

STRATEGIC INSIGHTS FOR REGIONAL AND COMMUNITY HOSPITALS

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# Quality as a Strategic Differentiator



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## The Case for Quality as a Strategic Differentiator

Over the past few decades, the concept of hospital quality has evolved from an ambiguous perception to a measurable and important element of a hospital's value. Initially, hospital quality improvement efforts emphasized input quality with a focus on advanced technology and ensuring the most highly trained personnel and physicians were attracted to the organization. The phase that followed included an increased focus on process quality as well.

More recently, the definition of quality has expanded to include outcome quality. This shift supports a broader trend toward reimbursement for the quality of care provided, rather than the quantity. To be fully paid in the future, hospitals must demonstrate their quality outcomes—at or above national levels—and their agility in moving to a payment structure that rewards value.

These trends mean quality is becoming a strategic lever for hospitals. This opportunity warrants a significant change in thinking for organizations that have historically regarded quality as an element of risk management, of compliance or as a payor reimbursement requirement. Hospitals with robust quality improvement programs will use their quality position to improve contracting positions, to attract the best nurses and physicians and to compete effectively for patients.

Kurt Salmon Associates expects many hospitals to position quality more prominently in their strategic plans over the next five years to take advantage of these benefits. This paper describes how Kurt Salmon recommends hospitals move beyond simple metrics to develop plans for leveraging hospital quality as a strategic differentiator.

## What Is Quality?

There is general agreement that attention to quality will result in improved clinical outcomes. However, there is less agreement about how to measure those outcomes. As a result, the number of quality measures has increased significantly over time. Exhibit 1 shows the range of quality metrics currently in use by the major reporting agencies and how those metrics are used in public reporting.

These quality indicators are a mixture of input, process, outcome and patient satisfaction measures, generalized for use across multiple settings.

**EXHIBIT 1: Quality Indicators Major Reporting Agencies Use Today**

	HOSPITAL-WIDE METRICS	SERVICE- AND DISEASE-SPECIFIC METRICS
<b>Patients Included</b>	All patients, all medical patients or all surgical patients	Patients receiving specialty clinical care (e.g., AMI, pneumonia, deliveries)
<b>Process of Care Measures</b>	<ul style="list-style-type: none"> <li>&gt; Hospital-wide processes (e.g., handwashing compliance)</li> <li>&gt; Secondary focus of public metrics</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Service and disease processes (e.g., aspirin on arrival for AMI)</li> <li>&gt; Main focus of public metrics</li> </ul>
<b>Outcomes of Care Measures</b>	<ul style="list-style-type: none"> <li>&gt; Hospital-wide outcomes (e.g., overall mortality rate)</li> <li>&gt; Main focus of public metrics</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Service and disease outcomes (e.g., CABG mortality rate)</li> <li>&gt; Minimal focus of public metrics</li> </ul>
<b>Patient Safety and Inpatient Care Quality</b>	<ul style="list-style-type: none"> <li>&gt; Hospital-wide safety and quality (e.g., falls, foreign objects retained after surgery)</li> <li>&gt; Minimal focus of public metrics</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Service and disease safety and quality (e.g., surgical-site infection rates by subspecialty and procedure)</li> <li>&gt; No public metrics</li> </ul>
<b>Patient Satisfaction</b>	<ul style="list-style-type: none"> <li>&gt; Hospital-wide safety and patient satisfaction (e.g., HCAHPS survey)</li> <li>&gt; Main focus of public metrics</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Service and disease patient satisfaction (e.g., survey for delivery patients)</li> <li>&gt; Secondary focus of public metrics</li> </ul>

# High-Performance Organizations

Organizations that value quality as a strategic asset incorporate quality improvement and measurement directly into their strategic plans. They also make the continuous quest for quality advancement part of their culture. These high-performance organizations develop tailored quality plans and define elements of quality care unique to their individual patient populations and organizational strengths. Kurt Salmon research reveals these high-performance organizations have gone through four stages in creating a quality improvement culture and building their quality strategic asset. (See Exhibit 2.)

**EXHIBIT 2: Four Stages of Quality Focus**

<b>STAGE 4</b> Expanded Quality Definition	> Metrics specific to the hospital and population
<b>STAGE 3</b> Improvement Targets	> Robust, multilevel metrics defined by the hospital > Internally and externally defined
<b>STAGE 2</b> Quality Improvement Plan	> Continuous improvement metrics > Predominantly based on external metrics
<b>STAGE 1</b> Limited Focus on Quality	> Minimum set of externally defined compliance metrics

## Stage 1: Limited Focus on Quality

Initially, quality measurement focuses on compliance or reimbursement optimization with limited connection to strategic planning. Metrics are set externally by Centers for Medicare & Medicaid Services (CMS), payors or other agencies.

## Stage 2: Quality Improvement Plan

In the second stage, hospitals articulate and document improvement plans that coordinate with organizational strategic plans. Monitoring progress toward specific (often programmatic) goals demonstrates the importance of quality improvement. Quality targets in this stage are typically a combination of metrics defined by the hospital and outside organizations such as CMS, payors, public interest groups and medical societies.

## Stage 3: Improvement Targets

Improvement targets are most effective if they substantially stretch the organization and are broadly communicated. In Stage 3, the entire administrative and medical leadership team is involved in defining targets. Targets are measured and reported regularly, and correlation between the measures and desired outcomes is tested.

In this stage, metrics are typically specific to the institution and have few benchmarks. Instead, improvement over time demonstrates success.

## Stage 4: Expanded Quality Definition

In this stage, organizations define new measures and standards of quality for their markets as the definition of quality is expanded to include measures specific to each organization's population and needs. Leadership, medical staff, hospital staff and board members are all involved in defining the metrics, targets and quality plan, thereby incorporating them into the hospital's culture. Based on Kurt Salmon research, only a small percentage of hospitals have reached this stage.

### WHERE IS YOUR HOSPITAL'S QUALITY FOCUS TODAY?

1. Who is responsible for your quality improvement program? Does the board have a quality improvement committee that defines and monitors quality? How many metrics does the hospital report publicly? Are quality goals ongoing efforts and is progress discussed?
2. What types of measures are used? Are there unique measures defined by the hospital?
3. What could the hospital do differently to demonstrate above-average quality in the process and outcomes of care? Would those actions be advantageous in negotiating contracts, recruiting physicians and attracting patients?

## Five Steps to Advance Quality Today

After an organization has assessed its current stage of quality focus, it can develop a quality advancement strategy. Kurt Salmon research shows there are five key steps in establishing quality as a strategic differentiator. Each step advances a hospital's quality position with an increased quality focus, depth of commitment and level of achievement. Hospitals must have robust, challenging plans to move forward from each step to the next.

### Step 1: Set a Quality Vision

This first step is to identify the vision and priority for quality as an element of the hospital's strategic position. Consider the impact and benefits of advancing the quality position in terms of market position, payor contracting, attraction and retention of the best physicians and staff and population health.

A quality vision with key goals is documented in a board-approved quality performance improvement plan. This plan is part of the hospital's strategic plan and is a central driver of the payor contracting strategy and physician recruitment plan.

### Step 2: Emphasize the Board's Role

To develop quality as a strategic differentiator, the board must take an active role in quality positioning. Rather than the board quality committee being a "rubber stamp" or standard review body, the committee must be charged with setting goals and monitoring progress toward the quality vision.

The board defines a quality vision and regularly monitors progress through robust discussion of inputs, activities, progress and challenges.

### Step 3: Charge the Care Team and Create the Infrastructure

To create a culture of quality improvement, frontline care teams of physicians, nurses and other staff must understand the importance of quality and be empowered to make improvements. With direction from a well-articulated performance improvement plan and board leadership, care teams must be able to measure progress as they define tactics and protocols to advance the quality goals. Typically, this step requires advanced information systems and the organizational ability to track progress.

There is an engrained organizational culture that values quality, with empowered care teams responsible for continually identifying quality and safety risks and being actively engaged in improvements. The hospital has a central resource for quality improvement functions responsible for advancing performance improvement plan objectives.

### Step 4: Measure, Adapt, Publicize

Progress measurements and midcourse adjustments are critical to rapidly advancing quality. Moreover, publicizing results both internally and externally creates a culture of quality improvement. While bringing transparency to health care inputs, processes and outcomes requires tact, this communication is necessary to move forward and is a key area for the board quality committee to monitor.

Quality improvement goals, activities and progress are widely publicized, contributing to the community discussion of quality. The hospital devotes considerable effort to sharing publicly its vision for quality, and it contributes to the local, state and national dialogue about quality.

### Step 5: Refine Goals and Measures

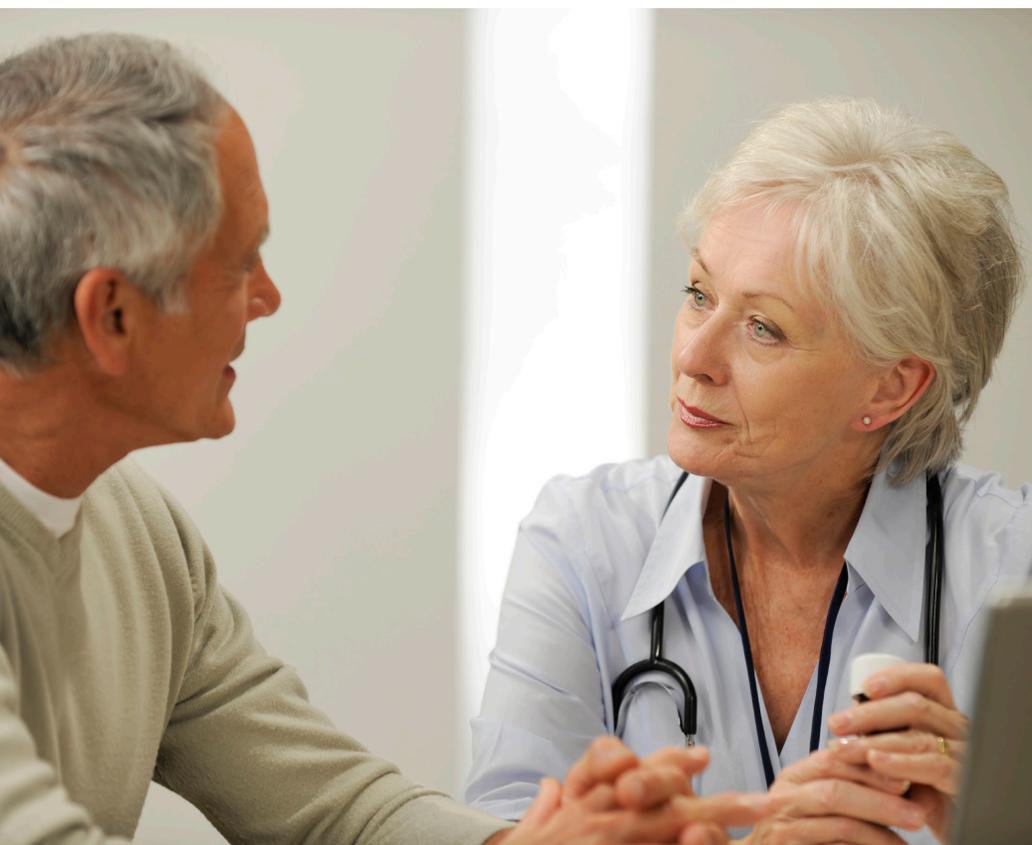
The last step involves defining new goals and measures of quality. Moving beyond standard quality metrics requires careful thought and detailed measurement to ensure correlation with desired outcomes. The key to differentiating the hospital from other providers is the ability to create specific quality metrics and improvements needed by the local population. Access to the necessary data, data integrity and regular reports on progress and outcomes are essential to this step.

Quality metrics have moved beyond standard definitions to unique measures of community health and hospital care. Paired with Step 4, the hospital engages the community to define leading-edge quality metrics and demonstrates the hospital's commitment and progress toward advancing care outcomes.

## Summary

Creating a quality differentiation strategy requires hospitals to move beyond nationally accepted metrics to create quality indicators specific for their populations and situations. The focus on quality must be engrained in the culture and incorporate input from all levels of the organization. Finally, leaders must communicate results—regardless of performance—to create organizational dialogue about the quality improvement journey.

In the future, there will be significant benefits for hospitals that advance their strategic quality position. The future health care delivery system will be increasingly focused on high-quality outcomes for the care provided. Hospitals with advanced quality strategies will be well positioned to participate in the development of future care models and accompanying reimbursement structures. Furthermore, as the public focus on outcome quality increases, these hospitals will be able to tangibly demonstrate their superior care. This will attract patients as well as the best physicians, nurses and staff to the hospital.



#### **Kurt Salmon Associates**

Kurt Salmon Associates is the premier management consulting firm for today's leading hospitals and health systems. We work closely with our clients to create tailored solutions for their strategic and finance, facility development and performance, operational and information technology needs.

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