

White Paper

A Management System for Achieving Transformational Improvement and Exceptional Performance in Health Systems, Hospitals, and Ambulatory Practices



Whether you lead a large health system, an academic medical center, a community-essential hospital, or a physician group practice delivering diagnostic and surgical services, you deal with an array of challenges including declining reimbursement, spiraling labor costs, rising cost of debt, pressure to redesign care delivery models, and a rapid shift to ambulatory sites of care.

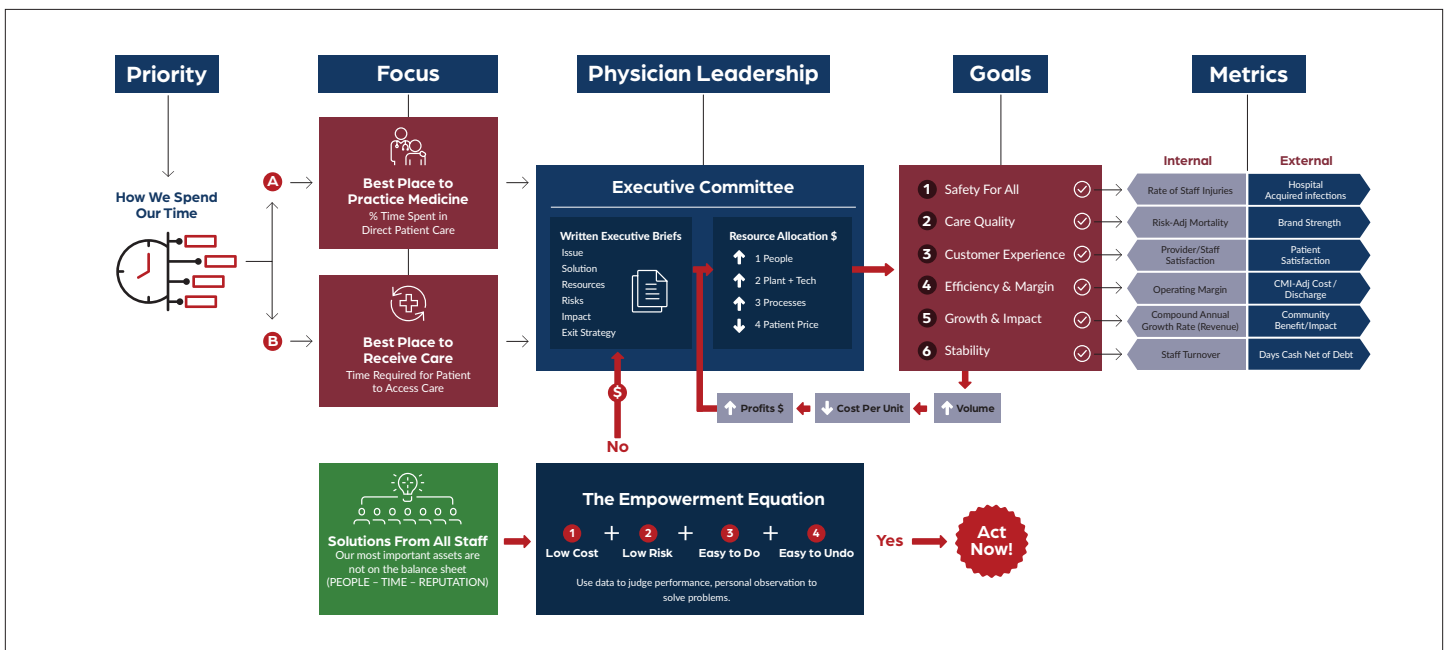
That's just to name a few. And while you grapple with these challenges, you are also responsible for maintaining quality, improving care access, elevating patient experience, and ensuring long-term financial stability.

Pulled in all directions, you need a leadership system that gives you tools and a framework for achieving exceptional performance.

Kada Health Operating System

The Kada Health Operating System (KHOS) is a leadership philosophy and management operating system used to achieve improvement and sustain excellence in operations and financial performance. It can apply to any healthcare organization and leverages several well-established management principles and concepts.

The system creates a culture in which every team member implements positive changes that improve (1) physician and caregiver efficiency and (2) patient flow. This focus, which helps your organization become the best place for physicians and other caregivers to practice medicine and the preferred place for patients to receive care, extends throughout the entire organization – from your board of directors to frontline staff.



Background of KHOS and Its Impact

The Kada Health Operating System (KHOS) evolved from the leadership principles and management system used at Beaumont Hospital in Royal Oak, Michigan, from 2009 to 2016. Now a part of Corewell Health, Beaumont applied the principles embedded in this system to achieve top performance across a variety of metrics covering (1) care excellence and reputation, (2) quality and safety, and (3) affordability and efficiency. The hospital received national recognition for its performance in all these domains. Some of the honors and recognitions included:

- Care Excellence & Reputation:** Top 5% of all US hospitals as ranked by US News & World Report, with nine or more specialties consistently ranked among the nation's best.⁽¹⁾
- Quality & Safety:** Consistently a top 10 performer for care quality and safety among the prestigious teaching hospital and academic medical center members of the University HealthSystem Consortium (UHC). For seven consecutive

years, Beaumont achieved 5-star performance (the highest ranking) in care quality and patient safety by UHC and was a repeat winner of the Birnbaum Quality Leadership Award.

- Care Efficiency & Affordability:** Top 10% of all US hospitals for efficiency and affordable prices. RAND's 2019 study on consumer prices using claims data from 2015 to 2017 recognized Beaumont Royal Oak as one of the most affordable hospitals in the nation as measured by prices paid by patients with commercial insurance, providing care for 143% of Medicare (the low end of all participants in the study). Its prices were far below the national average (241% of Medicare).⁽²⁾ Beaumont has retained its leadership position as an affordable provider of care since that time.

In short, Beaumont serves as proof that hospitals and health systems can provide the very best and most advanced medical care for far less than most employers and patients pay today. The management tools and philosophy used to achieve this level of performance have evolved over time into the Kada Health Operating System (KHOS). KHOS has since been used by community hospitals and academic health systems alike to transform institutional performance, improving productivity, care quality, efficiency, and profitability. In one case, a community health system with a 20% operating loss completed a financial turnaround and achieved profitability within six months. In a very different case, a major East Coast academic medical center and quaternary referral center eliminated a four-year standing diversion rate of 35%. Diversions were eliminated in six months and the resulting increase in admissions and patient volumes resulted in a 10% increase in topline revenue. Similar results can be achieved by your organization, too.

Today, Kada Health shares this leadership system and toolkit with organizations ready to achieve breakthrough performance.

A Note from the Author

I want to express my gratitude for the years of learning I experienced throughout my career, especially the early years, working alongside the amazing doctors, executives, and staff at both the University of Iowa Hospitals & Clinics in Iowa City and at Beaumont Hospital, Royal Oak in metro Detroit. Both health systems excel in delivering exceptional care. Iowa is well-known for its long history of excellence in the tripartite mission of a research-based university health system. Beaumont is a nationally-ranked organization that is among the nation's most efficient health systems – a place that possesses the unique, but rarely achieved attributes of nationally renowned expertise (with nine US News ranked medical specialties) and where care is delivered more efficiently, and at a lower price, than most hospitals anywhere in the US, including much smaller health systems and community hospitals. Beaumont is an example of how the industry can deliver the very best care at a fraction of the cost paid by most companies and patients today.

– Shane Cerone, Kada Health CEO

Central to KHOS: The "A+B" Core of Provider Efficiency and Patient Flow

The central tenet of KHOS is to focus the entire organization on two core areas of emphasis that create alignment among staff and generate the resources necessary for the organization to excel as efficiency increases. Pursuing improvement in both becomes the dominant culture of the organization and gives team members at all levels the time required to achieve goals.

- Provider Efficiency (Be The Best Place for Doctors and Clinical Staff to Give Care)**

Physicians and other caregivers want to maximize the time they spend in direct caregiving. KHOS creates a relentless focus on workflow and system optimization to maximize physician and caregiver time with patients. Their time is the most valuable in the organization. All staff, from executive leaders to frontline care providers, improve workflows and systems so that physicians and other providers maximize face-to-face time with patients.

(1) U.S. News & World Report, "2024–2025 Best Hospitals: Specialty Rankings," available for download at https://health.usnews.com/media/best-hospitals/2024-2025_Best_Hospitals_Specialty_Rankings_Methodology. Published July 16, 2024. Accessed September 22, 2024.

(2) RAND Research Report RR-3033-RWJ, "Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely," available for download at https://www.rand.org/pubs/research_reports/RR3033.html. Published May 9, 2019. Accessed September 22, 2024.

b. **Patient Flow (Be The Best Place for Patients to Receive Care)**

Equally important is making it easy for patients to access care and navigate the care process. KHOS is founded on a spirit of giving the very best care to patients. This begins with ensuring patients face no barriers to accessing the care they need. They must be able to easily access the correct care team and should be “guided” through the care continuum with optimal efficiency. This begins with how phones are answered and how appointments are scheduled. It carries through to the amount of time it takes for a patient to be seen by the right provider and receive the treatments required to restore the patient to optimal health.

Focusing on Core A (Provider Efficiency) and Core B (Patient Flow) improves productivity, thereby creating the resources required to meet the goals outlined in the KHOS balanced scorecard detailed below. It generates the “fuel” needed to invest in the organization and achieve higher levels of care quality delivered to patients at reduced cost. Most importantly, it helps an organization attract the best talent for giving care and establish itself as the place where patients prefer to receive care.

Implementing KHOS: The Seven Elements

The Kada Health Operating System is a framework for organizing the work of your leadership team and staff for continuous improvement. It incorporates elements of Harvard’s Balanced Scorecard, W. Edwards Deming’s statistical measurement of performance, and the Toyota Production System. KHOS is founded on seven key elements.

01 Engage Frontline Physician Leaders as Members of the Executive Team

Healthcare is unique as an industry in that doctors and other independent practitioners (whether employed or in private practice) are both the suppliers of services to patients and a customer too. They prescribe treatments and direct patients where to go to receive them. In how many other industries does the person who supplies the product or service also direct the customer in its selection? While every health system has at least one or two members of the medical staff on the senior leadership team, often serving as the Chief Medical Officer or in a similar role, KHOS organizations expand the voice of practicing physicians on the senior-most leadership committee. These women and men are selected based on their influence in the organization and come from a range of medical specialties. Adding three and sometimes up to seven (or more) members of the medical staff to the executive committee with decision-making authority is the first step in building a more informed, effective, and nimble executive team. This shared governance approach for a physician-led organization sets the stage for achieving the highest levels of performance.

02 Establish Clear Goals and Priorities Using a Balanced Scorecard

KHOS is organized around a balanced scorecard that aligns goals from the Board of Directors to the frontline staff and volunteers. Six recommended scorecard elements establish the balanced focus needed to drive improvement and fulfill the organization’s mission to its patients and the communities it serves.

The scorecard goals provide a “North Star” focus, which allows all medical staff, employees, volunteers, and suppliers to work on one or two key areas where their efforts to improve locally has a meaningful impact on the institution’s overall performance as similar work is carried out through every part of the company. The connectivity created from the Board to the frontline sets the stage for building a culture that strives for continuous improvement as an everyday activity.

KHOS leverages the Toyota Production System and its principle of “going to the shop floor” to empower managers and staff to implement change directly. The clarity of goals established by the scorecard provides the cohesive focus needed to achieve improvement. This is about getting all

Implementing KHOS: The Seven Elements Continued

	Core Goal	Internal Metric	External Metric
1.	Safety for All	Rate of Staff Injuries	Hospital-Acquired Infections
2.	Care Quality	Risk-Adjusted Mortality	Brand Reputation
3.	Customer Experience	Provider & Staff Satisfaction	Patient Satisfaction
4.	Growth & Impact	Compound Annual Revenue Growth Rate (\$\$)	Community Benefit / Impact (\$\$)
5.	Institutional Stability	Staff Turnover	Liquid Days Cash Net of Debt
6.	Margin & Efficiency	Operating Margin	Patient Price / Affordability

members in the boat to row in the same direction, at the same cadence. Or to use another example, just google “Amish barn move.” Healthcare institutions are large, complex organizations. They are hard to move in a new direction quickly. But just like the Amish barn move, when large numbers of people focus and work on the same goal, it is incredible what can be accomplished in a short period of time.

Once the balanced scorecard elements are established, the executive team selects one or two metrics for each goal. In most cases the team will identify one internal and one external-facing metric. Internal metrics often have unique meaning to those within the health system. External metrics focus on performance measures that have meaning to the health system’s patients, payers, and community constituents.

Although we provide an example of balanced scorecard metrics above, there are many potential candidates. Achieving consensus on the metric isn’t important. What matters is selecting a metric that has a “North Star” quality. It has to be useful for divisions, departments, units, and individual staff in selecting and implementing continuous improvement efforts that tie meaningfully to the organization’s goals. Teams develop their own unit scorecard based on the system indicators. For example, a health system may select risk-adjusted mortality as its internal quality metric. Housekeeping may not initially think it has a way to directly impact severity-adjusted mortality, but it can improve the speed of turning inpatient rooms so that patients can efficiently get from the ER to the inpatient bed. Or perhaps it wants to focus on cleaning standards to reduce infections. In either scenario, by helping move the patient to the correct care site at the right time, or ensuring the highest standard of cleanliness, the department and its staff are able to meaningfully contribute to overall care quality and the organization’s success in achieving low rates of risk-adjusted mortality. The important point is that each individual team or department, no matter what size, select local metrics that tie meaningfully to the organization’s performance scorecard. This connectivity creates the “highway” for performance improvement and excellence.

03 Track Performance Trends for Key Metrics Using Control Charts

Every metric of the balanced scorecard is monitored on a regular basis using a control chart. All control charts are standardized, showing trends over time as well as the 10th, 25th and 50th percentile performance for the organization’s peer group. The focus isn’t on where you start, but rather on achieving improvement. With this philosophy, you get incrementally better every day. Importantly, proper use of control charts prevents organizations

Implementing KHOS: The Seven Elements Continued

from reacting to data that is not statistically significant. Each control chart becomes an exhibit in the organization's balanced scorecard and is reviewed by the Board of Directors at each meeting. Board of Director meetings focus predominantly on what the organization is doing to improve performance. The Board's scorecard looks and feels the same every time they meet.

04 Accelerate the Pace of Decision-Making

Take a good look at the minutes from your senior executive meetings. How many decisions are made at each meeting? For organizations seeking to improve rapidly or achieve the highest levels of performance, a key step is to recognize that for all the work the team is doing, the organization often needs to make good decisions, faster. The Kada Health Operating System provides a framework to achieve this result. Using KHOS, executive meeting effectiveness is judged by the number of decisions the team makes to achieve higher levels of performance.

Every organization needs a system for processing ideas and implementing change. Many improvement initiatives should be implemented locally without senior leadership approval. But those that do need significant capital, operating, or political resources are presented to the Executive Committee using the KHOS Executive Brief, a standardized, one-page (two-sided) document that contains six fields of information:

1. Statement of issue
2. Recommended solution
3. Resources required
4. Risks
5. Projected impact
6. Exit strategy

Executive briefs are distributed to the Executive Committee in advance of the meeting. Each brief is reviewed, deliberated, and acted upon (approved, denied, or sent back for additional information). The goal of each Executive Committee meeting is to ensure that the agenda is loaded with Executive Briefs ready for final review. Briefs are to be read in advance so that executive team time is spent on questions and discussion, not presentations. Informational items are allocated very little time in this meeting. Leadership's responsibility is to ensure that each member is bringing forward initiatives for consideration and approval. The most impactful leaders aren't the ones who come up with the ideas themselves. Rather, they are the ones who leverage the experiences and intellect of their entire team to bring ideas from their staff forward for implementation. In other words, they harvest the countless improvement ideas that come from the frontline and focus on resourcing and implementing the best ideas with the greatest impact. This is a "ground up" approach to improvement.

The Executive Committee meets on a weekly or bi-weekly basis. You can judge meeting effectiveness by tracking the number of briefings that are reviewed and acted upon.

05 Establish an All-Staff Focus on Provider Efficiency and Patient Flow

Organizational paralysis results when there are too many goals, initiatives, and marketing campaigns but not enough effort to achieve simplicity and focus. Leaders in healthcare are responsible for a vast number of performance metrics required for care quality, patient safety, accreditation, and reimbursement. Organizations can meet the moment by focusing on

Implementing KHOS: The Seven Elements Continued

the goals established in their KHOS Balanced Scorecard and by emphasizing the importance of the Kada core elements described previously – provider efficiency and patient flow. Process improvement efforts must include a constant focus on these two essential matters. Both areas emphasize the most valuable asset in your organization: the time your providers and patients have to give and receive care.

06 Engage All Personnel in Improvement

The organization that decentralizes decision-making whenever possible empowers its staff to drive change. It benefits from a culture that improves each day. The Kada Health Operating System embraces a leadership philosophy that gathers great ideas and supports their implementation. The role of senior leadership is to set the direction for improvement and tap the ingenuity and creativity of all staff to achieve that improvement. Whether an organization has 500 or 50,000 employees, KHOS seeks to leverage the input and ingenuity of all doctors, staff, and volunteers. Brilliant ideas can come from anywhere and most often are based on local knowledge of the inefficiencies and inadequacies of the organization's systems. This input is best gathered when managers dedicate a majority of their time to improving the flow of work and engage staff in implementing positive small changes each day that add up to a large cumulative difference over time.

Ideas for improvement can also be gathered using electronic tools. Systems like IdeaScale can be used to create a simple digital inbox allowing all staff to share ideas and allow other staff to rank the importance and anticipated impact of that idea. Initiatives that receive the most support are vetted by senior leadership and, if appropriate, implemented. Organizational productivity improves, which ultimately results in improved care quality, efficiency, and financial stability.

07 Foster a Culture of Continuous Improvement and Empowerment That Decentralizes Decision-Making to the Frontline

A culture of empowerment allows an organization to increase the rate of improvement and the pace of positive change. Although there are many systems of continuous improvement, we are particularly fond of the Toyota Production System and its focus on “going to the shop floor” to support local managers and staff as they make improvements each day. Kaizen, or process improvement initiatives, are spread throughout the organization with a focus on efforts that either enhance provider efficiency or improve patient flow. This process allows the people doing the work to identify problems and make improvements. A clear set of simple rules allow staff to act locally (and without senior leadership approval) whenever the change meets the following four criteria (**LOW-LOW-EASY-EASY**):

- a. **Low Cost:** Can the idea be implemented, even on a trial basis, with few or no resources?
- b. **Low Risk:** Can the idea be implemented without risk to patient or staff safety?
- c. **Easy To Do:** Can the idea be easily tested or implemented?
- d. **Easy To Undo:** Can the action be easily reversed if it fails to have the expected impact?

If the answer is “yes” to all four elements (**LOW-LOW-EASY-EASY**), then staff are empowered to implement and try the improvement at the local level. Ideas and initiatives that fail to meet one or more of these four criteria can be framed in the Executive Brief and presented to leadership for consideration and approval.

Conclusion

By adopting the Kada Health Operating System, organizations—ranging from independent, community-based hospitals to the nation's largest, most prestigious health systems—can drive meaningful improvements in a short period of time and achieve exceptional performance for the long-term. The productivity gains that result can be used to elevate care quality, improve efficiency, and ensure financial stability for the organization. Perhaps most importantly, this leadership philosophy and its tools can be used to drive down the cost of exceptional healthcare, ensuring that everyone has access to the most advanced medical care in a system that is affordable for all.

If you are interested in learning more about how the Kada Health Operating System can help your organization, please contact us at info@kadahealth.com or call 402-334-5219.



Shane Cerone, CEO

Shane has served in senior operations and chief executive roles at some of the nation's top performing hospitals and health systems, including the University of Iowa Hospitals and Clinics and Beaumont Hospital, Royal Oak. He is passionate about using the Kada Health Operating System to help organizations achieve rapid improvement in operating and financial performance in a way that is sustainable for the long term. Shane is dedicated to ensuring that our customers and partners thrive, supporting Boards of Directors and CEOs in transforming their operations to achieve best-in-class performance.

