



## Cut Costs by Reducing Redundant or Inefficient Activity

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### Enlist your employees to help find and eliminate waste in your organization's processes

Many hospital CEOs, including John Toussaint, M.D., the former CEO of ThedaCare, and thought leaders, including Donald Berwick, M.D., M.P.P., administrator for the Centers for Medicare & Medicaid Services, estimate that 30 to 50 percent of all health care spending can be described as waste — activity that provides no benefit to patients. This adds up to more than \$1 trillion a year in the United States. Instead of merely slashing reimbursements or providing less care, there is a clear opportunity to do more — and provide the right care — with less waste and less spending.

The word "waste," or *muda* in Japanese, is one of the most commonly used terms in Lean management, which is based on the Toyota Production System. According to Toyota, there are eight types of waste, each of which can be translated directly into health care:

Lean's Eight Types of Waste	Examples of Waste Found in Hospitals
Defects	Lost or mislabeled laboratory specimens
Overproduction	Medications sent to inpatient units in 24-hour batches, leading to wasted medications if orders change
Transportation	Moving patients a long distance from the operating room to recovery
Waiting	Patients waiting weeks for an appointment, or waiting hours to be seen in the emergency department, resulting in exacerbated conditions
Inventory	Expired supplies due to overstocking and poor rotation of inventory
Motion	Staff walking in excess because high-use surgical instruments and packs are not grouped together in preoperative services
Processing	Staff writing or entering the same patient information into multiple forms or software screens
Human potential	Nurses dragging bags of dirty linen down the hallway; staff members unengaged in improvement activities

In health care, Lean teaches us to engage all staff members in a never-ending search for waste, making quality and process improvements that benefit patients, leading to lower costs. Reducing waste is very different, in mindset and practice, from traditional cost cutting, as Lean waste reduction looks at how the actual work is performed rather than focusing on spreadsheets, budgets and financial benchmarks. Reducing errors, improving throughput, reducing staff frustration — all of these tactics reduce costs.

### **A Lean Perspective on Waste**

Traditional organizations might see that 60 percent or 70 percent of their expense is direct labor cost. This realization often leads to the idea that the clearest path to cost reduction is to eliminate people (again, often based on benchmarks). Lean methodology takes a different view: Waste reduction cannot be used to drive layoffs, as that would put an end to staff engagement in the improvement process — a core Lean principle.

Leading health care organizations that actively employ Lean tactics, including ThedaCare, Denver Health and Avera McKennan, all have "no layoffs due to Lean" commitments with employees. Engaging people to reduce waste through process improvement has led to significant savings at these organizations — more than \$54 million at Denver Health, for example — along with quality and access improvement, thanks to a culture of collaboration.

### **Waste Is Everywhere, but Hard to See**

It's easy to agree that waste is bad, so why is there still so much to be found in hospitals and health systems across the country? For one thing, it is often hidden in plain sight, and many times it is disguised as "people being very busy." For example, the flurry of activity before a surgical procedure results from a lot of activity and a lot of hard work. But if a patient has arrived and the procedure is delayed because of missing orders, missing lab results or missing instruments, all of the effort and running around to make things happen is waste. Staff members and hospital leaders are often blind to redundant, pre-surgery legwork because it is a common occurrence.

Blame for failing to evaluate unnecessary activities lies partially on hospital culture. Old habits die hard, and hospital leaders often make excuses for redundancies with phrases such as "what we have to do to make things work" or "the way things have always been." Seriously examining these processes not only will improve the patient experience, but also will provide opportunities for re-purposing staff to other areas requiring attention.

Waste can be found in non-clinical areas, too. Stacks of preprinted forms and the storage they require are examples. Preprinted forms quickly can become obsolete because requirements and regulations change rapidly. Printing forms on demand prevents the wasted funds and space associated with ordering preprinted items.

## **Admitting You Have a Problem Is the First Step**

Being able to see waste is a first step, but there are also cultural challenges when leaders want to admit that they have waste or problems. It is natural for people to want to hide waste if they fear blame or punishment.

There is a classic story from Toyota's entry into North America, when a local factory leader was asked by visiting Japanese senior leaders what were the top three problems under his supervision. After hearing "no problems," a response that's often a gut reflex in many organizations, the Japanese reminded him, "'no problems' is a problem." As Berwick, a supporter of Lean methodology for health care, says, "We need a culture in which staff members know that they can report on the waste they see and call it by name, without breaking the rules."

## **Respect for People**

Toyota, along with leading health care organizations, set a clear example that institutions must be open and transparent about problems so they can be resolved free of blame. Instead of chasing the same waste — such as those missing orders — every day, teams should identify why and how that waste occurs so the process can be improved.

Waste can be found nearly everywhere, and anyone can be trained to look for it. The "Toyota Way" management philosophy is based on two pillars: continuous improvement and respect for people. These ideas go hand in hand, as people are more likely to identify waste and continuously improve when they are treated with respect.

Without respect, Lean methodology will not work. In a 2010 *Journal of Hospital Medicine* article, a hospital described how industrial engineering graduate students followed hospital lists, recording everything they did, including how long the providers were in the bathroom. Studies like this, unfortunately, treat professionals as subjects instead of engaging them as partners in improvement.

Basic methods and mindsets for identifying waste can, and should, be taught to people so they can analyze and improve their own work. Teaching Lean concepts shows respect for people and real Lean process improvement. It's the way to identify and remove waste: instituting improvements that truly are owned by the staff members, because the people doing the work, not by consultants, engineers, managers or experts, created these efficiencies.

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