

# Innovation

A Toolkit for Healthcare Boards and Executives



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A Governance Institute Strategy Toolkit

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# The Governance Institute

**The Governance Institute provides trusted, independent information, resources, tools, and solutions to board members, healthcare executives, and physician leaders in support of their efforts to lead and govern their organizations.**

The Governance Institute is a membership organization serving not-for-profit hospital and health system boards of directors, executives, and physician leadership. Membership services are provided through research and publications, conferences, and advisory services. In addition to its membership services, The Governance Institute conducts research studies, tracks healthcare industry trends, and showcases governance practices of leading healthcare boards across the country.

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# Table of Contents

- 1 What is Innovation in Healthcare?**
- 2 Types of Innovation**
- 3 Examples of Innovation in Healthcare**
- 4 How to Develop an Innovation Strategy**
- 5 Seven Steps to Transforming Innovation in Healthcare Delivery**
- 5 Final Takeaways and To-Dos**
- 6 Questions for Board Members and Executive Leaders**
- 6 Conclusion**
- 7 References & Resources**

# What is Innovation in Healthcare?

**H**ealthcare is changing rapidly due to widespread disruption. Hospitals and healthcare systems need to become more innovative in order to survive. This toolbook provides a guideline for boards to follow when evaluating how they should implement innovation into their organizations.

In healthcare, we define innovation as new business models and care processes for healthcare that create exceptional value, accelerate the transformation of care, and reduce the cost of care. For health system leaders, and especially for boards of directors, the challenge to innovate proves imperative. By definition, innovation is disruptive and difficult—but a few guidelines can help steer the process.

**“Hospitals and healthcare systems need to become more innovative in order to survive.”**

Small, incremental changes, while important to reaching current strategic goals, are not innovations by themselves. Thinking small is a self-fulfilling prophecy. Instead, leaders need to develop and communicate a bold vision that inspires results. They need to think differently and look for new ways to serve customers. Thinking big, however, is not the same as betting big on a particular idea. Failure is to be expected, and healthcare organizations need risk-mitigation processes that anticipate such failures. To that end, the bold vision should be broken down into small steps implemented in an agile manner, with metrics and learning along the way.

## Key Points for Board Members

- Innovation should be strategic.
- Innovation should create value.
- The best innovation is design-driven.
- Most innovations will be externally sourced.
- Multiple innovations require enterprise scale.

The transformation of care is moving forward, far too slowly, but inexorably: health systems are learning to share risk, manage population health, align incentives, integrate and coordinate care, make results transparent, and empower consumers and patients to assume a more active role in managing their own health. The most important innovations, therefore, move us swiftly toward cost reduction by redesigning care—not reducing unit price. For boards, this means critically examining proposals from your system leadership that focus on traditional cost cutting, and asking how planned innovations can tackle costs.

**“Changing culture and mindset is challenging, but well worth it.”**

Success in the transforming healthcare system requires a new mindset to support the new business models (see **Exhibit 1**). Services need to be designed and structured around how value is actually created for patients and families. Changing culture and mindset is challenging, but well worth it. Both professional satisfaction and patient satisfaction rise as teams create solutions that work with patients to improve health results. The steps are not rocket science. They require leadership, vision, and resolve.

## Exhibit 1: Change of Mindset

Designed around facilities, locations, and physicians	→	Designed for <b>patients</b> with common co-occurrences
Organized by specialties or types of practitioners	→	<b>Teams</b> coordinating and integrating care delivery
Treat diseases/incidents	→	Create <b>solutions</b> for patients and families
Measure volume of services and process compliance	→	<b>Measure</b> value of services (health outcomes/costs)
Bargain to shift costs	→	<b>Partner</b> to accelerate innovation

Source: ©2012 Elizabeth Teisberg, Michael E. Porter, and Scott Wallace.

## Board Member Checklist

1. Develop an “innovation intent” that clarifies the organization’s commitment to innovation.
2. Consider creating an innovation committee or task force to spearhead the process.
3. Critically examine proposals from leadership that focus on traditional cost cutting, and ask how planned innovations can tackle costs.
4. The bold vision should be broken down into small steps implemented in an agile manner, with metrics and learning along the way.”

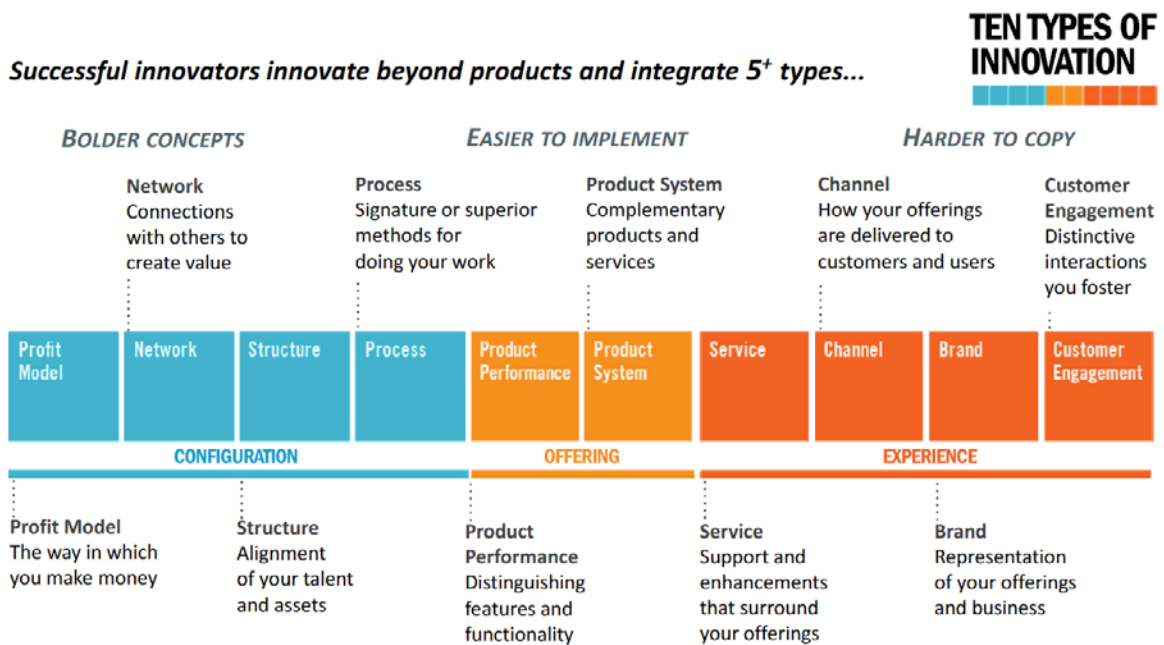
# Types of Innovation

Research from Larry Keeley, Cofounder and President of Doblin, suggests that there are 10 distinct types of innovation that fall into three categories:

- Product configuration
- Product offerings
- Customer experience

Most innovators focus primarily on product-based innovations, with little or no attention to the other types. However, successful innovators tend to integrate multiple types of innovations, typically employing five or more simultaneously, with representation from all three categories.

Exhibit 2: 10 Types of Innovation



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# Examples of Innovation in Healthcare

**A** blizzard of revolutionary products and services are being introduced in the healthcare arena that make use of many, if not all, of the 10 types of innovation. Some of these have come from traditional healthcare organizations while others come from non-traditional competitors like IBM, Apple, and Walgreens. For example, IBM's Watson makes use of seven types of innovation to bring cognitive computing to the field of medicine. GE and Epic are also using forms of cognitive computing to bring innovations to the healthcare field. Like CVS, Walgreens now serves and competes with healthcare systems. Humana, Optum, Apple, and Kaiser are well-known organizations that have used five or more types of innovation to bring bold, innovative products to the healthcare market.

Some ways healthcare organizations have embraced innovation include:

- Developing a prototyping or innovation center to test new consumer offerings, channels, brands, and consumer experiences before they are released to the public
- Creating training programs that help clinicians and staff envision new ways to commercialize their ideas
- Building incentives and opportunities for staff to innovate through tournaments, "hackathons," and seminars to foster creative thought



## Easy Ways to Innovate

Innovations can be short and simple but powerful, addressing specific issues, or more complex and spanning across multiple service lines. Here are some examples of short and simple innovations and their resulting successes:

- Provide employers convenient 24/7 telephone and Web access to physicians for their employees, which cuts emergency room visits dramatically—disrupting patterns of emergency room use by patients, and routine office hours for physicians.
- Provide early in-home visits by social workers, nurses, and physicians for palliative care, which cuts the net cost of care in the last year of life by one-third, decreasing estimates of the need for hospital beds for an aging population and shifting workforce requirements.
- Offer remote monitoring and co-management for intensive care units to provide 24/7 intensivist and critical care nursing coverage, which causes mortality and complication rates in ICUs to decline while net revenues improve.
- Give primary care physicians a structured email system for asynchronous communication with specialists, which reduces the need for in-person referrals by an average of 40 percent across more than a dozen specialties.
- Implement an innovation policy to make sure that it is seen as a core competency for the future. This will ensure there is ongoing education and training around the topic.
- Create a health and well-being policy for your organization's employees and utilize them to test-drive health innovation prototypes. This policy can offer healthy food options; incentivize employees to exercise, reduce stress, and lead healthier lifestyles; and design benefits that use preventive and early detection screenings.
- Implement the use of mobile health technology to form a unified communication strategy. Develop a mandatory and unified communication plan, define an acceptable use policy for mobile devices, understand the ownership control, and support of mobile devices, and address mobile device privacy, and security. Adopting the use of mobile technology for unified communication can greatly increase an organization's efficiency and effectiveness.

# How to Develop an Innovation Strategy

Innovation does not occur by sticking people in a room and telling them to innovate, or by giving a rousing speech about the importance of innovation. Success does not come from generating a long list of ideas and then voting on them. Rather, teams need to go through a series of defined steps that generate one or a few ideas that team members are willing to stake their careers on.

It is critical to link proposed innovations directly to the strategic objectives of the hospital or health system, and critically assess their potential impact and timeframe. This focused approach still relies upon the cultural evolution of the organization, but the education and participation of stakeholders throughout the organization begins to generate a “fly wheel” of energy and inventions aligned with your strategy. For boards, this means regarding innovation as a critical investment, not a casual experiment.

“Once innovation goals are developed, board and senior leaders can work to develop big bold ideas to tackle those goals.”

## Innovation Goals

The first step for boards and senior leaders is to decide upon your organization’s innovation goals by determining what questions to ask and what those answers are.

For example:

- Why do we need to innovate, and what do we need our innovations to accomplish? Or, put another way, what problems do we need innovative solutions to solve?
- How can we produce care that costs 20–30 percent less?
- How can we provide primary care when the number of physicians and advanced practice nurses will never meet demand forecasts for aging boomers?
- How can we establish routinely cooperative, satisfying, and educational relationships between referring physicians and our specialists across states and national borders as well as within our region?

For an academic medical center, an innovation goal could be transforming the medical education experience and process to better prepare emerging physicians for value-based, patient-centered, interdisciplinary team-based, and population health-based approaches, along with leadership training so physicians are better prepared to enter into leadership roles.

For a rural hospital, an innovation goal could be creating partnerships with other organizations in the region or state to partner on rural challenges such as delivering needed specialty care, nurse staffing issues, or developing IT infrastructure for population health.

Here are some other examples of innovation goals:

**Exhibit 3: Innovation Goals**

Goal	Solution
<b>Strive for customer-focused service line integration</b>	Service lines should be integrated from the patient’s (not the provider’s) perspective.
<b>Promote price transparency</b>	Providers can either take the lead in promoting price transparency or be “dragged along” by government initiatives.
<b>Focus on the virtual experience, particularly with millennials</b>	Many customers want opportunities to interact virtually with hospitals and health systems, including accessing information online and having virtual or telephone-based visits and consultations. These options are particularly important to young adults.
<b>Delivery system reconfiguration and optimization</b>	Identify areas where systems cause breakdowns or create waste/drive up cost such as access issues, care being delivered in higher-cost or less optimal settings, systems that allow for unnecessary care, or where communication gaps cause quality problems or reduce patient engagement/compliance.



Once the innovation goals are developed, the board and senior leaders can work to develop big bold ideas to tackle those goals. Through the use of predictive analytics and scenario planning, narrow those big bold ideas down to the few that will accomplish the most and that have the most potential for success.

### Key Points for Board Members

Success begins at the board level. Board members must:

- Believe in the change.
- Develop a set of guiding principles for innovation.
- Enable the transformation by empowering a steering committee to lead the process, charging it with being both bold and accountable for results.
- Ask managers and/or the steering committee what method or process will be used to manage innovations through to completion, and how progress will be monitored along the way.

The planning itself should be a bottom-up process, led by service line-specific and facility-level task forces made up of physician leaders, administrative champions, subject matter experts, and patient representatives. These task forces develop, quantify, and identify implementation issues related to the service reconfiguration plan. Throughout the process, senior administrators and the board must be prepared to respond to those who object to the changes being made.

## Seven Steps to Transforming Innovation in Healthcare Delivery

Organizations rarely are bold enough when thinking about innovation. Yet the most successful innovations tend to be bold and always make use of five or more of the 10 types of innovation. Larry Keeley outlines the following steps for the innovation process:

1. Define, measure, and teach innovation consistently, so that both the topic and the associated performance goals are unambiguous.
2. Periodically assess every unit, department, function, and program with respect to its performance in the area of innovation.
3. Identify and sponsor specific innovation initiatives, ideally in partnership with those who will benefit from them.
4. Put incentives in place for senior executives to improve their performance in the area of innovation. Incentives should be a combination of bonuses, awards, and other mechanisms designed to foster a deep commitment to sustained innovation.

5. Use disciplined protocols to help teams succeed. Tools must be available to track performance over time, including successes and failures, thus keeping participants engaged.
6. Ensure that human resource leaders work with the heads of units and departments to identify those with high potential, as these individuals drive innovation.
7. Document, share, and deepen the initiatives to gain leverage across units and regions. Celebrate and reward the success of teams and those that sponsor them.

## Final Takeaways and To-Dos

Many hurdles exist when attempting transformation, but they can be overcome. Key lessons include the following:

- Start early: There will never be a perfect time to lead a market transformation. If health systems do not act, however, someone else will transform the market, reaping significant first-mover advantages and forcing the rest of the market to scramble to catch up.
- Ensure commitment from the top: Commitment to and ownership of the transformation must come from the highest levels of the organization, including the board.
- Communicate the “why”: A well-coordinated communication plan is needed to highlight the rationale for change to all key stakeholders, including the community at large.
- Avoid incrementalism: Many organizations choose to proceed incrementally due to a reluctance to drive transformational change. This approach will not result in the magnitude of operational savings or capital avoidance needed to succeed.
- Proactively address barriers to execution: These barriers include realigning incentives, setting up the right organizational and physician structures, building the required ambulatory infrastructure, and managing cultural change.
- Address fragmentation and enhancing access to care: Take a longitudinal view of the customer experience that goes beyond a single transaction. The goal should be to integrate all customer touchpoints, making it as easy as possible for consumers to access care, both at physical sites and virtually.
- Engage physicians through bottom-up planning: While it may take longer to get through the planning process, fully engaging physicians upfront positions the organization for accelerated execution farther down the line, once planning has been completed.
- Accept short-term pain for long-term gain: Healthcare leaders need to aggressively reengineer care delivery and manage population health, even if doing so results in some loss of revenues in the near term.

- Focus outward, not inward: Take advantage of innovation ideas from other organizations, and adjust those ideas to become solutions for your organization. Make sure the people within your organization who are tasked to innovate are not too near-sighted in order to disrupt the status quo and create a culture of innovation.
- Engage middle managers: Even if the board and administrative leaders understand the need for innovation, the rest of the organization may not. Hospitals and health systems cannot transform themselves unless all key stakeholders, including physician leaders and middle managers, are on board.
- Do not wait for the “perfect” moment: There is never a perfect, pain-free time to innovate, and it is better to err on the side of being early than late.
- Allocate resources: Boards and CEOs must recognize the importance of allocating resources to innovation, reinvention, and simplification. Investing in these areas is as—if not more—important than investing in new technologies and clinical programs.
- Remain patient: This type of effort requires multiple years of planning and implementation. By starting early and focusing on major (rather than incremental) change, proactive systems should have adequate time to plan and execute the needed steps.



## Questions for Board Members and Executive Leaders

**H**ealthcare delivery organizations need people in leadership positions to be agents of change, capable of igniting innovation and realizing benefits from these efforts. Boards should evaluate their own organization’s tolerance and capability for change:

- Do we have the capacity and infrastructure to ignite innovation?
- Are leaders effectively managing organizational change?
- Is innovation encouraged at all levels of the organization?
- What can we do to stimulate and sustain a culture of change?
- Are our “innovations” actually small, incremental changes being touted as true innovation?
- As we innovate, what do we need to borrow and learn from other innovators?

## Conclusion

**I**nnovation should be mission-driven and integrated in the organization’s strategy, as a way to help fulfill the future vision. To create a breakthrough innovation, leaders must focus on investigating a small number of big ideas, figuring out what is likely to come next in a particular field. Most breakthrough innovations focus not on new ideas but rather integrating what already exists in a simple and elegant manner. By using the resources and checklists in this toolbox, you will be well on your way to ensuring your organization can keep up in the rapidly innovating world of healthcare. ■

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