority while maintaining the accountability and control that increase management, staff and physician capabilities to deliver what's needed at the point of care and to the bottom line.

For more information on Learning Lines, see the previous FYA's noted above or contact me at [jkenagy@kenagyassociates.com](mailto:jkenagy@kenagyassociates.com). Fred Lee has it right - decentralizing the ability to say "Yes" is crucial to success. Disney does it; hospitals can do it because they can safely create Learning Lines that do it - it's not rocket science, but it is different.



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### About



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## Improving Healthcare Quality

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

Several hospital CEOs responded enthusiastically to my last column about the results of a recent study about the low level of healthcare quality in the U.S. One CEO from a Midwest hospital called to say that he thinks it's time to put in place a two-tier system: the U.S. Government would pay for a minimum "basic rights" level of care for everyone, and all care over and above that minimum level would have to be paid for privately by the patient or the patient's insurer or employer.

Another Midwest hospital CEO e-mailed to say that he thinks our healthcare system needs to come to grips with a significant problem-while Americans expect high quality healthcare at an affordable cost, a significant part of the high costs of healthcare are from individual, self-inflicted lifestyle choices like smoking or alcohol or unhealthy diets. Further, the self-inflicted expect to pay the same for their healthcare as everyone else. He referred to his recently deceased mother who was "chronically angry" with our healthcare system but "never made the connection between her lifestyle and her predicament." He also perceptively said that "My parents would not be the typical Medicaid welfare recipients that the right wingers like to portray as the problem, and no one from the left could solve their problems either. No retrospective chart review or objective measure would quantify their expectations' gap." He might be on target and, as discussed in previous columns, perhaps it's time to start charging the "self-inflicted" more for their healthcare, which eventually might help encourage prevention and lower costs.

Add to that a suggestion from former Senate Minority Leader Tom Daschle, who in a column in *BusinessWeek* (April 10, 2006) strongly urges U.S.

business leaders to demand that "Washington make health reform a top priority" and suggests that "business leaders can bring real-world experience in areas like disease prevention, achieving economies of scale and expanding coverage to boost productivity and reduce costs." Recent history has shown that our elected politicians on both sides of the aisle seem to be unable or unwilling to adopt the major healthcare reform we all know is needed; and so maybe Mr. Daschle is on the right track by urging that the businesses who spend nearly half a trillion dollars a year on health benefits have "earned a seat at the table to fix the system."



I would like to hear your comments.

Send them to:

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### About

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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."

## Healthcare Spending Reaches \$5 Billion a Day

**T**he National Coalition on Healthcare (NCHC) reports that by several measures, healthcare spending continues to rise at the fastest rate in our history.

In 2004 (the latest year data are available), total national health expenditures rose 7.9 percent -- over three times the rate of inflation. Total spending was \$1.9 TRILLION in 2004. [This amounts to \$5 billion a day or \$6,280 per person.] Total healthcare spending represented 16 percent of the gross domestic product (GDP).

U.S. healthcare spending is expected to increase at similar levels for the next decade reaching \$4 TRILLION in 2015, or 20 percent of GDP.

In 2005, employer health insurance premiums increased by 9.2 percent - nearly three times the rate of inflation. The annual premium for an employer health plan covering a family of four averaged nearly \$11,000. The annual premium for single coverage averaged over \$4,000.

Experts agree that our healthcare system is riddled with inefficiencies, excessive administrative expenses, inflated prices, poor management and inappropriate care, waste and fraud. These problems significantly increase the cost of medical care and health insurance for employers and workers and affect the security of families.

### *National Healthcare Spending*

- In 2004, healthcare spending in the United States reached \$1.9 trillion, and was projected to reach \$2.9 trillion in 2009.
- Healthcare spending is 4.3 times the amount spent on national defense.
- In 2004, the United States spent 16 percent of its gross domestic product (GDP) on healthcare. It is projected that the percentage will reach 20 percent in the next decade.
- Although nearly 46 million Americans are uninsured, the United States spends more on healthcare than other industrialized nations, and those countries provide health insurance to all their citizens.
- Healthcare spending accounted for 10.9 percent of the GDP in Switzerland, 10.7 percent in Germany, 9.7 percent in Canada and 9.5 percent in France, according to the Organization for Economic Cooperation and Development.

### *Employer and Employee Health Insurance Costs*

- Premiums for employer-based health insurance rose by 9.2 percent in 2005, the fifth consecutive year of increases over 9 percent. All types of health plans -- including health maintenance organizations (HMOs), preferred provider organizations (PPOs) and point-of-service plans (POS) -- showed this increase.
- The annual premium that a health insurer charges an employer for a health plan covering a family of four averaged \$10,800 in 2005. Workers contributed \$2,713, or 10 percent more than they did in 2004. The annual premiums for family coverage eclipsed the gross earnings for a full-time, minimum-wage worker (\$10,712).
- Workers are now paying \$1,094 more in premiums annually for family coverage than they did in 2000.
- Since 2000, employment-based health insurance premiums have increased 73 percent, compared to cumulative inflation of 14 percent and cumulative wage growth of 15 percent during the same period.
- Health insurance expenses are the fastest growing cost component for employers. Unless something changes dramatically, health insurance costs will overtake profits by 2008.
- According to the Kaiser Family Foundation and the Health Research and Educational Trust, premiums for employer-sponsored health insurance in the United States have been rising five times faster on average than workers' earnings since 2000.
- The average employee contribution to company-provided health insurance has increased more than 143 percent since 2000. Average out-of-pocket costs for deductibles, co-payments for medications, and co-insurance for physician and hospital visits rose 115 percent during the same period.
- The percentage of Americans under age 65 whose family-level, out-of-pocket spending for healthcare, including health insurance, exceeds \$2,000 a year rose from 37.3 percent in 1996 to 43.1 percent in 2003 - a 16 percent increase.

The National Coalition on Healthcare is the nation's largest and most broadly representative alliance working to improve America's healthcare. The Coalition, which was founded in 1990 and is non-profit and rigorously non-partisan, is comprised of almost 100 organizations, employing or representing about 150 million Americans.