

Leadership Lessons from the 2008 Malcolm Baldrige Award Winner:

AN INTERVIEW WITH POUDDRE VALLEY HEALTH SYSTEM CEO RULON STACEY

By Elaine Zablocki

In 2008, after a multi-year effort, Poudre Valley Health System (PVHS) was awarded the Malcolm Baldrige National Quality Award (MBNQA) in the healthcare industry category. The MBNQA is the nation's most prestigious award for quality. PVHS is a private, not-for-profit health system serving northern Colorado, western Nebraska, and southern Wyoming. It includes two hospitals: Poudre Valley Hospital in Fort Collins, Colo., and Medical Center of the Rockies in Loveland, Colo., plus a network of clinics and other healthcare facilities, including a 50-bed behavioral health center.

Baldrige isn't just a quality program—it represents a fundamental change in how an organization plans and functions. The organization continually reevaluates itself against the Baldrige criteria and its own goals, with the help of Baldrige examiners. It plans for and implements improvements and then evaluates its performance again in a continuous process.

Great Boards Editor Elaine Zablocki asked Rulon F. Stacey, PhD, president and CEO of PVHS, about the reasons the health system embarked on the Baldrige process, benefits it has received from the decade-long process, and the lessons it has learned.

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What PVHS Achieved With Baldrige

Poudre Valley Health System (PVHS) received the Baldrige Award because it demonstrated continuous improvement and excellent patient care, including these results:

- PVHS is consistently in or near the top 10 percent of hospitals meeting national performance standards for treating acute myocardial infarction, heart failure, and pneumonia.
- PVHS relies on a systematic voice-of-the-customer process to provide guidance for strategic planning, goal setting, and improvement initiatives.
- PVHS works with the community to identify and address regional health needs. Total community benefit support surpassed \$110 million in 2007 (more than 25 percent of net patient revenue).
- PVHS senior leaders rely on direct, two-way communication between management and staff, including an open-door policy and access to management's home phone numbers.
- Patient satisfaction ranks in the top ten percent of U.S. hospitals.
- Overall physician satisfaction ranks in the national 99th percentile, according to Gallup.
- PVHS's score on the Financial Flexibility Index (a composite of seven financial ratios measuring financial stability, as determined by Ingenix) has approached or surpassed the top 10 percent nationally for six years.

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Q When and why did PVHS start using the Baldrige process as its quality framework?

A A few years ago, I worked at SSM Health Care, headquartered in St. Louis, Mo., (which in 2002 became the first Baldrige healthcare recipient) so I was familiar with the criteria. When I came to PVHS, we took some time as a team to examine alternative options. We had several board members with manufacturing backgrounds who were very familiar with Baldrige, and in December 1997 we made a formal announcement that we were going to use the Baldrige process.

Q What is the value of having an overarching framework for quality improvement?

A There's significant value for an organization in setting high goals and then continually working to achieve those goals. We wanted continual improvement, and the Baldrige process means reviewing data, making decisions, enacting those decisions, reviewing how successful you were, and then starting the process all over again.

Some organizations may use two methods simultaneously, and interact with those methods in a compelling manner. However, having a single framework was particularly valuable for us because this organization was in a state of flux. Before I arrived, there were five CEOs in four years, so Poudre Valley Health System needed stability.

Baldrige's Seven Areas of Excellence

Founded by Congress in 1987, the Malcolm Baldrige National Quality Award is the United States' highest honor for successful quality strategies and first-class performance. Initially these awards were granted in three categories: manufacturing, service, and small business. In 1999 the categories were expanded to include education and healthcare, with the first healthcare award actually granted in 2002.

Participating organizations are evaluated according to performance excellence criteria in seven areas:

- Leadership
- Strategic planning
- Focus on patients, other customers, and markets
- Measurement, analysis, and knowledge management
- Workforce focus
- Process management
- Results

Organizations applying for the Baldrige award develop a 50-page application covering these topics in great detail. Each area is worth a certain number of points, totaling 1,000 points. (For example, "leadership" is worth 120 points, "workforce focus" is worth 85, "process management" is worth 85, and "results" are worth 450 points.) In 2008, 43 healthcare organizations applied for the award, out of a total of 85 applications in all industry categories. Six healthcare organizations received site visits.

Q How is PVHS different today in its care, services, and how it's managed than it was before the Baldrige process?

A The major difference is, we know where we have opportunities to improve, and we know whether we are successful in our efforts to improve. Earlier, when we weren't data-driven, emotions and personalities played a much stronger role than they should have in making decisions. The loudest voices could get their way, but that isn't statistical or scientific.

Now we have an evidence-based process. I can show you that only three percent of organizations in this country have the same degree of positive relationships with their employees as we do. When we look at turnover, I can prove that we are in the top 10 percent nationally. I can demonstrate that we are in the top 10 percent in patient satisfaction, and less than one percent of hospitals in this country have a better relationship with their medical staff.

Boards have every right to expect this sort of information. Management should be able to demonstrate to the board how the organization compares with the rest of the world in quality measures such as patient satisfaction, clinical quality, physician loyalty, and employee satisfaction.

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Board Chair Says Baldrige Criteria “Don’t Let Us Get Away with Weakness”

Anesthesiologist William Neff, MD, has served on the PVHS board since 2000. He was the board chair from January 2007 until April 2008, and currently serves as the system’s chief medical officer and chair of the board Quality Committee.

Q Why did the PVHS board agree to pursue the Baldrige award and make the substantial effort needed over many years?

A The Baldrige process focuses you to continually examine all areas of your organization; they don’t let you get away with weakness. We have a strong board, and the first goal it set was that PVHS was going to deliver world-class health-care. Then the Baldrige examiners helped us to look more closely at what that means.

Initially we just compared ourselves to well-known, high-performing hospitals. The Baldrige examiners asked us, “How do you know whether they are world class in that particular metric?” We evolved the idea that world-class healthcare means, for us, that we will perform in the top 10 percent for each particular area, and we’ll seek out the best available national benchmarks.

Q How are the board and its Quality Committee involved in the Baldrige process?

A We have an extremely active Quality Committee which meets quarterly. It includes five board members plus the vice chiefs and chiefs of staff for both hospitals, chief nursing officers and CEOs from both hospitals, and the CEO/president of the system. The committee receives the same quality dashboards and balanced scorecard that we use throughout the system, so we have a common conversation going on at all levels of the organization.

For example, in recent years we found our record on significant falls was better than national averages, but not in the top 10 percent, which is our goal. When “significant falls” kept showing up as a red mark on our balanced scorecard, one Quality Committee member firmly said, “We have to fix this.” Over the next two quarters, the medical staff and nursing leadership developed a multi-disciplinary team that looked at each one of our significant falls, and came back to the board committee with half a dozen improvements based on best practices in other organizations. Last year, in both hospitals combined we had only four significant falls.

Q Please give us another example of how the board has responded to Baldrige feedback.

A Two years ago, after the site visit, the examiners pointed out we had grown substantially to encompass two hospitals, more than a dozen joint ventures, and a good deal of outpatient campus activity. They said, “You are too big to continue without a chief medical officer.” We received that feedback in December, reviewed it at our senior management retreat in January, and interviewed four people for the new position in April.

After the same site visit, they said we needed to develop quality measures that were more outcomes-based. At that time, most of our quality dashboards looked at internally produced process measures (such as whether we followed the Joint Commission’s best practices for the core measures) based on our own electronic medical record system. The Baldrige examiners pointed out we needed risk-adjusted benchmarks for clinical outcomes. After this, we engaged with Thomson Reuters to give us risk-adjusted data for our mortality rate, complication rate, lengths of stay, and some cost analyses. Without risk adjustment, it’s impossible to compare those numbers to national data sets, since different patient populations have varying levels of co-morbidities. Now we can compare ourselves to institutions with similar levels of patient illness.

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Q What did you learn about PVHS that you didn't know before the process?

A We learned that the employees of the organization are dedicated to providing top-quality care, every one of them. We learned that we couldn't just use platitudes and be effective. These changes took years and years of altering and improving. Initially we found various forms of "low-hanging fruit," relatively simple changes we could make that did make a difference.

We wanted continual improvement, and the Baldrige process means reviewing data, making decisions, enacting those decisions, reviewing how successful you were, and then starting the process all over again.

Eventually we had to delve into the harder parts to change, the nuts and bolts of the organization. We started working individually with employees, physicians, and volunteers to make sure that every person in the organization understands and supports the vision. Each year every employee chooses their own personal goals, supporting our key organizational measures.

Q What did you and your senior management team learn about your management style? Did it change as a result of the Baldrige process?

A We realized when we embarked on Baldrige that it meant engaging with employees and listening to their feedback. Twice a year we conduct a survey where employees give us feedback on the culture of the organization and tell us what's working. Every leader in the organization drafts an action plan with the staff in their department on how we can better meet the needs of employees.

This means I sat down with my senior team and said, "This is going to be a participatory environment. If you've ever thought 'they don't need to like me, they just need to do what I say,' then you're not going to work here."

It means the board reviews my action plan for the people who report to me. The senior team has observed that I have a tendency to make decisions without involving them. You know, that was valuable feedback, and I'm now doing better in this area. I pay

attention to employees first because I honestly want their feedback, and also because it's important for me to model the behavior I expect others to display. We gather feedback from every employee about their supervisor every six months and I monitor that data for the whole organization.

Q The Baldrige criteria award 50 points for "Governance and Social Responsibilities." Did Baldrige affect your governance process?

A We received feedback from the Baldrige examiners that we needed to look more closely at our strategic planning process, and how we gather and integrate the needed information. Because of that, we revamped our planning and budgeting cycle. We used to have our board retreat in the fall, when the strategic plan was already set. Now the board retreat is scheduled for March, when senior management presents data to the board and gets their initial direction. Their decisions and recommendations then cascade to senior management retreats and are deployed throughout the entire organization. The budget and strategic plan are developed simultaneously over the summer, and the board finalizes the strategic plan at the end of September. This seems like a small change, but it has had a major impact.

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Q How much did engaging in the Baldrige process cost? Can you measure the return on investment?

A That's a question I'm asked all the time, and I would argue that it's the wrong question. It implies that you're running a dual process, that you're managing your organization and then on the side you're filling out the Baldrige application. Until you integrate those two, you'll never be successful at Baldrige.

I believe you'll find that over time it costs you 10 to 40 percent less to run your business using the Baldrige criteria. For example, during the late 90s we changed the way we interacted with our nurses. In the past, when we had a high patient census we'd call nurses in during their off time, and when the census was low we'd send them home. Today, 90 percent of hospitals still do that.

Our board determined that when we made a real commitment to our employees, they'd be in a better position to make a commitment to us. We established a model where we staffed all the time based on a high census, and our nurses have consistent jobs. It was expensive, but over ten years we saw our employee turnover rate decline steadily from 30 percent down to about five percent. We're saving \$25 million a year on

employee turnover. While it may cost money initially to make changes based on the Baldrige process, over time your revenue will increase. It's a long-term commitment.

The major difference is, we know where we have opportunities to improve, and we know whether we are successful in our efforts to improve. . . . Earlier, the loudest voices could get their way, but that isn't statistical or scientific.

We asked ourselves this question in the early years of our Baldrige journey when Baldrige was something we did "on the side" in addition to our "regular jobs." But then we realized that Baldrige is a business model, not an award application, and the real power of Baldrige comes when you make Baldrige how you do your regular jobs, when it becomes how you run your business. Then your question becomes, "How much does it cost to run your business and how much can you save by improving your quality?" Baldrige provides a systematic approach for continuous evaluation and improvement.

Q How have physicians responded to the Baldrige approach?

A Initially they thought it might be a "program of the month" approach. Now, 10 years later, they understand that our goal is to provide world-class healthcare, and fortunately, that's their goal too.

Workforce engagement is one of the Baldrige criteria, and we've made efforts to involve physicians in long-term planning. We knew we had to expand, and we considered a new women's and children's hospital on the south side of the city. Our physicians were almost universally opposed to that option, because they didn't want to cover two hospitals. We eventually proposed (and built) a hospital further south; that gave physicians a choice about practicing at one or both hospitals.

As we built Medical Center of the Rockies, our community physicians basically designed the new hospital. They traveled with us to review the best trauma programs in the country, and we designed the hospital so patients can go instantly from the trauma room into the CT scanner. They went with us to the Indianapolis Heart Institute to see how they structured quick access to the operating room from the angio suite. We built a sample patient room and invited community physicians to do a mock trauma or code in that room and find out how it worked.

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Award Is the Icing, Not the Cake, Says Stacey

“At first, we as an organization were focused on process improvement, not the award,” Rulon F. Stacey, PhD, president and CEO of Poudre Valley Health System, recalls. “Then, we went through a period where we did start to think about achieving the award. In my opinion, that set us back a bit.”

“Last fall, after the site visit, I was at a meeting when someone asked me when we’d hear about the award, and I realized that I didn’t know. On the other hand, I knew, and everyone in the organization knew, that the feedback report would reach us December 15. That’s when I started to think that perhaps we had turned a corner . . . we were focused in the right direction.”

“We actually heard Thanksgiving week that we were a 2008 Baldrige recipient, and that was a celebration! But then when the feedback report was two days late, our organization went through shock waves. I mean, people were distraught! That was a sign to me how much our people have invested in this process.”

Q What’s next for PVHS? Where do you go after you’ve achieved the highest quality award?

A We may have achieved the Baldrige award, but that does not signify perfection. This year the Baldrige examiners listed nearly 30 “opportunities for improvement” that we can work on. For example, they suggested that our physicians want to hear more directly from the CEO about our strategic goals and about their potential involvement in our plans.

Since we’ve received the award, we are not eligible to submit a Baldrige application for the next five years, but we do plan to seek out other sources of external review.

There’s significant value for an organization in setting high goals and then continually working to achieve those goals.

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A copy of the Poudre Valley Health System application for the 2008 Malcolm Baldrige National Quality Award will be available on the Baldrige Web site at the end of March. Go to <http://www.quality.nist.gov/>.

For additional information about Poudre Valley Health System and the Baldrige award, go to www.pvhs.org.

For the Baldrige Criteria for Performance Excellence, go to http://www.quality.nist.gov/Business_Criteria.htm.

For information on Baldrige Award recipients, 1988-2008, go to http://www.quality.nist.gov/Contacts_Profiles.htm.

Links to all these sites are available at: www.GreatBoards.org