



## Decision-Making Principles for Successful Healthcare Transformation

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**Health system boards and senior leaders will increasingly be measured on their ability to put in place systems, behaviors, and processes that support the organization in making high-quality, speedy decisions that are made under ambiguity, in the best interest of the whole enterprise, and help lead transformational change.** COVID-19 has presented significant challenges for provider systems across the country, but it has also illustrated the value of system-first thinking and uncovered a different model of organizational decision making—one that is characterized by rapid, effective decisions using centralized command centers, and the use of smaller, focused teams with delegated decision rights, rather than multiple layers of bureaucratic committees. Unfortunately, all too often, decision making reverts to old ways once the immediate crisis has passed, which is dangerous in the case of healthcare. The industry faces greater uncertainties than ever before and is heading for a different future where care models are personalized, consumers are the primary focus, and economic models are more aligned to health rather than sick-care.

Why might health systems be so challenged to make effective and agile decisions? In part, it is due to their history. Today's health systems are largely the result of combining multiple legacy healthcare organizations. The tendency to avoid conflict has preserved old cultures, prevented collaboration, and hindered growth due to internal competition. Historical decision-making approaches have persisted, while adding an executive layer often simply bolts on another degree of complexity. By contrast, healthcare disrupters, with their smaller size and innovative DNA, are comfortable making effective, agile decisions, operating under uncertainty, and pivoting several times in response to changing market conditions.

Health systems with mostly organic sources of growth are not completely immune to this problem. While systematic growth without bringing in separate legacy organizations allows for a more homogenous culture and intentional maturation of decision-making processes, organizations like the Cleveland Clinic, Mayo Clinic, and Kaiser Permanente might face similar challenges around making big, bold decisions in a changing macro-environment. Short of an overhaul of an enterprise's operating model, we believe there are a set of guiding principles that inform good decision making in the increasingly competitive healthcare environment. These principles were developed while working with the top 100 U.S. health systems and helping them pursue strategic growth, redesigning their operating models, and evolving their decision-making methodologies.

## **Guiding Principles for Effective Decision Making**

### ***Ensure Clear Strategy and Cascade Defined Goals***

Foundational to effective change is a clearly outlined organizational strategy. However, all too often, organizations mistakenly equate defining an ambition with having a clear strategy, and then struggle to translate strategic priorities to a set of measurable goals and metrics. Ideally, the strategy should outline tradeoffs the organization is making so that leaders across the system have guidance for their daily decisions. For example, P&G's strategic direction in the early 2000s clearly outlined that it had to be the most valuable brand in every category and industry it chose to compete in. That made it

#### **→ Board Member Considerations**

- Is there a clear understanding of decision rights and processes in your organization?
- Do decision makers feel their scope, accountability, and ability to drive decision making are concordant?
- Are there any examples of P&L responsibility without decision rights for key areas of your organization?
- What are the major decisions to be made in your health system this year and what is the plan around the process for each decision?
- How often do key decisions in your organization result in unexpected fallout? How often do they need to be revisited?

clear to leaders across the organization that they shouldn't invest time or resources on brands that couldn't lead the market. Additionally, organizations should make sure that strategic priorities have goals that are cascaded from the enterprise-level to individual functions, regions, businesses, and service lines, and that they are aligned with the interests of the system. At one of our client organizations, misaligned goals created an adverse decision when an employed physician practice elected not to hire any primary care doctors during the current fiscal year, despite their being a clear enterprise need to increase the primary care base and serve a growing patient population. The reason being, the finance function held the physician practice strictly to their own annual profit and loss (P&L) statement, and the practice saw delayed hiring as a mechanism to manage their budget and own performance for the year.

### ***Be System-Directed but Locally Led***

As health systems have grown in size, scope, and scale, they have struggled to find the right balance of tightly controlled, centralized decision making versus delegated decision rights. Given the pace of change required, we believe that it is important for decisions to be made as close to their area of direct impact as possible. Once strategic direction from the system board and senior leaders is clear and goals are set, leaders throughout the organization should be given autonomy to make decisions on their scope of responsibilities, as they are best positioned to evaluate their impact and urgency. This also ensures that team members are engaged, motivated, and collaborative, and operate with greater momentum. By contrast, it is important to centralize the handful of decision types that aggregate input across the enterprise and are critical to its strategic direction. Typical examples include enterprise strategic planning, M&A decisions, and budget allocation processes, which should be led centrally with input across the enterprise.

### ***Seek Alignment, Not Agreement***

Health system decision making has historically been driven by consensus building, with lack of full agreement leaving important issues unresolved. We believe that appropriately vetting and discussing the variety of perspectives is important, but stakeholders should fully support the decision and direction once finalized. This ensures that decisions are well-informed but not shaped by committee. A classic and widespread example of a poorly made decision is the selection of an electronic health record. Too many health systems made this choice without adequate engagement of key parts of the organization that stood to be greatly impacted by the decision. At the time, this may have seemed like the most efficient approach, but it has

resulted in significant losses of engagement of physicians and others, inefficiencies in care delivery not to mention revenue cycle management, and subsequent tens and sometimes hundreds of millions of dollars of rework or replacement. Effective system-based decisions should take into consideration the perspectives and recommendations of a wide range of those potentially impacted by the decision.

### ***Have Clear and Transparent Assignment of Decision Rights***

This gets us to the idea of defining clear and transparent decision rights for the most important and recurring decision types in the organization. Knowing who and how a decision should be made can help avoid the inertia created by vagueness around who and how to get approvals. This is where defining the RACI (responsible, accountable, consulted, and informed) structure for the select number of high-priority decisions helps drive clarity. Without delving into an in-depth taxonomy of decision making, at a high level they can be categorized as individual, departmental, region, or function. To be sure, many important decisions are made involving two or more departments, two or more divisions, or a cross-section of the overall organization not well delineated by management structures.

### ***Empower Focused Teams with “Small Data”***

One of the key learnings from COVID is the emergence of a new model of decision making. Instead of having big teams and multiple committee structures, it is preferable to have smaller, focused teams that make decisions on a targeted number of topics. These teams are comprised of clinical and operations leaders, with focused administrative support for shepherding the process and communications personnel to keep broader stakeholders informed. Additionally, instead of meeting weekly or monthly, these focus area teams tend to meet several times a week or sometimes multiple times a day to ensure quick progress and make fast-paced decisions. This rapid cadence of meetings with frequent measurement of progress against smaller, near-term goals, helps accelerate progress and ensures a quick feedback loop. A key enabler of course is the availability of data and analytics to build the right evidence-base for effective decision making. Building the right performance management systems, for example, is critical and systems should put meaningful dollars against this goal, but this can still take multiple years. Instead of waiting for perfect information, teams should be empowered to work in a “test and learn” environment using “small data” where micro-decisions are made to validate key assumptions and compensate for the lower knowledge to assumption ratio. The key here is to create the right systems and processes where decision making with imperfect data is awarded

more than inaction, and that there is increased comfort in navigating ambiguous circumstances.

## Conclusion

Effective and agile decision making at the system and local levels of health systems has become a critical capability in the highly competitive healthcare market. Boards and senior leaders have the opportunity to intentionally design how decisions will be made throughout the organization to improve the system's quality and speed. Even deliberate, targeted improvements will represent progress until such occasion when the organization is ready for a complete overhaul of decision making or moving to a new operating model.

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