More Care, Less Cost
Delivering on the Promise
Blue Ridge HealthCare Leadership Retreat

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Leadership
Sources of Authority, Influence & Power

- Position power
  - Reward
  - Coercion
  - Referential
  - Connection
- Information
- Expertise
Defining the Opportunity
Managed Care = more care, less cost?
What is Managed Care?

Cost

- Targets, goals & aligned incentives
- Gather data, meet, analyze, plan & audit
- Projects, consultants, technology & Lean++
- Integrate, implement, optimize & standardize
- Cut costs, consolidate, raise prices & do layoffs

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More Care, Less Cost? 
The Managed Care Report Card

Cost

Quality

- United States
- Canada
- Netherlands
- Germany
- Australia
- United Kingdom
- New Zealand

Neth 1
UK 2
AUST 3
NZ 4
GER 5
CAN 6
US 7

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More Care, Less Cost
Defining the Opportunity – Try Harder?

“The significant problems we face today require a different level of thinking than we possessed at the time they were created.”

Albert Einstein
More Care, Less Cost
A Different Level of Thinking? New Choices?

<table>
<thead>
<tr>
<th>List 1</th>
<th>List 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Motors</td>
<td>Toyota</td>
</tr>
<tr>
<td>Blackberry, Microsoft</td>
<td>Intel, Apple</td>
</tr>
<tr>
<td>Blockbuster, Sears</td>
<td>Amazon, Target</td>
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The Flaw in the Professor’s Theory

Will what got you here, get you there?
If not, how would you know and what would you do about it?

[Image of a smiling man]
When Great Firms Fail

The Digital Equipment Story

“A freight train that can’t be stopped!”
Business Week

“In Search of Excellence.
McKinsey & Co.

“Derailed by bad management!”
Business Week
Disruptive Technology
A New View of Reality

The ‘sustaining’ performance of leading organizations

Disruptive Technology
‘Disruptive’ performance of emerging leaders

Performance that customers can absorb or utilize

Time
The Flaw - Part A

What was the flaw in the professor’s theory?
More Care, Less Cost
Blue Ridge delivers on the promise
A Center of Value and Excellence

John W. Kenagy, MD, MPA, FACS
Blue Ridge Leadership Retreat
October 10, 2015
Leadership
Sources of Authority, Influence & Power

- Position power
  - Reward
  - Coercion
  - Referential
  - Connection

- Information
  - Expertise
More Care, Less Cost
CoVE Takeaways

1. ?
2. ?
3. ?
4. ?
5. ?
6. ?
7. ?
More Care, Less Cost?
The Managed Care Report Card

Cost

Quality

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More Care, Less Cost
A different level of thinking…?

**List 1**
- Cadillac, Saturn
- Blackberry, Microsoft
- Blockbuster, Sears

**List 2**
- Lexus, Prius
- Intel, Apple
- Netflix, Amazon
More Care, Less Cost
CoVE insights from Andy Grove?
Andy Grove’s big thinker
Clayton Christensen tells how to survive disruptive technologies
When Great Firms Fail
The Digital Equipment Story

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‘Disruptive’ performance of emerging leaders

Performance that customers can absorb or utilize
What was the flaw in the professor’s theory?
The Flaw – Part B

Trivial Technology....?
The Flaw – Part C

What would you and your organization’s leadership team have done at DEC?
Digital Equipment Corporation
It’s adaptive capacity, not technology

High Performance Companies Fail to Adapt

The optimizing performance of leading organizations

Disruptive Technology

Adaptive performance of emerging leaders
More Care, Less Cost
CoVE Takeaways

1. It’s not technology; it’s adaptive capacity
More Care, Less Cost
What’s the difference?

List 1
- Cadillac, Saturn
- Blackberry, Microsoft
- Blockbuster, Sears

List 2
- Lexus, Prius
- Intel, Apple
- Amazon, Target
The Success Continuum

Make, Optimize, Sell

Sense, Respond, Adapt

“It’s not either/or; it’s and.”
Jim Collins, *Good to Great*

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More Care, Less Cost
Where’s Healthcare?

Sense, Respond, Adapt
- Lexus, Prius
- Intel, Apple
- Netflix, Amazon
- Centers of Value and Excellence

Make, Optimize, Sell
- Cadillac, Saturn
- Blackberry, Microsoft
- Blockbuster, Sears
- Centers of Excellence

Value-Driven Healthcare?
More access to more and better care at continually lower cost.
More Care, Less Cost
Key CoVE Takeaways

1. It’s not technology; it’s adaptive capacity

2. CoVE’s Optimize and Sense/Respond/Adapt
More Care, Less Cost
More CoVE Insights from Andy Grove
Sense, Respond, Adapt
Steel Mini-Mills, Intel and healthcare?

Performance of minimill-produced steel

- Sheet Steel
- Structural Steel
- Other Bars and Rods
- Rebar

1. Trivial technology
2. 20% cost advantage
3. Commodity products

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The Anatomy of Sense, Respond, Adapt

$15 B in R&D and improvements
High quality steel, 30% margins
9 \[\Rightarrow\] 3 labor hours/ton
93,000 \[\Rightarrow\] 23,000 people
Increased profit and stock price

Steel Quality


Sheet Steel
Structural Steel
Other Bars and Rods
Rebar

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What was Andy Grove’s Question?

$15 \text{ B in R&D and improvements}
\text{High quality steel, 30\% margins}
9 \Rightarrow 3 \text{ labor hours/ton}
93,000 \Rightarrow 23,000 \text{ people}
\text{Increased profit and stock price}

Where’s our rebar?
CoVE Insight from Andy Grove

“The faster the rate of change in your industry, the greater the discrepancy between knowledge and position power.”
More Care, Less Cost
CoVE Insights

1. It’s not technology; it’s adaptive capacity
2. CoVE’s optimize and Sense/Respond/Adapt
3. Sense/Respond close to value at the frontline
More Care, Less Cost
A Mayo Health System CoVE
How? Success Factors
Where do you want to be?

List 1
• Organization-centric targets and goals
• Gather data, meet, analyze & plan
• Implement, optimize, standardize
• Projects, consultants & process
• Consolidate, cut costs & contract

List 2
• Customer-centric value & purpose
• Clear, consistent, simple rules
• Rapid, agile, low risk prototyping
• New value drives access and growth
• Sense, respond, adapt

Where’s your healthcare organization?

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More Care, Less Cost
Key CoVE Takeaways

1. It’s not technology; it’s adaptive capacity
2. CoVE’s optimize and Sense/Respond/Adapt
3. Sense/Respond close to the frontline
4. What to do is clear, & it’s not either/or; it’s and
More Care, Less Cost?
The CoVE Leadership Opportunity

![Bar chart showing proportions for different locations: Arizona, Florida, Rochester, Owatonna.](chart.png)
OUR LATEST INNOVATION IS A GOOSE THAT LAYS EGGS OF SOLID GOLD
Data, necessary but insufficient...
Barriers to a different level of thinking...
Purpose, Progress, Mastery
More Care, Less Cost
CoVE Insights

1. It’s not technology; it’s adaptive capacity
2. CoVE’s optimize, Sense/Respond/Adapt, no BS
3. Sense/Respond/Adapt close to the frontline
4. What to do is clear & it’s not either/or, it’s and
5. Act your way to a new way of thinking
More Care, Less Cost
Insight from Steve Jobs

ON BULLSHIT
Harry G. Frankfurt
More Care, Less Cost?
The Managed Care ‘Value’ Report Card

Cost

Quality

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What are you thinking?

Act your way to a new way of thinking

% Current successful leaders

Adaptive Capacity Index

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Current State

We think our way to new ways of acting

1. Purpose
2. Low risk
3. Simple Rules

% Current successful leaders

Adaptive Capacity Index

©John W. Kenagy, 2015
Future State?
Act our way to new ways of thinking

Future State?
Act our way to new ways of thinking

Adaptive Capacity Index

20% work force

-100 0 +100

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More Care, Less Cost
Mayo Population Health

122% Improvement

Diabetic Population
Health Goal

Adaptive Design
starts

Adaptive Design Mayo Physicians
All Mayo Health System Physicians

Months
Data Driven?

High risk, low reward
Sense, Respond, Adapt
Real-time information linked to action

Low risk, high reward, fast
More Care, Less Cost
Key CoVE Takeaways

1. It’s not technology; it’s adaptive capacity
2. The 5% Sense/Respond/Adapt & avoid the BS
3. Sense close to where value is created
4. What to do is clear & it’s not either/or, it’s and
5. Act your way to new thinking and doing
6. Structure work to do low risk, rapid prototyping
Where’s Our Rebar?

CoVE – Everyone working at the top of their “license”
More Care, Less Cost
Key CoVE Takeaways

1. It’s not technology; it’s adaptive capacity
2. The 5% Sense/Respond/Adapt & avoid the BS
3. Sense close to where value is created
4. What to do is clear & it’s not either/or, it’s and
5. Do! Act your way to new thinking/doing
6. Structure work to do low risk, rapid prototyping
7. CoVE is not a project….? What is it?
Creating CoVE Adaptively
More Care, Less Cost “by design”

1. Leadership: “Set direction,” a Purpose; safe, simple rules; then validate, replicate/scale success

2. Purpose: “Ideal Patient Care;” meaningful, actionable

3. Location: “Frontline;” KISS, close to value, in real-time

4. How: “Simple rules;” progress, momentum, mastery

5. People: “Inspiration;” local role models, not “consultants”
More Care, Less Cost = Purpose

• Exactly what the patient needs, when and where they need it
• Customized individually
• Immediate response to problems or changes
• Safe – physically, emotionally & professionally – for all
• No waste of any resource

You don’t implement Ideal; you use Adaptive Design to respond when you have an opportunity to move closer to it.
More Care, Less Cost
Relevant information

<table>
<thead>
<tr>
<th>Key Information Metrics</th>
<th>Current Practice</th>
<th>Adaptive Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timely?</td>
<td>?</td>
<td>Now, real-time</td>
</tr>
<tr>
<td>Specific, actionable?</td>
<td>?</td>
<td>Role-specific and actionable</td>
</tr>
<tr>
<td>Action = verifiable results?</td>
<td>?</td>
<td>Action quickly leads to results with rapid verifiable feedback</td>
</tr>
</tbody>
</table>

Increase choice and decrease risk
More Care, Less Cost
Simple Rules

Activities
Connections
Pathways
Improvement

Four Rules-in-Use

CoVE Choice #1
Low risk, high reward, fast

• List 2 – 21st Century Value-Driven Healthcare

Sense
Choice
Validate
Days
What does an RN do, really?

Over an hour, Mura worked in 10 different locations and changed position 38 times.

Information Sources:
- Chris
- Somewhat
- Andrea
- RN1
- Tebow
- Gai
- Llanita
- Lorrae
- RN2
- RL-Tech
- Provencia
- Dr. Quinn
- Lunda
- Sue
- Mel
- Raynor
- George
- George2 1
- George2 2

How did Mura know what to do?
She talked with 17 different people, on average, than 50% in total and consulted 9 different sources of information, a multitude of variables.

Her experience + memory were invaluable.

What did she do?
- Many communications around a vascular case at least 50 minutes late.
- Treating a myriad of issues.

100% of time was spent clarifying, hunting, fetching + problem solving.

In one hour, she was confronted with 14 different problems — all of which
Manage what you can’t measure
What’s it take to get an aspirin…?
CoVE Choice #2
Low risk, high reward, fast

- List 2 – 21st Century Value-Driven Healthcare
What? Adaptive Design
High velocity cycles of increasing returns
Low risk, high reward, fast

1. Sense – Anyone can signal an Adaptive Design trained person when performance is not Ideal as a problem to solve.

2. Respond – Use simple, clear, consistent rules and only the resources needed to rapidly prototype a verifiable, sustainable solution => trust and optimism

3. Adapt – People & systems *adapt to validate the solution* = more performance, less cost => more trust and optimism.
Adaptive Design in Action: Problems solved in first 10 weeks

1. Simplify Learning Line

2. Small glove par levels

3. Box meals

4. Staff communication

5. Bradycardia kits
The Bradycardia Kit A3

Background: Current Condition

Target Condition:

Opportunity

Countermeasures:
1. Buy box
2. Compliance
3. Stock and Trial

Root Cause?
1. Why? – Slow, complex, response
2. Why? – Rx not easily available
3. Why? – No simple way to get Rx
4. Why? – Rx in many different places
5. Why? – Rule 1 Activity not specified

Test: Used 5 times in first 6 weeks.
Adaptive Design in Action: Problems solved in first 10 weeks

1. Simplify Learning Line
2. Small glove par levels
3. Box meals
4. Staff communication
5. Bradycardia kits
6. Cath. lab block time
7. Designate problem-solver
8. Drug protocol reference
9. Prioritized pt. placement
10. Pt. discharge education
11. Nuc. med. productivity
12. Persantine dose availability
13. Timely Thallium readings
14. Integrelin flush
15. Cath. lab reports
16. Pt. discharge education
17. Patient check-out
18. Room turnover

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Choice #2 – More Care, Less Cost

- 37%
- 23%
- 40%

135% more care time

73% less system failure workaround time

Admin

35%

54%

11%
Choice #2 CoVE Inpatient Nursing
More care, less cost

Most Improved Patient Experience

<table>
<thead>
<tr>
<th>Metric</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of stay</td>
<td>↓ 8%</td>
</tr>
<tr>
<td>RN productivity</td>
<td>↑ 14%</td>
</tr>
<tr>
<td>Staff turnover</td>
<td>↓ 51%</td>
</tr>
<tr>
<td>+ $1,700,000</td>
<td>↑</td>
</tr>
</tbody>
</table>
CoVE Choice #3
Low risk, high reward, fast
CoE OR Targets & Goals
Projects & experts reengineer processes

- Patient Safety
- Patient Satisfaction
- Improved $\$
- Improved Operations
- Staff & Doctor Satisfaction

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Choice #2 CoVE OR
Northeast, urban, unionized, teaching hospital

Patient Safety & Satisfaction

Improved $$

“hard” $ = $625,000
“soft” $ = $211,000

Improved Operations

Staff & Doctor Satisfaction
CoVE OR – More Care, Less Cost
Northeast, urban, unionized, teaching hospital

Surgical Volume

Graph curves are representational

Staff Overtime

+16%

-14%
CoVE Choice #3
Low risk, high reward, fast

You lead the U.S in more and better care at less cost
More Care, Less Cost
Key CoVE Takeaways

1. It’s not technology; it’s adaptive capacity
2. The 5% Sense/Respond/Adapt & avoid the BS
3. Sense close to where value is created
4. What to do is clear & it’s not either/or, it’s and
5. Do! Act your way to new thinking/doing
6. Structure work to do low risk, rapid prototyping
7. CoVE is a series of low risk, high reward choices
More Care, Less Cost
Center of Value and Excellence?

Will what got you here, get you there?
If not, how would you know and what would you do about it?