EVIDENCE-BASED MANAGEMENT

AN OBJECTIVE VIEW OF LEADERSHIP IMPACT

JEAN CHENOWETH, SR VICE PRESIDENT
100 TOP HOSPITALS PROGRAMS
“Leadership is a multi-dimensional and ever-changing phenomenon” Porter-O’Grady & Malloch, 2010

Evidence-based leadership standards are few and far between.

- “Books abound with strategies based on experiential knowledge or personal philosophy, but few studies have successfully linked leadership practices to measurable outcomes” Lynham & Chermack, 2006

- “Evidence-based management is the systematic application of the best available evidence to business processes, strategic decisions and the evaluation of managerial practices” Kovner, Fine & D’Aquila, 2009
THE BEGINNING OF EVIDENCE-BASED MANAGEMENT

- Evidence-based models should be designed to address specific three categories of management questions - Kovner & Rundall, 2006
  - Business transaction management
    - Evidence-based medicine initiatives of JCAHO began in 1984
  - Operational management
    - Evidence-based management engineering standards (MAPS, 1964)
  - Strategic management
    - Malcolm T. Baldrige Program (National Institute of Standards and Technology, 1981)

- Measurement of leadership
  - Comparison of Baldrige Award Applicants and Recipients with Peer Hospitals on a National Balanced Scorecard, D.A. Foster, PhD, J Chenoweth, Thomson Reuters, National Institute of Standards and Technology, US Department of Commerce, October, 2011
DIFFERENCES IN SCORECARD OBJECTIVES MUST BE DIFFERENTIATED MORE EFFECTIVELY
100 TOP HOSPITALS MEASUREMENT OF LEADERSHIP IMPACT AND VALUE:

- Goal to measure leadership’s ability to drive the consistency and reliability of organization’s performance versus peers
- Not a consumer tool for hospital selection
- 21 year development and field testing effort
- Balanced scorecard theory – Norton and Kaplan, Harvard University
- Academic validation of hospital balanced scorecard
  - Relative performance on a set of Medicare-based measures (balanced scorecard) can be used by hospital governing boards to identify and rank improvement in achievement of mission.
- Objective statistical analysis of public data, updated annually
- Peer-reviewed risk and severity adjustment and methodologies
The Baldrige criteria represent R&D investments, sets of performance standards and calibrated bench standards to achieve predetermined levels of management performance.

An economically sound estimate of Baldrige program is Benefit-to-cost ratio of 820-to-1.

The Baldrige Performance Excellence Program value could not be replicated by private sector actions alone.

MAJORITY USE BALDRIGE PROCESSES BUT HAVE NOT APPLIED FOR AWARD

Figure 2. Few Respondents Report Direct Baldrige Involvement

Has your leadership team ever used the National Baldrige Award criteria to develop organizational goals and/or process improvement initiatives?

- Yes: 63%
- No: 37%

Have you applied for the National Baldrige Award or a state Baldrige-based award?

- Yes: 69%
- No: 31%
Baldrige award winners 2 times more likely than peers to become 100 Top winners 3 years after award.

Baldrige award winners improve more than 5 times faster than peers as leadership processes take hold \( p = 0.007 \)

Study available at http://www.nist.gov/baldrige/baldrige-102511.cfm

- NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY, US DEPT. OF COMMERCE
The impact of leadership on organization’s relative balanced performance CAN be measured.

Organization’s life cycle can be identified and compared.

Information reflects leadership impact on organization:
- Relative success or failure to improve
- Rates of improvement
- Resultant performance against national benchmarks
- Degree of alignment
LEADERSHIP’S JOURNEY TO EXCELLENCE
RATE OF IMPROVEMENT AND RESULTANT PERFORMANCE

- Early Success
- Journey Not Begun
- Mature Culture Of PI
- PI Culture At Risk
LEADERS IN WEAK ORGANIZATIONS REQUIRE LASER FOCUS TO DEVELOP CULTURE OF PI
LEADERS OF HIGH PERFORMERS MUST RAISE BAR OR RISK OF FALLING BEHIND
LEADER’S ACHIEVEMENT OF CONSISTENCY
HIGHLY EVOLVED CULTURE OF PERFORMANCE IMPROVEMENT
WE HAVE NOT MASTERED CONSISTENCY
HOW ARE LEADERS DIFFERENT IN 100 TOP HOSPITALS?

- Top Leadership
  - Board
  - CEO characteristics
  - Communication
  - Goals
  - Infrastructure
  - Investment

- Executives
  - Clinical performance
  - Nursing
  - Pharmacy
MISSION MAKES A SUBSTANTIAL DIFFERENCE IN FOCUS AND PERFORMANCE

- **Church-owned NFP**
  - Best overall balanced performance
  - Significant. lower mortality
  - Significant. shorter lengths of stay
  - Significant. higher HCAHPS
  - Second best in Core Meas., Expense

- **All NFP combined**
  - Significant, better safety
  - Significant. lower 30 mortality
  - Strong HCAHPS scores

- **FP Corporation**
  - Lowest expense
  - Highest profit
  - Highest core Meas. scores

- **Government-owned (non-federal)**
  - Lagged behind on all measures
  - Significantly worse on
    - Core measures
    - Expense
BROADENING LEADERSHIP INSIGHTS
LEADERSHIP MEASUREMENT IS SCALABLE AT DIFFERENT ORGANIZATIONAL LEVELS

- National balanced scorecard based on public data allows aggregation of performance data at many levels
  - States
  - Health Plans, ACOs
  - Health systems
    - Service lines
    - Alignment of the organization
    - Reliability of performance
  - Hospitals
    - Service lines
    - Non-clinical departments
    - Alignment of the organization
  - Physician group practices, PHOs
    - Service lines
LOCUS OF HIGH PERFORMANCE SHIFTED TO MIDWEST WITH FOCUS ON QUALITY
COLLABORATION TO RAISE ALL BOATS

Data Year: 2004

2006

2008

Quintile Performance Key:

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NATIONAL ENVIRONMENT
BENCHMARKS SHIFT SOUTH AND WEST

2011 DATA

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IMPACT OF POLICY, INCENTIVES, PROVIDER FOCUS ON STATE HOSPITAL INDUSTRY

BALANCED SCORECARD PERFORMANCE OF NEW YORK HOSPITALS

BALANCED SCORECARD PERFORMANCE OF MICHIGAN HOSPITALS

SOLE FOCUS ON FINANCE, PENALTIES

FOCUS ON QUALITY, COLLABORATION

2005 – 2009 Longitudinal MedPAR Data
MICHIGAN CEO COMMITMENT TO COLLABORATE
HIGHER STATE-WIDE VALUE DELIVERED

2009
88 HOSPITALS

MUSKEGON

GRAND RAPIDS
HOLLAND

KALAMAZOO
BATTLE CREEK

DETROIT

FLINT  MIDLAND
SAGINAW

ANN ARBOR
JACKSON

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CRITICAL FOR BOARDS AND EXECUTIVES:
TWO DIMENSIONAL MEASUREMENT
NYS HOSPITAL LEADERSHIP IMPACT: PERFORMANCE VS. IMPROVEMENT

NYS PERFORMANCE ACHIEVEMENT
2011 FFY

NYS LONG TERM PERFORMANCE IMPROVEMENT
2007 - 2011 FFY

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MEASURING SYSTEM LEADERSHIP
Hospitals in Systems Have Higher Performance and Rates of Improvement on 100 Top Hospitals National Balanced Scorecard (p< 0.0001 — Both Comparisons)

SOURCE: DAVID FOSTER, PHD., CHIEF SCIENTIST, 2012. TRUVEN WHITE PAPER PENDING PUBLICATION
# Initial Variation Across Systems

## 2009 10 Top Health System Winners

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<tr>
<th>PERCENTILES</th>
<th>OVERALL</th>
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<th>COMP</th>
<th>PSI</th>
<th>CORE MEAS</th>
<th>30-DAY MORT</th>
<th>30-DAY READMIT</th>
<th>ALOS</th>
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Alignment of member hospitals

- Distance from Centroid
- Closer to centroid, better the score
- Lower score is better

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MAJOR HEALTH SYSTEM OPPORTUNITY
IMPROVE CONSISTENCY, RELIABILITY

2013 PERFORMANCE AND 5-YEAR RATE OF IMPROVEMENT

TRUVENT HEALTH ANALYTICS
DOES OWNERSHIP OF SYSTEMS MAKE A DIFFERENCE?

Source: Differences in Health System Quality Performance by Ownership. David Foster, PHD. Truven Research Brief, 2010
FAST FORWARD TO 2013 STUDY
FOR PROFITS ARE TARGETING HIGHER QUALITY

HCA MEMBER HOSPITALS
Performance and Rates of Improvement

CORE MEASURES

HCAHPS

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OUR ONGOING PROCESS

We are Continually Learning
VARIATION IN CLASS PERFORMANCE CAN REFLECT LEADERSHIP COMPLACENCY OR BIAS

MAJOR TEACHING HAS HIGHEST SURVIVAL
HIGHEST COMPLICATIONS & ADVERSE EVENTS

OTHER CLASSES OUTPERFORM IN LOS, PROFIT, HCAHPS

MORTALITY

COMPLICATIONS

SAFETY

ADJ. LENGTH OF STAY

EXPENSE CONTROL

HCAHPS
CHALLENGE OF RELIABILITY FOR LEADERS
ABSENCE OF ALIGNMENT DAMAGES POPULATION MANAGEMENT

MORTALITY SCORES OF 12 HOSPITALS IN HEALTH SYSTEM

HOSPITAL KEY
1. MEMORIAL
2. MEMORIAL COUNTY
3. Memorial WEST
4. MEMORIAL EAST
5. COMMUNITY
6. COMMUNITY NORTH
7. COMMUNITY SOUTH
8. ST. MARK
9. ST MARY
10. POLK
11. MARSHALL
12. FREDRICK COUNTY

TRUVEN HEALTH ANALYTICS
CHALLENGE TO INSURANCE PLAN LEADERSHIP
COMPARISON OF INSURANCE NETWORK PERFORMANCE ON EXCHANGES

GEOGRAPHIC AND COST SELECTION - INADEQUATE

HEALTH NETWORK – MIDWESTERN STATES
EMPLOYERS WANT CONSISTENCY ACROSS INSURANCE NETWORK

SHOULD EMPLOYER’S ASSUME ALL PERFORMANCE IS SAME? WAS SEATTLE EMPLOYER’S NETWORK SELECTED ON PRICE ONLY?

Provider inclusion based on total 2012 active self-insured Medical and Drug Claims
LEADER’S MISSION AND GOALS ARE KEY ADVANTAGE OF PROVIDER-BASED HEALTH PLANS

Excellence In Quality, Cost, Efficiency, Patient Perception Of Care

A SOUTHERN HEALTHCARE SYSTEM

LOCAL INSURANCE NETWORK

CONSISTENT PERFORMANCE ACROSS COMMUNITIES SERVED

UNEVEN PERFORMANCE ACROSS COMMUNITIES SERVED
REFORM FORCES SINGLE WORLD VIEW

Collaboration brings faster results, consistency

Common goals
Common data
Contact Information

jean.chenoweth@truenhealth.com

734-913-3379