Table of Contents

Destination Healthcare: 2014 and Beyond

- Introduction
- Top Ten Executive Criteria
- How to Meet the Future and Thrive
- Questions
- Contact
Introduction
Introduction

Destination Healthcare: 2014 and Beyond

Why now?

a. Healthcare executives in many areas of the country are preparing to update their Strategic Plans

b. Level of industry complexity has never been greater

c. Competition for capital and resources continues to rise

d. Traditional operational configurations may not sustain the organization

e. Many questions remain in terms of national policies, health reform, viable care delivery models, etc.
Introduction

Destination Healthcare: 2014 and Beyond

Strategic planning is more critical than ever to prepare and anticipate healthcare industry changes and challenges.

**Highly transitional periods** when many variables are impacting the organization, both internally and externally, require more – not less diligence.

External uncertainties require an internal organizational **culture** that is **nimble, critical-thinking and focused** on efforts that improve/sustain it.
A high performance organization measures and monitors its progress to determine improvement.

Competitive differentiation requires documented patient outcomes and quality measures.
“Just as employers are requiring their employees to take more control of their health, employers are seeking to hold providers more accountable. They are beginning to work directly with health plans to embrace more aggressive techniques to reduce unnecessary expenses and create more efficiency in the way they purchase health care.”

Jim Winkler
Chief Innovation Officer for Health
Aon Hewit

Consumers and patients have greater choice in their options for care

Currently, we do not fully utilize new technologies. The design of both Electronic Health Records and other software applications do not always enhance workflows. These technologies and applications are instrumental in the redesign of our care delivery models and associated workflows so we can improve patient access to care, enhance patient safety and quality, advance population health and decrease costs.

Additionally the current technology footprint, placement and design does not always work well in existing physical space and in patient / family / caregiver / consumer interactions with clinicians in various care settings.
Introduction

Goals For This Presentation

- Identify the ten most critical criteria for today’s executive strategic planning efforts

- Prepare to mitigate potential risk and define the best course of action to sustain and thrive from 2014 and beyond
Top Ten Executive Criteria
Top Ten Executive Criteria

Destination Healthcare: 2014 and Beyond

The ten executive criteria listed provide a framework for today’s Executive and Board Strategic Planning efforts.

1. Sustainability Is Paramount!
2. Organizational Structures to Best Meet the Future Needs of the Community
3. Fiscal Discipline and Accountability While Balancing Quality / Safety
4. Realignment of Service Lines
5. Partnerships and Relationships, Business and Strategic
6. Information Matters
7. Healthcare is no longer local…..
8. Cultural Quotient
10. Contingency Planning
Without a focus on sustainability, some healthcare organizations may not survive in the long term. There is fiduciary responsibility to both the Boards of Directors and senior management.

**What can underpin sustainability?**

- Ensure Market Share *(local, regional or national)*
- Understand impact of payor mix
- Maintain bond rating
- Shift to Population Health Management
- Create a viable health ecosystem for our community via acquisition and/or partnership
- Promote retention of quality management and recruit skilled Board members to add value back to the organization
- Quality and safety must be coupled with cost containment
- All the following nine criteria

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**Definition:**

of, relating to, or being a method of harvesting or using a resource so that the resource is not depleted or permanently damaged

Top Ten Executive Criteria

2. Organizational Structures to Best Meet Future Needs of Community

Is there a single structure that may best meet the future needs of your community?

An organizational structure can only emerge as your executive team defines the criteria by which it will function. Your decisions are predicated on the responses to the ten criteria outline in this presentation.

A few other thoughts:

- **Don’t be risk averse!** Board, management and medical staff should unite to pursue calculated risks that support sustainability and improvement of their community’s care.
- Hospitals and health systems can no longer be everything to everybody, i.e. service lines must be defined and structured around **Centers of Excellence** as well as whether their margins can and will sustain the organization.
- **Care delivery models** such as ACOs and PCMHs, while designed to improve care and curb unnecessary expense, may not be sustainable and financial sound over time. Are these the right care delivery models for your organization? Should another emerging model be considered as a better fit?
- **Avoid duplication of services.** Know the competition, know your patient population and demographics as well as any trends that may cause a shift.
- **Key Business partnerships** can create a competitive portfolio of services in your geographic area.
We see a growing number of care delivery services arising including one of the newest: Hospital-at-Home.

All can and will potentially compete with your service offering for the same patient population.
3. Fiscal Discipline and Accountability While Balancing Quality and Safety

“We continue to squeeze everything you can out of today’s cost structure, but then we’ve got to really step back and redesign the way we deliver healthcare to take out large amounts of costs.”

Rick Hinds  
Executive vice president and CFO  
UC Health (Cincinnati, OH) (1)

Fiscal Facts:

- Simply cutting costs does not and will not lead to long term profitability or sustainability.
- Cost Accounting is essential as margins are eroded.
- Patient Outcomes as well as Quality and Safety place greater pressure on whether all Service Lines can meet these metrics when utilization may not be sufficient.

3. Fiscal Discipline and Accountability While Balancing Quality and Safety

More Fiscal Facts:
- **Readmissions**: While today our efforts are to minimize recidivism for specific patient readmissions, it is possible that this approach may apply to all patients in the future. Are you prepared for this possible scenario?
- **Inpatient Revenue continues to decline** for many hospitals and health systems. What is proactively planned to offset revenue decline?
- **Repurposing our physical footprint**: Licensed beds. Can we repurpose the licensed beds to accommodate new services tailored to our patient population?
- **Create or contract** for Outpatient/Continuum of Care services or an inpatient service line?
3. Fiscal Discipline and Accountability While Balancing Quality and Safety

The Future of Reimbursement:

“There is a whole variety of them, and there is not going to be one that meets all types of situations. There is a role for bundling; there is a role for shared savings, and perhaps, there is still a role for fee-for-service for the most complex care that really can't be bundled. We are investing in modeling that to understand what is best for our patients.”

Dr. John Noseworthy
President and CEO
Mayo Clinic

4. Realignment of Service Lines

“We try to look at community needs and try to build centers of excellence around them….But even as service offerings become more specialized, Promedica is increasingly focused on population health management….”

Dr. Julie Tome
V.P. of Medical Operations and Clinical Integration
Promedica Health System (Toledo, OH) (1)

No single hospital or health system can achieve competitive levels of care delivery excellence in every service line.

Careful consideration should be given as to whether all existing service lines should be supported into the future or whether a partnership might enhance quality and outcomes with another organization that is known for this Center of Excellence.

Reframing Primary Care: Other Perspectives

“About 80% of the office visits done right now by primary care can be done by midlevel providers and 80% of what midlevels do can be done over the phone. … Primary care practitioners will be captains of a team that includes a physician, a midlevel provider, an exercise physiologist, a pharmacist, and a dietician. This individual one-on-one doctor thing was adorable for 1980, but it’s not going to work in 2020. Neither the government nor the nation can afford it.”

*Dr. Allen S. Weiss*

President and CEO

*NCH Healthcare Systems (FL)* (1)

“We’re experimenting with different models of managing healthcare at our community-based facilities. One thing we’re trying is to give one group of physicians more complex patients, to help better manage care for those patients who tend to consume more resources. We’ll have to see whether it works.”

*Catherine A. Jacobson*, FHFMA, CPA

President and CEO

*Froedtert Health (WI)* (2)

Take calculated risks. That is quite different from being rash

George S. Patton (1)

Measured risk or calculated risk will be essential as creative partnerships and relationships are crafted to support both strategic and business goals. These newer relationships will provide value such as:

- Access to capital
- Renown Centers of Excellence *(e.g. Service Line)*
- Shift from market follower to a market leader
- Lower geographic boundaries for community
- Expand Service Line offering for continuum of care focus or supporting unique or specialized care for community

Some examples are found under Number 7
“What we’ve seen is that one alignment plan does not work for everybody. **Alignment strategies** really need to be consistent with the strategic plan of the organization and need to be consistent with its overall mission.”

*T. Clifford Deveny, M.D.*

Senior Vice President of Physician Practice Management
Catholic Health Initiatives (CO) 

There are various types of partnerships and relationships that can and should be considered in the context of your local community needs and strategic goals.

- What is the value that is added to your care delivery model?
- How will you measure progress during the partnership?
- How will you message your community about the partnership?
- Add those questions that best fit your situation.

6. Information Matters

Healthcare is the ultimate knowledge industry. We have been collecting vast quantities of data, in care delivery environments and research sites, with the objective of yielding valuable, actionable information.

The emphasis on Outcomes, Population Health Management and more recent care delivery models – Accountable Care Organizations and Patient Centered Medical Homes – affirm and demand information that is critical in support of strategy, operations, fiscal management, and clinical care.

**Today’s Clinical Information Challenge:**
- 20,000 biomedical journals
- >150,000 articles per month
- 6,000 articles a day
- 2,618 active performance measures
- 100,000 genetic tests over next few years

If a Physician, Nurse, or Researcher focused on reading only articles highly relevant to their clinical specialty they would need to read 7,200 articles… (1)

7. Healthcare is no longer local…

Providers with renown Centers of Excellence are leveraging their brand and extending their reach regionally and nationally with other hospitals and health systems.

8. Cultural Quotient

“It’s really key for us to realize what we mean when we say ‘culture’, because we act as if the organizations are one beast with one culture, but the reality is when you peel an onion of an organization, the culture varies about six- to eightfold more on every unit in that organization or clinic than it does in the organization.”

Dr. Peter Provost
Armstrong Institute for Patient Safety and Quality
Johns Hopkins Medicine

8. Cultural Quotient

Can your organizational culture be described as
✓ nimble,
✓ resilient,
✓ understand that change will not abate?

Does your culture know that the model in place today may not exist in its current version so it can and will thrive?

Does the culture know that the work positions that are available today may not exist in the same configuration tomorrow?

Define your culture’s strengths and those aspects of culture that require improvement. Culture is critical to long-term success.
9. Health Reform is but one small piece of the future Healthcare landscape

What else will directly impact the future healthcare landscape?

- Shifting demographics
- Life expectancy continues to be extended and care needs are different
- Rise in consumer consciousness about health and wellness
- Patient and Consumer expectations of their providers may vary greatly
- Consumers may not fully understand the growing amount of quality information and their implications
- Changing competitive pressures (e.g. retail clinics, growing provider consolidation, etc.)
- Political landscape
10. Contingency Planning

With the rapidly evolving healthcare environment, there are many more unknowns that in previous years. As a result, these unknowns require consistent, continuous and methodical Contingency Planning. The focus should be on predictive and strategic to ensure a buffer during challenging times.

Proposed Areas For Contingency Planning:

- Plan for the unknown factoring in some level of probability and corresponding assumptions
- Draft budget for less than ideal operational scenarios (worst case)
- Develop staging of initiatives that will support changes in healthcare operational model (*i.e. migration from fee-for-service to population health model*)
- Evaluate how significant shifts in patient population will impact both short and long-term (*e.g. increase in percentage of Medicare and/or Medicaid*)
- Review information available from lobbyist to factor in probability of change and nuances for health changes
How to Meet the Future and Thrive
How to Meet the Future and Thrive

Case Study

Dr. James LaBelle, Chief Medical Officer, Scripps Healthcare (CA)
✓ 4 Hospitals with 1,411 Total Licensed Beds
✓ $2.6 B in Total Operating Revenues

They are engaged in a three to five year transformation process to prepare to “flip the business model”:

Phase 1

- 85% Completed
- Standardization of Supply Chain:
  - Physician Preference Items
  - Pharmaceuticals

Phase 2

- 15% Completed To Date (2013)
- Reengineering Care on Units (Inpatient Setting)
- Standardize Clinical Processes

Phase 3

- Planned
- Take Efficient Processes from Phases 1 and 2. “Flip” the Business Model from Beds to Population Health

“The really hard piece is the third phase of our process, which is taking the efficient systems we have and flipping the business model so that instead of being in a heads-in-beds business model, we’re reimbursed for population health... This third transition will be data- and knowledge heavy.”

Case Study

Dr. James LaBelle, Chief Medical Officer, Scripps Healthcare (CA)

More thoughts about efforts to “flip the business model”:

**Primary Care:**
“In order for the transition to occur, the primary care physician can’t be king, but a player-coach

**Health Commoditization:**
“It’s (i.e. primary care) is being commoditized right in front of our eyes. Look at Rite-Aid. When do we want to admit that the commodity part of the physician workload doesn’t really add value?”

**Partnerships:**
“These venues of care (i.e. commodity primary care) will be essential to being successful in this new system and will become really important as referral patterns are disrupted and access to primary care is disrupted.” ……

“Hospitals should think about partnership with such clinics to leverage the technology and the primary care physician to manage a team of nurse practitioners in storefront locations.”

Mr. Michael Murphy, SVP, UnityPoint Health (IA/IL)

“We need to move to team-based care where physicians are working with high-risk patients. An increase in the insured population will start challenging our primary care access models significantly.”

**The Population Points To:**
“…we are looking at where the spending is and where the population is moving to. The majority of costs is 55-plus.”

**What Next?:**
“That means better care coordination of such patients can pay off more substantially….the idea of providing clinical oversight and team-based care for such high-cost populations is a great opportunity for hospitals and health systems where urgent care clinics can’t and don’t want to compete.”

Source: Belbeze, Philip. “Seeking the Strategic Sweet Spot”, HealthLeaders, June, 2013, pp.11-16,19 (quote from page 13).
Population Health will serve your community.

Today’s Care Delivery model that best serves your Patient Population today may not be the model that remains in place long term.

Develop a health ecosystem that is flexible and responsive to emerging industry trends and patient/consumer needs.
Three interesting statements from Peter F. Drucker which still resonate today for healthcare executives:

- “The best way to predict your future is to create it.”
- “If you want something new, you have to stop doing something old.”
- “What's measured improves.”

We welcome your comments or questions.

Thank you for your attention today.
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