GE Healthcare

An Academic Medical Center’s Transformation Process:
How a New Leadership Model and Shared Discipline Enhanced Quality, Fostered Financial Growth, and Improved Employee Engagement

By:
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The American Hospital Association has projected that multiple, intersecting environmental forces will drive the transformation of healthcare delivery over this decade, leading to unprecedented pressures on hospitals and health systems.1 These influences include pressure to curb the unsustainable increase in healthcare spending, a decline in reimbursement, and a constant demand to reduce care fragmentation by redesigning care delivery. Facing these economic, demographic, and regulatory changes and thriving in today’s healthcare environment requires innovation, committed leadership, and, in many cases, a cultural and operational transformation, one hospital at a time.

In this publication, we describe the transformation of a leading academic medical center, highlighting the key elements that led to Robert Wood Johnson’s dramatic improvements.

THE ORGANIZATION

Robert Wood Johnson University Hospital (RWJUH) is the principal teaching hospital of Rutgers Robert Wood Johnson Medical School. Founded in 1884, the hospital has 600 inpatient beds and more than 1,300 affiliated physicians across every specialty.

RESULTS

• From a $6 million loss to a $27 million profit in 4 years
• Nearly 5-fold increase in employee satisfaction
• Received Outstanding Nursing Quality Award from the American Nurses Association 2 consecutive years
• Ambulatory growth, from one site two years ago to more than 30 today, while strengthening ED and inpatient volume

When I was named president in 2007, we had the full support of our board of directors and a great partnership with Robert Wood Johnson Medical School, as well as private physicians in our community. My first order of business, however, was to begin building a leadership team that shared my passion for excellence,” comments RWJUH’s president and CEO, Stephen K. Jones. “It was my job to develop a way to channel everyone’s efforts in a way that would unlock the tremendous potential I knew existed.”

At the end of 2008, RWJUH was an organization without a clear sense of direction. “We were scheduled to lose $12 to $15 million that year,” says Vincent Joseph, executive vice president, who was new to the organization at the time, but a veteran of hospital turnarounds. “There was not a clear vision to keep the hospital on a profitable track. Accountability was severely lacking, and turnover among the leadership team was high.”

The organization was struggling virtually across the board. Employee satisfaction was in the 16th percentile; millions of dollars were lost due to lower Medicare reimbursement and an increase in payment denials from insurance carriers; and there was little to no growth.

Jones and Joseph determined that a radically new approach was necessary if the hospital was going to elevate itself as one of the premier medical centers in the United States, capable of meeting the modern demands of an evolving and increasingly stressed healthcare system. They began discussions with GE Healthcare about adapting some of GE’s operational and leadership development practices to RWJUH. “We didn’t want a performance flare, where there is a notable improvement that quickly diminishes,” Joseph says. “We needed a sustainable and successful structure. We had to transition from an organization that was just getting by, to an organization that was poised for growth.”
Operation: Excellence is Born

RWJUH embarked on a holistic transformation with a two-and-a-half day Executive Working Session held early in 2009. During this intense off-site retreat, senior staff aligned on the need for transformational change and learned about GE’s Culture-driven Performance Model (CDPM), which would become the backbone of the transformation. It would take three years to fully implement and included cornerstone efforts in four key areas: Management Systems, Leadership Systems, Productivity Systems (Performance Improvement), and establishing an Operating Calendar.

The program was dubbed Operation: Excellence (O:E).

“Although Lean cuts across everything we do, O:E is much bigger than Lean,” Vince Joseph says. “This is an entirely new way of doing business.”

Laying the foundation: Elements of the Culture-driven Performance Model

RWJUH did not simply apply GE’s model. They adapted it specifically to the needs of its organization and created a tailored RWJUH model. Figure 1 depicts RWJUH’s Culture-driven Performance Model, and following is a description of the key elements of the model, which are applicable to many other similar institutions.
Focus & Direction

“Everything we do is in support of our mission to serve our diverse community,” Jones says. RWJUH reconfirmed its Focus & Direction by reviewing and confirming its Mission and Vision statements, Organizational Values, and Strategic Initiatives with its board of directors. The RWJUH board and management leadership took an inclusive approach and solicited input when defining its values and how to make them truly measurable behaviors. The values are captured in what RWJUH termed a “CULTURE of Kindness,” an acronym that guides how staff are expected to behave with patients and with each other and highlights Commitment, Understanding, Learning, Trust, Unity, Respect, and Empathy.

“The CULTURE of Kindness is an incredibly important undertaking because how we treat each other matters as much as our technical expertise,” says Martin Everhart, senior vice president, human resources.

RWJUH leaders chose to crystallize Strategic Initiatives with four pillars: Quality, Service, Financial Management, and Growth and established senior staff members to lead the strategic planning process in each pillar.

Management Systems

To establish Management Systems, highly inclusive planning teams were formed to develop three-year strategic plans for each pillar during the second quarter of each fiscal year. The teams—which include staff and physicians from relevant areas—then created one-year operating plans during the third and fourth quarter in tandem with the annual budgeting process. This effort positioned leadership at the start of each fiscal year to activate all strategic programs. Quarterly Operating Reviews (QORs) were held at the end of each quarter to monitor progress and respond to planning team needs. Update reports on goal achievement were provided to the board’s strategic planning committee, as well.

“The quarterly operating review is a powerful tool that demands rigor and accountability,” says Robert Irwin, chief information officer. “It allows us to dissect each program, look at the numbers, and if, necessary, determine what correction plans are needed and what assistance the teams need from leadership.”

Leadership Systems

Although some organizations stop after the two steps, a key element for RWJUH was establishing Leadership Systems. A goal-setting process was put in place to cascade the annual organizational goals across all leadership levels, and a new individual performance evaluation process was instituted.

“Employee performance used to be measured only on goals and objectives—meaning what our staff accomplished during the year. Now, we also are measuring on values, which is how they are getting their job done. Through the performance management process, values now account for 50 percent of an individual’s performance rating,” Martin Everhart says.

The process also linked directly to management compensation. “The extra layer that many organizations don’t follow through on is the compensation,” Robert Irwin says. “We changed our bonus structure so that the target for bonuses was aligned with a program’s goals. If bonuses aren’t tied to goals, then the strategic alignment isn’t there.”

To review the performance needs of organizational entities such as nursing, quality, operations, finance, and human resources, RWJUH implemented a Leadership & Talent Review (LTR) process. Here, senior staff members present their organization’s progress and gaps, and discuss their leadership team along with required actions on topics of retention, succession planning, and development. RWJUH also added three off-site, half-day Leadership Learning Retreats (LLRs) held during the second, third, and fourth quarter for director level+ leaders. LLRs provide an ongoing mechanism to address leadership development gaps identified via the Leadership & Talent Review process.

Productivity Systems and the Lean Performance Improvement Initiative

The last facet of RWJUH’s Culture-driven Performance Model is Productivity Systems, which includes the Lean-PI Initiative. Quite often, organizations implement and staff performance improvement initiatives that yield disappointing returns. At RWJUH, Lean-PI initiatives had historically been focused on skills-transfer and training, and as such were not strategically aligned and had limited impact. The new model took a different approach, balancing PI systems and structures, skills development, and execution of a portfolio of high return-on-investment Lean-PI projects. One hundred percent of the leadership engaged in the initiative, with linkages to their performance goals and compensation, and Lean-PI resources were added within the organization. The Lean-PI teams reported progress during Quarterly Operating Reviews and achieved realized savings of $5M in fiscal year 2011 and $10M in fiscal year 2012.
Operating Calendar

To tie the various systems of the model together, RWJUH established an Operating Calendar (Figure 2). The Operating Calendar provides leadership with advanced visibility to all guidance, strategy activation, and talent management processes and events. In addition to refreshing the Operating Calendar in the fourth quarter for the next fiscal year, RWJUH holds an Annual Leadership Kickoff meeting during the first quarter to recap and celebrate prior year performance and to align and energize leadership for the current fiscal year.

“In the past, we would have goals and due dates, but they were often soft dates that were pushed back or dropped off the radar,” Robert Irwin says. “We now understand that the dates need to be hard. They don’t change, and we hold each other accountable for staying on target.”

Culture of Transparency

O:E created a culture of inclusiveness and two-way communication through the engagement of multiple stakeholders. Individuals at all levels of the organization, and across multiple departments, were empowered—and held accountable—with a voice in the change process.

This spirit of inclusiveness allowed RWJUH to extend O:E throughout the ranks. “When we first started, only senior-level vice presidents presented at the quarterly operating review and when they were finished with their respective areas of responsibility, they left,” Vincent Joseph says. “Today, every assistant vice president and higher, regardless of their pillar, is in the room for the duration of the meeting. Everyone understands what is happening in the business across different sectors and is accountable to their peers.”
“We moved O:E further down into the organization and embraced a leadership development model. We’ve expanded beyond the original group of vice presidents that owned programs and managed the process,” Martin Everhart says. “Now we have department directors who drive strategy and assume ownership. Everyone is engaged early in the planning process and can plan their work to support each pillar.”

“O:E removed the silos that existed within the hospital and became everyone’s organizational priority,” says Kelly Young, assistant vice president, quality. “We transitioned from a decentralized organization to one of strategic collaboration and transparency.”

“The beauty of O:E is that it can be adopted throughout the organization,” said Stephanie Conners, senior vice president and chief nursing officer. “Virtually all levels of management are involved, and we are focused on increasing the engagement of front line care providers so that we can tap into the knowledge base and experience of our staff. Ultimately, we want them to come forward with ideas for improving efficiencies and cutting costs before we ask the questions.”

**Actionable Strategies Deliver Results**

RWJUH’s commitment to O:E produced an impressive transformation across the organization. Table 1 provides an overview snapshot of the results for each pillar.

“In less than four years, we turned a $6 million loss into a $27 million profit,” Vincent Joseph says. “The performance management process that GE brought has been invaluable. Without it, we wouldn’t have become as strong in sustaining the success of this program.”

“One of the things I am most proud of is that we haven’t had a single layoff in the past five years. In fact, we’ve added staff to accommodate the growth of our facility,” Joseph says. “Every hospital in the region had at least one layoff in that timeframe.”

O:E’s transformative approach yielded concrete results in each of the organization’s four strategic pillars: quality, service, financial management, and growth.

**Quality Pillar**

Quality has always been a driving force at RWJUH. Although the hospital allocated resources to identify and measure appropriate metrics, planning was usually conducted on a quarter-to-quarter basis. Led by Dr. Josh Bershad, senior vice president and chief medical officer, and Kelly Young, assistant vice president of patient safety and quality, the new quality pillar under O:E was designed to provide leadership with the opportunity to recognize important benchmarks several years in advance.

“When we presented the first three-year strategic plan in quality, we believed that we would be in the top quartile on all major quality metrics within three or four years,” Vincent Joseph says. “After one year, we revised the goal to being in the top decile and are now consistently in the 97th to the 100th percentile in most of our initiatives.”

“If we were going to establish ourselves on the national stage, we had to be extremely aggressive in setting goals. Many organizations strive to be in the top 50th or 75th percentile, but we adopted an aggressive mindset to be among the best across the board,” Kelly Young says. “For instance, when O:E began, we were well below the NDNQI benchmark in falls. After we implemented a specific program for fall prevention, falls decreased by 50%.”

Another notable achievement involves the angioplasty program and one of The Joint Commission National Quality Core Measures: Primary PCI received within 90 minutes of hospital arrival. In 2008, before O:E, 92% of acute myocardial infarction patients received primary coronary intervention within 90 minutes or less. By the end of 2012, RWJUH had increased that number to 94.4%, and in the first quarter of 2013 the metric was an impressive 100%. In addition, the American Nurses Association awarded Robert Wood Johnson the Outstanding Nursing Quality Award in 2011 and 2012, recognizing the staff for their innovative methodology in decreasing the amount of patients who accidentally fall down by 50%.

“Today, the quality team has become content experts in their assigned area. They research best practices and get the right stakeholders together to implement process change,” Kelly Young says. “O:E enabled the team to become owners of the initiative and leaders in the organization.”
Service Pillar
Prior to the implementation of O:E, RWJUH struggled with low employee morale and patient satisfaction scores that were not at the level that would be expected at a top-tier medical center. The service pillar was thus broken down into three focus areas: employee engagement, physician engagement, and patient satisfaction.

One of the most notable improvements from O:E is seen in employee engagement scores. In 2008, an employee satisfaction survey was conducted, and despite three home mailings, only 33% responded. The results ranked RWJUH in the 16th percentile compared with other similar facilities in the database.

“When another survey was conducted in 2012, 85% of employees responded and we ranked in the 71st percentile. In addition, we transitioned our survey process to the Gallup Organization, which allowed us to compare ourselves to other major academic institutions,” Martin Everhart says. RWJUH continues to drive toward even further improvements in employee programs. In 2012, a formal mentoring program was established where 18 highly rated directors were enrolled and received regular coaching from senior management. Within only one year, 10 of the 18 participants have already been promoted to higher level roles.

From 2011 to 2012, RWJUH noted increased scores in nine patient satisfaction benchmarks thanks to its focused efforts in this area. As an example, “The hospital has historically scored very low in noise, so in 2011 we identified potential causes and made a significant number of changes,” Stephanie Conners says. “In 2012, we received the highest score in providing a quiet environment for our patients since we began tracking this metric. That is a direct result of identifying the problem, understanding the data, and making a strategic change to drive those specific indicators.”

Financial Pillar
Although RWJUH historically possessed a solid balance sheet and a strong cash position, it had a negative bottom line.

“You can’t run a great hospital by stripping expenses forever,” Vince Joseph says. “We were zealous about not leaving any money on the table.” RWJUH implemented financial improvement programs that spanned across cost management and revenue growth.

In the first full year of O:E, the financial team implemented six programs, including an initiative to more accurately track and improve the revenue cycle. “Within the revenue cycle program, two metrics stood out: discharged not final billed (DNFB) and time of service cash,” says Kevin Dunn, vice president, revenue cycle services. “In 2009, our DNFB number was 9.4 days, which we considered very high. Today that number is less than five days. Time of service cash revenue increased from $400,000 in 2009 to $2.4 million at the end of 2012.” Another area of focus was productivity as measured by labor cost and overtime. When O:E began, the hospital had an overtime rate of 5.1%. Three years later, it was 3.2%, a savings of almost $2.4 million.

“This program was a terrific example of collaboration across the organization,” Robert Irwin says. “We eliminated programs where overtime was built into the schedule and added more part-time employees and per diem staff, which would not have been possible without the cooperation of human resources and our unions.”

Additional notable financial achievements include:

- $7 million turnaround in reduction of denials
- Millions saved in the supply chain by transitioning all contracts to a group purchasing agreement
- Achieving meaningful use in the second year of O:E

“O:E completely changed the way we allocate our capital expenditures. There are a lot of checks and balances in the capital review process, and all of our decisions are governed by strategy,” Irwin says. “For the first time, we are prioritizing programs and cutting expenses that don’t provide a high enough return on investment. Before, it was whoever got to the COO first.”
Growth Improvement

Before O:E, RWJUH’s growth strategy was centered on areas where they were already centers of excellence. Predictably, its growth numbers were stagnant. The new approach to strategy development had a dramatic impact on growth. Growth objectives were established via the Three-year Strategic Planning Process, where the leadership team identified new growth areas and rigorously managed growth initiatives via the Quarterly Operating Reviews. Stakeholders—including the board, Rutgers Robert Wood Johnson Medical School, and the medical staff—were engaged.

One of those areas was ambulatory care. The healthcare industry was rapidly transitioning to outpatient service, but RWJUH lagged significantly behind.

“In year two of O:E, we initiated an ambulatory growth program and brought in the finance team to have a discussion around the investment required to meet our goals,” says Michael Antoniades, senior vice president, operations. “Three-and-a-half years ago, we had two ambulatory sites. Today, we have 30 and this continues to be one of our biggest opportunities for growth. In the next few years, our goal is to have a RWJUH outpatient facility in every direction within 15 miles of the hospital.”

Over the past several years, RWJUH experienced sustained growth across many different programs, including oncology, cardiology, neurosciences, trauma, and emergency care.

“Cardiology is a terrific case study on the impact of O:E. Competition and deregulation were impacting our core services, and overall volume was down,” Antoniades says. “Before O:E, we would not have reacted for three years, at which point our volume would be down 30%. However, we are growing the tertiary and quaternary services that we are known for because we were able to understand the market drivers and identify a way to adapt.

“As we look to the future, general surgery is a tremendous opportunity for growth,” Antoniades says. “Our centers of excellence in cardiac care, oncology, and neurology are inclusive of all services, including surgery, but we have a lot of procedures that do not fall under a specialized umbrella. We are developing a three-year plan to grow surgery by focusing on areas where the industry is going, including minimally invasive procedures, robotics, and bariatrics.”

Table 1: A Snapshot of Pillar Results

<table>
<thead>
<tr>
<th>Quality</th>
<th>Before O:E</th>
<th>1st year with O:E</th>
<th>Latest full year with O:E</th>
</tr>
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<tbody>
<tr>
<td>Acquired Pressure Ulcer (HAPrU)</td>
<td>5.16</td>
<td>3.12</td>
<td>2.01</td>
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<tr>
<td>Falls Rate</td>
<td>3.50</td>
<td>3.21</td>
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<tr>
<td>Primary PCI Within 90 Minutes (AMI-8a)</td>
<td>92.00%</td>
<td>79.20%</td>
<td>94.40%</td>
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<tr>
<td>Surgical Care Improvement Project (SCIP) Composite</td>
<td>95.60%</td>
<td>95.70%</td>
<td>99.30%</td>
</tr>
<tr>
<td>Service: Employee Engagement</td>
<td>2008</td>
<td>2009</td>
<td>2012</td>
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<tr>
<td>Survey Participation</td>
<td>33.00%</td>
<td>n/a</td>
<td>85.00%</td>
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<tr>
<td>RWJ Ranking</td>
<td>16.00% tile</td>
<td>n/a</td>
<td>71.00% tile</td>
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<tr>
<td>Service: Patient Satisfaction</td>
<td>2008</td>
<td>2009</td>
<td>2012</td>
</tr>
<tr>
<td>Rate This Hospital</td>
<td>64.20%</td>
<td>66.10%</td>
<td>69.60%</td>
</tr>
<tr>
<td>Finance</td>
<td>2008</td>
<td>2009</td>
<td>2012</td>
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<tr>
<td>Net Revenue ($MM)</td>
<td>$645,088</td>
<td>$672,613</td>
<td>$780,492</td>
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<tr>
<td>Net Income ($MM)</td>
<td>($6,530)</td>
<td>$2,883</td>
<td>$27,228</td>
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<tr>
<td>Net Income/Net Revenue %</td>
<td>-1.00%</td>
<td>0.40%</td>
<td>3.50%</td>
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<td>Growth</td>
<td>2008</td>
<td>2009</td>
<td>2012</td>
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<tr>
<td>Adult ED Visits</td>
<td>59,990</td>
<td>63,935</td>
<td>71,620</td>
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<tr>
<td>Total Occupied Beds</td>
<td>48,464</td>
<td>51,145</td>
<td>53,917</td>
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<tr>
<td>Inpatient/Outpatient Ratio (% based on Gross Charges)</td>
<td>85/15</td>
<td>84/16</td>
<td>79/21</td>
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Moving Forward and Lessons Learned

By any measure, a bottom line improvement of more than $33 million in net income in four years is an unqualified success, but RWJUH is not content to rest on its laurels. Stephen Jones comments, “As the healthcare landscape continues to evolve, the most successful hospitals will maintain their leadership position by identifying upcoming trends and changes and adjusting strategy accordingly. We are confident that the lessons we have learned and the management structures we have put in place will give us that edge and the ability to make course changes quickly and effectively.”

“We are in an excellent position to achieve many of the federally mandated objectives related to healthcare reform,” Kevin Dunn says. “GE provided us with the laser focus and rigor that we previously lacked. We’ve learned that good is never good enough. There is always going to be room for improvement.”

As a growing number of institutions consider adopting GE’s operational and management model, the leadership of RWJUH imparts some words of wisdom. “It is essential that you have a committed management team who is not afraid to put in the work and strong leadership to drive through pushback from affected stakeholders,” Vincent Joseph says.

“It is critical to engage the staff doing the work, as they are the primary drivers of change. If you give up on the employee, you are not going to have long-term success,” Stephanie Conners says. “Other institutions will learn that this is not for the faint of heart. You have to live it.”

“If you learn how to use GE’s model to manage where you are going, you’ll have it licked. However, this is not a program that begins and ends. It evolves week after week and month after month,” Joseph says. “The process never ends, but we always know where we are going and how we want to get there.”
Stephen K. Jones, FACHE, President and Chief Executive Officer

Mr. Jones was appointed President and Chief Executive Officer on September 5, 2007, and had served as Interim President and Chief Executive Officer from December 13, 2006 until his permanent appointment. Mr. Jones previously served as Senior Vice President, Operations of the Hospital since October 1983. Mr. Jones has more than 30 years of health care management experience. Prior to joining the hospital, Mr. Jones served as Assistant Director at Somerset Medical Center, Somerville, New Jersey, from 1979 to 1982. From 1974 to 1979, he was Assistant Director at Barnert Memorial Hospital Center, Paterson, New Jersey.

Mr. Jones is Chair-Elect of the Board of Directors of the New Jersey Hospital Association, and member of the Board of Directors of University HealthSystem Consortium. Mr. Jones is a Fellow of the American College of Healthcare Executives. Mr. Jones is past President of the Senior Healthcare Executives Society of New Jersey and past President of the Assistant Hospital Directors Association of New Jersey. Mr. Jones has a faculty appointment at Rutgers’ Edward J. Bloustein School of Planning and Public Policy undergraduate Public Health Program. Mr. Jones also holds a faculty appointment in Rutgers’ (formerly UMDNJ’s) School of Public Health, MPH program.

He received a Bachelor of Science degree in Finance from the University of Maryland and a Master of Arts in Health Care Administration from George Washington University. Mr. Jones is a veteran having served in the United States Air Force (USAF) from 1966 to 1970. He served as a Russian linguist with the USAF and with the National Security Agency.

Vincent D. Joseph, FACHE, Executive Vice President

Mr. Joseph joined Robert Wood Johnson University Hospital as Executive Vice President in May 2008. Mr. Joseph has extensive health care administration and operations experience spanning more than 30 years in the industry. Prior to his current position, Mr. Joseph served as President of The University Medical Center at Princeton (UMCP) and Senior Vice President of Princeton Health Care System (PHCS). In addition to his tenure at UMCP and PHCS, Mr. Joseph served as Executive Vice President and Chief Operating Officer at Greater Baltimore Medical Center Healthcare in Baltimore, Maryland, and held a similar post at Saint Luke’s Health Network in Bethlehem, Pennsylvania. He also held Executive Director Positions at several Saint Barnabas Health Care System hospitals including Saint Barnabas Medical Center, Monmouth Medical Center and Community Medical Center where he was also Executive Vice President and Chief Operating Officer. Before joining Community Medical Center, Mr. Joseph served as Executive Vice President and Chief Operating Officer at Jersey Shore Medical Center and Associate Executive Director of Operations at John F. Kennedy Medical Center.

Charles E. Taylor, Director

Mr. Taylor is a Director with GE Healthcare Performance Solutions. He has 30 years of executive leadership and change management experience across multiple GE businesses and functions, and within the health care industry. He has led multiple management and leadership system transformations, and outcomes-based performance improvement engagements, leveraging his hands-on working knowledge of GE’s management and leadership systems with strong expertise in marketing, operations management, and total cost productivity methodologies.

Mr. Taylor earned a Master of Engineering from The University of Texas at Austin, and a Master of Business Administration from the University of New Haven in Connecticut. He is a GE certified Master Black Belt, and is also a graduate of GE’s Management Development Course (MDC), taught at the John F. Welch Leadership Center.
About GE Healthcare

GE Healthcare provides transformational medical technologies and services to meet the demand for increased access, enhanced quality and more affordable healthcare around the world. GE (NYSE: GE) works on things that matter - great people and technologies taking on tough challenges. From medical imaging, software & IT, patient monitoring and diagnostics to drug discovery, biopharmaceutical manufacturing technologies and performance improvement solutions, GE Healthcare helps medical professionals deliver great healthcare to their patients.