Trustee
Workbook 2
APRIL

Innovation: A Playbook That Lets Boards, Leaders Achieve Health System Success

Innovation can fuel the organizational agility necessary to achieve breakthrough levels of value and performance in health care. This Workbook describes a four-step process that health system boards and leaders can use to develop a sustainable innovation capability. Drawing techniques and perspectives from health care and other fields, the approach facilitates organization-specific solutions.

Additionally, it enables board members and executive teams to:

- Understand the conditions and processes that foster innovation.
- Think differently about new delivery models or concepts.
- Critically assess the strategic, financial and operational potential of ideas.
- Proactively test, scale and optimize new concepts.
- Effectively manage innovation, ensuring thoughtful use of resources for performance improvement over time.

The approach works for organizations that do not yet have an innovation process as well as those with innovation programs in need of enhancement. Although helpful, organizational scale is not required. Both large and small hospital systems can participate.

This "playbook" doesn't imply that innovation is easily accomplished. It isn't. But it provides a structure within which to begin or advance innovation efforts. Understanding what innovation is and how to achieve it is a critical first step for health care boards and leaders.

AN IMPERATIVE

Health care's new value-based model — focused on population health, disease prevention and management and consumer-centric "anywhere care" — is challenging hospitals and health systems nationwide.

Nontraditional, innovative competitors are disrupting delivery systems, particularly by providing low-intensity, high-margin services. Armed with Internet-fueled choice and more skin in the game, consumers are bypassing traditional care sites to access care in places close to where they live, shop and work.

Innovation is fundamental to competing in this disrupted environment, so close management attention, financial investment and, in all likelihood, partnerships, will be needed. Programs offered by the Centers for Medicare & Medicaid Services Innovation Center and third-party funding have started to support hospitals and health systems in innovating for Triple Aim goals.

Leading organizations have focused their innovation activities on delivery-model change. They often look to industries outside health care to understand enduring techniques for moving beyond traditional settings and revenue sources. Trustees and executives in all organizations should increase their efforts to understand, foster and adopt innovation in a manner appropriate to the organization's desired delivery role. Here is a four-step approach.

Step 1. Understand current capability and gaps

The first step of any effort is to understand the baseline: the existing context and platform for innovation. What innovation efforts are underway, and who is involved? What are their areas of implicit or explicit focus? What work processes, tools or approaches are used? How effective are they? What are the surrounding cultural enablers and barriers? What results are being achieved?

Any assessment of current capability and gaps must include:

- An objective evaluation of activities and programs — looking at their goals, structure, stakeholders and results. In any given innovation focus area (for example, access, care coordination, consumer engagement or work flow), where has innovation succeeded and not succeeded?
- Gaining a thorough understand-

CENTER FOR HEALTHCARE GOVERNANCE
BY DAVID CROSSWHITE AND TODD W. FITZ, WITH MARY K. TOTTEN

ing of the perspectives of "customers" of innovation, such as leaders and patients, and "suppliers" of innovation, such as clinicians and technology experts. Is there alignment between individuals seeking innovative solutions and those providing them on key issues, including what qualifies as innovation and what it takes to achieve it? What level of innovation is being achieved? Does it meet customer needs? If not, why not?

• Identification of surrounding elements, issues, or processes that stand in the way of innovation. What barriers do innovators encounter? Examples include funding, regulatory requirements, planning and resource allocation processes, levels of internal and external expertise, intellectual property considerations, organizational and leadership support, and metrics and incentives. Is the organization able to create an environment to foster entrepreneurship?

An assessment combines quantitative and qualitative information to provide an objective picture of the strengths and weaknesses of the organization's innovation approach and pipeline. Comparative examples of innovation and practices from other provider organizations are particularly helpful. Examples enable understanding of innovation capability, "system" gaps and potential gap-filling actions and initiatives. Outside-of-industry examples of systematic innovation processes and functions can be informative and useful as well.

Step 2. Establish objectives, focus areas and participants

Objectives will drive the most appropriate innovation systems or models — which will be implemented by innovation suppliers — so boards must ensure that their organizations get this step right.

Objectives vary, and examples can include:

• Innovation in particular areas of the business model or care delivery model.

• Development of a process to engage the broad employee base in innovation, which often involves changing the culture and mindsets.

• Investment returns from innovation through internally or externally generated commercialization opportunities.

These objectives are not mutually exclusive, and systems can pursue numerous objectives with multifaceted innovation efforts.

For example, Penn Medicine's innovation efforts are explicitly focused on improving patient access and care delivery models. Efforts include improving results and reducing risk in Ebola screening and enhancing postpartum hypertension outcomes.

Ochsner Health System launched innovationOchsner, dubbed iO, to encourage and solicit innovations internally and externally through open challenges. The system grants awards for the most attractive early- and prototype-stage ideas and also provides structural support for nurturing and development of those opportunities.

Other systems, such as Providence Health & Services and Ascension, have created venture funds and investment arms that look to scan the external health innovation landscape and invest in the most attractive opportunities for internal and external system benefits.

In addition to clarity of goals, organizations gain the best traction when they are clear on strategic focus areas for their innovation efforts. Following identification of one or more such areas, organizations can efficiently target their technology searches, consumer or market insight work and other discovery efforts. "Directed discovery" will outperform open-ended or undefined efforts in most cases.

To help ensure optimal innovation results and return on effort, boards should insist on clearly stated innovation objectives, strategic focus areas and innovation participants. These criteria should be based on a realistic assessment of the organization's current position compared with future goals and mission. ("Innovation Examples" on Page 25 provides some clearly defined innovation initiatives.)

Decisions about who will participate as the key innovation suppliers go hand in hand with objectives and areas of focus. Some organizations target clinicians, some include their broad employee base, some include a targeted cross-functional team, and some include external innovators.

Step 3. Ensure a systematic process

Innovation work processes and methods should be clearly defined. Processes and methods vary depending on innovation goals, so boards must ensure clarity.

For organizations seeking to internally identify, develop or extend new care delivery or business model opportunities, an effective approach should be both modular, for flexibility, and holistic, with an end-to-end view of the innovation work. Some modules — for example, consumer insight analysis or outside-of-industry learning — may be episodic in nature. Other modules — model development and prototype testing — are likely to be ongoing and continuous.

The work of innovation can be defined as the development of new perspectives and the advancement of these perspectives into actionable, practical concepts that can be tested or scaled. Viewing the work of innovation solely as ideation — the process of generating, developing and communicating new ideas — may get very little traction and lead to the development of what are only one-off innovations.

To gain new insights, teams should look to innovation-process best practices and models from inside and beyond health care, asking new questions to get new answers about markets, the industry, competition and their organization:

• What new, unmet or even unarticulated patient needs can we be serving, and what changes to services, patient access and the delivery model will be needed?

• What provider-industry conventions are part of our operations? Which ones offer the greatest oppor-

tunity if disrupted or overturned in productive ways?

• What other industries have faced some of the particular issues confronting us?

• How did they solve their problems, and what can we learn from their solutions?

MultiCare Health System in Washington state infuses consumer-centric thinking into its delivery model innovation. Through its OB CareConnect program, the patient and doctor choose the obstetrics care that most closely matches a woman's personal needs, preferences and lifestyle.

Traditional OB care involves standard, in-office prenatal visits. *Group OB* mixes in-person physician visits with nurse practitioner-led group visits. *Virtual OB* combines obstetrician visits and completely virtual visits with a nurse practitioner. For OB CareConnect patients, the innovation provides consumer-friendly obstetrics care for expectant mothers.

Penn Medicine's Center for Health Care Innovation, with a mission of improving system care delivery, uses a nonlinear methods framework that combines design thinking and streamlined startup processes. As described by Roy Rosin, Penn Medicine chief innovation officer ("Enabling and Accelerating Innovation," in the webinar "How Health Care Innovation Centers Create Value," The Commonwealth Fund and BluePrint Healthcare IT, April 28, 2015) the framework's four parts include:

• **Gaining insight:** For example, through observational research, a team might discover that a medication adherence problem has a social support dimension that hasn't been considered.

• **Defining a problem in a new way:** For example, long waits for a bed by chemotherapy patients who need infusions may not be a time-to-bed problem but a time-to-treatment problem. Beds may not be needed in all instances.

• **Exploring solutions by moving beyond a predictable rationale:** Teams ensure that they are solving the right problem by asking "so what?" They repeat this until they are comfortable they have avoided solutions based on their own assumptions.

• **Rapidly validating a hypothesis at low cost on a small scale.**

CHCI's approach to innovation is based on the belief that the best way to make big improvements to patient health and health care delivery is to experiment quickly at low cost, only scaling up once high-impact solutions are found. Through mini-pilots, "new innovators ask 'what must be true for this idea to succeed?' and rapidly test critical assumptions in context," observe David A. Asch, M.D., and Rosin ("Innovation as Discipline, Not Fad," *New England Journal of Medicine,* Aug. 13, 2015).

Step 4. Organize for sustained innovation

Organizational structure and support for work process implementation and maintenance is required to achieve a health system's innovation objectives. Considerations related to innovation support include:

• **Governance, leadership and decision-making:** What role will the board play in setting the innovation agenda? How will the top leadership team interact, participate and drive innovation? What senior leader(s) will assume responsibility to drive the organization's innovation content, capability and results? How will sufficient time be allowed for the leader(s) to drive results? How will leadership and decision-making flexibility be assured to facilitate a long-term innovation strategy that can evolve and change? What steps should our board take to effectively incorporate innovation oversight into governance work?

• **Staffing support structure:** What people and skills will be available for staffing the innovation function? What will be their specific roles and responsibilities, and will these roles and responsibilities be full or partial? If partial, how will innovation suppliers be assured the ability and time to focus on their new roles?

IMAGE FROM SHUTTERSTOCK

What Is Health Care Delivery Innovation?

• Doing things better versus doing them differently.

• Viewing a problem through the eyes of the patient rather than the provider or institution.

• Collaborating with industry partners, technology developers, health care leaders, clinicians and patients.

• Dramatically improving health and health outcomes and reducing spending — this necessitates widespread adoption

Source: Adapted from Sarah Klein et al., "Findings From a Survey of Health Care Delivery Innovation Centers," The Commonwealth Fund, April 2015.

Innovation Examples

• Inception Health of Froedtert & the Medical College of Wisconsin focuses its efforts on digital health services and delivery system innovation.

• InnovationOchsner, of Louisiana, defines open innovation "challenges." For example, "Wear Your Health" is a call for the most compelling ideas that will improve health and health outcomes through personal wearable devices.

• Mount Sinai Innovation Partners in New York focuses on a population health agenda articulated as "keeping people out of the hospital." Among other delivery-model alterations, a Mobile Acute Care Team, consisting of physicians, registered nurses, nurse practitioners, social workers, care coaches and paramedics, treats patients — who might otherwise be admitted to the hospital — in their homes

Source: Kaufman, Hall & Associates

• **Start-up and ongoing financial resource requirements:** What funding model will best suit the organization's innovation goals? What level of funding will be needed and when? How will funding decisions be made on an ongoing basis?

• **Metrics:** How will the success of innovation objectives be defined, measured, monitored and sustained? At what points will the metrics be applied? How will metrics change as innovation strategies change?

• **Renewing and extending human resources:** Who will be involved in developing and implementing innovation as an ongoing discipline? How will the organization manage turnover and succession so the skills and capabilities needed for innovation are maintained and deepened?

Health care organizations have used numerous innovation models incorporating these support considerations. ("Support Structures" at right describes three of the most common.)

The models are not mutually exclusive. Ascension Health, for example, drives its innovation efforts using the approaches in "Support Structures." Providence Health & Services has several incubator-focused groups and recently launched a venture fund to foster innovation.

Again, scale is not required. A community hospital is capable of establishing an innovation hub and may look to external sources for funding, including CMS grants.

Single-pronged models are common and can drive significant value. Intermountain Healthcare is well-known for its Intermountain Foundry, an accelerator that helps high-potential ideas and near-market concepts become commercial businesses. InnovationOchsner is an accelerator with a particular open-innovation bent to its design. Idea challenges are online and encourage everyone's participation — both in and outside the system.

Whatever support structures are used, leaders need to decide whether to build them themselves or partner with other organizations. Venture funds can be created that are jointly resourced across systems. Innovation accelerators/incubators can be built or acquired. And innovation tools and approaches can be learned and embedded through partnerships with consultants or entities with the appropriate experience.

Outside expertise often is leveraged to enable quicker and more effective entry into the innovation arena, regardless of which model is adopted.

As organizations gain experience with innovation programs, they typically adapt their efforts based on what works and what doesn't. Most organizations can expect an evolutionary process as organizational learning and cultural change occurs and new opportunities emerge.

CONCLUSION

The role of today's health care trustees and executives centers on building organizational agility, which can be defined as the ability to nimbly operate current business while simultaneously preparing for changing and new conditions (Marina Krakovsky, "Charles O'Reilly: Why Some Companies Seem to Last Forever," *Stanford Business* magazine, May 31, 2013). Innovation feeds this agility.

Proactive hospital and health system leaders are innovating, looking within and beyond health care for models that work. Without undermining their existing business, they are funding experiments until the experiments reveal (or do not reveal) a viable direction for the organization. These leaders understand that some experiments will fail and that "failing fast and small" is an integral part of innovation and the journey to value.

Health systems will best serve their communities' interests by dedicating their available energy, talent and capital to being part of health care's reinvention. The need for innovation in the health care delivery model has never been greater. It presents exciting and challenging opportunities for organizations that are looking to participate in health care's value-based future. T

Support Structures

• **Centers of excellence:** Organizations establish internal consulting groups armed with tools, processes and experience in systematic innovation approaches. These teams work with groups and functions in the rest of the organization on innovation focus areas and issues to drive new models, concepts and innovations.

• **Innovation accelerators or incubators:** Whether internally built or externally acquired through contracted services or partnerships, health systems create a physical or virtual space and process to scan the horizon (or solicit, internally and externally) to find care and delivery model innovation ideas. The incubators work with the early stage ideas and start-up entities on business refinements and seed funding or early round capital and by providing other necessary expertise (legal, technical, clinical, etc.) and venues or partners for further development or testing.

• **New venture funds:** Organizations create and manage funds that invest in health care innovation opportunities for commercial value, returns and/or enhancement of the organization's business and care-delivery models.

Source: Kaufman, Hall & Associates

David Crosswhite *(dcrosswhite@kaufmanhall.com) is a senior vice president, and* **Todd Fitz** *(tfitz@kaufmanhall.com) is a managing director, of Kaufman, Hall & Associates LLC, Skokie, Ill.* **Mary K. Totten** *(marykaytotten@gmail.com) is senior consultant for content development at the American Hospital Association's Center for Healthcare Governance.*

Reprinted with permission from the April 2016 issue of Trustee *magazine, vol. 69, no. 4.*