Introduction

"Health care is the most difficult, chaotic and complex industry to manage today."

—Peter Drucker

DRUCKER'S OBSERVATION, ABOVE, was written more than two decades ago, but it is even more relevant today. Although healthcare has always been organic and somewhat volatile, the industry is now experiencing a revolution. The US healthcare system continues to pose one of the nation's greatest domestic challenges as, confronted with spiraling costs and suboptimal quality and service outcomes, healthcare consumers and payers are clamoring for increased transparency and enhanced service value at reduced cost.

The move to value-based reimbursement is altering the structure and focus of healthcare organizations. This emerging business model compels providers to produce demonstrated, measurable results for the services they provide, delivered in a manner that increases service access and enhances patient engagement. All of these goals must be accomplished at diminished reimbursement levels.

At the epicenter of the change are health systems and the physicians, executives, and managers who lead them. The pressure is on these leaders to continuously improve services, streamline costs, and preserve operating margins. That said, overcoming the daily challenges to reduce operating expenses, advance service quality, and improve clinical quality outcomes is not possible unless the organization has sustained revenue growth and margins necessary for reinvestment in facilities, equipment, and other capital outlays.

For purposes of discussion in this book, the term *health system* refers to large, multientity healthcare organizations that provide services along the care continuum. Regional health systems may include multiple acute care hospitals, outpatient services, physician practices, post-acute care services, and other programs.

Every sea change demands strong leadership and a winning game plan to achieve enduring success. That game plan is performance improvement (PI). More than ever, health system leaders need stringent operating disciplines and effective improvement strategies to steer their organizations through an increasingly uncertain and complex environment.

Fad diets come and go, and most prove ineffective in the long term. Often, healthcare leaders view emerging PI models the same way. This perception is not without basis. For the past 30 years, the industry has seen numerous improvement philosophies, and approaches come and go. But even past improvement philosophies offer valid principles and lessons that can be applied effectively to healthcare organizations today.

PREMISES OF THIS BOOK

The purpose of this book is to serve as a resource and guide for healthcare leaders who are tasked with improving financial performance in their organizations. The principles in this book are a result of work with hundreds of hospitals and health systems across the country over more than 30 years. This work is centered on applying systems engineering principles and methods to improve organizational performance and restore operating margins and profitability.

The framework at the core of this model is built on a taxonomy of 18 improvement "levers" deployed at different levels of an organization. The framework is not intended to replace Lean, Six Sigma, or other PI approaches. Rather, it is a prioritizing structure by which to consistently apply PI principles and tools to those areas that have the highest impact on the patient experience, the quality of care

outcomes, and healthcare costs. Using the rapid-cycle collaborative team process, organizations can further accelerate improvement by increasing speed to benefit.

The model and approaches in this book are based on three premises.

Premise 1: The changing business of healthcare requires performance improvement interventions that are faster, broader, and more strategic than those adopted in the past.

- Slow, incremental improvement is insufficient for most organizations to overcome the financial challenges they face.
- The traditional operational levers of labor productivity, supply, and revenue cycle improvements, while important, do not alone offset reimbursement and volume declines.
- Performance improvement must increasingly focus on long-term, high-impact areas, including clinical utilization, management restructuring, and systems rationalization.
- Building the new, patient-centric continuum of care requires a fundamental restructuring of the healthcare system. Some components will require heavy investment while investment in other components declines. To do so well, organizations need effective portfolio management processes and disciplines.

Premise 2: Most health systems are organized and structured in a similar manner; consequently, they share similar, predictable operational challenges.

- Most operational challenges in a health system are artifacts of structural issues of compartmentalization and complex cross-functional processes.

- Depending on the department or function, a short list of interventions provides most of the operational improvement opportunity.
- Leaders should prioritize and structure PI initiatives on the basis of these short lists.

Premise 3: Most performance improvement initiatives fall short of expectations not from a lack of skills, effort, structure, or tools but from an absence of prioritization and alignment.

- Health system leaders are often sidetracked by competing priorities, making the speedy and purposeful execution and sustained momentum of large-scale improvement initiatives difficult.
- Many organizations make substantial investments in PI staffing, training, and other resources but often fail to deploy these resources to areas and issues that provide the highest returns.
- Improvement initiatives often pay undue attention to assessing current processes and operational issues. This focus prolongs the time needed to identify and implement improvements and redesigned systems.
- The most difficult PI goals to achieve are implementation and sustainability. This issue often reflects a culture that lacks alignment and accountability.

Has the healthcare revolution finally arrived? That remains to be seen, but today's healthcare arena promises to be challenging and exciting for healthcare leaders.