

**Integrating the Baldrige
Business Model in Healthcare:
*Our Journey To Performance Excellence***

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The Quality Colloquium

August 22 – 25, 2004

Saint Luke's Hospital

Kansas City, Missouri



Saint Luke's Hospital

Where We Came From...

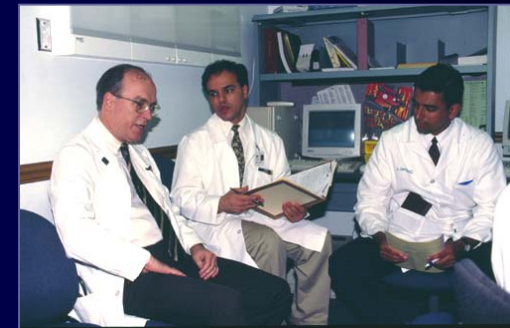
- Founded in 1882
- Reverend Henry David Jardine
- Articles of Agreement – dated October 3, 1882
- Charity care was an important aspect of the agreement
- New hospital was designated a teaching institution



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Who We Are Today...

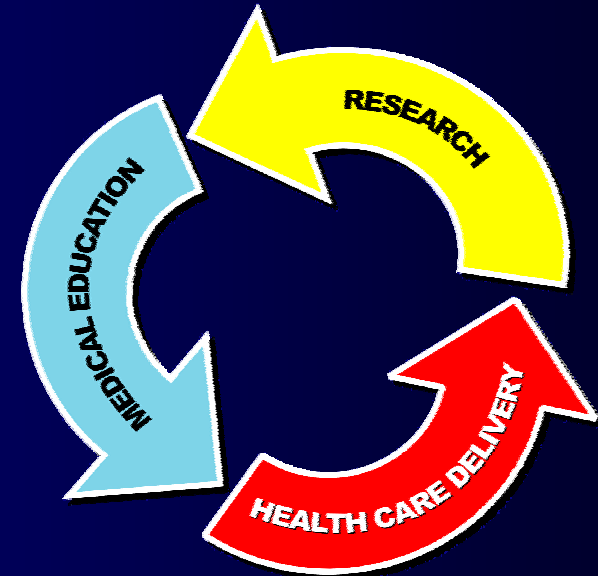
- 582 beds
- 3186 employees
- 500 physicians
- Not for profit
- Tertiary care referral
- Protestant Episcopal Church
- Primary teaching hospital – UMKC School of Medicine
- Level I Trauma Center
- Centers of Excellence
- Level III Neonatal care



Saint Luke's Hospital

Mission

Committed to the highest levels of excellence in providing health services to all patients in a caring environment...dedicated to medical research and education.



Saint Luke's Hospital

What We Stand For...

Our Core Values

- **Quality/Excellence** →
- **Customer Focus** →
- **Resource Management** →
- **Team Work** →

122 Years
Serving Kansas City
and the Region

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- Be the Best
- Identify/Analyze Problems
- High Quality
- Corporate Compliance
- Courtesy/Respect
- Customer Satisfaction
- Ethics/Confidentiality
- Celebrate Diversity
- Cost Effective
- Flexibility
- Cooperation
- Honest Communication
- Team Culture
- Recognize Achievement

Baldrige Business Model

Rationale

Why Pursue Baldrige?

...Because It's Logical!

Leadership

Strategic Planning

Focus on Patients, Other Customers, and Markets

Measurement, Analysis, and Knowledge Management

Staff Focus

Process Management

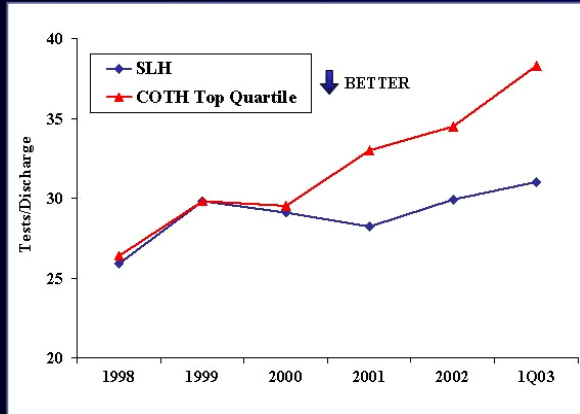


ORGANIZATIONAL PERFORMANCE RESULTS

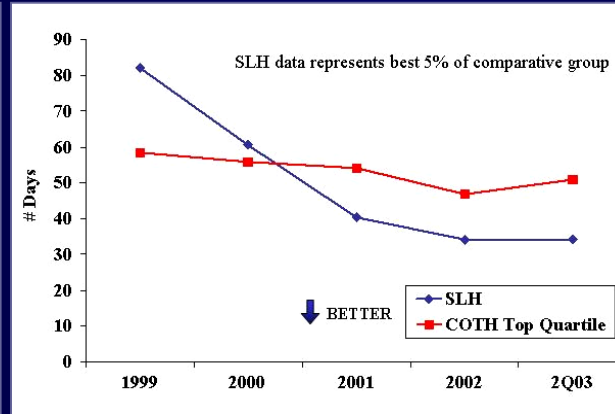
Criteria Provide a Framework for Organizational Activity

- Tailored to each organization
- Emphasizes strong leadership in an empowered work environment
- Drives continuous improvement
- Focused on results

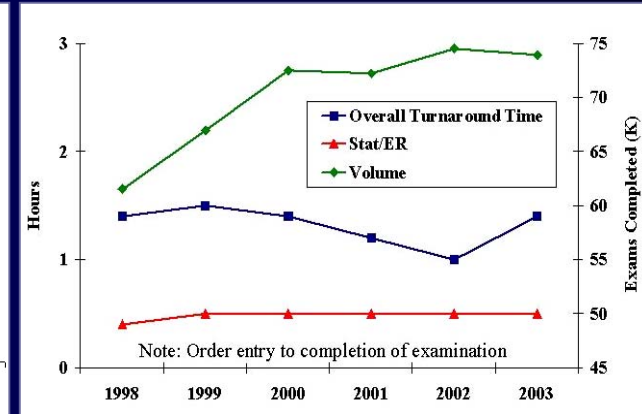
Inpatient Test per Discharge



Net Days Accounts Receivable

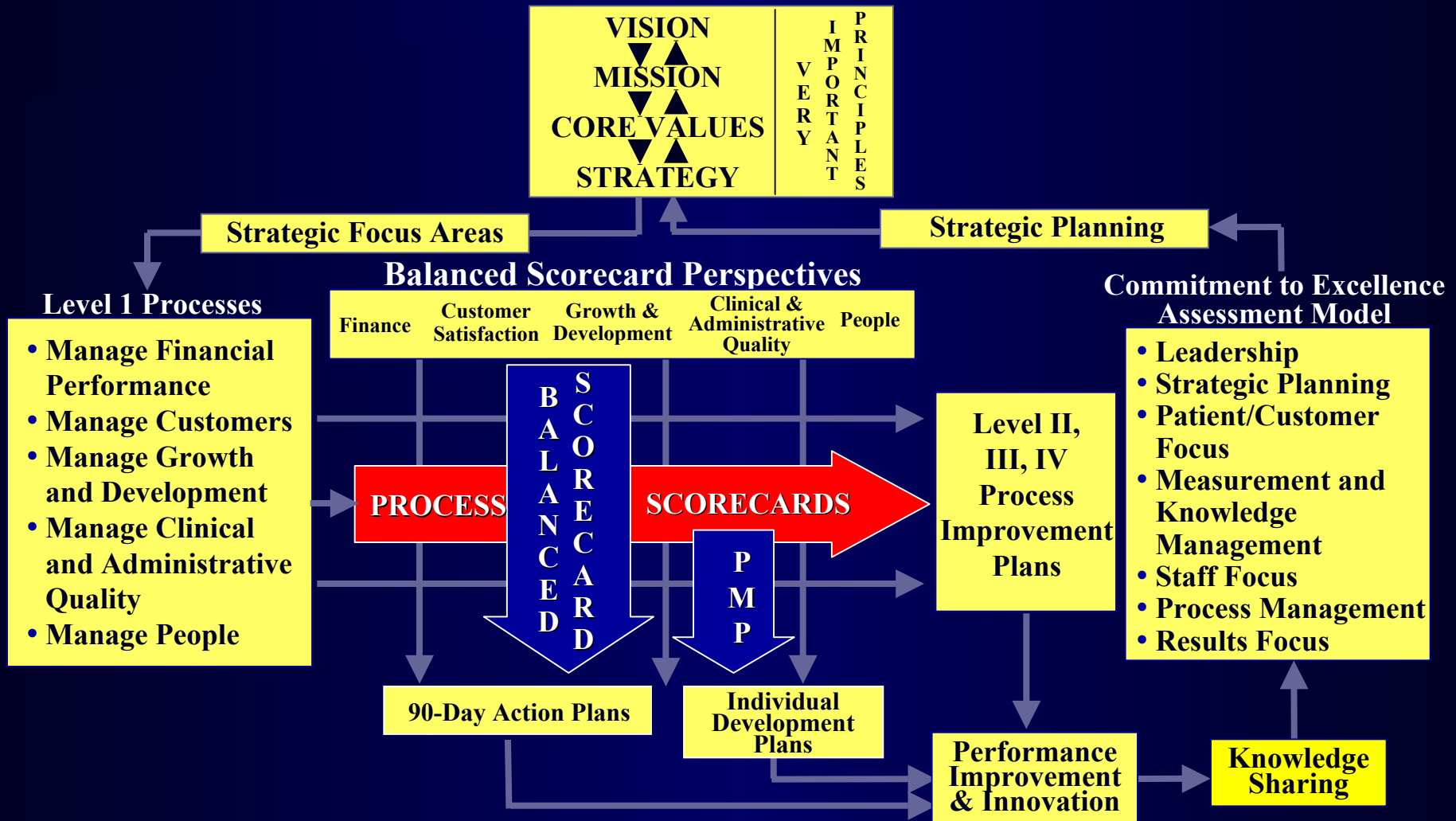


Radiology Turnaround Time

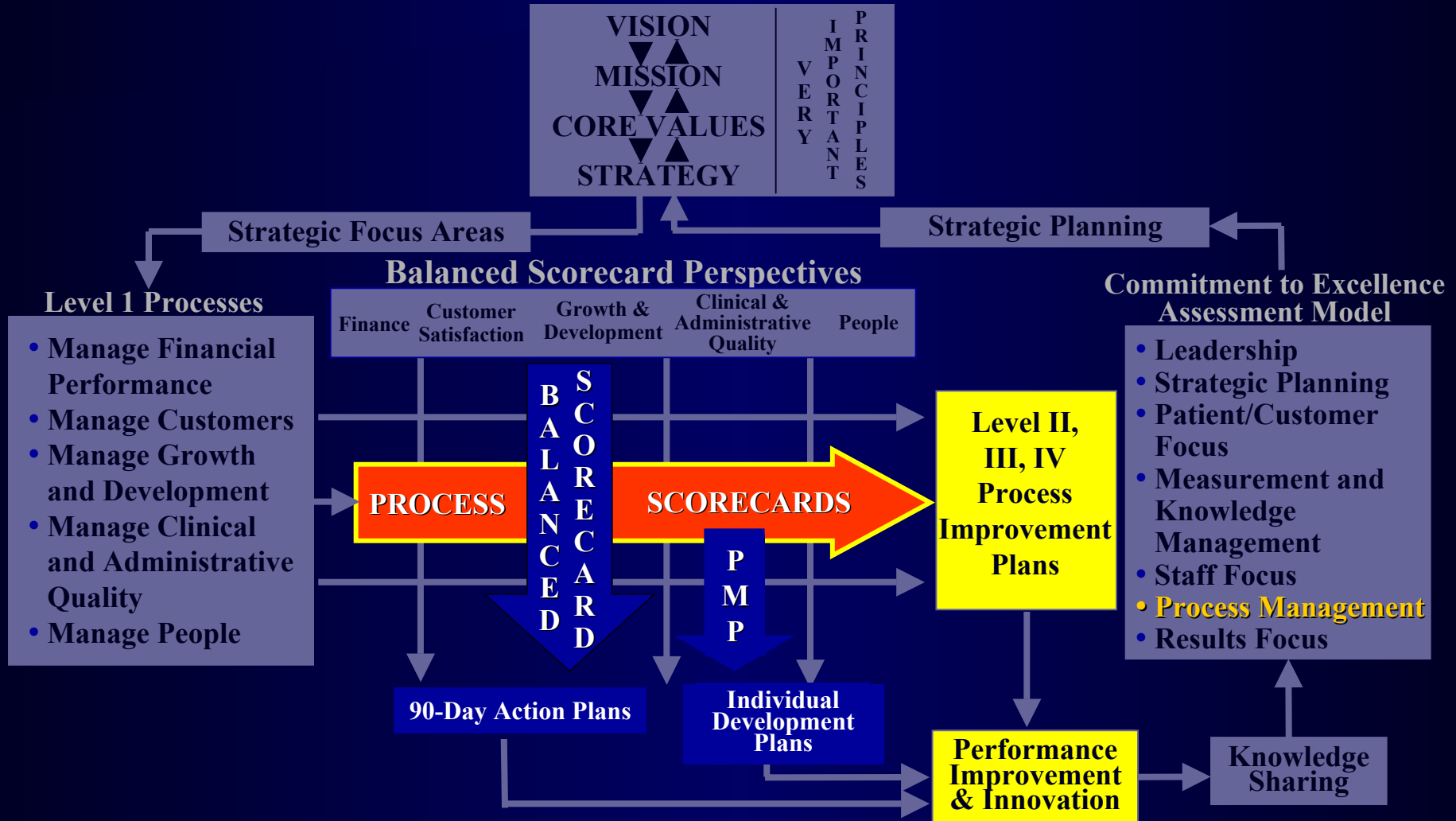


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SLH Leadership for Performance Excellence Model



Saint Luke's Hospital SLH Leadership for Performance Excellence Model



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Physicians as Partners

| | | | |
|--|---------------------------|-----------------------------------|--|
| <i>President</i> | Ann Warner, MD | Customer Satisfaction | Kevin Thorpe (VP) |
| <i>President Elect</i> | Michael Borkon, MD | Growth and Development | George Hayes (COO) |
| <i>Vice President</i> | Mark Bernhardt, MD | People | Dawn Murphy (VP) |
| <i>Secretary/ Treasurer</i> | Fred Plapp, MD | Financial | Jama Johnson (CFO) |
| <i>Immediate Past President</i> | Peter Holt, MD | Clinical and Admin Quality | Mary Ellen Doyle (CNO) and Mark McPhee, MD (VP) |

Saint Luke's Hospital Performance Measurement

Balanced Scorecard

- Primary measurement
- 5 perspectives
- Key measures linked to strategy
- Scoring criteria set by statistical methods and benchmarks
- Tracks overall organization performance
- Provides organizational alignment

| | |
|--------------|---|
| FINANCIAL | Key Measure |
| | Total Margin |
| | Operating Margin |
| | Days Cash on Hand |
| | Cost per CMI Adjusted Discharge |
| | Longer Than Expected Wait Time (IP;OP;ED) |
| SATISFACTION | Overall Satisfaction (IP;OP;ED) |

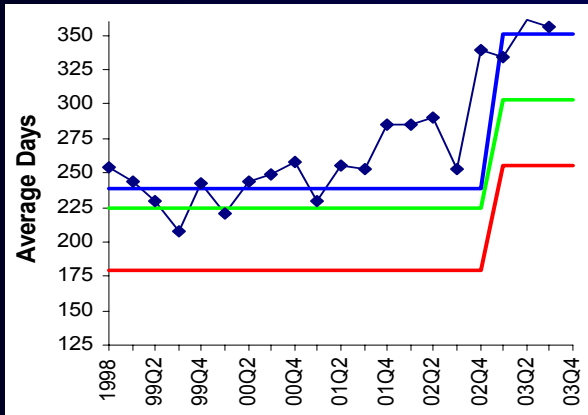
| SCORING CRITERIA | | | | | | | | | |
|------------------|---------|---|------|----------|---|---|------|---|---|
| Target | Stretch | | Goal | Moderate | | | Risk | | |
| 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 |

| | |
|-------------------------------------|---|
| GROWTH & INNOVATION | Physician Ratio |
| | **Community Market Share |
| | Eligible Market Share |
| | Contributing DRGs Profitable Market Share |
| | PCP Referral - Draw Service Area |
| CLINICAL AND ADMINISTRATIVE QUALITY | ***Maryland Quality Indicator Index |
| | Patient Safety Index*** |
| | Infection Control Index*** |
| | ***Medical Staff Clinical Indicator Index |
| | Pneumococcal Screening and/or Vaccination |
| PEOPLE | CHF ALOS |
| | CHF Readmission Rate |
| | Net Days in Accounts Receivable (IP/OP) |
| | Human Capital Value Added |
| | Retention |
| DEVELOPMENT | Diversity |
| | Job Coverage Ratio |
| | **Competency |
| | **Employee Satisfaction |

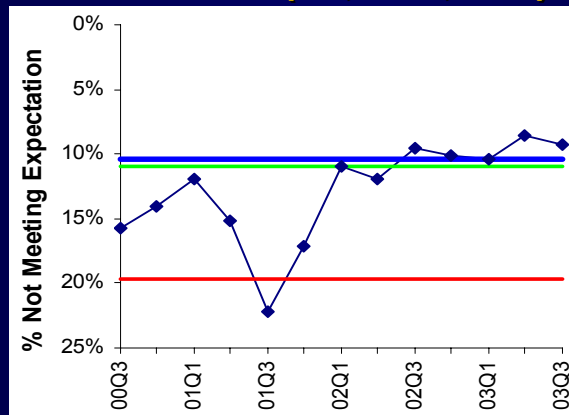
| | |
|----------------|----|
| Overall Score | 7 |
| Goal | 7 |
| Stretch | 10 |

Saint Luke's Hospital Performance Measurement Balanced Scorecard Trend Charts

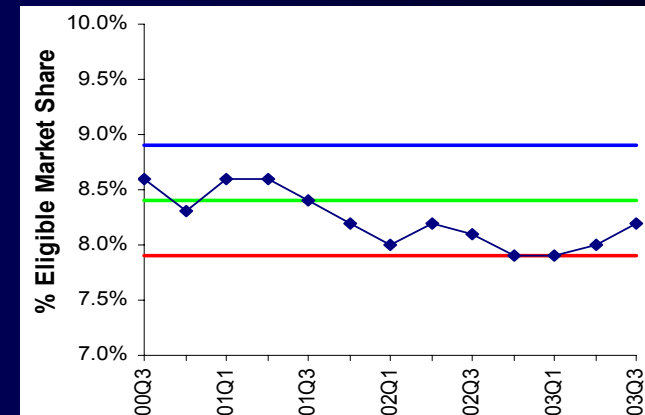
Days Cash on Hand



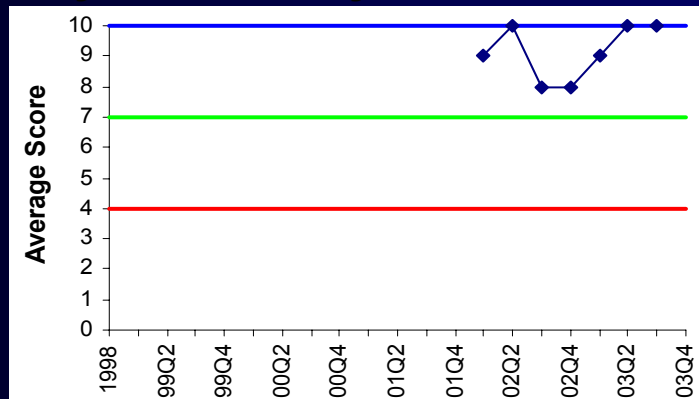
Longer than Expected Wait Time (IP; OP; ED)



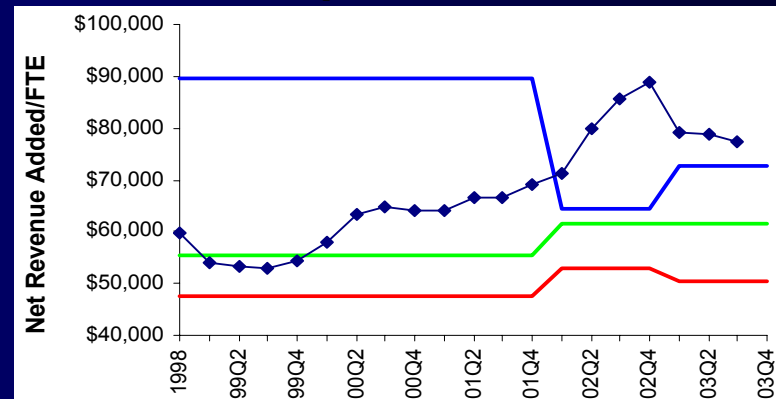
Eligible Market Share



Maryland Quality Indicator Index



Human Capital Value Added



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Performance Measurement

Saint Luke's Hospital Growth and Development Perspective Highlights, Next Actions, Trends 3rd Quarter 2003

QUARTERLY HIGHLIGHTS

- The Community Market Share measure met goal for the 3rd quarter.
- Certificate of Need granted for the Novalis Radiosurgery System.
- Continued implementation of H*Works initiatives to increase surgical case volume/throughput.
- Listening sessions for input on design of "New Saint Luke's" continuing
- Cushing Memorial Hospital accepted Laboratory Services proposal for reference lab services
- Saint Luke's South Primary Care is now referring patients to the Sleep Disorders Center
- Deployment of "Day Before Discharge" discharge planning is continuing. Goal is to improve throughput and capacity

NEXT ACTIONS

- Finalize operational/location issues associated with Novalis Radiosurgery System
- Facilitate discussions with select physician specialties impacted most by malpractice situation to evaluate alternatives to mitigate that impact
- Continue listening sessions for the "New Saint Luke's"
- Formulate agreement with Ray County Hospital to perform sleep studies there
- Work with Medical Staff leadership to identify solutions to the increasing number of unassigned patients in the ED
- Investigate possibility of CV surgeons performing PDA ligations on neonates
- Continue deployment of Medical Staff Development Plan.
- Develop business plan/model for plastic surgery/wound care services

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90-Day Action Plans

- Making it “real” for leaders...
 - Operating Margin
 - Patient Safety Index
 - Inpatient Satisfaction
 - Revenue Growth
 - Retention
-

Saint Luke's Hospital

BSC Departmental Report Form

| | | | | | | |
|---|----------------------------|--|---|---|--|--|
| <i>Department:</i> | | <i>Senior Leader:</i> | | | | |
| <i>Department Director/ Manager:</i> | | <i>Date of Report:</i> | | | | |
| Monthly | | | | | | |
| Performance Level September 2003 | | DEEP BLUE Stretch Target 10 <i>Outstanding</i> | LIGHT BLUE Stretch 9,8 <i>Exceeds Expectation</i> | GREEN Goal 7 <i>Meets Expectation</i> | YELLOW Moderate 6,5,4 <i>Needs Improvement</i> | RED Risk 3,2,1 <i>Immediate Action</i> |
| | | | | | | |
| Perspective (Measure) | Monthly Performance | Scoring Criteria (2003) | | | | |
| Financial (Operating Margin) | 6.18% | > or = 12.0% | 9.0 - 11.9% | 6.1 - 8.9% | 0.2 - 6.0% | 0.1 - (-5.7)% |
| Customer Satisfaction (Overall Sat) | IP: 94.1% | > or = 95.6% | 94.4 - 95.5% | 93.2 - 94.3% | 90.8 - 93.1% | 90.7 - 88.4% |
| | OP: 97.6% | = 100% | 98.6 - 99.9% | 94.1 - 98.5% | 85.2 - 94.0% | 76.2 - 85.1% |
| | ED: 83.4% | > or = 89.7% | 87.7 - 89.6% | 85.6 - 87.6% | 81.5 - 85.5% | 77.3 - 81.4% |
| Growth & Development (Profitable Market Share) | 8.6% | > or = 9.9% | 9.3 - 9.8% | 9.0 - 9.2% | 8.6 - 8.9% | 7.7 - 8.5% |
| Clinical & Admin. Quality (Patient Safety Index) | 4.25 | > or = 10.0 | 8.0 - 9.9 | 7.0-7.9 | 4.0 - 6.9 | 1.0 - 3.9 |
| People (Retention) | 89.9% | > or = 86.9% | 85.1 - 86.8% | 83.3 - 85.0% | 79.7 - 83.2% | 76.0 - 79.6% |

- One BSC measure from each perspective is selected (Strategic Focus Area – SFA)
- Managers develop department 90-day action plans for each SFA
- Provides alignment of Hospital strategic plan at the department level
- Provides focus for managers
- Results reported monthly and trended over time

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Performance Analysis

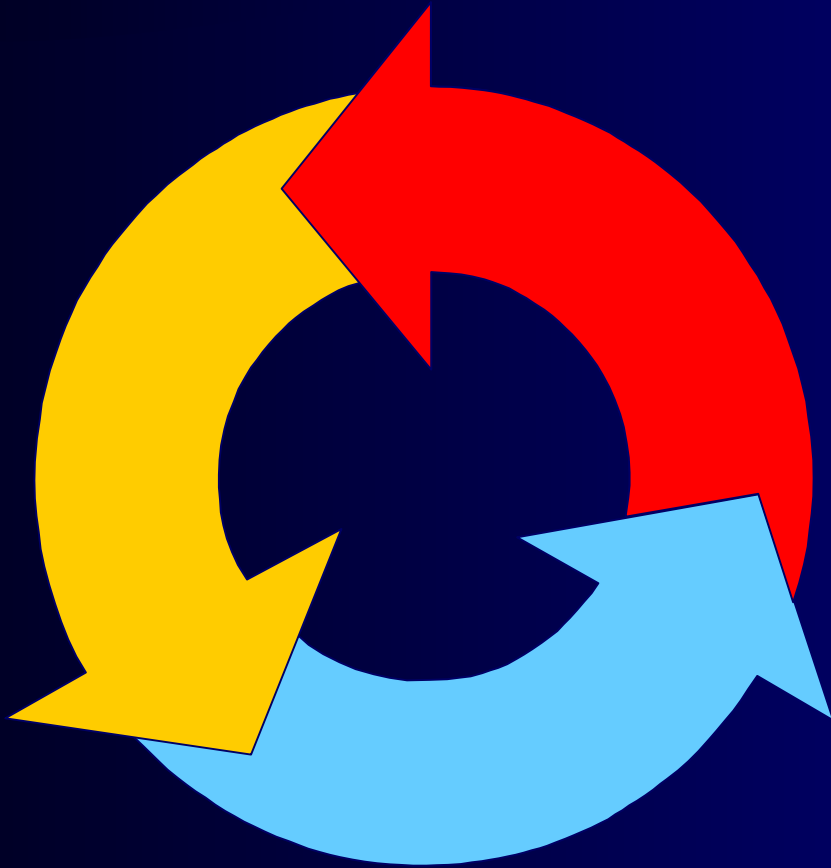
BSC Departmental Report Form

| | |
|-------------------------------|-----------------|
| Department: | Senior Leader: |
| Department Director/ Manager: | Date of Report: |

| Legend | DEEP BLUE Stretch Target 10 <i>Outstanding</i> | LIGHT BLUE Stretch 9,8 <i>Exceeds Expectation</i> | GREEN Goal 7 <i>Meets Expectation</i> | YELLOW Moderate Risk 6,5,4 <i>Needs Improvement</i> | RED Risk 3,2,1 <i>Immediate Action</i> | | | | | | | |
|--|--|---|---|---|--|-------------|-------------|------------|-------------|------------|------------|------------|
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | Year 2003 | | | | | | | | | | | |
| BSC Measure | Jan | Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec |
| Financial - Operating Margin | | | | | | | | | | | | |
| Customer Satisfaction - Overall Sat: IP | | | | | | | | | | | | |
| - Overall Sat: OP | | | | | | | | | | | | |
| - Overall Sat: ED | | | | | | | | | | | | |
| Growth & Dev. - DRG Eligible Market Share | | | | | | | | | | | | |
| Clinical & Admin. Quality - Patient Safety Index | | | | | | | | | | | | |
| People - Retention | | | | | | | | | | | | |

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Performance Management Cycle



- **Planning** – goal setting at start of the year
- **Coaching** – through the year
- **Review** – at the end of the year, with merit increase awarded

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Performance Management Process by Core Value

- **Shared Behaviors:**
“What is expected of me as an employee of Saint Luke's Health System?”
- **Job Specific Accountabilities:**
“What am I accountable for because of the job I hold?”
- **Personal Commitments:**
“What goals will I commit to for the coming year based on my own individual talents?”



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Alignment of Strategy with the Performance Management Process (PMP)

- **Assure financial stability by SLH departments and services collectively achieving operating margin goal.**
 - **Department Director Personal Commitment:**
Assure financial stability of East 3 by meeting budgeted gross revenue and maintaining supplies, salaries and other expenses within 2003 budget. Measured with the monthly flex budget report.
 - **Registered Nurse I Personal Commitment:**
Achieve 100% accuracy on charge entry and documentation measured by quarterly unit audits
-

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Determination of Key Health Care Delivery Processes

- PI Model used to design, manage and improve
 - **Key Requirements** are driven by customers and operational needs
 - **Key Measures** are driven by customers and organizational requirements
 - Includes both **in-process** and **outcome** measures
-

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Key Health Care Processes

| Health Care Processes | Key Requirements | Key Measures |
|---|---|--|
| Admitting <ul style="list-style-type: none">• Scheduling• Precertification• Registration | <ul style="list-style-type: none">• Timeliness• Accuracy | <ul style="list-style-type: none">• Wait Times• Admission Audit Results |

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Key Health Care Processes

| Health Care Processes | Key Requirements | Key Measures |
|--|--|--|
| <i>Multidisciplinary Care</i> <ul style="list-style-type: none">• Initial assessment• Planning• Intervention• Evaluation• Modification• Resolution | <ul style="list-style-type: none">• Timeliness• Accuracy• Reliability• Access• Responsiveness• Empathy• Competence | <ul style="list-style-type: none">• Infection rates• Medication errors• Mislabeled/unlabeled specimens• 7th Scope of Work clinical outcomes• Unplanned returns• Medical staff clinical indicators• Cost per day• Length of stay• Potentially avoidable days• JCAHO Core Measures |

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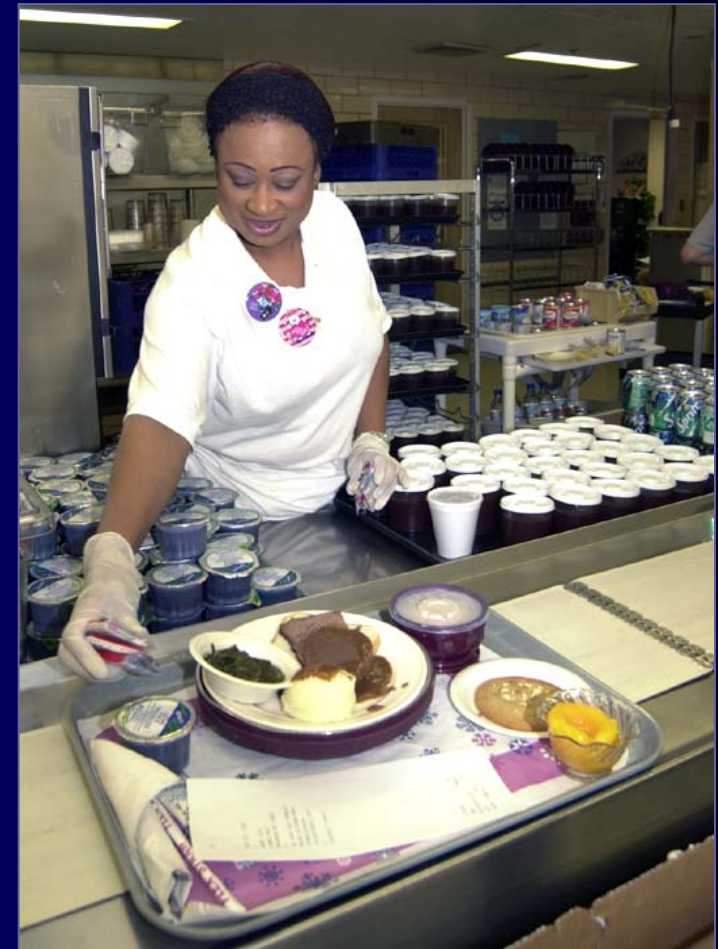
Key Health Care Processes

| Health Care Processes | Key Requirements | Key Measures |
|---|--|--|
| <i>Care support services</i> <ul style="list-style-type: none">• Laboratory• Radiology• Pharmacy• Nutrition | <ul style="list-style-type: none">• Timeliness• Accuracy• Competency• Appropriateness | <ul style="list-style-type: none">• Turnaround times• Stockout rates• Nutrition assessment• Discrepancy rates• QA measures |

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Business/Support Processes

- Education
- Research
- Supplier Management
- Revenue Cycle Management
- Physician Partnering
- Human Resource Management
- Facilities Management
- Health Information Management
- Hotel Services Management



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Support Processes (example)

| Support Processes | Key Requirements | Key Measures |
|--|--|---|
| <ul style="list-style-type: none">• Physician partnering | <ul style="list-style-type: none">• Physician participation• Improved productivity• Ease of access | <ul style="list-style-type: none">• Admitting physician ratio• Variable cost per case• IP tests/discharge• Physician satisfaction• PCP referral |

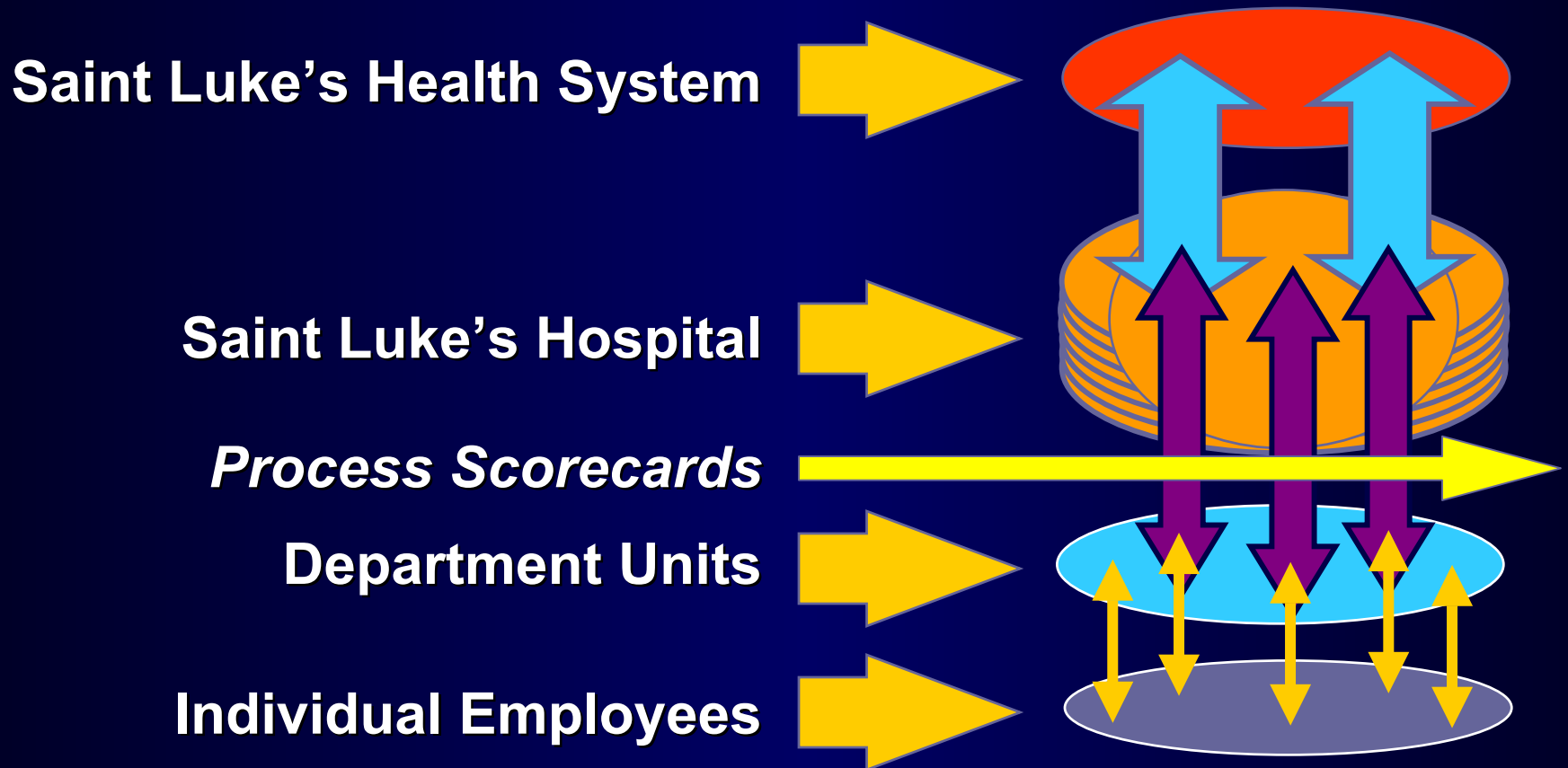
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Support Processes (example)

| Support Processes | Key Requirements | Key Measures |
|--|--|--|
| <ul style="list-style-type: none">• Revenue cycle management | <ul style="list-style-type: none">• Cost• Quality• Timeliness• Efficiency• Patient friendly billing team | <ul style="list-style-type: none">• Cash collections to target• Charge process audit• Net days in Accounts Receivable• Discharges not final billed• Accounts per collector• Calls received vs statements sent• Customer satisfaction |

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Achieving Strategic Alignment Throughout the SLHS



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Why Process Level Scorecards?

- Recognition that all work is a process designed to meet customers' needs
 - Do we really understand how well our processes are working?
 - Serves to link daily operations, in-process measures and BSC outcomes measures
 - Used by process owners to monitor overall process performance
-

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Why Process Scorecards?

- MQA and Baldrige feedback:
 - *SLH focus is on continuous improvement*
 - *Processes are not well-defined, documented and identified in many areas*
 - *Better definition of processes and better measurement of processes can yield even greater improvement opportunities*
-

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Relationships

- **Organizational Scorecard**
 - Is focused on key performance indicators
 - Enables determination of organizational health
 - Enables focus on improving in key areas
 - **Process Scorecard**
 - Defines the activities within processes and handoffs
 - In-process measures identify key control data points
 - Enables drill-down to areas affecting performance
 - Outcomes of processes feed the Organizational Scorecard
 - Becomes the foundation for process improvement activities
-

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Level 1 Processes

- **Perform Financial Management**
 - **Satisfy Customers**
 - **Enhance Growth and Development**
 - **Provide Clinical and Administrative Services**
 - **Manage Human Resources**
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Level 2 Processes : ***Manage Human Resources***

- **Hire staff**
 - **Orient new employees**
 - **Train staff**
 - **Develop staff**
 - **Motivate staff**
-

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Level 3 Processes:

Motivate Staff

- Segment employees
 - Determine employee satisfaction
 - *Recognize employees*
 - Provide and administer benefits and compensation
 - Provide a safe work environment
-

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Process Scorecard – Results

Process: **Employee Recognition** Senior Leader **Dawn Murphy**

| Performance Level September, 2003 | | DEEP BLUE Stretch Target 10 <i>Outstanding</i> | LIGHT BLUE Stretch 9.8 <i>Exceeds Expectation</i> | GREEN Goal 7 <i>Meets Expectation</i> | YELLOW Moderate 6.5.4 <i>Needs Improvement</i> | RED Risk 3.2.1 <i>Immediate Action</i> |
|--|-------------------------|---|--|--|---|---|
| Measure | Monthly Performance | Scoring Criteria (2003) | | | | |
| BSC Retention | 89.8 | > or = 86.9% | 85.1 - 86.8% | 83.3 - 85.0% | 79.7 - 83.2% | 76.0 - 79.6% |
| Stay Interview Results | Job: 61.6 | > or = 67.3 | 61.7 - 67.2 | 56.5 - 61.6 | 51.7 - 56.6 | < or = 51.6 |
| | Supervisor: 59.8 | > or = 70.6 | 59.9 - 70.5 | 49.2 - 59.8 | 38.4 - 49.1 | < or = 38.3 |
| | Commun: 53.9 | > or = 55.3 | 54.6 - 55.2 | 53.3 - 53.9 | 58.5 - 53.2 | < or = 53.1 |
| | Benefits: 60.7 | > or = 72.5 | 60.8 - 66.6 | 54.9 - 60.7 | 49.0 - 54.8 | < or = 48.9 |
| Employee Recognition Programs survey results | Angel: 4.4 | 4.6- 5.0 | 4.1 - 4.5 | 3.6 - 4.0 | 3.1 - 3.5 | < or = 3.0 |
| | Teamwork: 4.3 | | | | | |
| | EOM: 4.7 | | | | | |
| | Nursing: 3.9 | | | | | |
| | Tool Kit: 3.6 | | | | | |
| Employee participation in Recognition programs | 299 | > or = 310 | 302 - 309 | 296 - 301 | 275 -295 | < or = 274 |
| Employee sat :”I am recognized for my work.” | 68.2% | | Historical | Data | Not | Available |

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Process Scorecard – Results

Process: Managing Suppliers and Partners

Senior Leader:
Sponsor:

Howard Mann

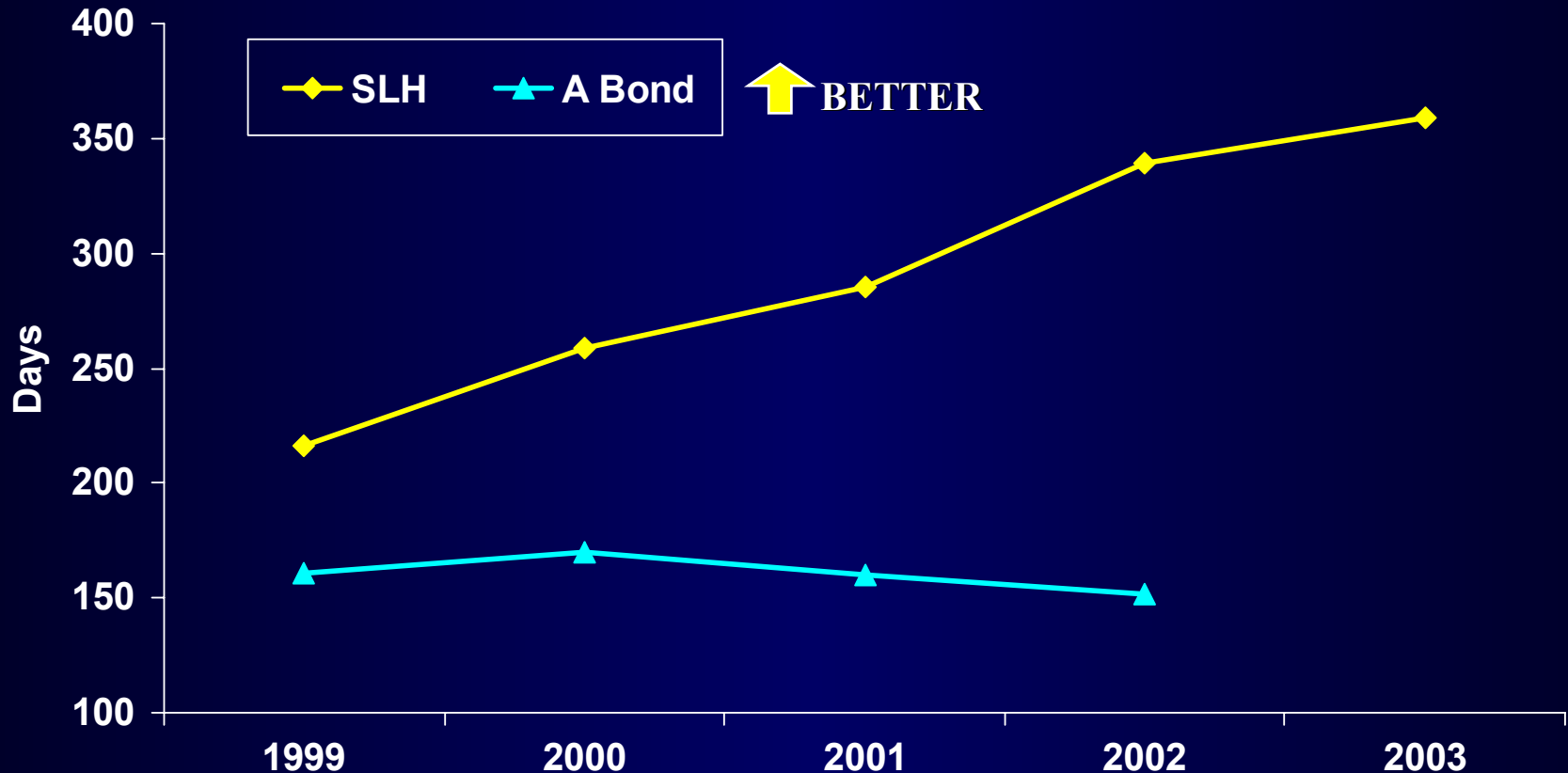
| Performance Level 3rd Quarter 2003 | | DEEP BLUE Stretch Target 10 <i>Outstanding</i> | LIGHT BLUE Stretch 9,8 <i>Exceeds Expectation</i> | GREEN Goal 7 <i>Meets Expectation</i> | YELLOW Moderate 6,5,4 <i>Needs Improvement</i> | RED Risk 3,2,1 <i>Immediate Action</i> |
|--|--------------------------|---|--|--|---|---|
| Measure | Quarterly Performance | Scoring Criteria (2003) | | | | |
| Supply Cost per Case Mix Index Adjusted Patient Discharge | \$1,577* | <or = \$1121 | \$1122 - \$1260 | \$1261-\$1400 | \$1401 - \$1679 | \$1680 or greater |
| Timely Delivery (unadjusted) | 83.4% | >86.1% | 84.1%-86.0% | 82.2%-84.0% | 78.3%- 82.1% | 78.2% or less |
| Invoice Accuracy | 91.5% | >or =97.1% | 97.0%-95.7% | 95.6%-94.3% | 94.2%-91.5% | 91.4% or less |
| Electronic Orders | 87.1% | >92.0% | 89.4%-91.9% | 86.9%-89.3% | 81.9%-86.8% | 81.8% or less |
| Approval Process | 81.8% | >90.7% | 87.6%-90.6% | 84.6%-87.5% | 78.6%-84.5% | 78.5% or less |
| Customer Satisfaction | 79.5% | >96.0% | 82.9%-95.9% | 82.3%-89.1% | 68.6%-82.2% | 68.5% or less |

**So, Has the Baldrige
Management Model Made a
Difference?**

Baldrige Business Model Organizational Rewards

- Improved Financial Performance

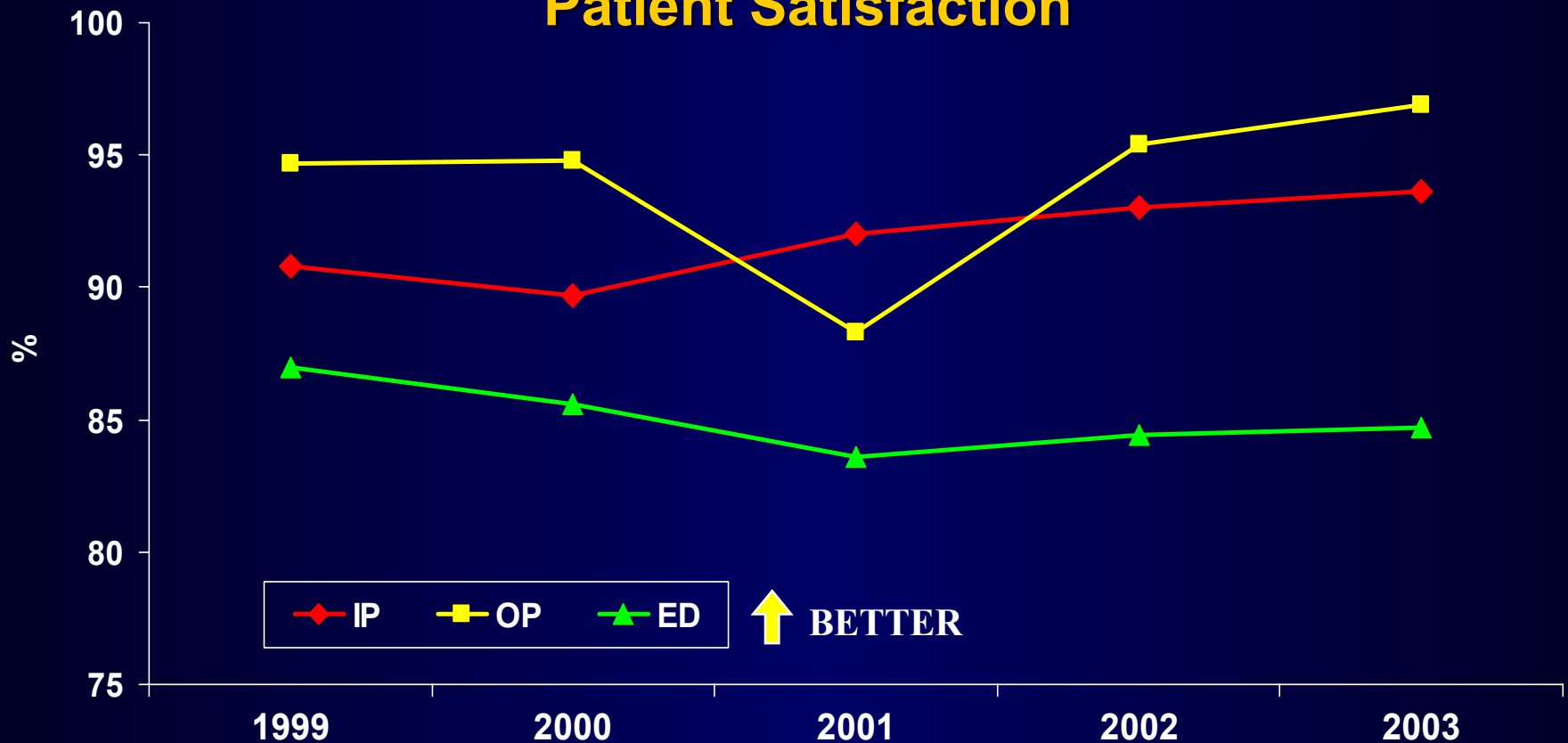
Days Cash on Hand



Baldrige Business Model Organizational Rewards

- Improved Customer Satisfaction

Patient Satisfaction



Baldrige Business Model

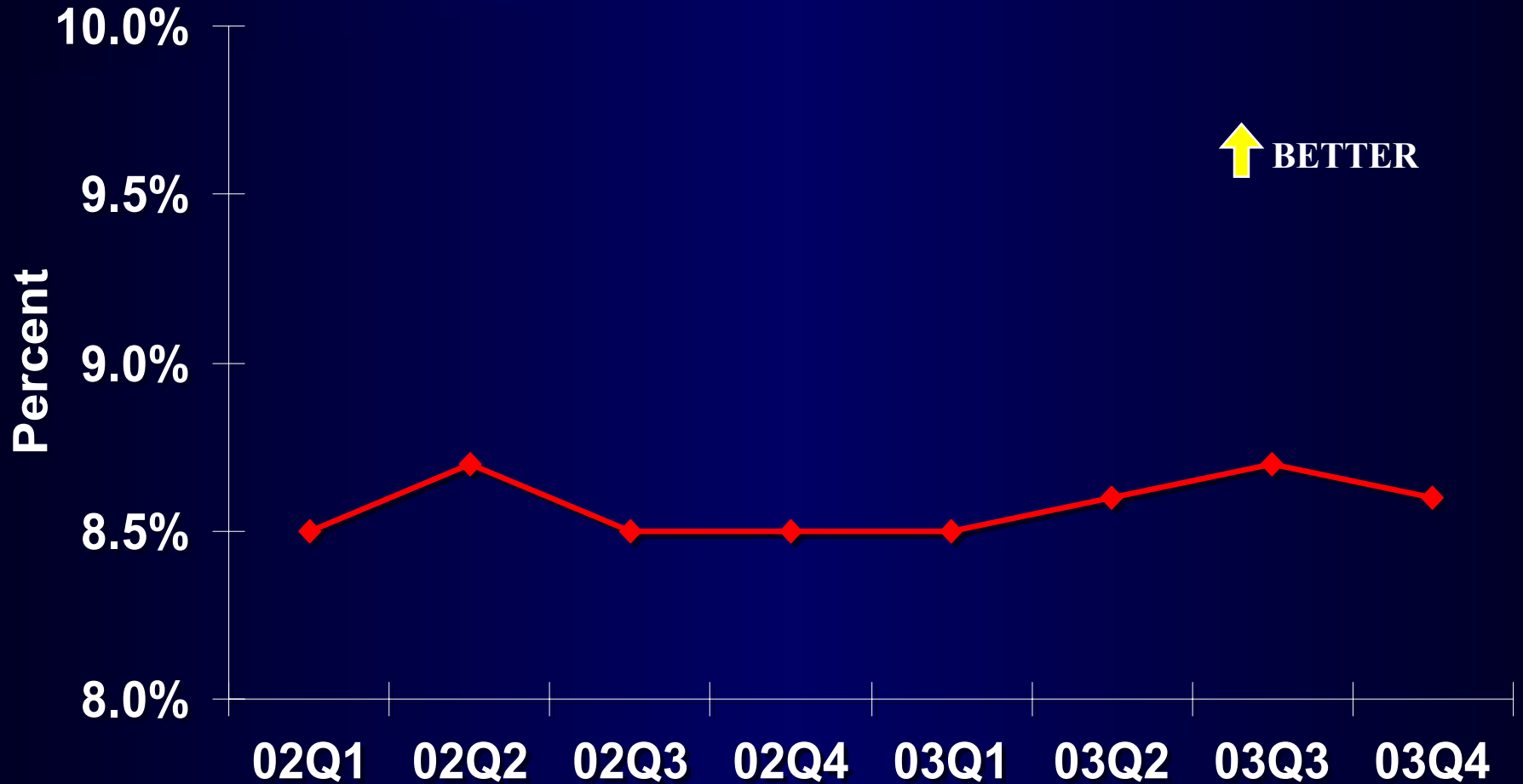
Organizational Rewards

- Sustained High Levels of Consumer Perception

NRC Perception Rankings vs. Top Competitors

| | Overall Quality | | | Best Doctors | | | Best Nurses | | |
|----------|-----------------|------|------|--------------|------|------|-------------|------|------|
| Hospital | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| SLH | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| B | 2 | 2 | 2 | 3 | 4 | 3 | 3 | 2 | 2 |
| C | 3 | 4 | 3 | 4 | 3 | 5 | 2 | 3 | 3 |
| D | 6 | 7 | 5 | 7 | 5 | 6 | 8 | 6 | 5 |
| E | 5 | 5 | 4 | 2 | 2 | 2 | 6 | 5 | 6 |
| F | 15 | 8 | 13 | 10 | 6 | 12 | 10 | 8 | 13 |
| G | 14 | 16 | 12 | 17 | 15 | 15 | 15 | 16 | 15 |

Saint Luke's Hospital Profitable Market Share

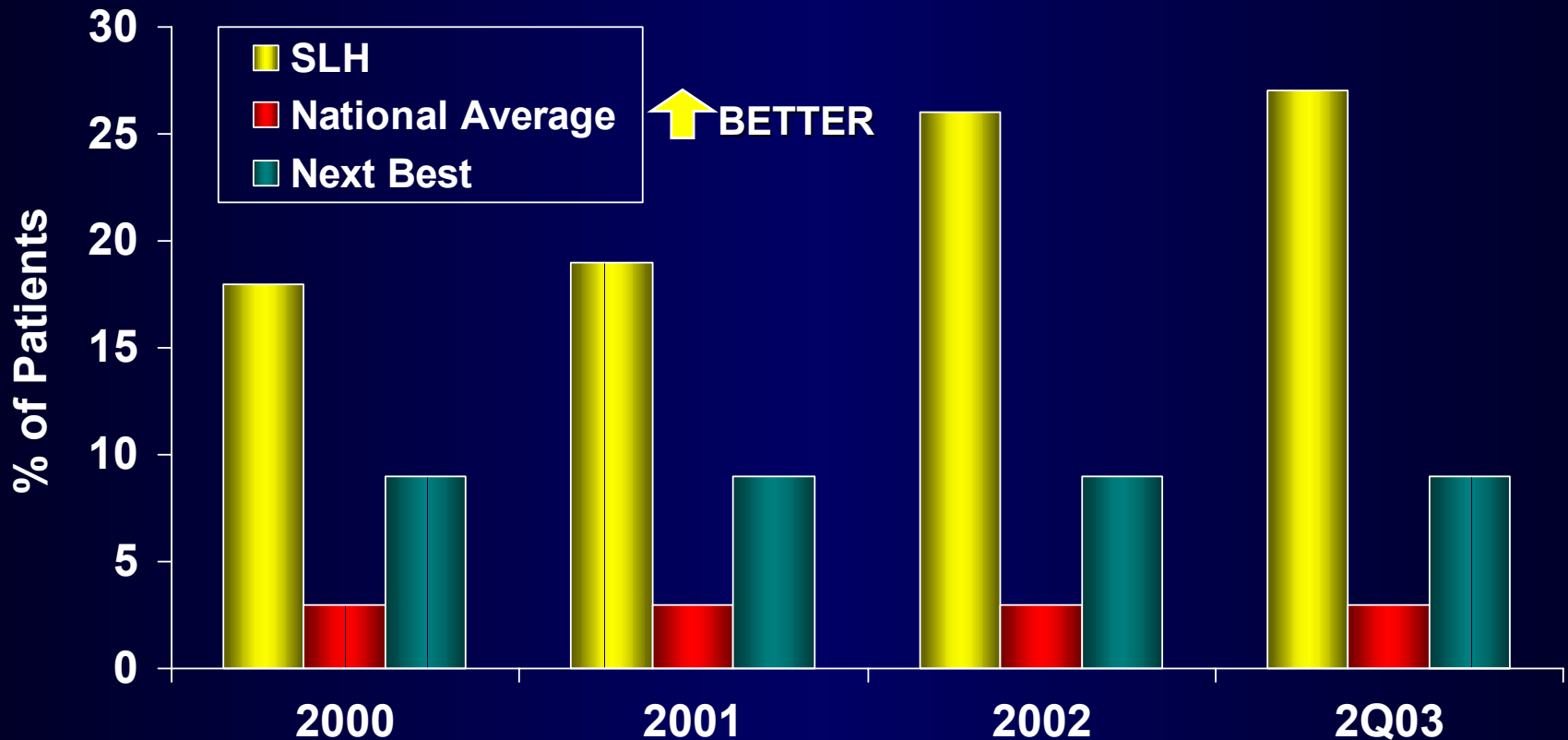


Baldrige Business Model

Organizational Rewards

- Improved Clinical Outcomes

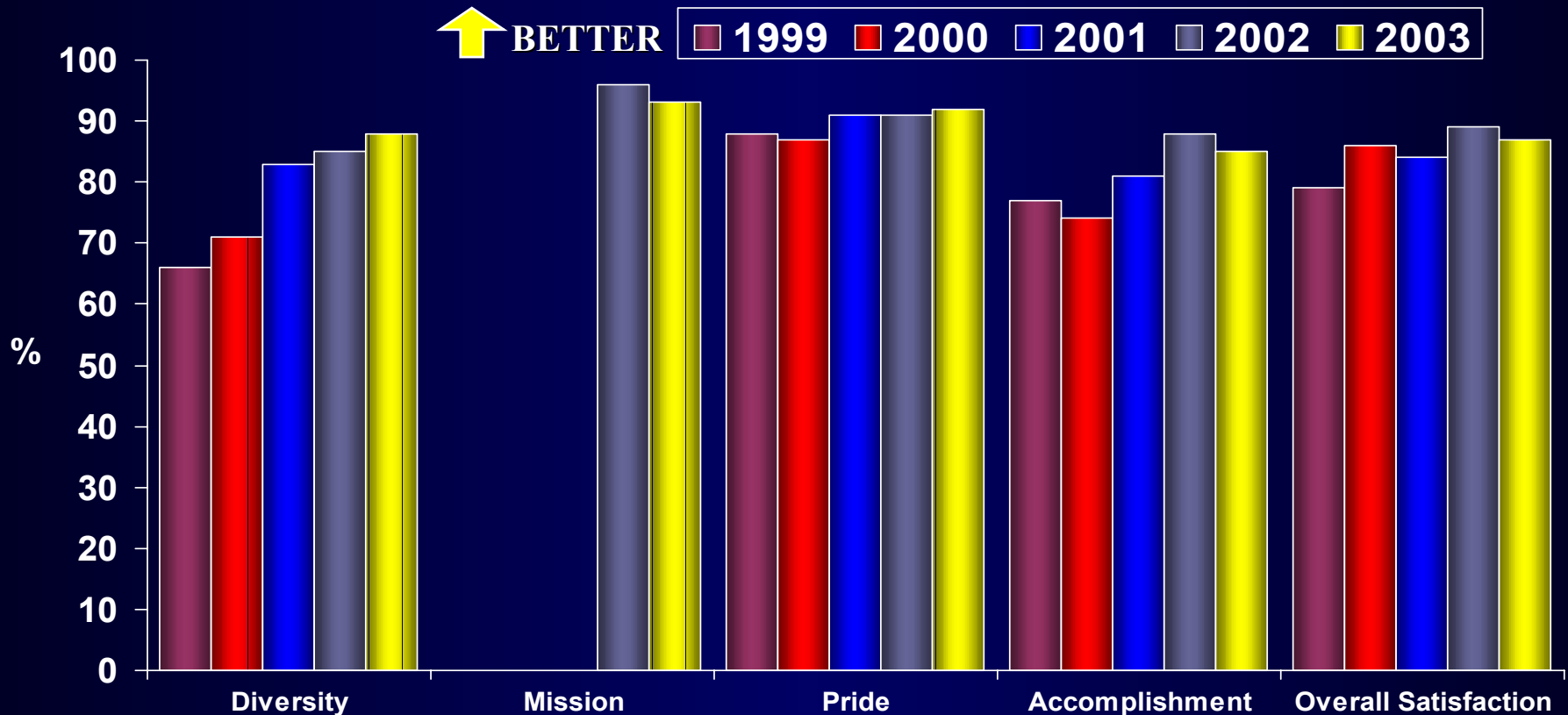
Patients Receiving tPA Following Ischemic Stroke



Baldrige Business Model Organizational Rewards

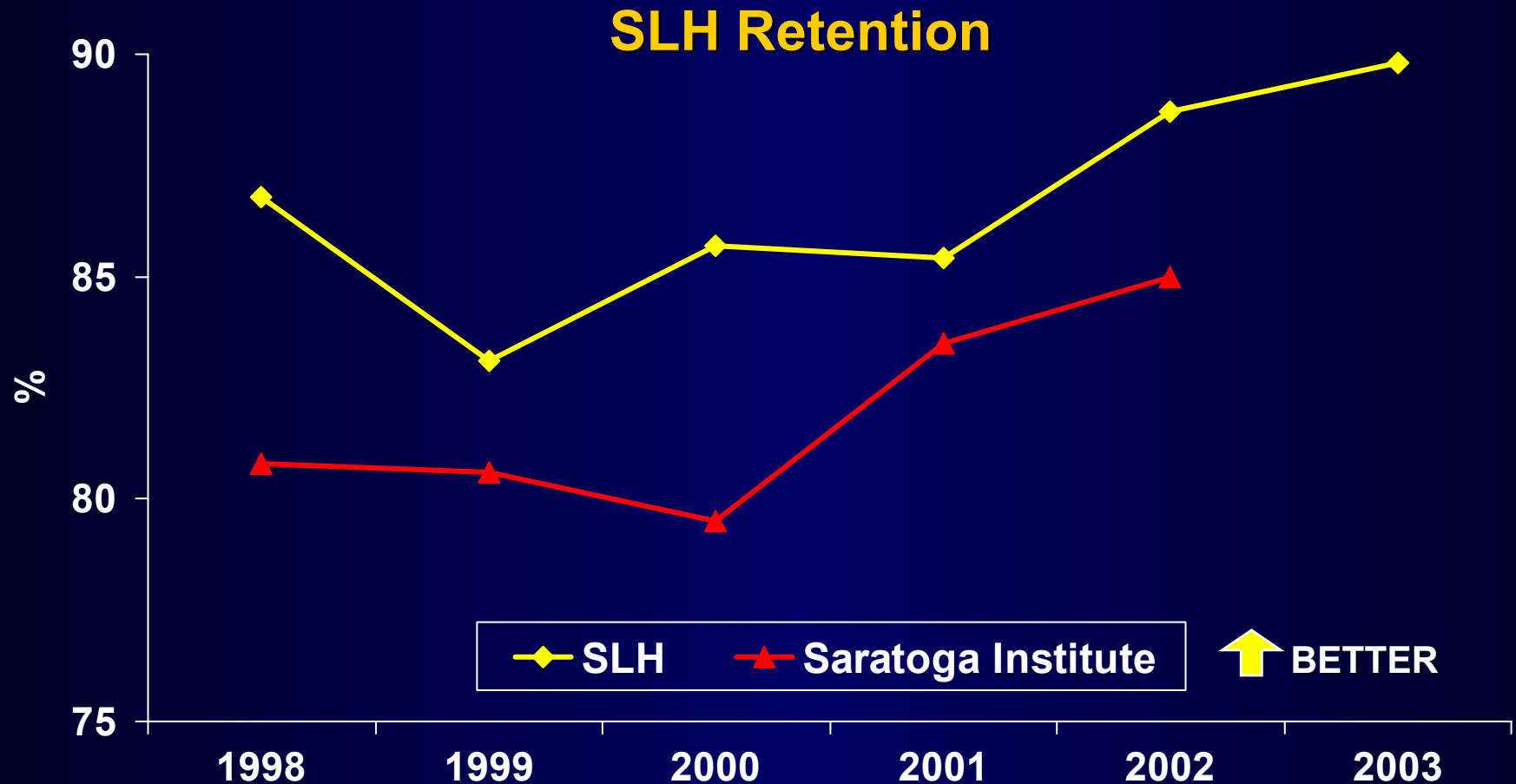
- High Levels of Employee Satisfaction

Employee Satisfaction



Baldrige Business Model Organizational Rewards

- High Employee Retention

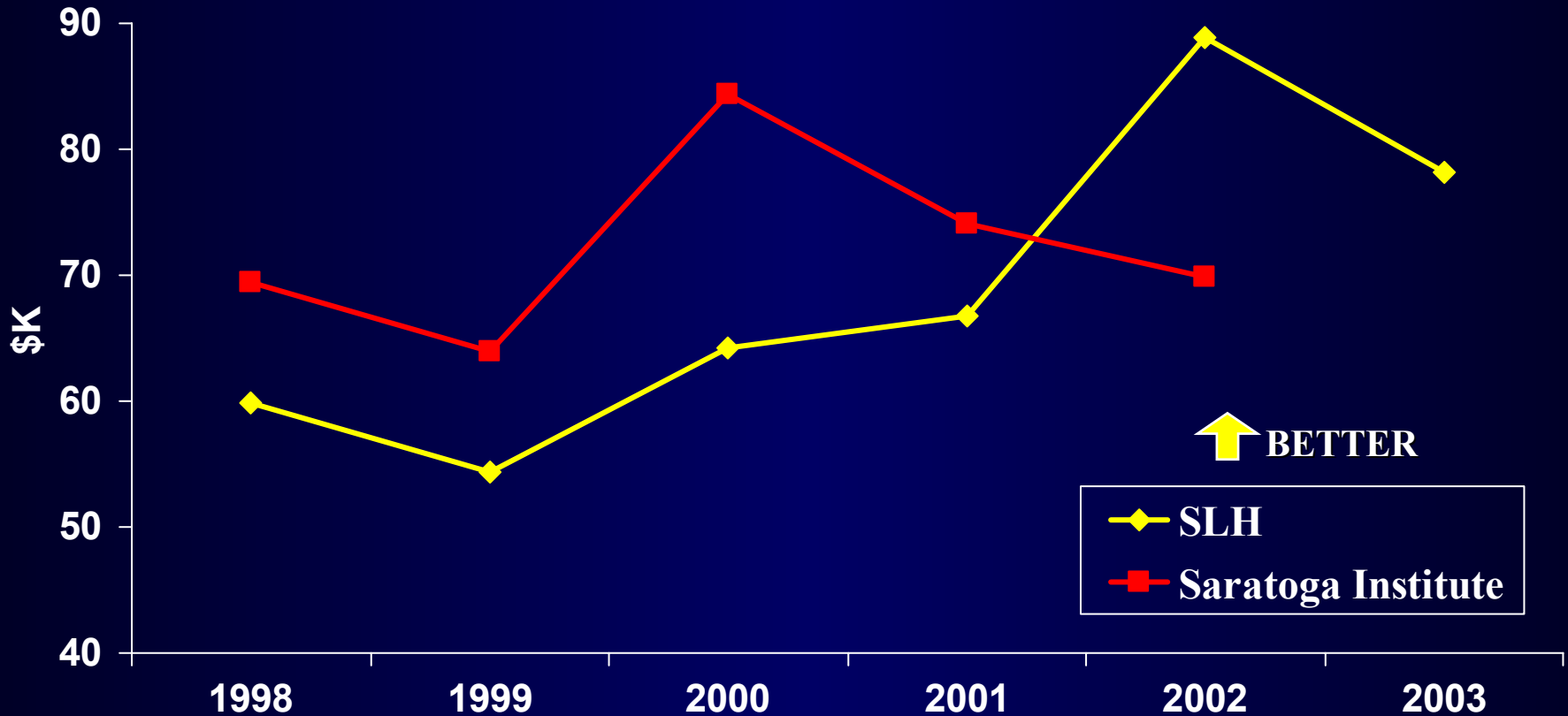


Baldrige Business Model

Organizational Rewards

- Improved Productivity

Human Capital Value Added



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Sustaining Performance Excellence

Lessons Learned

- **Leadership drives and sustains the process**
 - **Leadership at all levels is important**
 - **More difficult to change the culture than to learn the tools**
 - **Valuable team building experience**
 - **Trust is extremely important**
-

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Sustaining Performance Excellence

Lessons Learned

- **There are no “quick fixes”**
 - **Must always focus on the customer**
 - **Should never be satisfied with the present level of quality**
 - **Decisions must be driven by data and compared to “best”**
 - **Employees make it happen!**
-

Baldrige Business Model

Next Steps

- **Study our feedback report**
 - **Celebrate our strengths**
 - **Prioritize our OFIs**
 - **Use feedback to improve**
 - **Continue to share what we've learned**
 - **Continue to learn from others**
-

Baldrige Business Model

The Value

- **Feedback, Feedback, Feedback!**
 - **Criteria is the Best Way to Get Better, Faster**
 - **Enhanced Our Internal Pride**
 - **Positions Us Ahead of Our Competition**
 - **Recognized as an Industry Leader**
 - **Raises Healthcare Industry to Higher Levels of Performance**
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Saint Luke's Hospital

Our People Make the Difference



They Are Our Competitive Advantage!

Thank You
For Your Attention

Are There Any Questions?
