

Performance Improvement

Lean Times Ahead

To adapt my father's favorite statement about fishing to healthcare, I suggest that performance improvement is not a matter of life or death: it's more important than that. Of course, PI deserves all the attention it has received with respect to the quality and safety of medical services. It has been a major factor in successful initiatives to reduce the number of deaths due to medical errors. However, PI has an additional capability that should make it our No. 1 tool for dealing with today's No. 1 problem in the medical economy: wasted resources.

The amount of money wasted in healthcare today is every bit as embarrassing as the number of lives lost to medical errors. Dozens of studies published in respected journals suggest that somewhere between one-quarter and one-third of medical spending contributes nothing to a healthier population. Waste permeates all aspects of healthcare, from the way services are produced to the way they are reimbursed.

Wastefully spending 25 to 33 cents of each medical dollar is even more problematic at a time when healthcare's share of the GDP is peaking. Other national priorities (energy, education, defense, financial services) have become as economically important as medical care. Their needs will almost certainly absorb resources that would have gone to healthcare in the past. Producers in the medical marketplace can no longer grow just by getting a bigger piece of the GDP pie. Instead, providers must identify existing resources that are being used unproductively and

then reallocate them to productive use within their organizations.

RECYCLING WASTED RESOURCES

Performance improvement is a management process ideally suited to this task. PI is implemented with a set of tools—including lean management, Six Sigma and the Toyota Production System—that are specifically designed to get more output from existing resources. PI provides a structure for improving an organization from the inside, an important consideration under economic circumstances that offer little to no hope of more real resources (i.e., dollars adjusted for inflation) coming from outside the organization.

PI is not the only way to increase the quantity or quality of care, but none of the other approaches is feasible in today's medical marketplace. For example, increasing the workforce is not a realistic solution to healthcare's problems in 2009. All practitioners are in short supply, and educational

institutions simply do not have available resources to train more health professionals. Even if schools did have funds to expand programs now, nearly a decade would be needed to increase the number of caregivers.

Trying to improve performance by building more hospitals and buying more equipment is also not feasible under current economic circumstances. At the same time medical expenditures are likely hitting a GDP plateau, information and telecommunications technologies are moving healthcare from high-cost hospitals to less-expensive care settings like homes, worksites, drug stores and other locations. Again, the sensible solution is to focus providers' primary efforts on transforming processes to improve the production of healthcare services, wherever they are delivered.

PI REALLY WORKS

PI is a well-established management methodology. The principles and procedures of PI have saved many American industries from extinction over the past 50 years. Banking, transportation, manufacturing, retail and agriculture all have successfully used PI to transform the way they do business in response to competition and other economic threats.

Caregivers need to understand what PI can do for them, but they should not do it all by themselves. Like IT, performance improvement generally requires a dedicated staff of professionals who can help caregivers work efficiently and effectively. It is a team activity where clinicians and

PI experts work together to define problems and to implement solutions. It is also an ongoing activity because performance can always be improved, especially in a scientifically and technologically dynamic industry like healthcare.

ADVANCING FROM ART TO SCIENCE

Providers have traditionally resisted efforts to systematize the delivery of healthcare. They argue that medicine is an art, a professional activity that cannot be reduced to cookbook-like production formulas. Important aspects of provider-patient relationships can be an art, but performing clinical procedures is rapidly becoming a science. Recent improvements in patient safety can be attributed almost entirely to standardization in production processes, supported by state-of-the-art information systems.¹ PI and IT work together to eliminate unexplained variation in care, a key cause of high cost and low quality when defenders of “medical art” hinder applying management science to providing medical services.

PI is a common denominator across health systems that have harnessed waste and reallocated reclaimed resources to produce high-quality care as inexpensively as possible. Ironically, global competition in the form of medical tourism is another reason why American health systems must begin using the tools of performance improvement. Several foreign countries positioning to become destinations for medical tourists have formed partnerships with American health systems and IT vendors that have used PI to master quality and safety. These new global health systems can readily implement efficient and effective processes because they are free from the constraints of tradition.

SERIOUS ECONOMIC UNCERTAINTY

American healthcare providers have not been compelled to become efficient and effective because the domestic economy has grown for nearly 75 years. They have enjoyed a special status, both economic and political, that allowed healthcare to grow faster than any other industry over

the past 50 years. However, the global economic crisis of 2008 raises serious doubts about continued growth.

Indeed, business as usual does not look promising. Tough economic times lie ahead for every industry, including health care. Performance improvement may be a bitter pill for providers to swallow, but its effectiveness has been proven. Providers must respond to lean times with lean management (or one the other tools of PI). **JHIM**

Dozens of studies published in respected journals suggest that somewhere between one-quarter and one-third of medical spending contributes nothing to a healthier population.

Jeffrey C. Bauer, PhD, a nationally recognized medical economist and health futurist, is a Chicago-based partner in the management consulting practice of Affiliated Computer Services (ACS Healthcare Solutions). Visit www.jeffbauerphd.com or contact him at jeff.bauer@acs-hcs.com.

REFERENCES

1. Bauer JC, Hagland M. *Paradox and Imperatives in Health Care: How Efficiency, Effectiveness, and E-Transformation Can Conquer Waste and Optimize Quality*. New York City: Productivity Press; 2008.

Editor-in-Chief

Richard D. Lang, EdD

Vice President, Communications

Fran Perveiler

Senior Editor

Matt Schlossberg

EDITORIAL REVIEW BOARD

Mary Alice Annecharico, RN, FHIMSS

Executive Director, IS

University of Pennsylvania School of Medicine
Philadelphia, PA

Marion J. Ball, EdD, FHIMSS

Fellow, IBM Global Leadership Initiative

Center for Healthcare Management

Professor, Johns Hopkins School of Nursing

Eta S. Berner, EdD

Professor Health Services Administration

University of Alabama at Birmingham

Birmingham, AL

William F. Bria, MD

Chief Medical Information Officer

Shriners Hospital for Children

Tampa, FL

John P. Glaser, PhD, FHIMSS

Vice President and CIO

Partners HealthCare System

Boston, MA

Margaret M. Hassett, MS, RN, C, FHIMSS

Director of Clinical Informatics

Berkshire Health Systems

Pittsfield, MA

James Langabeer II, FHIMSS

Associate Professor,

Management & Policy Sciences

The University of Texas School of Public Health

Houston, TX