



THOUGHT LEADERSHIP SERIES

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THE INHERENT FLAWS OF USING AVERAGES IN THE HEALTHCARE INDUSTRY

Most Healthcare companies use “average processing times” to underpin their operational benchmarks and calculate performance standards. In fact, the use of averages is so prevalent in the healthcare industry that executives typically fail to grasp the serious consequences of using this approach.

The time has come to revisit organizational standards in the healthcare industry and embrace benchmarks that are based on value added standards. Leaders who are able to shift their approach will position their businesses to achieve dramatic performance improvements and activate a new model of operational excellence.

Why do Healthcare organizations use averages?

There are several reasons organizations gravitate towards using benchmarks based on average processing times (APT) in processing areas or average handle time (AHT) in contact centers:

- 1 Data is often readily available within the organization
- 2 Averages are perceived as sufficiently accurate (e.g. to facilitate capacity planning)
- 3 Averages are “socially acceptable” from an organizational culture perspective.

The consequences of using averages

Using averages to underpin benchmarks is a fundamentally flawed approach for any organization striving for operational excellence and continuous improvement. It is difficult to fathom the full extent of the pitfalls associated with using average processing times, however the main issues include:

1. Averages fail to surface waste



Averages include time spent on waste and non-value-add activities, such as errors, re-work and slow completion due to training deficiencies. By including this time in their benchmarks, you are hiding your daily inefficiencies, resulting in thousands of waste activities that are never identified, let alone resolved.

2. Averages conceal true capability



Averages provide insight into how long transactions currently take to process, but fail to surface how long transactions ideally take to process. Without knowledge of optimum performance, front-line managers cannot truly evaluate current performance. Averages make it impossible to gain visibility of the true opportunity for improvement and for managers to grasp the full extent of the performance gap.

3. Averages disguise latent capacity.



Benchmarks based on averages mask excess capacity because they include time spent on “pacing,” which occurs when a team’s workload does not keep them busy enough for the entire day and output is slowed to make the workload stretch. Pacing is one of the biggest causes of wasted capacity in healthcare organizations. It cannot be identified, let alone leveraged, if average benchmarks are used.

4. Averages hamper target setting.



Since executives are unable to identify the magnitude of the gap between current and optimal performance, they have no way of making data-driven decisions about targets. This is why many companies apply a uniform, arbitrary improvement target across the organization, penalizing teams that are already operating near their optimal performance and missing improvement opportunities in other teams where they could have pushed harder.

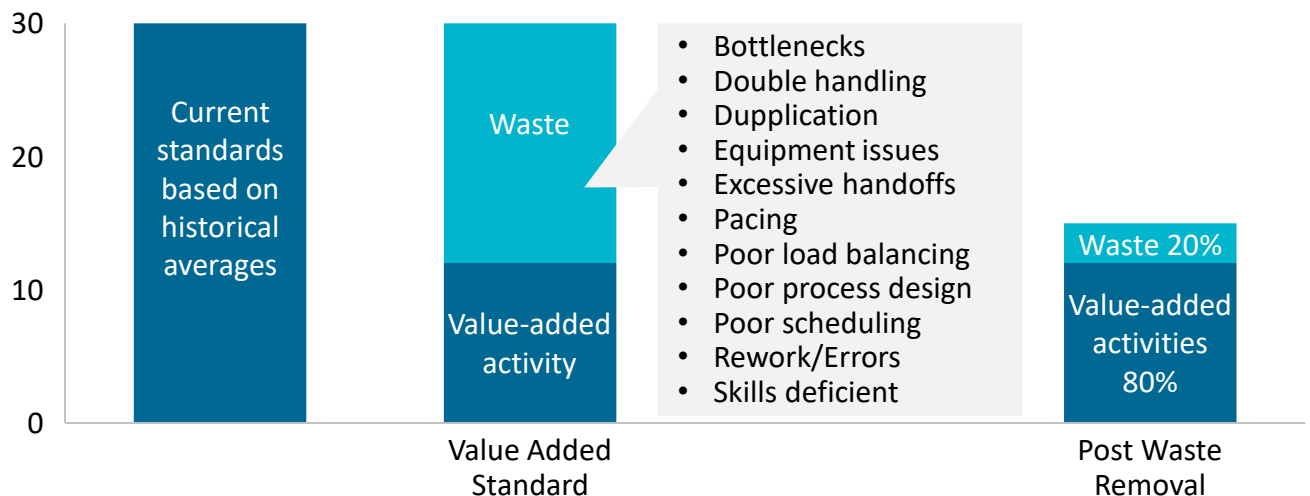
Food for thought for Healthcare Executives

What is your organization striving for? Do you want to be one of the best in the industry? If the answer is YES, why would you set your targets by benchmarking the average? Don't benchmark to be average, benchmark to be the ideal.

Consider how benchmarks are viewed in other industries. In the sporting industry, for example, top athletes would never even consider setting their goals to the average of past performances. They benchmark against the best and push their limits with the goal of turning in their own best possible performances against the rising standards in the sport. While we can't all be elite athletes, it is important for anyone evaluating performance and setting targets to understand not only the historical and current performance, but also optimal performance.

“Most organizations use historical averages as benchmarks, which hides waste. Using value-added standards enables an organization to identify waste and accelerate performance.”

Time (Minutes)



The path to Operational Excellence

Healthcare firms striving for true and continuous improvement must base their benchmarks on ideal processing times, i.e. on the number of transactions a competent, well-trained staff member is able to process at a reasonable speed without the occurrence of any waste or errors.

Benchmarking based on ideal processing times:



Provides managers with visibility on all sources of waste, including previously hidden causes.



Builds awareness of the gap between current and optimal performance, thereby enabling managers to systematically remove waste and support their teams in reaching true capability



Surfaces latent capacity and opportunities for load balancing across teams.



Revolutionizes the ability of a business to understand differing performance levels between teams and set targets accordingly.



Activates a new model of operational excellence that accelerates continuous improvement.

Conclusion

The time has come to stop using averages as the basis for performance measurement in the healthcare industry. To achieve operational excellence, executives must benchmark against true potential, which they can achieve by shifting to value added standards. Using value-added standards gives visibility to the amount of waste and latent capacity in the business, a key foundation for assessing performance and beginning a journey to operational excellence in the back office.