How to Initiate and Sustain Lean Process Improvement

Gary Sheehan, MBA
President and Chief Executive Officer
Cape Medical Supply, Inc.
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Learning Objectives

• Who is Cape Medical Supply
• What is “Lean” – and what it is Not
• Our Recognition of Need and Experience with Lean
• Selected results
• The Industry Mandate for Improvement
• Stimulate interest in taking additional action
Disclosure

“I know nothing about the subject, but I’m happy to give you my expert opinion.”
Why Do this Presentation?
• “It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change.”

—Charles Darwin
Product Portfolio, By Revenue

- **Sleep Therapy, 50%**
- **Orthopedic Bracing, 20%**
- **Oxygen, 20%**
- **Med Equipment, 10%**
Our Organization – Service Area

INNOVATING PATIENT CARE

throughout eastern New England
Our Organization – Revenue Growth

10 Year CAGR = 14%

Dec 2005: Acquire hospital owned competitor, within core operating territory

June 2011: Acquire distressed provider across state lines in new operating market, begin executing multi state strategy

Innovating Patient Care
• “Happiness does not come from doing easy work but from the afterglow of satisfaction that comes after the achievement of a difficult task that demanded our best.”

—Theodore Isaac Rubin
Priorities and Mission of Lean

• Define value; that which your customer will pay for
• Document current state of key work processes
• Eliminate the waste; those steps which do not add value
• Measure the processes
• Communicate, Communicate and...COMMUNICATE!!!
Every step in a process needs to be justified

- Every step in a process has costs and risks
  - A 10 step process, with 90% accuracy at each stage, is only 38.75% accurate in aggregate, 95% accurate? 63% in aggregate. 99% accurate? 91.35% in aggregate

- Are there steps that are part of your core processes that are there simply because they have always been there?

- How frequently do you, personally, examine core, cross-cutting processes?
“Lean thinking is not a manufacturing tactic or a cost-reduction program, but a management strategy that is applicable to all organizations because it has to do with improving processes. All organizations— including health care organizations — are composed of a series of processes, or sets of actions intended to create value for those who use or depend on them (customers/patients).”

— Institute for Healthcare Improvement, 2005
• **Purpose**: What customer problems will the enterprise solve to achieve its own purpose of prospering?
• **Process**: How will the organization assess each major value stream to make sure each step is valuable, capable, available, adequate, flexible, and that all the steps are linked by flow, pull, and leveling?
• **People**: How can the organization insure that every important process has someone responsible for continually evaluating that value stream in terms of business purpose and lean process? How can everyone touching the value stream be actively engaged in operating it correctly and continually improving it?
  • **Jim Womack**, Founder and Senior Advisor, **Lean Enterprise Institute**
“If you can't describe what you are doing as a process, you don't know what you're doing.”

- W. Edwards Deming
Lean Principles

1. Specifying Value
   Value can only be defined by the ultimate customer.
   “Value is only meaningful when expressed in terms of a specific product or service which meets the customer needs at a specific price at a specific time.”

2. Identify and create value streams
   “A value stream is all the actions currently required to bring a product from raw materials into the arms of the customer.”

3. Making value flow
   “Products should flow through a lean organisation at the rate that the customer needs them, without being caught up in inventory or delayed.”

4. Pull production not push
   “Only make as required. Pull the value according to the customer’s demand.”

5. Striving for perfection
   Perfection does not just mean quality. It means producing exactly what the customer wants, exactly when the customer requires it, at a fair price and with minimum waste.

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Lean is a well-defined set of tools that increase customer value by eliminating waste (muda) and creating flow throughout the value stream. The following bullets describe lean improvements:

• Inexpensive to implement
• Focus on improving the process, not the people
• Address the batch and queue mentality of silos by following process flow
• Promote simple, error proof systems
• Therefore, a Lean process is better (no defects, it is what the customer wants), cheaper (non-value added work is removed, there is no re-work or scrap), and faster (eliminates batch and queue, introduces flow, gets it right the first time).
Tools

- A3 – Defining problems, identifying solutions
- Mapping – visualize the way work flows
- Kanban – inventory flow management system
- 5S – Improvement in physical workspaces
- PDCA – Plan, Do, Check, Act

- Innumerable other tools – idea is to create culture of empowerment and improvement
“Measurement is the first step that leads to control and eventually to improvement. If you can’t measure something, you can’t understand it. If you can’t understand it, you can’t control it. If you can’t control it, you can’t improve it.”

—H James Harrington
Engagement

• Senior leadership MUST be fully engaged and ready to get in the weeds

• Lean is, ultimately, a cultural transformation in the way an organization hires, trains, assesses, analyzes and grows

• If you are looking to Lean as a means of reducing headcount, you are looking in the wrong place. Lean is a quality, growth, and scalability strategy

• Lean engagement is NOT micro-management
• “In God we trust, all others must bring Data.”
  – W Edwards Deming
Initiating a Transformation

• Our consistent track record of growth began exposing organizational gaps
• As territory and locations expanded we identified critical process documentation gaps
• We needed a way to create consistent service delivery
Initiating a Transformation (continued)

- We knew we had an opportunity (aka “problem”)
- We knew we needed intensive outside expertise
- We did not run to Lean as an answer, we felt intuitively that we had process issues, Lean presented later
- Engaged Sr Management and hired consultant
The Beginning

• Horrified
• Overwhelmed
• How is it possible we operate and stay open every day, with this much waste?
• When you go into the guts of your organization, particularly one that had grown as fast as ours, it can be frightening!
Prepare for Resistance

- Denial
- Anger
- Depression
- Bargaining
- Acceptance
Define Your Burning Platform

• Lean will push people out of their comfort zones
• Many will defend “the way it has always been done”
• It is imperative upon leadership to define the need for change to ensure the team invests, fully and completely, in the transformation
Payment Reform and Process Excellence

• As Integrated Delivery Networks are built they will look for companies who can define the value they deliver and the processes they follow

• Demonstrating your processes, value and outcomes, is critical to future success, growth and overall enterprise value
“WE CANNOT SOLVE OUR PROBLEMS WITH THE SAME THINKING WE USED WHEN WE CREATED THEM”
Sustaining Improvement

• Communication is critical
  – Daily huddles in all work areas
  – Continuous communication from and with leaders

• Data Measurement is critical
  – Post results central to organizational success
  – Measure more than finance and volume, create true process measurements

• Celebrating success is critical
  – Find early wins, celebrate with team
Cape Medical Today

- Focused on improvement projects critical to our organizational mission and success
- Continuing to define our culture and implement Lean thinking
- Training is our single biggest priority, and our most noted shortcoming in recent growth
- Even the most vehement initial skeptics now know that Lean has transformed our future
CORPORATE DILEMMA

WHAT IF WE TRAIN THEM AND THEY LEAVE?

WHAT IF WE DON'T... AND THEY STAY?

INVESTING IN EMPLOYEES
Cape Medical Today Continued

• Daily huddles in all work areas
• Lean Transformation Council continues to meet weekly
• Continue to add metrics and measurements, moved to process level measurements
• Continue to experiment in workflow design to minimize waste and deliver value – to customers and shareholders
Current Project Focus Areas

• Process automation
• Work-in-process reporting across all product categories
• Strategic divestitures of non-core product categories
• Training programs up and down the org chart
Critical to Quality Cycle Times

PAP “Bucket Report”
- Measured by PA/NO PA
- Each step measured
- Targeted for improvement
- Continuously Monitored
Competitive Bidding

Does the patient have Medicare as their primary insurance?

- **NO**
  - Follow status quo operating procedures

- **YES**
  - Does the patient live in an area impacted by CBA (use zip code tool)
    - **NO**
    - Are they receiving equipment that is in the CBA program?
      - **NO**
      - \(\text{Is it a contract Cape Medical Supply won?}\)
        - **NO**
        - Utilize zip code tool
          - **YES**
          - Process the order
        - **YES**
      - **YES**
    - **YES**
  - **YES**

**CMS Winning Contracts**

- **Boston**
  - CPAP & PAP Supplies
  - Hospital Beds
  - Support Surfaces
  - Home Oxygen

- **Providence**
  - CPAP & PAP Supplies
  - Hospital Beds
  - Support Surfaces
  - Home Oxygen

- **Worcester**
  - CPAP & PAP Supplies
  - Hospital Beds
  - Support Surfaces
  - Home Oxygen

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**\(\text{**Medicare managed care plans not included**}\)**
Process Map – w swim lanes – for repairing PAP machine
CMS A3 Format

Step 1: Clarify the Problem
Ultimate Goal:
Ideal Situation:
Current Situation:
Gap

Step 2: Break down the Problem

Step 3: Target Setting

Step 4: Analyze Root Cause

Step 5: Develop Countermeasures

Step 6: See Countermeasures Through (Implementation)

Step 7: Monitor both Results and Processes

Step 8: Standardize Successful Processes

PLAN

CHECK/ACT

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“Results are the outcome of a process. What we want are good results from a controlled process, because they will be repeatable. Bad results from an uncontrolled process simply mean we’re not doing our job. Good results from an uncontrolled process, however, only mean we’re lucky. And in automotive, luck ran out years ago. Today, bad results from a controlled process just says that we’re stupid: we expect different results from doing the same thing over again.”

- The Lean Manager
Key Results

• Defining and improving critical-to-quality cycle times
• Outcomes based job descriptions supported by greatly enhanced training programs
• Improved ability to scale key processes and sell benefits (this is how we do what we do, this is the outcome)
• CPA performing audits, “what’s going on here?!”
• More control and visibility into organizational performance than ever (data driven culture)
Longer Time Horizon Thesis

• Our ability to document process and outcomes will lead to additional partnership opportunities

• Process management and waste reduction will lead to continued EBITDA expansion

• The ability to scale processes, win new business, and deliver profitability will help us grow enterprise value and weather reductions
The Time is Now

- Quality Standards
- Market Consolidation
- Network Consolidation (Payer and Provider)
- Administrative and Regulatory Complexity
- Payment Reductions
- Audits

DME Providers
Books and Resources

On the Mend
 Revolutionizing Healthcare to Save Lives and Transform the Industry

The Lean Manager
 a novel of lean transformation

by Michael Ballé & Freddy Ballé

George Koenigsaecker

Leading the Lean Enterprise Transformation

Lean Enterprise Institute

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Conclusion

• Lean is not a project, it is a cultural transformation
• Leadership must own this for it to be effective
• There is clearly a burning platform threatening the viability of most providers business models
• It is an iterative process, we are 3+ years in and nowhere near where we know we can be
— Gary Sheehan, MBA

- President and CEO, Cape Medical Supply, Inc.
- Email: gsheehan@capemedical.net
- Web: www.CapeMedical.com

@gmsheehan

- Executive Assistant – Barbara Glover
- Email: bglover@capemedical.net