

# New Challenges in Health Care : An Occasion for Clinical Leadership

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2010

# New Opportunities in Health Care : An Occasion for Clinical Leadership

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# Outline

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- Five Areas of Opportunity for Clinical Leaders
- Why Fair Process Leadership Matters
- Nissan Case: What leaders do
- Fair Process Scorecard
- Wrap-up

# Three Key Issues Dominate The U.S. Healthcare Policy Debate

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The Need to:

1. Create a Universal Healthcare System
2. Develop Programs to Reduce The Rate of Growth in Healthcare Spending
3. Improve the Quality of Care Delivered

# Time for revolution?

- Candice & Giordana. (2009) Doctors as Leader. BMJ. 338: b1555.
- Falcone & Satiani. (2008) Physician as hospital CEO. Vascular and Endovascular Surgery 42: 88-94.
- Lee. (2010) Turning Doctors into leaders. HBR. April-May.
- Mountford & Webb. (2009) When clinicians lead. McKinsey Quarterly, February 2009.
- Stoller, Berkowitz, and Bailin. Physician management and leadership education at Cleveland clinic foundation. (2007). Journal of Medical Practice Management. 22: 237-242.

# **New Research: Importance of clinicians becoming effective leaders**

- Ho: Direct involvement of physicians in hospital management helps to improve performance
  - ✓ LSE study of 126 hospitals in NHS found “improving” operational effectiveness and performance management was associated with lower infection rates, lower readmission rates, more satisfied patients, more productive staff, and better financial margins;

## **Moreover-**

- ✓ Hospitals with higher percentages of physicians in management adopted key management practices (lean management, tracking and communicating key performance measures, etc) and outperformed hospitals with fewer clinician-managers

(Castro, Dorgan, and Richardson 2008)

# **New Research: Importance of clinicians becoming effective leaders**

**Ho: Direct involvement of physicians in hospital management helps to improve performance**

Study at University of Warwick studied the performance of US hospitals specializing in digestive disorders, cancer, and heart surgery. America's best hospitals disproportionately have physicians rather than lay managers as chief executives.

**Implications: Clinical skills help managers to understand care processes and to manage other clinicians more successfully**

# Lesson in health politics

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**“American government is designed to be maladroit at securing broad, coordinated policy changes—like national health care reform.”**



# What does health politics mean?

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- Break it down and it becomes clear

✓ Poli = many

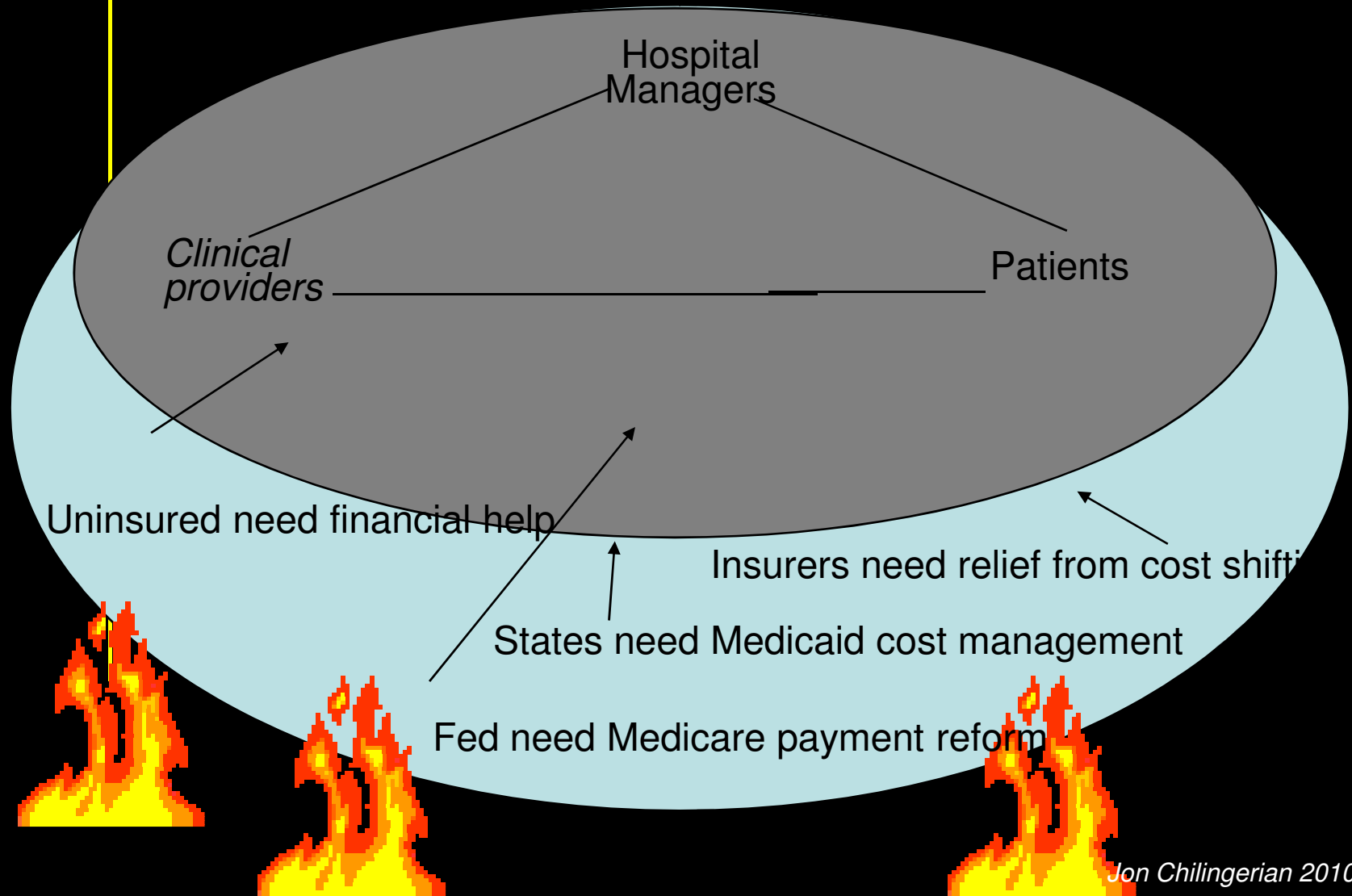
✓ Tics =

Tics = annoying, blood-sucking  
creatures

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# An Opportunity for Change



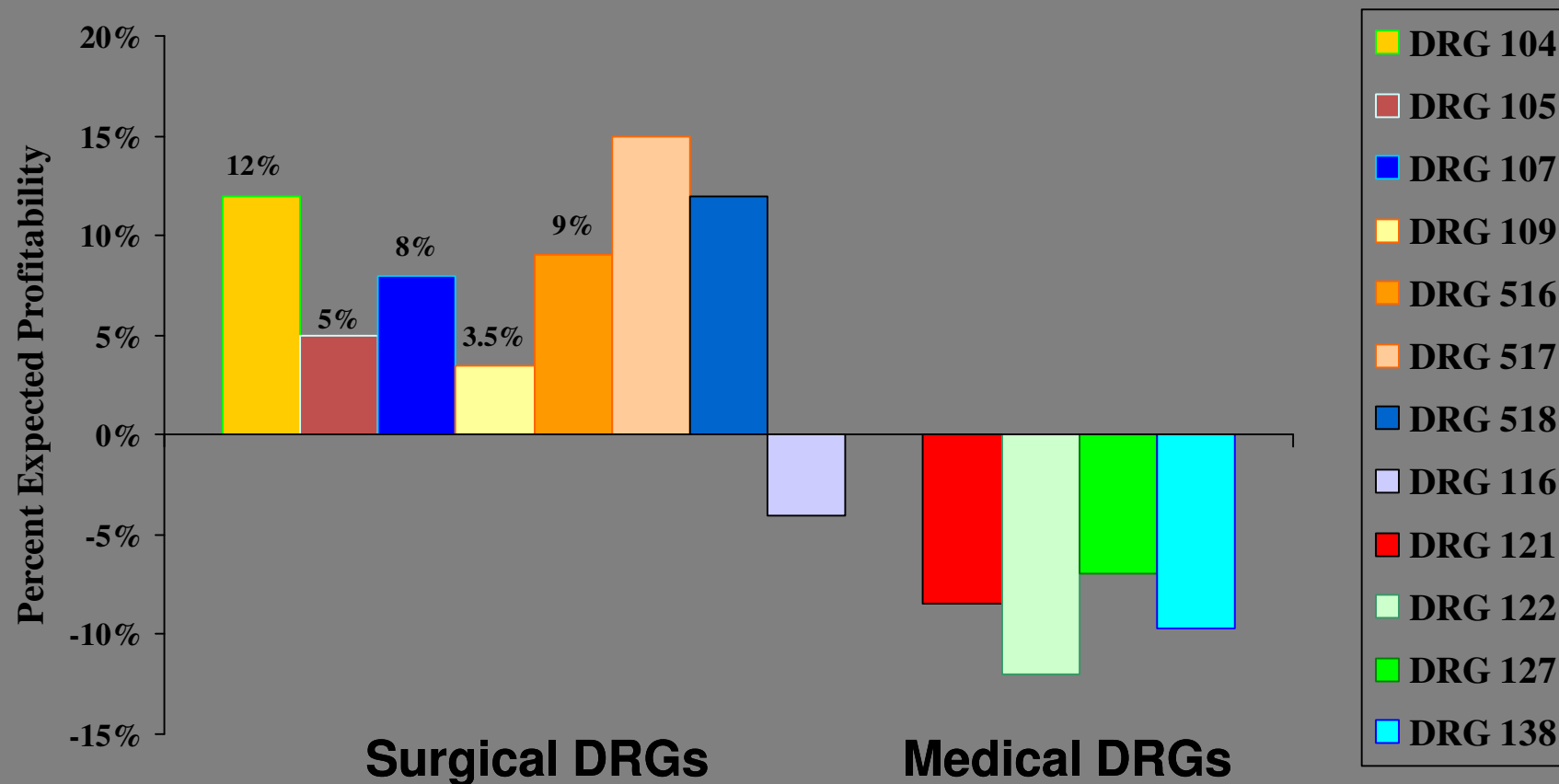
# Old theory of the hospital

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- Create a broad referral network of trusting, primary care physicians, specialists, and allied hospitals
- Focus on tertiary service line specialty & fill beds
- Negotiate favorable reimbursement rates w/insurers
- Pursue unrestricted gifts
- Replace capital, invest in clinical technology (130% of depreciation)
- Sustain 4% operating margins

# Relative Profitability Within DRGs

## Cardiac DRGs

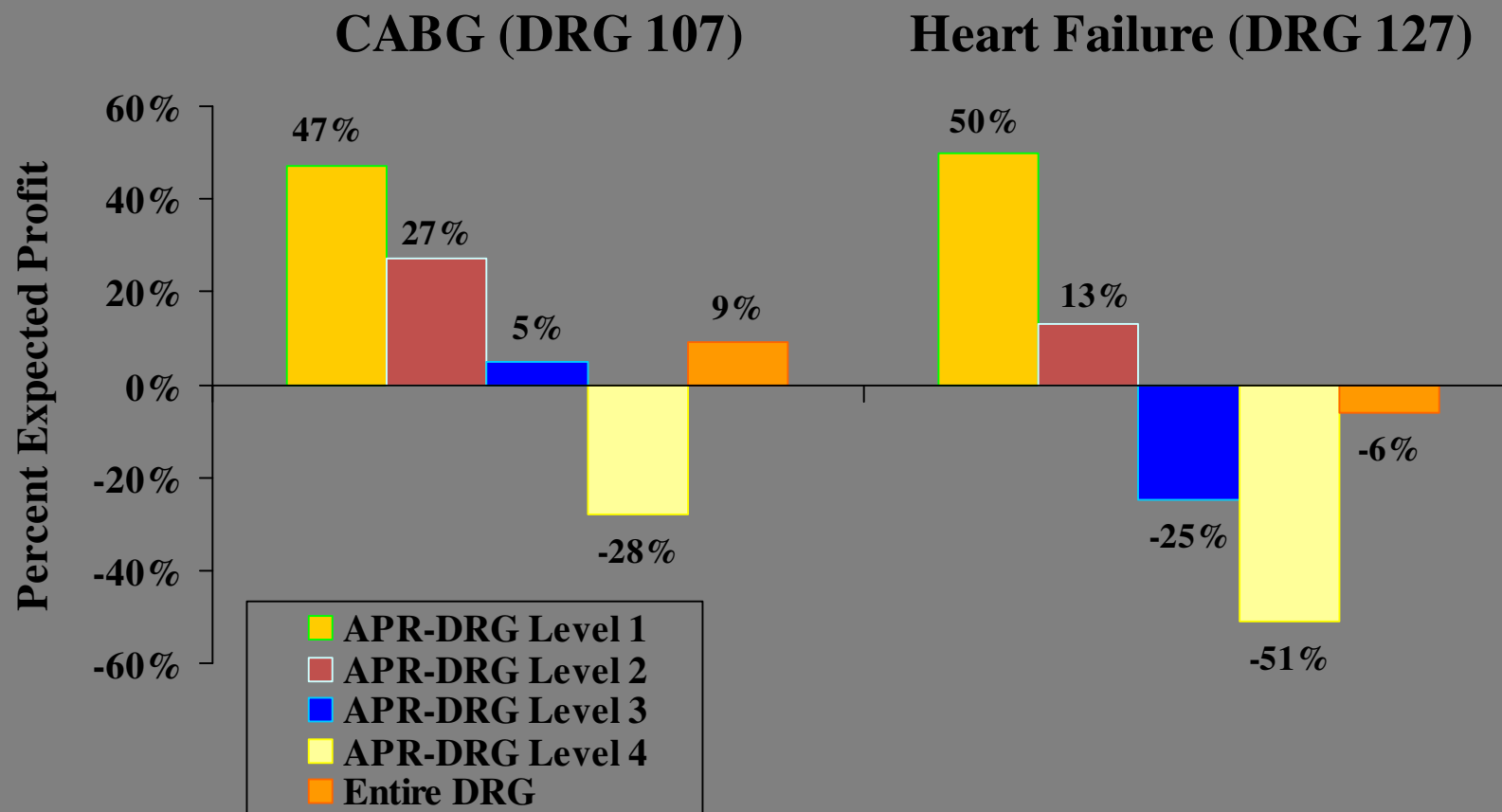


SOURCE: MedPAC

Jon Chilingirian 2010

# Relative Profitability Within DRGs

## Cardiac DRGs



SOURCE: MedPAC

*Jon Chilingirian 2010*

# Options For Changing Payment System

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- **Bundled or Case Payments**
  - ✓ **Significant Pay-for-Performance Add-On or Penalties**
  - ✓ **Value-Based Payments**
- **Permit Wider Use of “Gain-sharing” Between Hospitals and Doctors**

# *Accurate Coding in OR*

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- Today if you do not code correctly and if you are inefficient in OR, the hospital loses, but surgeons get the same check
- Under bundled payment, accurate code & efficiency = you may make the same money
  - ✓ One small, 289 bed Mass hospital is allocating @ \$1.0 million dollars of budget to improve coding—

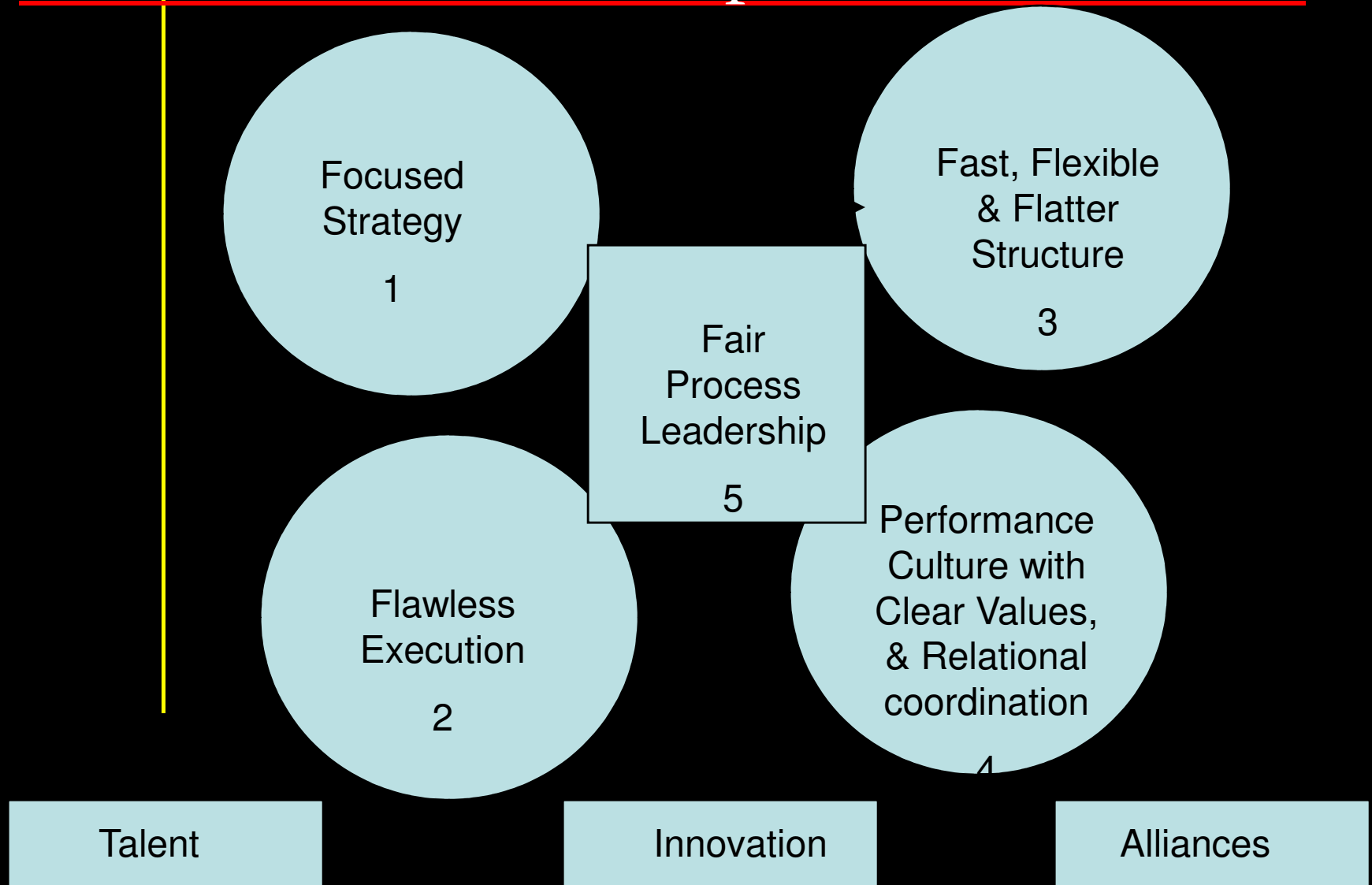


# Opportunity 1

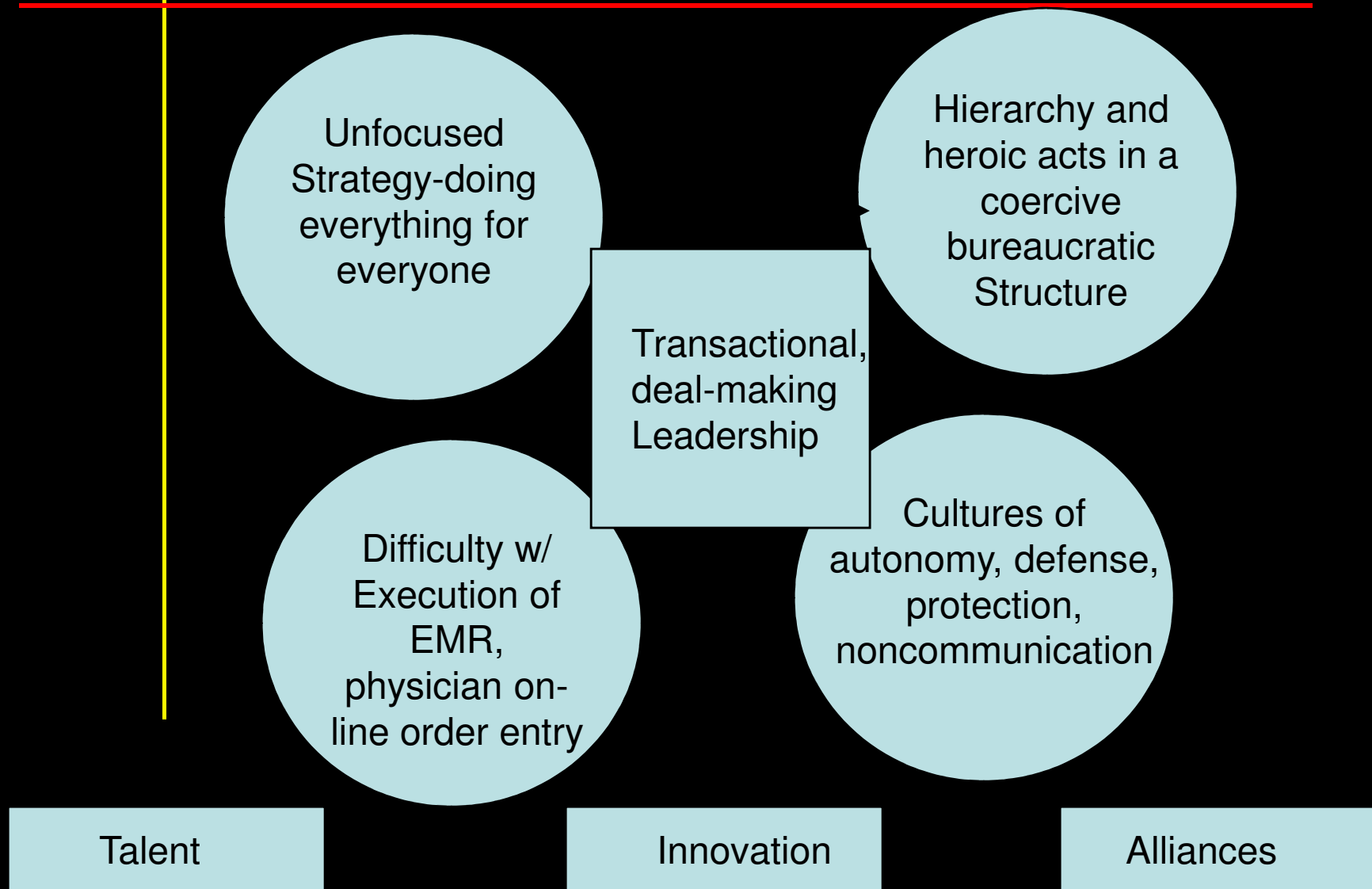
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- Designing high performing organizations that provide 21st century biomedical science and technology.

# Slightly modified for health care: Five plus One



# General hospitals



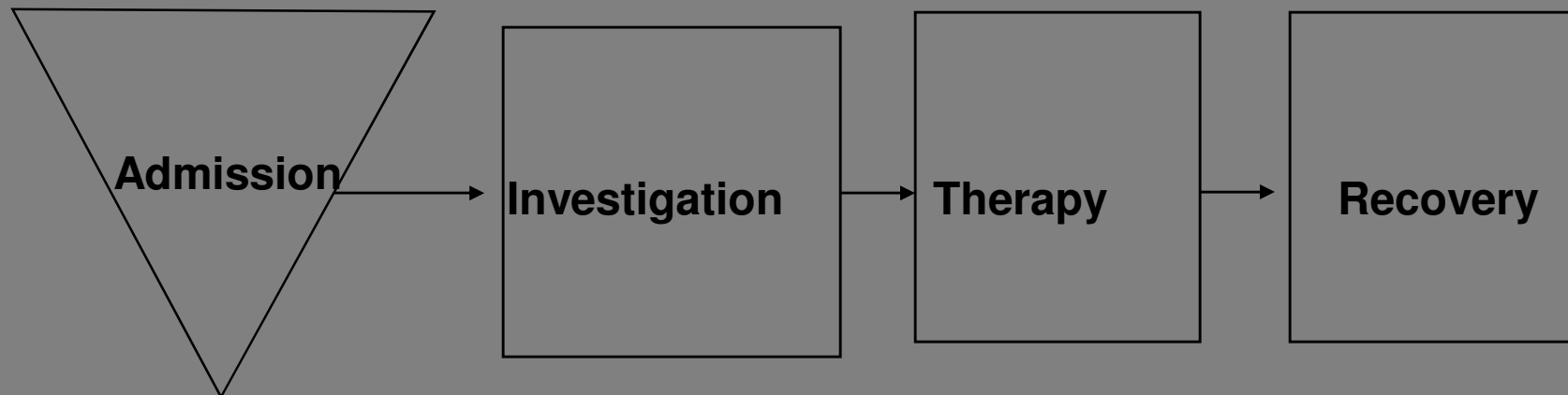
## Opportunity 2:

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- Discovering better ways to organize care programs and care processes

# Clinical Activities

**How can these be done differently? Can these become positioned as better services?**



# Operating Strategies: Alignment of Activities/Functions Types of Activity Centers

- Physician

Services

Labs

Radiology

O.R.

SICU

Nurse Beds

...

C  
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Cardiovascular Disease

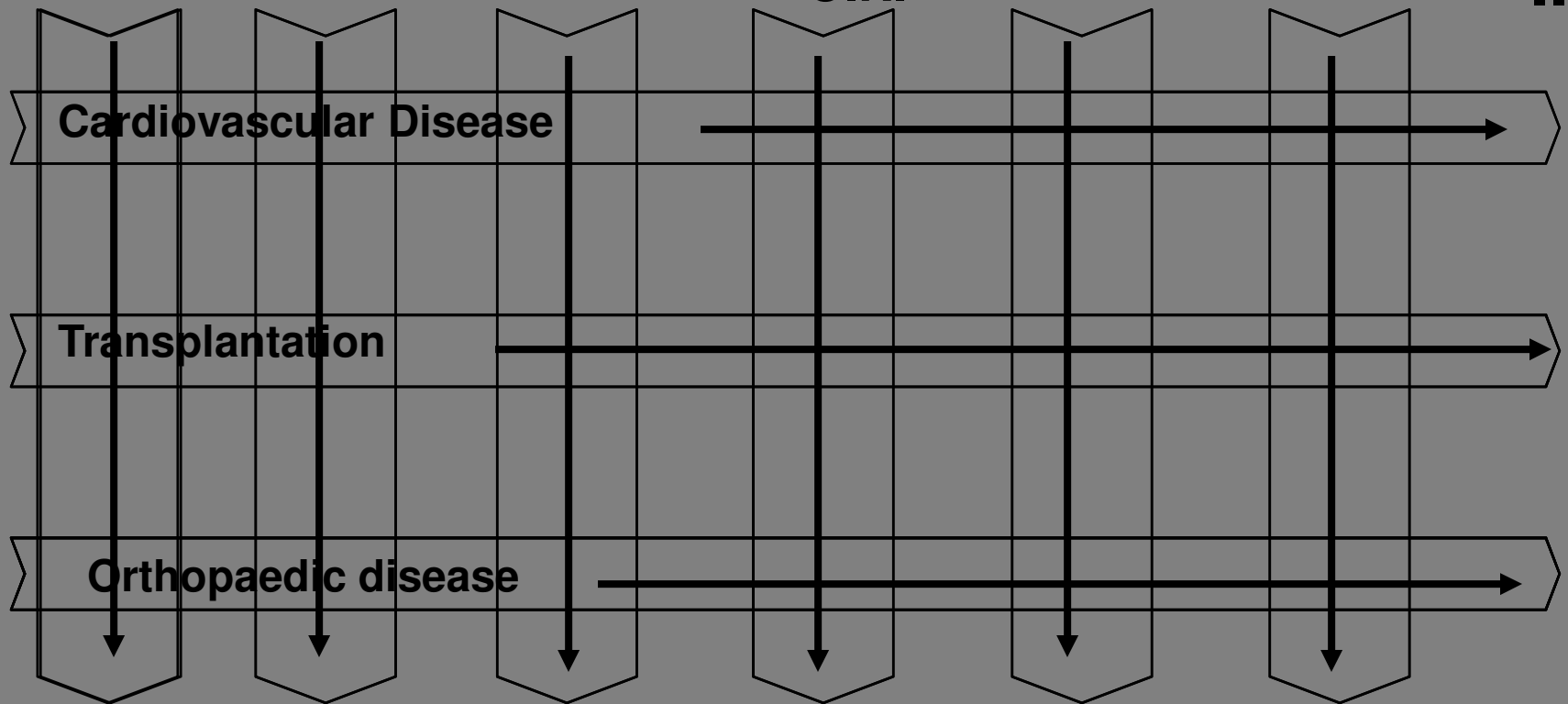
Transplantation

Orthopaedic disease

→ Patient  
Management

Practice Management

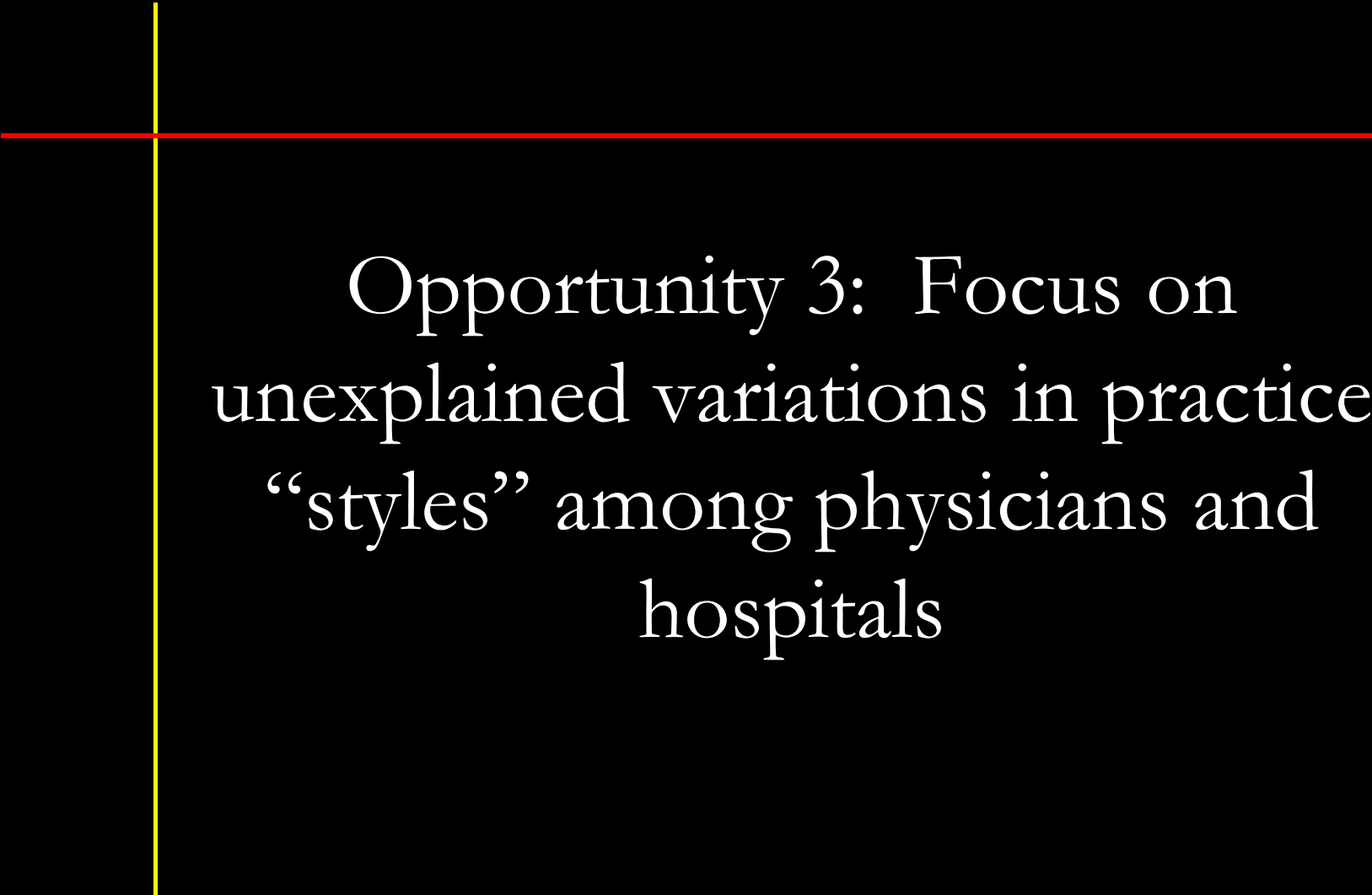
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*Jon Chilingirian 2010*



# Thedacare

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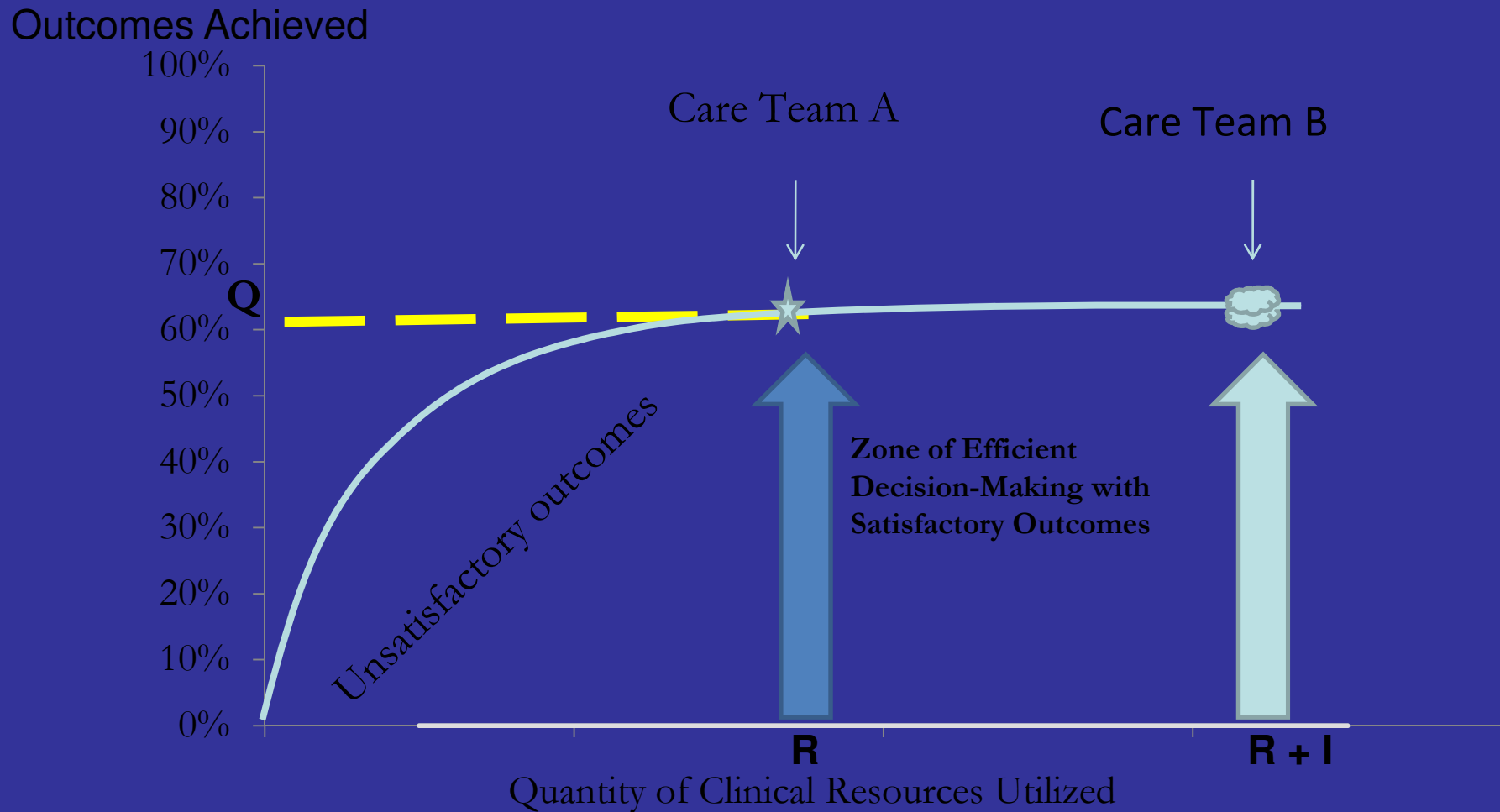
- Adopted lean manufacturing & typically run five Kaizen projects each week
  - ✓ Improved productivity 12%, saved Thedacare \$27 million
  - ✓ Door-to balloon time – 37 minutes
  - ✓ Better new born delivery, reduced NICU days by >45%
- 2007 Collaborative care model
  - ✓ Within 90 minutes of admission a nurse, physician and pharmacist meet with the patient & family and develop a care plan
  - ✓ Cost is 30% less than traditional ward



## Opportunity 3: Focus on unexplained variations in practice “styles” among physicians and hospitals



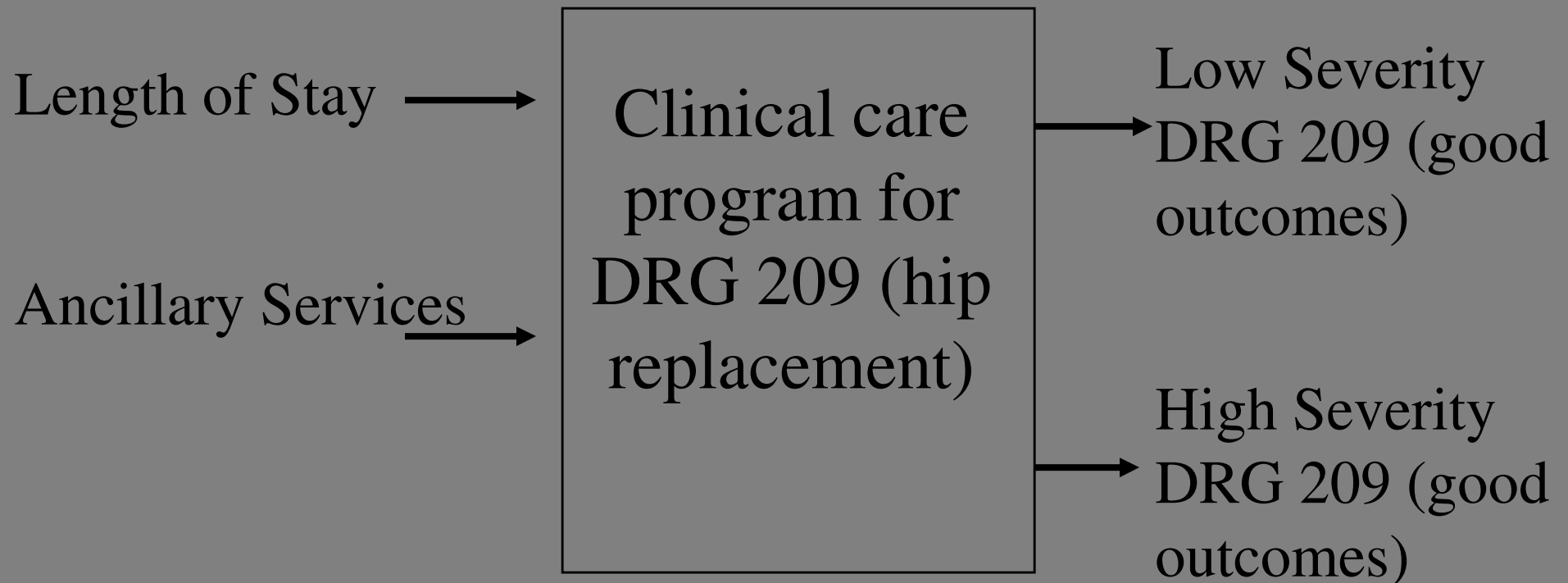
# Hypothetical Outcome-Resource Function: Comparing Care Teams A versus B



# Production Model for Evaluating DRG 209

## 2 Clinical Inputs

## 2 Clinical Outputs



## Benchmarking Hip Replacements (DRG 209)

➤ H1	91.53	➤ H23	83.12	➤ <u>H47</u>	<u>100.00</u>
➤ H2	80.11	➤ <b>H24</b>	<b>57.71</b>	➤ <b>H48</b>	<b>77.71</b>
➤ <u>H3</u>	<u>100.00</u>	➤ H25	85.27	➤ H49	98.01
➤ H4	92.47	➤ H26	85.06	➤ H51	84.66
➤ H5	80.65	➤ <u>H27</u>	<u>100.00</u>	➤ <b>H52</b>	<b>78.73</b>
➤ <b>H6</b>	<b>74.72</b>	➤ H28	77.14	➤ <u>H54</u>	<u>100.00</u>
➤ <b>H7</b>	<b>73.55</b>	➤ H29	88.99	➤ <u>H55</u>	<u>100.00</u>
➤ <b>H8</b>	<b>66.40</b>	➤ H30	77.29	➤ H56	92.19
➤ <b>H9</b>	<b>76.98</b>	➤ <u>H31</u>	<u>100.00</u>	➤ H57	99.00
➤ <u>H10</u>	<u>100.00</u>	➤ H32	92.09	➤ <b>H58</b>	<b>79.21</b>
➤ H11	81.40	➤ H33	93.17	➤ H59	83.74
➤ <u>H12</u>	<u>100.00</u>	➤ <b>H34</b>	<b>71.65</b>	➤ H60	87.21
➤ H13	87.15	➤ H35	95.55	➤ H61	82.75
➤ H14	89.84	➤ H36	94.4	➤ <b>H62</b>	<b>64.78</b>
➤ <b>H15</b>	<b>79.74</b>	➤ <b>H37</b>	<b>63.13</b>	➤ H63	93.34
➤ H16	98.66	➤ H38	73.29	➤ H64	80.30
➤ <b>H17</b>	<b>75.83</b>	➤ H39	92.95	➤ H65	84.18
➤ <u>H18</u>	<u>100.00</u>	➤ H42	84.71	➤ <b>H66</b>	<b>72.39</b>
➤ H19	83.78	➤ <b>H43</b>	<b>79.50</b>	➤ H67	96.85
➤ H20	83.98	➤ <b>H44</b>	<b>76.30</b>	➤ <u>H68</u>	<u>100.00</u>
➤ <b>H21</b>	<b>78.08</b>	➤ <b>H45</b>	<b>78.26</b>	➤ H69	95.50
➤ H22	81.06	➤ H46	84.66		

Mean = 86%

# Benchmarking Vaginal Deliveries w & w/o Complications (DRG 372-375)

➤ H1	100.00	➤ H25	95.83
➤ H2	100.00	➤ H26	100.00
➤ H3	94.74	➤ H27	91.45
➤ H4	100.00	➤ H28	93.32
➤ H5	90.95	➤ H29	92.72
➤ H6	100.00	➤ H30	98.64
➤ H7	89.28	➤ H31	86.70
➤ H8	100.00	➤ H32	93.95
➤ H9	97.29	➤ H33	98.86
➤ H10	97.07	➤ H34	93.21
➤ H11	100.00	➤ H35	100.00
➤ H12	97.24	➤ H36	93.39
➤ H13	83.00	➤ H37	100.00
➤ H14	100.00	➤ H38	99.79
➤ H15	97.77	➤ H39	95.53
➤ H16	100.00	➤ H42	97.31
➤ H17	97.12	➤ H43	84.34
➤ H18	85.50	➤ H44	91.45
➤ H19	100.00	➤ H45	100.00
➤ H20	89.73	➤ H46	96.27
➤ H21	93.69	➤ H47	95.56
➤ H22	99.55	➤ <b>H48</b>	<b>70.29</b>
➤ H23	100.00	➤ H49	100.00
➤ H24	100.00	➤ H51	89.32

Mean = 95%

# Benchmarking Heart Failure & Shock (DRG 127)

➤ H1	97.75	➤ H26	89.49	➤ <b>H55</b>	<b>75.98</b>
➤ <u>H2</u>	<u>100.00</u>	➤ <b>H27</b>	<b>74.08</b>	➤ H56	98.01
➤ <u>H3</u>	<u>100.00</u>	➤ <b>H28</b>	<b>78.46</b>	➤ <b>H57</b>	<b>75.21</b>
➤ <b>H4</b>	<b>75.08</b>	➤ <b>H29</b>	<b>72.40</b>	➤ H58	82.49
➤ <u>H5</u>	<u>100.00</u>	➤ <u>H30</u>	<u>100.00</u>	➤ H59	<b>68.97</b>
➤ <b>H6</b>	<b>76.86</b>	➤ <u>H31</u>	<u>100.00</u>	➤ H60	82.96
➤ H7	88.17	➤ H32	88.88	➤ H61	93.40
➤ <b>H8</b>	<b>65.98</b>	➤ H33	91.70	➤ <u>H62</u>	<u>100.00</u>
➤ H9	81.03	➤ <u>H34</u>	<u>100.00</u>	➤ <b>H63</b>	<b>68.48</b>
➤ H10	80.73	➤ H35	89.08	➤ <b>H64</b>	<b>70.82</b>
➤ <b>H11</b>	<b>74.77</b>	➤ H36	92.28	➤ H65	82.39
➤ H12	85.77	➤ <b>H37</b>	<b>70.15</b>	➤ <b>H66</b>	<b>72.00</b>
➤ <b>H13</b>	<b>79.75</b>	➤ <b>H38</b>	<b>79.88</b>	➤ <b>H67</b>	<b>61.96</b>
➤ <b>H14</b>	<b>72.65</b>	➤ <b>H39</b>	<b>77.52</b>	➤ <b>H68</b>	<b>76.05</b>
➤ <b>H15</b>	<b>72.65</b>	➤ <b>H42</b>	<b>76.01</b>	➤ H69	80.42
➤ H16	80.43	➤ <b>H44</b>	<b>59.36</b>	➤ H70	74.41
➤ <b>H17</b>	<b>53.23</b>	➤ <u>H45</u>	<u>100.00</u>	➤ <b>H71</b>	<b>66.38</b>
➤ H18	80.09	➤ H46	84.90	➤ H72	92.92
➤ H19	91.88	➤ H47	78.98	➤ H73	95.82
➤ H20	82.71	➤ H48	83.32	➤ <u>H74</u>	<u>100.00</u>
➤ H21	92.99	➤ H49	87.63		
➤ H22	89.96	➤ H51	88.56		
➤ H24	77.89	➤ H52	84.41		
➤ <u>H25</u>	<u>100.00</u>	➤ H54	85.80		

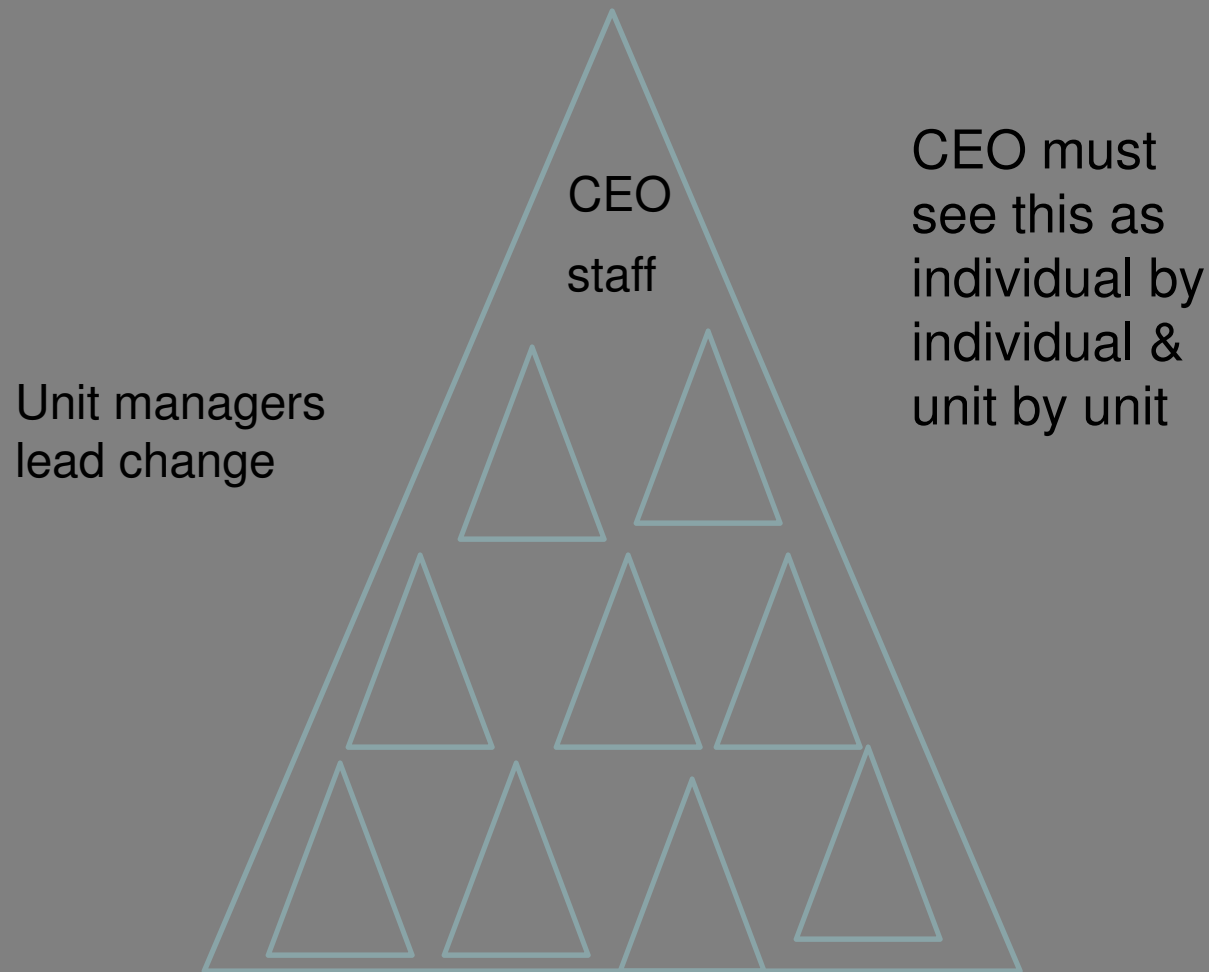
Mean = 83%

A decorative graphic consisting of a vertical yellow line and a horizontal red line intersecting to form a crosshair.

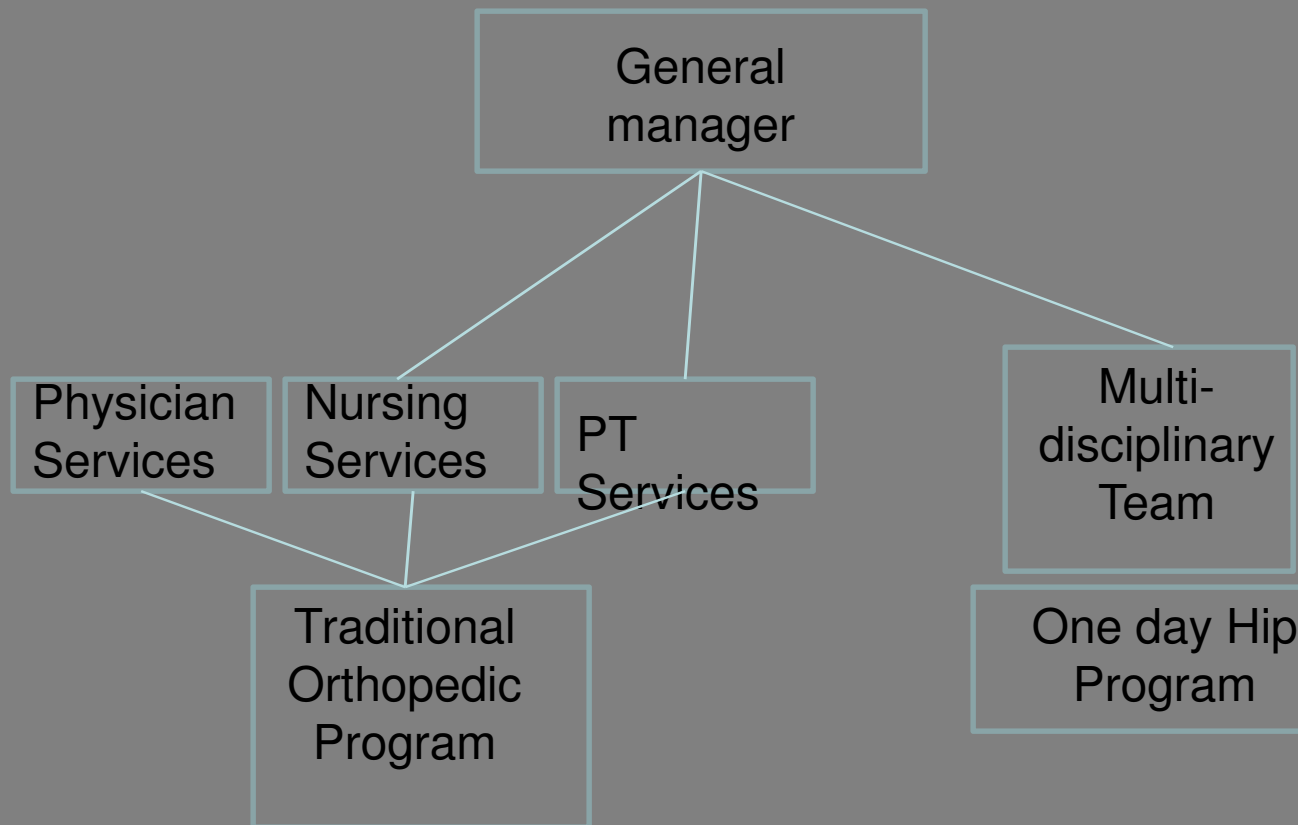
# Opportunity 4: Leading Innovation and Change w/ Parallel Organizations

# Organizational Change: Unit by Unit

Top down initiatives undermine unit leadership



# Organizing for innovation & change



**Parallel organizations: establish teams structurally independent each with their own processes, structures, and cultures but integrated into existing hierarchy**



# Robert Jones & Agnes Hunt Orthopedic & District Hospital Trust

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- One day (24 hour) hip with early ambulation
- ALOS from 5 to 1 day/beds freed up
- Extremely high patient and clinician satisfaction
  - ✓ Reduced deep vein thrombosis
  - ✓ Nurses freed up to educate
  - ✓ Saved 240,000 pounds in first year



# Opportunity 5: Cure Global Inattentional Blindness

# Aravind System of India: efficient & cost-effective

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- Aravind eye care is a network of 5 regional eye hospitals in Southern India
  - ✓ To maximize operational excellence and productivity, a single surgeon alternates between 2 adjacent operating tables
  - ✓ As 1 patient is having cataract surgery, the next patient's eye is cleaned and prepared on the second operating table by a circulating nurse.



**Figure 3.**  
**Multinational strategy: standardization versus adaptation**

Integration of Homebase with International

High	Medical-tourism	Transnational Health Organization
Low	Foreign Health Facility Portfolio	Multi-national Health Network
	Low	High

Responsiveness to Local Health Care Needs

# Apollo Hospital Group

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- Most successful hospital group in India today
  - ✓ Owns 23 hospitals in 23 locations
  - ✓ Manages hospitals in 14 locations
  - ✓ 2004 after tax earnings of 8.0 million Euros
- Low Prices:
  - In Apollo basic hip arthroplasty is \$4,000 vs. ??? in US
  - Kidney transplant is \$7,000-8.000 vs. \$75.000 in US
  - In vitro: \$3.400 at Apollo vs. \$11.363 in UK

# Executive Development for Physicians

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- Basic & advanced health policy
  - ✓ DRGs and how to use them
- Fair process leadership training with 360 feedback
- Strategic & blue ocean thinking
- Hospital physics, service theory & operational excellence

# Executive Development for Physicians

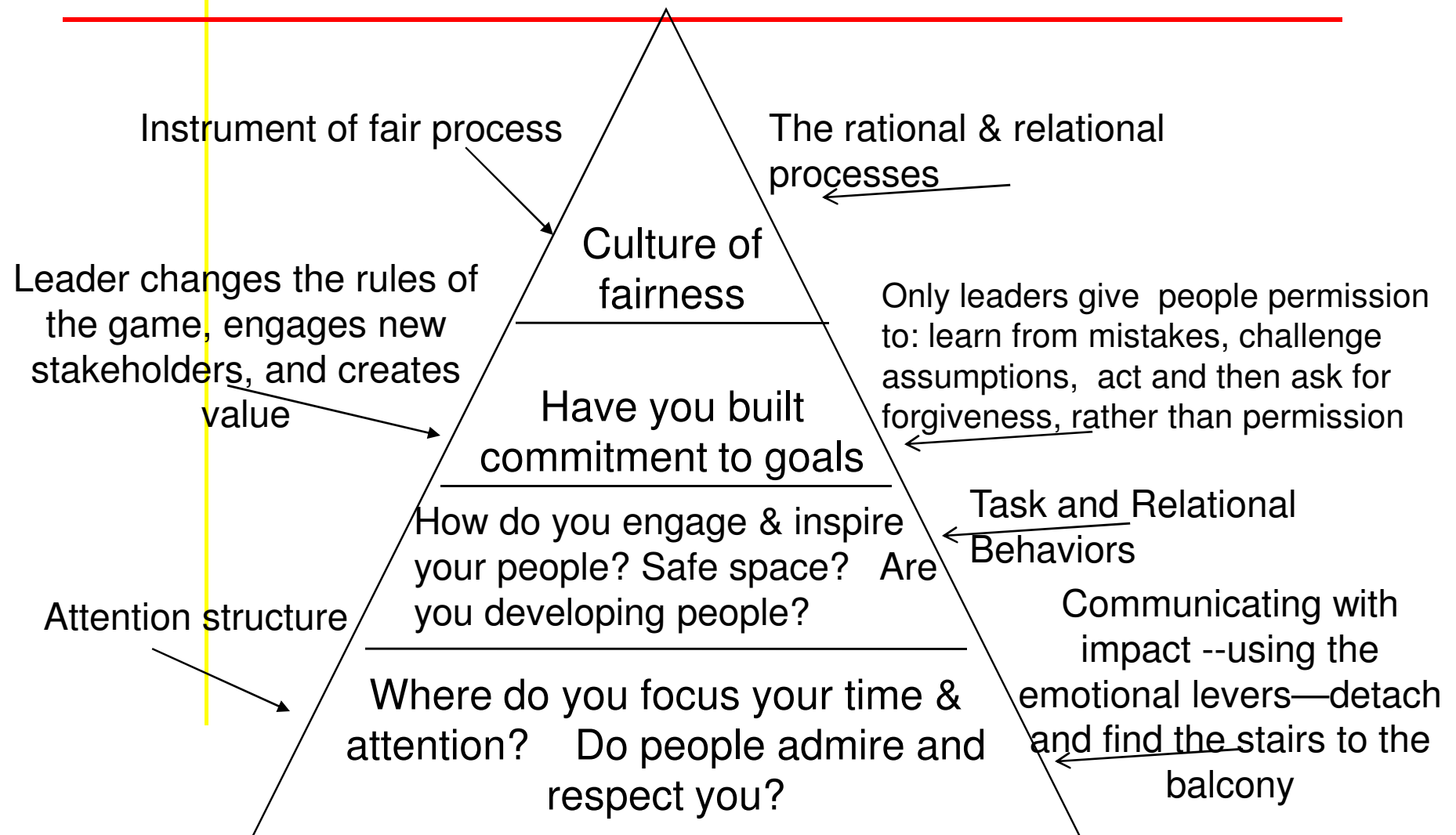
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- Theory of medical decision making & methodologies for finding best practices
- Better ways to organize practice
  - ✓ integrated practice units, collaborative teams & relational coordination theory
- Negotiation & conflict resolution
- Basic clinical & managerial accounting



# Multi-levels of a clinical leaders work: Requires adaptive, fair-process leadership

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**Adaptive leadership model**

# Gandhi, Mandela

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- With great leadership, we witness something very new—they change the rules of the game
- With great leaders, they engage new stakeholders, the non-elites, or non-customers not the usual suspects
  - ✓ They understand what these key people want
- They engage these new stakeholders by understanding the psychological contract-
  - ✓ They know how to create value for them and value for the organization
- They have impeccable timing & good luck