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### The Impact of a Focused Factory on Intraoperative Cost Per Case in Elective Total Knee Replacement Surgery.

Hope L. Johnson MSN, RN, CNOR Lehigh Valley Health Network, Hope\_L.Johnson@lvhn.org

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## The Impact of a Focused Factory on Intraoperative Cost Per Case in Elective Total Knee **Replacement Surgery** Hope Johnson, DNP, MBA, RN, CNOR, NEA-BC Perioperative Services, Lehigh Valley Health Network, Allentown, Pennsylvania

## BACKGROUND

- Skinner (1974) published an article in Harvard Business Review, The Focused Factory, that described a manufacturing strategy framework to show how different competitive strategies required different operational structures.
- 3 basic concepts were woven throughout: (a) There are multiple ways to compete other than just providing the lowest cost; (b) Factories were not able to perform well in all areas; (c) The notion that simplicity and repetition bred competence.
- Market demands are very evident in healthcare especially in these times of value based care.
- Creating focused factories can seek to meet more demands of the market.
- Repetition and concentration in one area allow the work force and managers to become effective and experienced at tasks.
- The Institute of Medicine recognized the traps of focusing on many tasks in healthcare. In 2001, their report "Crossing the Quality Chasm: A New Health System for the 21st century" called for health systems to be reinvented.

# **AIM/OBJECTIVES**

**Does performing surgery** in a focused factory setting decrease intraoperative cost per case in patients undergoing elective total knee replacement?

### **Primary Objective**

Determine link between surgical setting and intraoperative cost per case

### **Secondary Objectives**

- Identify intraoperative cost per case
- Interpret data outcomes to inform leadership on future business decisions

# METHODOLOGY

## **Study Design:** Quantitative retrospective longitudinal comparative study

- Comparing surgical site (independent variable) to intraoperative cost per case (dependent variable) in elective total knee replacement surgery
- Analysis using descriptive statistics to identify if cost per case is affected by surgical site

### Setting: 981-bed Community based Magnet<sup>®</sup> health network in Northeastern Pennsylvania

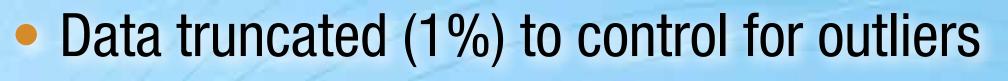
- Community based tertiary care hospital with 700 beds indicated as Site A
- Orthopedic surgical specialty hospital with 22 beds indicated as Site B

### **Sample:** Patients receiving total knee replacement surgery at either facility from March 2014 through March 2015 (n=851)

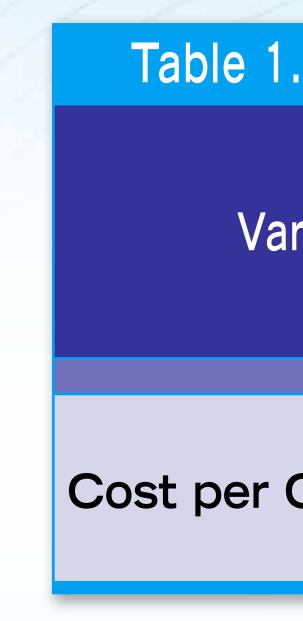
- Exclusion criteria
  - Patients with previous history of knee surgery for total joint replacement
  - Patients with traumatic knee injury within 90 days of surgery
  - Patients with active infectious disease processes at time of surgery

# THEORETICAL FRAMEWORK

- Theory of Disruptive Innovation
- First described by Christensen and Bower in 1995
- Related to the need for a concept which described complicated, expensive products and services converted into simpler ones
- Originated in the field of technology as "disruptive technology"
- 3 Concepts: (a) Disruption is relative; (b) Disruptive innovation does not imply replacement;
- Elaborated on by Christensen and Raynor in 2003 and renamed "Disruptive Innovation" (c) Disruptive innovation is not destruction
- Applicable to the focused factory concept in healthcare
- Attracts customers; forces value; yet the eradication of the traditional environment is unseen



- means within \$24.00
- surgical location



## RESULTS

• Two sample t-test indicated delta of \$162.83 between site mean cost per case (p=0.015)

Mann-Whitney U test indicated delta of \$247.97 between site median cost per case

Cost per case lower in the focused factory setting

Procedural physician cost per case across surgical locations indicated minimal variation with

• Linear regression indicated procedural physician was best predictor of cost per case, not

. Contrast of Median Between Surgical Location (N=851)					
riable	Site A (n=638)		Site B (n-213)		p-value
	Median	IQR	Median	IQR	
Case	\$5,072.66	\$4900.82- \$5374.54	\$4,804.69	\$4463.20- \$5199.42	<0.001

Note: Delta between costs per case medians is \$267.97

# **PRACTICE RECOMMENDATIONS**

 Further research needed to investigate practice variation among procedural physician • Healthcare organizations should identify and control variation in total joint implant cost • The ability to provide increased efficiency and satisfaction for patients at similar or lower cost within the focused factory will create a successful platform for organizations to shift paradigms for care delivery amidst healthcare reform

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