Ochsner revolutionizes the business of health
As one of the only hospitals to remain open through Hurricane Katrina, Ochsner is more than just a survival story. Through strong leadership, operational rigor, and a commitment to community building, Ochsner has become a nationally recognized healthcare organization.

The practices that Ochsner Health System has implemented in collaboration with GE Healthcare have the potential to help virtually any organization regain its footing, no matter what the obstacles.

Long before the storm, Ochsner recognized that it needed to make significant changes to the way it ran the organization, based largely on its strategy to grow regionally and become a multi-hospital integrated system. When the relationship with GE Healthcare began in 2001, Ochsner consisted of a major physician group practice, a series of clinics, and Ochsner Medical Center.

Today, Ochsner is the largest private healthcare system in the Gulf Coast region. It is viewed as an industry thought leader with unique resiliency, perspective, and vision, and it’s easy to see why. In just six years, Ochsner has expanded from one hospital to eight with:

- A revenue growth rate of more than 10 percent per year
- A 35 percent market share in New Orleans, which doubled in three years
- $1.5 billion in annual net patient revenue in 2009, compared with $750 million in 2005
- A 1.6 percent operating margin after four years of losses

“We succeeded in large part because of our investment in leadership, applying excellent training to an already strong talent pool and backing it up with confidence in our people. Ochsner is a more focused, optimistic organization today, and we’re much better positioned to face future challenges.”

– Warner Thomas, COO and president, Ochsner Health System

Building a better business model

Ochsner survived Hurricane Katrina as well as it did in large part because it had begun its transformation before the storm. Hurricane Katrina was the catalyst to accelerate the changes already taking place. As Ochsner stepped up its growth plan after the storm, the need for even more robust management systems, discipline, and rigorous organizational processes became clear.

As Ochsner’s footprint grew, its employee culture began a significant process of transformation. This cultural shift spanned across three key areas that were instrumental in bringing Ochsner to where it is today: leadership, operational rigor, and commitment to its people.
When considering why Ochsner has succeeded in such a difficult market, leadership is a key factor. During and in the days following the storm, Ochsner executives went above and beyond their normal call of duty. Embedded at the Alton Ochsner Foundation Hospital, they braved harsh conditions including 90-degree heat, failing generators, leaking ceilings and long days with little or no sleep to ensure patients received urgent care. The strength and cohesion Ochsner executives showed throughout the catastrophe validated the importance of further investing in leadership.

Ochsner recognized that its leadership team (including physician leaders) needed re-energizing. Having a solid leadership strategy in place was the foundation to implementing the changes the Ochsner leadership team wanted and needed.

In 2003 it invested in the Leadership Institute (LI) to bring leadership and a culture of accountability to all levels of the organization. The LI encompasses courses and experiences for healthcare leaders that were co-developed by GE Healthcare and Ochsner. It provides team-oriented leadership skills to improve decision-making, strengthen critical thinking, and encourage innovation. Often organizations try to change results by going directly after outcomes, assuming behavior and thinking will adapt naturally. In contrast, the LI focuses on changing results by first changing thinking and emotion, followed by behavior.

The LI is constantly evolving with a catalog of courses in different areas, including “Basic Leadership Skills” and “Achieving Business Impact,” in which mid-level managers (often with a clinical background) learn about the business side of operations, and how to manage accordingly. To ensure exposure to a variety of perspectives, Ochsner commissions experts from Harvard, GE Healthcare, Northwestern’s Kellogg School, and other institutions as teachers. The courses’ expectations and rigor are demanding, and participants are graded on their projects. They then apply what they’ve learned with their teams. For example, following the leadership course, managers changed department meeting formats to encourage more open discussion and asked their team members to present topics of interest, transitioning from a content delivery format to a more collaborative and socially engaging environment. In one department, this led to a 4 percent increase in employee satisfaction scores.

A seminal event for Ochsner’s executive team (made up of the top 25 executives) was the Leadership, Innovation, and Growth (LIG) for Healthcare seminar, developed and led by GE Healthcare to drive business growth and executive team cohesiveness. During the session, the team first crafted a new mission statement reflecting Ochsner’s goal of becoming a medical and academic leader that changes lives on a global scale—“We serve, heal, lead, educate, and innovate.” Next, the team aligned specific strategies to that vision to shape the future of healthcare through an integrated health system.

Ochsner used the LIG program as a best practice, incorporating many of its learnings into the design of Ochsner leadership retreats, including the engagement of external subject matter experts to provide brainstorming opportunities with the Ochsner leaders for translation and application. As a result, the leadership team at one of the community hospitals developed an Innovation lab at its facility—for employees and leaders to solve real issues away from their work environment, in a place where they can relax, play pingpong, write on the walls with chalk, play basketball, or just relax in a comfortable chair to brainstorm.

“The executive leadership, reflecting operational excellence and executing consistently, paved the way for the rest of the organization and led to a ripple effect of accountability,” says Ochsner COO and President Warner Thomas. “Ninety days after the LIG program, the entire leadership team, including physicians, re-energized around a new vision and mission for our organization.”
Process: operational rhythm and rigor

A key missing link for Ochsner was a streamlined management system and a disciplined approach to operations. It needed what GE Healthcare calls “rhythm and rigor”—a repeatable way of doing business that changes behaviors and instills habits that drive lasting performance. This process includes tools that answer: What’s the best way to reach our destination? How is the journey going so far?

How do we get there?

Central to Ochsner’s management system is an operating calendar with a rigorous, strategic operating plan. The calendar provides a framework for setting goals, formulating strategies and building a playbook of specific programs and work plans. It also includes Ochsner’s monthly and quarterly reviews and leadership retreats, imposing rhythm through its predictability. The calendar ensures that certain events happen at the same time each year, are logically oriented, and link to each other to reduce spurious activities. It also helps provide clarity about future programs, strategy work, and the results programs are expected to deliver. In the case of strategic capital, the calendar was essential in linking capital investment dollars with key strategic initiatives across the system.

How is the journey going? Quarterly and monthly operating review system

Ochsner also applied rigor to its evaluations, instituting quarterly and monthly reviews in which key personnel share results and achievements. The reviews follow the GE “20/80” principle—20 percent numbers, 80 percent actions looking forward. This helps avoid lengthy exercises in drilling down into numbers, looking instead at progress and adjusting accordingly.

The quarterly reviews are based on GE Healthcare’s concept of “programs,” that is, defining strategic programs first, then taking the first year of a program and dividing its desired metrics and milestones into quarters. For example, if the goal is to increase the number of transplants 100 percent, how will that be divided among the quarters—25 percent each or some other configuration? The review determines whether metrics and goals have been met on deadline.

The monthly operational reviews (MORs) are high-intensity discussions between the executive leadership and operating division leadership about whether they’re on plan and what actions are needed to achieve their commitments (i.e., targets). Often in healthcare the review process is quarterly or annually, but, as Ochsner CEO Patrick Quinlan notes, a review each month drove an increase in performance quality. “When you have aggressive goals, you start strong, stay strong, and finish stronger (with a monthly review) versus finding out a few months into the process what needs to be done.”

Another recurring element in Ochsner’s operational system is systematic talent reviews and follow-up. Talent management is a discipline that is integrated with quarterly operating reviews. The results trigger an action plan that helps Ochsner accelerate future leaders’ growth and aids in the retention of high-potential staff members—a critical imperative for the organization.
Commitment to its people

While leadership and process were critical for Ochsner, as Quinlan notes, “We focused on human capital and talent management first because success begins and ends with your people.” With this in mind, Ochsner executed a more targeted approach to recruitment, reducing turnover (over the past five years, the turnover rate has dropped steadily, reaching a 2009 low of 14 percent) and creating an environment that fosters cooperation and empowerment among the staff.

Blended physician model

The transition from a closed-physician to a blended-physician model began after Ochsner purchased four additional community hospitals in 2006. The blended physician model is an important point of differentiation and a departure for Ochsner. It means that a physician no longer has to be part of the Ochsner medical group to practice there. Ochsner has opened its doors to all physicians who meet certain qualifications. As a result, the culture that was based on an employed physician model is changing to a more collaborative model that is inclusive of community physicians.

This collaboration allows for the sharing of information, knowledge and patients, and helped resurrect the hospitals Ochsner acquired that previously had been closed. These hospitals are now among the leaders in Louisiana in patient outcomes, such as risk-adjusted mortality and complication rates.

The blended physician model has allowed new ideas to take root, which ultimately benefits patients. Ochsner’s patient satisfaction score rose to 65 percent (2008-09) systemwide, and it has seen a 29 percent increase in its patient care score since 2008. Ochsner Medical Center also is the only Louisiana hospital to be ranked by U.S. News and World Report as one of the 50 “Best Hospitals in America” in three separate categories—Heart and Heart Surgery; Urology; and Ear, Nose and Throat. Independent industry ratings such as this are a valuable source of insight and feedback on the quality and success of Ochsner’s efforts.

Recruitment and turnover

Having lost more than half of its staff post-Hurricane Katrina (more than 4,000 left in one year), a top priority for Ochsner was to attract and engage talent. Ochsner had made conservative assumptions about the numbers and demographics of New Orleans’ re-population, which created an opportunity to tap into regional labor and nursing pools as these professionals returned to the area in greater numbers than expected. In fact, since 2006, Ochsner has a history of acknowledgements by the Great 100 Nurses Foundation for having more than two nurses each year ranked in the “Great 100 Nurses of Louisiana” poll.

But that’s only half the story. The fortitude it showed in weathering Hurricane Katrina made Ochsner more appealing to potential employees who were attracted to an environment with a clear opportunity for making a difference. Applicants were drawn to Ochsner’s dynamic, growing community focus and wanted to be part of the change.
Ochsner worked to recruit physicians to the area by building a partnership with The University of Queensland Medical School in Brisbane, Australia, a top-20 medical school worldwide. In April 2009, Ochsner and The University of Queensland Medical School announced the opening of the Ochsner Clinical School. Through this unprecedented international alliance, U.S. medical students will train for two years in Brisbane and then take their third and fourth years of clinical training at Ochsner. The goal is to admit 35 to 40 additional U.S. students in 2010 and reach an ongoing level of 120 admissions by 2012. This alliance provides a way to help keep jobs in Louisiana and expand the pool of quality physicians serving Louisiana and the Gulf South.

Ochsner also expanded their graduate fellowship program and the fellows’ scale of responsibility, helping them develop the leadership skills necessary to establish their career in the Ochsner system. For instance, Ochsner Medical Center CEO Michael Hulefeld was a graduate administrative fellow just 12 years ago. Since then, 36 fellows have completed the program and been hired into leadership positions within the Ochsner Health System, and eight new fellows are currently in the process of completing their rotational assignments.

The ability to draw and retain talent has made Ochsner a stronger and larger organization: the turnover rate has dropped from 35 percent immediately post-Hurricane Katrina to 12 percent today.

Collaborative culture

New ideas are best generated through collaboration, and Ochsner has built an operating structure in which individuals and departments are more likely to succeed when they operate in concert. By encouraging the spread of ideas, data, and best practices, collaboration becomes hardwired into the culture. For example, since the purchase of the community hospitals, the transfer of critically ill patients needing a quaternary medical center has increased significantly to Ochsner Medical Center.

Collaboration also is fostered by shared leadership. In the average hospital-based system, administrators take the lead role with doctors executing, but Ochsner has a deeply integrated and collaborative leadership between physicians and administrators. Ochsner’s physicians rely on a cadre of non-physician leaders and managers to help them run the organization. This strong partnership means better-coordinated patient care, with a team-based, not just physician-based, culture. Physicians and administrators have partnered, for example, to develop programs such as the innovative MyOchsner patient portal, providing patients with secure Internet access to their caregiver and to their own medical information at any time. Ochsner was named a "Most Wired" hospital for the sixth year in a row in the 2009 Most Wired Survey and Benchmarking Study published by hospitals and health networks.

“There is a gratification for employees when they have evidence that their contributions matter.”
– Patrick Quinlan
Results

Ochsner has expanded its footprint considerably, touching more patients than ever before. In just six years, it has grown from one hospital to eight; it has more than 35 neighborhood health centers and more than 750 physicians serving several hundred thousand patients across southeastern Louisiana. In turn, as Ochsner has acquired hospitals, it has expanded services, such as cardiovascular and cancer services, into the community hospitals and regions outside New Orleans. Since 2005, there has been a 19 percent growth in new patients. Ochsner has experienced a growth explosion unlike any other hospital in the area, which continues to this day.

However, Ochsner’s success is not concentrated solely on its physical growth. The strategies and processes Ochsner developed with the assistance of GE Healthcare have brought forth extremely impressive cost outcomes. For example, Ochsner has shown a full financial recovery over the last five years. In just three years, it doubled its market share in New Orleans to 33 percent. In 2009 alone, lean projects produced $480,000 in cost avoidance, $2.4 million in new revenue, and $832,000 in savings. Looking ahead, operating margins are expected to double year over year. For the first time since Hurricane Katrina, Ochsner posted positive earnings, and it is on the way toward continued profitability in 2010.

Conclusion

In the current economic climate of healthcare, management discipline is more critical than ever. Ochsner serves as an example of what can be accomplished with a rigorous systematic approach focusing on leadership, talent, and operating procedure. Many hospitals are facing the challenge of moving from good to great, and satisfying mission with margin. Accomplishing this requires good leaders, a good strategy, and engagement with employees.

Today Ochsner is aligned, and much stronger and more disciplined as a company. It is leading a revitalization of healthcare across southeastern Louisiana. Many of the leadership and management best practices that GE Healthcare recommends to other health systems have been shaped and tested by Ochsner’s management team. As Ochsner would say, it is performing to plan. And because it has rigorous operating and leadership systems in place, Ochsner is prepared to adapt to whatever lies ahead and move quickly when new opportunities appears, such as exploring the potential of forming an accountable care organization.

“As a result of GE Healthcare’s strategic planning process, we know our market and our business significantly better than we ever have,” Thomas says. “And we have clear strategies with action plans for all our divisions. We used to be the ‘hospital by the river.’ Now we are a system that is everywhere you need us.”