Success Belongs to Those Who Can Manage Money and Quality as Two Sides of the Same Coin

From Common Sense To Health Cents

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Stop Digging and Start Climbing:

Managing to the "1" Is All About Quality — The Kind That Makes Money!

Nowhere does the 1:10:100 rule need to apply more stringently than in healthcare today where dollars needed for survival—and more crucially, for saving lives—are now at stake.

If you have not read the first in this series of 1:10:100 newsletters, please do so by going to strategicqualitysupportsystem.com and accesses the January 2021 issue.

Because of how long health care *has explained quality away as a necessary evil* to how it deals with outsiders wanting to influence the way it does business – no matter how costly that explanation has become, that is exactly what it has turned into—not because that is the way it should be or has to be, but because of what industry leaders and physicians have turned it into as they keep managing way too many things to the dreaded factor of "100" when, in all reality they could be generating a much more positive, much more healthy bottom line if they would just practice to the "1" in the 1:10:100 rule. Given the axiom that $1 or one man-hour to do something right the first time turns into some factor of $10 or 10 man-hours to correct an error midstream, and $100 or 100 man-hours to fix an abject failure, it is mind-boggling how many time the industry's providers remain content to let situations drift to the "10" in the equation—or, worse yet, the grim "100" factor that most generally ends up being a loss of $10,000, $100,000, $1,000,000 or more—even when it would have been all too easy to stop it — *and make a profit instead.*

Consider the story of a CEO — hired to help a hospital fix its decade's old story of continuous financial decline — a leader who, typical of how too many leaders in health care today keep plodding along deeper and deeper to the kind of losses common to something David Packard and Jim Collins coined as Packard's Law — decided that the best way to do what he was hired to do was to introduce a few new services — starting with a dental clinic in an area of the country where Medicaid paid well for a service that so many people desperately needed. He had the project underway, the grand opening date set and a very excited board of trustees who for the first time in a long time felt good about where the future of the hospital was going — all until the state inspector showed up to license the clinic for opening and it did not happen *because the clean/dirty workroom where the instruments were cleaned, sterilized and managed did not have the right workflow and violated some pretty important infection control principles for that kind of space.*

After a number of phone calls looking for a work-around to his dilemma, the CEO came to the inevitable conclusion that the only viable option to getting the clinic open was to rip the room out and spend to the "100" to redo it. When asked how his infection control professional, who was one of the most experienced in the region, did not catch the error when she reviewed the blueprints or walked the project with the construction management team – typical of what happens far too frequently with the quality side of new projects — he got a quizzical look on his face and asked *why he would have had her do that*.

The answer, of course, is profoundly simple: it was so he could have managed the project to the "1" and opened the clinic on time without having to absorb all the costs produced by ripping the room out to redo it, paying the salaries for all the high dollar staff he had already hired, watching very expensive supplies outdate on the shelves, losing patients to other dental clinics because they grew tired of waiting, and — pretty importantly for the sake of his tenure — not having to forfeit the political capital that is in short supply these days when he had to tell his board that their money-making project was going to be a financial loser, at least for the first year, because of how much new revenue was not going to happen at the same time he had to spend to the "100" in a pretty substantial way.

Managing to the "1" is the kind of quality — and the absence of It — that authors like Juran and Crosby have written about over the years — where the purpose of an effective quality program is to help manage anything and everything that the business does with the goal of getting so much right the first time *in the most business smart ways possible* that leaders optimize the dollar earned and how they get to spend it once they have it. In the generative quality culture that health care has struggled with migrating to, leaders focus on the importance of managing quality and money like they are two sides of the same coin because of the impact the quality side of the coin has on what happens to the money side, not how many new ventures they can pick to work on with an assumption they naturally make money.

If this CEO's infection control professional had identified the error when looking at the blueprints, he could have managed the project to the "1" and delivered on a service that could have added to the bottom line. If she had discovered it when walking the project as the room was being built, he could have managed his first money-making attempt to some factor of "10" where, depending on how quickly the error was identified, he could have minimized the size of the rework necessary and still made money. But because he allowed his view to be influenced by a fifty-year-old leadership fear that if he let too much quality-related information into his decision-making process he might have spend money that he did not want to spend, he got to spend it anyway—*and a whole lot more to boot.*

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"The greatest chance for success belongs to those who can manage money and quality as two sides of the same coin"

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To learn more about how to start recovering the abundance of low hanging money that is available when one manages to the "1" - instead of the "100" - please visit our website and download the white paper titled:

The Ruminations, Revelations and Reality of a Modern Day Hospital CEO

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How Far Can Managing to the "1" Take You?

As the costs associated with health care's resistant and reactive approaches to quality management turn into one of the industry's biggest cost centers - estimated by some to have a price tag as big as a trillion dollars a year—and leaders now marry these costs up with the crippling financial consequences created by COVID-19 as they wait for handouts that can never be big enough, how they get started with the business choices that convert everything health care manages to the "100" to an activity that is managed to the "1" has the potential to a the figure surprisingly big enough that even the most diehard skeptics — who so badly want to perpetuate status quo — may have to give it a try to survive.

Consider how much money a hospital CEO today can be losing into the black hole of poor quality when he or she still spends to the "100" with a long-standing practice that pulls nurses off the front lines of patient care — *where real money and patient satisfaction are created* — only to sit them in offices to audit patient records after-the-fact so they can determine when care was not delivered correctly once it is far too late to make it right for the patients affected. Rather than keeping those nurses engaged in the direct care of patients so he could have the capacity for delivering more money-making care to more patients for more things in more patient-focused ways — because of a patient care environment that he systematized in ways that actually helped his workforce to get a lot more things right the first time in far more business-smart ways — he still believes that he is saving money for his next big technological purchase when he has highly skilled and expensive caregivers sitting in offices finding errors that will have to be managed to the "100" as they count hash-marks and play with Excel spreadsheets to generate reports with data that is generally so old by the time they are done that no one gives them too hard a look — *as it is always too easy to explain away what is in the rearview mirror.*

In addition to having to absorb all the salary and benefit-related costs that come with each position — compounded by the loss of revenue generating capacity that every position represents — this CEO also gets to absorb all the costs that come with trying to hang on to unhappy patients while managing whatever these nurses find to the "100" multiple times over as too many of the errors they find turn into incident reports and are eligible for all the costs described in the January 2021 newsletter — all while he keeps explaining month after month to his board why he cannot improve the bottom line he was hired to fix.

Then there is the hospital that still practices the kind of minimal compliance quality that has the goal of doing just enough to pass a survey but in the absence of the systems that hold the line and prevent it from accruing all the costs to the "100" that come with the industry's fifty-year-old roller coaster model for survey readiness — that one nurse once described as health care's opportunity to perform in its own Broadway play. People are taken away from patient care to rehearse their parts and set the stage for a great performance in the months just before surveyors arrive. The curtain goes up when the surveyors walk through the doors only to have too much of what it takes to have a successful performance in the play called *"Patient Safety"* begin to disappear the moment the surveyors leave signaling for that the curtain can go down — so the hospital can start spending to the "100" in order to manage all the errors that its fading safety practices will not stop — only to then start spending to the "100" in even bigger ways roughly three years down the road to be ready for the surveyors to return with ever longer lists of performance requirements for accreditation that can lead to even longer deficiency reports managed to the "100".

For a one-hundred bed hospital that might have had a few hundred safety-related performance requirements to worry about in the early 1980s, it is today's list of 100,000 activities or more that has turned survey-readiness into a leader's new nightmare because of the *all-hands-on-deck approach* it requires in the absence of the effective systematization that would make it unnecessary to slow or delay work on important revenue-producing strategic goals while helping an already overwhelmed and exhausted workforce more easily get it right.

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*So for an industry that still finds it too easy to treat quality as an incidental to its survival because it never created a line item in the general ledger for tracking how much its members keep losing to their invisible cost center labeled "**the costs associated with poor quality**" — excessively spending to the "100"when spending to the "1" would cause them to end up with more money to spend in their buckets for funding future growth, it is the continuously unacknowledged perpetuation of its kind of spending that has made this cost center one of the industry's most dangerous forms of self-sabotage — as leaders and physicians keep hiding behind an age-old assumption that they are somehow winning a fifty-year-old war against change that the industry actually lost over two decades ago when "Never Events" were born.*