Managing Talent for Innovation and Transformation – 2010 and Beyond

January 21, 2010
Key Messages

 ✓ Catalytic changes in the industry are driving the need for innovation and transformation in health care
 ✓ Innovation and transformation efforts can fail
 ✓ Alignment of talent management for innovation and transformation is necessary to create the leadership capacity and culture for success
 ✓ Big changes are coming. The capacity to innovate and transform will separate winners from losers
What Does Health Reform Mean to You?
– Sample Reactions from Hospital Senior Executives Interviewed

• “We are not going to be paid more for sure”

• “Top priority is to structure ourselves as an accountable care organization”

• “Our immediate need is to provide outstanding primary care”

• “With or without the legislative reform, transformation of the healthcare system will occur. The question is: how do we lead proactively?”
What Shaping the Debate in Congress

“The healthcare sector is far and away the most inefficient economic driver in the US” – Peter Orszag, Director, Director of the Office of Management and Budget

- 30% of what we spend adds no clinical value (5% of GDP) – Institute of Medicine
- Nearly 4.4 million hospital admissions totaling $30.8 billion in hospital costs could have been prevented – AHRQ
- Geographic disparities are stunning
2010 Outlook

According to Modern Healthcare

- Construction – looking up
- Finance – risky business
- Insurers – enrollment blues
- Health IT – feds hold sway
- Physicians – on the payroll

- Not-for-profits – more scrutiny
- For-profits – tougher times
- Legal – enforcement ahead
- Devices – time for innovation
- Post-acute – M&A on the way

Source: Modern Healthcare
Health Reform – The Creation of A New Paradigm

Bending the Cost Curve

Assuring Quality/Safety

Value-based Healthcare
The significant problems we face cannot be solved at the same level of thinking we were at when we created them

— Albert Einstein

Big changes are coming. The capacity to innovate and transform will separate winners from losers
What is Innovation?

• Innovation is a creation resulting from study and experimentation. It is the creation of something in the mind

• Innovation can be broadly defined as new methods, new organizational structures, new processes, new facilities and new forms of collaboration across providers

Source: Webster; HBS Working Knowledge, 2008
Lots of Innovations Fail

- New Coke
- Satellite radio
- McGriddle - Time Magazine’s #1 “Particularly Horrible Fast-Food” Innovation
- Windows Vista
Lots of Innovations Fail

“In health care, innovation has often been discretionary and hit or miss because superior value is not measured and rewarded. What is worse, innovation is sometimes viewed with suspicion and even resisted ...partly grounded in the problem of oversupply of care.”

– Porter

At least 66 to 75 percent of large-scale changes have historically failed to deliver on their initial return on investment promise (Kotter, 1995).

Without adequately and pervasively preparing healthcare leadership to effectively implement new capabilities, many transformational components of health reform will have a lower probability of succeeding or meeting the public’s expectations.

Source: Redefining Health Care, 2008; Kotter, 1995
How the Mighty Fall – Jim Collins

Five Stages of Decline

Stage 1
Hubris Born of Success

Stage 2
Undisciplined Pursuit of More

Stage 3
Denial of Risk and Peril

Stage 4
Grasping for Salvation

Stage 5
Capitulation to Irrelevance or Death

Innovation can reverse decline or cause an organization to fall. The right innovation under the right leadership with highly disciplined management practices is necessary.

Source: How the Mighty Fall, 2009
Advance Innovation through Leadership

More than 70% of the senior executives in a survey said that innovation will be at least one of the top three drivers of growth. However, most executives are generally disappointed in their ability to stimulate innovation.*

**Step 1:** Integrate innovation into the strategic-management agenda

- Define innovation that drives growth and helps meet strategic objectives
- Add innovation to the formal agenda at leadership meetings
- Set performance metrics and targets for innovation

**Step 2:** Design innovation networks

- Make better use of existing (often untapped) talent for innovation
- Create the conditions that allow dynamic innovation networks to emerge and flourish

**Step 3:** Foster an innovation culture based on trust among employees

- Embrace innovation as a top team
- Turn selected managers into innovation leaders
- Create opportunities for managed experimentation and quick success

* McKinsey’s survey of executive on leadership and innovation, September 2007
Identify Innovative Talent; Become More Innovative

**Practice, Practice, Practice —** Innovative thinking can be developed and strengthened

- **Associating:** Acquire new knowledge to build the ability to connect unrelated questions, programs, or ideas from different fields
- **Questioning:** Try spending 15 to 30 minutes each day writing down questions that challenge the status quo in your organization or industry
- **Observing:** Watch how your patients experience a service without making judgments
- **Experimenting:** Approach work and life with a hypothesis-testing mind-set
- **Networking:** Contact the most creative people you know and ask them to share what they do to stimulate creative thinking

Create the Culture of Innovation

- Encouragement of new ideas
- Encouragement of risk-taking
- Resources
- Widely shared information
- Specific targets
- Tools and techniques
- Rewards systems
- Relationships
- Management values
- Team-based environment
- Trust/openness
- Measurement of results and processes

Source: AHRQ; McKinsey Quarterly
Transformation: It’s About Redefining the Critical Relationships

Team-based Care

Physician-Patient

HBR 2010 Breakthrough #2: The Technology That Can Revolutionize Healthcare

Physician-Hospital

Improved interactive platforms for patients and physicians to make better health decisions together.

Healthcare Transformation

- Design the curriculum and learning experiences that drive innovation and transformational thinking and behaviors
- Capability to create something new from something old*
- Bring about fundamental changes in the organization’s basic political and cultural systems*
- Dramatically change the structure, process, and culture of an organization

Examples include:
- High-performing primary care
- Accountable care
- Financials
- Quality of care
- Health status

* Transformational Leadership. Tichy and Ulrich.
** Major changes in payment systems assumed.
Acquire the Necessary Competencies to Transform

NCHL Health Leadership Competency Model™

The NCHL model provides breakthrough research and a comprehensive database for defining the competencies required for outstanding healthcare leadership for the future.

TRANSFORMATION
- Achievement Orientation
- Analytical Thinking
- Community Orientation
- Financial Skills
- Information Seeking
- Innovative Thinking
- Strategic Orientation

EXECUTION
- Accountability
- Change Leadership
- Collaboration
- Communication Skills
- Impact and Influence
- Information Technology Management
- Initiative
- Organizational Awareness
- Performance Measurement
- Process Management / Organizational Design
- Project Management

HEALTH LEADERSHIP

PEOPLE
- Human Resources Management
- Interpersonal Understanding
- Professionalism
- Relationship Building
- Self Confidence
- Self Development
- Talent Development
- Team Leadership
Build a Talent Pipeline from Within

- Research shows a distinct negative correlation between building great companies and hiring an outside CEO
- Eight of the eleven fallen companies studied went for an outside CEO during their era of decline
- Over 90% of the CEOs that led companies from good to great came from inside
- Over two-thirds of the comparison companies hired a CEO from the outside yet failed to make a comparable leap

Source: How the Mighty Fall, 2009
Create Curriculum to Foster Innovation and Transform

What makes a change management program successful

• **Team training** accelerates the pace of change by giving managers an opportunity to reach consensus on the barriers to change and how best to attack them.

• Participants are encouraged to consider both the **hard barriers to change** (organizational structure, capabilities, and resources) and the **soft** (how the members of the leadership team behave and spend their time).

• The eternal management challenge of **balancing the short term and the long term** are explicitly addressed.

• **New concepts** that would make people look at their businesses and themselves differently are provided.

• A **common vocabulary of change** is created.

Bring Teams Together to Deliver Innovation
... It’s the Way to Survive Big Changes

... We got a CO\textsuperscript{2} filter problem on the lunar module
... which are meant for two guys for a day and a half.

... Those CO\textsuperscript{2} levels are gonna be getting toxic.

...Well, I suggest you gentlemen invent a way to
put a square peg in a round hole. Rapidly.

We gotta find a way to make this fit into the hole
for this... usin' nothin' but that.

... Let's get it organized.

... Okay. Okay, let's build a filter.

... Better get some coffee goin', too, someone.

Source: Script from Apollo 13
TALENT MANAGEMENT: INNOVATING & ACCELERATING CHANGE

Joseph Cabral, Senior Vice President & Chief Human Resources Officer
January 21, 2010
North Shore-LIJ at a Glance

North Shore-LIJ is the third-largest, non-profit secular health care system in the nation.

- 14 Hospitals*
- 17 Skilled Nursing Facilities*
- More than 10,000 hospital and skilled nursing facility beds*
- Home Care, Hospice
- Core Lab, Ambulance Transport
- Research Institute

- 38,000 Employees
  - Largest employer on LI
  - 9th largest in NYC
- More than
  - 8,000 physicians
  - 10,000 nurses
  - 1,200 residents & fellows
  - 700 medical students

- More than $5 B annual operating budget
- 5.2 M Population Served
- 239,400 Discharges
- 111,900 Ambulatory Surgeries
- 495,000 Emergency Visits
- 21,700 babies delivered

* Includes affiliates
Innovating & Accelerating Change Through Talent Management

- Talent Acquisition
- Succession Planning
- Performance Management
- Onboarding

BUSINESS OUTCOMES

- Quality
- Financial Performance
- Patient Experience

EMPLOYEE LIFE CYCLE

EMPLOYEE ENGAGEMENT

via integrated technology

Goals Management
Developing a Leadership Pipeline

1. Identify Future Leaders
2. Assess Skill Gaps
3. Target Development

New Medical School*

*Partnership with Hofstra University.

NSLIJ Talent Pools
External Pressures

- Sensex hits year’s low at 2832 points
- Incomes are now equity-linked
- Bedlam on V
- Dow drops to 916, the lowest since 2003
- CRUNCH TIME: Rate cut demanded as property prices slide
- Financial Crisis
- Standard of living will fall, City fear as shares slide
- Fears over inflation
- Panic
- UTI says there’s no equity-linked
- The New York Times
External Pressures

Support for a Public Health Plan

Would you favor or oppose the government's offering everyone a government administered health insurance plan like Medicare that would compete with private health insurance plans?

<table>
<thead>
<tr>
<th></th>
<th>FAVOR</th>
<th>OPPOSE</th>
<th>NO OPINION</th>
</tr>
</thead>
<tbody>
<tr>
<td>All respondents</td>
<td>72%</td>
<td>29%</td>
<td>7%</td>
</tr>
<tr>
<td>Republicans</td>
<td>50%</td>
<td>39%</td>
<td>11%</td>
</tr>
<tr>
<td>Democrats</td>
<td>17%</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>Independents</td>
<td>13%</td>
<td>12%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Willingness to Pay Higher Taxes

Would you be willing or not willing to pay higher taxes so that all Americans have health insurance that they can't lose no matter what?

<table>
<thead>
<tr>
<th></th>
<th>WILLING</th>
<th>NOT WILLING</th>
<th>NO OPINION</th>
</tr>
</thead>
<tbody>
<tr>
<td>All respondents</td>
<td>37%</td>
<td>37%</td>
<td>6%</td>
</tr>
<tr>
<td>Income &lt;$50,000</td>
<td>34%</td>
<td>27%</td>
<td>8%</td>
</tr>
<tr>
<td>Income $50,000+</td>
<td>44%</td>
<td>34%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Sustain Innovation

Organizational Holistic View:

- Human Capital Programs
- Employee Engagement
- Business Results

Management Development

Diversity & Inclusion Strategy

Demographics & Workplace Adaptability

Workforce Development

CAP, FTD, LEAN, Six Sigma, Capstone

Idea Forum

Rounding

North Shore LIJ
Change Management

• Launched in March 2009
• Resulting in >1,105 ideas
• Dozens of phone calls and in-person ideas

OUTCOME: 85 Innovative Ideas Implemented!
Accelerating Change

The Center for Learning & Innovation 2008 – 2009

• **30** Capstone Projects implemented to identify root causes of operational issues to generate solutions
• **19** Six Sigma/LEAN Projects implemented to refine process results in savings, bring in added revenue, improve customer and employee satisfaction
• **200** employees enrolled in Change Acceleration Process (CAP) and Fast Track Decision Making (FTD)
Culture Change Outcomes

Organizational Culture

- Patient Centered Care
- Accountability
- Coaching/Mentoring
- Quality
- Inclusion
- Collaborative Care
- Team Oriented
- Employee Engagement

North Shore LIJ
Accelerating Change to Achieve Business Outcomes

Alignment of People

Step 1: Employment Beginnings Orientation “Capturing Their Hearts”

Step 2: Introduction to Goals “Vision in Motion”

Step 3: Cascade Goals CEO/COO

Step 4: Link Business Goals to Talent Management

Step 5: Linking Employee Engagement to Organization Business Outcomes

Step 6: Business Outcomes

Aligned Organization
Linking Metrics to Performance

- Establish the organization’s line of sight and direction
- Create clear measures
- Communicate the metrics

Organizational Scorecard

<table>
<thead>
<tr>
<th>Patient Experience</th>
<th>Month/Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>%tile</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Patient Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>PG - Likelihood to Recommend (ED)</td>
</tr>
<tr>
<td>IP - Likelihood to Recommend (IP)</td>
</tr>
</tbody>
</table>

| HCAHPS - Likelihood to Recommend (IP) |
| HCAHPS - Overall Hospital Rating |

Employee Satisfaction
Physician Satisfaction

<table>
<thead>
<tr>
<th>Quality</th>
<th>C3 Score (Preliminary)</th>
</tr>
</thead>
<tbody>
<tr>
<td># Top Perfs</td>
<td>Total Indicators</td>
</tr>
</tbody>
</table>

*CMS Overall indicators (excludes SCIP) |
SCIP |
Stroke Excellence-Process/Bed Record |
CLAB Index |
VAP Index |
Surgical Site Infection Rate |

<table>
<thead>
<tr>
<th>Financial Performance</th>
<th>YTD Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Margin (%)</td>
<td></td>
</tr>
<tr>
<td>Operating Margin (5%)</td>
<td></td>
</tr>
<tr>
<td>Total Revenue per Adjusted Discharge</td>
<td></td>
</tr>
<tr>
<td>Total Expense per Adjusted Discharge</td>
<td></td>
</tr>
<tr>
<td>Productivity</td>
<td></td>
</tr>
</tbody>
</table>

| Acute Care Length of Stay |
| Reduction in Excess Days |

Dashboard
Organizational Alignment

Values & Expectations

Caring
Be compassionate, respectful and supportive

Excellence
Pursue greatness with passion and promote quality

Innovation
Initiate change and promote creativity

Integrity
Be professional, honest and protect privacy

Teamwork
Work together and communicate effectively

my goals

signed       date

Smith, Anne, RN NSUH

North Shore LIJ
North Shore-Long Island Jewish Health System
# Incentive Compensation

## NS-LIJ Health System - Annual Incentive Plan Calculation

### YOUR NAME AND TITLE HERE

<table>
<thead>
<tr>
<th>Base Salary</th>
<th>$200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Bonus</td>
<td>20.0%</td>
</tr>
<tr>
<td>Target Total Cash Compensation</td>
<td>$240</td>
</tr>
<tr>
<td>Actual Bonus as of September 17, 2007</td>
<td>13.5%</td>
</tr>
<tr>
<td>Actual Total Cash Compensation as of</td>
<td>$227</td>
</tr>
</tbody>
</table>

### System Results

**Above (Below) Target** ($13)

### System (100% Weight)

<table>
<thead>
<tr>
<th>Goal</th>
<th>(100% Weight)</th>
<th>Weight</th>
<th>Thr.</th>
<th>Tgt.</th>
<th>Max.</th>
<th>Result</th>
<th>Payout</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Experience</td>
<td>Likelihood to Recommend (Inpatient)</td>
<td>25%</td>
<td>85.1</td>
<td>85.1</td>
<td>86.1</td>
<td>84.3</td>
<td>0%</td>
</tr>
<tr>
<td>Quality</td>
<td>CMS Overall Indicators</td>
<td>25%</td>
<td>85%</td>
<td>85%</td>
<td>95%</td>
<td>70%</td>
<td>0%</td>
</tr>
<tr>
<td>Quality/Financial Perf.</td>
<td>Excess Days</td>
<td>25%</td>
<td>8,244</td>
<td>10,305</td>
<td>12,367</td>
<td>11,162</td>
<td>121%</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>Controllable Margin</td>
<td>25%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.7%</td>
<td>1.1%</td>
<td>150%</td>
</tr>
</tbody>
</table>

**System Results** $27.1

**Link between performance and bonus payout:**

<table>
<thead>
<tr>
<th>Performance</th>
<th>Payout</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold</td>
<td>50%</td>
</tr>
<tr>
<td>Target</td>
<td>100%</td>
</tr>
<tr>
<td>Maximum</td>
<td>150%</td>
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Circuit breaker is assumed to be "achieved".
HR Management Cycle (Hardwiring)

**November**
- Performance Reviews for Dept Heads/Mgrs (IDP’s)
- Open Enrollment
- High Potentials selected

**December**
- Performance Reviews for Sr. Execs (IDP’S)
- Salary Increases (across the board)

**January**
- Sr. Leadership retreat
- Mail W2’s to employees
- NYSNA Negotiations (FR/PLV/SYOSS)

**February**
- High Potentials Kickoff
- Cascading of Goals-CEO/COO
- EHS Annual Health Review

**October**
- Finalize 2009 HR Budget
- Open Enrollment meetings
- Performance Reviews for all employees (IDP’s)
- Flu shot distribution

**September**
- EEO Reports to the Department of Labor

**August**
- Succession Planning – key positions identified
- High Potentials identified and assessed

**July**
- Resident On-boarding
- Review of metrics for Service
- Progress measured for financial and operational efficiency
- Quality measures tracked

**June**
- Annual Mandatory Compliance Training
- President Award Winner(s) Announced
- Employee self-service-setting up kiosks at each site (Summer)

**May**
- Applications for Summer Interns
- 403(b) auto enrollment
- Handbook for staff
- Health & Welfare benefit review

**April**
- Application for President’s Award
- Annual Educational Mandatorys
- Employee engagement survey

**March**
- Leadership Immersion Program
- 360º process for high potentials

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Strategic Goals

Excess Days - LOS Reduction

-14 Days Improvement

Operating Margin

$25 Million Improvement

Patient Satisfaction

4% Improvement

Core Measures

AMI  3.6% Improvement
HF  10.6% Improvement
PNE  3.0% Improvement
SCIP  6.5% Improvement
Today the National Quality Forum (NQF) announced North Shore Long Island Jewish (LIJ) Health System as the recipient of the 2010 NQF National Quality Healthcare Award for its ongoing commitment to providing high-quality, transparent, patient-centered healthcare.

"North Shore-LIJ is a clear leader in striving to make high-quality care commonplace for every patient and a central part of its culture. We are at the precipice of change in healthcare in America, which will have implications for every healthcare facility in every community. North Shore-LIJ is at the forefront of that change.

"Quality improvement and accountability are fundamental to our culture.

"For us to succeed as a healthcare organization and strengthen public trust, we recognized long ago that quality must be a top priority for every employee, regardless of whether they're cleaning patients' rooms or performing surgery in the operating room.

~Mr. Dowling, President & CEO, North Shore-LIJ
Discussion/Questions
Mark Your Calendar

The remaining webcasts for the year will be held on the **third Friday of each month** (1:00-2:00 p.m. EST, 12:00-1:00 p.m. CST, 10:00-11:00 a.m. PST). The dates are:

- February 19\textsuperscript{th}
- March 19\textsuperscript{th}
- April 16\textsuperscript{th}
- May 21\textsuperscript{st*}
- June 18\textsuperscript{th*}
- July 16\textsuperscript{th}
- August 20\textsuperscript{th}
- September 17\textsuperscript{th}
- October 15\textsuperscript{th}
- November 16\textsuperscript{th} – Fall Learning Lab and 2010 National Invitational Symposium
- December 17\textsuperscript{th}

* The Spring Learning Lab will take place in May or June. There will be no Webcast that month. More details to come.
Spring Learning Lab: Leading Clinical Innovation and Excellence

Location: Palo Alto, California
Details to come
LENS Contact

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Director – National Center for Healthcare Leadership
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312.755.7070