

Linking the scorecard to strategy in health care

Suggestions for hospitals and other health care providers

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Quality Health Network



HRRC

Hospital Report
Research Collaborative

Problems with performance measurement:

Traditional focus on accounting measures

- Traditional financial measures are retrospective...
 - “Past performance is no guarantee of future returns”
 - May be inversely related to current strategies (e.g. IT investments) and not used by management
- ... may not adequately reflect value of an organization...
 - Hospital performance judged by bottom line *and* by quality of care
- ... and may be orthogonal to other measures ...
 - Patient satisfaction not related to clinical quality
 - Hospital structure and processes not related to outcomes

Typical solutions link performance measurement to strategy

- These problems lead to conflicts between:
 - Business lines focusing on different aspects of performance
 - Corporate and business line managers requiring different resource allocations
 - Management and providers following different objectives
- The typical solution is to focus on strategy through tools like balanced scorecards
 - Scorecard Hall of Fame lists several turnaround hospitals
 - Many corporations publish intellectual capital reports/scorecards as part of annual reporting

However, most scorecards fail in practice and the framework is no panacea

- More than 200 articles and several books describe how to create a balanced scorecard
 - Several articles discuss application of the scorecard model to hospitals or not-for-profit entities with no clear consensus on best model
- Almost 70% of scorecards fail in business
- Even initiatives with a range of indicators and strong support from clients and customers fail
 - Strategic priorities set without talking to management
 - Strategy interpreted or developed by consultants
 - Poor understanding of how an organization uses its strategy

... and most are actually dashboards

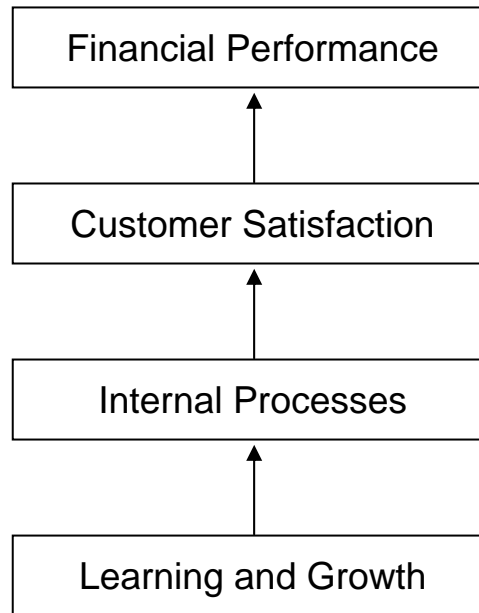
- Include indicators relevant to different perspectives or organizational success but no clear link to strategy
 - These scorecards prevent inappropriate focus on financial performance
 - These scorecards allow quick review of overall performance position
 - These scorecards do not support evaluation of strategy and monitoring of strategic progress

Start with first principles:

What is strategy?

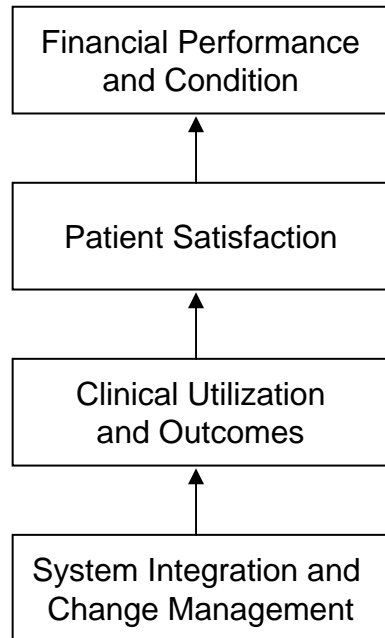
- Strategy is a set of relationships about cause and effect (really a set of hypotheses)
 - The measurement system should make the relationships among the objectives and measures explicit
 - This means that all indicators can be managed and validated
 - This also means that the strategy can be validated

The balanced scorecard framework makes these hypotheses explicit

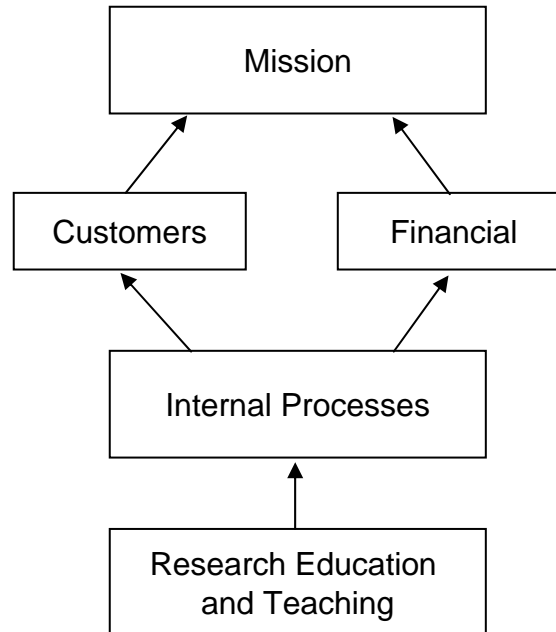


But what is the right framework for hospitals and health care providers...

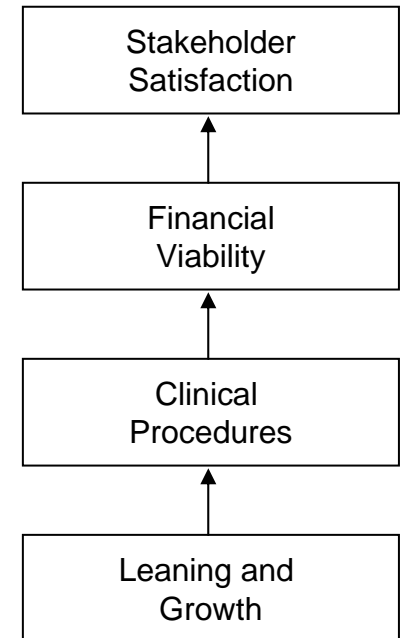
Hospital Scorecards in Ontario



Duke Children's Hospital

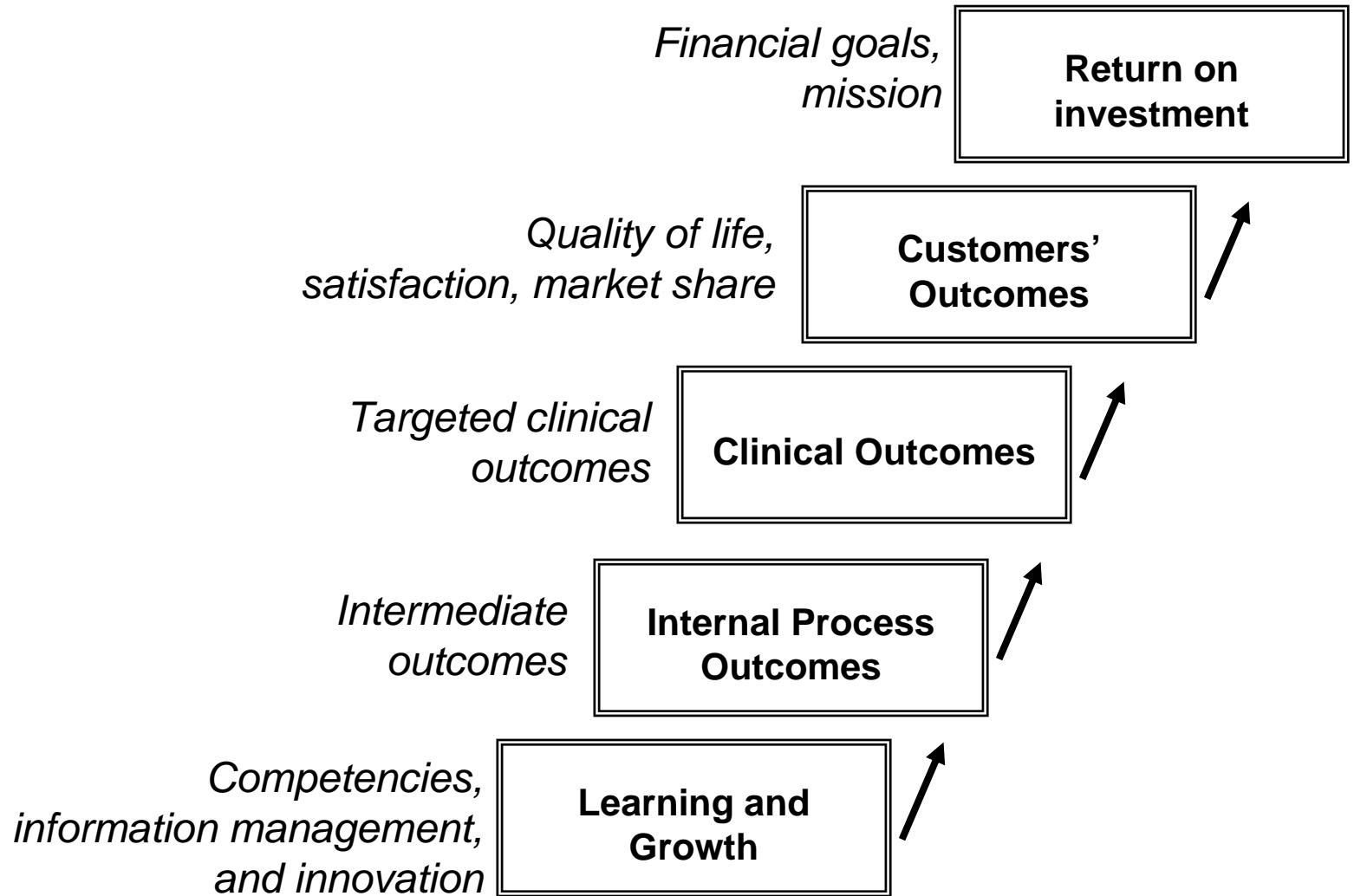


Proposed US Hospital Scorecard Model



... and does it change by sector

Example: Mental Health Care



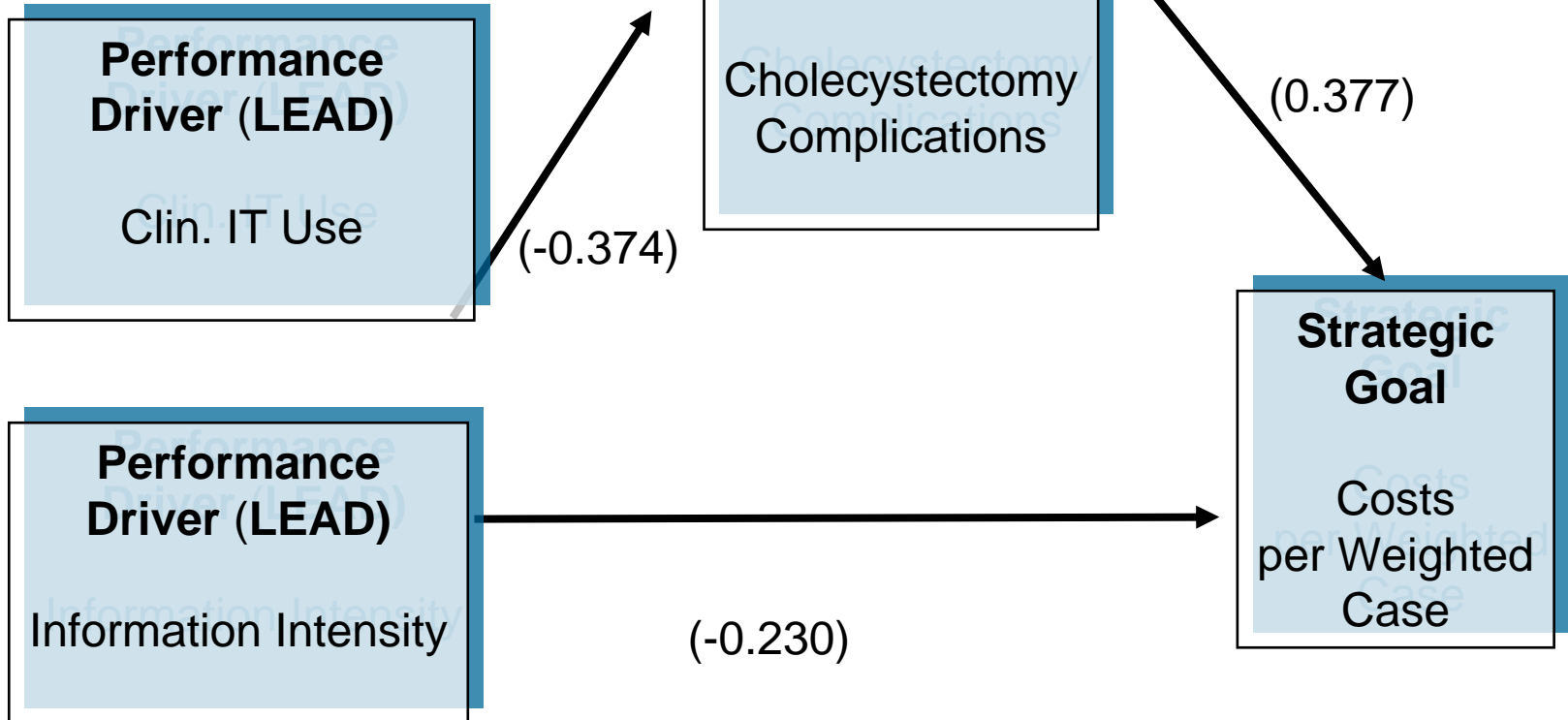
But these relationships enjoy little empirical support ...

- Ginsburg, Baker, Brown, and Anderson, 2002
 - No relationship between guideline use and clinical outcomes in the emergency department
- Pink, Murray, and McKillop, 2003
 - Weak, inverse, significant relationship between efficiency and patient satisfaction
- Lindsay *et al*, 2003
 - No relationship between guideline use and clinical outcomes in the emergency department
- Porcellato, Stewart, and Brown, 2003
 - Weak-to-moderate relationships among measures of women's health performance

... until they are more closely linked to strategy

Strategic Objective:

"Increase efficiency of care"



Preliminary analyses – not for distribution

Ongoing research suggests other important relationships

- Large investments in human resource policies may create magnet hospitals
 - No linear relationship between HR policies and patient satisfaction
 - Small number of benchmark hospitals do exceedingly well on both aspects of performance
- Large investments in information technology may create problems with patient satisfaction
 - Problem may result from decline in available resources
 - Problem may result from process redesign

Third generation scorecards link strategy and indicators

Start with a destination statement:

What will the organization look like at a specific time in the future?

Identify strategic requirements:

What needs to get done in the medium term to reach the destination?

Set up the hypotheses implicit in the strategy

How will management monitor its progress in the short and long-run?

How will leadership evaluate the validity of the strategy?

Next steps ... strategy maps

- Set up cause-and-effect relationships where an indicator precedes others if:
 - It is *first* in order
 - It *affects more* processes (*fertile*)
 - It is more *frequent*
 - It is more *fundamental* to the strategy
- Use the data to tell stories
 - High complication rates can signal problems in staffing (e.g., skin ulcer) or in guidelines (e.g. aspiration pneumonitis)
 - Poor satisfaction can signal problems with processes
- Decide what you need as an organization (Dashboard/Scorecard)