

***Keep One Eye on the Organization and  
One Eye on the Community: The Next Step in  
Hospital Balanced Scorecards***



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# Presentation Purpose and Importance

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## □ Purpose

- Explain hospitals' responsibility to improve population health status in their community
- Assert that hospital balanced scorecards should be modified to include community health status
- Recommend steps hospital leaders can take to expand balanced scorecards to include health status

## □ Importance

- Help hospital leaders and their hospitals to improve health and well-being in their communities

# Overview

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- Purpose and importance
- Hospitals' responsibility for community health status
- Balanced scorecards (BSCs)
- Hospital BSCs
- Limitations of BSCs
- Next step in hospital BSCs and recommendations
- Conclusion
- References

# Hospitals' Responsibility for Health

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- Historically: hospitals focused on serving just the ill and injured by providing medical care
- Presently: hospitals expected to improve health (physical, mental, social, spiritual well-being) of people in their communities
  - Many hospitals include this in mission, long range plans

# Hospitals' Responsibility for Health

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- Shortell, Gillies, Anderson, et al. (1996)
  - Hospitals should provide community healthcare and institutional healthcare to improve health of populations

## *How to do this?*

- Collaborate with external organizations in community
- Measure community health status
- Implement programs and services to improve community health and well-being

# Hospitals' Responsibility for Health

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- American Hospital Association (2006)
  - *Mission*: “To advance the health of individuals and communities. The AHA leads, represents, and serves hospitals...that are accountable to the community and committed to health improvement.”
  - Now urging member hospitals to do much more to improve population health status – shift to prevention and wellness

# Hospitals' Responsibility for Health

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- American College of Healthcare Executives (2003)
  - “Two key organizational objectives should be considered in the CEO’s performance evaluation:
    - 1) the organization’s contribution to community health and
    - 2) the organizational success.”
- Other:
  - Commission on Accreditation of Healthcare Management Education
  - Healthcare management education curricula and texts
  - Baldrige National Quality Program
  - National Center for Healthcare Leadership

# The Balanced Scorecard (BSC)

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- Management tool developed by Kaplan and Norton for private sector businesses in early 1990s
- Purposes:
  - Communicate goals, strategy, performance throughout organization
  - Show 'cause and effect' logic of lower-level departmental work toward achieving higher-level organizational mission, goals, strategy
  - Connect short range performance drivers with long range performance outcomes
  - Guide decisions for work processes, activities, budgets
  - Measure multiple dimensions of business performance and progress toward strategic goals



# The Balanced Scorecard (BSCs)

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- BSCs originally designed to measure four perspectives of organizational performance:
  1. Finances: e.g., profits, revenue growth, expense reductions, return on investment
  2. Customer Service: e.g., customer acquisition and satisfaction and retention
  3. Internal Business Processes: e.g., production costs, volume
  4. Capacity for Learning and Growth: e.g., new services, employee satisfaction and retention.

# Hospital Balanced Scorecards

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- BCSs widely adopted in healthcare
  - Managers want to reduce information overload
  - Managers want to focus on most important factors affecting mission, vision, strategy, and goals.
  - Public demands more information
  - Enabled by IS/IT
- Different hospital types (community, academic, military, for-profit, specialty, etc.) modified original BSC to better fit unique mission/strategy

# Hospital BSC with 5 Dimensions

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## BSC of St. Luke's Hospital in Kansas City

1. Finances: total margin, operating margin, operating cash flow, days cash on hand, cost per case
2. Customer Satisfaction: overall satisfaction, wait time, responsiveness to complaints, outcome of care
3. Growth & Development: community IP market share, IP profitable market share, OP referral counts
4. Clinical & Administrative Quality: clinical care index, patient safety index, quality index, infection index
5. People: retention, diversity, job coverage ratio, competency, employee satisfaction

# Limitations of BSCs

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- ❑ 4-dimension BSC does not capture complex performance expectations of all stakeholders
- ❑ Too internally focused for many organizations
  - inter-related with and dependent on many others
  - only external measurements seem to be market share and customer satisfaction
- ❑ Hospital BSCs exclude community health status
  - Omits part of hospital mission, goals, strategy
  - Does not link processes to health status outcomes

# The Next Step in Hospital BSCs

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*Keep one eye on the organization  
and  
one eye on the community*

# Recommendations for Hospital Leaders

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1. Define 'community' based on served population
2. Establish community health status goals based on assessment
3. Plan hospital's resources, activities, processes to achieve goals
4. Change/create BSC perspective that is externally focused to include community health status

## Recommendations (continued)

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5. Select appropriate BSC health indicators
  - ST leading process measures – e.g., education, screening, immunizations, preventive interventions
  - LT lagging outcome measures – e.g., general health; prevalence of diabetes and CV disease
6. Create data collection system to feed into BSC
  - Primary data collection for ST process measures
  - Primary and secondary data for LT outcomes
  - Secondary sources: local health organizations, community health assessments, state Department of Health, CDC&P and BRFSS

# Example: Obesity in Hospital's Community

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1. Define hospital's community based on zip codes, service area, distance, etc.
2. Set goal of reducing child obesity 15% by 2009
3. Plan hospital processes and activities (e.g., exercise programs, school nutrition collaboration, 1:1 counseling) to achieve obesity goal
4. Modify hospital's BSC to add External perspective
5. Select BSC measures to assess performance of planned ST activities and actual child obesity LT outcomes
6. Create data sources to tri-monthly measure exercise programs, school nutrition collaboration, 1:1 counseling, and child obesity



# Conclusion

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- Hospitals have a responsibility to improve health status in their community
- Most hospitals include 'improving community health' in their mission and goals
- Therefore, we urge hospital leaders to include this in their balanced scorecards and...

***Keep one eye on the organization and  
one eye on the community!***

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