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**Ken Segel - Value Capture (he/him/his):**

Hi listeners, welcome to a very special edition of Habitual Excellence. This is the podcast where we get to talk to leaders who live and breathe the principles of organizational and operational excellence, what we call habitual excellence, and have track records of producing incredible things for patients, populations, and institutions by following those principles. Today, Value Capture is looking back at 20 years of real gratitude for serving healthcare leaders, all that we've learned, and the privilege of supporting some of North America's great healthcare leaders to produce sustainable, important results. But we're especially looking forward to the next 20 years of doing the same thing.

We have a very special guest to help us do that this time. It is our very own Shanna Padgett, who two weeks ago took over for me as the CEO of Value Capture. She has been with Value Capture for nine years and most recently was Vice President of Operations. For those of you that don't know Shanna already, you're in for a treat. Those that do are really excited about her taking over the next generation of leadership of the firm, and those that don't are going to be very excited as soon as they meet you. So, Shanna, welcome to the pod.

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**Shanna Padgett (she/her):**

Thank you, Ken. Long-time listener, first-time caller, is that how I'm going to weigh in?

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**Ken Segel - Value Capture (he/him/his):**

I guess that's part of the vernacular. So, yeah. Well, thank you for being a listener and someone who's not only learned but also helped us learn how to communicate ideas of the leaders that we've served and learned so much from over the years. Shanna, will you introduce yourself and, for those that don't know your background, fill them in a little bit on what brought you to Value Capture and to this seat?

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**Shanna Padgett (she/her):**

Well, Ken, thank you for having me on today. I'm really excited about this conversation. For those who don't know me, I come out of the lab. Once upon a time, I was a clinical laboratory scientist. That's the work I did part-time when I was in college and graduated right into leadership in that role and immediately got to learn a lot. It was an interesting time. I worked in the lab for a long time. We moved, which afforded me the opportunity to spend some time teaching, so I spent five years in higher ed preparing associate degree folks for healthcare. Then I went back to the lab, and that is how I tripped into this career. I was in the lab, would do all kinds of fun projects. My kids were of an age where I could do projects, so I volunteered to be on a lean team. I didn't know what that was, but it sounded like fun. So I got involved and learned about continuous improvement, that it was actually science and a methodology. There was a whole lot more to it than just what I'd been doing my entire career of sort of organizing my space and learning how to organize systems. That was actually really fun, and it changed my life. It changed how I thought about my work.

**Shanna Padgett (she/her):**

It changed how I thought I could contribute to healthcare and certainly changed the kind of people I got to meet and the ways we got to interact. I did consulting with Johnson & Johnson for about six or seven years, and that's where I really got to learn about this. Then I went back inside for a while, did all kinds of improvement and operations internal to an organization.

A friend of mine, who I used to work with at Johnson & Johnson, was working for this company called Value Capture. Megan said, "I want you to meet these guys." So I did. The reason I came to Value Capture was because you had an approach that I didn't know about yet. It was different from the way I was taught and the way I learned lean in healthcare. I was intrigued and wanted to know more, so I jumped on board, kind of thinking I was going to tell you guys you were doing it wrong. In fact, I learned all kinds of things that changed my own practice and beliefs and the way I think about leading healthcare now.

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**Ken Segel - Value Capture (he/him/his):**

Well, thanks for sharing some of that. If folks didn't catch it, you really served as a health system leader with these ideas, and as a successful coach of many through your different trusted advisory roles. You highlighted something interesting—that you think differently about things, and you were attracted to us because we think a little bit differently too. So, in your nine years at Value Capture, coaching leaders and helping us evolve how we support leaders, what is it about our approach that has been a good fit for someone who thinks differently, and especially the results you're seeing from our partners?

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**Shanna Padgett (she/her):**

I am going to answer the question, but first, the reason I get up in the morning—everyone has their personal mission, right? I think healthcare is a right, not a privilege. I think we can figure it out. I don't think it has to be rationed or inaccessible. I don't think we need inequitable outcomes. I just don't believe that. I have met too many smart people who are too dedicated to their practice and their patients. I think that we, as healthcare leaders and practitioners, can get underneath the hood and fix the problem, and we can make high-quality, affordable healthcare a human right.

That's why I do what I do, and it affects how I think about improvement. That's why I'm sharing that. I was so excited about improvement science when I got introduced to it because I realized we can do more. I can do more than just my workstation, my team, or my organization. There's more we can do.

What I learned is that there are ways to create short-term value and approaches that can create long-term value. This is something I learned through my early days of practice, and I think we all did in healthcare. We got really excited about 5S, value stream mapping, and different kinds of tools. We made amazing changes. We improved ED turnaround times and throughput, got lab results on time, and reduced avoidable harms to patients and employees. We did lots of things.

How we did not sustain those things, so why Value Capture? I never lost belief that we in healthcare can figure it out. I think the principles that have been applied across sectors and centuries to make work more meaningful, more efficient, more effective—I just don't think they're wrong. I think we haven't figured out how to do it well yet.

What was happening at Value Capture is you were focusing first and foremost on safety—on patient safety and employee safety. This idea that if you could figure out how to keep people safe while they were in treatment or at work, then you have solved so many of the problems that create all the other problems—all

the wastes, all the inequities, all the lack of accessibility, all the untoward costs. It was another one of those pivotal moments for me.

Pick that one point of leverage and solve for those instances every time they happen. You don't need to sum them up for 30 days and do a Pareto and root cause analysis. Every time you have that risk or harm, you go and solve it. If you solve the root, you're going to solve the problems you need to solve for everything you're trying to achieve in the organization. That was mind-blowing for me. I had never heard it until I met you guys. I thought, "Huh, that seems interesting. I'd like to know more."

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**Ken Segel - Value Capture (he/him/his):**

Well, and it's a great point to note how challenging but gratifying it's been to bring that approach to leaders who recognize the power of a leverage point around something that matters fundamentally, values-wise, but also in terms of creating the ability to improve and be agile every day in a way that connects people more deeply to each other, to the mission, and to excellence.

I think we just want to tip our hat at this point to all those leaders and people that we've had a chance to suit up right next to, share our fresh eyes and experience with, but also learn just as much from for more than a couple of decades now, who have made great things happen with that. As we reach 20 years, I know for me there are more and more times when an echo of early work or previous work comes back in terms of the impact that thinking has made to build more sustainable improvements and work environments where people feel valued and that they can be successful. Many of the previous guests on this podcast are those leaders that have done that, and I love how you said you've never lost faith in doing that.

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**Shanna Padgett (she/her):**

So, Ken, I'd like to ask you a question.

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**Ken Segel - Value Capture (he/him/his):**

Okay, yeah, we're turning the tables on this podcast. We get to go back and forth here.

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**Shanna Padgett (she/her):**

Well, you're alluding to it a little bit—those echoes and those leaders that you've interviewed and that I've listened to on the podcast. Even when I know them, I love listening to them on the podcast—different insights, different depths. I enjoy that. But talk a little bit about where those echoes are coming from, those first formative years. I mean, I wasn't there for them, so I'd love to hear more.

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**Ken Segel - Value Capture (he/him/his):**

Well, you know, when you look back to our early story, a lot of stuff that is still true was true then. It's an environment that is very complex. Healthcare is just as complex as it ever was; it's only gotten more complex. Payment models were in flux, as they always are—they're in flux on hyperdrive now. Healthcare was at a period where it was, I would say, less and less satisfying to be a caregiver and, in some sense, a

leader. Healthcare was also coming face to face with some evidence that was being pulled together, showing that the job we were doing in aggregate in terms of providing not just for the health of the population, where we know the U.S. lags, but also the safety of those patients that we care for and some of their clinical outcomes, was short of what we knew was possible. There were far too many things going wrong in terms of infections and things like that.

It was a point where the leverage point came into view for more people, and the chance to partner with those who said, "Look, I don't know how we're going to do it, but I implicitly sense in my soul that the right goal for harm that occurs to somebody who comes to us for care is zero, and the right goal for harm for somebody who works for us is zero. If we can figure that out with some new techniques and new ways of thinking, good things are bound to spread across everything that we do."

Those early years were marked by really exciting efforts with leaders who were dissatisfied with the status quo and had the courage to set out on a new course. It was also marked by lots of challenges, places where the complexity seemed to overwhelm, and people got distracted. The natural conservatism of healthcare, when business formulas get tweaked, finance formulas get tweaked, etc., sort of took over. Leadership successions sometimes disrupted the highly sensitive habitual excellence operating system that gets created when you get this stuff really rolling. It depends on generational succession of leaders carrying it forward and the Board's involvement in that.

In the areas where it was hard and where some of these things tripped up, we were also learning—learning with the sector about what it takes to really drive sustained change for the better, even as the forces outside were continuing to buffet us. Like you've never given up hope, I think those of us that have been in this work—our customers and ourselves—have also never given up hope, even when it was hard. We are very proud of the building blocks that were created in those early years, but we know that to have the impact collectively, we know is possible for healthcare and to grow a core strength that we know needs to be deeply nurtured. Now we've got to sort of take it to the next level.

I'm going to turn it back to you at this point because, to me, you're a next-level leader. For those of you that don't know, I'm one of the founders of Value Capture 20 years ago and was the founding director of the Pittsburgh Regional Healthcare Initiative before that, where a lot of these ideas got demonstrated. Two weeks ago, I handed off the CEO role to Shanna in a planned generational succession. Shana, one of the reasons I think you're an outstanding lead advisor in the CEO role for Value Capture and the sector is that you come from a perspective of always deeply sympathizing with what leaders are facing, listening deeply to them, and understanding where they want to go, both in an ideal state and target state. Never in an ideological or any other way imposing something that's about us but supporting them.

I want to ask you, because it is a time of great change, you're in touch with a lot of healthcare CEOs and C-suite members. What are you hearing from them these days? What are you seeing recently? How is it informing how you're going to lead Value Capture in the future and innovations in our own ability to support them?

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**Shanna Padgett (she/her):**

Well, it certainly is a time of unrest and upheaval. I don't need to go into it—everybody who's listening understands what's going on. They're living it every day. You said something when you were talking about those early days while you guys were learning—you talked about being distracted. I have to tell you, the leaders that are open to these discussions, who want to explore things, bounce ideas, and really learn together—those are many of the conversations I'm in. When we're working with clients, leaders that have

specific goals and plans are trying to get to. Both of these types of leaders are working to not become distracted on their own. They need to help their teams stay focused on the value, the mission, and the vision, even as the world continues to spin and swirl around.

We thought the pandemic was a problem, and it was. Then we thought, "Well, okay, that'll get better." But then we had the whole post-pandemic period with shifting priorities, retirements, not enough folks to work, and changes in healthcare that I don't think could have been predicted. We thought we'd get through that, and then it would be fine. But no, then the payer model changed. Now we have a new administration that's thinking differently about some fundamental payment models that come to the hospitals and clinics. When you talk about Medicaid and Medicare, that's a payment model for every organization we work with. These things are all true, and the mission, vision, and focus stay the same.

So, what is the way that leaders who are able to stay focused and thoughtful, and believe that there is a way, manage? These leaders that I'm talking about and talking to believe there is a way that will get you more sustained results. Anybody can get results for the next quarter. Can everybody get results for the next year, the next five years, the next ten years? I really think that's how those leaders I'm thinking about, like the Children's Hospital leader, think about it. It's not just continuous improvement. We've got to solve problems all day, every day, big and small. So let's use a disciplined, focused, proven way to solve a problem and always focus on diversity, equity, and inclusion. For him, these things go together. That is the way.

Not only do we solve the problem, but we solve the problem with a lens on equity and including the right people—all the people. It's an amazing way to enhance continuous improvement thinking. He stays focused no matter what the swirl is, avoiding distraction.

We have some amazing leaders bringing organizations that primarily do safety net work, taking care of under and uninsured folks. That's their mission and vision. How do you stay focused and mission-driven when your entire payment model might have to change? Rather than retracting and thinking, "What are we going to have to cut? Who are we going to have to let go? What are we going to have to close?"—instead of that scarcity mindset, they're leaning in. They think, "We have to solve the problem today, tomorrow, someday. We should solve it now, solve it to root, and solve it so we can continue to take care of our patients and our people."

It's the same methodology you were using when chasing down harms in those early days. It's not just the methodology to solve the problem, but the methodology to think about the problem and to organize the people that do the work and change the way you lead, so you can stay eyes forward, not head down. We have to think about changing our model—not the tools, techniques, or principles, as those don't need to be redefined—but how we meet the challenges of healthcare today. How do we solve the actual problem? The real problem with healthcare, as far as I'm concerned, is not throughput and ED times. It's why are you sick to start with? Why do we have certain chronic diseases? Why don't folks know about options they have? Why don't people have access to good food and better air? I'm not trying to boil the ocean, but if you really want to fix the problems in healthcare, let's make people healthier. Then, when you need preventative care, when you have an acute issue, when things go wrong, of course, we need the flow and the quality there too. But we need to focus on the real problems and the real roots and be less distracted by the payer model.

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**Ken Segel - Value Capture (he/him/his):**

Yeah, it doesn't matter if the payer model changes. People are still sick. People still need care. People still need to deliver value. Thanks for that answer. As you started to put together the ideas there, people got a sense of the power of your systems thinking and practicality. Just to highlight a couple of things—you talked

about one client as an example of staying focused. We're hearing from many that even though the pace of disruption is greater, they've realized they really just have to double down on creating agile operating systems every day that can allow them to stay true to their mission, as you said.

In a really disciplined way, achieving goals with their care teams, staying aligned, flexible, and agile. As the change happens, they just point it at what they have to do. That's been great to see, and the results coming in—the hundreds of millions of dollars, improving days cash on hand, together with the quality and the safety. You and I both see lots of institutions that are still in the grips of the cutting mode as they're faced with challenges, but it is gratifying to see a larger percentage of leaders building capacity instead of potentially harming it as we go forward. For that reason, picking up from your answer, it's actually an exciting time. The business model was bubblegum together for a long time, and if we can think expansively and from the perspective that people in healthcare really want to do great things in an aligned way together, we can start to think about things differently. From that common base that we share, a lot of really cool things are not only possible but beginning to be demonstrated by those that stay focused, as you said. Your energy for that is a big reason why it's so exciting to have you move into the CEO suite for us.

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**Shanna Padgett (she/her):** It is an honor, and it's also a test. It's a little bit scary to be the first non-founder CEO for Value Capture. I am really pleased to have this opportunity. You talked about people who made great progress and saw it wash away because they didn't think about generational sustainability. They didn't have a succession plan or include the board or the owners. It's no judgment—it's learning. Learn from everything that goes wrong. That is a core principle that we lead with. Learn from things gone wrong. You need to learn from things going right, but you need to solve for the things gone wrong. I feel like I am part of that learning that the founders took away from not thinking forward about the future. I don't know anybody who steps down as a CEO, lets the VP stand in, come up to the CEO, and then stays on to make sure that I have what I need, the team has what they need. We still have problems we need to solve for our clients and for ourselves. So you're staying on. Who does that, Ken? Why would you do something like that? That's not very common.

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**Ken Segel - Value Capture (he/him/his):**

Well, you're being kind. Some other people have said that to me—that it's not very common to see this happen. I think that's an opportunity for all of us to reflect on leadership, especially in North American institutions and healthcare institutions right now. It's not strange for us at Value Capture. For those that don't know, the leadership role has rotated among the founders since our founding. I've had a long stretch here, but Paul O'Neill Jr. and Jeff Webster led, and we had Paul O'Neill Sr. as our non-executive chairman while he was still with us, inspiring us and teaching us.

At the same time, we tried to be evidence-driven about what makes the change for the long term. Trusted advisory mission-focused firms like us, no matter how good we are—and we think we have the best—most firms like ours don't make it past the generation of the founders if they think of themselves in a pure corporate sense. There are a lot of reasons for that, but we went to school on that. We believe that the mission is what matters. While that has made us really particular about the partnerships we choose and the desire to not just join someone else's much larger P&L sheet through a merger, at the same time, we needed to recognize that you've got to build for generational sustainability. That means at some point, the next generation needs to take over. We've been working on this for a long time.

It seems very natural to us because I think the legacy we all want to see is an expanding impact of the mission and the ideas that we stand for. As you said, we work in healthcare. Our job has been to identify and

develop the best and the brightest, but also learn from the best and the brightest, and when they're ready, get out of their way. The other partners and I wanted to make sure this happened while we were still around and could help make sure it was successful, instead of handing over and hoping when we had to. For me, I'm delighted. I think it's really natural when you think about long-term mission impact and legacy in those terms. When you think about leadership as kind of lead partnership, if you will. That's where all of that came from and why it seems natural to us. I hope it's a positive thing. It's part of the learning conversation that we have with our customers, and there have been some great conversations already.

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**Shanna Padgett (she/her):**

I'm really excited about the future. I'm not excited about the pain, disruption, and fear swirling around among our colleagues, connections, and clients. But I am excited that we believe we can solve the problem to its root in a sustainable way, focused on values and creating value, and not by taking shortcuts.

Many of the leaders we work with are also not looking for shortcuts. I understand that sometimes you have to make hard decisions. We've had to make hard decisions. But there are no shortcuts to sustainable value. This is not a criticism of anyone; it's just not our model, not what we teach, and not who comes to us. In fact, many people come to us when they realize they were sold a shortcut that didn't get them where they needed to go. Being able to help folks ready for that deeper, sustained approach is exciting.

The model has been bubble-gummed together for as long as I've understood it. It never changes the fact that there are people who care deeply about their mission, vision, and patients, bringing their practice to bear. Those great, amazing people are still there, doing the work every day, led by folks trying so hard to make it work and make it last, making it easier for people to take care of their community.

It's a good time to dig in, get under the mess, identify the root causes, and start hacking away at the mess.

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**Ken Segel - Value Capture (he/him/his):**

And if I can brag on us for a little bit, I think, again, it's in combination with our customers who've been the actual ones with the pickaxes. We've really figured out how to help, not just with the right ideas, but how to build practical operating systems that allow that success while staying focused on the mission. Real practical, get-it-going systems so that the results come fast without shortcuts, as you're learning, and then they expand from there.

I'm proud of how our ability to support has simplified over the years, stayed simple where it needed to be, and adapted to the times. Together, our models of how we support leaders fit wherever they are. Shanna, I'm guessing that if people want to talk to you and get to know you better, healthcare leaders can do that. Is that right? Should they reach out to you?

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**Shanna Padgett (she/her):**

Of course, Ken. Always.

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**Ken Segel - Value Capture (he/him/his):**

To get in touch with Shanna, you can reach her by checking out her bio on our website, [valuecapturellc.com](http://valuecapturellc.com). You'll see her contact information there. Also, feel free to reach out to me, always, through my bio on the website. For leaders interested in exploring more about these ideas and the leadership angle on them, because if you haven't picked it up by now, we believe the framework that leaders have and drive is essential to producing sustainable good. There are a lot of resources on our website. We hope you'll become a subscriber to the podcast on whatever platform you use. Remember to hit like, however you're listening to this, and subscribe if you haven't already. Most of all, we look forward to the next 20 years of supporting the sector with the vision that Shanna's outlined.

To doing it in continually innovative and optimistic ways that produce the results you need. Shanna, thanks for saying yes to becoming the CEO that will lead us into the next 20 years. I know how proud we are of the first 20 and how excited we are for the second 20. We'll leave the final word to you. What would you like to say to our partners out there?

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**Shanna Padgett (she/her):**

There's a saying, right? The best time to plant a tree was 20 years ago, and the second best time to plant it is now. You guys planted one 20 years ago, and now it's time to plant another tree that can help us move into the future. I'm excited, honored, and I believe.

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**Ken Segel - Value Capture (he/him/his):**

Great. Well, we believe, and we know it works. The partnerships are exciting, and they give meaning to our lives, professionally and personally. Thanks for taking the handoff. You're a faster runner already. Good things are ahead. Good things are already happening for Value Capture and certainly for our customers. Thanks for being our guest, and listeners, we're so glad you were with us today. Give us your feedback, send us a note. Take care. Bye.