

Examining Six Sigma's Lasting IMPRESSIONS

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By Robert N. Mitchell

In an industry that regularly loses money, it's important to save the finances of struggling health care organizations. However, when hospitals and health systems look to right their wayward ship, they too often take an approach of cutting costs. They then follow up with layoffs, which give the organization a financial boost for a few years... 'but then revenues decline again, and the organization finds itself facing the same issues.

"They're looking for a way to address these financial shortfalls permanently," said David Silverstein, president and CEO of Breakthrough Management Group (BMG), a performance excellence training and consulting firm that specializes in the Six Sigma process improvement approach. "This is basically what Cleveland-based Mount Carmel Health System was facing. "The facility realized that just reducing headcount was not going to solve its financial problems long-term, and decided that there was a correct way of tackling those issues. The organization realized that it had impacted employee and staff morale, and that it needed to improve its operations," Silverstein said.

The Mount Carmel Experience

Six Sigma is a methodology implementation focused on a measurement-based strategy that develops process improvements and varied cost reductions throughout an organization. Six Sigma at many organizations also means a measure of quality that strives for near perfection. Six Sigma is a disciplined, data-driven approach and methodology for eliminating defects (driving toward six standard deviations between the mean and the nearest specification limit) in any process.

Starting the process more than six years ago, Mount Carmel began implementing Six Sigma as a way of improving efficiencies. "What many hospitals, Mount Carmel included, have learned over the years is that there are as many opportunities to improve revenues as there are to cut costs. And any time you can drive the top line rather than cut the bottom line, it will be a much more pleasurable experience for the organization. [Mount Carmel] had looked at ways to add incremental revenue. The organization looked at its throughput in the emergency department as a way to stop diverting ambulances, which can put patient lives at risk, but also looked at increasing the throughput in other departments, such as radiology. The organization believed that Six Sigma would help cut its costs, improve its revenues and also save lives."

Silverstein said that when Mount Carmel started down the Six Sigma path, it was motivated by the chance to save money.

However, today, it is more focused on improving patient care and clinical outcomes, because the health system now operates in the black.

"I work with other hospitals that are doing well financially, so their primary purpose for choosing Six Sigma is to improve patient care," Silverstein said.

Interest to CIOs

Why should health care CIOs be interested in Six Sigma? Consider that CIOs in health care are no different than CIOs in other businesses. The IT department, Silverstein noted, is no longer limited to the PC support desk function. In many companies, especially those in non-manufacturing sectors, the CIO is becoming the de facto COO. "The CIO holds the key to the data; much of the operations are driven by technology, and most of the capital investments that hospitals are making today are in information technology. Technology allows for better access to patient information and more accurate billing systems. Every hospital I've worked with has had difficulties with billing practices -- because they're not billing patients for all the services being performed, and they don't have the proper systems to track those activities," he said.

Like other initiatives in health care, Silverstein said that Six Sigma requires executive buy-in, as well as commitment, for it to be successful. "What's really needed is the personal involvement of the executive leaders," he said. "Six Sigma is not about going out and buying new technology. Though Six Sigma may complement new technology purchases, it is about building new core competencies and skill sets for the individuals within the organization. If senior executives aren't improving their skill sets and analytical skills with an ability to understand the data they have (i.e., the ability to think in terms of systems and processes), then the rest of the organization is not going to be successful in making the necessary changes."

More Training

Mount Carmel's experience with Six Sigma was a typical engagement, Silverstein said. The CEO and senior executive team decided on Six Sigma, and they were committed to being personally involved in choosing a vendor, selecting BMG to guide them down this path.

The education process began with the executive leaders. Ninety-nine percent of the companies doing Six Sigma call their

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specialists “black belts” and “green belts.” Mount Carmel, however, didn’t like the terminology in a health care environment, noting its violent connotations. Mount Carmel changed the martial arts terminology to “guides” (formerly black belts) and “scouts” (formerly the green belts).

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The core of Six Sigma includes four weeks of intense training, working on the organization improvement processes. “This becomes a full-time job for trainees; the focus on driving process improvements forward. You have to move people out of the firefighting mode, because it’s difficult to implement process improvements as a part-time job,” he said.

Silverstein said that organizations that make an upfront commitment and stick to Six Sigma recognize the big wins. “Mount Carmel started with 40 full-time people dedicated to the project. That’s a large investment (about \$100,000 a head, \$40 million a year). It was not something they took lightly,” he said.

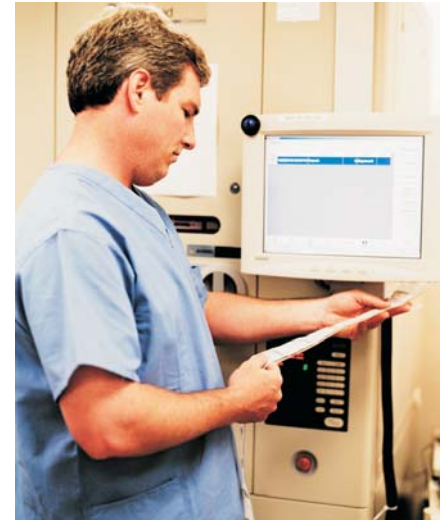
“Mount Carmel drew people from within its ranks. The organization did not add incremental head counts, though these people were not doing their existing jobs,” he said. Instead, the 40 people moved into the Six Sigma work and their jobs were filled by others within the organization.

The real challenge is making sure that the organization finds its best people. “The previous years meant layoffs of hundreds of people. Six Sigma leaders drive improvements across the organization; they have to be well-respected and have to be self-motivated,” he said.



Different from Consulting

Six Sigma is different from other consulting engagements in health care because the approach gives the organization new skills and core competencies that are critical to its business. “If you have a consultant who is driving improvements, you may get short-term wins, but next year you may have to have the consultant come back again,” Silverstein said.



As the project progresses at Mount Carmel, the organization continues to develop its core competencies through the Six Sigma process. “Mount Carmel Vice President Tammy Weidner, RN, MBA, is focused solely on Six Sigma effort. The health system runs several classes each year, training new people, and rotating out past-trainees who have achieved guide status to work within the organization,” Silverstein said. These people return to their earlier job functions (i.e., management roles) and have those new skill sets to use in their jobs.

Silverstein said that Weidner is responsible for driving the entire Six Sigma process across Mount Carmel operational entities. Prior to accepting the vice president of Six Sigma position, Weidner was vice president of organizational development.

Measuring Success

At the beginning of Six Sigma implementation, the organization receives assistance in setting up its key measurements. “The universal symbol of success at any organization is the dollar sign,” Silverstein said. “Mount Carmel has banked more than \$40 million in annual revenue growth. The CFO says that without Six Sigma, the health system would have continued to lose money each year.”

Silverstein has seen fast growth of Six Sigma in the healthcare industry. “Prior to this growth, the industry had been relatively slow to adopt because healthcare organization leaders are inherently risk-averse,” he said. “The way the compensation systems are set up, many are not-for-profits with huge boards of directors, and a lot of competing issues force hospitals to move much more slowly than their peers in other industries.”

However, with Six Sigma initiatives starting to make their mark, all that is beginning to change.

Mr. Mitchell is managing editor at *ADVANCE for Health Information Executives*.