

# Creating a culture of change

New Hanover Regional Medical Center needed strategies to get ahead of industrywide trends—and save at least \$80 million over 10 years

## New Hanover Regional Medical Center

- Wilmington, N.C. area
- Public not-for-profit
- 800 beds
- \$1 billion revenues

*“Our Lean transformation, our partnership with Vizient, and implementing this over the last six years has made us the successful organization we have been.”*

John Gizdic, President and CEO

How do you cut costs at the same time as improving care? With a partner who knows how to help change an entire culture. Vizient® partnered with New Hanover Regional Medical Center (NHRMC) to engage 7,000 employees in a top-to-bottom transformation, fostering a cycle of continuous improvement.

## Challenge

### How do you get ahead of change?

New Hanover Regional Medical Center faced a challenge familiar to many organizations: to deliver greater value, efficiency and quality in care delivery. Consumer, payer and regulatory pressures keep growing, accelerated by the Affordable Care Act.

“We were going to be facing a \$150 to 200 million deficit and things had to be done differently,” says Jack Barto, president and CEO from 2004-16. Costs were just one side of the equation, however. Cutting spending would need to go hand-in-hand with improving performance, or else NHRMC would fall short of its community’s needs.

NHRMC would need to activate all its employees, overcome inertia, and change the culture of the organization itself.

## Solution

### 7,000 problem solvers

NHRMC partnered with Vizient to engage its staff of 7,000 in an organizationwide Lean transformation. The mission? To instill a culture of continuous improvement, where employees themselves felt empowered to change the way things work. Success would require the commitment of everyone, from the C-suite to housekeeping.

# \$80M

Targeted savings over 10 years

# \$165M

Actual savings without staff reductions

# 6%

Increased operating margin from 3% to 6%

# <10%

Staff turnover reached below 10%

*“Rather than having things prescribed from an outside team of experts, the Vizient approach allowed us to develop problem-solvers within our organization. They were able to assimilate to our existing culture and help us change it.”*

Greg Firestone  
Director of Lean Strategies

This transformation would touch every aspect of the organization’s daily practice: re-thinking processes, removing inefficiencies, raising quality measures, and improving the patient experience. It’s a years-long journey, guided by the expertise of the Vizient Advisory Solutions team.

To earn their employees’ trust and investment, the NHRMC executives made a bold pledge: to achieve their goals without reducing staff.

### **10,000 steps, one great leap**

Early wins in NHRMC’s pharmacy set the tone. A Lean-based improvement event brought pharmacy techs into the process. The result? A redesigned workflow that shaved 10,000 steps each day from drug retrieval.

Practically overnight, the pharmacy was transformed. “Rearranging pharmacy logistics and trimming techs’ daily travel time from four miles to a half mile was a huge win in efficiency,” says John Gizdic, NHRMC’s president and CEO. “And getting meds to the floor faster was also a huge win for nurses, physicians and ultimately the patient.”

More importantly, Gizdic notes, the results showed employees that Lean transformation was more about improving operations and making better use of existing resources—not just a cost-cutting exercise. The changes freed two full-time employee slots. Instead of being cut, they were redeployed to perform additional value-added duties in the unit. “From that success, we had many departments lining up to do the next initiative.”

### **Making transformation stick**

#### **From fixes to non-stop improvement**

The first projects generated excitement. However, once the events concluded, the challenge was to build and nurture systems that led to true transformation. Visits to other hospitals opened the leadership team’s eyes: they weren’t making enough progress, nor ingrain the changes into the culture of the organization.

In response, NHRMC worked with a Vizient team to reset its approach, shifting from a focus on discrete improvement events to a broader view. It emphasized the education of senior management about their changing roles and responsibilities.

Leaders were asked to assume more of a coaching role, where information and solutions are harvested from the work units.

### **Lean and leadership**

#### **From top-down to team-led**

The change only began in earnest when it was driven by an ironclad commitment from the very top of the organization.

Historically, “people in health care have tried to solve a problem before the problem is well defined, and before barriers and goals are defined enough to recognize solutions,” says Ed Ollie, NHRMC chief financial officer, who has helped shepherd the transition to Lean since its beginning. “The process of using Lean to become more efficient, do something better or start something new begins slowly, and it starts with leadership. It may take five years to permeate through an organization and become an essential part of how things are done.”

*“Within six months, our new standard of care based on evidence-based practice resulted in a significant decrease in cost per case, with total savings in the first year of more than \$1 million.”*

David Parks  
Vice President, Clinical and Cardiac  
Support Services

Lean is very compatible with effective leadership principles, says Gizdic. “It’s driven by consensus and teamwork rather than command and control—and employs processes that are informed by actionable data. But the most challenging part for any organization undertaking Lean is the transformation of top leaders from traditional top-down decision-making to a collaborative team-based approach.”

“We started to build internal trust across departmental lines,” says Mary Ellen Bonczek, NHRMC chief nursing officer. “The sharing of stories goes underrated when you’re trying to change an organizational culture.”

### **Bringing physicians on board**

#### **Surgeons see the light of Lean**

NHRMC is vigilant about ensuring that physicians are buying in to Lean principles and working to engage their participation in clinically based improvement initiatives.

Using Lean processes, NHRMC and Vizient analyzed order sets used by cardiovascular surgeons. They compared usage, cost per case and outcomes data by physician against benchmarked data from the Society of Thoracic Surgeons and order sets benchmarked from other top-performing providers nationwide. Working with these physicians, anesthesiologists, physician assistants, nurses and respiratory therapists, a standard order set was established for cardiovascular procedures and follow-up patient care. This consistent approach has improved not just outcomes, but also employee satisfaction.

Physicians also discovered the opportunity to drastically reduce blood usage, which has further lowered costs and decreased related renal complications. According to Vice President David Parks, the initiative’s lead cardiovascular surgeon recognized the potential for similarly evaluating other improvement opportunities and quickly became an advocate. “Lean really mirrors the scientific process, with which doctors already are comfortable,” Parks says. NHRMC transferred that success to other physicians in other specialty areas.

In perhaps one of the most ambitious assignments for any health care organization, NHRMC completely redesigned how care is delivered in its nursing units. A multidisciplinary team of nurses, physicians, clinician leaders, technicians and other care personnel spent about four months in weekly segments with a Vizient coach to overhaul and streamline the standard model of care.

“We had to learn together that we didn’t have all the answers—and to challenge ourselves to make it about more than just this project,” says Bonczek.

The redesign has changed the organization’s primary nursing model from one based strictly on registered nurse-to-patient ratios to a team-based model that brought a larger patient group under the joint care of a team of registered nurses, nurses and nursing assistants. This allowed care units to meet the budgeted nurse-to-patient staffing ratios, while adding valuable additional nursing support staff to supplement patient care.

The old leadership-directed way of facilitating change has given way to a Lean-directed collaborative process that reflects the creativity, experience and knowledge shared by front-line nurses and staff members. “We’ve seen dramatic improvement in our HCAHPS scores and in our outcomes for measures such as prevention of hospital-acquired conditions,” says Bonczek.

*“What I see now is a willingness by everyone to identify barriers to improvement and offer solutions to remove those barriers.”*

Mary Ellen Bonczek  
Chief Nursing Officer

Huddles held four times daily help staff members track issues, monitor performance and self-govern how work flows during the day. Changing treatment protocols, patient acuity and patient populations help shape the care model, but the process map that guides those changes remains intact.

The result is personnel taking true ownership of a care model that improves quality measures, boosts patient care standards, and promotes new efficiencies. They also have the tools and support from management serving as coaches to sustain the improvement over time.

## The results

### Stronger finances, brighter future

The financial benefits of the Lean journey continue to build. In an era where reimbursements and payments have decreased, the only way you can improve your margin is by decreasing your costs at a greater rate.

Ollie estimates that in a little more than a decade NHRMC has compiled \$165 million in total savings, including \$110 million over just the past five years—without staff reductions. It now boasts one of the lowest cost structures per discharge in North Carolina and an operating margin that increased from 3 percent to 6 percent.

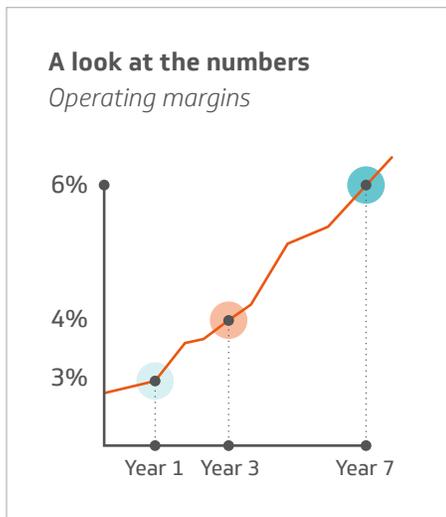
The savings have emerged from not just improvements to clinical practices and procedures, but also by applying Lean principles to the business side of operations. “We’ve driven down our accounts receivable, reduced our denials, increased our point-of-service collections and lowered our supply costs,” says Ollie. “The interesting thing about the journey is that the longer you work at it, the better you get, and the more you know can be done.”

### Happier employees, healthier patients

The cultural transformation has been felt in other ways. Staff turnover has decreased to below 10 percent across the organization. With employees committed to following predictable and proven standard work, they come to work more engaged, and empowered to drive change.

Patient experience ratings are climbing dramatically. A hospital-owned physician practice was showing patient ratings percent in the 30s when first acquired. With a Lean-inspired makeover, patient ratings have not dipped below 92 for more than a year.

Today, NHRMC’s success as an emerging Lean organization is touted across the health care industry, and in the communities it serves. And the improvements have just begun.



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