

# The Skinny on Key Performance Indicators

A White Paper from AchieveIt

Key Performance Indicators (KPIs) are financial and non-financial metrics used to measure key business processes. KPIs are used in business intelligence to assess the present state of the business and to prescribe a course of action. KPIs are frequently used to “value” those difficult-to-measure activities such as the benefits of leadership, development, engagement, service, and satisfaction.

Key performance indicators are typically tied to an organization’s strategy (as exemplified through techniques such as the Balanced Scorecard) and key business processes. KPIs differ depending on the nature of the organization and the organization’s strategy. KPIs not directly supporting a key business process only cause an organization to expend energy and resources on operational initiatives that may be irrelevant to the organization’s strategic direction.

For example, the time from door to medical screening exam (MSE) is a KPI for a healthcare organization’s emergency department; a flow key business process. The lower specification limit is likely 0 minutes, with the upper specification limit being determined by the organization’s management team. Let’s assume the organization has established an upper specification limit of 15 minutes, with a KPI target of 95% -- meaning that 95% of the time, the door-to-MSE time will be 15 minutes or less. To effectively manage KPIs, the organization should pre-determine an action plan should the KPI exceed the specification limits. In the emergency department example, this would include when action is taken (when the KPI target drops below 95% for some period of time), who takes action (the E.D. clinical nurse manager), what action is taken (a PDSA event is launched immediately), the timeframe for taking action (one week), and who in the organization should receive reports (the CEO, CNO, COO, and CMO.)

KPIs should not be confused with a Critical Success Factor. For the door-to-MSE example above, a

critical success factor would be something that needs to be in place – conditions for success – to achieve the objective; for example, an ample supply of triage rooms.

## More About KPIs and Strategic Plan Objectives:

Key performance indicators and strategic plan objectives generally stand-alone. KPIs measure the overall health of your key business processes, while strategic plan objectives represent targets you are actively pursuing. As such, rarely do the two overlap – but they can.

**Let’s take an inpatient flow KPI – cost per inpatient discharge – for which the organization has established an upper specification limit of \$7,200.**

The organization has consistently kept this KPI between \$7,000 and \$7,200 for two years, with a few outlier months along the way. Each time the KPI exceeded \$7,200, the organization conducted a PDSA event to bring the KPI back into compliance quickly.

Now, as part of the strategic planning process, the organization decides to establish a new upper specification limit of \$6,800. They develop a set of strategies and tactics designed to lower the cost per inpatient discharge to \$6,800 by year’s

end. During this year, cost per inpatient discharge will appear in *both* the strategic plan and the inpatient flow KPIs. Once the target is reached, it will drop off the strategic plan and return to its single existence as a key performance indicator.

- Cost per surgical procedure
- Surgical expenses
- OR cancellations less than 48 hours
- First-case on-time starts
- Room turnover time

## Typical Hospital KBPs and KPIs:

### Outpatient Flow

Potential business process KPIs

- CMS outpatient measures
- Compliance with care coordination pathways
- Cost per outpatient episode
- No-show rate
- Patient satisfaction

### Emergency Flow

Potential business process KPIs

- CMS core measures
- Number of diversions
- Total patient throughput time
  - patients not admitted
- Total throughput time – patients admitted
- Time from door- to medical screening exam
- Percent patients left without being seen
- Cost per visit
- Patient satisfaction

### Inpatient Flow

Potential business process KPIs

- Inpatient raw mortality rate
- CMS core measures
- Harm events per 1,000 patient days
- Bed turnover
- Readmission rate
- Occupancy rate
- Average length of stay
- Average cost per discharge
- Patient satisfaction

### Surgical Services

Potential business process KPIs

- Surgical mortality rate
- Surgical infection rate
- Compliance with care coordination paths
- Surgical complication rate
- OR utilization rate

### Medications Management

Potential business process KPIs

- Adverse drug events per 1,000 patient days
- Medication errors per 1,000 patient days
- High-risk adverse drug events per 1,000 doses
- Percent of unreconciled medications
- Number of self-reported medication errors
- Compliance with drug monitoring protocols
- Total cost of formulary

### Revenue Cycle

Potential business process KPIs

- Total operating margin
- A/R days due to coding
- Total A/R days outstanding
- Total A/P days outstanding
- Cash receipt to bad debt
- Claims denial rate
- Days of cash on hand

### Access Management

Potential business process KPIs

- Annual volume of transfers approved
- Annual volume of transfers cancelled
- Elapsed time from initiated to completed request
- Elapsed time from bed request initiated to completed request
- Timeliness of bed assignments to transferring facilities

## Using Dashboards and Scorecards to Track Performance:

Key performance indicators can get unwieldy if you don't have a way to successfully track and report results. All too often, organizations create elaborate spreadsheets with scores of rows down the side and a dozen columns across the top to track month-by-month results that are color coded to illustrate when

a KPI has been in or out of compliance. The result is a mish-mash of colors that make it difficult to understand trends or current performance. With the evolution of the Internet, many Web-based software applications exist that allow you to track your KPIs more effectively and efficiently than ever before.

Achieve!t offers two different applications that allow for the management and tracking of dashboards, both of which meet the above criteria. In fact, for organizations using both Executelt and Improvelt, the KPI dashboards are fully integrated, so KPIs created in one application automatically appear on the dashboard page in the other. No other Web-based or desktop-based applications link together strategic planning and quality management in such a seamless way.

**Here are some things to consider when evaluating various web-based tools:**



- Does the application integrate with our strategic plan, so that we can display plan performance alongside KPI performance?
- Do the dashboards show trends over time?
- Can I easily create and manage dashboards?
- If one or more KPIs go out of compliance, does the application automatically send notification alerts?
- Can I allow everyone in my organization to view our dashboards without incurring additional costs?
- Can I easily upload my dashboard data, or even automatically feed the application from our various data bases?

**Develop and Track Your Strategic Plans With Achieve!t!**

*Achieve!t is changing the game by using a new technology to organize business' operational and strategic initiatives. With Achieve!t's web-based software you receive the ability to:*

- Build hierarchical plans for all of your business initiatives—strategic, operational, and project.
- Assign individual users their daily, monthly, and quarterly tactics and must dos, and track their progress over time.

*• Create robust dashboards to display individuals progress against your most important business metrics.*

*• View robust reports that tell you who is executing to their highest ability, and who is not.*

*As you read above, creating a relevant and effective strategic plan is difficult, but with Achieve!t software developing sound strategy and managing execution has never been easier.*

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