

It is Time to Act

Daniel J. Sinnott, for HealthLeaders Media, June 18, 2010

With the signing of the Patient Protection and Affordable Care Act, along with the Health Care and Education Affordability Reconciliation Act, major change will be coming to the way healthcare is organized, delivered, and managed in the United States. While some information about the impact of the law is known, and some of the regulations are still being written, all healthcare leaders know one thing for certain: there will be less money to take care of more people. Healthcare leaders have been dealing with constant change for the past 30 years, but now the rate of change will need to accelerate in order to achieve success in a reformed healthcare environment.

In talking with healthcare leaders throughout the country I've come to the conclusion that organizations that move quickly and decisively to implement the changes needed will be best positioned to succeed.

The following are a baker's dozen ideas to be considered in order to position your healthcare organization for the future:

1. Strengthen your boards: Nonprofit organizations have a history of recruiting people for their boards for a variety of reasons—philanthropic, religious, community leadership—but often those reasons do not include healthcare industry expertise or business acumen from relevant industries. As a result, many healthcare organizations have missed an opportunity for these valuable business perspectives especially during a time of major change and challenge.

Recommendation: Enhance the skill set of the board to include individuals with experience in innovation, venture capital/merger and acquisition, and healthcare to strengthen the overall knowledge capital of the board. Also, consider recruiting board members from outside of your geographic area to bring new ideas and experiences into your organization. Major change may be needed for your organization and having a strong, innovative and provocative board will be an asset.

2. Change your leadership style: Leading in a stable business environment is very different than leading in a situation which requires transformational change. No matter how stable your organization is, you will need to lead it as if it were in a situation where your business and service delivery model needs to change.

Recommendation: Laser focus will be needed on three or less strategic priorities (not the 10 or so we normally try to accomplish); decisions will need to be made quicker and with less information; and an innovative/entrepreneurial leadership style will be needed to change the fundamental way business is done. Healthcare leaders at all levels should invest in such skill development—drawing from both inside and outside of the industry.

3. Make the necessary leadership changes now: Healthcare has become too insular and needs individuals from other industries to help question the status quo and move organizations forward.

Recommendation: If there are individuals on your executive and management team that are not A or strong B players, now is the time to make changes in order to recruit the necessary skills needed to move the organization forward. This creates an opportunity to recruit individuals with entrepreneurial and innovative experience, and from outside of the healthcare industry.

4. Flatten your organization: Healthcare organizations have become too hierarchical, which has led to increased costs, diffuse communication, slow pace of change. When Jack Welch was reinventing General Electric he went to great efforts to reduce layers of management in the organization. He felt that every layer was a problem that resulted in poor communication, delayed action, and increased costs. Sound familiar?

Recommendation: Remove as many layers as possible between the CEO and the employee to decrease costs and to increase organizational efficiency.

5. We cannot be all things to all people: Historically healthcare organizations were founded to meet the needs of the community. Over the years this mission translated into many communities having duplicative services, such as open-heart surgery, obstetrics, bariatric surgery, etc.

Recommendation: If a service is available to the community (locally or regionally) from another healthcare organization and if the service in your organization is underperforming in quality and finance, then the service should be eliminated. For example, 12 hospitals have closed their

obstetrical services in the past decade in the Philadelphia region due to poor reimbursement, increased malpractice expense and decreasing volume. The result is more deliveries are done at fewer facilities which has ultimately increased the quality of obstetrical care.

6. You are getting too heavy: Many hospitals are part of regional and national health systems which have been developed over the past 25 years. The original premise for joining a health system was to increase intellectual capital, to reduce overhead expenses and increase the ability to negotiate favorable supply and insurance contracts. While many of these objectives continue to be met, many of the member hospitals will not be able to sustain heavy funding for corporate support.

Recommendation: Health systems need to rethink their models and services to focus on where they most add value with a goal of reducing the cost needed to support corporate functions.

7. You can't shrink your way to greatness: A senior human resource executive shared this phrase with me as she was trying to convince the executive leadership of an international investment firm that cutting costs would not make the organization sustainable. The same is true in healthcare, where we also need to be thinking of growth of existing and new business opportunities. An organization well-known for its innovation, 3M, has had a goal that over a five-year period 30 percent of all revenue must come from new products and services.

Recommendation: Growing the revenue line with new ways of providing existing services and innovative new services will be the path to future success.

8. Become experts in chronic care: It is estimated that a significant percent of the healthcare dollar in this country is spent on chronic care. Under the old rules this was a good for hospital revenue since readmissions and diagnostic workups for conditions like congestive heart failure, diabetes etc. would be paid on a per-occurrence basis. That will change under healthcare reform and organizations that become experts in managing chronic illness outside of the costly inpatient environment will become clinically and financially successful.

Recommendation: Prepare and position your organization to explore opportunities to partner with health insurance companies and self-insured employers to share the savings of caring for chronic illness in a more clinically effective and cost-effective manner.

9. Get the Right Diagnosis: A high percentage of the healthcare dollar is

spent on trying to identify the primary and secondary diagnosis of a patient's illness. Getting the right diagnosis earlier will not only improve the quality of care but also reduce the cost of providing that care.

Recommendation: There is an opportunity to improve the clinical and cost effectiveness of diagnosing illnesses by consulting with national and international experts. With the acceleration of information technology and new capabilities for interfaces, organizations both large and small can connect with "centers of excellence" for diagnosing specific diseases and illnesses.

10. The patient is the customer: Over the years the patient has lost some of the focus in healthcare, often competing with the needs of physicians, employees, health systems, etc. In every service industry the path to success is focusing on the customer—in healthcare the patient is the customer and the sole reason for providing services. Physicians, employees, health systems etc. are not our customers but our most important assets. There is a distinct difference between a customer and an asset and we in healthcare need to have strong assets in order to focus on the patient/customer.

Recommendation: Your organization must develop ways of becoming more patient-centric and establish ongoing means of tracking and using patient feedback in your planning. Suggest real-time patient satisfaction monitoring via daily patient/family satisfaction logs which can be done manually or electronically. It would be better to solve a patient issue or hear positive feedback before they are discharged.

11. Become more transparent: In order to navigate through all of the healthcare reform changes, organizations will need to become effective and transparent in all of their communications.

Recommendation: Become more proactive with your patients, employees, physicians, and your communities regarding your performance, strategic directions, and activities. Share information on clinical outcomes, financial results in order to become more transparent in preparing for and dealing with healthcare reform.

12. Electronic Medical Records are NOT the Silver Bullet: There is a tremendous need and opportunity to expand the utilization of the electronic medical record in order to provide effective and efficient quality of care. Unfortunately the availability of funding opportunities is leading many organizations to "computerize" existing poor practices.

Recommendation: Before electronic medical records are purchased and installed, organizations need to spend the time to correct flawed current

practices and address the culture changes needed for the benefits to be realized.

13. Go forth and recruit: Healthcare organizations typically recruit leadership and employees from their existing healthcare market for obvious reasons but this practice often limits the infusion of new ideas. For example, Temple University hospital recently experienced a strike with its nursing and professional unions and had to recruit hundreds of replacement workers from across the country. One of the surprising outcomes of this recruitment effort was that these replacement workers brought new ideas and practices into the organization resulting in improved operational performance. Talk about an unintended benefit!

Recommendation: Consider recruiting individuals—whether they are physicians, nurses, or radiology technicians—from parts of the country that have a track record of being innovative in healthcare. This will enable new ideas to come into the organization and increase the chances of having innovation stimulated from within the culture of the organization.

Some of these ideas may be new; some may be a confirmation of things already known and some may be seen as radical. The key is that we as healthcare leaders need to become more innovative and willing to make significant changes in order to be successful in a post reform healthcare environment.

It is time to act.

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