

# Balanced Scorecards: Improving Your Outcomes Measures

by Donald L. Jones, Ph.D

## Learning Objective

To acquaint the reader with the concept of the balanced scorecard and its potential for use in hospital based health and fitness centers.

**Key words:** *Balanced Scorecard, Elements, Performance Measures, EBDIT.*

**M**any hospitals have introduced the concept of a balanced scorecard in an attempt to more accurately measure the full scope of their operations. It has become increasingly clear to hospitals, and other organizations, that a focus on the “bottom line” in lieu of additional measures such as service, market, and employee satisfaction is a blueprint for disaster in the long run.

By the 1980s, it became apparent that traditional measures of financial performance were not going to work for most companies. There needed to be a blend of the financial and operational aspects of business (1).

According to Robert S. Kaplan, Ph.D., the Marvin Bower Professor of Leadership Development at Harvard Business School in Boston and a cofounder of the Balanced Scorecard Collaborative and David P. Norton, Ph.D., president and cofounder of the Balanced Scorecard Collaborative, one should “think of the balanced scorecard as the dials and indicators in an airplane cockpit. . .reliance on one instrument can be fatal. . .managers must be able to view performance in several areas at once” (1).

Howard Rohm, vice-president of the Balanced Scorecard Institute and president of Howard Rohm Consultants, LLC, views the balanced scorecard as a “Performance Management system that can be used in any size organization to align vision and mission with customer requirements and day-to-day work, manage and evaluate business strategy, monitor operation efficiency



improvements, build organization capacity, and communicate progress to all employees” (2).

To simplify for this discussion, I would suggest that one think of the balanced scorecard as a report card. The difference would be that, instead of receiving a grade, you would get a red, yellow, or hopefully, a green light based on your accomplishments.

The beauty of this is that, over time, you get a quick visual overview of your organization’s performance. It then becomes very easy to see what areas need the most work – those that remain consistently yellow and/or red.

In our organization, The Fitness Centre & Day Spa at Florida Hospital Celebration Health, we look at the balanced scorecard as a way to measure performance across various elements so that there is a more even-handed and objective view of our operations and outcomes.

As the name implies, the balanced scorecard is a way to level the playing field so to speak. Usually, organizations will choose 4 to 6 parameters to measure with equal emphasis on all measurements. This same concept can easily be applied to health and fitness center operations.

At The Fitness Centre & Day Spa - Florida Hospital Celebration Health, we operate according to five key elements (the same as our parent hospital). These elements are:

- Team
- Service
- Clinical
- Market
- Financial

For each measure, there is a set goal established by consensus with the department leader and their respective administrator. Every element is linked to the Baldrige Health Care Criteria for Performance Excellence (3). See score card figure for a graphic display of all the elements and measures listed below.

- **Team:** refers to our employees. There are sub-measures within each element. For example, under Team we measure *Vacancy Rate*, *Gallup Action Plan Progress*, *Suggestions/“My Opinion Counts”* cards, and *New Hire Orientation*.

We want to know whether our employees are engaged and satisfied with our organization as a place to work. For example, by looking at vacancy rate over time, we can determine whether we have an issue with hiring and keeping employees. Our measurement of Gallup Action Plan Progress is a way to ensure that we are actively involved in pursuing a direction to improve employee satisfaction (as measured by Gallup on various parameters).

We actively seek out suggestions via our “My Opinion Counts” cards. Our goal is to get at least 15 of these suggestion cards each month. This measurement has a high correlation with success on the Baldrige National Quality Awards Program. That is, Baldrige award recipients seek out their employee’s opinions and, when appropriate, act on these suggestions in a timely manner (4).

**New Hire Orientation:** We need to ensure that our employees are not working until they have been adequately trained and oriented to the philosophy of the organization.

- **Service:** refers to all of our customers – our members, our guests, and our vendors. The sub-measures here include *Share Card Management* and *Fitness Service Goal – Top Box*.

Share Card Management refers to how we manage our collected suggestion cards from our members, guests, and vendors. At Florida Hospital Celebration Health, we have

access to these cards online. Once the cards are collected, they are then posted online for each hospital department to view and respond to in a timely manner.

**Fitness Service Goal – Top Box:** This measure refers to the number of fives (on a scale of 1 to 5) that we get on the question, “How would you rate your overall experience?”

We survey our members each month (a minimum of 25 members each month at different times of the day). Out of these 25 surveys, we tabulate the number of fives we need to get a percentage Top Box Score. For example, in March we had 17 people (out of 26) rate us as a five on the overall experience question. Hence, this gave us a score of 65% or one percentage point less than our goal of 66% for the Top Box score.

- **Clinical:** This is the area in which I feel hospital based health/wellness and fitness centers have the most opportunity for improvement and to gain market share. What we are specifically measuring here is “Outpatient Conversion to Membership” to include cardiac rehabilitation, sports medicine, physical therapy, occupational therapy, and pulmonary rehabilitation.

As Doug Ribley, M.S., director of wellness & administrative services at Akron General Health & Wellness Center and past chair of the Medical Fitness Association, points out, “By integrating membership based health and fitness with clinical rehabilitative services. . .there is an opportunity to enhance credibility, improve member service and retention, and positively impact the bottom line” (5).

It is important to note here that this measurement, “Outpatient Conversion to Membership,” also is listed on the balanced scorecard of the director of Rehab Services for Florida Hospital Celebration Health. This creates a two-way accountability wherein we are both responsible for moving this metric.

After seeing the “Red” lights appear for three to four months in a row, we knew we had to do something – and we did – “Necessity is the Mother of Invention.” The director of Rehab Services and I met and set up a luncheon for the therapists (to include Physical Therapy, Occupational Therapy, Cardiac Rehab, Pulmonary Rehab, and even Speech Therapy) and our fitness associates and personal trainers.

During this luncheon, everyone introduced themselves and indicated their specific area of interest and/or specialty. This had a profound impact on our numbers as we went forward. It was quite rewarding and fascinating to listen to everyone talk about their patients, guests, and customers. We even found out that we have a physical therapist who

worked for seven years with Cirque du Soleil – talk about variety!

This luncheon brought everyone closer together and clearly made everyone feel more comfortable with their subsequent referrals as they now knew everyone’s specialty and area of interest.

The result is that over the past six months, we have exceeded our goal of 10 referrals per month by at least five per month.

Our success with “Outpatient Conversion to Membership” clearly illustrates the success you can have using a Balanced Scorecard. Moreover, it also shows how, as an organization, we have gotten away from being so “bottom line” focused and are now looking for “balance” in our metrics.

- **Market:** As would be expected, we measure *New Memberships* and *Attrition of Members*. This area has taken a different twist as time has gone by as we have now added *Temporary Memberships* to the mix. This reflects the trend towards month-to-month memberships in our industry.

Attrition is worth measuring simply because we need to understand the causes of why people leave our operation. The old adage of “Expect What You Inspect” holds true for this and all other parameters we measure.

- **Finance:** We choose to measure *Salaries and Wages*, *Supply Costs*, *EBDIT*, *EBDIT %*, *Other Revenue*, and *Other Revenue % (as a percent of Total Revenue)*.

## Fitness Center

### Celebration Health Report Card

2005 Key Performance Measures	January		February		March		September		October		November	
	Goal	Act	Goal	Act	Goal	Act	Goal	Act	Goal	Act	Goal	Act
<b>TEAM</b>												
1 Vacancy Rate %	1.33%	0.00%	1.33%	0.00%	1.33%	0.00%	1.33%	0.00%	1.33%	0.00%	1.33%	0.00%
2 Gallup Action Plan Progress	1	100%	1	100%	1	100%	1	100%	1	100%	1	100%
3 Suggestions/Opinion Counts	15	15	15	15	15	15	15	15	15	15	15	15
4 New Hire Orientation	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
5 Employee Engagement Score								4.02				
<b>SERVICE</b>												
6 Share Card Management	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
7 Fitness Service Goal - Top Box	66%	N/A	66%	N/A	66%	65%	66%	67%	66%	80%	66%	60%
<b>CLINICAL</b>												
8 Outpatient Conversion to Membership	10	2	10	3	10	3	10	12	10	11	10	16
<b>MARKET</b>												
9 New Memberships	76	108	60	74	58	50	76	54	64	41	39	35
10 Attrition of Members	50%	53%	50%	44%	50%	41%	50%	48%	48%	47%	48%	47%
<b>FINANCE</b>												
11 Salaries & Wages	80,084	72,824	80,084	75,568	92,096	88,129	84,088	78,796	84,088	88,932	84,088	79,263
12 Supply Cost	6,752	4,242	6,787	6,553	6,822	7,032	7,085	6,971	7,155	4,151	7,190	5,625
13 EBDIT	53,523	80,698	33,654	49,047	36,846	33,502	53,972	29,723	42,807	18,812	19,264	37,104
14 EBDIT %	25.8%	36.90%	18.0%	23.70%	18.0%	16.40%	25.3%	15.40%	21.1%	9.90%	10.1%	18.80%
15 Other Revenue	69,823	87,869	63,724	78,881	75,010	82,821	69,633	76,511	68,565	74,686	55,865	80,816
16 Other Revenue %	35%	40%	36%	38%	37%	40%	33%	40%	33%	39%	34%	41%
<b>TOTALS</b>	<b>16</b>	<b>13</b>	<b>16</b>	<b>15</b>	<b>16</b>	<b>10</b>	<b>16</b>	<b>13</b>	<b>16</b>	<b>12</b>	<b>16</b>	<b>15</b>
<b>TOTAL PERFORMANCE</b>	81% ●		94% ●		63% ●		81% ●		75% ●		94% ●	

The numbers speak for themselves. Some hospital-based health and fitness centers do not focus on EBDIT (Earnings Before Depreciation, Interest and Taxes). That's entirely up to each operation. However, I do feel that Other Revenue and Other Revenue as a percent of Total Revenue is a significant item that all centers should add to their scorecards.

With the continuing acceptance of day spa operations in hospital-based health and fitness centers; there is an even greater opportunity to add revenue from sources other than membership dues and enrollment fees. The scorecard clearly illustrates this trend.

There are other parameters we will want to review for next year (number of visits per week, number of temporary memberships per month, etc.) as we modify our scorecard to reflect our current operational needs.

Our experience is that the balanced scorecard is an extremely useful tool that all centers can use in some form or fashion to monitor operations. In the not so distant future, I envision this tool as an instrument to help us gauge our success rate with specific outcome measures (such as percent body fat, resting heart rate, etc.) for our members.

In addition, we will continue to work with our Rehab Services department to assist with the outcome measures for their patients – our future members. For example:

Our Rehab Services department has added the following to their scorecard for 2006: Goal: *75% of All Patients Will Return to Prior Level of Function*. Obviously, a hospital-based fitness center can and should assist with this goal. For their Total Knee patients, our Rehab Services department has set the following goal: *Increase Strength and ROM (range of motion) of (left or right) Knee to Enable Patient to Ambulate in a Normal Gait Pattern Without an Assistive Device* (6).

The same approach should be taken for the Bariatric service line. We need to engage in conversations with the Bariatric physicians and find out what outcome measures they would like to see. We can

then seek ways to assist in helping their patients achieve these outcomes and report the results in the balanced scorecard format.

It is precisely this kind of outcome measures information that will set us apart from our competitors. More importantly, as hospital-based fitness centers, the above should be part of our mission.

We are now getting more Rehab referrals than ever before. And this, I suggest, clearly sets us apart from our commercial competitors in a way that will mean much more to us as an industry as we seek to differentiate ourselves and create new markets.

For help setting up a balanced scorecard, I would suggest the July–August 2005 issue of the *Harvard Business Review* (1). Information also is available at [www.balancedscorecard.org](http://www.balancedscorecard.org) and [www.bscoll.com](http://www.bscoll.com).



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