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Benchmarking: Harnessing the Power of Comparison

By Joan Dentler and Erin Carr

Benchmarking is becoming particularly important as health care moves to new delivery models

It has been said that competition breeds success. We assert that this holds true for comparison as well, and benchmarking is a powerful comparison tool. While benchmarking is sometimes criticized as "keeping up with the Joneses," it is hard to refute that data drives change.

Benchmarking allows your organization to assess where you lead, lag, or operate as expected. It provides that "state of the union" that serves as an organizational baseline from which performance improvement can be measured and strategic planning begins. Because reimbursement today is often tied to performance, benchmarking should include comparisons to non-health industries, incorporate population-based metrics, and measure the entire patient experience.

Cross-Industry Insight

As the retail industry continues to develop its own line of healthcare services, the level of service that patients expect will evolve. Your competitor is not just going to be the other large, white building with beds on the other side of town. It is the wearable device on your patient's arm and the big box store down the street.

Because your peer group is changing, it is time to benchmark against other high-service industries. Leading companies in other industries already do this. For example, when Southwest Airlines wanted to improve gate turn-around time, it learned from and benchmarked Indy 500 crews.

Some healthcare organizations are taking the lead in comparing themselves, and learning from, other industries. For example, some emergency departments have turned to Domino's Pizza to learn about rapid deployment. And it is no secret that many healthcare organizations have tried to replicate the Ritz Carlton service delivery model.

One of the best examples of benchmarking against another industry is Aravind Eye Care System, based in Tamil Nadu, India. When the company wanted to serve the masses and provide affordable eye care in India, it carefully studied McDonald's. In essence, Aravind substituted cataract surgery for hamburgers. During this process, Aravind realized that the human eye is the same around the world and treatment and marketing could be standardized for improved consistency and efficiency.

Since its beginning in the mid-1970s, Aravind has performed 4 million eye surgeries and treated almost 32 million patients for little or no cost to the

patient. This was not achieved because the founder, Govindappa Venkataswamy, MD, benchmarked his organization to other eye hospitals. Healthcare organizations can no longer purchase their benchmarks from the industry data intelligence leaders and rest on their laurels if they fall in the 75th percentile of other traditional healthcare providers.

Volume- Versus Value-Based Benchmarking

Disruption is a hot topic in healthcare industry publications and at industry conferences, especially as outcomes and value become key to reimbursement. It could be argued that this focus on innovation is counterintuitive to the idea of aspiring to be like someone else (the underlying premise of benchmarking). But that is not the case. While innovation, not sameness, may be critical at this tipping point, it does not mean the value of comparison has decreased; it just means that healthcare organizations may need to compare different metrics.

Benchmarking will shift to metrics that maximize reimbursement and minimize financial penalties. This may mean that benchmarks will expand beyond operational and financial metrics, as the complete patient experience now impacts provider reimbursement (think facility aesthetics).

The trend toward site-neutral reimbursement also may affect benchmarking. Population-based metrics will become more important as reimbursement trends toward bundled payments. The benchmarks developed from these metrics will be derived from big data collected from payers, providers, supply chains, and patients. Thus, providers should look for opportunities to participate in large benchmarking projects across industries.

Limitations

Benchmarking does have limitations. It is an important measurement tool but, by itself, it does not solve problems. When planning your benchmarking program, keep the following two points in mind:

A benchmark is a data point and, without context, it is meaningless. Taking that a step further, benchmarking without using the process as an impetus to change is worthless.

Benchmarks rarely, if ever, appear without caveats. There is a reason for this: Benchmark bashing is prevalent. Benchmarking data is often outdated, costly to acquire, not geographically appropriate, not risk-adjusted, time consuming, and inaccurate because of self reporting. There are other potential problems with benchmarking data, but these top the list.

A Scientific Process

To ignore either internal or external comparisons is a mistake that could be costly in the competitive and ever-evolving healthcare environment. With national healthcare reform and the evolving requirement and acceptance of data registries, industry benchmarks will become less an art form and more of a scientific process.

Benchmarking Best Practices

Benchmarking is often called an art, not a science, but there are ways to make your benchmarking more effective and consistent.

Continuously evaluate. Benchmarking is not a "one and done" process. Hospital leaders need to regularly update numbers and regularly assess if they are still using the most appropriate benchmarks.

Seek multiple sources. Your benchmarking needs probably will not be filled by one source. Different functions within an organization may need to look at completely different analytics from a menu of vendors that have never been considered before.

Communicate visually. Benchmarks are often presented in a format that could only be exciting to a spreadsheet-obsessed data analyst or CFO. That means the influence of these numbers is likely lost on many of the key decision makers. Presenting benchmarking data in a visual format makes the story come alive.

A New York ambulatory surgery center was looking for a way to enhance its financial packet as it initiated discussions with potential partner hospitals and physician investors. It needed a way to present analytics and benchmarks in a coherent and understandable manner. Creative, aesthetically appealing graphics were used to ensure the financial packet was easily absorbed and not bogged down with dry data.

Go deep. Meaningful benchmarking requires research, questioning, critical understanding, and customization.

Don't rationalize variations. If you try to rationalize variations from benchmarks, you might overlook slight nuances that could make a significant difference in operations and/or financial improvement.

Joan Dentler is president and CEO, Avanza Healthcare Strategies, Austin, Texas (jdentler@avanzastrategies.com). Erin Carr is vice president, Avanza Healthcare Strategies (ecarr@avanzastrategies.com).