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# Community Hospital Vignette

## Background

Not-for-profit Community Hospital, in Columbia, Oregon, is in the midst of opening a new stroke-specific neurological care unit. Columbia not a huge community, but it is popular with retirees. There are a fair number of stroke patients, so hospital leadership believes that Community Hospital can deliver better care by opening a specific unit, as opposed to placing patients in other existing units.

During the feasibility study phase, leadership also considered telemedicine as an alternative approach. Corvallis Hospital, in a similar situation, chose to advertise that they can use telemedicine in their emergency department, later transferring stroke patients to a much larger hospital. As a result, they've been enjoying increased market share lately. However, it takes two hours to transfer patients from Community Hospital to a Portland hospital, and time is critical in stroke cases. Leadership believes that sufficient market exists in the Columbia region to support a dedicated stroke-specific neurological care unit rather than the telemedicine solution that Corvallis Hospital chose. Therefore, they approved the development of this expensive new unit to improve care in the area.

The planned unit is impressive. It will be on the fifth floor of the main hospital building, which is currently vacant. Right now, it has 20 empty patient rooms, one family lounge area, and two nurses' stations. The new unit needs 10 care rooms, one small therapy gym, one simulated home (couch, kitchenette) and one simulated grocery store/bank front, complete with enough of a car to practice entry/exit. The community has rallied around this expansion; donations and favorable publicity are exceeding wildest expectations.

Despite the opportunity and excitement over this expansion, all is not roses. Like hospitals everywhere, money for both capital projects and operations is tight. Competition is increasing, too. Seeing saturation in the Portland area, large hospital and clinical groups from out of town are expanding into the Columbia area. They are cherry-picking, planning to offer the most profitable lines of service to Columbia residents. If they are successful, CH may get stuck with mostly money-losing patients. Even though it is not-for-profit, this could imperil its financial stability.

The hospital has also been buffeted by confusion and regulatory changes caused by implementation of the Affordable Care Act and by Oregon's Health System Transformation initiative, including Coordinated Care Organizations. This has led to huge changes in reimbursement models, business processes, and increases in employee turnover (hopefully short term).

## A Project That Went Bad

Community Hospital recently finished upgrading its electronic health records system. Previously, the hospital used the Centricity EHR from GE. Satellite clinics either used EPIC, customized versions of OpenEMR, or manual records. The Community Hospital system decided to implement a standard EHR to improve care outcomes, increase efficiency, and prepare for the next stage of Meaningful Use criteria.

This new system is now up and running, but the implementation project was a very painful experience. Implementing an EHR system is often expensive and challenging. With little in the way of analysis, the senior management of Community Hospital selected a popular EHR package and hired a boutique consulting firm to oversee its implementation. They never clearly defined the benefits they expected to see. They did not articulate their assumptions, insist on formal project planning, or create metrics to track the progress of the project or the success of the implementation.

As a result, they significantly underestimated the cost of the project and the disruption that it would cause. They were completely surprised by its impact on the productivity and morale of the clinicians. A year ago, the new system went live - 6 months behind schedule and at a cost that was 50% over budget. At that point, the efficiency of the Community Hospital system took a nosedive. Twenty temporary administrative workers had to be hired to provide manual support for the first six months after the system went live. Thankfully, efficiency has now returned to where it was before the change.

Dr. Anthony Frank, the CEO of Community Hospital, hopes that starting next quarter Community Hospital will finally start seeing some of the envisioned benefits that drove the change in the first place. He has been impressed with how you handled the management of projects related to opening the new stroke-specific neurological care unit. He's started informally asking your advice whenever he has a tough project problem to solve. He told you privately, "In retrospect, I think that the EHR upgrade was the wrong project to do at this point in time."

## A Better Future

Unfortunately, this is not the first time that Community Hospital has made poor choices about which projects to do and when to start them. Dr. Frank is determined to avoid a repeat of painful experiences like this. Yesterday he saw you in the cafeteria at lunch and asked for your thoughts. Having just completed coursework about project selection and portfolio management, you suggested implementing a disciplined approach to project selection and initiation. Dr. Frank was intrigued by your ideas. He told you, "We're facing major structural changes in healthcare, new regulatory requirements, an upset in established reimbursement models, and new technology such as telemedicine. This is having big impacts on our strategic direction. Better project selection could help us make sure that the projects we approve support the new strategic objectives, while keeping us operationally sound and focusing our limited resources on things that will have the biggest impact."

Dr. Frank asked you to prepare a proposal on how the Community Hospital system could implement a structured approach for project selection and initiation. He wants you to present it at the next executive meeting, which is in 4 weeks. This is the meeting where the executive team will be working on the \$150M dollar budget for Community Hospital's next fiscal year, so it is a good time to discuss smarter ways to allocate that money.

Dr. Frank concluded his conversation with you by pointing out that he thinks Community Hospital must invest in four categories of projects in the future fiscal years:

1. *Transformative projects*, for example, telemedicine for serving remote clinics, or cognitive computing technology for assisting non-MD providers of care.
2. *Improvement projects* that improve current operational capabilities or extend current service lines. This includes process improvement projects such as reducing readmissions, as well as extension projects such as adding more beds to the new stroke care unit.
3. *Core projects* - these are all the projects that keep current operations running smoothly. This category takes the biggest share of spending. Without it, Community Hospital could not “keep the lights on.”
4. *Regulatory compliance projects* that don’t fit into one of the above categories but are necessary for meeting current and upcoming laws and regulations.

Whatever approach you recommend must support these categories.

## Resistance

This morning you started talking to some of the other execs to get their ideas. You are now walking back to your office after completing a conversation with the Chief Nursing Officer, who expressed concerns that the approach you described to her would put saving money ahead of providing the best patient care. Prior to that conversation, the Vice President of Patient Care Services said she was concerned that transformative projects would get squeezed out by operational needs. On the other hand, the Chief Administrative Officer pointed out that existing operations were already underfunded and that he wanted to increase spending in that area. And you know that the CEO has a pet project in mind for next year.

You can see that Community Hospital has far more projects to pursue than it can possibly handle, and unified portfolio management would help it prioritize and manage projects better, focusing resources on the most important ones. You know that you’ll have to address the concerns and pushback that you’re already seeing, as well as lack of understanding that projects should be viewed as part of a system that aligns with Community Hospital’s mission and business strategy.

## Questions on the Community Hospital Situation

### Overall

1. You know from your work on organizational change management that you must focus on the vital few changes that are most important, so you’ve decided to limit your recommendations on project selection to five or less key considerations. What should Community Hospital do? Present a concise summary of your recommendations, along supporting argumentation, in a short five-minute presentation.

### Alignment

2. How should Community Hospital ensure that its portfolio and the projects in it are aligned with its mission and strategy? (Who, how often, what methods)
3. What techniques should be used to ensure that the correct investment categories (aka “strategic buckets”) are used to evaluate the portfolio and that the portfolio is balanced among them in a

smart way? (Anthony Frank likes the four categories transformative / improvement /core / regulatory. Other frameworks exist – for example, BPA’s Technology Innovation Office uses breakthrough / incremental / confirmational.)

## Valuation and Maximization

4. What criteria should be used to compare and evaluate potential projects for inclusion / retention in the portfolio?
5. What should the evaluation process be (who, how often, etc.)?

## Balancing

6. What factors should Community Hospital’s portfolio management process consider regarding portfolio balance?
7. How should its portfolio management process implement balancing?

## Portfolio Feasibility

8. Research has indicated that poor resource balancing (not taking into consideration availability of sufficient resources of the right skill sets at the right time when constructing portfolio) is an important factor in portfolio management failures (Cooper et al 2000, p. 5 and CIMA vol 7 issue 2 p. 6). How should Community Hospital evaluate the resource needs and feasibility of its portfolio?
9. Another common failure is organizational ability to say “no” to potential projects, resulting in lack of focus and too many projects for the available resources (Cooper calls it “pipeline gridlock” Cooper et al 2000, p. 5). What PPM techniques or approach can Community Hospital use to reduce pipeline gridlock?

## People

10. Community Hospital will be implementing portfolio management for the first time if your recommendations are accepted by the executive team. In addition, the culture of most clinical organizations is not friendly to this kind of business-oriented approach. Anthony Frank will need to cause a lot of behavior change to make this successful – the case describes some of the resistance that is already surfacing. What are some of the key people issues here and how should they be approached?

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