LEAN AND RELATED TRANSFORMATIONAL PERFORMANCE IMPROVEMENT ADOPTION AND IMPACT IN U.S. HOSPITALS

STEPHEN SHORTELL, PhD, MPH, MBA
Blue Cross of California Distinguished Professor of Health Policy and Management Emeritus and Dean Emeritus Co-Director, Center for Lean Engagement and Research in Healthcare (CLEAR) School of Public Health, UC Berkeley

THOMAS RUNDALL, PhD
Henry J. Kaiser Professor of Health Policy and Management Emeritus Co-Director, Center for Lean Engagement and Research in Healthcare (CLEAR) School of Public Health, UC Berkeley

JANET C. BLODGETT, MSc
Senior Data Analyst Project Director Center for Lean Engagement and Research in Healthcare School of Public Health, UC Berkeley

PETER KRALOVEC, PhD
Director, Survey Data Center American Hospital Association

DAVID FOSTER, PhD
IBM Watson Truven Analytics

LEAN HEALTHCARE ACADEMIC CONFERENCE AT STANFORD
OCTOBER 8, 2018

OUTLINE

• Introductory Remarks
• National Survey descriptive analyses
• Impact on Hospital Costs, Financial Performance and Quality of Care
• Summary and Next Steps
IS A NEW WAY OF LEADING AND MANAGING HEALTHCARE ORGANIZATIONS NEEDED?

LEAN

An Overall Management / Operating System That Uses a Continuous Improvement Culture That Empowers Front Line Workers (Nurses, Physicians, Support Staff) to Solve Problems and Eliminate Waste by Standardizing Work to Improve the Value of Care Delivered to Patients.

CENTRAL THESIS

The Greater the Degree of Lean Implementation,
The Better Hospital Performance (Cost and Quality)

DATA SOURCES

• National Survey on Lean Implementation administered to 4,500 Hospitals
  o Acute Care Medical and Pediatric General Hospitals
  o Survey Questions Based on Comprehensive Literature Review of Lean Philosophy, Principles, and Practices
  o N = 1,222 Hospitals (27% Response Rate)
  o Small but Statistically Significant Differences by Ownership, Teaching Hospitals, Region, and Bed Size

• Additional measures
  o Hospital financial performance, patient outcome, and patient satisfaction
  o Measures of organization and market characteristics
ANALYSIS METHODS

• Descriptive analyses on the extent of lean implementation in US hospitals

• Objective performance measures
  o Compared 2015 outcomes for hospitals who reported starting lean by the end of 2014 to those who did not
  o Multivariable linear regression, with multiple imputation in cases with 3 or fewer missing variables (n = 1,134-1,135 across models)
  o Once 2018 performance data is available, we will be able to more fully examine variation by extent of lean implementation using our 2017 survey data

WHAT PERCENT OF HOSPITALS IN THE U.S. ARE DOING LEAN OR A RELATED TRANSFORMATIONAL IMPROVEMENT APPROACH?

1-25%
26-50%
51-75%
76-100%
WHAT PERCENT OF HOSPITALS WOULD SAY THEY HAVE TRANSFORMED THE ENTIRE ORGANIZATION TO THE LEAN MANAGEMENT/OPERATING SYSTEM?

1-10%
11-20%
21-30%
Greater than 30%

BASIC RESULTS

- 69.3% Report Doing Lean, Lean Plus Six Sigma, or Robust Process Improvement
- Adjusted Adoption Rate 61.6%
- Only 12.6% (N = 102) at a Mature Hospital-Wide Stage
WHAT PERCENT OF HOSPITALS DO YOU BELIEVE HAVE A TRUE NORTH VISION WITH WHICH LEAN IS AlIGNED?

1-25%
26-50%
51-75%
76-100%

DESCRIPTIVE STATISTICS ON STUDY VARIABLES

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initiated Lean with a Model Cell</td>
<td>Yes</td>
<td>542</td>
</tr>
<tr>
<td>Have a Central Improvement Team</td>
<td>Yes</td>
<td>581</td>
</tr>
<tr>
<td>Ever Used an Outside Consultant</td>
<td>Yes</td>
<td>542</td>
</tr>
<tr>
<td>Have a True North Vision</td>
<td>Yes</td>
<td>451</td>
</tr>
</tbody>
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MOST FREQUENT TOOLS USED

• Daily Huddles
• PDSA Cycles
• Visual Management
• Standard Work Processes
• Analysis Tools—Scatter Plots, Pareto Charts, etc.

MOST FREQUENTLY MENTIONED UNITS USING LEAN

• Emergency Department
• Medical/Surgery/Nursing Unit
• Operating Room
• Executive Leadership
• Laboratory
WHAT IS YOUR BEST ESTIMATE OF THE AVERAGE NUMBER OF HOSPITAL UNITS/DEPARTMENTS DOING LEAN?

0-5
6-10
11-15
16+

LEAN COMPOSITE SCALES

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>n</th>
<th>mean (SD); range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Lean Leadership Commitment Index</td>
<td>772</td>
<td>5.3 (2.4); 0-8</td>
</tr>
<tr>
<td>Daily Management System Index</td>
<td>752</td>
<td>5.7 (2.3); 0-9</td>
</tr>
<tr>
<td>Education and Training Index</td>
<td>735</td>
<td>1.9 (0.9); 0-4</td>
</tr>
<tr>
<td>Self-reported Performance Index</td>
<td>731</td>
<td>9.1 (4.0); 0-16</td>
</tr>
</tbody>
</table>
LEAN LEADERSHIP COMMITMENT INDEX ITEMS (STRONGLY DISAGREE TO STRONGLY AGREE) CRONBACH ALPHA=0.81

• Reason for using lean is instilled and widely shared
• The outcomes desired are clear, widely understood, and shared
• Strong employee commitment to invest time and other resources to make it work
• Initiatives selected to result in early successes and learnings are then disseminated
• Hospital leaders set benchmarks to assess progress

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LEAN LEADERSHIP COMMITMENT INDEX ITEMS (STRONGLY DISAGREE TO STRONGLY AGREE) CRONBACH ALPHA=0.81

• Hospitals use staff time, communication and information technology systems to reinforce the LEAN initiative
• LEAN has a sponsor/champion and team members who demonstrate visible, active support of LEAN
• Hospital leaders have made an explicit commitment to patient-centered care
**Significant Associations with Self-Reported Performance Implementation**

Regression model results – Self-reported performance improvement (n = 766)

<table>
<thead>
<tr>
<th>Predictor</th>
<th>b</th>
<th>95% CI [LL, UL]</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Intercept)</td>
<td>1.07*</td>
<td>[-0.04, 2.18]</td>
</tr>
<tr>
<td>System or network member: Yes</td>
<td>0.79*</td>
<td>[0.17, 1.42]</td>
</tr>
<tr>
<td>Self-reported maturity: Expanding to other units and getting traction throughout the hospital</td>
<td>0.91*</td>
<td>[0.07, 1.74]</td>
</tr>
<tr>
<td>Self-reported maturity: Have become a mature transformational performance improvement hospital</td>
<td>1.50†</td>
<td>[0.29, 2.71]</td>
</tr>
<tr>
<td>Number of units doing Lean</td>
<td>0.17†</td>
<td>[0.13, 0.21]</td>
</tr>
<tr>
<td>Number of years doing Lean</td>
<td>0.11†</td>
<td>[0.04, 0.18]</td>
</tr>
<tr>
<td>Overall Lean leadership commitment index</td>
<td>0.22†</td>
<td>[0.09, 0.35]</td>
</tr>
<tr>
<td>Daily management system index</td>
<td>0.20†</td>
<td>[0.06, 0.33]</td>
</tr>
<tr>
<td>Education and training scale</td>
<td>0.38†</td>
<td>[0.09, 0.66]</td>
</tr>
</tbody>
</table>

Fit \( R^2 = .410 \), 95% CI [0.35, 0.44]

* p < .05; † p < .01. A significant b-weight indicates the semi-partial correlation is also significant. b represents unstandardized regression weights. LL and UL indicate the lower and upper limits of a confidence interval, respectively.

**Most Frequently Reported Performance Achievements**

- Elimination of waste in two or more processes or departments
- Improved employee engagement in their work
- Increased throughput in the emergency department
- Reduced expenditures in two or more departments
WHAT IS YOUR BIGGEST CHALLENGE IN IMPLEMENTING LEAN?

• Lack of sufficient time
• Lack of sufficient resources
• Changing the culture
• Lack of physician buy-in
• Too many competing priorities

ANALYSIS OF RELATIONSHIP WITH INDEPENDENT “OBJECTIVE” PERFORMANCE MEASURES
**REGRESSION MODEL SPECIFICATION**

\[ y_i = a + b_1 x_1 + b_2 x_2 + e_1 \]

\( y_i \) = Medicare spending per beneficiary; EBITDA Margin; Adjusted inpatient expense per discharge; Adjusted operating profit margin; 30-day risk adjusted mortality index; Death rate in low mortality diagnosis related groups; Pressure ulcer rate; Death rate for surgical patients with serious treatable conditions; 30-day unplanned readmission rate; HCAHPs score

\( b_1 x_1 \) = Hospital started doing lean by end of 2014

\( b_2 x_2 \) = Ownership; Member of a system or network; Core-based statistical area type; Member of Council of Teaching Hospitals; Bed size; Market concentration; Percent Medicaid discharges; Primary care physician/specialty ratio

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**IMPACT OF LEAN (BY 2014) ON 2015 QUALITY MEASURES**

Regression coefficients, controlling for organizational and market characteristics

- 30-day risk adjusted mortality index (%)
- Death rate in low mortality diagnosis related groups (Z-score)
- Pressure ulcer rate (Z-score)
- Death rate for surgical patients with serious treatable conditions (Z-score)
- 30-day unplanned readmission rate (%)

Quality measures were taken from CMS Hospital Compare and AHRQ Quality Indicator data.
IMPACT OF LEAN (BY 2014) ON 2015 PATIENT SATISFACTION
Regression coefficients, controlling for organizational and market characteristics

HCAHPS score was taken from CMS Hospital Compare data.

IMPACT OF LEAN (BY 2014) ON 2015 EFFICIENCY MEASURES
Regression coefficients, controlling for organizational and market characteristics

Efficiency measures were taken from Medicare Cost Report data.
SUMMARY

• Majority of U.S hospitals are doing some LEAN or related transformational improvement approaches

• A relatively small number are “mature”—spread throughout the organization with some depth

• It takes time—2 to 5 years—to begin to take hold; longer to spread more widely

SUMMARY

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• Top leadership commitment, daily management system and training are key to standardize work

• Encouraging results—hospitals doing lean have better cost and quality performance on key indicators than those not doing LEAN
FUTURE RESEARCH

- Focused Analysis on Public Hospital Performance
- Role of Finance, Human Resources and Information Technology in Transformational Performance Improvement
- Updated Performance Data and Analysis 2016, 2017, 2018
- Current Publication
- Two papers under review

ACKNOWLEDGEMENTS

AMERICAN HOSPITAL ASSOCIATION DATA SURVEY CENTER

IBM WATSON TRUVEN ANALYTICS

CATALYSIS

HEALTH RESEARCH AND EDUCATIONAL TRUST (HRET) AMERICAN HOSPITAL ASSOCIATION

LEAN ENTERPRISE INSTITUTE

RONA CONSULTING GROUP - MOSS-ADAMS
THANK YOU

For more information see:

www.clear.berkeley.edu

shortell@berkeley.edu
trundall@berkeley.edu

YOUR QUESTIONS