Innovation in Action

A practical guide for healthcare teams

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USA

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Foreword

In any business, leadership and innovation are essential to success in a competitive environment. We are particularly challenged in healthcare by the complex and often perverse payment and regulatory environment in which we operate. All too often, our mental models of what we have done in the past get in the way of thinking about how things could be in the future. To stay on top, healthcare organizations must constantly find new efficiencies while improving service, quality, and reliability.

Sustained organizational change takes real leadership. Creating and communicating a clear vision that all can understand begins the process of change. Everyone must be empowered to contribute in some way toward the desired future state. They must be able to see day-to-day progress in some meaningful way to stay engaged. This book will serve as a step-by-step guide to begin fostering a culture of innovation in your organization.

Healthcare organizations must intentionally instill a culture of improvement and innovation. It does not just happen by accident. Through a series of building blocks, tools, and scenarios, Dr Endsley has assembled a handy field guide to help your team develop a habit of idea generation and innovation. In succeeding chapters, you will see the importance of prototyping and testing ideas to make sure they work in the real world. Once these innovations have been tested, it is important to integrate and align promising new ideas throughout the organization.

Innovation in Action is the catalyst you need to get your people and your organization started on the important journey to a culture of improvement and innovation.

Bruce Bagley, MD
Past president, American Academy of Family Physicians
Medical Director for Quality for AAFP
February 2010

CHAPTER 1
Introduction to innovation

Welcome to *Innovation in Action*, a guidebook designed to provide insight, concepts, and tools for creating and testing new ideas (or redesigned old ideas) for healthcare. It is intended to help its users transform the practices and products that they use in their everyday delivery of healthcare and create value in the systems in which they work.

Tips for Innovation

1. Aim for simplicity
2. Think in verbs, not nouns
3. Build on ideas of others
4. Create an idea "treasure box"
5. Think both spatial as well as process change
6. Brainstorm often
7. Bring people together

What is innovation?

Innovation is "the first, practical, concrete implementation of an idea done in a way that brings broad-based, extrinsic recognition to an individual or organization."[1] Innovation goes beyond creativity, which is the production of ideas, to focus on implementation of ideas that bring value to individuals and organizations. It is a rare that innovations comes as "a bolt out of the blue" but more commonly, as Peter Drucker notes, are the result of "a conscious, purposeful search for innovation opportunities."[2] He emphasizes

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that innovation is a "systematic practice" that draws insights and ideas from interdisciplinary groups who see the innovation challenge from multiple perspectives. Unlike invention, innovation is first and foremost, a value-driven team set of processes with focused objectives.

Building Innovation into Health Systems: Memorial Hospital and Health System. Memorial Hospital and Health Systems in South Bend, IN (***www.qualityoflife.org***), through senior leadership recognized that they were afflicted by a "creeping sameness," faced a war for talent, and were financially challenged by local competitors that were eating at their margins. Bringing innovation into their business model allowed them to all three of these. Leadership organized "innovisits" to regional organizations in and outside of healthcare recognized for their innovation (e.g., Proctor & Gamble), established board level policies that set expectations for innovation throughout the organization, created a system training program (Wizards College) in innovation for all level of staff, built innovation into job descriptions, and provided support through "idea propulsion labs" where "WoW projects were worked on." Memorial tracks costs and return on investments (ROI) for all innovation projects as a board expectation. ROI estimates range from 1.2 to 3.0 (120–300% return).

So why innovation? It is now acknowledged that the quality of healthcare in United States is average at best. For instance, a study by RAND[3] suggests that adults are receiving only 54.9% of recommended care (prevention, acute care, chronic services). "The need for change" as suggested by the RAND report "leads directly to the need for ideas for change."[4]

Innovation is distinctly different from invention—that is, the creation of something new. Innovation on the other hand requires that the new idea or creation is used and provides value to the users. It is fundamentally a team sport that involves people and ideas from multiple disciplines focused on an aim. As Peter Drucker has described it, innovation is a true discipline. Becoming an effective practitioner of innovation takes practice. As described

by Peter Denning,[5] there are eight foundational practices for an innovator.

- *Awareness:* Ability to perceive opportunities, distinguishing them from your own agenda, ability to overcome cognitive blindness
- *Focus and persistence:* Ability to maintain attention on innovation challenge amidst chaos and obstacles
- *Listening and synthesizing:* Ability to hear others ideas, needs, preferences, and to blend them together with your own to create new ideas
- *Declarations:* Ability to make simple, powerful, moving, eloquent statements about the future that serve as attractors for others
- *Destiny:* A sense of the future and of possibilities that is powered by a larger purpose
- *Offers:* Bring value to your customers and stakeholders. Ability to deliver with commitment to results
- *Networks and allies:* Ability to build and maintain productive relationships with others, especially representing different perspectives and skills
- *Learning:* Constantly seeking new ideas, skills, and experiences from traditional and nontraditional sources; a mindset of inquiry

Beyond the distinction between innovation and invention, there are four myths about innovation of which to remain aware. These include (a) innovations must be big—often the most successful innovations are small, (b) innovations are the work of a gifted few—anyone can learn the skills and practice of innovation, (c) innovations are about new ideas—innovations are often old ideas in new uses or new audiences, and (d) innovations are only applicable to commercial markets—innovations are applicable in all settings (business, education, government, nonprofit, etc.).

Why is innovation so hard in healthcare

The United States spends over $26 billion on research and development in healthcare, second only to defense research and development.[6,7] Yet examples of disastrous failures abound in healthcare—ranging from the various efforts to use managed care methods to manage costs, stock market losses of biotech start-ups, and the painfully slow digitalization of healthcare delivery—represent high stakes and high investment that yielded little in terms of innovations. Herzlinger[7] describes healthcare innovation in three sectors: consumer, technology, and business model.

She goes onto describe six forces that promote or kill innovation in healthcare. These are:

- *Players:* The diversity of stakeholders within healthcare is broad. Each has his or her own agendas and various degrees of influence on policymaking and resource allocation. Turf wars between hospitals and doctors and between consumers and health plans as well as other large and small battles compromise efforts to bridge differences and create space for innovation.
- *Funding:* Two financial challenges confront healthcare innovators. First, technology and pharmaceutical innovations require long lag times and rigorous Federal scrutiny before they are market ready. Second, the current reimbursement models are aimed at controlling cost, not supporting innovation. Insurers' benefit coverages are slow to integrate new technologies and innovations into their package of reimbursables.
- *Policy:* Healthcare is a highly regulated industry. These regulations can deter innovation development or dissemination of new technologies, drugs, or services. For example, the Stark Anti-Kickback statutes limited the ability of hospitals and affiliated office practices to collaborate on purchasing and supporting electronic health record systems.
- *Technology:* New technologies in healthcare are entering the market at lightning speed. Over the last 40 years, new technologies have accounted for 20–40% of the explosion of healthcare expenditures in the United States.[6] This "technological imperative," as Burns has described, is based on patient and provider demand for technologies that do not translate into healthcare value. Because of coverage and other issues, adoption of these technologies is highly variable, dependent on both market and interpersonal forces that are often difficult to predict with a particular technology. For instance, MRI scanners were highly market driven when introduced, leading to rapid uptake by the medical community. On the other hand, electronic information technologies are highly interpersonal driven, resulting in slower uptake.
- *Customers:* Over the last two decades, the role of the consumer has dramatically changed—from a passive, unknowing recipient of healthcare to a more active, informed manager of their own healthcare and healthcare dollars. For example, the rise of consumer-driven healthcare plans has ridden both the consumer's greater involvement and employers desire for lesser involvement. Direct-to-consumer marketing has changed the