

Quantum Associates, Inc
One Northbrook Place
5 Revere Drive, Suite 200
Northbrook, IL 60062
Phone: 847-498-7343 Fax: 847-432-2776
Certified Minority Business Enterprise

Lean Transformation in Healthcare

Executive Summary

Hospitals worldwide face a wide range of problems and pressures that have inspired them to look outside of healthcare for solutions. Payers, ranging from government agencies to private insurers, are forcing price reductions on hospitals, which require hospitals to reduce costs in order to maintain their margins. Even not-for-profit hospitals need to have a surplus to remain financially viable and to drive future growth. Hospitals are becoming less able to demand “cost plus” pricing that pays them for their efforts as opposed to being paid flat rates based on patient diagnoses. Compounding the pricing pressures, the U.S. government, through Medicare and Medicaid, has proposed new rules under which hospitals would no longer be paid for care required to treat a range of preventable errors, including some hospital acquired infections and items left inside patients after surgery. Hospitals would be left to absorb the cost of poor quality themselves, which should provide incentives for improvement.

Hospitals and other healthcare institutions are facing the most sweeping change to health care since Medicare was enacted back in the 1960s. The Patient Protection Act, now signed into law, fundamentally alters the healthcare landscape for all its stakeholders.

Top management at hospitals is likely to face significant operational and cultural challenges:

- Demand for services will increase significantly, as 30 to 40 million individuals are added to the insured rolls. Pent-up demand is expected to spike in 2013 and 2014.
- Throughput will become a challenge, calling for increased efficiency and productivity, at a time when most hospitals are already topped out in terms of capacity. This is likely to surface first in the ER, experts say, where non-critical wait times may reach three to four hours.
- Staffing shortfalls loom large. The law does nothing to increase the number of physicians, surgeons or nurses.

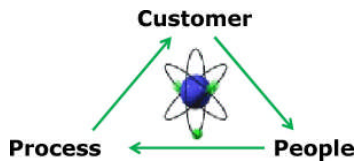
While 2013 seems a long way off, experts say now is the time for hospitals and other healthcare providers to start implementing changes in the way they do business. Hospitals must transform the care delivery system and create a new model free of non-value-added steps, and providing high quality care to the patient.

The Institute for Healthcare Improvement (2005 White Paper) believes Lean management principles are the key to transforming the delivery of healthcare services because the core idea of lean is based on maximizing value and minimizing or eliminating waste. To maximize value and minimize waste in healthcare leaders must evaluate their processes/value streams to identify non-value-added activities or waste and eliminate them so that every step adds value in the eyes of the customer (patient).

Lean Hospitals do more than implement just tools and technical methods. Lean is also a cultural change and a management system, a transformation that takes time, effort, and persistence. The Lean journey is not an overnight change for any organization, yet alone a hospital. Leading hospitals are implementing infrastructures that might seem familiar to a Lean Manufacturer –

WE PROVIDE SOLUTIONS FOR CREATING CUSTOMER VALUE

www.quantumassocinc.com



Quantum Associates, Inc
One Northbrook Place
5 Revere Drive, Suite 200
Northbrook, IL 60062
Phone: 847-498-7343 Fax: 847-432-2776
Certified Minority Business Enterprise

Lean training functions, internal consultancies, or Kaizen Promotion Offices. Lean Hospitals are making significant training and development investments to help teach their managers how to become true leaders, supporting their employees and driving continuous improvement.

Examples in this study of lean process improvement in healthcare demonstrate that, when applied rigorously and throughout the entire organization can have a positive impact on productivity, quality, cost, and timely delivery of patient services.

Contact us to share the findings of this study: Willie Carter

wcarter@quantumassocinc.com

847-919-6127

WE PROVIDE SOLUTIONS FOR CREATING CUSTOMER VALUE

www.quantumassocinc.com