



Computer Sciences Corporation  
Healthcare Group

# *AAMC Executive Development Seminar*

## Mission-Based Management and Organizational Transformation

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### Discussion Materials

Lansdowne Conference Resort  
June 8-9, 2002

**Computer Sciences Corporation**  
**Global Health Solutions**  
2021 Spring Road Ste 200  
Oak Brook, Illinois 60523  
630/472-2402



# Tonight's Ambitious Objectives

- **Setting the context—the need for organizational transformation**
- Understanding mission-based management (MBM) and its financial and productivity tools to improve our decision-making
- Using these tools to design a better future

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**“Every system is perfectly designed to achieve the exact outcomes it produces.”**

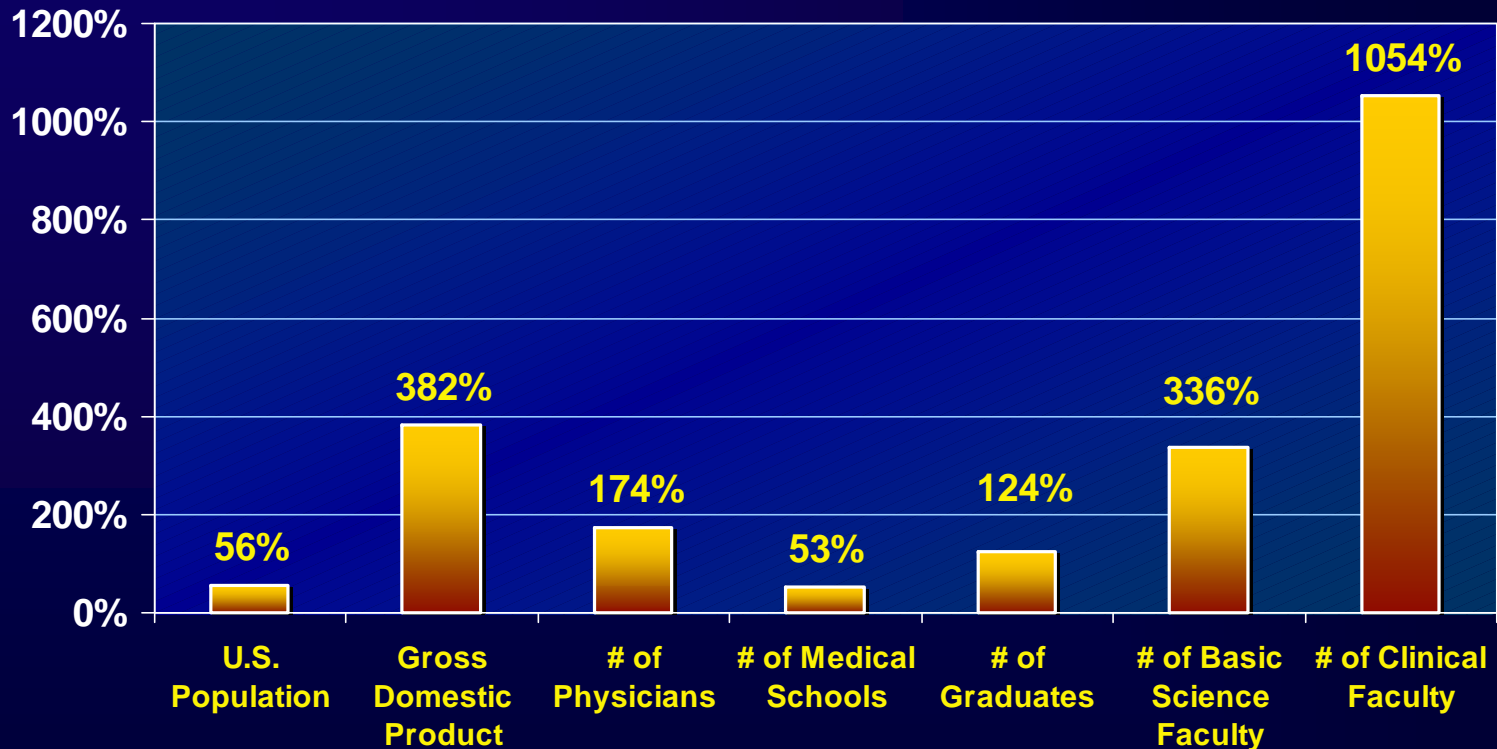
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# Academic Medicine In The United States

(1960-2000)



Source: AAMC Data Book, 2001

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# The System We Designed

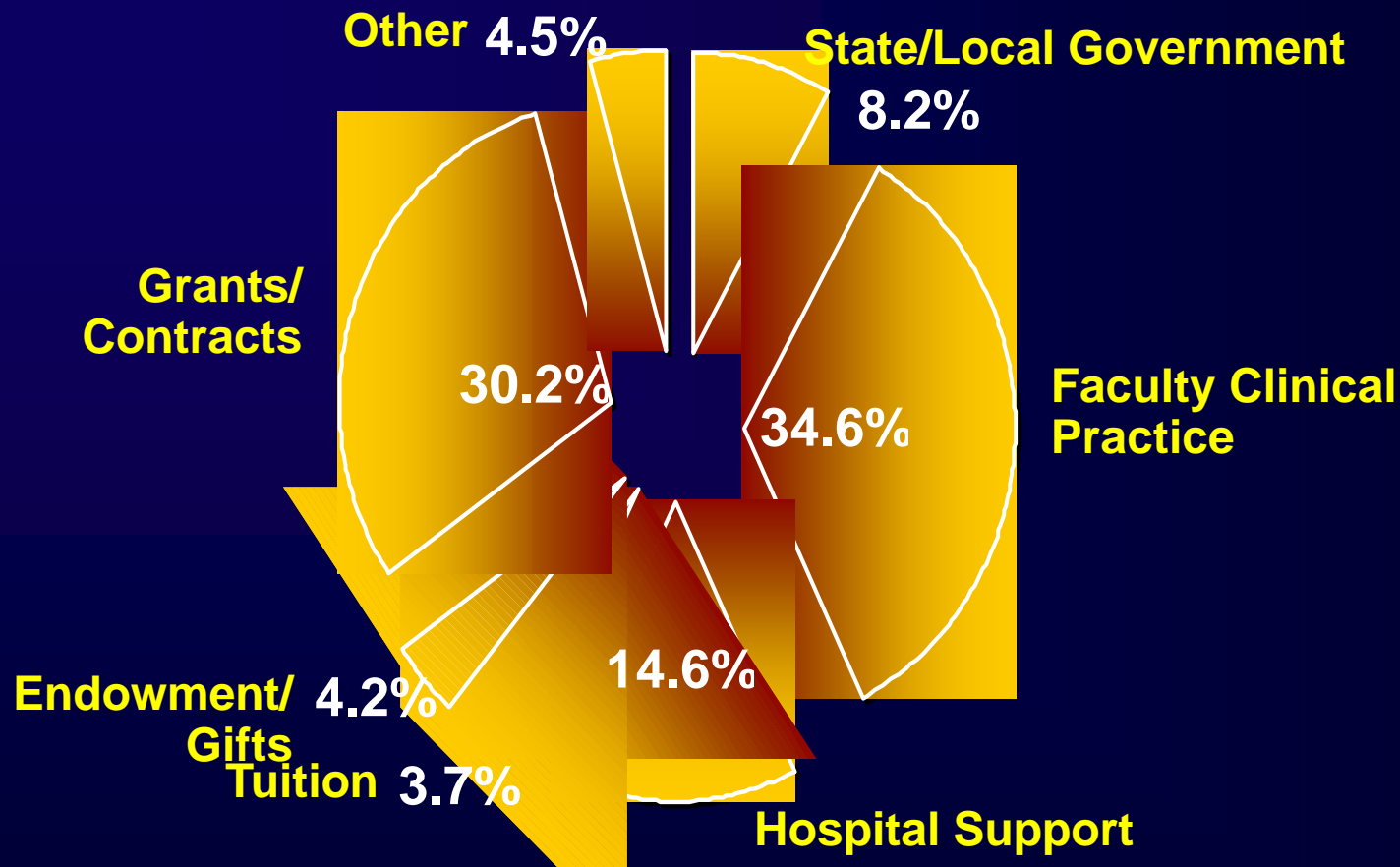
- Growth of the academic core
- Growth of the basic science enterprise
- Growth of the clinical enterprise
- Organization around the department
- Financing via the cauldron

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# Revenues Of Medical Schools (1999)



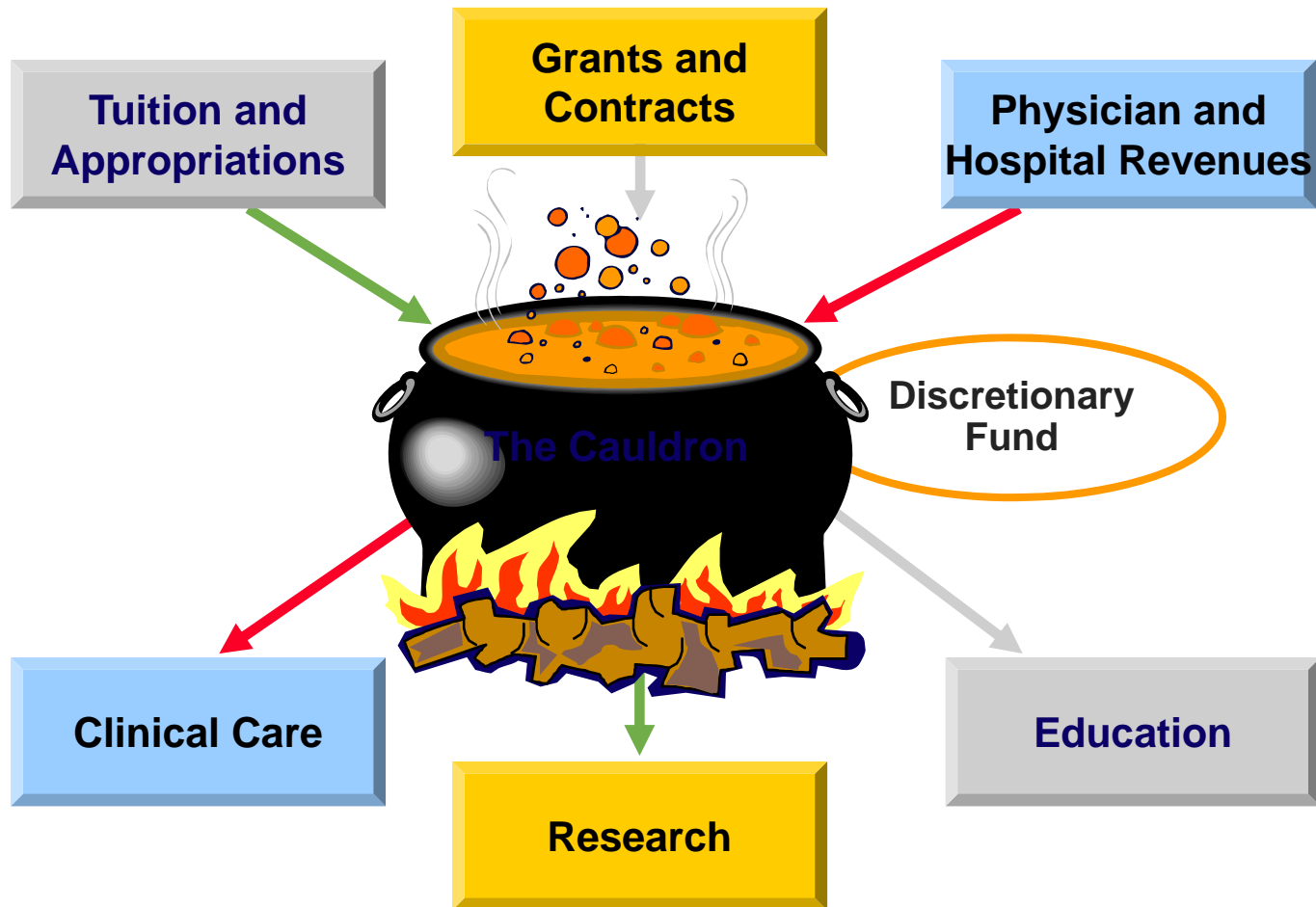
Source: AAMC Data Book, 2000

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# The Cauldron



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In our perfectly designed system, is anyone happy?

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# The Conventional Wisdom

- “We’re working harder for less.”
- “No one pays us to teach.”
- “Our research makes a profit for the university and they don’t share it with us.”
- “Since clinical income supports everything we do, let’s build a bigger clinical system.”
- “Morale is lower than ever, and the institution can’t make anything work right.”

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*"Built to Last . . . is one of the most eye-opening business studies since  
In Search of Excellence." —USA Today*

# BUILT TO LAST

**SUCCESSFUL HABITS  
OF VISIONARY  
COMPANIES**

Now in  
Paperback, with a  
New Introduction  
and a New Chapter  
by the Authors

**JAMES C. COLLINS**  
**and JERRY I. PORRAS**

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Source: Collins and Porras, 1994

# Tonight's Ambitious Objectives

- Setting the context—the need for organizational transformation
- **Understanding mission-based management (MB) and its financial and productivity tools to improve our decision-making**
- Using these tools to design a better future

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# What is Mission-Based Management (MBM)?

A process for informing decision-making that

- 1....is mission-driven
- 2....assures internal accountability
- 3....distributes resources in alignment with organization-wide goals
- 4....is based on timely, open, and accurate information

- ❑ **Effective MBM implementation involves:**
  - Culture
    - *Leadership Model*
    - *Peer-Accountability*
    - *“Open-Book”*
  - Information
    - *Financial Accounting*
    - *Faculty Contribution Measurement*
  
- ❑ **Expected benefits are:**
  - Alignment of budget allocations with strategic goals
  - Faculty compensation system based on performance and contributions with upside and downside consequences
  - Effective use of decision-making processes to reallocate resources when necessary

**Strategy**  
*(not MBM)*

**Infrastructure  
Improvements**  
*(MBM)*

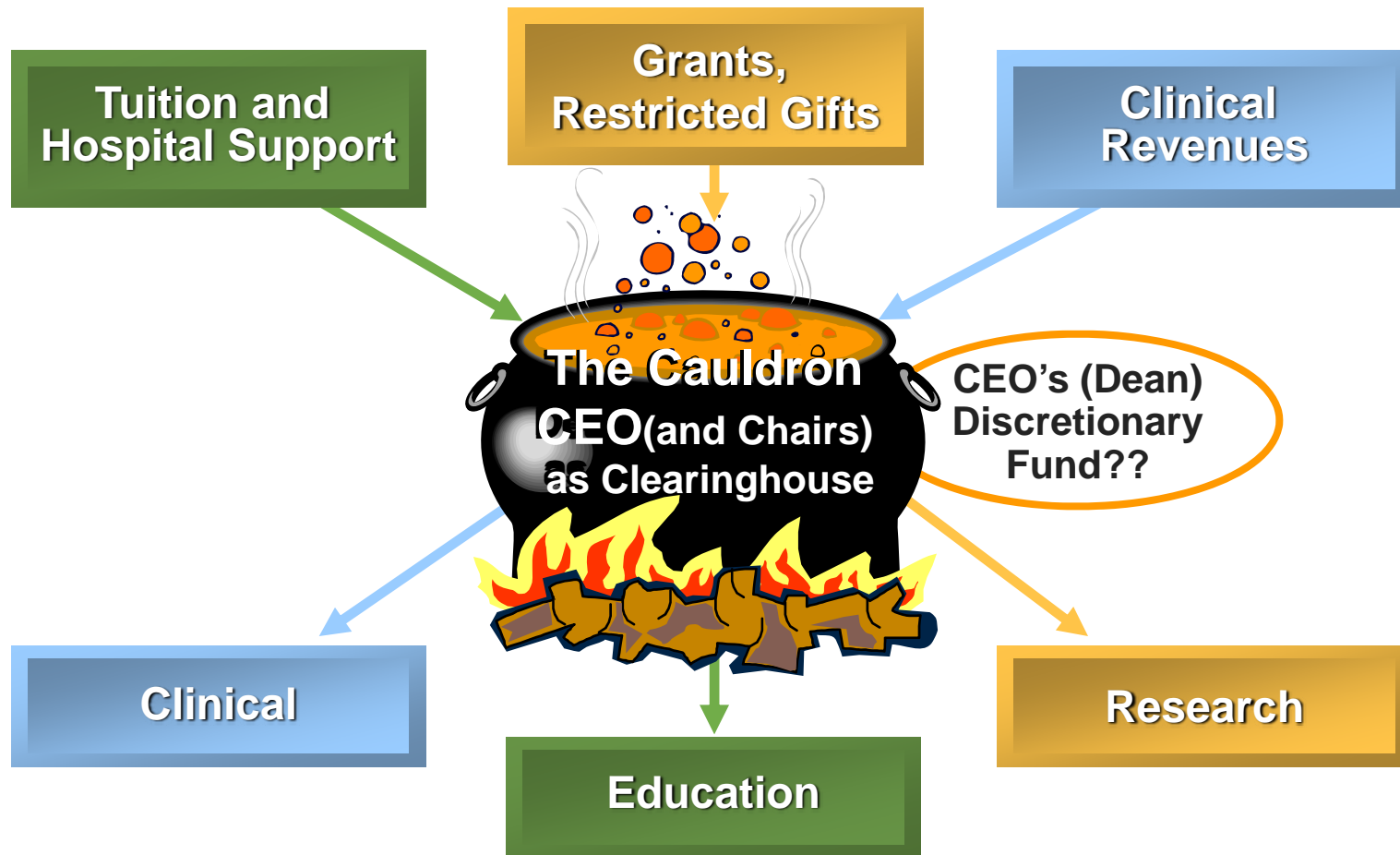
**Leadership,  
Accountability**  
*(MBM)*

**Metrics, Data,  
Tools, IT  
Systems**  
*(MBM)*

**Compensation &  
Incentives**  
*(MBM)*

# MBM Goal: Mission-Based Reporting

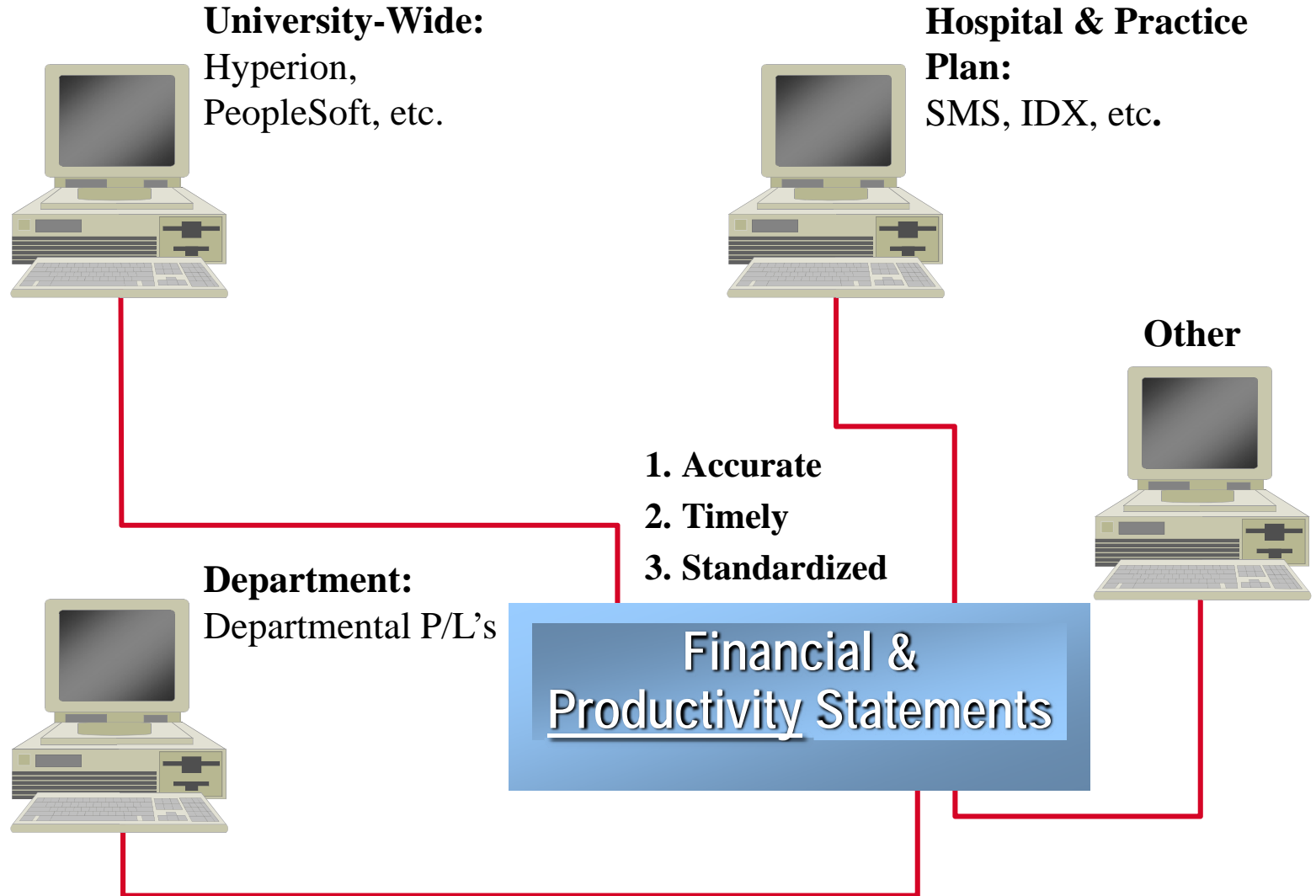
## Matching Revenues and Faculty Effort...



...With Expenses and Mission Contributions



# MBM Goal: Integrated Management Reports



# Related MBM Experience (Why?)

1. Baylor College of Medicine
2. University of Pennsylvania
3. Penn State College of Medicine/Hershey Medical Center
4. University of Wisconsin
5. Loyola Stritch School of Medicine/Loyola Univ Med Center
6. University of Maryland School of Medicine/UMMS
7. University of Florida College of Medicine/Shands
8. New York Medical College
9. Creighton University
10. East Carolina University/Pitt Memorial Hospital
11. University of Texas, Galveston/UTMB Medical Center
12. West Virginia University/Ruby Memorial Hospital
13. Medical College of Georgia/MCG Health
14. University of Utah HSC/Univ of Utah Medical Center
15. University of Kentucky
16. MCP Hahnemann
17. Mt. Sinai School of Medicine
18. Beth Israel/Deaconess Harvard
19. University of Medicine & Dentistry, New Jersey - Newark

# Case Study #1: Strategic Priorities

To manage, plan and invest in an era of constrained resources...



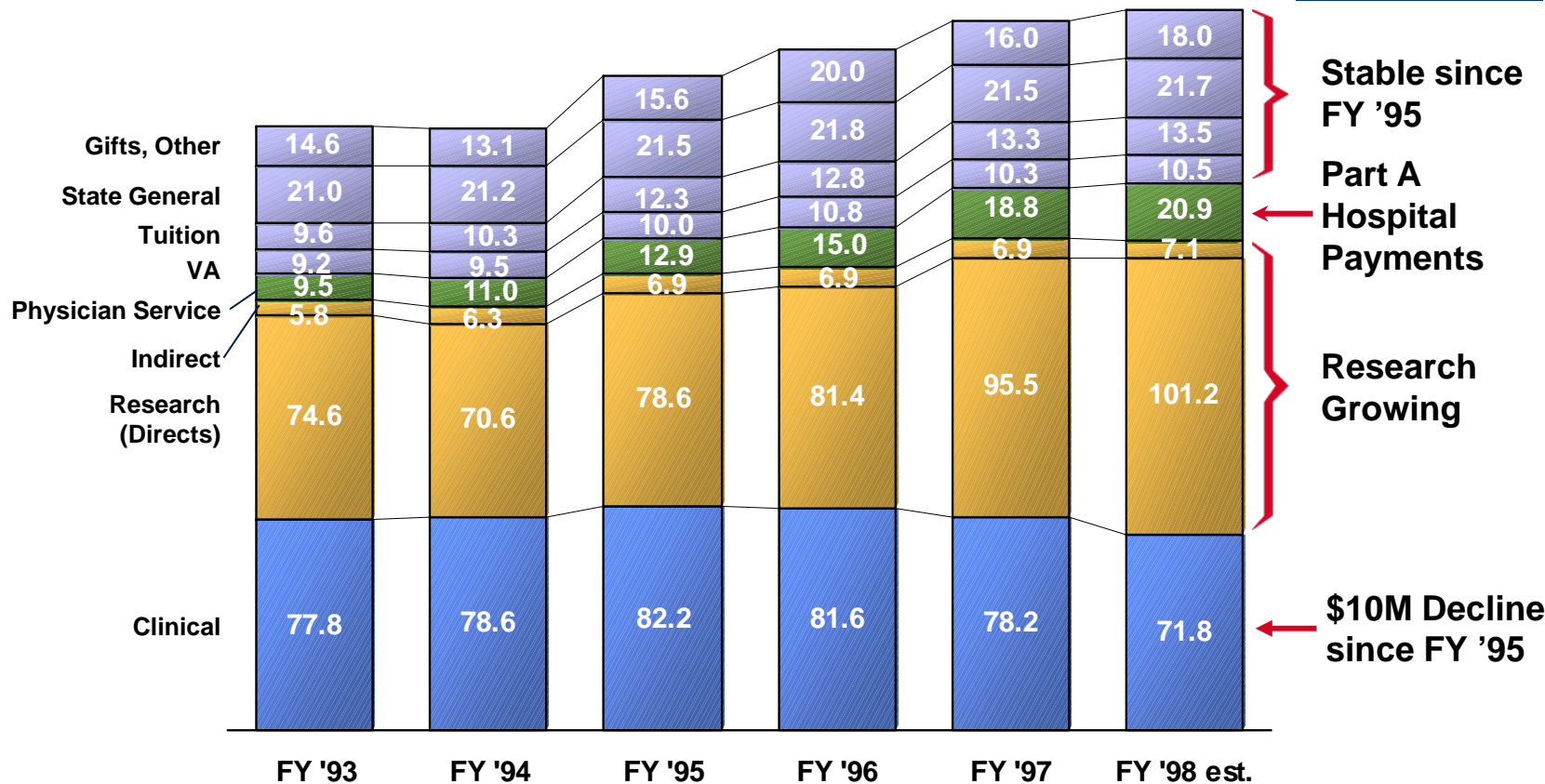
... Leadership needs accurate economic and market information to inform decision making.

# Case Study #2: Research Support

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## 1993 - 1998 Revenue Sources<sup>1</sup>

### TRENDS



<sup>1</sup> Excluding Program in Trauma, IHV.

Source: Dean's Office Department Annual Reports.

# Case Study #3: Compensation & Productivity



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*Faculty Do Not Have A Clear Understanding of Goals*

# Case Study #4: School Finances



# Case Study #5: Managing Resources

## ACADEMIC MEDICINE'S SHELL GAME



School of Medicine

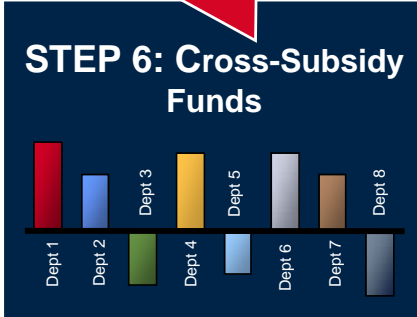
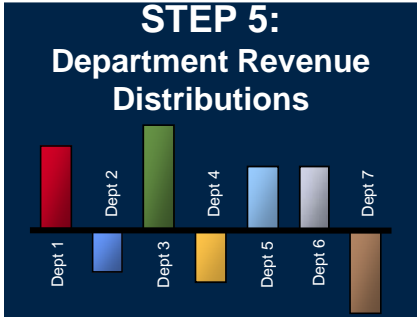
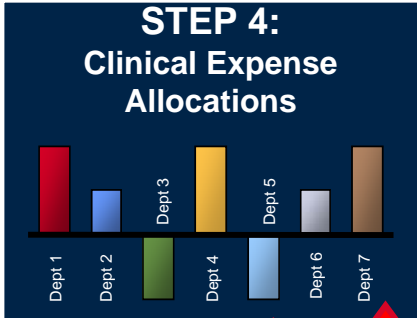
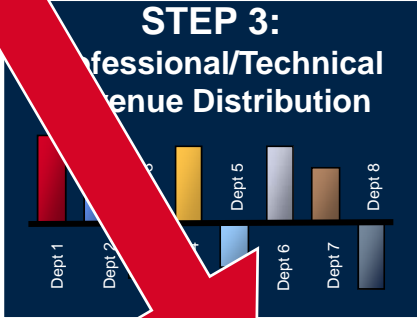
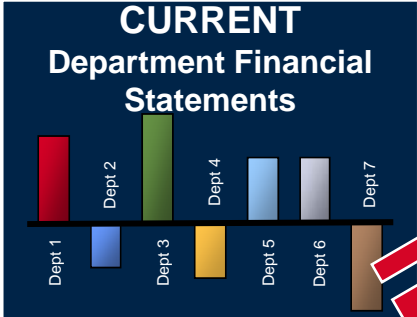
RESEARCH

EDUCATION

CLINICAL CARE

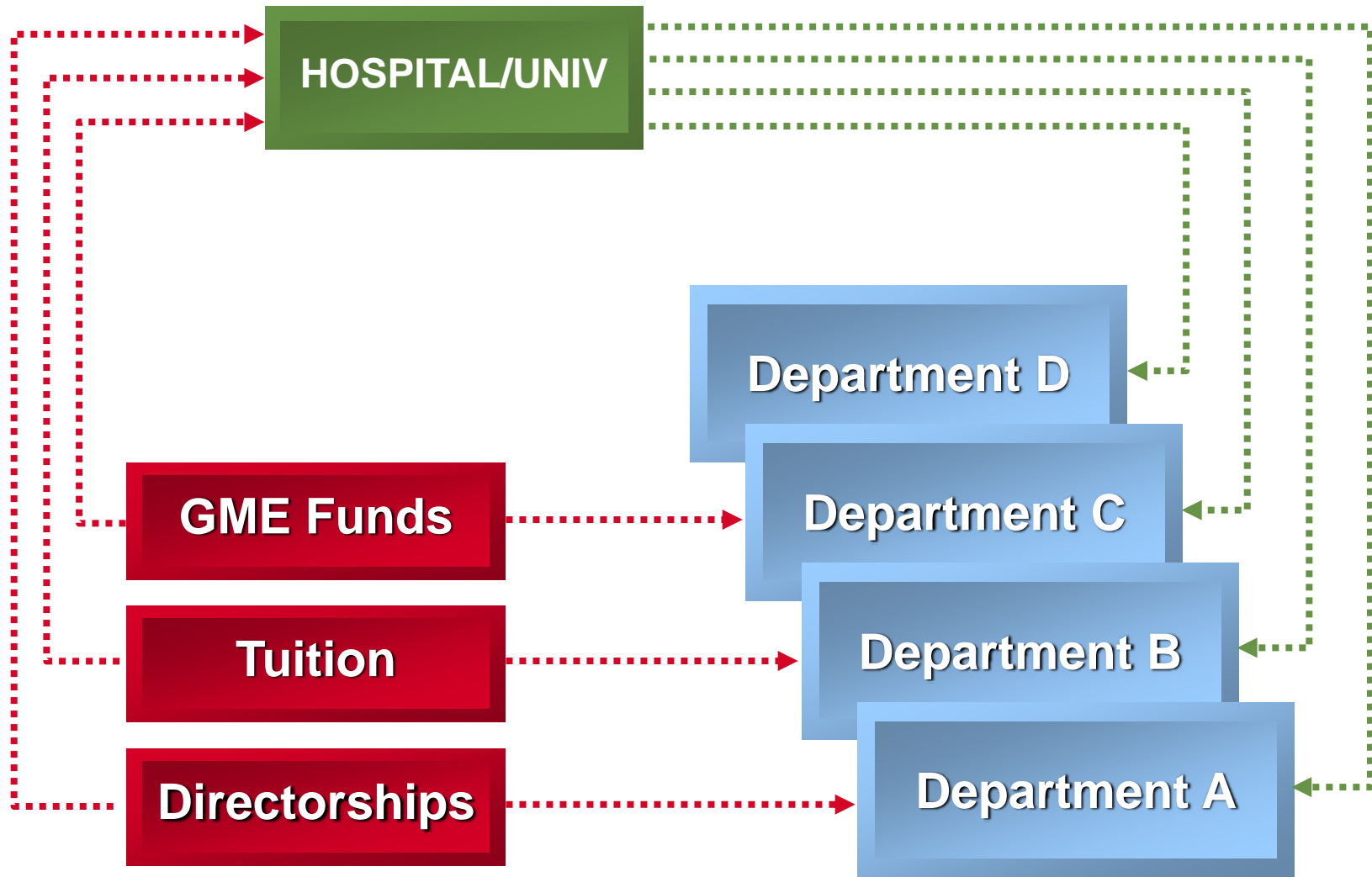
# Case Study #6: Fixing Historical Inequities

**Illustrative**





# Internal Funds Flow



# Measuring Effort By Mission....

The Faculty's salary & benefits account for over 70% of the total Faculty Economy cost base. It is imperative to understand both their efforts and output.

*ILLUSTRATIVE*

## The Effort Survey

MISSION	DEFINITIONS OF EFFORT BY MISSION	PERCENT EFFORT
<b>Clinical</b>	<ul style="list-style-type: none"><li>◆ Provision of, supervision of and contribution to the diagnosis and treatment of patients</li><li>◆ Supervision of residents, interns and medical students in provision of patient care</li><li>◆ Formal appointments in administrative duties in clinical affairs (e.g. division Chair, hospital committee)</li></ul>	_____ %
<b>Research</b>	<ul style="list-style-type: none"><li>◆ Organized research activities, grant writing, editing and publishing of research materials, training of individuals in research techniques</li><li>◆ Administration of a specific research appointment (e.g., director of program project grant)</li></ul>	_____ %
<b>Education</b>	<ul style="list-style-type: none"><li>◆ Formal didactic teaching of residents, interns and medical students that is not directly related to patient care or research</li><li>◆ Administrative responsibilities for overseeing education to which faculty is formally appointed (e.g. clerkship coordinator)</li></ul>	_____ %
		<b>100%</b>

# Surplus & Loss: By Dept/Division/Faculty

Name:  
 SSN#: **SAMPLE FACULTY MEMBER**  
 Department:  
 Division:

*Quarter: 2*

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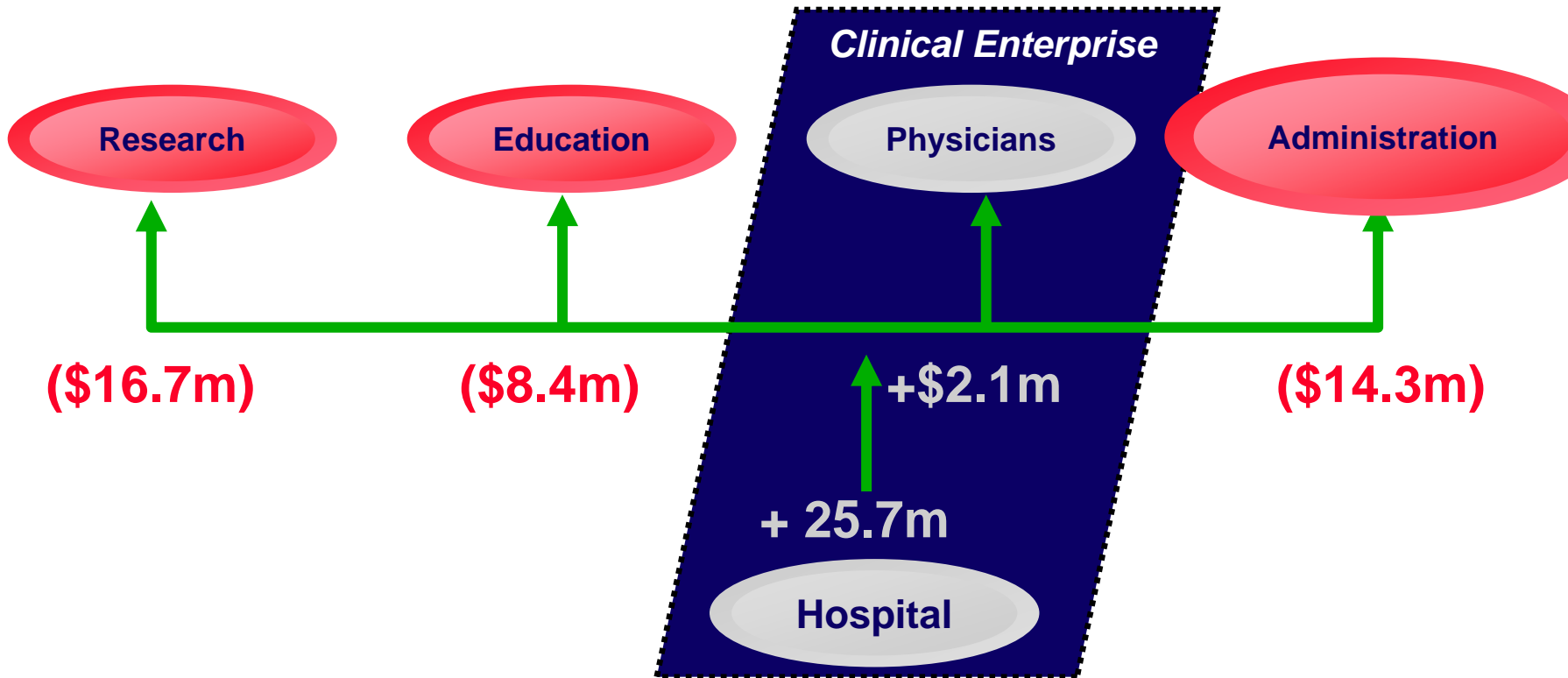
BUDGET ASSIGNMENT:	CLINICAL	EDUCATION	RESEARCH	ADMIN	VAMC	TOTAL
<b>FTE</b>	41%	26%	23%	10%	0%	100%

FUNDING ALLOCATIONS						
Clinical Billings	395,008					\$395,008
Clinical Collections	143,500					143,500
Dean's Assessment	(7,821)					(7,821)
FGP Assessment	(38,401)					(38,401)
State Allocations		6,432	359			6,791
Restricted Funding			5,037			5,037
VA						0
Contracts	577					577
<b>SUBTOTAL</b>	<b>97,855</b>	<b>6,432</b>	<b>5,396</b>	<b>\$0</b>	<b>\$0</b>	<b>\$109,683</b>

DEPT EXPENSES						
Salary and Fringes	(41,473)	(26,300)	(23,265)	(10,115)		(\$101,153)
Retirement	(6,670)					(\$6,670)
Clinical Insurances	(3,476)					(\$3,476)
Travel	(320)					(320)
Dues & Subscriptions	(287)	(182)	(161)	(70)		(\$700)
Malpractice (estimate)	(398)					(\$398)
<b>SUBTOTAL</b>	<b>(\$52,624)</b>	<b>(26,482)</b>	<b>(\$23,426)</b>	<b>(\$10,185)</b>	<b>-</b>	<b>(\$112,717)</b>

**NET CONTRIBUTION: \$45,231 (\$20,050) (\$18,030) (\$10,185) - (\$3,034)**

# Mission-Based Funds Flow: The Interdependence Of Our Missions



**Overall Conclusion: At Penn State, The Medical Center and (to a lesser degree) the physician practice cover negative margins in all other missions.**

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## Potential Productivity Measures

### CLINICAL

- ◆ **RVUs/FTE**
- ◆ **Billings/FTE**
- ◆ **Collections/FTE**
- ◆ **Capitated Payments/FTE**
- ◆ **Collections/Clinical Salary**
- ◆ **Panel Size/FTE**

### RESEARCH

- ◆ **Grant Dollars/FTE**
- ◆ **Salary Covered by Grant Dollars**
- ◆ **Space Productivity**
- ◆ **Grants Submitted**
- ◆ **Publications**
- ◆ **Intellectual Property**
- ◆ **Invitations**

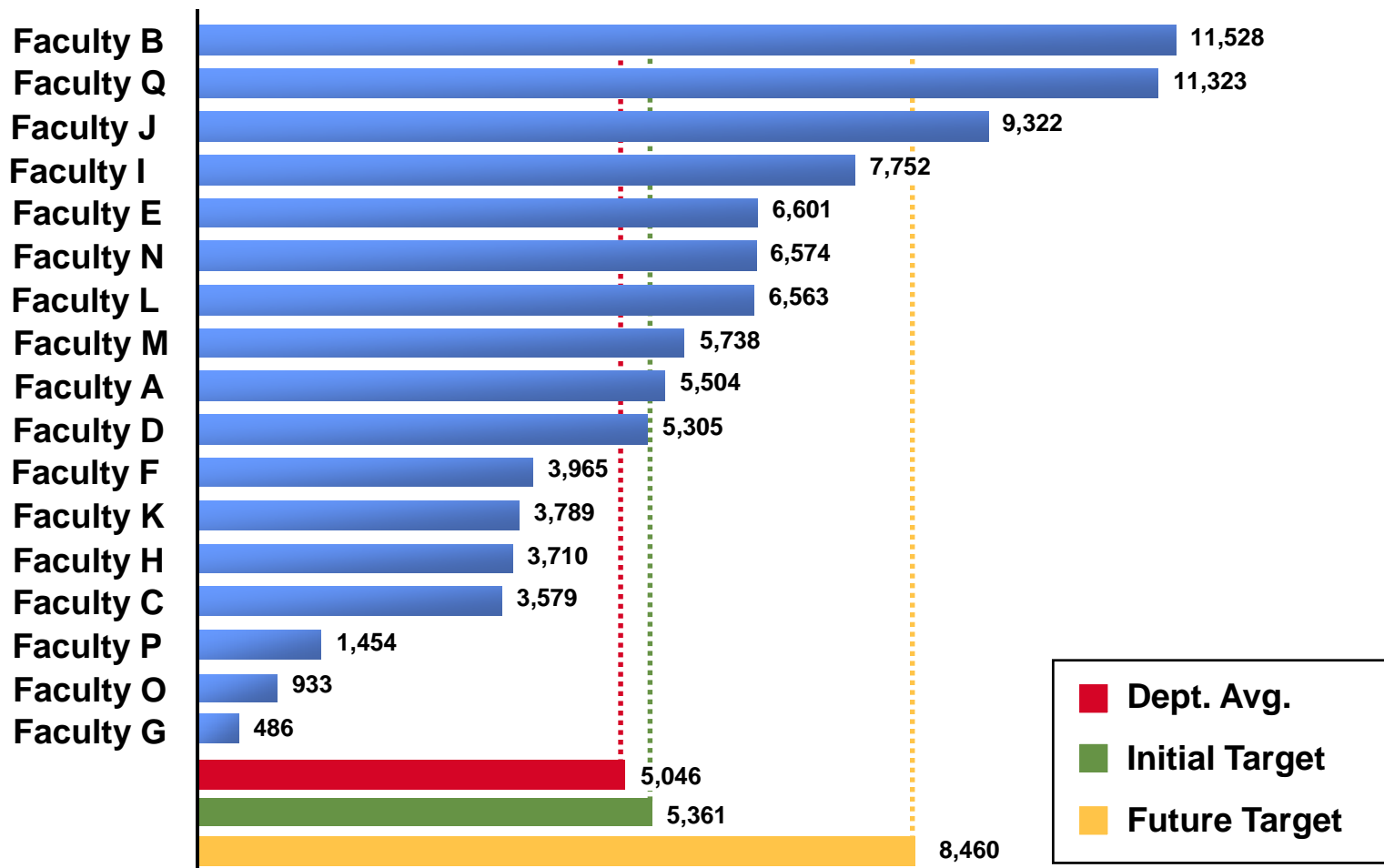
### EDUCATION

- ◆ **Graduate Students Taught**
- ◆ **SOM Courses Taught**
- ◆ **Medical Students Taught**
- ◆ **Student Evaluations**
- ◆ **Contact Hours**
- ◆ **Performance of Students on Board Exams**

# Measuring Productivity: Clinical

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## RVU<sup>1</sup> per FTE



<sup>1</sup> Data normalized to equal one full-time clinician.

# Measuring Productivity: Research

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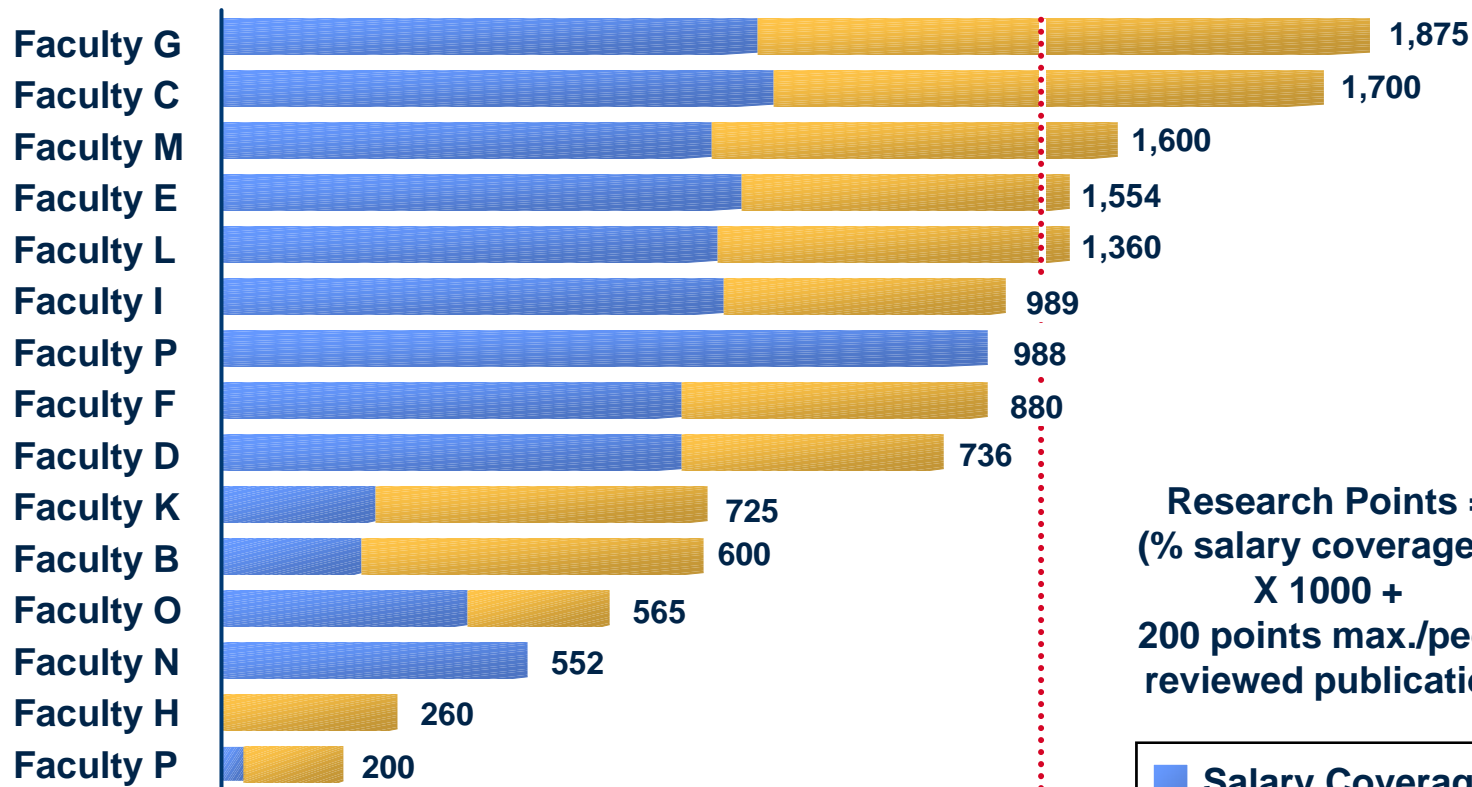
## ISI's Journal Citation Reports Provide:

- ◆ **Title and Author of all Institutional Publication**
  - Captures every article with an institutional address
  - Enables the collection of an exclusive list of publications from a single source
- ◆ **Citation Impact Factor**
  - A systematic, objective means of determining the relative importance of scientific publications
  - Detailed discipline-specific ratings

# Measuring Productivity: Research

*ILLUSTRATIVE*

Benchmark: 1,000 Research Points<sup>1</sup>



Research Points =  
(% salary coverage/2)  
X 1000 +  
200 points max./peer-  
reviewed publication

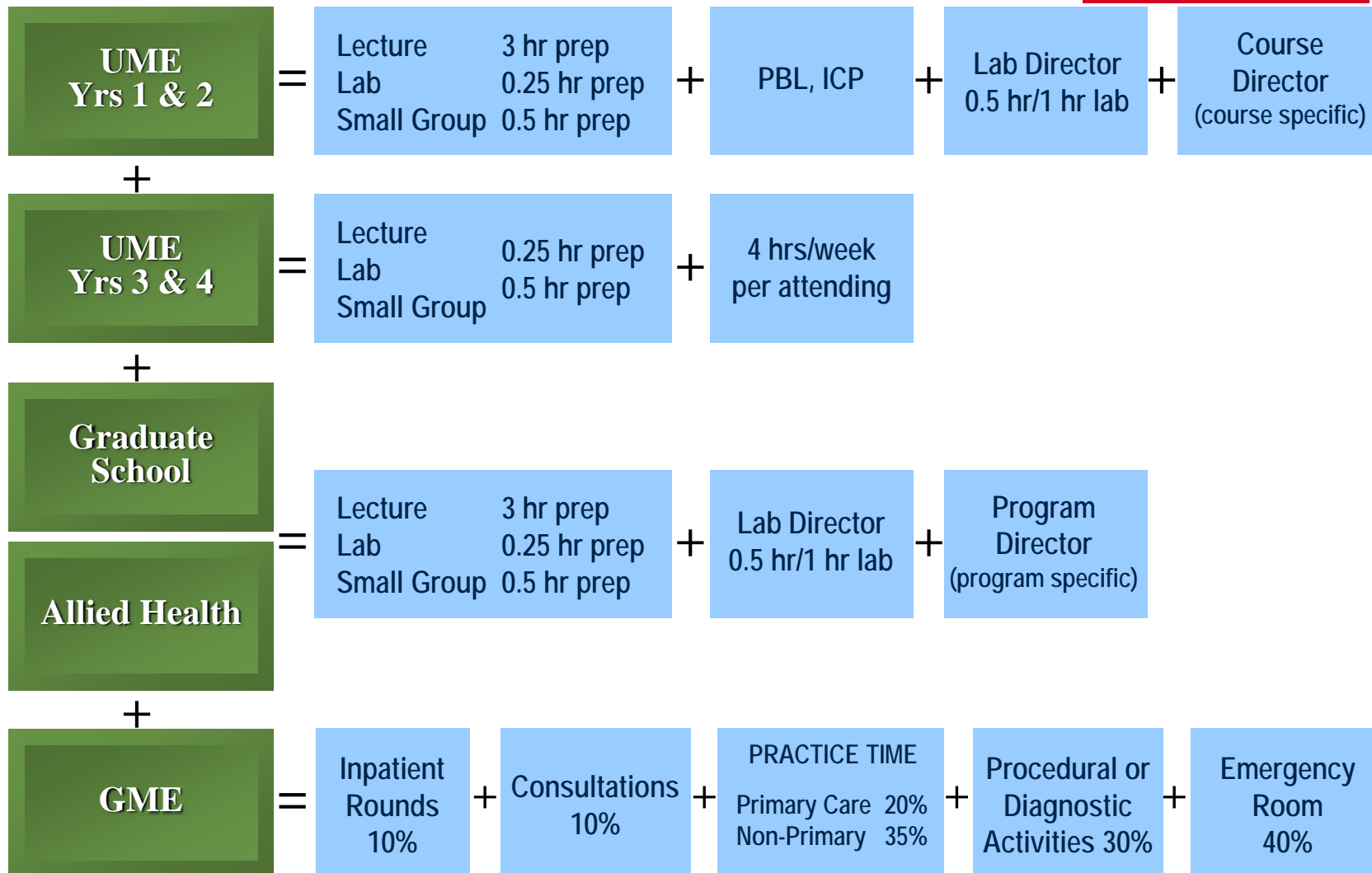
■ Salary Coverage  
■ Publications

<sup>1</sup> Data has been normalized to equal a full-time researcher.



# Measuring Productivity: Education

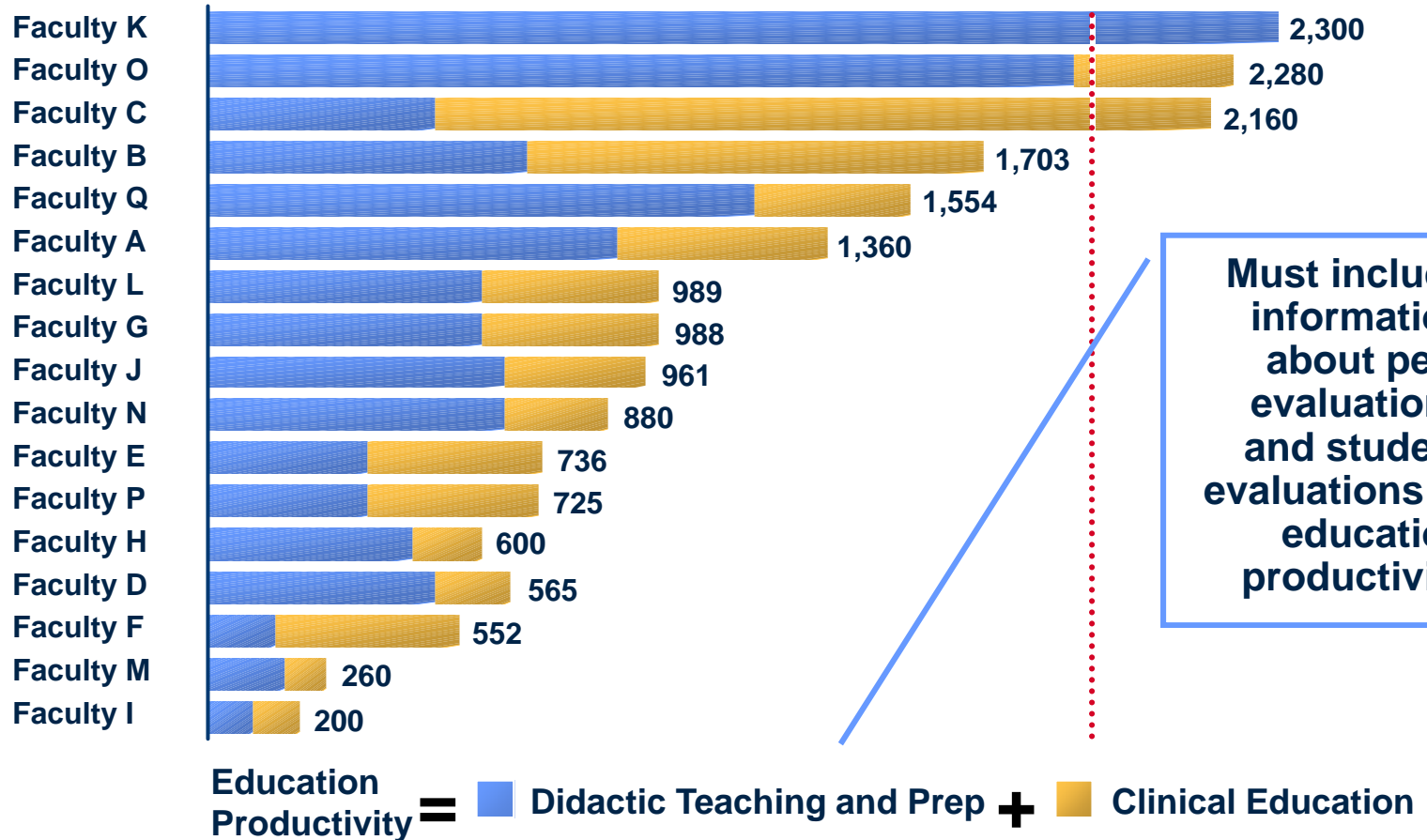
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# Measuring Productivity: Education

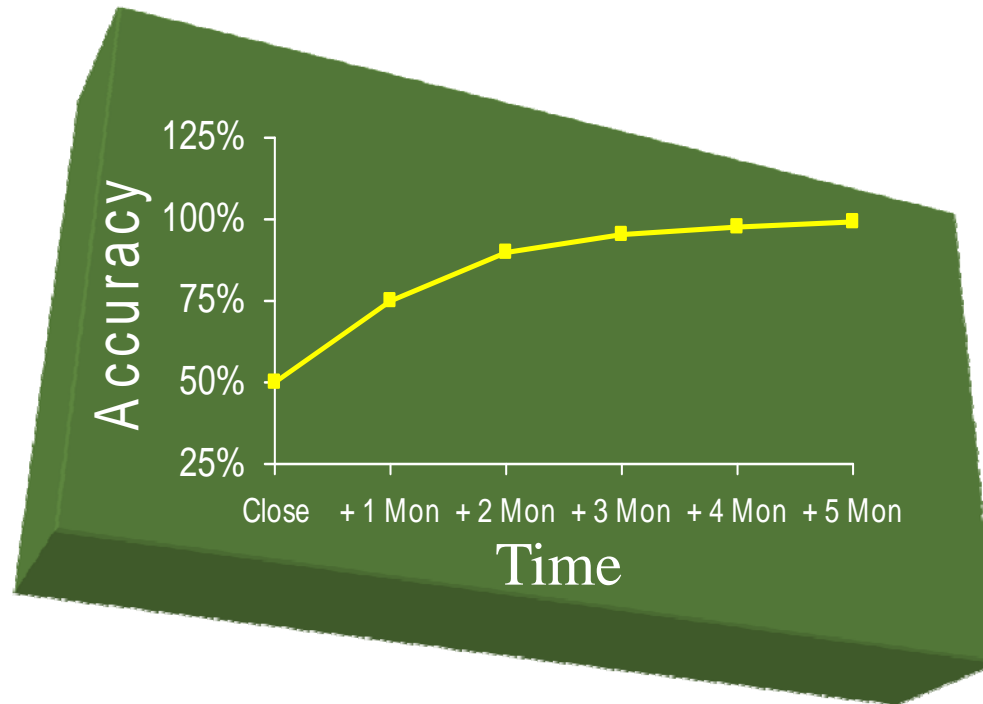
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Benchmark: 1,920 Education Points<sup>1</sup>



<sup>1</sup> Data has been normalized to equal a full-time educator.

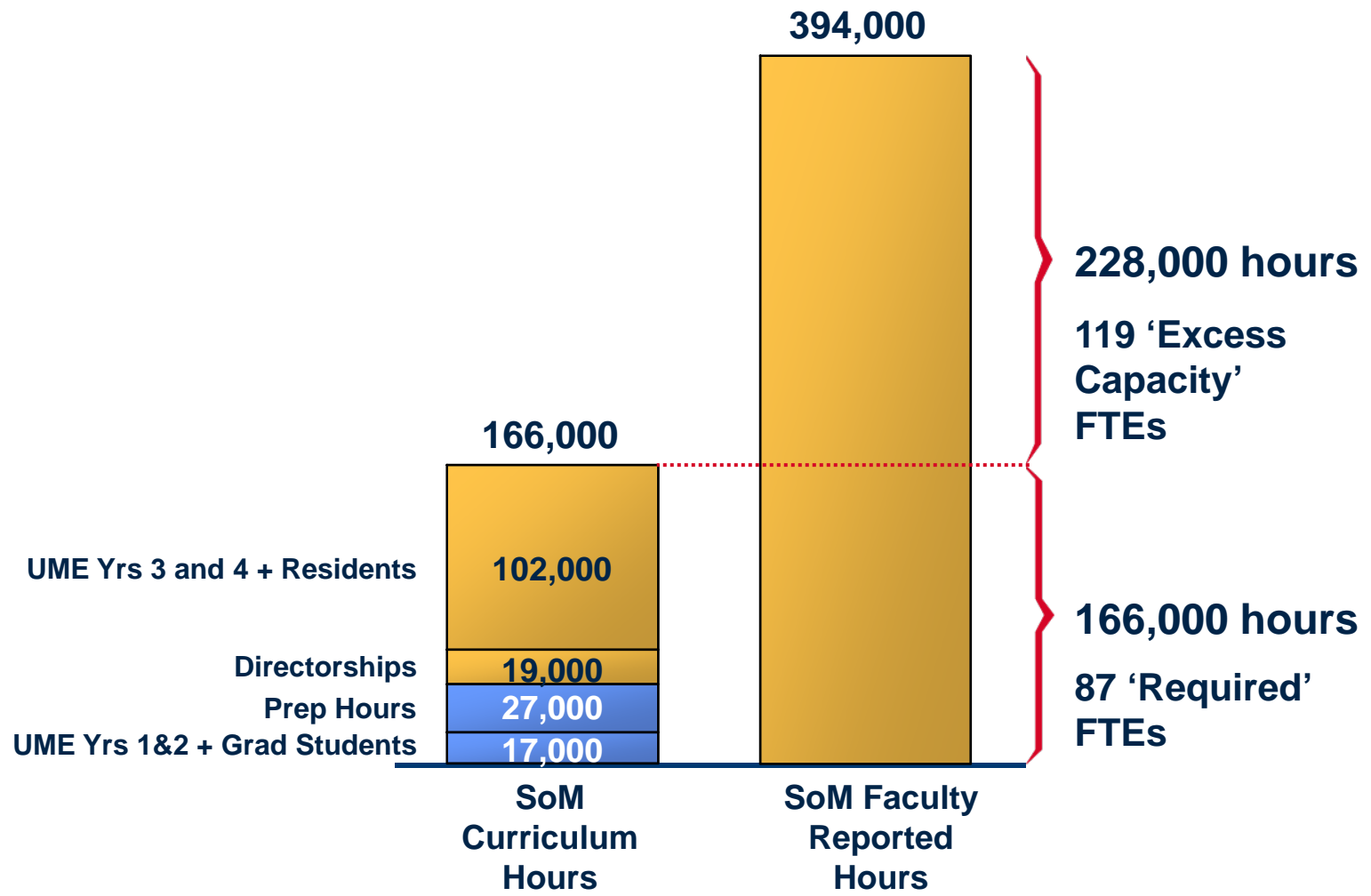
# Productivity Measures: Caveat



- ◆ Decision-making in the absence of 100% data
- ◆ Establishing a balance between the “perfect” model and an implementable model (*progress is directional at the outset, and refineable over time*)

# Measuring Productivity: Required vs. Reported

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# Designing A Better Future

The most important area for developing new concepts, methods and practices will be in the management of society's knowledge resources—specifically, education and health care, both of which are over-administered and under-managed.

Peter Drucker, Harvard Business Review, 1997

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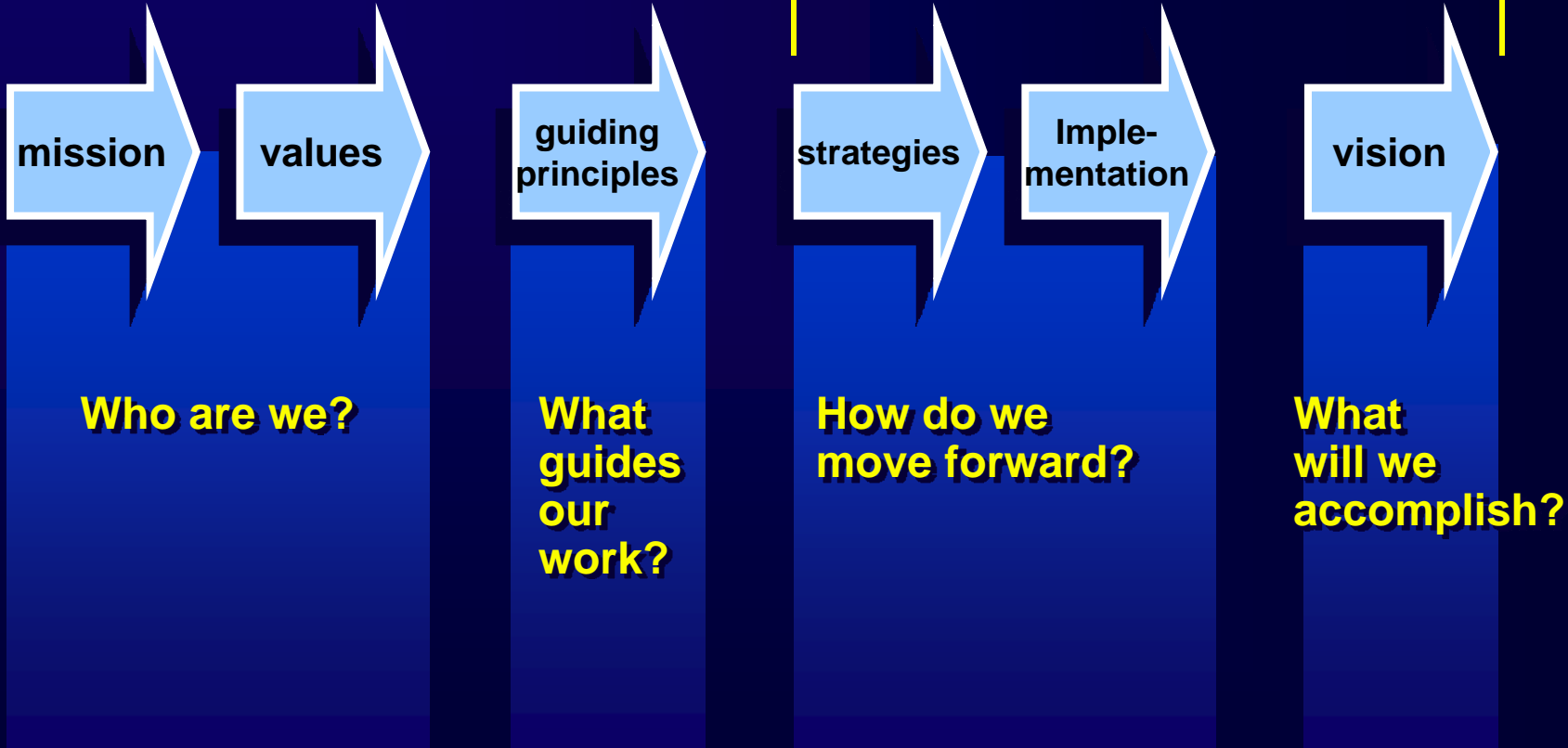


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# Strategic Architecture

present

future




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# Benefits of Mission-Based Management

- 
- **Consistent timely reports**
  - **Effective Decision Making**
  - **Accountability**

- ◆ **Understanding of economics and investments of School & Hospital**
- ◆ **Alignment of individual, school, medical center interests**
- ◆ **Pulling toward common goals and shared interests**
- ◆ **Cooperation and collaboration across Departments**
- ◆ **Training of faculty leaders**
- ◆ **Honest dialogue & trust**
- ◆ **Improved financial performance**
- ◆ **Greater financial support for mission priorities**



# Contrasting the Chair's World

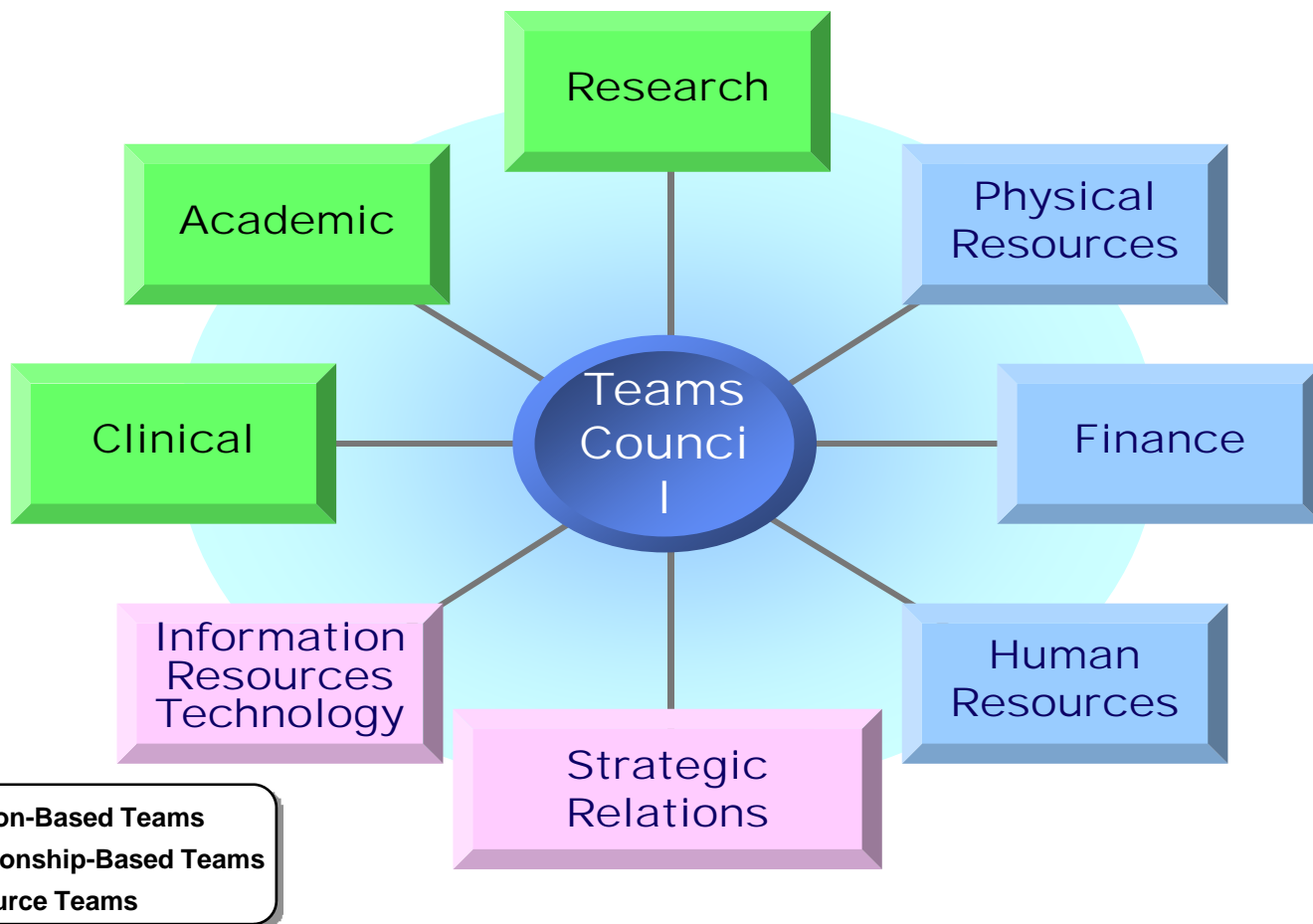
## How It Used To Be

1. Grow Department by whatever means available
2. One-off side deals with Hospital and Dean
3. Rewarded solely for Department results
4. Only anecdotal knowledge of performance of other departments
5. Competed for resources against other Chairs

## How It Is Now

1. Successes and failures more visible
2. Frank dialogue and mentoring with each faculty member
3. Deep understanding of, and engagement in, the success of the institution
4. Change agent
5. Work collaboratively with peers, while holding peers accountable for results

# Unified Campus Teams



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THE 100,000-COPY NATIONAL BESTSELLER

# THE WISDOM OF TEAMS

INCLUDING  
THE TEAMS  
QUESTION  
AND ANSWER  
GUIDE

*Creating the  
High-Performance  
Organization*

"You'll be hard-pressed to find a better  
guide to . . . the essential building  
block of the organization of the future."

—John Byrne, *Business Week*

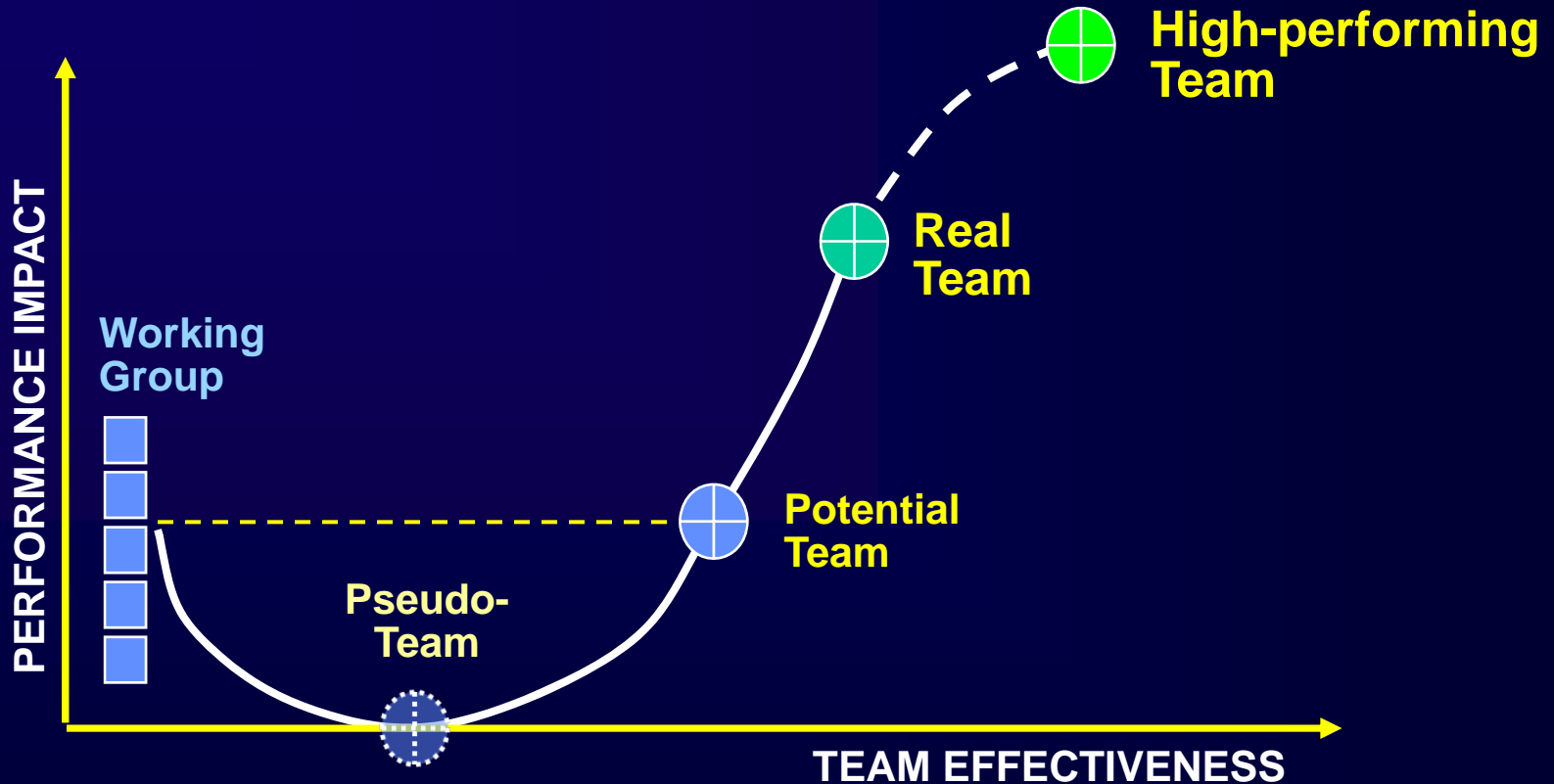
JON R. KATZENBACH  
DOUGLAS K. SMITH

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# The Team Performance Curve



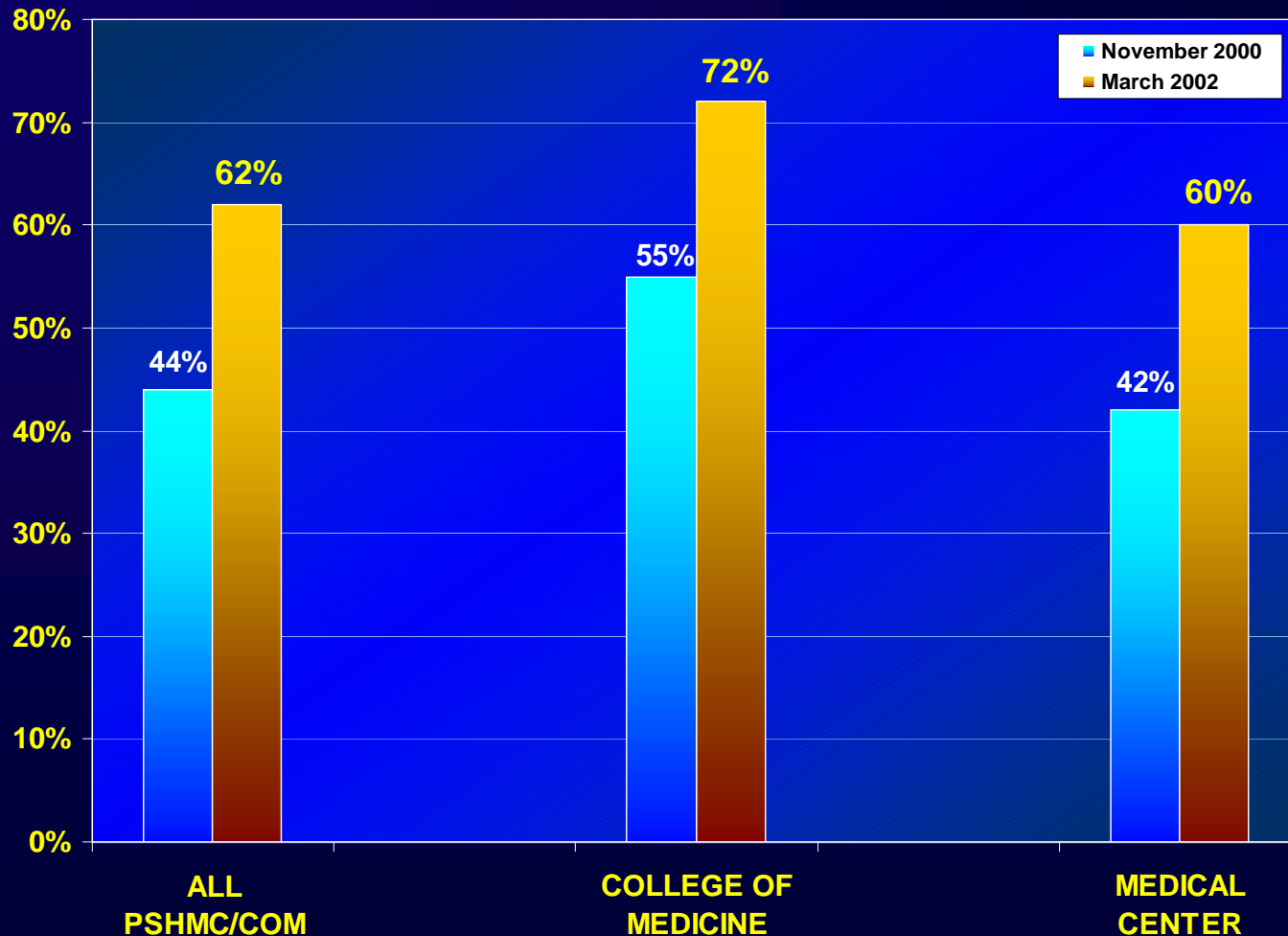
Source: Katzenbach and Smith, 1993

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# Improving Campus Morale



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Knowing is not enough,  
we must apply;

Desiring is not enough,  
we must do.

Johann Wolfgang von Goethe

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