

Chip Caldwell & Associates

Six Sigma Workout

Why a *Six Sigma Workout*? Before reading further, how do you know if a *Six Sigma Workout* is for your organization? If one or more of the following statements is true for your organization, a *Six Sigma Workout* was designed to alleviate these issues:

- We have exhausted most cost reduction approaches currently in use in the industry.
- We know we need help, but we don't think a costly "Big 5" slash & burn is necessary yet.
- We have always been on the leading edge - we were the first to embrace quality improvement, the first to tackle medical errors, the first to deploy clinical case management, PICO's, and other improvement methods.
- We have a serious cost problem.
- We would like to accelerate improvement in a precise process - ED, Imaging, Patient Satisfaction, Operations Cost Improvement, Clinical Excellence, Supply Chain, Revenue Cycle, or others.
- We desire to build the capability in our organization so that managers and facilitators can lead Six Sigma Workouts across the entire organization.
- We have a very effective strategic goal-setting and budgeting process, but would like to enhance progress towards our goals by introducing new tools and methods.

A revolutionary approach designed to drive quantum improvement in major strategic initiatives - The *Six Sigma Workout*, following the 100-Day Plan management system, is designed to recover up to \$300,000 in process waste in each focus area:

- Operations/ Match Staffing to Demand
- Clinical Effectiveness

- Supply Chain
- Span of Control
- Revenue Cycle/ Cash Acceleration
- Emergency Department
- Other high leverage focus areas as determined

Key aspects of the *Six Sigma Workout* method include:

- Manageable focus.
- Cost of Quality Recovery.
- Accountable infrastructure.
- Stretch goals from comparative benchmarks.
- Disciplined execution intensity.
- Apprenticing your staff.

Six Sigma Workout Features

Of the four methods in the Six Sigma suite, the *Six Sigma Workout* process remains the most powerful in terms of rapid results and execution. The Workout is built upon six critical success factors:

1. *Manageable focus*. A well known critical failure factor for achieving quantum results is biting off more than we can achieve – “scope creep” as it is sometimes called. Disciplining ourselves to set reasonable, measurable boundaries enables the organization to move past the planning phase quickly and into the all-important execution phase. To start, we organize to the high leverage processes:

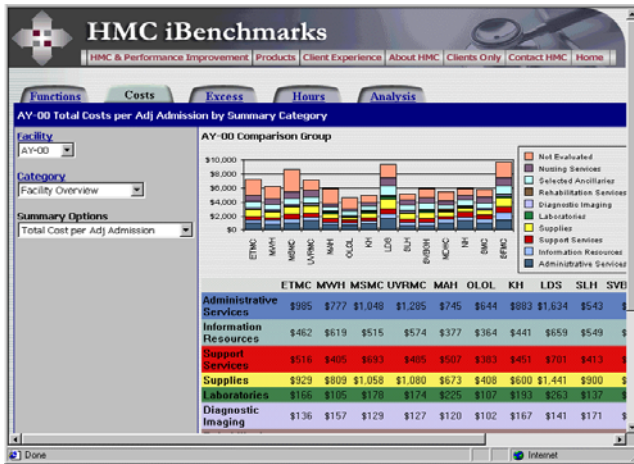
- *Operations*
- *Clinical*
- *Supply Chain*
- *Span of Control*
- *Revenue Cycle / Cash Acceleration*
- *Emergency Department*

Six Sigma Workouts can be tailored to any process as long as the cost of quality recovery potential justifies the intensity of a *Six Sigma Workout*.

2. *Cost of Quality Recovery*. Every process is fraught with waste and needless complexity. These costs come in the form of inspection, rework, and work-arounds. In order to balance quality and cost goals, the *Six Sigma Workout* encompasses tools and techniques to recover these costs versus the past “slash & burn” approach.

3. *Accountable infrastructure*. The most common failure factor found in financial disasters is the absence of the organizational will to execute. Establishing an effective infrastructure containing a proper linkage to the *Balanced Scorecard*, rewards & consequences management, and contingency planning is central to the *Six Sigma Workout* process.

4. *Comparative data to set stretch goals for both cost and speed.* The objective of this step is to get into and out of it as quickly as possible. Many organizations spend six months in “analysis paralysis.” The *Six Sigma Workout* accelerates this process by engaging managers to *immediately* begin executing toward 50% of the benchmark, saving the debate over the exact target until after successful Workout results have been achieved.



Organizations can save substantial dollars by converting to our partner, HMC’s iBenchmarks solution, an online repository.

5. *Solution Set Execution.* If your managers are like most in today’s environment, they may be heard saying, “I understand my comparative benchmark, but I have simply run out of both ideas and steam. We don’t know where to turn.” Provision of a process to generate an inexhaustible solution set is a

non-delegable task of senior leadership, yet so many leave this activity to the managers – and they are failing. The *Six Sigma Workout* provides numerous solution set development activities:

- *Knowledge Web* (shown below) in which managers query other managers regarding solutions

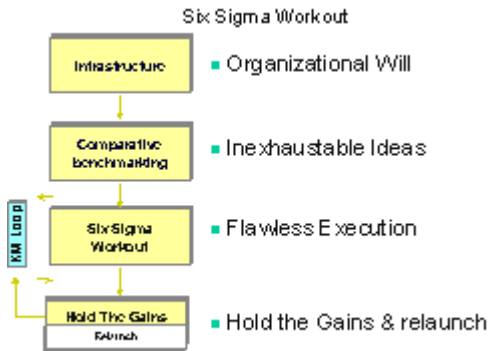


- *Process Waste Solution Set.* Tom Nolan’s 70 proven techniques to eliminate waste are key to the *Six Sigma Workout*’s “Waste Walk”.
- *Subject-Matter Experts* (if needed).

6. *Apprenticing organizational leaders.* Building the organization’s capability to launch *Six Sigma Workouts* across all strategic service lines and functional departments is critical to building the capacity to execute rapidly over time.

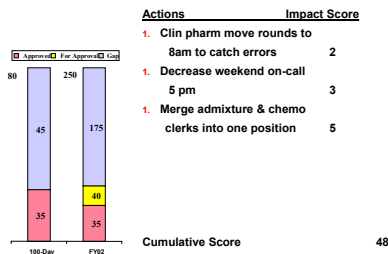
Six Sigma Workout Approach

Following the proven discipline of the 100-Day Plan 4-step logic, shown below, the Six Sigma Workout progresses rapidly through accountable infrastructure creation, stretch goal setting, Workout launch, and Hold the Gains / Relaunch Wave 2.



- **Senior Leader Commitment.** 2 weeks. Set *Six Sigma Workout* expectations & create infrastructure.
- **Stretch goal setting.** 4 weeks. Set manager targets for fiscal year & Workout.
- **Workout launch.** 90 days.
 - 3-day kick-off. At conclusion of the 3-day launch, managers have executed the DO NOW tasks & planned to execute for the entire 90-day Workout.
 - Monthly Progress Report. Every month, managers report status using a disciplined structure (below).

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- Summation & relaunch Wave 2 for next round of quality & cost recovery goals

Deployment Options

- **Apprentice Model.** Our facilitators apprentice your staff through one or more *Six Sigma Workouts*, building your capabilities for rapid replication of this powerful method.
- **Collaborative Communities.** Access our growing solution sets via web-based tools and engage with others pursuing similar goals at one-tenth the cost of comparable advisory boards. These Collaborative Communities have been established:
 - Operations Improvement.
 - Clinical Effectiveness.
 - Supply Chain.
 - Span of Control.

- Revenue Cycle / Cash Acceleration.
- Emergency Department.
- Medication Safety & Cost Recovery (sponsored by ACHE – no fee.)

To schedule a *Six Sigma Workout* or to learn more about joining one or more Collaborative Communities, visit www.chipcaldwellassoc.com, click on Collaborative Communities or call Donna Rasile at (704) 544-9873 or email at DRasileConsult@aol.com.

Frequently Asked Questions

Questions frequently asked in our ACHE and onsite training regarding the *Six Sigma Workout* method include:

1. How do we know that a *Six Sigma Workout* is suitable for our organization?
 - Introducing additional management work into an organization is always a tough decision and false starts result when the timing isn't right. The short answer is that if the organization possess one or more of the following conditions, the *Six Sigma Workout* makes sense: Patient satisfaction, patient safety, and/or cost goals remain unachieved; the organization has a history of successful implementation of new methods every year or so; the organization has a culture of trying new things; and/or senior leaders are willing to make necessary changes in priorities, training, and other requirements to make the *Six Sigma Workout* process successful.

2. How do you select a process for a *Six Sigma Workout*?
 - Each project should be large enough to produce quality and cost recovery that justifies the intensity of a *Six Sigma Workout*. It must also be small enough to be manageable. We suggest starting with one or more of the six listed above because they are the highest leverage opportunities, but other processes are suitable, like Imaging, Surgery & Anesthesia, Critical Care. On the clinical side, even a single DRG like DRG 209, Hip Replacement, often contains at least \$500,000 cost recovery potential.

3. How does a *Six Sigma Workout* differ from PICO's, GE's Workout, or other rapid execution methods?
 - The *Six Sigma Workout* method is the most recent innovation in a rapidly growing suite of improvement tools being introduced into healthcare. PICO's, created by GM and introduced by IHI, was a great pilot for increasing speed of execution. We found, however, that results were spotty, predominantly because of a lack of sophistication. GE's Workout method improved upon PICO's by adding needed discipline of execution. While more effective than PICO's, it lacks the provision of pre-tested solution sets, leaving creativity up to managers, who quickly ran out of ideas, resulting in less than stellar results. The *Six Sigma Workout* solves these two problems by nesting inside the *Workout* process training of managers in Tom Nolan's 70 idealized design techniques, HCAB solutions, and other reputable solution sets to jump start execution.

3. We've tried PICO's and, worse still, reengineering, with no results, and we've had comparative benchmarks with no real progress in over two years. Why will a *Six Sigma Workout* be different?
 - There is never 100% confidence that a new method will work. The first prerequisite is presence of strong *organizational will* to achieve quantum improvement. If you lack confidence in managers' will to execute, we recommend beginning the process with a *Belief System Transformation* session to build buy-in and organizational will. Launching anything new without the organizational will to excel will produce little if any sustainable results.
 - PICO's, along with Lean Thinking and GE's Workout, upon which the *Six Sigma Workout* method is adapted, adds several critical features not present in older methods. PICO's

and GE's Workout driver speed, but possess little engineering sophistication. The *Six Sigma Workout* introduces Tom Nolan's 70 idealized design techniques, HCAB, and other solution sets, as part of each *Workout* Kick-off, giving managers a jump start on executable ideas.

- The *Six Sigma Workout* is the most disciplined of methods currently available. Managers during the Kick-off create the plan to execute and report their progress using accountability-based tools that requires proof of not only changes executed, but also the strategic results those changes have produced to date.

4. What if we do not have goals based on external comparative benchmarks?

- Comparative benchmarks simply add a level of clarity about what goals are possible. In the absence of external benchmarks, stretch goals can still be created, but with less certainty. If the organization is committed to acquire external benchmarks, the cost of these services continues to drop. Our partner, HMC, offers an online service that is as effective as the most expensive alternatives and requires only 4-6 weeks to complete the benchmarking normalization process, significantly faster than other services. Organizations can save significantly by switching to this service, freeing up resources for *Workout* funding.

5. How many apprentices should we commit to learning & applying *Six Sigma Workouts* after you have concluded the 2-3 *Workout* apprenticing process?

- Building capacity for sustained quality and productivity improvement remains among the most important roles of senior leadership and yet is often delegated to others. Improvement capacity depends on two factors – the number of *Six Sigma Workout* facilitators and the number of projects managers can deploy. Increasing this capacity increases the rate of strategic results achievable by the organization. As a rule of thumb, every manager should be executing one *Workout* at all times. More than one usually results in a manager's inability to execute effectively. Therefore, if each manager, in groups of 8 – 16, participates in a *Six Sigma Workout* report-out session, two to four *Six Sigma Workout* facilitators can sustain the effort.

6. If we bring this advanced method into the organization, what happens to our FOCUS-PDCA and other improvement methods?

- The short answer is the *Six Sigma Workout* method complements and adds effectiveness to the organization's suite of improvement methods, but is not a replacement. There are four methods in the Six Sigma suite of tools, one of which is FOCUS-PDCA. Most organizations are yet to introduce the more statistically-oriented DMAIC method, leaving three – FOCUS-PDCA, *Six Sigma Workout*, and manager projects. Therefore, the issue becomes capacity as addressed above.

7. How does cost recovery occur?

- Cost recovery is a relatively new concept in healthcare. Costs can be affinitized into one or three types:
 - *Process cost*, that is, the cost to execute a process (like an ED visit, 24-hour care, hip replacement). Process cost, on average, consumes 67% of the total cost of a process;
 - *Cost of Quality (COQ)* - the cost to assure quality standards are met. The most common form of COQ is inspection. Some departments, like case management, spend over 75% of their time inspecting. Quality professionals recognize that inspection isn't an assurance of high quality, it is a surrender to poor quality. A six sigma process requires no inspection, thereby freeing up inspector time for productive tasks. COQ consumes about 14% of total process cost.
 - *Cost of Poor Quality (COPQ)* – not all inspection catches all potential mistakes. When mistakes slip through, rework results and the process must be repeated. This costs additional resources unnecessarily. Some COPQ, albeit only about 4%, results in harm to patients, creating an Adverse Event (AE). AE COPQ is

substantial, not to mention the harm. COPQ consumes about 20% of total process cost.

- Cost recovery occurs during a *Six Sigma Workout*, and other methods in the Six Sigma Suite, by identifying COQ and COPQ, and reducing the occurrence of the root causes, thereby, reducing the need for inspection. E.g. one organization reduced 11 FTEs of 21 FTEs by reducing the need to inspect MCO claims from 93% of claims to 30% claims. Another organization, in reducing medication errors, reduced added length of stay due to AEs and \$248,000 of FTE inspectors. The *Six Sigma Workout* contains several tools, like the Waste Walk, to identify and remedy these issues. However, cost recovery is still new to healthcare and much work remains to gain skill in this critical competency.

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How to Schedule a Six Sigma Workout

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