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### About FYA

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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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## The Case for Going Green

*By Jimmy Udall, Principal, Rule 4 Consulting*

It's been difficult lately to ignore the buzz around the green movement with energy costs and environmental issues gaining so much public attention. Many people inside and outside of healthcare have asked me what hospitals are doing to reduce their energy consumption and environmental footprint. My initial response was something along the lines of, "we've got bigger fish to fry." This response is born out of my experience, as someone who brings business ideas to healthcare for a living, that healthcare typically lags behind industry when adapting new ideas and technology. After further consideration of this question, however, I believe not only can we as an industry "go green," I firmly believe we can and should lead the charge. My reasoning outlined below is based on the following three points:

- Our industry uses a lot of energy and could benefit immensely by reducing our energy costs.
- Being green fits with values common to the healthcare industry.
- Most healthcare organizations already have the tools they need to reduce their energy costs.

One stumbling block when writing and talking about words like "sustainability" and "green," is the vagueness and frailty of any meanings ascribed to the terms. For the purposes of this discussion I want to only talk about reducing our energy and material consumption. I am not certain that this makes us truly green or sustainable, but I am certain it's the easiest and clearest place to start. And as you'll see below, the time to start is now.

If you've purchased gas for your car or paid an electric bill recently you've probably realized that energy costs are on the rise. Water usage and waste removal are also sizeable expenses. For organizations struggling with maintaining quality patient care in the face of rising costs, reducing expenses through reduced energy and materials costs begins to make a lot of sense. It's a rare example of symmetry of motivations, whereby doing good for the environment means you can do well as an organization. When you consider further the variable costs associated with any increase in revenue, it's hard to see why more organizations aren't looking closely at reducing their energy expenses.

Swedish Medical Center in Seattle is one organization that has taken the issue seriously. It estimates that by implementing a recycling program

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## The Case for Going Green (Continued...)

it has saved more than \$1 million since 2001. Another example is the University of Washington Medical Center, which has saved \$210,000 by reducing the amount of water used in its laundry. Other examples abound from a quick Google search and shows that some hospitals are taking advantage of the financial benefits of reduced energy consumption.

In addition to saving money, reducing our resource consumption fits with our industry values. Hospitals are the stewards of health in our communities and as such we should expand our definition of health to take the health of our environment as seriously as we take the health of our patients and staff. We should recognize the benefits of extending "first do no harm" beyond the hospital walls, from the products we buy and use to the waste that results from our work. In our increasingly competitive industry, organizations that are responsible stewards of their resources can leverage this to appeal to their customers. The PR benefits that come from being green should not be overlooked.

Lastly, I would argue that many of us already have the tools we need to address our resource waste problem. My own experience applying the principles of the Toyota Production System to healthcare has resulted in waste reduction even when we weren't specifically targeting materials and energy wastes. Such examples include a 30 percent reduction in paper usage while working on improving the revenue cycle, and a 20 percent reduction in supplies while focused simply on ensuring that staff had the supplies needed to provide patient care.

While I know my own experience with process improvement best, almost every organization practices some sort of process improvement (PI) methodology that can be used to reduce energy and material waste just as easily as it can be used to reduce process steps and errors. Beyond our PI methods we also have a committed workforce whose own utility bills should be making them increasingly aware of their energy consumption. We shouldn't

overlook the benefits from simple changes in workplace behavior by staff. Things like turning off the lights and powering down computers make an impact and little steps like these increase our awareness of energy and resource wastes.

I've come full circle in the discussion about what healthcare organizations can do with regards to energy and resource conservation. I'm curious, though, what other executives are thinking and doing in this important area. Do we, indeed, have bigger fish to fry or is the time to act now? You can reach me at [judall@kenagyassociates.com](mailto:judall@kenagyassociates.com).

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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."

## Freeing Doctors From Lawsuits

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

Over 7,000 doctors have moved to Texas since it passed major tort reform legislation in 2003 and 2005. Since Texas' landmark tort reform, one of the largest malpractice insurance companies in Texas "slashed its premiums by 35 percent, saving doctors some \$217 million over four years," according to Joseph Nixon, a former member of the Texas House of Representatives in "Why Doctors Are Heading for Texas," an op-ed article in the 5/17/08 edition of *The Wall Street Journal*. In addition, Mr. Nixon states that "[t]hanks to tort reform, over the past four years Christus [Health, a nonprofit Catholic health system in Texas] saved \$100 million that it otherwise would have spent fending off bogus lawsuits or paying higher insurance premiums."

Texas' successful tort reform included the following:

- Capping medical malpractice awards for noneconomic damages at \$250,000
- Changing the burden of proof for claiming injury for ER care from simple negligence to willful and wanton neglect
- Requiring an independent medical expert to file a report in support of the plaintiff's claims
- Consolidating all lawsuits involving common complaints into one lawsuit in one court
- Creating minimum legal standards to prove injury in asbestos and silica cases

The impact of this tort reform on medical malpractice lawsuits in Texas has been staggering. For example, only 300 asbestos lawsuits out of about 85,000 filed asbestos lawsuits in Texas have been certified for trial since the passage of tort reform.

But the abuse of the tort system continues in other states that have not had the political will to adopt tort reform. Monetary tort losses amount to \$865 billion each year – or 6.5 percent of the nation's gross domestic product, and of that New York had \$16 billion in tort losses and New Jersey suffered \$8 billion in tort losses in 2006, according to an article in *The Star-Ledger* in Newark, NJ. The article also stated:

"Monetary losses from tort lawsuits are greater in these two states than virtually anywhere else. Only one state spends more on torts, as a share of its economic activity, than New Jersey does. Just three spend more than New York. Both states are in the top five nationally for the number of civil suits per 100,000 residents. All these lawsuits sap a tremendous amount of output from local economies."

By contrast, in Texas "the total statewide impact of those tort reforms has resulted in increases of \$112.5 billion in total annual spending by individuals and companies and about 499,000 more jobs...[and] the number of cases filed in Texas courts has dropped substantially...from 65,295 in 1995 to 42,031 in 2007," according to a report by The Perryman Group, a Texas economic research and analysis group as reported in the 6/30/08 edition of the *San Antonio Business Journal*.

Tort reform seems to be the right prescription for easing the financial burdens on docs and hospitals – what's the experience in your state?

I would like to hear your comments.  
Send them to:  
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## Saving Money Can Be Expensive

In an article in *The New York Times*, it was shown that the quest to save dollars in the nation's \$2.1 trillion annual healthcare bill is becoming a lucrative market of its own. Thousands of companies, large and small, are pitching cost-saving ideas that range from electronic patient records to new medical devices.

It's not all marketing hype. Experts in health policy agree that there is a real opportunity to curb health spending, which last year was the equivalent of \$7,000 for every man, woman and child in the country. Studies predict a gain of as much as 30 percent in efficiency, mostly through reducing unnecessary tests and prescriptions, paperwork and medical mistakes.

Such streamlining would not cut the nation's total medical spending, as long as there is a growing aging population with ever-increasing health needs. But certain measures are expected to help keep costs from spiraling.

Every cost-saving product or service requires an upfront investment, which bets that it will produce overall savings. And so the paradox kicks in. "There is money to be saved, but it is not going to be cheap," said David M. Cutler, a health economist at Harvard University.

The path to saving can be particularly uncertain in our fragmented healthcare economy – a mix of risk, regulation and profit in which the incentives are often contradictory. A physician, for example, may try new approaches to trim the costs of providing care, but the results usually benefit insurers more than doctors. Strides in efficiency may be good for society, though there may be little financial motivation for the doctors themselves.

New technology tends to increase the number of

procedures. Cardiac treatment has been revolutionized by angioplasty and stents. Stenting, which became common in the late 1990s, costs less, is not as invasive as open-heart surgery and involves shorter recovery times. So the number of open-heart, coronary-bypass surgeries each year has dropped by more than 100,000 since the mid-1990s, but more than a million stent procedures are now performed each year.

The stent-first approach to heart disease in the last decade has meant that the patients who later require bypass surgery are often older and less healthy than the typical open-heart patient years ago. One consequence is that the rate of post surgery kidney failure has increased sharply, a costly and life-threatening complication.

Once again, entrepreneurs are ready. The answer to the kidney problem, say engineers at a start-up company, is a new pump for the heart-lung machines used during surgery. With the better blood flow resulting from the new pump, aging kidneys and other organs will come through open-heart surgery in better shape, potentially saving up to \$2 billion in hospitalization and treatment costs. The catch is that the new pump will cost \$2,000, about 10 times more than conventional pumps.

"The medical technology race is a promise that we will continue to try to do everything we can," said David Cassak, an editor at In Vivo, which covers the medical-device industry.

"You need to move toward well-defined clinical guidelines based on medical evidence and better information throughout the healthcare system," said Jonathan S. Skinner, an economist at Dartmouth. "But that's not going to be easy, and it's going to be fraught with difficult choices."

### 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](http://www.phns.com).