

HEALTH EXECUTIVE

Where Leadership Begins

APRIL 2007

\$5.00 US \$6.00 CANADA

Finding Camelot

How a small town health system
is creating the blueprint for the new
American hospital



WWW.HEALTHEXECUTIVE.COM VOLUME THREE ISSUE FOUR

In the most unlikely of places, the
blueprint for the new American hospital is
being drawn. Michael Sharkey reports.

Finding Camelot





What makes a hospital in Goshen, Indiana—a sleepy town of roughly 30,000 best known as the birthplace of a galosh-like shoe covering called a sirk—a rising Mecca for healthcare? Ask Goshen Health System president and CEO James Dague, and he'll respond, "It's the culture."

Behind that simple statement is a unique turnaround story that chronicles the meteoric rise of a health system that was teetering on the edge of failure 12 years ago, an organization that implemented an innovative strategy to transform itself into the model for the new American hospital.

"If there is a Camelot in healthcare, we built it in Goshen," Dague said, noting the health system generated \$257 million in gross revenue (\$160 million net) in 2006 while being the lowest cost provider in the region. "And it didn't come easy. It's one of the hardest things I've ever done. It's also one of the best things I've ever been a part of."

A huge statement

In 1995, Goshen Health System's outlook was bleak. Dague, the newly hired chief executive, found the organization with three weeks left of cash in the bank and saddled by a 27% turnover rate. Staff members that remained began seeing pink slips in their sleep; massive layoffs appeared imminent. Frustrated that his cost cutting measures didn't stop the bleeding, Dague, too, feared layoffs were the only remaining option. In a last minute search for an alternative, a meeting was arranged with consultant/author Clay Sherman, a specialist in organization revitalization.

Sherman brought a unique perspective to the table. After earning his doctorate in management education at Western Michigan University, he did postdoctoral study on managing organizational effectiveness at Harvard University's Graduate School of Business Administration. Sherman began developing his healthcare chops at Upjohn Healthcare Services, where he was the corporate director of human resources responsible for a personnel complement of 70,000. He left Upjohn to begin a consulting career, and in 1979, he began working with hospitals in management training. Over the course of 10 years, he developed the business-based philosophy and strategy that would be captured in *Creating the New American Hospital: A Time for Greatness* (1993, Jossey-Bass).

In his meeting with Dague, Sherman didn't pull punches. He told the Goshen CEO he did not accept the notion that problems in healthcare organizations are caused by government regulations, insurance companies, or the high cost of technology. He challenged the chief executive directly, telling him the prescription for poor performance in hospitals is to either change managers or change how they manage.

Dague was taken aback, but couldn't resist Sherman's pledge: if Goshen embraced the New American Hospital philosophy and its simple process improvement tools, it would see spectacular results in just 12 months. At every hospital Sherman had worked with to that point, including Holy Cross Hospital in Chicago, there was a multi-million dollar return on investment in the first year.

Said Dague, "I walked out of the meeting thinking we couldn't afford not to try this. We went to our colleagues and told them we weren't going to lay anyone off, that we were going to work together to make this thing better. With three weeks of cash in the bank, that was a huge statement. But it's been nearly 13 years now, and we haven't had a single layoff in all that time."

Little ideas, big improvement

Sherman's program stems from the larger body of management knowledge that's been developed over decades in business and industry. If it's been proven to work in business, Sherman has tweaked it to work in healthcare. The recipe is part Six Sigma, part lean, and part perfection management, with a few dashes of other process improvement techniques for good measure.

The system, which has become known as Gold Standard Management, starts with a simple premise: clinicians that have been promoted to management positions rarely, if ever, have any management training. As a result, hospitals are often mismanaged in the most fundamental ways. Sherman's system starts with a mini MBA program for

managers and a challenge—go out and make your hospital better.

"Our process is simple, and it works," Sherman said. "You just have to be thorough, tough minded, and do the work. Times are tough. Regulations and the politics surrounding health-care make things even tougher. That's true. But you can't change the big bad world. What you can change is the policy of how you do a particular task inside your four walls."

Sherman strives to make hospital managers into leaders capable of educating and empowering frontline employees. Leaders encourage their



“colleagues” to regularly contribute ideas for improvement, big or small, and give those colleagues the tools and techniques they need to fix the little things on their own. Bigger ideas are submitted to a Management Action Council, a multi-disciplinary group that meets once a week. If an idea is considered sound, a small team is formed to tackle the problem. If the project is successful, the employee that contributed the idea and the team that solved the problem is recognized and rewarded.

“If you have 1,000 people, and you implement two or three ideas for improvements from every person on payroll, that’s 2,000 to 3,000 ideas,” Sherman said. “No matter how small, all of those ideas can add up to something big.”

At Goshen, improvement did start small, but it quickly grew into a tidal wave of positive change. In the first year, the hospital not only stopped a revenue slide, it reversed it with millions in revenue growth, true to Sherman’s pledge. Within five years, the number of improvement ideas implemented had grown to more than 1,500 annually, providing tangible, bottom line benefit ranging from \$1 to \$4 million per year.

By 2005, Dague estimated the organization had saved \$15 million. Simultaneously, the hospital’s turnover rate shrank from 27% to 4%. And for the past three years, Goshen Health System has had the lowest turnover in Indiana, including a miraculous 1.25% turnover rate in nursing.

He challenged the chief executive directly, telling him the prescription for poor performance in hospitals is to either change managers or change how they manage.

Part of what’s keeping employees at Goshen and encouraging them to contribute ideas for improvement is the recognition and reward portion of Sherman’s system in the form of a generous gain share program. If an employee’s improvement idea is implemented and generates savings, that person is rewarded with a percentage of the financial gain. Last year, a Goshen employee found that by combining the instruments from two disposable surgical packs, a significant amount of wasted equipment could be saved. The idea was implemented and will save the hospital an estimated \$230,000 a year—and give the employee a nice bonus.





"The richness of the program is that it feeds off itself," Dague said. "At orientation, we challenge our new people to test us—see if we can implement their ideas. It's an ingrained part of our culture now, and we couldn't change that if we wanted to."

As a result of Sherman's program being embraced at Goshen, the health system is not only a better place to work, it's a better place to receive care. The ANCC designated Goshen a Magnet Hospital in 2004; the Commission on Cancer of the American College of Surgeons gave Goshen an Outstanding Achievement Award in 2005; in 2006, Press Ganey presented Goshen's The Retreat Women's Health Center with a Summit Award for maintaining the highest level of customer satisfaction three years running; and in the fourth quarter of 2006, Goshen General Hospital ranked in the 99th percentile for inpatient satisfaction.

"Twenty percent of our cancer patients now come from a five-state area," Dague said. "Why would you travel to Goshen, Indiana for cancer care? Because it's the best."

A true Magnet

Magnet Hospital is a fitting label for Goshen—the more accolades the health system receives, the

**You can't change the big
bad world. What you can
change is the policy of how
you do a particular task inside
your four walls.**

more medical professionals want to work there. Nurses are the prime example: as the majority of the nation's health providers struggle to wade through an ongoing nursing shortage crisis, this small town community hospital maintains a 4:1 patient-to-nurse ratio and has a surplus of more than 300 nursing applicants each month.

In staying true to the hospital's culture of continuous improvement, colleagues in the human resources department saw opportunity in the nursing surplus. Based on their idea, the health system implemented a plan to form a separate traveling nurses company. The company is staffed by the surplus nursing applicants that most share the health system's work values, and nurses are

given incentive to join, with placement on Goshen's first-call list for open positions.

"It's part of a drive to find alternate sources of revenue to support the health system in the face of continued reimbursement decline," Dague said. "We want to create businesses that support our overall mission to provide innovative, outstanding care and services to our clients."

The traveling nurses company is just the beginning. The hospital also created a wellness company to help businesses in the community deal with sky rocketing employee healthcare costs, and last year, Goshen filed for two patents for innovative medical technologies it hopes to spin off.

"We recognize we can't control the healthcare arena," Dague said. "A lot of change will come from national channels. These local companies we're starting will not only have a positive impact on the community, they will allow us to make enough money to perpetuate our mission as a hospital, no matter what the future brings."

An award-winning level of quality care, an engaged and invigorated staff, satisfied patients,

growing revenues, and insulation from a tumultuous operating environment—maybe Goshen Health System really is healthcare's equivalent to Camelot. Clay Sherman believes it is, and he wants other hospital executives to take notice. In an effort to help, the consultant is putting his strategy where his mouth is. All of the processes, training programs, and information that make up Gold Standard Management are now available for free at www.goldstandardmanagement.org. ■



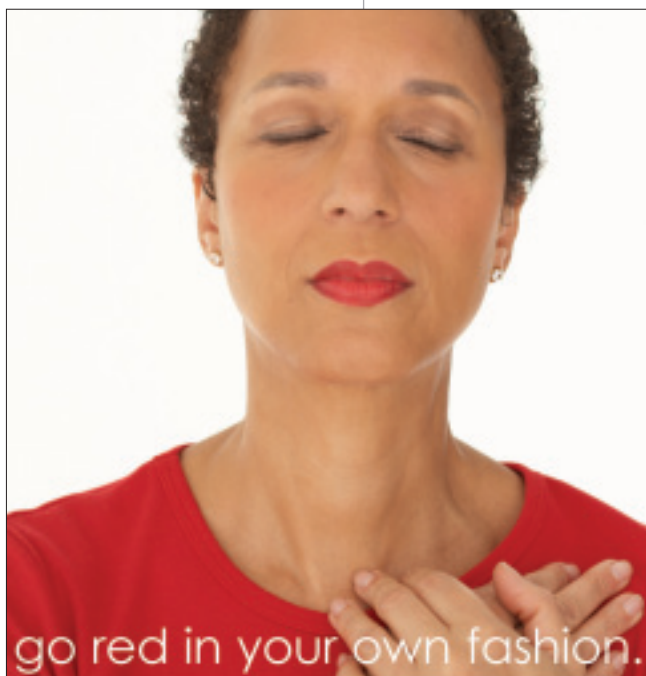
Commercial Interiors Contractor Since 1931

[Serving Northeast Indiana]

SG
STRAHM GROUP

260.489.2537
www.sgiinc.com

Designing interiors. Building solutions.



go red in your own fashion.

go red, anyway you want... eat red = apples, cherries, tomatoes. leave red kisses on someone's cheek. laugh so hard your face turns red. but whatever you do, do it for your heart. take a moment everyday and put your hand on your heart, and then make your own promise to be heart healthy.

www.goredforwomen.org

1-888-MY HEART

