

# GOING BEYOND PAYMENT REFORM: WHAT IS NEEDED FOR TRANSFORMATIONAL PERFORMANCE IMPROVEMENT?

**STEPHEN M. SHORTELL, PHD, MPH, MBA**

PROFESSOR OF THE GRADUATE SCHOOL AND DEAN EMERITUS

CO-DIRECTOR, CENTER FOR HEALTHCARE ORGANIZATIONAL AND INNOVATION RESEARCH (CHOIR)

CO-DIRECTOR, CENTER FOR LEAN ENGAGEMENT AND RESEARCH IN HEALTHCARE (CLEAR)

SCHOOL OF PUBLIC HEALTH

UNIVERSITY OF CALIFORNIA, BERKELEY

**13<sup>TH</sup> ANNUAL NATIONAL VALUE-BASED PAYMENT**

**AND PAY-FOR-PERFORMANCE SUMMIT**

**GRAND HYATT – SAN FRANCISCO**

**MARCH 1, 2018**

# TWO REALITIES

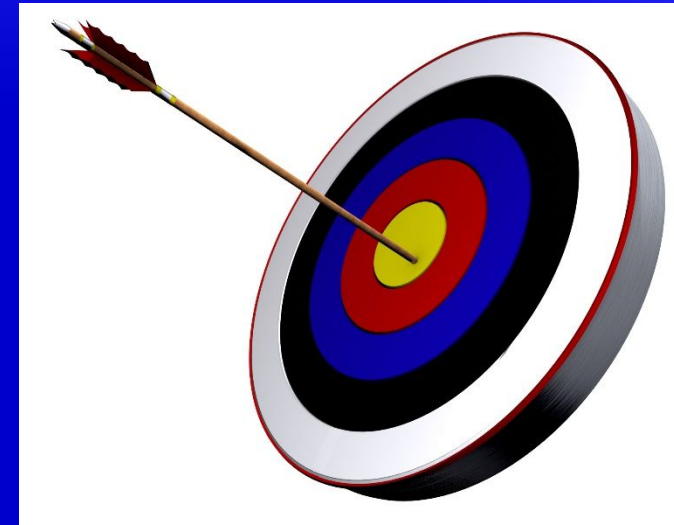
Greater Assumption of Risk by Providers

Spend Less Money to Manage More  
Complex Patients

# THE TARGET

## Constraining the rate of growth in Health Care costs

- \$3 Trillion *plus*
- \$11,000/person
- 18% of GDP



Projected 5.6% annual increase over next decade vs. 2.5% inflation for the economy overall

# WHAT TO DO

- Lower Demand for Care
  - Create healthier communities; True population health
  - Address social determinants of health
  - Create a “Culture of Health”
  - Incentives to choose value-based care
- Change How Care is Delivered
  - Lower cost settings
  - Lower cost personnel
  - Eliminate waste, unwarranted complexity, enhance the value chain
- Value Based Payment to Support the above
- Prices!

# THE AVERAGE MEDICARE PATIENT SEES SEVEN PHYSICIANS ACROSS FOUR DIFFERENT PRACTICES

75% of those who are admitted to the hospital cannot identify the clinician responsible for their care.

20% of Medicare free-for-service patients who are discharged from the hospital are readmitted within 30 days.



The average primary care physician interacts with 229 physicians at 117 different practices for Medicare patients.

Health service delivery fragmentation costs \$130 billion annually.

Source: "Bright Spots in Care Management in Medicare Advantage." Robert Graham Center Policy Studies in Family Medicine and Primary Care. June 2017

**“TRANSFORMATION IS WHAT OCCURS WHEN  
THE SYSTEM IS AT THE BREAKING POINT”**

**MARY CORRIGAN, AUSTRALIAN INSTITUTE OF HEALTH INNOVATION**

# EMPLOYERS TAKING A MORE ACTIVE ROLE

- Spending over \$14,000/Employee on Health Insurance (National Business Group on Health)
- 21 Percent going to Direct Contracting
- Working with ACOs, Worksite Centers, Retail Outlets
- Telehealth Applications
- Amazon, Berkshire/Hathaway, JPMorgan Chase Partnership
- And More

# THE CHALLENGE TO PROVIDERS

Embrace a Radical New Way of Managing and Leading an Organization

- QI Projects won't do it
- PDSA cycles alone won't do it
- One off practice redesign effects won't do it



# WHAT MIGHT?

A Management System that uses a continuous improvement culture that empowers front line workers (Nurses, Physicians, support staff) to solve problems and eliminate waste by standardizing work to improve the value of care delivered to patients

*Examples:*

Lean

Lean plus Six Sigma

Robust Process Improvement (RPI)

# WHAT DO WE KNOW ABOUT THESE TRANSFORMATIONAL PERFORMANCE IMPROVEMENT APPROACHES? (TPI)

National Survey of All U.S. Short-Term Acute General Hospitals

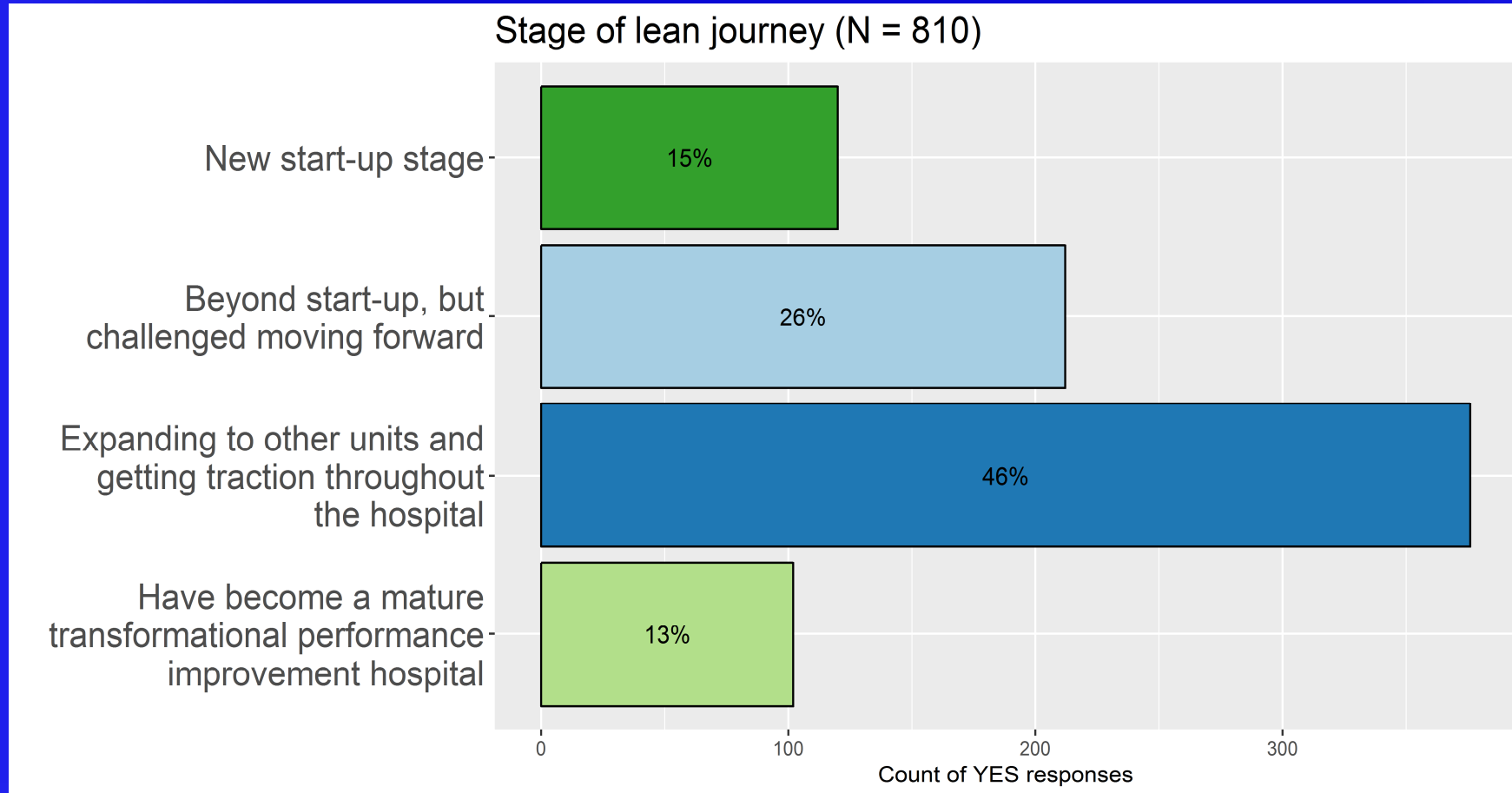
Fielded by American Hospital Association

N = 1222 Hospitals

## SOME KEY FINDINGS

Doing one of the three TPI approaches	69.3% (N=847)
Adjusted for Non-Respondents	61%
Mature TPI Hospitals	12.6% (N=102)
Number of Years doing Lean	5.2 (D-22)
Initiated with a Model Cell	66.9% (N=542)
Have a Central Improvement Team	75.5% (N=581)
Used an outside Consultant	70.9% (N=542)

# AT THIS POINT IN TIME, WHICH OF THE STATEMENTS BELOW BEST DESCRIBES YOUR HOSPITAL'S JOURNEY TOWARD OVERALL TRANSFORMATIONAL PERFORMANCE IMPROVEMENT?



## MOST FREQUENT APPLICATIONS

- Emerging Department
- Medical/Surgical Nursing Unit
- Operating Room
- Executive Leadership
- Laboratory

## MOST FREQUENT TOOLS USED

- Daily Huddles
- PDSA Cycles
- Visual Management
- Standard Work Processes
- Analytic Tools (Scatter Plots, Pareto Charts, etc.)

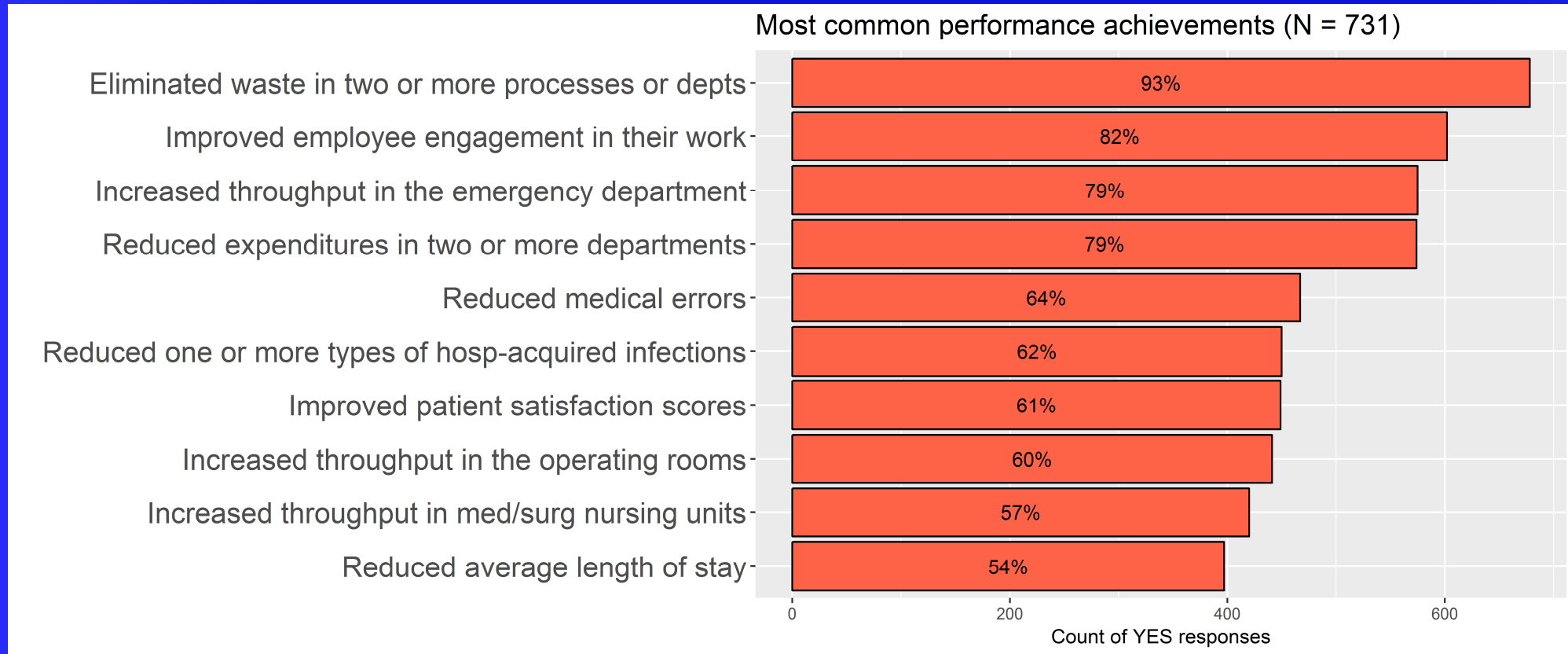
# IMPACT ON PERCEIVED PERFORMANCE

- Positive Relationship between LOT doing Lean and Number of Performance Areas Impact
- Same for Relationship between Maturity and Reported Performance Impact
- Leadership Commitment +
- Daily Management System +
- Education and Training +
- Being a Member of a System or Network +

# PERFORMANCE IMPACT AREAS MOST FREQUENTLY MENTIONED

- Elimination of Waste in Two or More Processes or Departments
- Improved Employee Engagement in Their Work
- Increased Through put in the Emergency Department
- Reduced Expenditures in Two or More Departments

# WHAT, IF ANY, PERFORMANCE ACHIEVEMENTS IN YOUR ORGANIZATION CAN BE PRIMARILY ATTRIBUTED TO IMPLEMENTATION OF LEAN?



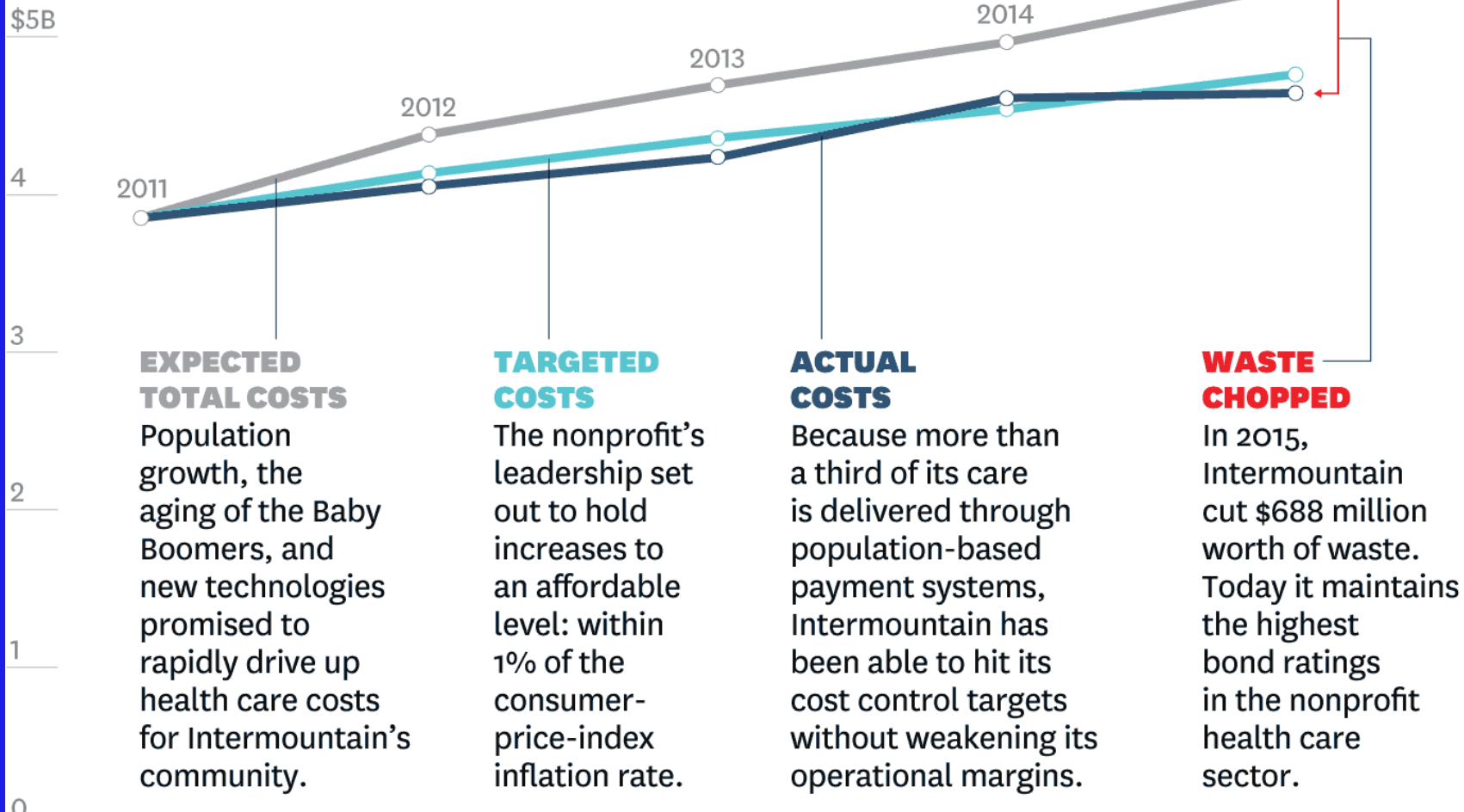
Of 16 achievements presented

- Mean (SD): 9.0 (4.0)
- Range: 0-16



# Waste Cutting That Works

How Intermountain kept care affordable



Source: Intermountain Healthcare

From "The case for capitation." July-August 2016; HBR

## CAUTIONARY NOTE AND CHALLENGE

- There is evidence that Lean and related TPI approaches can archive positive results in limited target projects, departments and processes
- There is little evidence (to date) that it is associated with overall organizational performance improvement
- It is extremely difficult to implement because it involves deep rooted cultural change
- Not clear how many U.S. Health Care Organizations have the “Stomach” or Time For It – but what is the Alternative?

# SUMMARY

- Payment Reform and Innovations Important
- Fundamentally Need to Change Current Legacy Models for Delivering Care
- Need to Displace Current Received Wisdom of How to Lead and Manage Health Care Organizations
- But Best Advice – Stay Out of the System – Stay Well!



**THANK YOU!**

**YOUR QUESTIONS**

For more information see:

[www.choir.Berkeley.edu](http://www.choir.Berkeley.edu)

[www.clear.berkeley.edu](http://www.clear.berkeley.edu)

[hrod@berkeley.edu](mailto:hrod@berkeley.edu)

[shortell@berkeley.edu](mailto:shortell@berkeley.edu)

[trundall@Berkeley.edu](mailto:trundall@Berkeley.edu)