

Why TPS/Lean is Struggling in Most American Hospitals

by Jan Jennings

It is important to stress that many American hospitals are squeezing every nickel of inefficiency out of their budgets through the effective deployment of TPS/Lean. I dare not name them for two reasons; first, I do not have their permission and, second, they generally do not want their phones ringing off the hook with requests for conference calls, observation visitations or both.

To set the table, here is a quote from David M. Cutler, "To reduce this waste, organizational innovation will be required. To date, however, such innovation has been very rare in health care. This paper argues that lack of information and poor incentives are the key barriers to new organizational models, and accordingly that public action to address these issues is needed. Recent reform legislation has made changes in each of these areas. Whether the legislation addresses these problems sufficiently is something that only time will tell." The paper title is "Where Are The Health Care Entrepreneurs? The Failure of Organizational Innovation in Health Care."

For obvious reasons, our firm gets called primarily from the two-thirds of American hospitals that are losing money or just barely breaking even. There is no question that the preponderance of these hospitals would do the right thing if they know how to do it and could also recognize the correct action to take in order to accomplish it. Here are the four rate-limiting factors to getting the job done with TPS/Lean:

1. **Lack of CEO Commitment:** More often than not, the CEO and Board of Directors of the hospitals we work with do not have the foggiest idea what TPS/Lean is. They have read about Toyota's success and they may even have attended a seminar on success stories about Toyota and TPS/Lean, but it is not an integrated component of their management philosophy or operating plan. They frequently were not exposed to it in graduate school, or the manner in which they approach the c-suite and the board of directors, is less likely to demonstrate that TPS/Lean is the system to break the back on inefficiency and perennial employee layoffs.

This issue, by far, is the biggest reason hospitals are struggling. Our firm, helps hospitals get "out of the ditch" financially through the introduction of "fail safe" programs and services. On the other hand, we are not evangelists and cannot change what is going on inside the heads of the management and board of directors of a hospital that is still operating like it is the 1970s or 1980s.

Think of the contrast to a Toyota executive or board member. They have or do work on the floor of Toyota production facilities and are accountable to a well-informed Board of Directors with regard to the Toyota Production System (TPS). Yes, Toyota has its own problems. Last week over two million automobiles were recalled because of the gas pedal sticking to the floor

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mat. Notwithstanding, every major automobile manufacturer today uses one iteration or another of TPS/Lean. Why? Because it works! The typical struggling hospital executive and associated board member I communicate with could not describe TPS, given the opportunity, in 25 to 50 words. They simply do not know how powerful the tool is.

- 2. Starved for Resources:** Many hospitals on the TPS/Lean journey do not implement the program to its natural conclusion. Employees who identify themselves as particularly adept at implementing TPS/Lean in their area of operation are not pulled and converted into a full-time “Coach” or “Trainer.” Hospitals are FTE “nuts.” Efficiencies gained are taken and the quest to reduce FTEs/per adjusted occupied bed is the clarion call. Investing in TPS/Lean so it can wring out inefficiencies to the fullest is frequently not even understood, let alone implemented. This leaves the professional in the Department of Productivity Improvement frustrated and discouraged. It is difficult to speak “truth to power” in many hospital organizational settings. So, even those hospitals attempting to deploy TPS often choke off full potential by starving the program with a lack of necessary and appropriate resources.
- 3. Recognition of the Differences between a Toyota Facility and an American Hospital:** This is heresy to many hard core enthusiasts of TPS/Lean. The fact is that the Toyota production facility receives standard parts for assembly and every output, designed to specifications, is identical. While this is somewhat oversimplified, think about the differences of the “production process” of the American hospital. Every patient who arrives has a different medical or surgical circumstance, genetic profile, clinical history, socio-economic condition and on and on. Unlike Toyota, the inputs to “hospital production” are not engineered to a “standard.” Even treated with “clinical pathways” that the medical staff, nursing staff and other patient care providers have agreed upon, there is remarkable variation from patient to patient. This in no way invalidates the importance of TPS technique; it simply makes the process remarkably more complicated and, truthfully, more frustrating.

Further, each major area of the hospital is like a separate “production facility.” The TPS journey in the emergency room has precious little in common to apply TPS to the operating rooms, the ICU, a pediatric unit or an outpatient surgical unit and so forth and so on. Accordingly, the successful “outcome” in a hospital setting has little in common with a standardized 6-cylinder Toyota engine. Deploying TPS/Lean in a hospital setting is much more interesting and exciting if done properly and supported with the necessary resources and institution understanding. What industrial leaders often miss is the added level of complexity of the hospital setting. Board members who do use TPS/Lean in their own businesses can easily be frustrated by the added complexity of the hospital or simply deny the added complexity exists. If you need a higher authority, Peter Drucker wrote that the American hospital is the singular most complex organization in the world.

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4. **Failure to Recognize and Reward Success:** Here is an area where we have nothing to learn from Toyota. In the interest of brevity, I will relate but one story of Toyota's own failures with TPS/Lean. A dear friend with an education in engineering took a production line position in a Toyota assembly plant near Charleston, West Virginia. The assembly plant had two outputs; transmissions and V-6 engines. The friend referred to, has an innate ability to look at a complex set of mechanical variables of assembly and identify processes that can be improved upon. He was constantly interrupting the assembly process to engage the attention of Toyota executives to methods to speed up and/or improve the assembly process. How was he recognized and rewarded? He was asked to write up new assembly processes on his own time and teach the revised assembly procedures to his co-workers. He felt he was being taken for granted. His supervisors and assembly facility executives could not muster a single, "Thank You." Is it any wonder that someone in the Toyota manufacturing process might have felt it was not worth the effort to point out a better way of configuring the gas pedal around the floor covering. Why bother?

The typical patient care provider is paid well below their value to the American hospital. Positive feedback is the American hospital "breakfast of champions." A necessary component for a hospital-based TPS/Lean system is a robust recognition program. There are an infinite number of ways to say "Thank You" for your recommendation for change.

Well, there you have it. Under healthcare reform, you will not succeed by relying on traditional cost cutting and layoffs. The Accountable Care Organization (ACO) will be dependent on a hospital that runs perfectly, 24 hours a day, 365 days a year. Grab the opportunity to lead or govern your hospital in a manner that will keep it alive and a vibrant component of your community. TPS/Lean is a major asset to deploy in that success. Do it right - you will only get one chance.

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