The Benefits of Healthcare Benchmarking
How To Measure and Beat the Competition
Benchmarking is a topic that continues to trend in the news daily – not only in healthcare, but in a wide range of industries. With the advent of a pay-for-performance model, healthcare providers will be measured against certain indicators and their peers, so the importance of benchmarking and consistent measurement will gain further importance. In the following pages, we’ll:

- Define what benchmarking is and where the term originated
- Cover the pitfalls and benefits of benchmarking with a few specific examples
- Review the various types of benchmarking used today
- Examine how providers are borrowing practices and processes from a wide range of industries to make improvements within their organizations
- Discuss applying or introducing benchmarks to your organization
- Assess choosing relevant Key Performance Indicators (KPIs) and exposing them throughout an organization

Defining Benchmarking and Understanding Benefits

There are numerous definitions of benchmarking. Interestingly, the term itself derives from shoe cobblers – when fitting a person for a new pair of shoes, the cobbler would ask the patron to place their foot on a bench in order for the cobbler to make a mark to fit the person properly for their shoes. A definition that seems to capture the basics very succinctly comes from the Benchmarking Exchange: Benchmarking is the process of measuring an organization’s internal processes and identifying, understanding and adapting outstanding practices from other organizations with similar processes considered to be Best in Class. One small addition to the definition would include improvements coming from within the organization or borrowing from other industries.

An excellent example of reaching outside an industry is regional grocer Kroger, which is now utilizing military infrared technology to reduce customer wait times during the checkout process. Over the last two years, they have been able to reduce wait times by almost 350 percent (*Wall Street Journal, May 2013*). It is this type of “outside the box” thinking that can produce significant process improvement and should be openly adopted in healthcare.

One of the biggest mistakes organizations can make is to limit their benchmarking activity to only their industry. Benchmarking within your industry is essential, but it can also be extremely beneficial – as in the above example – to reach outside your own industry into other industries that perform a similar process, but perform it extremely well in order to succeed.

Organizations that benchmark have:

- Created a competitive environment promoting improvement and growth
- Reduced department budget by 3% and improved caseload by 10%
- Reduced wait times by 350%

Let’s look at two more relevant examples, the first regarding the hotel industry. Customer surveys indicated long wait times for hotel rooms, especially for repeat customers. The solution – the hotel benchmarked admittance processes with hospital emergency room departments, resulting in dramatically reduced check-in times. In turn, this resulted in a need for less employees, automation for frequent hotel guests and many more process improvements.

In another case, a major airline thought routine maintenance on aircraft between flights, such as refueling, cleaning and tire checks, was taking
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too long. Their immediate need was to reduce ground time required in between flights without sacrificing quality or safety of passengers. Initially, benchmarking research indicated that the airline was already No. 1 in the industry, however, they brainstormed and discovered that Indy 500 racing team pit crews have a similar maintenance process and a similar requirement to get their vehicles back on the track as quickly and as safely as possible. After benchmarking pit crews’ maintenance turn-around times for aircraft, time between flights was reduced by more than half, saving or making the airline millions of dollars in the first few years.

Most business processes are common throughout industries. For example, NASA has the same basic Human Resource requirements for hiring and developing employees as does American Express. British Telecom has the same customer satisfaction survey process as Brooklyn Union Gas. These processes, albeit from different industries, are all common and can be benchmarked very effectively. Through benchmarking, you may discover who performs the business process very well and has the process practices that are adaptable to your own organization or, who is the most compatible for you to benchmark with, and if you need to conduct a more comprehensive benchmark study.

Process
The process of benchmarking can be just as important as the results, especially if you need to engage a larger segment of your organization to help implement improvements. By including executives and other key stakeholders throughout the benchmarking process, you minimize resistance to change and win their support. By undertaking and implementing a benchmarking process, your organization can evaluate critical questions and identify problem areas by removing the guesswork. It allows you to build confidence by validating or disproving previous assumptions, uncovering unforeseen challenges and gives the information to prioritize improvement opportunities. In addition to identifying, building and prioritizing, some organizations have reported that it changed the way they thought internally, serving as an excellent reporting platform and promoting raising the bar throughout the entire organization.

Another possible byproduct of benchmarking is the creation of a competitive atmosphere which promotes improvement and growth within the departments and challenges staff to work smarter, not harder.

Here are a few important questions to ask:

• How well are we performing compared to other companies?
• Do we know how our competitors perform? If not, how do we gain access to this information in order to do a benchmarking study?
• What are the best practices?
• Do we look to other leaders in our industry? Or do we draw processes and analytics from outside industries?
• What improvement opportunities should we focus on?
• What are our strengths and weaknesses?
• How do we prioritize our weakest areas?

A Word of Caution
Benchmarking can be extremely beneficial to an organization, however, there are also some possible pitfalls to consider. A major limitation of benchmarking can be that while it helps organizations in measuring the efficiency of their operational metrics, it remains inadequate to measure the overall effectiveness of such metrics. In other words, are you measuring the right things? Benchmarking can reveal the standards attained by competitors, but may not consider the circumstances under which the competitors attain such standards. If the competitors’ goals
and visions were flawed or severely restricted due to some specific factor, an organization, by benchmarking such standards, runs the risk of trying to implement such flawed standards or settling for extremely low standards.

There is also the danger of complacency and arrogance that can evolve from a benchmarking exercise. Many organizations tend to relax after excelling beyond competitors’ standards, allowing complacency to develop. The realization of having become the industry leader soon leads to arrogance when considerable scope for further improvement may remain. Always remember, “Complacency will be the architecture of your downfall,” and keep striving to improve further. Finally, many organizations make the mistake of undertaking benchmarking as a stand-alone activity. Benchmarking is only a means to an end, and it is worthless if not accompanied by a plan to change or improve.

Types of Benchmarking

There are several types of benchmarking that facilities might choose to implement, depending on the project and/or resources involved. Regardless of the type of benchmarking selected, the process will follow the plan-do-study-act cycle (PDSA). As explained by the Institute for Healthcare Improvement, the PDSA cycle guides the test of a change to determine if the change is an improvement by developing a plan to test the change (Plan), carrying out the test (Do), observing and learning from the consequences (Study), and determining what modifications should be made to the test (Act).

Organizational capacity for learning, knowledge of the customer, resource availability and leadership understanding of benchmarking may also accelerate or inhibit the effective use of benchmarking.

As stated previously, benchmarking can be done internally, externally or a combination of both. In terms of internal benchmarking, in a free-standing organization, you may benchmark within any organization in network that has processes similar to the ones you are addressing. For example, your long-term care facility, hospital or ambulatory clinic is looking at the timeliness of actions taken in response to drug recalls. And your network includes homecare pharmacies that have an excellent track record in all areas of recall performance. These pharmacies would make an excellent benchmarking partner. You may want to use internal benchmarking to establish a baseline prior to participating in a competitive or external analysis. It is generally wise not to put the cart before the horse, though. If you have not done any internal analysis or process review, it may be unwise to compare your organization against your competitors.

This leads us into the topic of competitive benchmarking, which involves comparing processes, products and services with your closest competitors.
Goals and objectives to examine here include:

• Major improvements
• Positioning your services in the marketplace
• Defining your competitive advantage

It can be a quick and low-cost way of showing the comparative advantages and disadvantages of specific practices among similar organizations. This facilitates the exchange of information and can lead to significant improvements. However, some difficulty can come in finding truly comparable partners and processes or an organization willing to share data or information.

Functional benchmarking involves the thinking outside the box approach that was discussed earlier. For example, if you are trying to improve your process for fire safety or disaster drills in an inpatient setting, you may want to benchmark your methods against major hotel chains that perform these drills extremely well on a large scale. Functional benchmarking allows you to adopt practices from different industries with similar functions as long as the measurable are comparable.

Generic benchmarking is best used when an important process needs significant improvement and would benefit from some revolutionary ideas. While generic benchmarking may be similar to functional, it primarily focuses on the need for drastic process improvement regardless of the industry or organization you compare with. If your organization is interested in improving food service performance, you may choose to participate in a study with universities who measure indicators such as food cost percentage, cost per unit area of service and meals per labor hour.

It is important to understand the various types of benchmarking in order to effectively plan your projects. However, regardless of which type you choose, it is also important to understand that benchmarking is not a once-a-year undertaking. To achieve and maximize your benefits, benchmarking should be performed on a consistent basis. This includes data collection and analysis as well as identifying new opportunities for benchmarking activities. Benchmarking consistently allows for greater process improvement throughout your entire organization.

Benchmarking Success Story

A recent success story illustrates the real life benefits of benchmarking in a healthcare setting. A 200–bed hospital was seeking to bring greater efficiency and cost savings to their surgical suites. With no effective means of discovering the causes of late start times, they implemented a benchmarking collaborative approach, involving the formation of a voluntary network of healthcare providers that cooperate in carrying out the study. The final results of the study not only revealed operating room inefficiencies, but also led to significant improvements in estimated case duration accuracy and substantial savings in time and hospital resources.

Although the hospital recognized the difficulty in measuring the accuracy of scheduling surgical cases, many of their procedures exceeded scheduled times resulting in a low percentage of on-time starts for subsequent cases. Without an effective system for estimating case duration, scheduling bottlenecks occurred resulting in overtime payments for staff and even surgery cancellations and rescheduling of cases. Without an accurate overview of the factors that contribute to these problems, managers were unable to identify remedial steps.

After creating a collaborative task force that included members from the surgical and administrative departments, they created a plan to gather monthly trended data on key performance
indicators which included start time accuracy for first case of the day and subsequent cases, estimated case duration accuracy, prime-time utilization and day of surgery add-on cases. In this situation, their primary concern was not benchmarking against their competitors, the focus was placed on internal improvement and O.R. performance.

Initial findings revealed that their subsequent case starts were very low. With this data in hand, they drilled down to the specific causes of the scheduling bottlenecks using data analysis charts for both services and surgeons. They matched subsequent case start bookings and time allotments with those individual surgeons and services. The first step was developing common case durations for their top 10 procedures. Although they determined averages for each procedure, managers found cases were being booked under a shorter procedure name. For example, 80 percent of the cases booked as arthroscopy procedures were actually arthroscopy debridements, which typically took an additional 20 minutes of surgery per procedure. They subsequently placed better controls on procedure naming and by creating a case duration average for related procedures, surgeries were less likely to extend beyond the allotted times.

During the first year of implementation, they improved booking accuracy by nearly 20 percent. Also, by developing accurate case duration averages, they improved O.R. flow with more accurate subsequent case starts and reduced overtime pay.

They no longer had rooms being held up, which in turn created greater patient satisfaction. In addition, post-analysis, the hospital can now allocate personnel and resources where they are most needed. They targeted roughly a 3 percent savings of their total O.R. budget and a 10 percent increase in caseload.

Key Performance Indicators

In any benchmarking exercise, the identification of proper key performance indicators (KPIs) is essential. A KPI should be quantifiable, reflect critical success factors, show progress towards, or possibly away from, organizational goals and evaluate the performance over a designated time period. When introducing KPIs, it is important to involve key stakeholders in the identification of KPIs, and for them to understand that, fundamentally, the KPIs should be recognizable and inherently understood by all parties involved. Technology allows KPIs to be viewed on dashboards as well as providing quick updates to the decision makers within an organization.

Results can be recorded monthly, weekly or even in real time.

### Material management-related KPIs could include:

- on-time orders
- off-contract spend
- purchase order
- purchase spend by row purchases
- free form purchase orders
- physician preference spend as a percent of total spend
- on-time delivery
- audit terms
- conditions, price matches

Financial KPIs can include operating margin, days in A.R., deduction percentage, current ratio, days cash on hand and R.O.E.

KPIs measure performance by showing trends to demonstrate that improvements are being
made over time, and are used to determine whether the practice, hospital or possibly ACO, is meeting predefined targets. Appropriate benchmarks are necessary to determine how a healthcare organization’s performance compares against its own desired goals and objectives and against other, perhaps competing, healthcare organizations. KPIs, with proper guidance, provide monitoring and insight into the critical components of process and policy that need to be improved to achieve the overall goals of healthcare improvement.

There are many links to publicly reported information related to KPIs including Health Insurance Query Access guidelines, including:

- The Health Information and Quality Authority has developed a set of guidelines for the development of KPIs and minimum data sets, based on an extensive review of evidence-based literature, which is available on their website. They identify important factors to consider when measuring performance and also identifying important components of KPIs.

- The ASC Association’s Outcomes Monitoring Project provides more than 650 participants and benchmarks for 41 key indicators allowing ASCs to compare their specific data with national performance statistics on clinical outcomes, staff indicators, billing performance and much more.

These are just a few examples of the many financial and clinical KPIs that exist in healthcare today. There are a large number of players in the healthcare data game. It is important to understand there is no need to reinvent the wheel when it comes to identifying or building KPIs, but if you are going to partner with an outside organization, be sure that their offerings and costs align with your organization’s needs and goals and ensure proper reimbursement and financial stability.

Should You Benchmark?

Some type of benchmarking is imperative for an organization to continually improve its processes and performance. The new healthcare reform demands it and through value-based purchasing, the Centers for Medicare and Medicaid Services (CMS) has mandated it. Hospitals will have to earn points for either achieving high performance results on certain measures against national competitors or by showing improvements for their baseline scores. These types of measures are coming for other types of healthcare facilities as well.

By undertaking benchmarking initiatives, healthcare facilities can conduct comparative analysis in the areas of supply chain, medical implant devices, financial profitability, workforce performance and capital equipment/energy expense, just to name a few. As a result they can adopt strategic initiatives/policies that optimize financial performance and implement best practices with confidence and the backing of data and real world examples that support their decision making.

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Amerinet, Inc.
Two CityPlace Drive, Suite 400
St. Louis, MO 63141
877-711-5700