Introduction:
The Need for Effective
Execution in Healthcare

IN 2001 THE Institute of Medicine published *Crossing the Quality Chasm*. This seminal work identified the chasm between what is known about providing high-quality healthcare and what was actually being delivered. Unfortunately, this chasm remains open. This book provides healthcare organizations with a system for the effective execution of high-quality, cost-effective care.

The failure to execute is a common problem in many organizations, but especially in healthcare. The barriers to effective execution are well understood and include an incredibly complex system, splintered leadership, strategies that vacillate between financial goals and patient care, and no external pressure strong enough to force change.

However, external pressures that will force change in the system continue to build. Unsustainable cost growth and uneven quality cannot continue. In response to many of these trends Congress enacted the Patient Protection and Affordable Care Act of 2010, which is the largest change in health policy in the United States since the inception of Medicare. It will significantly change the system through numerous features that reward performance and value but penalize those providers who are unwilling to change. In the face of this rapidly changing environment, many progressive healthcare delivery organizations are now seeking a path to become "high performance" health systems.

The Commonwealth Fund Commission defines a high performance health system as "one that helps everyone, to the extent possible, lead longer, healthier, and more productive lives. To achieve such a system, four core goals must be met: access to care for all; safe, high-quality care; efficient, high-value care; and continuous innovation and improvement" (The Commonwealth Fund Commission on a High Performance Health System 2007).

To achieve this status, many organizations will have to change dramatically. They will need to become true "health systems," as opposed to facilities that focus on curing the sick. In addition, value-based purchasing and bending the cost curve will be parts of this new competitive environment, and organizations will need to find ways to meet these marketplace and regulatory demands. Healthcare organizations that can develop and effectively execute their plans will thrive, while those that cannot will struggle and eventually be absorbed by their more effective competitors.

Fortunately, the systems that support the effective execution of strategy are well known and practiced by many of America's most successful corporations. This book translates these systems to the healthcare environment and details their use by leading healthcare delivery organizations.

THE EMERGING IMPORTANCE OF EXECUTION IN HEALTHCARE

During the first 60 years of the twentieth century, the clinical and business aspects of healthcare were led by physicians because both clinical technology and the financial aspects of healthcare were relatively simple. However, clinical technology began to expand rapidly during World War II, and the Great Society programs of the 1960s (Medicare and Medicaid) expanded the scope and complexity of healthcare financing. During these years physicians began to focus on clinical issues and often left the business functions to specialists—frequently individuals with MHAs or MBAs. However, this separation of duties is now coming to a close as society is demanding a more efficient and integrated healthcare system (see Exhibit 1.1). The successful future healthcare organization will focus on quality, patient safety, financial stewardship, and physician, patient, and employee satisfaction.
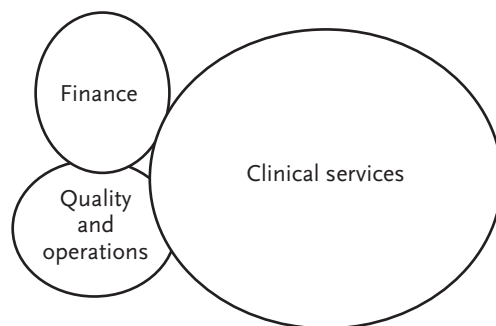
Structures for the delivery of care will change as more and more physicians join hospitals or larger clinics to achieve financial stability. The success of these new complex organizations will hinge on their ability to use disciplined management tools to plan, execute, and monitor their organization's performance.
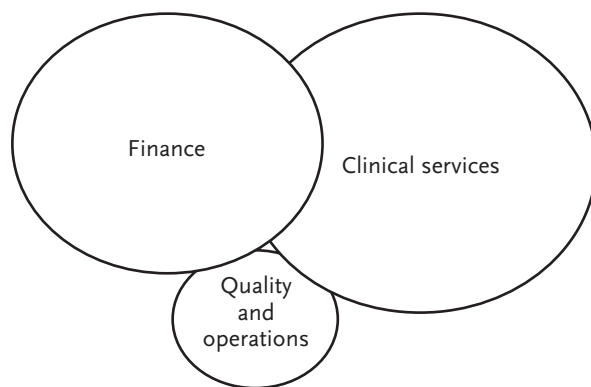
A SYSTEM FOR EXECUTION IN HEALTHCARE

This book provides a comprehensive system for effective execution in the healthcare environment. It is based on best practices from leading healthcare

1930s to 1960s—Emphasis on New Clinical Breakthroughs

Finance

Quality
and
operations

Clinical services

1960s to 2010—Emphasis on New Funding Resources and Growth

Finance

Clinical services

Quality
and
operations

The Future—Emphasis on Quality and Value

Quality
and
operations

Finance

Clinical services
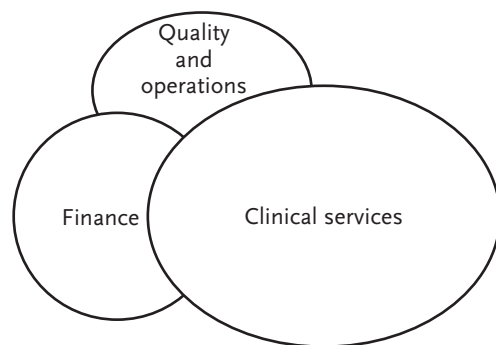
organizations, state-of-the-art approaches to execution in other industries, and the author's (and his university colleagues') experiences in providing professional development training to healthcare leaders. It has four major sections: strategy, tools, people, and systems.

I. Strategy—Developing a Focused Strategic Plan

Although this book is not primarily about strategy development, a poorly conceived plan is difficult to execute effectively. (In some cases, there is no plan at all.) Therefore, the fundamentals and contemporary concepts of strategic planning are reviewed here with an emphasis on effective approaches used by leading healthcare organizations.

The use of large databases as an aid to planning is just emerging in healthcare. This book explores the concepts of the business intelligence approach—including data warehousing, data mining, and benchmarking—which can be extremely useful in creating and monitoring plans. Finally, the emerging strategic plan can be made more robust and tested for flexibility through the use of scenario analysis.

II. Tools—Contemporary Business Methods of Execution

The use of business tools to execute change is a major focus of this book. The balanced scorecard has been used by corporations for many years to move strategy to action, and now leading healthcare organizations also use it. Project management is the basic tool of execution, and the formal project management methodology as promulgated by the PMI (Project Management Institute) will be detailed. This also includes the use of the project management office to monitor and support multiple simultaneous projects. Modifications to the formal project management system and the implementation of clinical innovations will be explored as well.

Once performance gains have been achieved, an organization needs to sustain these gains by embedding the changes it has made. Although most strategies are executed by individuals, many new powerful, automated tools support change reinforcement. The use of computerized business rules and performance monitoring to support execution will be outlined.

III. People—Leading Individuals and Organization for Effective Change

Even the most sophisticated use of business tools will fail to achieve desired organizational results if the people in an organization are not led well and do not feel engaged. This section of the book explores these challenges. Employee engagement and organizational culture can either impede or support effective execution; contemporary approaches will be reviewed with a special

emphasis on practical approaches to improving both. An organization's structure and compensation systems are also important factors in effective execution; best practices in these areas will be detailed.

The adaptive leadership model developed by Dr. Ron Heifetz (Heifetz and Linsky 2002) is well suited to the healthcare environment and has been used effectively by the 150+ graduates of University of St. Thomas's Physician Leadership College. The key elements of adaptive leadership will be explored with detailed examples.

IV. Systems—An Integrated System for Execution in Healthcare

The final section ties all the elements together—strategy, tools, and people—into a comprehensive system for execution.

The Malcolm Baldrige National Quality Award is a coveted honor given to only one or two healthcare organizations each year. The execution system detailed in this book can be a key component of an organization's journey to achieving many of the goals of the Baldrige Award.

A high performance healthcare system is a challenge to achieve and maintain. However, effective execution can make this journey easier, more satisfying, and longer lasting.

HOW THE CHAPTERS ARE ORGANIZED

Most of the chapters in this book are organized into four major sections:

- **State of the art**—A description of best practices in the uses of the chapter's business tool or leadership approach
- **Notes from the field**—Examples from leading healthcare organizations on the use of the business tool, with strong connections to the state of the art
- **Vincent Valley Healthcare System (VVH)**[1]—A fictional but realistic healthcare system featured to illustrate the use of these business tools and people skills (Because much of this book contains tools and concepts that are just beginning to be used in healthcare, no one existing organization can be used to demonstrate the full breadth of these tools' power—hence the use of VVH. In addition, stories are powerful learning tools and help embed concepts more easily than formal business narratives. It is hoped readers can translate VVH's use of these skills and tools to their own organizations.)
- **Summary**—Key issues and lessons from the chapter

COMPANION TEXTBOOK

Healthcare Operations Management[2] is a complementary resource to this book. Whereas this book is focused on effectively executing an organization's strategy, *Healthcare Operations Management* is focused on maintaining the gains and making continuous improvements in ongoing operations. It also contains a comprehensive approach to unique operational challenges, such as Lean Six Sigma for process improvement, scheduling optimization, and supply change management.

NOTES

1. VVH is located in a Midwestern city of 1.5 million people. It has 3,000 employees, operates 350 inpatient beds, and has a medical staff of 450 physicians. In addition, VVH operates nine clinics staffed by physicians who are employees of the system. VVH has two major competitor hospitals, and a number of surgeons from all three hospitals recently joined together to set up an independent ambulatory surgery center.

2. *Healthcare Operations Management*, McLaughlin and Hays, Health Administration Press, 2008, 466 pages.