A Culture of High Performance
Achieving Higher Quality at a Lower Cost

Quint Studer, June 23, 2014
Topics to be covered today:

- External Environment
- Leading Change
  - Operational Framework
  - Managing Individual and Change
  - Managing Organizations and Change
External Environment
Why do we need a culture of high performance??

The external environment demands it

Values will not let us do anything different
I was at a board of directors meeting years ago, and a discussion of the organizational changes we were making was on the agenda.

One of the board members commented, “Wow, we’re entering into the biggest construction project we’ve ever done, and I am not talking about the facility. I’m talking about a culture.”

This person was not from the healthcare industry but understood that creating a consistent, highly reliable culture is the hardest thing anybody can do.

A Culture of High Performance – Achieving Higher Quality at a Lower Cost, page 252
Evidenced-Based System

- Behavior and Performance Management
- Goals and Skills
- Process and Technology
“Vision without execution is hallucination.”

—Thomas Edison
Confront the Brutal Facts

“You must never confuse faith that you will prevail in the end with the discipline to confront the most brutal facts of your current reality.”

~ Admiral James Stockdale

“We can no longer tolerate a healthcare industry that markets non-existent excellence ...that allows clinicians to use outdated treatments and/or perform procedures even when they lack adequate training.”

~Dr. Marty Makary, Johns Hopkins Pancreatic Cancer Surgeon, Author of Unaccountable

At Virginia Mason... we understand that healthcare is impeded not facilitated by the notion of physician autonomy.”

~Dr. Gary Kaplan MD, CEO Virginia Mason, January 11, 2014

Avoid Self Delusion & Hubris:

- Believing you or your market is different
- Promoting new, exciting strategies but failing to create competitive advantage
- Pursuing big mergers and acquisitions that deliver scale and bold headlines but not long term value

~Fighting Corporate Hubris, BCG June 6, 2013

Reference: A Crucial Conversation About Healthcare Acquired Inflections; Nathan Kaufman, Managing Director, Kaufman Strategic Advisors, LLC, 11440 West Bernardo Ct., Suite 155, San Diego, CA 92127, (858) 487-9771; N8@kaufmansa.com www.Kaufmansa.com
What is Reform really about?

- Healthier population
- Lower Use
- Lower Prices
- Higher quality

Reference: Seeing Beyond Reform: Governance and the Emerging New Healthcare; James Orlikoff, President; Orlikoff & Associates, Inc.; 4800 S. Chicago Beach Drive; Suite 307N; Chicago IL 60615-2054; 773-268-8009; j.orlikoff@att.net
Declining Revenue Growth Requires Major Strategic Change for Health Systems

Pre 2000

- Hospital Expense Growth (5-6%)
  - Routine Raises
  - Traditional Work / Productivity
  - Construction Boom
  - Technology Arms Race
  - Focus on Revenue vs. Cost
  - Joint Ventures

2005-‘07

- Hospital Expense Growth (4-5%)
  - Routine Raises
  - Traditional Work / Productivity
  - Construction Boom
  - Technology Arms Race
  - Focus on Revenue vs. Cost
  - Joint Ventures

- Call Pay
  - Physician Employment & Stipends

2009-‘14

- Hospital Expense Growth (4-5%)
  - Routine Raises
  - Traditional Work / Productivity
  - Construction Boom
  - Technology Arms Race
  - Focus on Revenue vs. Cost
  - Joint Ventures

- Layoffs & Mergers
- Call Pay
  - Physician Employment & Stipends
- Meaningful Use
- Clinical Integration & Population Penalties

Reference: A Crucial Conversation About Healthcare Acquired Inflections; Nathan Kaufman, Managing Director, Kaufman Strategic Advisors, LLC, 11440 West Bernardo Ct., Suite 155, San Diego, CA 92127, (858) 487-9771; N8@kaufmansa.com www.Kaufmansa.com
Market Will Demand 20 – 40% Overall Improvement, Requiring a Multi-Pronged Approach

- **Performance Improvement**: 8-12% Total Improvement
- **Market Drivers**
  - Payment Reform
  - Cost Pressures
  - Information Boom
  - Improved Care
- **Asset Rationalization**: 3-6% Total Improvement
- **Scale and Integration**: 4-8% Total Improvement

**Source**: © 2012 Huron Consulting Group. All rights reserved.
### Back to Basics

#### Market Share and Profitability

<table>
<thead>
<tr>
<th>NOW</th>
<th>Urgency</th>
<th>R&amp;D</th>
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<tbody>
<tr>
<td>Break even on Medicare (Ability to Measure Cost and its Correlation to Outcomes and Create Standard Work)</td>
<td>Optimize Current and Future VBP Performance e.g., Readmits Patient Satisfaction, etc.</td>
<td>Transition Employed Physicians Into an Integrated Medical Group</td>
</tr>
<tr>
<td>Design a Clinically Integrated Network – Practice on Employees</td>
<td>Profit from a Contract or Joint Venture with a Medicare Advantage or Private Plan</td>
<td>Bundling (Acute Care Episode Demo) Medicare ACO (Population-based Payment)</td>
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#### 2012-2018

- 2012-2018
- 2018+

**Reference:** *A Crucial Conversation About Healthcare Acquired Inflections; Nathan Kaufman, Managing Director, Kaufman Strategic Advisors, LLC, 11440 West Bernardo Ct., Suite 155, San Diego, CA 92127, (858) 487-9771; N8@kaufmansa.com www.Kaufmansa.com*
Leading Change
“People wish to be settled; but only as far as they are unsettled, is there any hope for them.”
—Ralph Waldo Emerson
Leading Change

- Episodic to Continuous Change
- Operational Framework
- Managing Individual and Change
- Managing Organizations and Change
Three part framework for change:

1. Direct the Rider
2. Motivate the Elephant
3. Shape the path

Source: Heath and Heath 2010
1. Direct the Rider

- Ambiguity is the enemy of change.
- Look for bright spots. Start small. Little change can have large impact.
- Show clear path remove the fog to direct the rider.

**Tools and Techniques**

- Operational Dashboard
- Leadership Evaluation Manager
- 90-Day Plan
- Employee Forums / Town Hall meetings

*Source: Heath and Heath 2010*
2. Motivate the Elephant

- Respond to felt need. It is the felt need of the person that matters. Find the what.
- Speak to the emotion not the information.
- It is a long game -- not the intervention but the identity. A series of interventions moves it identity. How people see self, organization, entity.

Tools and Techniques

- Employee Engagement Survey
- Physician Engagement Survey
- Leadership Skill Development
- Employee Forum
- Supervisory Sessions

Source: Heath and Heath 2010
3. Shape the Path

- When the path changes, people change.
- Tweak the environment to make change easier.

**Tools and Techniques**

- Leadership Evaluation
- 90-Day Plan
- Standards of Behavior
- Process Improvement

Source: Heath and Heath 2010
Phases of Competency and Change

Individual

Unconsciously unskilled

Source: Abraham Maslow; 1940; "Four Stages for Learning Any New Skill"; Gordon Training International by Noel Burch; 1970
Phases of Competency and Change

Individual

Unconsciously unskilled

Consciously unskilled

Source: Abraham Maslow; 1940; “Four Stages for Learning Any New Skill”; Gordon Training International by Noel Burch; 1970
Phases of Competency and Change Individual

Consciously skilled

Consciously unskilled

Unconsciously unskilled

Unconsciously unskilled

Source: Abraham Maslow; 1940; “Four Stages for Learning Any New Skill”; Gordon Training International by Noel Burch; 1970
Phases of Competency and Change

Individual

Unconsciously unskilled

Consciously unskilled

Consciously skilled

Unconsciously skilled

Source: Abraham Maslow; 1940; “Four Stages for Learning Any New Skill”; Gordon Training International by Noel Burch; 1970
Phases of Competency and Change Individual

- Unconsciously unskilled
- Consciously unskilled
- Consciously skilled
- Unconsciously skilled

Source: Abraham Maslow; 1940; "Four Stages for Learning Any New Skill"; Gordon Training International by Noel Burch; 1970
Phases of Change - Organization

<table>
<thead>
<tr>
<th>PHASE 1</th>
<th>THE HONEYMOON</th>
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<tbody>
<tr>
<td>- Sense of excitement</td>
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<tr>
<td>- Right “to do” list</td>
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<tr>
<td>- Things will get better (hope)</td>
<td></td>
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<tr>
<td>- Quick fixes are implemented</td>
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<td>- Skeptics</td>
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### Phases of Change - Organization

#### PHASE 2

**REALITY SETS IN**

- We/they
- Inconsistency
- Bigger than I thought
- This will impact me
- Some are getting it
- Some are not
Phases of Change - Organization

PHASE 3
THE UNCOMFORTABLE GAP

- Performance gap is evident
- Tougher decisions must be made
- Process improvement increases
- Inconsistencies obvious
Chuck Yeager

Source: The Right Stuff Movie
## Phases of Change - Organization

### PHASE 4  
**CONSISTENCY**

- High performing results
- Everyone understands the keys to success
- Disciplined people and disciplined processes
- Proactive leadership
Connecting Heart and Mind

HEART

MIND
“It always comes back to values . . .”

Quint Studer