

Doing Something About Costs

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All hospitals and clinics face the challenge of ever increasing costs. The most common path to successful cost reduction is through the so-called Lean method. This approach is used by more hospitals, and other businesses, than any other to identify waste and unnecessary expense. According to a national study of the American Society for Quality, 53 percent of sampled hospitals are engaged in some level of Lean deployment.¹

You may have heard of Lean, also known as the Toyota method developed more than 50 years ago, but what is the best way to go about it, especially in healthcare? Though honed in Japan in the car manufacturing industry, early work beyond automobiles in the U.S. is reviewed in Shigeo Shingo and Andrew Dillon's definitive 1989 work, *A Study of the Toyota Production System from an*

Industrial Engineering Viewpoint (Produce What Is Needed, When It's Needed).

In healthcare, many providers feel they cannot hire additional staff or consultants to implement Lean methods. Some assign the responsibility to current managers but they generally have a full slate of responsibilities already. Thus, the challenge is to gain Lean's benefits without increasing costs.

The Lean approach has a specific set of tools that have proven useful and that have been applied to every area of a hospital, from surgery, to the pharmacy, to finance. Literature and endorsements of Lean are extensive. The idea is to improve processes so that work is only done the best way, without unnecessary costs (waste), and that it is standardized and documented. Sustaining improvement often involves reporting feedback about the results to staff as well as collaboration within the hospital or among several institutions. It takes reinforcement for the improvements to stick.

In recent years, many large and small

providers have devoted considerable resources to Lean and other forms of process improvement. However such commitments are generally made by larger systems such as Kaiser Permanente, Providence Health and Services, Veterans Affairs and others. What can the smaller institution with a tight budget do?

Process improvement cannot occur by edict or wishful thinking. It will require some investment. The investment should be tracked and compared to the eventual results to ensure that the benefits outweigh the costs. Some smaller hospitals and rural facilities have found it effective to take the following steps:

1. Select an important issue where you suspect there is a bottleneck, delay or other waste. It could be waiting time in the Emergency Department, lack of patient satisfaction with lab services, or underutilization of equipment, for example.
2. Set an ambitious but feasible improvement target, and identify who is involved and who understands the current processes.

3. Hold a rapid improvement event (Kaizen in Toyota/Lean terms) whereby all involved will get together to “fix” the problem. Such a meeting requires support from management and someone who can lead the event to keep it focused on the target.
4. Make it clear that the event is a short, one-time activity, maybe a few hours or a few days, but not an ongoing committee.
5. When done, there should be a clear set of actions to create change, assignments given and a standard documented process in place.

All of this probably sounds like common sense – and it is. What Lean brings to the event are ideas which have worked many times in other similarly complex industries. Ideas such as, starting with a process map or diagram created by the group outlining a common understanding of the current process. The group creates a one-page document with all the facts (e.g., the target, timeline for change, responsibilities, etc.) that can be posted on a wall for all the staff to see. Lean calls it an A3 based on the paper size.

What are the costs for doing this?

The staff will have to schedule and take time for the rapid improvement event. Advisedly, it would be best if the leader has had some Lean training from certified professionals. Companies like Institute for Performance Excellence provide training specifically for those working in healthcare. Online tools and professional societies can also be useful. Thus the cost of change is not zero but if important waste is ended, the net effect can be a significant reduction in ongoing costs.

*David Belson, PhD, editor-in-chief, **Journal of the Society for Healthcare Improvement Professionals**, is a professor at USC Viterbi School of Engineering, and has held positions in management and consulting for more than 25 years. While with IBM and Ernst & Young, David consulted with various organizations and corporations in manufacturing, media, transportation, real estate and healthcare regarding operations improvements. In addition to USC, David has taught at UCLA and several European universities, and has done independent consulting with organizations such as Providence HealthCare, California HealthCare Foundation, the California Hospital Association,*

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¹“Hospitals See Benefits of Lean and Six Sigma,” March 20, 2009, accessed on Feb 11, 2013 at <http://asq.org/qualitynews/qnt/execute/displaySetup?newsID=5843>.

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