



Improving Your Performance Improvement Strategy

By: Gary M. Auton

Compelled by the urgency to rein in costs and improve quality and access, U.S. health policy makers and consumers are demanding greater accountability and demonstrated value from healthcare providers. These forces are fundamentally altering how care is financed and delivered. This in turn has transformed the business of healthcare delivery.

The emerging fee-for-value business model has profound implications for healthcare organizations and how care will be organized and delivered in the future. Pursuing value improvement requires providers to transform old operating systems and create new models of service delivery that lower costs and ensure increasingly higher quality outcomes.

Many health systems have performance improvement (PI) strategies that are not in sync with the operational changes that are required. Increasingly, ***the changing business of healthcare requires performance improvement interventions that are faster, broader and strategic.***

- Slow, incremental improvement will be insufficient to get most organizations to where they need to be in the right timeframe.
- The traditional operational levers of labor productivity, supply, and revenue cycle improvements, while important, will not alone offset reimbursement and volume declines.
- Performance improvement must increasingly focus on longer-term, high-impact areas that focus on redesigning care and strengthening the organization's market position.
- 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 will decline. To do this well, organizations need effective portfolio management processes and disciplines.

Refocusing PI resources and strategies is not easy. To lead this transformation, healthcare executives must confront significant operational challenges common to most health systems. These include:

- The rising costs of medical care resources
- The need for improved and integrated information systems
- The costs of building and sustaining ambulatory services
- The challenges of health system consolidation
- The healthcare shift away from acute care hospitals
- The challenges of performance based population health management
- The implications of increased consumer engagement and consumerism

Implications for Performance Improvement

These market challenges have substantial implications for performance improvement in a healthcare system and necessitate revisions in an organization's performance improvement plans, priorities and approaches. As shown in the chart below, each challenge has specific PI issues and approaches to consider. Health systems must reset performance improvement priorities and focus attention on higher-impact opportunities with longer-term benefits. While traditional operational interventions will still be necessary, organizations will increasingly need to focus attention on disruptive, higher-impact changes, including:

- Portfolio management
- Redesign of key cross-entity business processes
- Clinical utilization improvement
- Off-quality improvement
- System-level consolidation
- Growth acceleration

These initiatives often bring high levels of change to healthcare systems and can be challenging for some leaders, physicians and staff. This work will require new resources, expertise and management systems support. For some organizations, these changes will require a fundamentally new leadership framework and performance improvement approach.

Implications of Industry Trends on Performance Improvement Strategies

Industry Trend	Performance Improvement Implications
Costs of medical care resources continue to rise	<ul style="list-style-type: none"> • Focus on process improvement and other strategies that most impact labor productivity • Institute comprehensive labor management and control systems to keep staffing levels in line with workload demand • Optimize supply chain processes and reduce supply variation across providers • Continuously evaluate and drive down the costs of purchased services • Scrutinize return-on-investment (ROI) for large expenditures
Information systems are foundational to the emerging healthcare system	<ul style="list-style-type: none"> • Leverage information technologies to streamline key business processes and reduce operating expenses • Use real-time data to improve clinical and operational decision-making • Build systems to continuously monitor key performance metrics • Employ predictive analytics to anticipate demand and risk
Physician services integration is costly	<ul style="list-style-type: none"> • Employ improvement levers that have the greatest application to ambulatory services • Build alignment and solicit physician involvement • Apply portfolio management principles when making investments and service line management decisions
Hospitals are consolidating into large healthcare systems	<ul style="list-style-type: none"> • Utilize system-level levers to achieve available cost synergies • Focus initially on management restructuring and consolidating administrative and support functions • Build consistencies in processes and service levels across the system • Build an integrated culture focused on quality performance and value improvement
Healthcare is shifting away from hospitals	<ul style="list-style-type: none"> • Focus on acute care utilization improvement, including length-of-stay management and throughput • Resize inpatient capacity to match changes in demand • Apply portfolio management principles when making investments along the care continuum
Performance-based Population Health will transform healthcare delivery	<ul style="list-style-type: none"> • Institute information systems and expertise to manage medical risk • Realign investments and operations to support an expanded care continuum • Use portfolio management to determine make / buy decisions on service provision
Consumer engagement is transforming healthcare services	<ul style="list-style-type: none"> • Build systems to measure consumer satisfaction and perceptions • Include consumer input in the design of new systems • Focus attention on processes that most impact patient satisfaction • Train staff on sound customer service principles • Engage consumers in their own healthcare

About our Expert



Gary M. Auton is a Senior Director with Galloway Consulting based in Atlanta, Georgia. He is the author of ***18 Levers for High-Impact Performance Improvement: How Healthcare Organizations Can Accelerate Change and Sustain Results***, scheduled for release in Spring, 2018 by the Health Administration Press of the American College of Healthcare Executives.