

Understanding Benchmarks

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Introduction

The term “benchmarking” actually has its roots in the land surveyor’s term where a benchmark was a distinctive mark made on a rock, a wall, or a building. In this context, a benchmark served as a reference point in determining one’s current position or altitude on topographical surveys and tidal observations. In the most general terms, a benchmark was originally a sighting point from which measurements could be made or a standard against which others could be measured.

In the 1970s, the concept of a benchmark evolved beyond a simple technical term to signify a reference point. The word migrated into the business realm, where it came to signify a measurement process used to conduct comparisons. In the early 1980s, Xerox Corporation began referring to benchmarking as comparisons with one’s primary competitors. They viewed it as a method to continuously measure products, services, and practices against their toughest competitors or those companies recognized as industry leaders. Since then, the benefits of benchmarking have been well recognized in certain industries and operating areas. Benchmarking is a business concept with general management applications for high-level functions such as strategic planning, restructuring, and financial management. In the last several years, benchmarking and benchmarks have become increasingly popular terms in health care. Following Total Quality Management (TQM) and Continuous Quality Improvement (CQI), benchmarking is taking health care to a higher level of quality comparison.

Benchmarks vs. Benchmarking

Just as the term “outcome” became a buzzword in health care over the last ten years, “benchmarks” are becoming the buzzword of today. The problem is few people have a grasp on what the meaning of a “benchmark” is or how to go about using one. Benchmarks of care emerge when someone has the ability to gather meaningful data, compile it, and display results. It also implies knowledge of what the care standards are to achieve an “acceptable” benchmark.

The goal of comparative data (or benchmarks) is to provide essential information to health care agencies, patients, referral sources, and payers about the outcomes of care provided, and the costs to achieve them. Outcomes of care refer to the effects of services provided. Benchmarks refer to a level of care set as a goal to be attained. Internal benchmarks are derived from similar processes or services within an organization; external benchmarks are comparisons with external competitors in the field.

With the intense competition in the health care industry today, simply meeting or even beating past performance will not result in the level of improvement necessary to remain competitive. Just because it appears you are in the lead of your competition at one point in time it does not necessarily mean you are going to stay there. Benchmarking allows your organization to keep tabs on the competition, and at the same time determine what actions need to be taken to maintain and exceed your current market position.

The Quality Quest

The quest for quality is grounded in awareness of the current needs and future demands of the customer, which in health care today are both patients and payers. Business success depends on the company's meeting those needs and demands faster, better, and at a lower cost than the competition. One of the best ways to achieve success is to benchmark your organization's activities. First, you must begin planning your organization's future with a vision, and a list of what you want to achieve. Once you establish your vision, and articulate the "I wants" for your company, then you need a mechanism to look at current practices, resources, and the value or values that you want to achieve in the future.

The key to any organization's success is:

- Meaningful measurements show how well your organization is performing;
- Understanding how well other organizations (both competitors and non-competitors) can perform similar activities;
- Understanding why others perform better than your organization; and
- Identifying any negative gap between your performance and that of another organization, and taking effective action to close that gap.

What Does it Mean to Benchmark?

Benchmarking is a continuous process of comparison, projection and implementation. It involves comparing your organization with others, discovering and projecting best trends in practices, and meeting and exceeding the expectations of those watching you. Done correctly, benchmarking will help you to learn from the experiences of others, and it will show you how you are performing in comparison to the best. It will identify your strengths and weaknesses, and help you to prioritize your improvement activities. If systematically applied to your operations, the data obtained from benchmarking will also provide you with a corrective action plan. In other words, the data can be used to find where your organization excels and where the problems are that need to be fixed. Benchmarking allows you to set standards, and then to continuously measure performance based on a reference point.

For health care organizations, one of the best instruments for benchmarking is patient outcome data. Outcomes are a great way to compare the effectiveness of services and care procedures. Outcome data can also be used to determine trends by specific patient population groups, diagnoses, or by specific demographic characteristics. Since outcomes are still a relatively new concept in health care, few companies collect data using the same method. Because of the many external factors that affect health, it is often difficult to attribute a patient or patients' outcomes solely to the actions of a single provider organization, clinician, or department. However, the current outcome measurement movement will soon provide more data to examine the activities that create desired health care outcomes. In addition, as the outcome movement continues to evolve and the data are integrated with cost data associated with certain outcome achievement, benchmarking will be possible at an even more detailed level—the outcomes and the costs required to achieve them, which is true benchmarking.

Why Use Benchmarking?

Benchmarking is a necessity for organizations engaged in reengineering their processes and systems. Benchmarking helps you to see things differently, or as others outside of the organization may see them. It is a proactive step in assessing what the competition is doing. The primary reason for benchmarking is to help set performance goals above a minimum acceptable value. Another reason is that it gives credibility to the goals and objectives of process redesign goals.

Organizations undertake a benchmarking initiative for a number of reasons. Some of them are:

- To set challenging but realistic goals.
- To define how goals can be accomplished.
- To define performance gaps between the organization and its competitors.
- Because improvement is required to stay competitive.
- Because the organization is losing market share and needs to turn around.
- Because costs are too high.
- To find out how the organization measures up against the “best.”
- To help management direct the improvement effort.
- To uncover emerging technologies or practices.
- To learn from other’s experiences.
- To provide early warning when the organization is falling behind.

The benchmarking process helps you to better understand your organization and its practices, as well as those of your competitors and the “best-in-class.” Benchmarking seeks to find better operating practices in an environment where the pace of change is so rapid that no single organization can ever control or dominate all effective operating practices and good ideas. To be a marketplace leader, one must look outward—as well as inward—for constant improvement and evolution. Identification and adaptation of best practices helps an organization avoid being ambushed by unexpected change. A company can accelerate its own rate of improvement by systematically studying others and by comparing its own operations and performance with the best and most effective practices of innovative and successful companies. Benchmarking, therefore, is a pragmatic approach to managing current performance improvement activities and future change.

The importance of measurements in benchmarking cannot be overstated. Benchmarking first is measuring then comparing. Without quantitative data, it is impossible to fully understand or control your organization. In health care, benchmarking needs to tell you:

- How much better are patients who received services from you? From your competitors? From others in the industry? Other industries?
- How much did those services cost your organization and the patient? Your competitor’s patients?
- How happy were your customers with the services they received from you? From your competitors?

- How long did it take to provide the services, and who provided them?

A real advantage of the benchmarking process is that it provides insights into how others have become good at what they do. This aspect focuses on discovering how other organizations developed their processes to yield superior performance. At this juncture, you must seek out and analyze the reasons and understand why another organization's processes, methods or knowledge make their service look superior to yours.

Types of Benchmarking

There are three primary benchmarking types:

Internal Benchmarking

This is often a good starting point for organizations wishing to engage in benchmarking activities for the first time. It should be considered before any organization looks to the outside. Internal benchmarking involves looking within the organization to determine which areas, functions, or departments may be performing similar activities, and to outline the processes in each area to determine what is most effective and efficient. It focuses on discrete work processes and operating systems, which in health care include such things as billing, medical records flow, care delivery, and even strategic planning. This form of benchmarking seeks to identify the most effective operating practices. If an organization can improve a core process by detailing the system (the input) and measuring the results (the output) then it can improve its performance. These performance improvements may be translated to less re-hospitalization of patients, higher patient functional status at discharge, or improved short-term financial results. In general, this type of benchmarking is the easiest to conduct because there are usually no confidentiality or security problems to overcome, but it can create some tension due to competition or fear.

External Benchmarking

External benchmarking is the process of comparing internal practices with those in other companies, whether competitors or otherwise. It enables managers to assess their competitive positions through service or product comparisons. It focuses on elements of price, customer satisfaction, or some other common denominator that is measured among organizations. In business, this is relatively easy because you are dealing with widgets and not with people. Health care is more complex to benchmark. First, there is little consensus yet on the common denominators and definitions to be used in such comparisons. Second, data collection is often more complicated given that health care outcomes are impacted not only by the service or care but by a host of external factors too. Third, outcome data typically must be case mix or risk adjusted to be accepted by providers.

External benchmarking in health care is further complicated by concerns over patient privacy. Many health care providers are particularly apprehensive about revealing information that would point to their patients with sensitive diagnoses (such as HIV-infection) or providers with less than favorable results. Health care providers are particularly nervous about the possibilities for “reverse engineering,” or recreating a proprietary tool or process that your company developed by examination of your data.

Health care organizations, like those in other industries, will not want others to see their weaknesses if they look bad, while those that look the best will worry that practice “secrets” could be discovered and used to a competitor’s advantage. On the other hand, because of a localized nature in the provision of health care services, it is possible to benchmark against other providers in different regions or parts of the country that do not directly compete.

Strategic Benchmarking

In general terms, strategic benchmarking examines how companies compete. It is seldom industry-focused, and instead seeks to identify the winning strategies that have enabled high-performing companies to be successful in their respective marketplaces. Strategic benchmarking influences the longer-term competitive patterns of a company, and the benefits typically accrue slower than those for internal and external benchmarking. Since health care is a relative newcomer to benchmarking, strategic benchmarking is not yet widely used. However, as we become more adept, we too should start looking at other industries like Disney, for example, for tips on how to improve service and systems for better customer satisfaction.

The Benchmarking Process

Very simply, the benchmarking process involves:

Step	Action	Detail
1	Deciding what aspects of care or service to compare (benchmark). This may include nursing and rehab services, hospice care, etc.	The aspects of care or services may be determined by regulatory bodies, accreditation entities, or be self-generated.
2	Defining the items to compare	Re-hospitalization rates, ambulation improvement rates by diagnosis, etc.
3	Developing measurements to compare	You may use standardized (commercially available) instruments, self-generated tools, or both.
4	Deciding whether to benchmark internal sites and/or external organizations	Based on your objectives. Are they proprietary, competitive, strategic, or marketing related?
5	Collecting and analyzing data	Start with a small pilot project of one or two measures and expand from there.
6	Analyzing the variances (gaps) between your data and the “best practices”	To what can the gaps be attributed—older population, more restrictive regulations?
7	Prioritizing and developing action plans, targets, and measurement processes	Identify critical opportunities for improvement.
8	Updating the benchmarking effort	Refocus aspects of care, data items, and measurements, and begin processes again.

In the beginning phases of benchmarking at your organization, it may be easier to utilize types of data that are commonly available in your industry, or those measurements considered best professional practices. Use terms that your staff already know like health status, activities of daily living, mortality, re-hospitalizations, etc. It also especially important in the early phases

to establish consensus about which data items you want to measure and to keep this list of key measurements as simple as possible. Second, find suitable benchmarking partners inside and outside of your organization, preferably groups or organizations that can provide meaningful data and will create minimal friction or discomfort for staff. Third, as you compare the benchmark data against your performance, you may find that you are the best, the same, or worse than those to whom you are being compared.

If you are the best, keep up the good work but do not forget to continue monitoring this aspect of care or service. Advertise and capitalize your accomplishments in staff development and external marketing activities. If your comparison is negative or the same, an opportunity exists to improve by studying another organization's performance to understand the factors leading to their "success." Finally, remember to keep case mix and risk adjustment factors in mind. Sometimes benchmark data does not tell a complete or even an accurate story about actual performance. There is always room for further explanation. Get some experience with the process and some success under your belt before tackling larger projects. This will help achieve buy-in and enthusiasm for the ongoing processes.

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