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Connections

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Turn a Capital Dilemma Into a Capital Opportunity

By Dorothy E. Bellhouse, FACHE

How many wheelchairs purchases have you authorized over the span of your career? When I was a health system executive, it seemed like wheelchairs were requested on the capital budget every other year. We felt like we had just purchased wheelchairs and now here they were requesting more. When we asked managers what happened to them, there was no clear answer. Some were in disrepair, but beyond that no one seemed to know exactly. Maybe someone was taking them. But, it was clear that they needed more for patients now.

Are wheelchairs really missing? Do patients take them? One Chief Nurse Executive (CNE) I know said that nurses often think patients take wheelchairs. The CNE finds this puzzling since nursing staff accompany all patients as they are discharged and the staff report that they always bring the wheelchair they used back!

I was visiting a friend at a metropolitan hospital recently and was coming down from the tenth floor. At the ninth floor, a nursing assistant ran on the elevator and promptly punched all the buttons for floors eight through four. At floor eight, she ran off the elevator started down the hall to her left and then reversed and darted down to the right and then rushed back into the elevator as the doors were closing. She repeated this on the seventh and sixth floor, finally apologizing to all of us in the elevator saying she was looking for a wheelchair. So, why is it that finding a wheelchair when it is needed for a patient is such a problem? I am certain that hospital regularly purchased wheelchairs just like my hospital did.

In the book, *Toyota Culture*¹, Jeffrey Liker tells a story of an experienced US automaker who was now the plant manager overseeing the plant development at Georgetown, KY. He was concerned because he did not see a key-making machine in the repair area at the end of the line. He had been assigned a coordinator from Japan to teach and challenge him over a period of several years, so he asked his coordinator about this and the coordinator asked why a key would be missing. The manager explained that they often get lost, stolen or are just missing. His coordinator then offered simply that the plant manager should spend his time finding out why keys are lost or taken and fix that rather than spending time and money making keys. Should this be guidance for healthcare executives about wheelchairs, equipment and other things that turn up missing?

Radio Frequency Identification (RFID) technology is popular now for tracking equipment in hospitals. It can easily tell you where equipment goes and where it is at any given point. However, one executive moaned that although he knew where the equipment was, it didn't help get the equipment back to where it was needed for a patient, when it was needed. From the nursing assistant's (on the elevator) perspective, she may not have to go to every floor to get a wheelchair for a patient, but she still probably has to go off her unit to get one when her patient needs one.

It is not unusual (nor unwise) to seek technical solutions for problems like these. However, the problem is not only technical in nature. And so, a technical countermeasure like RFID will only solve some of the problem. The part the executive struggled with

(Continued...)

Turn a Capital Dilemma Into a Capital Opportunity (Continued...)

	Problem Definition	Problem Solution	Simple Example
Technical	Clear	Clear	Patient has a sore throat, doctor tests for strep. test positive, get prescription, patient gets better
Adaptive	Not clear requires learning	Not clear requires learning	Patient feels poorly - tired, out of breath, etc.-- doctor tests for cardiovascular disease, tests positive, go on meds, get a stent, but patient is only really better if he changes his lifestyle habits

Leadership Without Easy Answers, R. Heifetz, The Belknap Press of Harvard University, Cambridge, MA, twelfth printing 2001

– getting the wheelchairs back where they are needed – has significant adaptive components. Any problem that involves the habits, behaviors and attitudes of people is an adaptive problem that requires learning more. Please see example above.

Seeking technical solutions for adaptive problems is not uncommon. But, the technical solution will come up short if the adaptive components are not addressed – just like the medications and stent a patient gets fall short without lifestyle changes. How many times have you heard things like: "If they would only follow the protocol for..." "We need to do more in-services on ..." "Don't they know the policy?" or "Why are wheelchairs never where they are supposed to be?" These are all signals that there are adaptive components to those problems.

How would you turn this dilemma into an opportunity? You and your team know you have adaptive problems that require learning to understand the problem and create countermeasures. A way to start is to build the learning required into everyone's work in small doses real-time. For example, creating an environment where staff can signal right now that they don't have what they need for a patient (a wheelchair, etc) and doing a small experiment within hours of that problem will build staff's capability to learn. You and your team can build the capability of your managers to facilitate real-time problem solving rather than fire-fighting.

When you build staff's capability to solve problems in the course of their work, they are able to do the learning required to address adaptive problems. This learning is durable. It will not only address the problem at hand, but will increase staff's

ability to identify problems and learn continually. Making improvement like this part of everyone's work every day is a core business strategy. Yet, it will not happen overnight. You need to close the gap between problem identification and problem resolution and move decision rights from meeting rooms to where the work (and problems) are happening. You must invest in developing your organization's capability to solve problems in real-time. It is truly investing in your greatest asset – your people.

Think about investing in your people like an investment in a capital project. When you invest in a capital project, you are looking for a return over time. Investing in people's ability to solve problems as they occur will produce not only cumulative returns over time, but increasing returns. There is no silver bullet in healthcare, nor do we expect one.

Our future success lies in our ability to create an environment for learning and increasing our people's (and thus, our organizations') capability to adapt. This is the opportunity for healthcare. This is your opportunity.

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1 Toyota Culture - The Heart and Soul of the Toyota Way, J. Liker & M. Hoseus, McGraw Hill, New York, NY 2008

An Alternative Diagnosis and RX for Our Healthcare System

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

Hospital executives and congressional leaders who are struggling over how to reform our U.S. healthcare system ought to read a very poignant article by a business executive named David Goldhill entitled "How American Health Care Killed My Father," which can be found in the September edition of *The Atlantic Online*:

(www.theatlantic.com/doc/200909/health-care)

In an effort to hook you into reading this excellent commentary, check out some of the author's blunt observations about the current state of our healthcare system:

- **Quality and Safety:** "How did Americans learn to accept hundreds of thousands of deaths from minor medical mistakes as an inevitability?" "Why...as this technologically advanced hospital missed out on the revolution in quality control and customer service that has swept all other consumer-facing industries in the past two generations?"
- **Cost:** "Already, the federal government spends eight times as much on health care as it does on education, 12 times what it spends on food aid to children and families, 30 times what it spends on law enforcement, 78 times what it spends on land management and conservation, 87 times the spending on water supply, and 830 times the spending on energy conservation."
- **Cost Containment:** "[A]ll government efforts to control costs have failed. Why? One reason is a fixation on prices rather than costs. The government regularly tries to cap costs by limiting the reimbursement rates paid to providers by Medicare and Medicaid, and generally pays less for each service than private insurers. But as we've seen, that can lead providers to perform more services, and to steer patients toward higher-priced, more lightly regulated treatments."

- **Insurance:** "But the use of insurance to fund virtually all care is itself a major cause of health care's high expense. Insurance is probably the most complex, costly, and distortional method of financing any activity; that's why it is otherwise used to fund only rare, unexpected, and large costs."
- **Vested Interests:** "All of the health-care interest groups – hospitals, insurance companies, professional groups, pharmaceuticals, device manufacturers, even advocates for the poor – have a major stake in the current system. Overturning it would favor only the 300 million of us who use the system and – whether we realize it or not – pay for it."

While that may be a rather harsh assessment of our healthcare system, many of his criticisms are very factual and accurate.

So what's Mr. Goldhill's solution? Consumer-centered healthcare – a system in which consumers would be financially responsible for most of their healthcare, out of their mandatory HSAs and savings, but would be backed up with a mandatory program of catastrophic insurance.

Professor Regina Herzlinger of the Harvard Business School has long advocated a similar approach and has written extensively about it. And, in order to enable consumers to make more intelligent and informed decisions about their healthcare spending, Mr. Goldhill advocates complete transparency on healthcare services, prices and results.

It's a very thought-provoking article, whether you agree with it or not, and I commend it to you.

I would like to hear your comments.

Send them to:

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AMA Endorses Reform in Historic Switch

Two reporters for the *Los Angeles Times* write that the American Medical Association, after 60 years of opposing any government overhaul of healthcare, is now lobbying and advertising to win public support for President Obama's sweeping plan – a proposal that promises hundreds of billions of dollars for America's doctors.

Of all the interest groups that have won favorable terms in closed-door negotiations this year, writes Kim Geiger and Tom Hamburger, the association representing the nation's physicians may have taken home the biggest prizes, including an agreement to stop planned cuts in Medicare payments that are worth \$228 billion to doctors over 10 years.

In addition, the proposal that would require all individuals to obtain medical insurance includes premium subsidies to ensure that their doctor bills would be paid.

The AMA, which many still regard as the country's premier lobbying force, is providing money and grass-roots backing for these and other reforms.

Critics charge that, although doctors will be among those with the most to gain financially, the AMA – unlike the pharmaceutical and insurance industries – made relatively few concessions in return. The drug industry, for example, pledged \$80 billion in cost reductions. Health insurers agreed to give up restrictions on preexisting conditions.

AMA officials acknowledge the huge turnaround in the organization's position, but they say it reflects changes in the healthcare system and the way doctors feel about it.

In the past, the AMA saw the government as endangering doctors' incomes and independence. Now, with the advent of Medicare and other federal programs, which the organization originally opposed, the government has become a vital source of revenue and stability for doctors. That's why the doctors' position has changed so dramatically since the early 1990s, when they played a lead role in helping to kill President Clinton's healthcare plan.

Critics take a less kindly view of the AMA's transformation.

In 1997, concerned about the soaring cost of Medicare, Congress and President Clinton approved a plan to reduce reimbursements to doctors whenever Medicare's costs outpaced the growth of the U.S. economy.

The idea was to prod the medical community into holding down healthcare costs by cutting back payments if the industry failed to do so.

For the most part, the cuts were never imposed because doctors and other medical service providers persuaded Congress to override them. But for each year that Congress blocked the cutbacks, the next scheduled cuts were larger.

Eliminating the cuts has been a top priority for the AMA, which spent \$30 million on lobbying since the beginning of 2008. Over the last decade, no other interest group or trade association has had a bigger lobbying budget except the U.S. Chamber of Commerce.

As proposed in the House bill and provided for in Obama's current budget blueprint, physician payments would not be cut at all in 2010. The House bill would then replace the current formula for trimming reimbursements with a more generous "target" ratio – which Congress could ignore whenever Medicare spending outpaced economic growth.

The AMA's position is that the change was necessary because the proposed cuts were so extreme they would undermine the stability of the Medicare program. The AMA is worried about costs in general, noting that it has also pushed for malpractice and other reforms included in the president's proposal.

Whatever the pros and cons of rescinding the cuts, their value to doctors is not in dispute.

Nor is the historic shift in doctors' views on the government overhaul of the healthcare system.

About



PHNS provides IT services for hospitals, other healthcare providers and businesses. PHNS' IT services include application hosting, co-location and managed services; electronic off-site data back-up and data vaulting; business continuity solutions; disaster recovery services; and systems integration services. PHNS also provides comprehensive business process

solutions for hospitals including admitting, HIM (including medical record management and storage, transcription, coding, release of information and electronic medical record services) and revenue cycle services. PHNS creates business-healthy hospitals by improving operations, enhancing technology and increasing cash on hand, which allows hospitals to focus on their core competency--patient care. PHNS has approximately 1,670 customers, including approximately 400 hospital IT and business process customers and approximately 1,270 IT customers. PHNS is headquartered in Dallas, Texas. See www.phns.com for additional information about PHNS.