



Ideas At Work

Anatomy of a Partnership Inside the Toronto Medical Labs

By Ann Gray and Virginia Sinnott

In August of 1995 The Toronto Hospital and MDS Inc. signed an agreement to establish Toronto Medical Labs – 50/50 management partnership. Objective? Deliver 2.5 times The Toronto Hospital lab's volume. And . . . do it cheaper, faster and better.

These were not the only objectives, of course, but they are the very visible ones. This key case explores how this was achieved and in the process examines the power of team work and other benefits of cooperation between the private and public sector – particularly partnerships. What was the background to this arrangement? Who gains what? What were the strategic challenges? What were the lessons learned?

BACKGROUND

People around the world are benefiting from innovative public sector managers who are not tied to the status quo, who look for new solutions to emerging problems, and who see the benefits of joint ventures, partnerships and intelligent commercialization. It is a revolution in public governance already well established in other countries such as England and Australia, and now also more prevalent in the United States and Canada. Toronto Medical Laboratory (TML) is a case in point.

The Oxford Dictionary defines a partnership in terms of sharing, risks and profits. Each partner brings specific skills and resources to the venture to create an environment for innovation and improvement that neither partner could achieve alone. Public/private partnerships typically find all these elements at play as they combine resources to provide a more complete “whole” or better outcome.

Across Canada partnerships are being discussed and pursued by governments who look to the private sector to help them:

- reduce costs,
- preserve or enhance quality & delivery,
- add value to the product and service provided, and
- take risks.

To work, partnerships must benefit both partners. Each partner contributes specific skills and resources and the synergies these create provide an environment for innovation and improvement. The TML case should, however, not be perceived as an

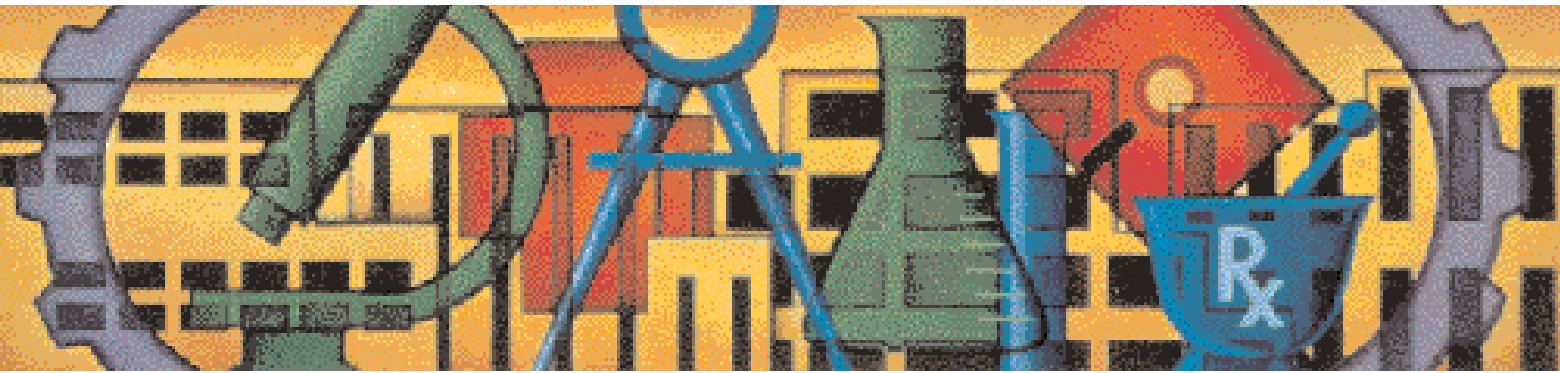
example of the privatization of the Canadian healthcare system, nor is it Americanization. Partnering does not mean a transfer of assets or services from hospitals to the private sector. It does not mean the contracting out or the replacement of services normally provided by hospitals. Instead, the partnership leverages each players' assets and together generates much better use. It establishes an interdependence that serves the public well with better products and services that neither could provide on their own.

WHY INVOLVE THE PRIVATE SECTOR?

The private sector thrives or dies on its ability to be cost-effective and provide high quality products or services. Successful private-sector companies are also able to assess risks, to innovate and to develop the new products and services that create new jobs and stimulate our economies around the world. These characteristics were well understood by the people who run The Toronto Hospital.

Public-sector organizations have traditionally not been risk-takers. They exist to provide a service within a well-defined area and assured revenue. However, there are shared values and a shared vision between some innovative public-sector organizations and many successful private-sector companies. These innovative public-sector groups look to the private-sector for the right “fit” in terms of values and vision, as well as financial and organizational stability, a successful track record, and – in this case – commitment to the healthcare field. In turn, when selecting a partner, the private-sector also looks for shared values and a common vision, committed management and a reputation for (or at least the passion to create) excellence. In addition, both partners seek a resource or expertise that is complementary to their own and that adds value to the whole.

There are, of course, many more partnerships within the private-sector. Companies that have undergone restructuring and have re-defined their core expertise have created opportunities for others to provide them with peripheral services. British Airways for example, is known world-wide for the high quality of service they provide. They are masters at creating value and protecting their reputation and their brand; this safeguards their share of the market and gives them control over their products



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and services. Yet, other companies own the planes they fly, prepare and supply the food they serve, operate their terminals and service the aircraft. British Airways consists of flight crews, ticket agents, reception staff and a logo representing a well-curried brand. Clearly leading organizations do not need to own everything to provide quality services for their customers.

Hospitals across Canada are following a similar approach by defining their core competencies around the medical services they provide and using other companies to provide food services, laundry, materials management, maintenance, security and transportation among other things.

THE TML PARTNERSHIP MODEL

On August 3, 1995, The Toronto Hospital and MDS Inc. announced Toronto Medical Laboratory (TML) – a 50/50 partnership formed to develop and operate the “Lab of the Future.” The fit of the partnership becomes evident when you consider each player's profile.

The Toronto Hospital (TTH) is one of Canada's largest acute care university teaching hospital with 1,173 beds staffed and in operation, more than 37,000 inpatient admissions and more than 450,000 outpatient visits a year. The hospital operates on two sites. TTH provides a full range of services in all specialties and has achieved an exceptional reputation for excellence in patient care, teaching and research in its four designated priority programs: cardiac sciences, neuroscience, oncology, and transplantation.

The hospital's mission is to provide exemplary patient care and foster excellence in healthcare delivery, research and teaching. Its goals are relevant to this partnership. They are:

- To provide world leadership in its priority programs — and excellence in those programs essential to their support.
- To introduce innovative approaches and strive to improve the quality of patient care.
- To foster basic and clinical research in selected programs of excellence.
- To train and educate health care professionals.
- To recognize that each employee is unique and must be given the opportunity to grow and contribute in a safe working environment.

- To manage the resources of the hospital within funding limits and guided by local, provincial and national needs.
- To provide care which recognizes and supports patients' rights, responsibilities and cultural differences.
- To facilitate ethical decision-making which involves the hospital, its patients and their families.
- To participate in collaborative planning with the university of Toronto, other hospitals, health care agencies and the community. (*for more details go to: www.thehosp.org.)*

Compare this to MDS. It has operations around the world and revenues of over \$800 million as it strives to expand the limits of healthcare and life sciences technology, helping to reduce costs while improving quality. The company's objectives are:

- To provide services and products which will assist physicians, healthcare institutions, corporation, government agencies and communities to improve the health and well-being of the people for whom they are responsible.
- To demonstrate leadership through an ongoing responsiveness to the changing needs of clients and customers, and to carry on business in conformity with the public policy, principles and goals of the company's operating jurisdictions.
- To maintain a climate of mutual trust which provides employee satisfaction, and encourages and rewards competent, caring people to work together to achieve innovative responses to client and customer needs.
- To expand and improve the range of services and products offered to each customer grouping, as well as expanding the company's customer and client base geographically.
- To achieve a level of profitability that will provide an above average return to shareholders, will allow just compensation for employees and attract financial resources to fund growth. (*more at: www.mdsintl.com.)*

WHY A PARTNERSHIP?

The Toronto Hospital was facing many challenges, one of which was to meet budget constraints while enhancing its ability to provide high quality patient service and preserve the ability to carry out its critical role as a research and teaching institution. The Toronto Hospital defined its core competencies to

include excellence in patient care, teaching and research, formed around its four priority program areas. The provision of laboratory services was deemed to have a central role. Recognizing there were efficiencies to be realized, TTH commenced an innovative re-engineering effort to design and implement the “Lab of the Future.” After successful experiences in contracting out food services and facility management services, TTH was ready to consider a different model for the labs that would facilitate the re-engineering. Laboratory services have a strong medical component in support of patient care; therefore, a partnership model was chosen in order to maintain these services on site and also utilize the expertise of a private-sector player.

For The Toronto Hospital, a partnership offered important attributes.

- Out-sourcing laboratories was not a viable alternative due to the central role of the laboratories to the hospital.
- Traditional approaches to meet the challenge of reduced funding (i.e., not filling positions when staff retire) could affect the laboratory’s ability to achieve the hospital’s mission.
- Re-engineering would provide the opportunity to deploy new and emerging technologies which could be used to further the Hospital’s position as a centre-of-excellence for teaching and research.
- The opportunity to really involve staff at all levels, in helping to create meaningful change to enhance efficiency.

For MDS, a partnership with a major teaching hospital was also seen to have strategic importance.

- It followed a number of joint programs already established with other hospitals and created the opportunity to enhance these.
- It created synergy and end-user benefits for patients already served by the company’s province-wide pre-admission testing program.
- It built on the company’s core expertise in the design, commissioning and operations of health sciences laboratories across Canada.
- It created efficiencies for other businesses and projects that are part of the MDS mandate. The clinical trials underway by a number of MDS companies offer one of many examples.

The company felt that its expertise and resources could effectively manage the development of the “Lab of the Future.” MDS management could readily demonstrate to their shareholders the corporate fit and the responsible use of the company’s capital.

Furthermore, MDS and TTH have a long term relationship in the area of laboratory services through the pre-admission program that has operated successfully throughout Ontario for over twelve years. Through this relationship each party has achieved confidence in the ability of the other as a “preferred partner” for more extensive ventures, recognizing commonality of vision and values that each can build upon. MDS also has a

proven track record as seen in the re-organization of the MDS Laboratory network across Canada. In Ontario and British Columbia automated core laboratories have been implemented which have increased the capacity of testing, while re-structuring has improved cost-effectiveness and maintained the quality of service provided. For both organizations the risk of entering into a partnership was a good one.

The goals for the partnership were to create an integrated, flexible, customer-focused laboratory, leveraging technology, to provide efficient, cost-effective service, thereby, enhancing both the TTH mission and the MDS mission.

THE CHALLENGES AND THE RESPONSE

The key challenge was to reconfigure a well-established, traditional laboratory into one with an open concept, which continued to provide seamless service to all constituents. Management had to consider a shift in operating culture as consolidation meant a different set of methods, different deployment of disciplines and skills, and a reconfiguration that would produce faster results. The lab would not be run to meet the organizational needs of the various disciplines (chemistry, microbiology, hematology and so on) but rather it would operate to meet the needs of timely results for users and their patients. For example, the strategic use of Rapid Response Laboratories cuts down testing time, transportation and reporting.

The decision was also made early in the process to take the core laboratory (that is: chemistry, hematology and microbiology) to a “greenfield” site apart from the hospital. This move allowed the partnership to:

- Design facilities from a clean sheet to reduce the risks associated with implementation,
- Provide ample room for expansion, a luxury not available at the original hospital site, and
- Create a certain independence and identity — important to the lab’s growth strategy.

Three other resource areas worth noting are: capital, people and technology. First, both partners contributed equal capital in order to consolidate and implement the new venture. Second, they recognized that organizational preparedness was essential to ensure buy-in, to address the skepticism, the criticism, and help key stakeholders to take the quantum leap from a long established traditional “not for profit” environment (this led to an enormous commitment from the leadership to guide the initiative from concept to reality). Lastly, the drive to meet user and patient needs with rapid response and uncompromised quality required:

- A state-of-the-art automated specimen management system (AutoLab), integrating all functions from specimen receipt through to storage, and
- A new multi-site Laboratory Information System (Triple

G) to provide laboratory results to clients external to The Toronto Hospital.

Leadership began with the formation of the TML Board, with equal membership from both MDS and TTH, representing finance, HR, teaching (University of Toronto), TTH Board, MDS Board, user physicians, business and medical staff. A Medical Advisory Committee (MAC), appointed by the TML Board, comprises representatives from the laboratory physicians, scientists, University of Toronto and TML affiliated hospitals. The primary role of the MAC is to ensure that TML fulfills the medical, research and educational goals for an academic hospital.

The rich resources brought together by the partnership allowed the TML board to plan, implement and commission the labs using only in-house resources. This served as an excellent training strategy and ensured buy-in during the introduction of new technology and the new operating culture.

RESULTS

A state-of-the-art laboratory has been designed with extensive employee involvement. The lab has been consolidated from seven floors within three buildings at the TTH site, to:

- The “greenfield” Core Laboratory at the Michener Institute;
- A Rapid Response Laboratory in each the Western Division and the General Division of The Toronto Hospital; and
- A consolidated Pathology Department at the General Division.

TML is positioned to perform 2.5 times starting volumes with a staffing complement of approximately 380 full-time-equivalent employees, a staffing reduction of 14%.

The implementation of a new customer service function has provided clients (internal and external) easy and rapid access to the laboratory.

The new Laboratory Information System (L.I.S.) will provide rapid specimen processing and access to results (in the provision of patient care).

Total savings, once implementation is complete, will be \$3 million per annum. The Toronto Hospital, therefore, is achieving its plan to reduce costs, while building a leading edge laboratory. MDS can look to future growth and new synergies that will contribute to meeting the objectives of its board and shareholders. For example the partnership has the opportunity to insource laboratory work. In the past year, TTH/ TML has signed agreements with Centenary Health Centre, Riverdale Hospital, The Clarke Institute and North York Branson Hospital, in addition to the services already provided to Princess Margaret Hospital and Doctors Hospital.

The recent Health Services Restructuring Committee’s recommendations relating to Toronto and the consolidation of support services, have positioned TML to pursue and develop further partnerships.

LESSONS LEARNED

MUTUAL TRUST IS ESSENTIAL


The Toronto Hospital pointed out that there was a concern about the nature of the partnership, and about the hospital’s ability to preserve its three areas of focus: teaching, health care delivery and research. There was a lack of trust, a tension because of this public and private situation. This existed despite a long standing working relationship, despite impeccable credentials and despite a partnering of the best available experts. To bring the project to reality, senior people from both organizations worked together and provided leadership. The structure and reality of governance and working groups played an important role in effectively responding to this concern.

COMMUNICATION IS KEY

Inevitably, laboratory employees were deeply concerned about their jobs. The physicians, key people in any hospital, also had to be informed about the nature of the concept. Even before the MDS/TTH partnership was envisioned, it had been clear that the hospital must change its laboratory operations. Employees had to be reassured that they were not going to be supplanted by MDS people. They wondered whether there was a hidden agenda. Through on-going and consistent communications, over time, a reasonable level of trust was established with the laboratory employees and the OPSEU union representing them. (The laboratory staff remain as hospital employees with hospital salary and benefits.)

PARTNERSHIPS WORK

Both TTH and MDS were the beneficiaries of an innovative public/private partnership strategy to generate the capital and skill sets for a leading edge facility. The new organization effectively redesigned the core-process and implemented a program that provides a better product and service while generating annual operating savings.

What could be done differently? We would establish communications earlier and more frequently. Experience has shown that there can never be too much information provided to the stakeholders. Timely and consistent information is critical to the success and acceptance of a new model. A well thought-out strategy, and an explicit communications plan provides the means to ensure that communication is consistent and timely. 

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