R_x for Healthcare

A Discussion Paper for Healthcare Providers and Institutions

A TGG Perspective on Healthcare

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Introduction

We invite healthcare professionals who read this document to consider what we've written, and to then challenge us to help them address the specific problems they face – either individually in their roles as healthcare professionals or as leaders at the healthcare institutions where they work.

The practice of medicine may be one of the most rewarding careers a person can select, but it is also one of the toughest. Few professions require as much personal commitment, talent, and knowledge along with a willingness to continually keep up with developments in science, technology, society, and the economy – developments and changes that are occurring on a global basis and often at a blistering pace. As a result, healthcare practitioners, and especially doctors, face enormous professional pressures and personal stresses – factors that can have a tremendously negative impact on their morale and personal lives as well as their abilities to perform their jobs, even stay in medicine.

Beside the fundamental issues associated with treating illness and working with people who may be in distress, we know that many (if not most) healthcare institutions in the United States face extraordinary operational challenges that create problems such as the following:

- **Workload and morale problems** that lead to lost productivity and ultimately the loss of highly qualified personnel.
- **Billing, payments and credit management problems** that drive up costs and drive down revenues and cash.
- **Operational process quality problems** that drive up costs and impede desired results and outcomes.
- **Scheduling and other customer service problems** that leave customers and employees frustrated and dissatisfied.
- **Information systems problems** that make it impossible to be as effective as customers or employees would hope.
- **Lack of patient access** to the kinds of care and caregivers they need – when and where they need them.

Many of these are challenges we've also faced – and solved – for companies in other industries and for firms that provide products and services to healthcare institutions. At The Gendreau Group, we are not healthcare professionals; we are revenue strategists and business development experts. However, many of our clients have been firms that provide healthcare devices or services.

Since our founding in 1989, TGG clients serving healthcare have included: **Awarepoint** (RFID technologies and RTLSs - real-time location systems - for healthcare providers), **NeoPath** (technologies for reading Pap smears), **CoCo** (a provider of data communications technologies for use in the most dynamic and difficult circumstances), **The Alzheimer's Association** (the Chicago-based non-profit), **VisionTree** (healthcare data collection and health management solutions). We have also been active in the development of **VerRx**, a solution for addressing prescription drug fraud, work that required us to examine closely the value-chains and distribution strategies that characterize drug manufacturing, distribution, and the interactions of these with payors and providers. And, in addition to serving clients such as these, TGG's Kevin Hannah is also co-founder of **Med-RT**, a managed telemedicine service for rural, urban, and teaching hospitals, community clinics and other healthcare facilities.

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The business of healthcare is not, as one might say, "for the faint of heart". To further help us develop direct insights into the needs of physicians and institutions, TGG has established informal advisory relationships with medical professionals including **Dr. Jill Studley, MD and head of the Baylor Senior Health Center in Dallas Texas**, and **Dr. Holly Hauser, MD and member of the board of Scripps Clinic in San Diego**.

Through these and other kinds of activities related to healthcare, we have developed a special appreciation for the complex interactions and difficult challenges all players in our healthcare industry face. The high costs of care, the relentless evolution in technologies, the structure of our insurance industry, compounded by the stresses now being placed on healthcare as a result of the near collapse of the US credit markets, make the economics of healthcare nothing short of a nightmare. And the complex interactions of healthcare providers, pharmaceutical companies, and device manufacturers compound the pressures that often put individuals as well as organizations at odds with one another.

At TGG, we intend to make a contribution to fixing our healthcare system, one that many believe is "broken". This paper provides an overview of some of the insights we have about what we think makes a good system, and how these might be applied in healthcare. These include:

- **Healthcare should be managed as a system, not a market.**
- **Symptoms are not causes; solutions are not outcomes. We need do a better job of distinguishing among these.**
- **Complexity is the enemy, but it is not going away. So we need to put it where it belongs!**
- **Institutions need to learn how to reward people for making the system better, not just for personal performance.**
- **Rx before diagnosis is malpractice – in healthcare and in business!**
- **A Revenue Strategist's approach is as relevant in Healthcare as in other Industries.**

At The Gendreau Group, we hope to be able to share our insights with other professionals, especially those directly involved in the delivery of healthcare to patients, in order to help us all find better ways to manage the processes and business of delivering healthcare in the United States.

We welcome your questions, comments or recommendations.

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R_x for Healthcare:

Focus on the System, Not Just Problems or Symptoms

Many Americans today feel that our healthcare system is "broken", and it is not hard to find facts and data to support this opinion: from rising healthcare costs that far exceed per capita costs in other nations, to infant mortality rates that rank well above other developed countries, to disturbing rates of MRSA and other infections in hospitals, to the lack of adequate healthcare coverage for many Americans, and finally to a shortage of qualified doctors and nurses, even in major metropolitan areas and at top institutions.

When it comes to healthcare, the number of complex interacting entities and delivery value chains that administrators and practitioners have to contend with is, quite simply, mindboggling. From healthcare providers to pharmaceutical and medical device companies, payors including insurance companies and Medicare, to patients, advocacy groups, the FDA and other agencies of government, the end goal of ensuring and promoting health often gets lost amid the clamor of people and organizations vying to protect and promote their own interests. This has led to problems in the way we think about, organize, and manage what we do in healthcare.

But just knowing that a system is broken does not mean that one can fix or improve that system – especially when it is as highly complex and distributed as healthcare. As business professionals and revenue strategists, we have been called upon to work with a wide variety of companies – from firms that deliver telecoms, IT, or market research services, to companies that build and sell medical devices, automotive, educational, and other kinds of products – to name just a few. In the process of developing or improving revenue strategies, we almost always have to spend some amount of time looking at how well a company operates *as a system*. A poorly operating business, after all, is unlikely to be able to maximize its revenues or fully achieve its business objectives. In more than a few cases, we have had to fix significant systemic problems before we could recommend, design, or help implement any sort of new revenue strategy.

We recognize that most healthcare professionals – whether administrators or practitioners – do not have the time or the training and experience needed to fix a system determined to be "broken". After all, doctors and nurses are trained in the *practice* of medicine which is primarily a one-on-one, case-based discipline. Healthcare administrators generally have their hands full dealing with the *business* of healthcare and are often mired in problems related to budgets, escalating costs, risk management and other fiduciary concerns.

Other stakeholders who participate in our healthcare system, most notably the pharmaceutical companies, understand healthcare as a *market* – a system of buyers and sellers of product who measure success based on profit rather than a system of providers and consumers who measure success based on affordability, reliability and results. And all who work in the system are strapped for time, deeply trained in their disciplines, and therefore also highly constrained by their own views of the world.

To improve healthcare in the United States, healthcare administrators and practitioners cannot afford to wait until our government overhauls health insurance or we somehow otherwise manage to address the multitude of other exogenous factors that influence but don't necessary define how our healthcare institutions function internally. Instead, administrators and practitioners should begin applying some of the same innovation and process improvement strategies that have helped for-profit and non-profit organizations outside of healthcare improve how they manage the complex interacting parts that characterize their industries and their individual operations.

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TGG Insight #1: ***Healthcare should be managed as a System, not a Market.***

A "system" is the sum of all its interacting parts. Most people, whether in medicine or not, grasp the concept that the human body is a "system". When that system functions properly – when we are able to take proper care of it and keep it free of disease – we are more likely to experience the two most important and desirable outcomes we want from life: *health and well-being*.

Markets are systems characterized by buyers and sellers where the desired outcome is usually measured in terms of profits. When we start thinking of healthcare as primarily a system of buyers and sellers (rather than a system of patients and healthcare providers) we run the risk of focusing too much on *economic outcomes* rather than physical and emotional well-being.

Unfortunately, too few who work in healthcare have backgrounds in systems development. Healthcare practitioners learn to practice medicine, while administrators develop administrative skills. Each tends to view the world from perspectives appropriate to their roles. And while most of these people do their jobs exceedingly well, few know how to think about how other departments or organizations interact with theirs. In addition, most organizations that participate in our healthcare system lack the essential, fact-based feedback loops designed to provide actionable information about how well the system is progressing toward desired results. All too often the best practitioners and administrators can do is get information that provides insights into segments of the system such as individual departments. And all too often this information is not designed to help them adjust and adapt in real time, but only provides clues to what they might do better next time and in similar circumstances.

TGG Insight #2: ***Symptoms are not causes; solutions are not outcomes. We must do a better job of distinguishing among these.***

Let's consider the following and ask ourselves in the process which are symptoms and which are actual underlying problems in our healthcare system:

- Annual hospital expenses have been increasing 12% year over year for some time. But as of 2007 GDP which was increasing at only 3%, and that was prior to the current recession and financial system meltdown!
- According to the CEO of Beth Israel Deaconess Medical Center in Boston: "We [in the industry] do not meet the quality standards that you would expect from any other industry. And forget about Six Sigma! We're not even close to Six Sigma!"
- Most healthcare institutions do not openly publish their results. There is few mechanism for patients or other stakeholders to easily and reliably get the data they need to factually evaluate the quality of the healthcare institutions or providers they might want to use, work for, or invest in.
- When a group of doctors who met in a working session in 2007 were asked to list the results and outcomes that were most important to them, not a single one listed "health".
- As patients, we are encouraged to take as proactive a role in our own healthcare as possible – not only in our daily lives, but also in dealing with insurance, medications, and even the results we can expect when under the care of

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healthcare professionals. This puts an enormous burden on those of us who are not able to take on this responsibility for reasons that might include: time, education, language, interest, or illnesses!

- Many physicians report feeling overworked, over-stressed, and over-burdened with too many responsibilities that are not associated with actually delivering care to patients. This problem leads to disillusionment, personal problems and the loss of many physicians who find it more attractive to pursue careers away from the practice of medicine.

If we view each of these examples as individual "problems", we might determine their "solutions" to be things like cost cutting or higher patient fees, better tracking and reporting systems or processes, patient awareness and advertising programs, or sensitivity and stress management programs for staff. While each of these "solutions" might be useful, unless we have expended the effort to look for the root causes of the symptoms, it is highly likely the solutions will not actually produce the desired outcomes we really need and want to see.

At this point, you may be asking: *So what happens if we first consider each of these to be merely a symptom. If we expend the time an effort to think about the whole system, won't we run the risk of "analysis paralysis" and find ourselves unable to quickly address problems, or a tendency to want to create solutions that try to "boil the ocean" and "solve world hunger"?*

TGG Insight #3: ***Complexity is the enemy, but it is not going away. So we need to put it where it belongs!***

Finding appropriately sized solutions to address problems in a complex system like healthcare requires recognizing that the complexities of the system are not going away, anymore than the complexities of the human body are going to stop challenging physicians. And complexity in our healthcare system really is the enemy and must be treated differently than we are treating it today!

As systems experts we think healthcare professionals should be collaborating with professionals from other industries who have successfully addressed complex system problems in those industries. From our own experience, we see the following as representative of the kinds of principals that, if applied appropriately, would yield innovative and high-value improvements at the institutional level as well as across multiple institutions.

- **To fix a problem in a complex system, you must understand the whole system**. Otherwise, a "fix" may have serious negative impacts on the whole, even when you improve things locally.
- **To design a new system or change an existing one, one must understand the outputs** as well as the inputs to the system. But most importantly, everyone who contributes to the design and ongoing evolution of the system must understand and agree on the results and outcomes that the system must produce.
- **Changing a system must be driven by the people who participate in the system**, i.e., those who have the most to gain or lose as a result of change. Change that is imposed from the outside is rarely as successful as change that comes from within.
- **An efficient system is a cost effective system**. Inefficient systems are characterized by waste which is observable in high or uncontrollable costs, poor user or participant satisfaction, and unacceptable outcomes or results.
- **Dramatically improving a system requires innovative thinking**. People seeking this kind of change should reach out and involve individuals from other disciplines – both experts and non-experts.

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- **Small, well-considered changes at the grassroots level or in frontline operations can produce big improvements**. It's no coincidence that the Obama campaign has radically change the process of running for president – much of which was accomplished by people working at the grassroots level – something that team is now endeavoring to do as they develop policy.
- **The maturity of a system is reflected in how easy and simple it is for end users to interact** with and benefit from the system. (A computer system that is easy to interact with and doesn't require the user to know more than he or she wants to know about that system is a great example.)
- **Traditional systems, e.g. healthcare, were developed based on "command and control"** principals of systems design, and many managers and administrators bring a "command and control" philosophy to their management approach. However, complex systems that must be able to rapidly adapt to changing needs and constraints, don't do well under this kind of approach.
- **An "adaptive" or "agile" system is one that can continuously improve and evolve** to meet changing environmental conditions and end user needs. The more challenge the environment, the more complex the decision processes that go on within the system, and the more knowledge that is required for key participants in the system, the better the results that will be achieved versus the results possible through a "command and control" approach. (This is why even the US military has been adopting these principles.)
- **Adaptive systems are characterized by and rely on feedback loops** that quickly tell leaders, managers, participants and stakeholders how well the system is working while simultaneously providing the information participants require to quickly react and adapt to changes that come from either inside or outside of the system.
- **Adaptive systems are also characterized by leadership that enables distributed decision** making (rather than centralized decision making) so that all players in the system can act, adapt, and deal as efficiently as possible with the many unforeseen and unforeseeable challenges that a complex system like healthcare must be designed to handle.
- **Finally, adaptive systems require incentive strategies that will motivate** the kinds of behaviors required to consistently achieve desired results and outcomes**.** A maximally effective healthcare system would be one that incents – not just satisfactory clinical outcomes or financial results – but also the best possible experience for ALL who interact with the system.

TGG Insight #4: ***We need to reward people for making the system better, not just for personal performance.***

Most of us relate well to sports metaphors and most of us understand that the best baseball or basketball team is not just dependent on the success of its stars, and that becoming season champions requires that the whole team function optimally each and every time it takes the field or the court. The same can be said for a complex system like healthcare: the success of the whole system depends on how well all the people who participate in the system – from doctors and nurses to administrators, vendors and, of course, patients – can interact to achieve desired outcomes.

Returning for a moment to symptoms listed above and evaluating them from a systems perspective, we believe the following may be said about healthcare as it exists in the US today:

- Our healthcare system is not designed to guarantee desired results and outcomes: health and well-being. In some cases it is not even designed to ensure that services get rendered or that someone gets paid for those services.

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- Our system forces too much complexity onto patients. If well designed systems are those that reward simplicity for users, our system is certainly failing.
- Our system also imposes too much complexity onto doctors. If doctors, like patients, are viewed as critical end users of the system, we must find ways to make it easier rather than more complex for them to do what is already a very complex job: saving lives. (The same holds true for nurses!)

In healthcare as well as education, there has been a lot of discussion in recent years about "pay for performance" incentive structures. While this sounds good on the surface, as the 2008 meltdown of many of our biggest and seemingly "best" financial institutions indicates, organizational success is not guaranteed by focusing just on individual success. In fact, "pay for performance" is essentially a "command and control" approach where the definition of good performance is defined in advance and even imposed by players from outside the system itself.

Based on our own experience building and incenting teams, we believe that until more fundamental changes are made to our healthcare system, healthcare administrators should avoid pay-for-performance because given the current system, pay-for-performance is likely to incent the wrong kinds of behaviors and not produce the kind of improvements in results we want.

In an optimally performing, adaptive system, participants are given the tools and feedback mechanisms they need not only to do their jobs but also to ensure that the whole system performs as expected based on desired outcomes. Although caregivers need to preserve the intimacy that the one-on-one doctor-patient relationship provides, we have to recognize that healthcare is evolving from a "cottage industry" mentality (for which it is often criticized) to a complex team sport. Going forward we need to manage our healthcare facilities and incent players accordingly.

More than just assuring individual performance excellence – the metrics used in healthcare to evaluate results and outcomes, and the systems and feedback loops used to capture the data needed to observe performance should be **focused on system performance excellence**, not just individual or departmental excellence. Similarly, the incentive plans used to motivate and reward the people who participate in the system should be designed, first and foremost, to assure and reward their contribution to the success of the whole, not primarily individual or departmental contributions.

To many this kind of approach will sound excessively optimistic or even impossible, but from our own experience developing and leading teams we know that these kinds of feedback and incentive programs are possible, and that they can produce stunning results when implemented properly. Further, we believe that senior managers who lead organizations whose primary purpose and reason for existence is the delivery of high quality services that are mission critical or critical to the health and well-being of people, should demand that their organizations adopt and implement the kind of **metrics-based, team-oriented, and outcomes-focused principles** that will allow their organizations to become the highly adaptive, agile and efficient systems they need to be. Nowhere do we thing this is more critical than in healthcare.

TGG Insight #5: ***Rx before diagnosis is malpractice – in healthcare and in business!***

So, where do we think practitioners and administrators should start, and how can The Gendreau Group help? The only appropriate answer is: well, that depends. Whether one is a strategist or a physician: *prescription before diagnosis is malpractice.* Therefore, like a doctor, our first step is diagnosis accomplished through observation of symptoms and

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known problems our clients are facing. And we do this from a systems perspective taking into consideration the needs and objectives of the institution and with involvement of people who make that institution run.

Next, we can help healthcare professionals is by helping them efficiently think about the system in which they operate, and considering their problems and priorities from a systems perspective. And, in the process, we have the opportunity to get these individuals and get the information we need or what facts and data we need to get be able to make a diagnosis – in other words, to be able to develop reasonable and actionable recommendations that will help these professionals improve the system in which they work while addressing real problems that matter to them and to their patients, customers and other stakeholders.

TGG Insight #6: ***A Revenue Strategist's approach is as relevant in Healthcare as in other Industries.***

The following table outlines more specifically where we, the principals and associated of The Gendreau Group, can provide guidance and help healthcare institutions begin to fix our broken healthcare system and provide the kind of care that each healthcare professional dreams of being able to provide when the elect to enter the profession.

TGG Revenue Strategist Expertise	Applicability for Healthcare Providers
Customer Service Customer service organization development, and customer service representative (CSR) team development and management	Help administrators and HR managers **create more patient-friendly administrative processes** that will improve patient experiences while also reducing stress on key staff and employee groups.
Systems Systems analysis, design, development, management, quality and continuous improvement	Help administrators and HR managers change processes and the system in which they operate in order to **reduce stress and workload**, **improve employee satisfaction, and improve employee retention rates** for doctors, nurses, or other key employee groups.
Channel and Distribution Strategies Including new service identification as well as channel, distribution, and partner strategy development and implementation	Help healthcare institutions **improve how they collaborate with partners, vendors, and other third parties** with whom they must interact – in order to produce more value and reduce the costs and friction often associated with managing these relationships.
Analytics and Research Creating, implementing and using evidence-based systems, methods and procedures, and business processes	Help administrators and practitioners **implement evidence-based strategies alongside** (or instead of) more traditional case-based approaches to the practice of medicine. Help healthcare institutions **make better use of facts and data** in order to operate more cost effectively, efficiently, *and* transparently.
Team Incentive Programs Beyond salaries – developing programs to incent and reward the kinds of behaviors required to achieve organizational objectives and desired outcomes	Help healthcare HR professionals indentify and develop **creative new programs for motivating, incenting, and rewarding** healthcare professionals at all levels.

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