Practice Plan Management

PROCESS-CENTERED MANAGEMENT COMES TO HEALTH CARE

By David Hefner Harry Bloom, and Dwight Monson

This article explores how four academic institutions have successfully implemented process-centered management and the benefits achieved. These examples provide practical approaches to back up the buzzwords.

Over the last decade, two important lessons particularly important for the health care industry have been learned, and relearned. in corporate America:

1) customer satisfaction is best managed around end-to-end processes, not in fragmented departmental encounters; and,

2) sustainable gains in efficiency and growth are realized by optimizing end-to-end processes, not functions.

Health care provider organizations have begun to grapple with these powerful concepts, with greater focus on managing total patient stays around service lines and major support processes (see Figure 1). Predictably, the primacy of process orientation threatens traditional, department-focused leadership. Nevertheless, a growing body of evidence suggests that process-centered operations result in higher quality outcomes for patients and lower costs for payers. It is wise to ask: What lessons can the medical profession draw from experiences in other industries and how can the transition to process-centered management be accelerated while preserving many of the benefits of departmental structures?

Process-Centered Management in the Business World

Back in the 1980s. increased foreign competition, deregulation, quantum leaps in information technology, and more demanding customers presented challenges and opportunities to U.S. industry. Leaders in corporate America came to recognize the importance of organizing around core processes for greater efficiency and better service to customers. A frenzy of reengineering (or radical process redesign) appeared, between the late '80s and the mid-90's. Despite well-publicized failures of reengineering, it is clear that intense focus on redesigning core work "processes" and integrating these redesigns with information technology has benefited the competitiveness of American industry in the last half of this decade. In fact, industry's preoccupation with work redesign and technology has arguably helped fuel the longest peace time cycle of sustained expansion for the U.S. economy in this century

Today, there is general recognition that traditional. functionally organized management alone is simply not adequate to sustain a competitive cost position and high customer satisfaction. Leading organizations such as Procter & Gamble, American Standard, GTE, and Citibank have markedly shifted the focus of management to define "process-focused teams." These teams utilize end-to-end performance measures and operational clout in actively guiding outputs across departmental barriers to meet and exceed the expectations of customers. In many cases, functional departments have not been dismantled; rather, they have been transformed into specialized centers of excellence oriented to the broader goals of the organization through process management. In its most developed state, financial performance for the entire organization is being measured by process, in addition to more traditional revenue and cost centers.

FIGURE 1

MODEL FOR PROCESS ORIENTATION

Key Organizational Issue	Functional Focus	Process-CenteredFocus
What is managed?	Functions (e.g.,finance)	Processes (e.g., revenue cycle)
Who does the managing?	Functional heads	Process Champions or Process Owners
What is measured?	Departmental or functional outputs	Process outouts (e.g., percentage of orders successfully filled the first time)
What is rewarded?	Departmental outcomes	Enterprise-wide process outcomes

The Role of "Process Champions"

In this transformation, a new role, the "process champion" or "process owner," has been defined as part of a matrix organization. At Procter & Gamble, the "product delivery process champion" ensures that key customers such as Wal-Mart receive exceptional service with a single point of customer contact. The GTE "customer service process champion" makes certain that telephone service is activated promptly for new customers. At Progressive Insurance, the "claims process champion" oversees claims settlement quickly and efficiently, often at the accident site and always to the delight of the insured. In each case. process champions are accountable for achieving process goals, cutting across departmental lines to meet or exceed the performance expectations of customers.

Process-Centered Management in Healthcare: Four Vignettes

Recently, similar success stories have begun to emerge in health care institutions. Here, we will illustrate the experiences of four health care providers with process-centered management. While each of the institutions has made the transition to a process focus to a differing extent, all have used this powerful technique to break through traditional barriers and achieve higher performance for patients, while lowering costs.

CASE STUDY #1

HENRY FORD HEALTH SYSTEM'S SUPPLY CHAIN PROCESS

Henry Ford Health System, long regarded as a progressive model of organizational and operational integration, is a giant health systerm comprising several large hospitals, a medical group of 800 physicians, an expansive ambulatory care network, and a market leading health plan. In response to continued pressure on reimbursement, Henry Ford has mounted a concentrated effort to reduce non-labor expenses and improve cash flow, by optimizing two key processes: supply chain management and billing and collection.

For both processes, Henry Ford's senior leadership has set improvement targets, defined key sub-processes, and appointed process champions from among respected administrative and clinical leadership. These process champions have been asked to galvanize their peers across traditional departmental and organizational boundaries, questioning past practices, identifying production bottlenecks, assessing options for improvement and advancing new models of organizational and operational design.

Selecting the right kind of leadership to lead these efforts is critical. For example, Dr. Douglas Weaver, Department Chair of Cardiology and the champion for the "Manage Demand" sub-process within the supply chain process, has a two-pronged program:

- work with clinical leadership to standardize duplicative products (e.g., stents, pacemakers, catheters. and contrast media) and
- negotiate with a small number of suppliers across multiple product lines to achieve highly signiticant price reductions.

Dr. Weaver has managed to engage his physician colleagues in a way that administrative leadership was unable to achieve.

CASE STUDY #2

WINTHROP/SOUTH NASSAU HEALTH SYSTEM'S CUSTOMER FOCUSED PROCESSES

Roughly 18 months ago, Winthrop University Hospital, a highly regarded teaching hospital located on Long Island, New York, redesigned its departmental management structure in favor of a cross-departmental process model (see Figure 2). The institution faced intense competition from an aggressive local delivery system, plus significant reimbursement cutbacks. Winthrop needed to improve efficiency and strengthen relationships with community physicians, who supply 70% of admissions, without jeopardizing its deserved reputation for high quality.

Previous attempts at process redesign convinced leadership that a successful effort would require a new paradigm, one engaging both clinicians and staff. Winthrop's leadership team began by defining its key processes, setting targets (cycle time, cost and quality) and enlisting new leadership to be responsible for process outcomes. Process owners led efforts to redesign virtually every process across the medical center, including:

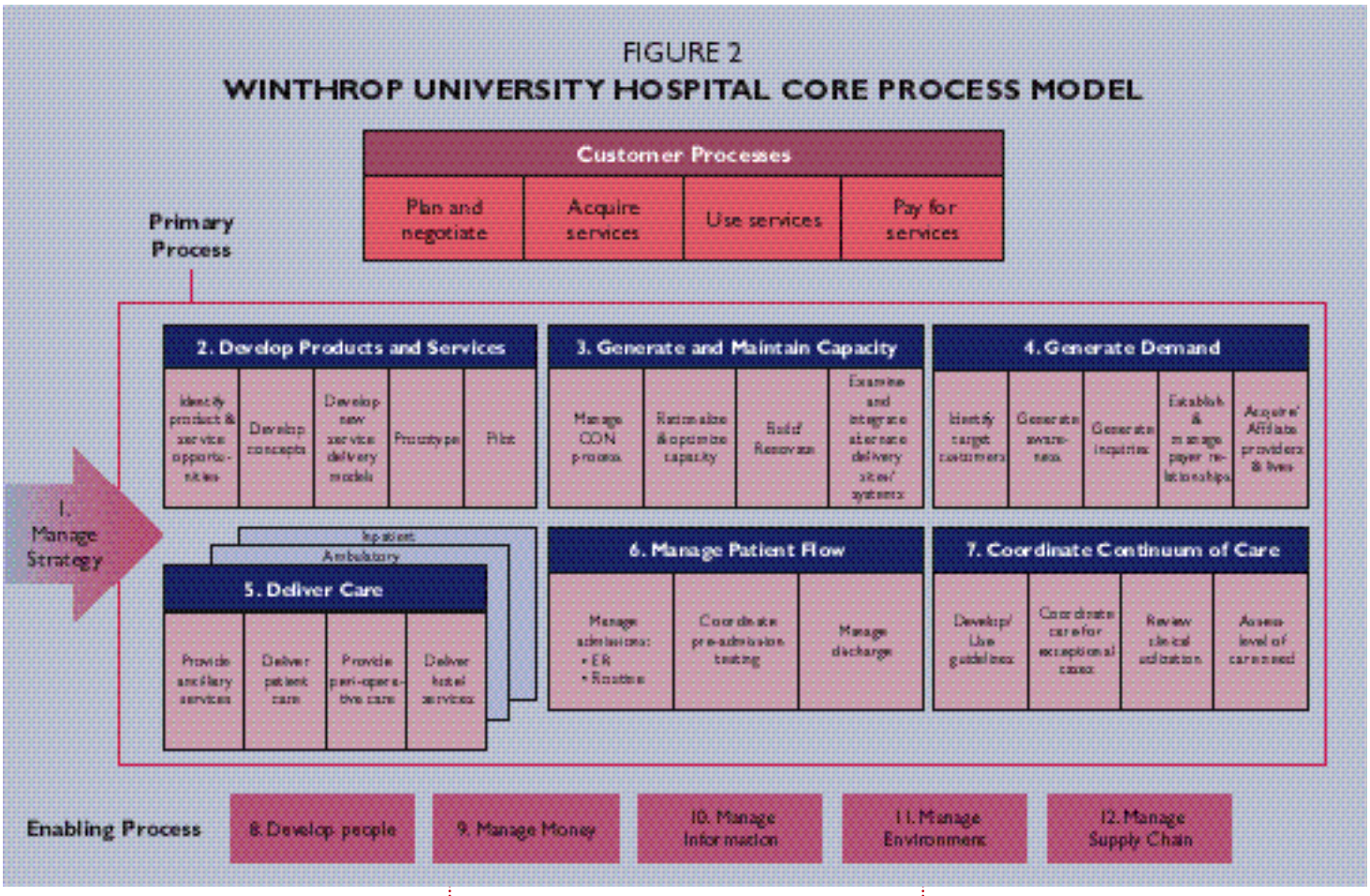
- customer-focused processes (e.g., Manage Patient Flow and Deliver Patient Care)
- growth-oriented processes (e.g., "Develop New Products and Services")
- support-processes (e.g., "Manage Supply Chain")

A significant number of newly appointed process owners were physicians, who interjected a strong market-focused perspective to the leadership.

Process-centered management had a dramatic effect at Winthrop:

- Three champions were appointed to lead "Develop New Products and Services" a staff physician, a voluntary

FIGURE 2
WINTHROP UNIVERSITY HOSPITAL CORE PROCESS MODEL



physician, and a senior nurse. Each champion was selected because he/she demonstrated an aptitude for entrepreneurial activity. Their first priority was to redesign the approval process for new product and service offerings to reduce cycle time and improve the odds of success in the market.

■ The head of Cardiovascular Surgery teamed with a senior nurse manager to co-lead the "Deliver Patient Care" process. This team succeeded in introducing innovations in the Winthrop care model promoting active teamwork between nurses and the physicians to improve patient care significantly.

Process-centered redesign at Winthrop has resulted in a 10% to 12% reduction in controllable cost. One-half of these identified savings have already been implemented. More important, a new spirit of genuine cooperation and entrepreneurialism now characterizes the culture of the organization, resulting in better services to patients and their families.

CASE STUDY #3

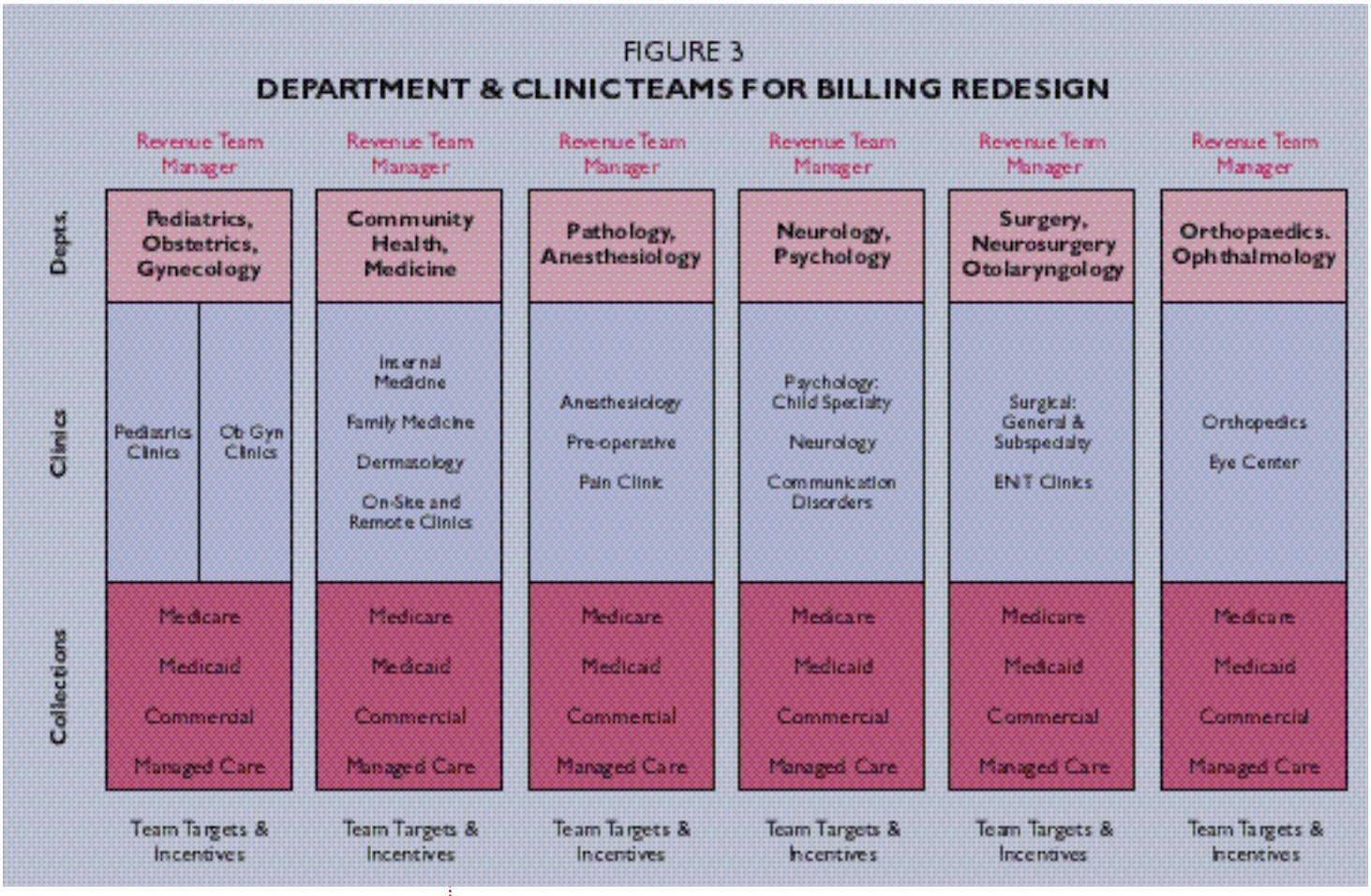
UNIVERSITY OF MARYLAND'S PATIENT ACCESS PROCESSES (FRONT-END)

For most practice plans and hospitals, it now takes more staff more time to collect less revenue. Designing the front-end of a patient encounter to preregister and verify insurance coverage is critical to improving cash collections.

At University of Maryland, these front-end processes are moving from a highly decentralized departmental focus to a highly centralized process-centered model within its practice plan, University Physicians Inc. Initial estimates showed that ineffective front-end processes were lowering collections by $10 million to $15 million per year (15% of predicted net revenues). A respected associate professor of Internal Medicine, Dr. Louis Domenici, was appointed by the Dean and the Clinical Affair's Committee to oversee the redesign of critical front-end processes. By using interdisciplinary teams, a new operating model was developed and is being implemented. The organization has already improved annual revenues by $11 mil-

FIGURE 3

DEPARTMENT & CLINIC TEAMS FOR BILLING REDESIGN



lion, the run rate increase, as compared with previous 12 months' run rates.

Moving from a highly decentralized organization to a more centralized operation is challenging. as many former practice plan administrators can attest. By putting in place performance measures and involving both faculty and staff, the University of Maryland has derived operating models that draw the best from department and process managers. "High touch" customer service provided by the departments is preserved, while pre-registration and insurance verification are centralized to improve consistency and accuracy. Process champions, both physicians and administrators, are held accountable for producing enterprise-wide, quantifiable results, with a portion of compensation tied to actual performance

CASE STUDY #4

UNIVERSITY OF FLORIDA'S "ACTIVITY CAPTURE THROUGH COLLECTION" PROCESSES (BACK-END)

Faced with declining payments and increasing rejections and denials, the University of Florida Faculty Practice Plan embarked on a two-step process to improve collections. First, design teams grouped departments into billing and collection units according to volumes and common operational characteristics (see Figure 3). Second, leadership reconnected the front-end and back-end of the collection processes by establishing team process owners with a single point of accountability and agreed-upon team targets. Now, clinicians and staff know who to turn to in resolving patient financial concerns. Department chairs can work with the same individuals to improve collections and assist in meeting or exceeding departmental budgets. With these process managers in place, annual collections have improved by $15 million over the last two years. At the same time, customer service has been improved with more accurate bills and more timely resolution of problems.

Process-Centered Management "Lessons Learned"

What are the common themes, principles and "lessons learned" from these diverse organizations?

■ Define an operating model that maximizes process performance potential for each process. Traditional solutions of centralizing or decentralizing operations are ineffective in improving service and reducing costs. A more pragmatic, process-centered approach will utilize both organizational models to best accomplish defined tasks. For instance, registration and insurance verification lend themselves to centralization, while other activities in the patient access process are performed more effectively in a decentralized or hybrid structure. Giving careful consideration to each sub-process can significantly enhance the overall process.

■ Establish and build consensus around key measures of success. Defining specific measures of performance (e.g., percentage of gross revenue collected and number of days in accounts receivable) is essential to long-term success. Building consensus around performance measures enables process champions to assume responsibility for improving outcomes across institutional boundaries and provides a performance-based focus for the entire organization.

■ Appoint physicians and respected administrators as process champions who have the capacity to influence behavior in areas beyond their direct control. Physicians are looking for more substantive involvement in managing the entire clinical enterprise. Appointing credible leaders and charging them with accountability for achieving desired results is essential for generating organizational support to make process-centered management successful.

■ Link process performance to process champion compensation. Introducing new kinds of measures and rewards is the quickest way to shift the attention of leadership to what really matters. A significant portion of the process champion's compensation should be linked to specific quality and cost performance measures for which he/she is responsible.

■ Transition the budgeting process of the organization to reflect core processes of the organization. As the process champions and their associated process teams become active, it becomes increasingly important to mirror process organization in budget and financial systems. Generally, this is a drawn-out process that takes several years, but it is effective in shifting focus away from cost centers and departments to the new central organizing structure of a process-centered enterprise.

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