

**USING THE
“LABORATORY VALUE PYRAMID (LVP)” TO
BECOME A RECOGNIZED
BEST-IN-CLASS LAB**

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Learning Objectives

- Recognize that every lab needs to decide if they want to remain status quo or to initiate a transition from Volume (data) to Value.
- Recognize that there are “pioneer” and “early adopter” case studies emerging from labs that have made the transition.
- Recognize that analysis of these case studies is showing a consistent pattern of how to be successful at transitioning.

Status Quo or Value?

The Challenge you Face:

A few “pioneers” & “early adopters” have made the transition from “Volume (data) to Value” and have taken up to as long as 5 years or more to get there but have been reaping the “fruits” of their successful transition.

Those labs that decide to remain status quo and not transition are vulnerable to being out-sourced, consolidated, bought-out or closed down.

What will be your decision?

RECENT HEADLINES

SPOTLIGHT

[From Volume to Value: Panel discussion in Houston](#)

Join Houston healthcare leaders for a breakfast and panel discussion as they provide insights on new strategies in population health management, the need for usable data and the importance of provider collaboration. The event is Sept. 13 in Houston

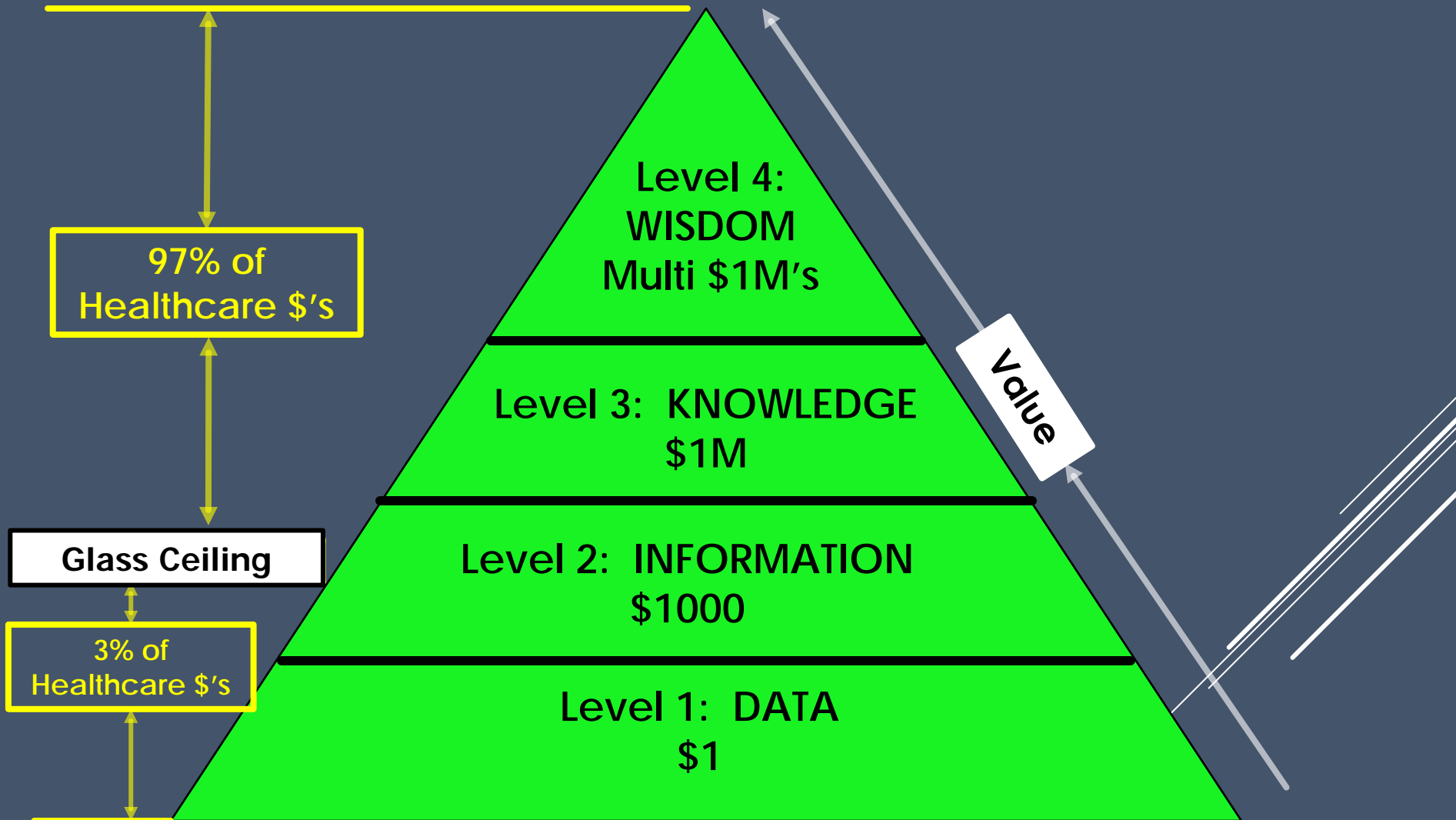
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Everything
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to start the day

Monday, August 8, 2016

Relative \$ Value of Lab's "Products" as a Lab Transitions from Volume (data) to Value



How do you define Value?

An historical, working definition of Value from the Lean World is, "What the Customer is willing to pay for."

BUT

Who is the Customer for the lab moving from Volume (data) to Value?
Are they different – 97% vs. 3%?

Who are the Value gurus in the world today?

- Jim Womack
- David Mann
- John Toussaint
- Paul O'Neill
- Charlie Protzman
- Kosrow Shotorbani
- Richard Zarbo
- Mark Graban
- Paul Aker
- Joe Kasabula
- Jack Welch
- Sanjay Ahire
- Robert Michel
- Rales Brothers

RECENT HEADLINES



CAP TODAY

July 22, 2016

Laboratory 2.0: Changing
the conversation

TriCore Reference Laboratories
CEO Khosrow Shotorbani, MT(ASCP), put the matter succinctly to a group of laboratory leaders and other health care experts who met in Santa Fe, NM, this spring to tackle the conundrum of how to *move from volume to value.* “The question is,” Shotorbani said, “how do we survive in the future? If there is no margin, there is no mission.”

Pioneers & Early Adopters

<u>Institution</u>	<u>Visionary</u>	<u>Year</u>	<u>Project</u>	<u>Customer</u>	<u>\$ Value</u>
J.T. Mather	Dr. D. Geiger	2013	Reduce Hospital Acquired Infections	Institution	\$2.965M
Geisinger	Dr. J. Prichard	2009-2015	Instituting an Effective Crowdsourced Quality Management System in AP	Institution	>\$1.15M
Northwell	Dr. J. Crawford	2015	Increase Diagnosed Cases of Acute Kidney Injury	Institution	\$2.65M
Henry Ford	Dr. G. Sharma	2015	Decrease Inpatient Days Caused by Lengthy Micro Testing	Institution	\$1.1M
TriCore	Dr. M. Crossey	2015	Improve Population Health through the Use of Intervention Modules	Health Plan Providers	No exact amount quoted in article

Note: J.T. Mather information from D. Geiger 2013 Lab Confab Presentation.

All other data from article in CAP TODAY, 7/28/2016, "Laboratory 2.0"

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THIS MORNING'S TOP HEALTHCARE NEWS

Hospital execs earn bigger bonuses as value-based care takes hold

Modern Healthcare's 36th annual Executive Compensation Survey finds that as executives' compensation continues to soar, more is coming from performance-based payment models that aren't just linked to individual efforts and outcomes, but also the efforts of their organizations. [READ MORE](#)



Emerging Success Patterns of those that have Transitioned:

- **Visionary** – willing to play in the 97%.
- **Leader** – ability to create & lead a successful, rapid change management team.
- **Utilizes a structured process**, like DMAIC, to initiate change.
- **Knows what Success looks like**, how to measure it, when to expect it and the gap between now and Success.
- **Knows how to promote Success** into future Successes.

Laboratory Value Pyramid (LVP)

a Strategic Pathway to transition/change from Volume (data) to Value driven by the principles of change management



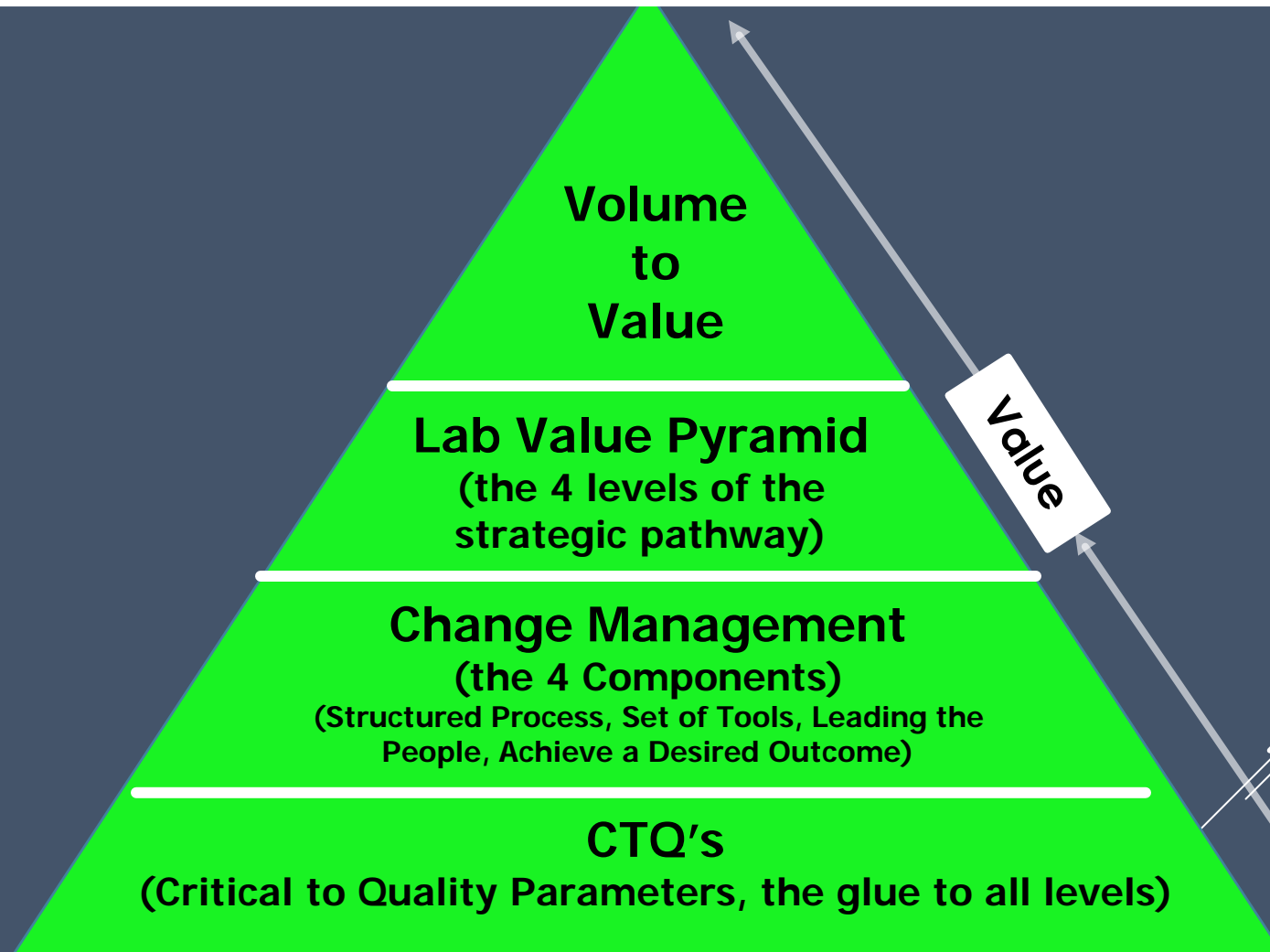
History/Adoption of LVP:

- **"The Dark Report"**; a 5-part series 9/14, 11/14, 2/15, 3/15 & 5,15.
- **Lab Quality Confab**; 2014, 2015, 2016.
- **Executive War College**; 2015.
- **AACC**; "Online Certificate Program 2016" under Lab Management/Lab Operational Management/Rapid Change Management.
- **CLMA**; "2016 Body of Knowledge Webinar Series", June 14, 2016.
- **MedicalLab Management Magazine**; "Laboratory Value Pyramid" sidebar, March, 2016, Vol. 5, No. 2, M. Hiltunen & J. Hermansen.
- **"The Lean Practitioner's Field Book"**; by C. Protzman, et al, CRC Press, 2016, concept discussed in Appendix G by J. Ellis.
- **Lab Quality Confab 2016**; "Pursuing Best-in-Class with Limited Resources: How a Team at ARUP Uses the Value Pyramid to Achieve an Enterprise-Wide Lean Transformation."

Peeling back the “secrets” of what makes the LVP work

“the devil is in the details!”

Relationships of Critical Components to Successfully transition/change from Volume (data) to Value



LVP driven by the principles of rapid, successful Change Management

Operational Definition for Change Management:

Change management is the application of a structured process and set of tools for leading the people side of change to achieve a desired outcome.

When change management is done well, people feel engaged in the change process and work collectively towards a common objective, realizing benefits and delivering results.
(PROSCI)

LVP driven by the principles of rapid, successful Change Management

The proven, structured process chosen is DMAIC with its traditional tool set. A competent team needs to be lead through DMAIC to a desired outcome:

“the devil is in the details!”

- ▶ **Define** – What is Success? When does it need to be finished? How do I measure Success (**CTQ's**)? This takes time! Do it right or FAIL!
- ▶ **Measure** – Gather data on Current State.
- ▶ **Analyze** – Understand, through data analysis, what factors impact your Current State and its output.
- ▶ **Improve** – Design an improved Future State. Predict outcomes of the Future State (measurable). Run a Pilot, analyze results, implement improved Future State, compare quantifiable improvements of new Future to old Current.
- ▶ **Control** – Develop and implement standard operating procedures to “Sustain the Gain” of the new process. Conduct performance audits. Identify next opportunity for improvement.

CTQ's are the glue between LVP levels


“the devil is in the details!”

Example CTQ for each of 4 levels of the Lab Value Pyramid:

Pyramid Level	Pyramid Level Description	Primary CTQ	Secondary CTQ (Pain I'm feeling)	Healthcare Spending Bucket
1	Achieve Normalcy & Predictability (impact within the lab environment)	Quality	Reduce % of defects on my Chem/IA production line	3%
2	Establish and Meet Standards of Value (impact within the lab environment)	Quality	I have no real-time dashboard of the key outputs of my daily (24 hr.) production	3%
3	Deliver Value that Exceeds Expectations (impact outside lab but within your delivery system)	Quality	Readmission rate for Medicare covered patients needs to be improved. Hospital now being hit with costly penalties on DRG's for readmitted Medicare patients.	97%
4	Achieve Best-in-Class via Ranking & Measurement (impact outside lab that includes your delivery system and beyond)	Quality	The threat of CRE infections are causing alarm amongst patients scheduled for endoscopic procedures within the US.	97%

Let's walk through an Example for a CTQ at Level 1 of the LVP:

“the devil is in the details!”

CTQ Tree Green Hospital Lab Example 									
Stage: CONTROL # 4		Define	Define	Measure	Analyze	Improve	Improve	Improve	Control
Define	Define	Goal	Metric	Current State	Predicted	Time Frame	Achieved	%	\$
Primary CTQ	Secondary CTQ	Future State		Process Sigma	Future State	Future State	Future State	Improvement	Value (annual)
	(Pain I'm feeling)				(20% or >)				
Quality /Value	The quality & value of my Chemistry & Immunoassay process is not what it could be. There are too many errors and defects in the process. It needs improvement.	Measurably improve by at least 20% the quality (fewer defects) & value of my Chem/IA process within 60 days start to finish.	Process sigma level. Measured from LIS receipt into lab through to tube in storage & result released. As reference 6 Sigma is 3.4 defects per million opportunities.	3.31	3.97 or >	60 days duration from time project is approved through improvements implemented.	4.17	26%	\$28,350

The only differences between Levels 1 & 4 of the LVP are the CTQ's you choose (3% or 97%)!

LVP driven by the principles of rapid, successful Change Management

Agenda – 10 Essentials of Successful, Rapid Change Management in the Lab*:

1. Think
2. See
3. Prioritize
4. Define Success
5. Pick your team
6. Gantt
7. Execute
8. Job Jar
9. Presentations
10. Count

*Leo Serrano & I have conducted a full day and a 2 hr. workshop on this at Confab 2014 & 2016. Also can be viewed through the CLMA "[2016 Body of Knowledge Webinar Series](#)", June 14, 2016, and the AACC "[Online Certificate Program 2016](#)" under Laboratory Management/Laboratory Operational Management/Rapid Change Management.

RECENT HEADLINES

Most organizations are going to focus on quality metrics that show them performing below peers or industry norms. Payers, including Medicare, influence the need to improve.

“There's certainly discussion among our clients and compensation committees about which ones have more impact than others,” Garrison said. But the metrics that make up value-based payments are often the ones included in the compensation of executives.

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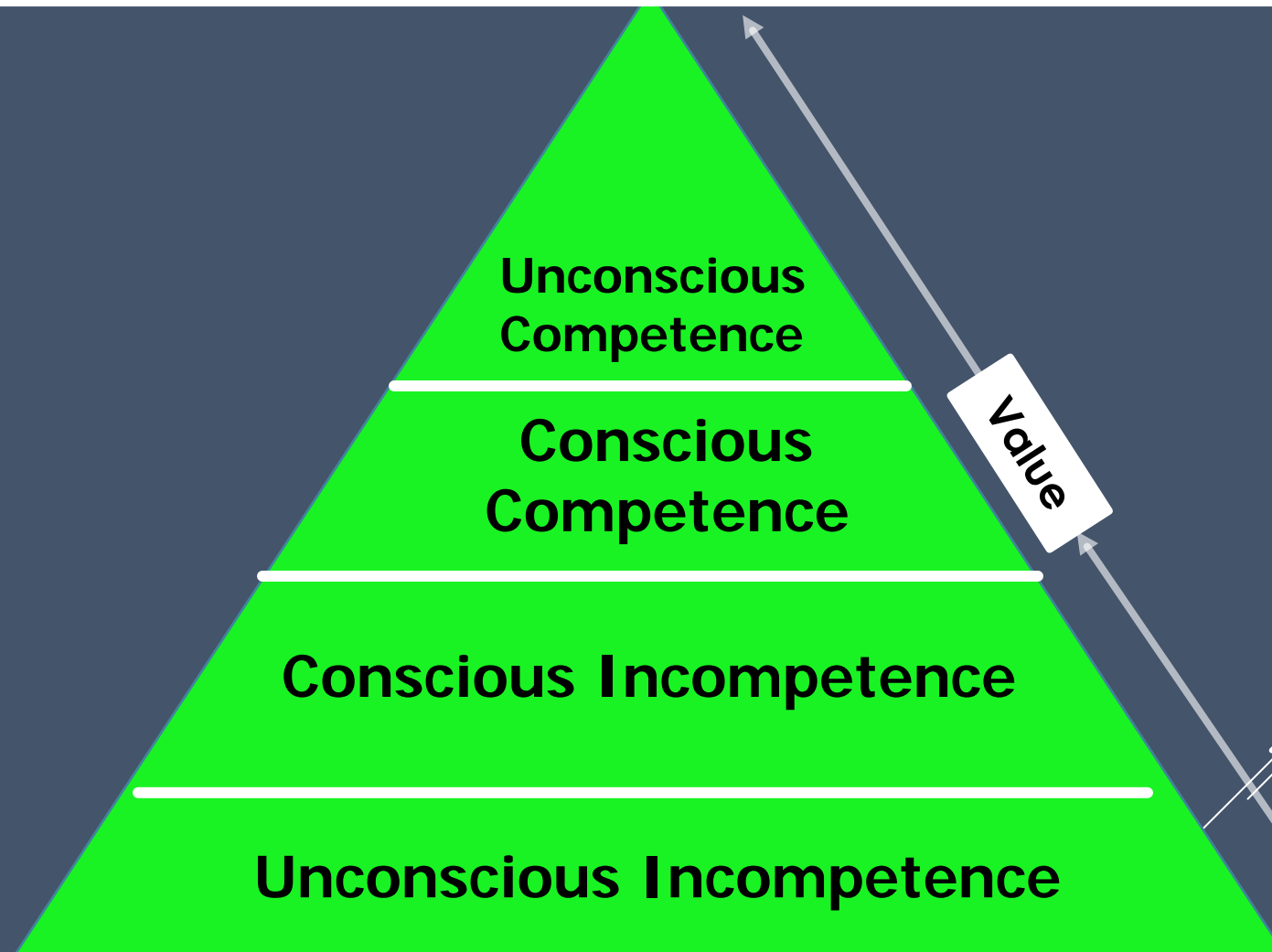
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The 4 Stages* "You" Will Go Through to Successfully Transition from Volume (data) to Value

*The Four Stages of Competence,
Abraham Maslow, 1940



The Challenge You Face:

2 Constraints - Time & lack of SME's

PLUS

Your level of competency & your team?

BUT

You are here – so your level of competence at least is at “Conscious Incompetence”

AND

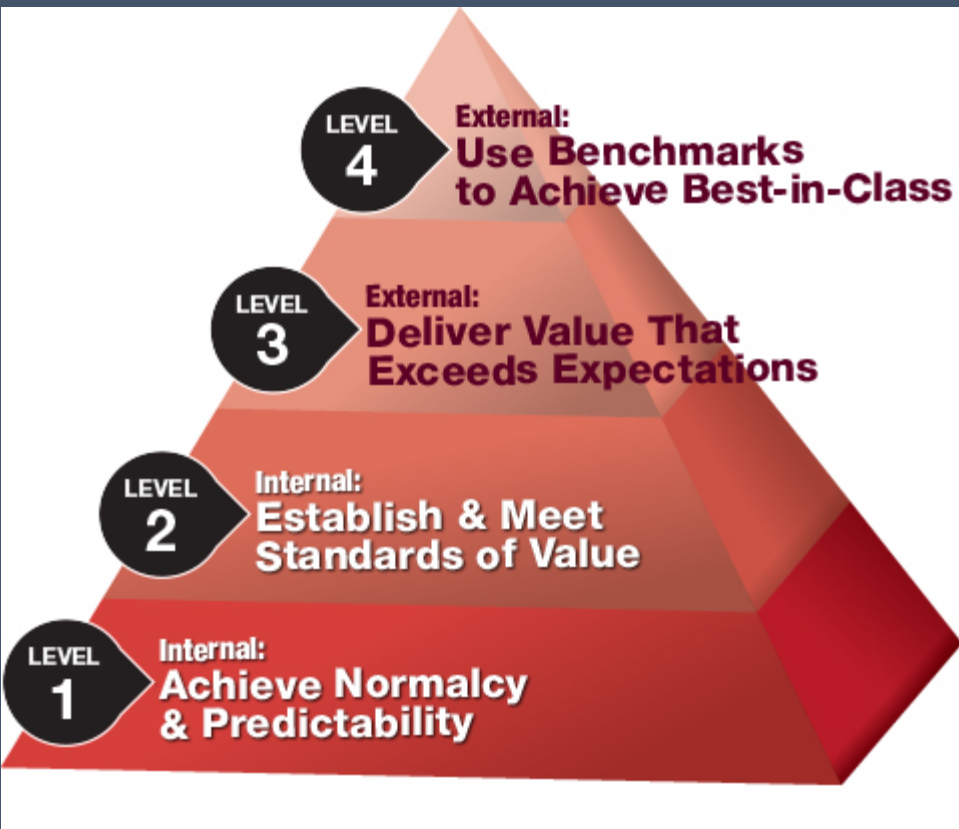
You are amongst many SME's and various levels of competence all the way to the top

SO

Take advantage of your surroundings!!

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Lab Behavior at Level 4 (Unconscious Competence)

- Your lab's practices and competencies are recognized as best-in-class by your peer groups and third party reviewers.
- You are consulting with other hospitals and systems to help them replicate what you have done within your institution.
- Your lab is recognized as among "the best in the business" because of how your lab team uses all the attributes from the first three levels.
- Examples of world-class labs can be found within prestigious institutions like TriCore, Henry Ford, Geisinger, Kaiser North, New York's Northwell Health (formerly North Shore-LIJ) & John T. Mather (Long Island).

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