Embracing Change, Quickly

A hospital finds success by rapidly implementing new processes to curb costs and boost quality

By Chip Caldwell and Mark T. Jones

Many of the traditional methods for curbing hospital costs have been exhausted, and leaders are feeling a sense of urgency to identify fresh approaches to meet their strategic imperatives. What is needed to achieve success — and what top-performing hospitals have learned — is an organizational culture that embraces change, the change process and the expectation of change.

An in-depth study by Caldwell Butler & Associates LLC of more than 200 U.S. hospitals, including site visits and interviews at 42 organizations with $188 million in validated cost recovery, found three practices to be universal among top performers in improving performance. They are:

- implementing new processes quickly
- building a culture of accountability
- using an organizationwide accountable change model for accomplishing results

The survey also found that commitment by the board of trustees was a key component in transforming an organization’s culture to drive cost improvements.

Senior leaders at top-performing hospitals value speed to implementation as their ultimate competitive advantage.

The board also should request regular presentations that provide a more detailed review of the effectiveness of planning and implementation to guarantee speed of results. Speed of implementation, not quality of ideas, is the curse of low performers and the competitive advantage of top performers and, therefore, should be one of the board’s top oversight areas. And yet, most boards fail to measure or oversee speed of implementation.

100-Day Processes

One hospital that is in the process of transforming its culture to drive cost improvements is University Medical Center at Princeton, N.J. In 2008, the organization struggled to execute numerous initiatives. It had not achieved budgeted operating margins, and its expenses per adjusted admission exceeded benchmarks. Additionally, it had performed poorly on its last Joint Commission survey.

The medical center also was losing market share, facing increasing competition and had a culture focused on maintaining the status quo. The board and the president’s objective was to improve in each of these areas.

At the same time, University Medical Center at Princeton was preparing to move into a new hospital that was dramatically different from its existing facility. To achieve its improvement objectives and make a successful transition to the new state-of-the-art facility, the organization wanted to streamline its processes.

Working with a quality improvement consultancy, the medical center adopted the three practices that survey results indicated top-performing hospitals follow: incorporate speed to implementation, build a culture of accountability and use the accountable change model.

To accomplish its main goal of reducing costs required the medical center to make a number of changes:

- The organization’s culture had to...
shift to embracing change rather than maintaining the status quo.

• The hospital had to adapt to a changing environment being shaped by emerging health care reform.
• Internal resources needed to be built to facilitate the work.
• Speed to action had to be improved.
• External resources to manage and facilitate the process would be required.

The organization used the three practices employed by top-performing hospitals to drive several projects focused on changing work processes to reduce costs. The board was briefed on cost-reduction processes. Results were monitored and reported to the board through its finance committee.

Two projects in particular proved successful. The first was a simple waste reduction effort that added $4 million to the bottom line; and the second streamlined staffing resources, saving 5 percent in labor expenses.

Both projects focused on cutting costs within 100 days. In that time frame, managers were expected to make two changes per month, and they were required to share their results at meetings with peers and senior management. If managers came prepared to discuss their results, they were rewarded. If they were not prepared to share their results, their lack of performance was viewed negatively. In the past two years, only once did a manager come to a meeting unprepared. Each manager quickly learned the importance and priority of the organization’s change process.

A critical component of each change process was analyzing data. As part of the process, senior leaders came to understand that “perfect” data do not exist. And, because there was a sense of urgency to implement changes quickly, managers knew they only had a certain amount of time to get relevant information before they had to move on to the next item in the change process. Managers were taught to test change processes, and if the processes didn’t work, managers moved on. This created a culture of action.

University Medical Center at Princeton hasn’t fully transformed its culture, but it is now hardwired to embrace change, the change process and the expectation of change, with ongoing oversight and support from the board. T

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