

# **The Status of Service Line Management Results of a 2007/8 Survey**

*Forum for Healthcare Strategists  
Consumer Based Marketing Strategies Forum  
April, 2008*

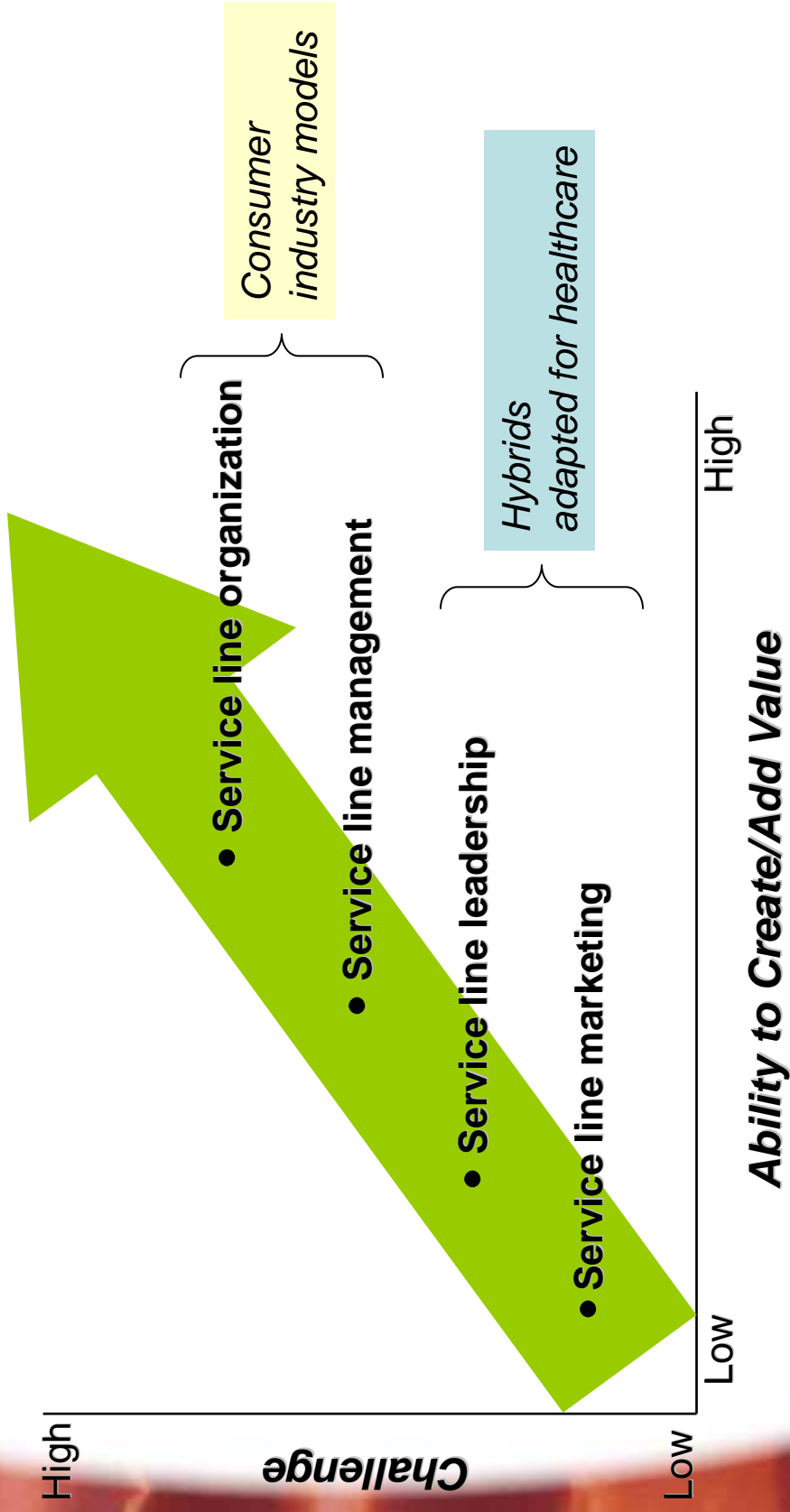
**William Vanaskie & Cecily Lohmar**



# The Context

- **A shaky history in healthcare**
- **Recent resurgence of strategy, lots of variations in strategic application**
- **What is the industry standard?**
- **This is but the beginning of the discussion.....**

# Today's Service Line Continuum



# Service Line Models

|                       | Marketing  | Leadership   | Management  | Organization   |
|-----------------------|--|--|---|--|
| Culture               | Entrenched in traditional culture                              | Strong traditional culture; focus on departments, not patient groups   | Traditional culture, but starting to focus on market vs. internal departments | Market oriented culture; adapts easily to change                           |
| Strategic Orientation | Operational vs strategic orientation                           | Begin thinking strategically about service lines                       | Achieve dominance in key service lines  | Manage the healthcare dollar and patient experience                        |
| Management Leadership | Equate service lines with advertising                          | Strong, oriented around functional departments                         | Management team understands and 'thinks' service lines                        | Very strong, visible, active   |
| Physician Leadership  | Little to none   | Potential, but not yet identified                                      | Yes   | Yes, strong  |
| Market Dynamics       | Competition not strong; visibility is primary need             | Strategic thinking needed to reverse volume trends                     | Key service line competitive; consumer expectations rising                    | Competitive, need for differentiation strong<br>Consumer expectations high |
| Information Systems   | Limited ability to analyze individual service line performance | Basic financial and market performance available at service line level | Full P&L available by service line  | Information systems must cross campuses and departments                    |



# The Survey

- **On line survey of healthcare strategy executives in late 2007/early 2008**
  - 70 respondents
- **Follow up interviews for more in depth understanding**
- **Survey just the start**
  - Poses new questions
  - Suggests areas of focus

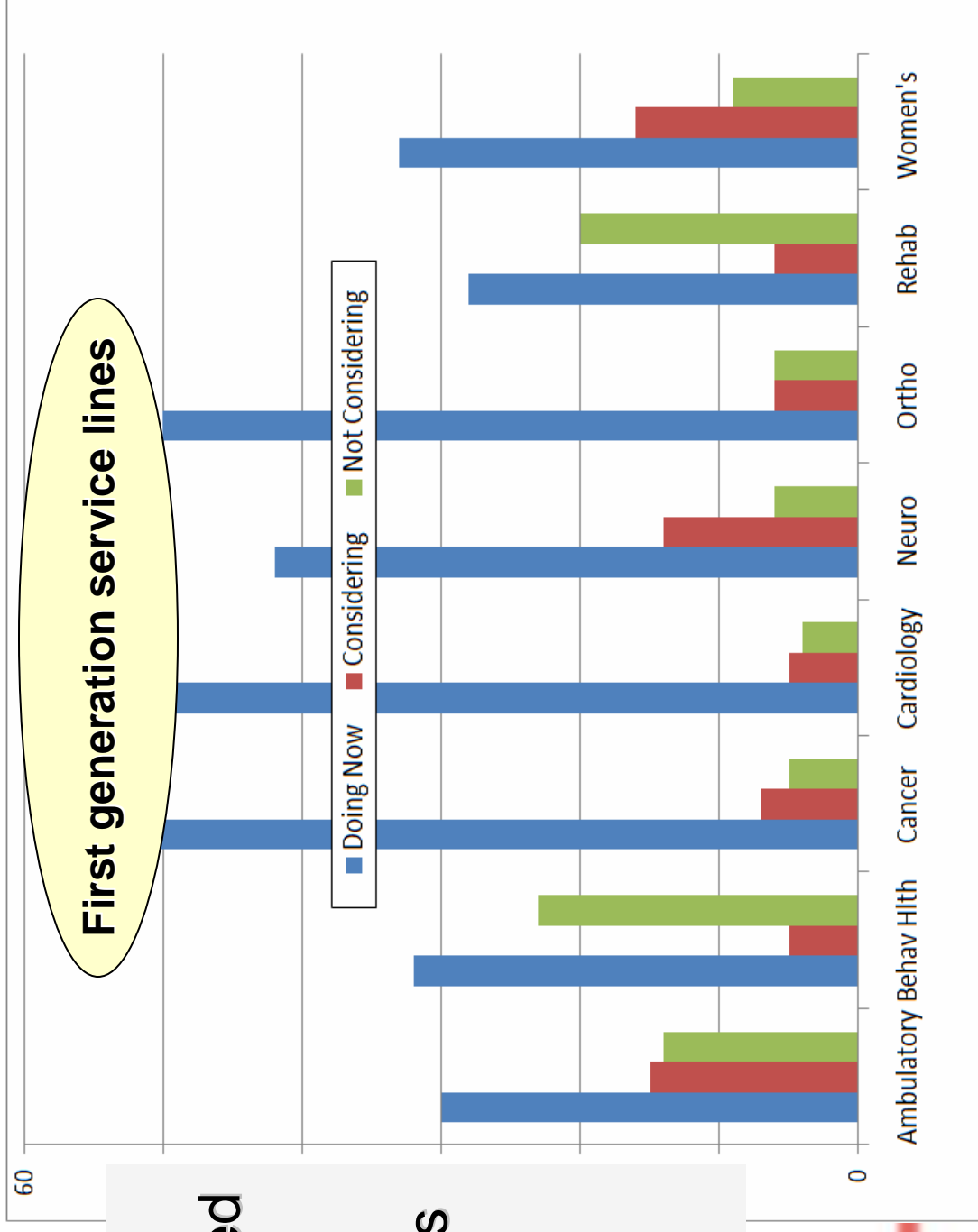
# A Variety of Organizations Represented

- **25 (42%) single hospitals**
  - Average 340 beds
- **34 (59%) multihospital systems**
  - Average 5 hospitals per system
  - 1,000 average beds in system
- **42% academic or teaching hospitals**
- **Location**
  - 18% rural
  - 48% suburban
  - 34% urban
- **Midwest emphasis**
  - 45% located in Midwest
  - 35% east
  - 19% west

# Hospital Systems

- **Service Line Reach**
  - 52% of respondents' service lines cross all hospitals in system
  - 31% of respondents considering organizing across campuses
- **Organizational Structure**
  - 33% are corporate positions
  - 44% are hospital positions with oversight across campuses

# Consistencies in Services Selected for Service Line Development



Interviews – Limited structured methodology for determining service line focus

Inconsistency in defining service lines



# Market Assessment Summary Inpatient Surgical

| Service Lines                  | % of Hospital Total | ALOS | CMI | Regional Draw | Market Size |           | Market Share |           |          | Projected Market Growth (Growth in Use Rates 2003-2009) | Total Score |
|--------------------------------|---------------------|------|-----|---------------|-------------|-----------|--------------|-----------|----------|---|-------------|
|                                |                     |      |     |               | Primary     | Secondary | Primary      | Secondary | Tertiary |   |             |
| CARDIOLOGY - Surgical          | ⊙                   | ●    | ●   | ○             | ⊙           | ●         | ●            | ●         | ●        | ●   | 23          |
| OPEN HEART - Surgical          | ○                   | ●    | ●   | ●             | ○           | ●         | ●            | ●         | ○        | ○   | 21          |
| GENERAL SURGERY - Surgical     | ●                   | ●    | ●   | ⊙             | ●           | ⊙         | ⊙            | ●         | ○        | ○   | 22          |
| BARIIATRIC SURGERY-Surgical    | ○                   | ●    | ●   | ○             | ○           | ●         | ○            | ○         | ●        | ●   | 17          |
| ENDOMETRIOSIS                  | ⊙                   | ●    | ⊙   | ⊙             | ⊙           | ⊙         | ⊙            | ●         | ○        | ○   | 19          |
| GYNECOLOGY - Surgical          | ○                   | ●    | ⊙   | ⊙             | ○           | ○         | ○            | ○         | ○        | ○   | 13          |
| ONCOLOGICAL SURGERY - Surgical | ○                   | ●    | ●   | ○             | ○           | ⊙         | ●            | ○         | ⊙        | ⊙   | 17          |
| NEUROSURGERY - Surgical        | ●                   | ○    | ●   | ⊙             | ⊙           | ●         | ●            | ●         | ⊙        | ⊙   | 22          |
| OB/DELIVERY - Surgical         | ⊙                   | ⊙    | ○   | ○             | ⊙           | ⊙         | ○            | ○         | ●        | ●   | 15          |
| OTHER OB - Surgical            | ○                   | ●    | ⊙   | ○             | ○           | ○         | ○            | ○         | ●        | ●   | 14          |
| ORTHOPEDECS - Surgical         | ●                   | ●    | ●   | ●             | ●           | ●         | ●            | ●         | ○        | ○   | 25          |
| TRAUMA - Surgical              | ○                   | ○    | ●   | ●             | ○           | ●         | ○            | ○         | ○        | ○   | 15          |
| UROLOGY - Surgical             | ○                   | ●    | ⊙   | ⊙             | ⊙           | ●         | ●            | ●         | ○        | ○   | 19          |
| OTHER - Surgical               | ○                   | ●    | ⊙   | ⊙             | ○           | ⊙         | ○            | ○         | ○        | ○   | 14          |

| Key    |   |
|--------|---|
| High   | ● |
| Medium | ⊙ |
| Low    | ○ |
|        | 3 |
|        | 2 |
|        | 1 |



# Service Line Structure

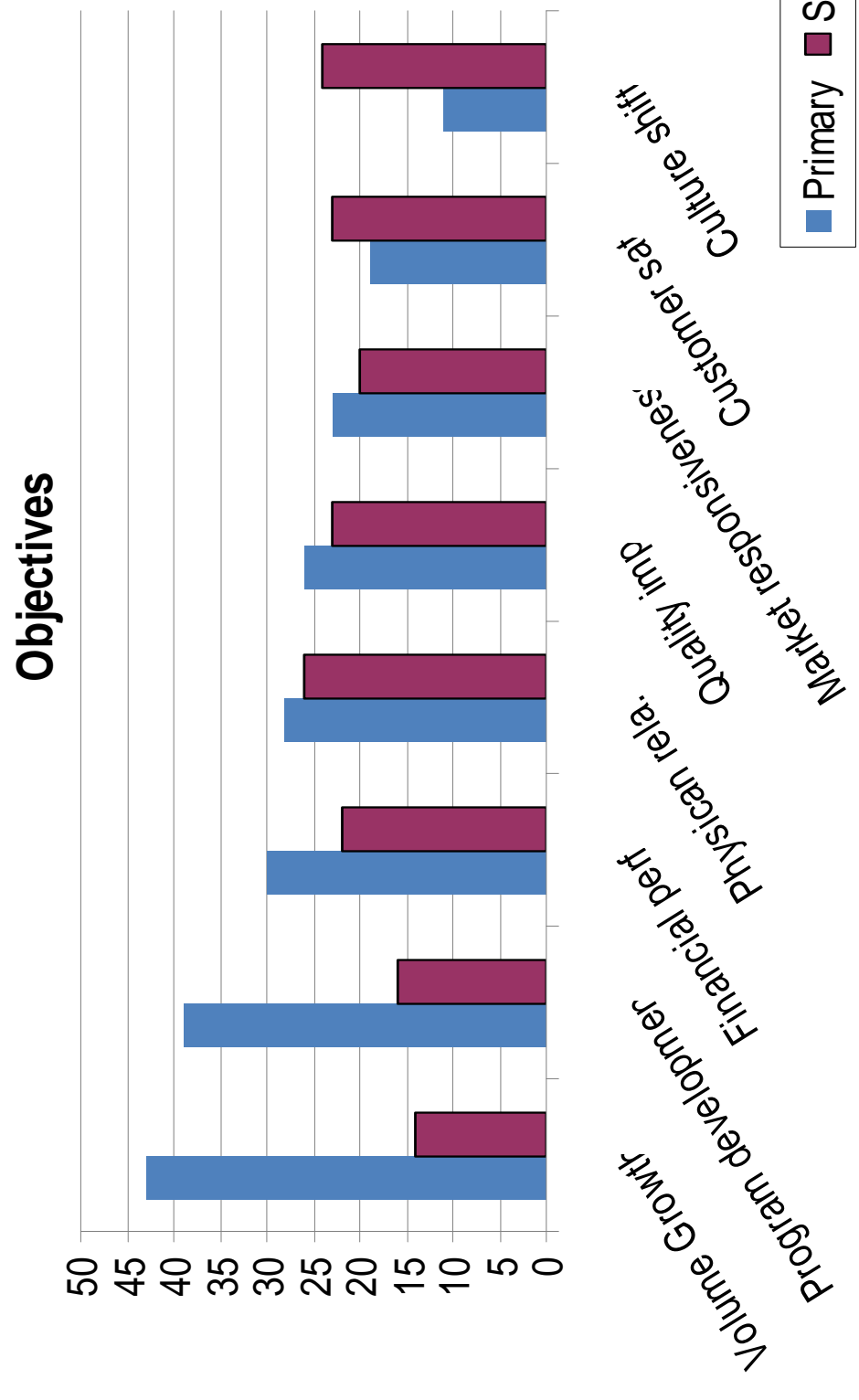
- **85% have service line teams/councils**
  - 8-15 members per team
  - 4-6 physicians on team
  - Nursing primary clinical service represented
- **88% have designated service line leaders**
  - 75% are full time
  - Leads team discussions
  - Pairing with physician, VP, or other not infrequent
- **Team functions:**
  - Strategic plan (few formal business plans)
  - Determine performance metrics
  - Monitor performance

# Service Line Business Plan

## Mature Service Line

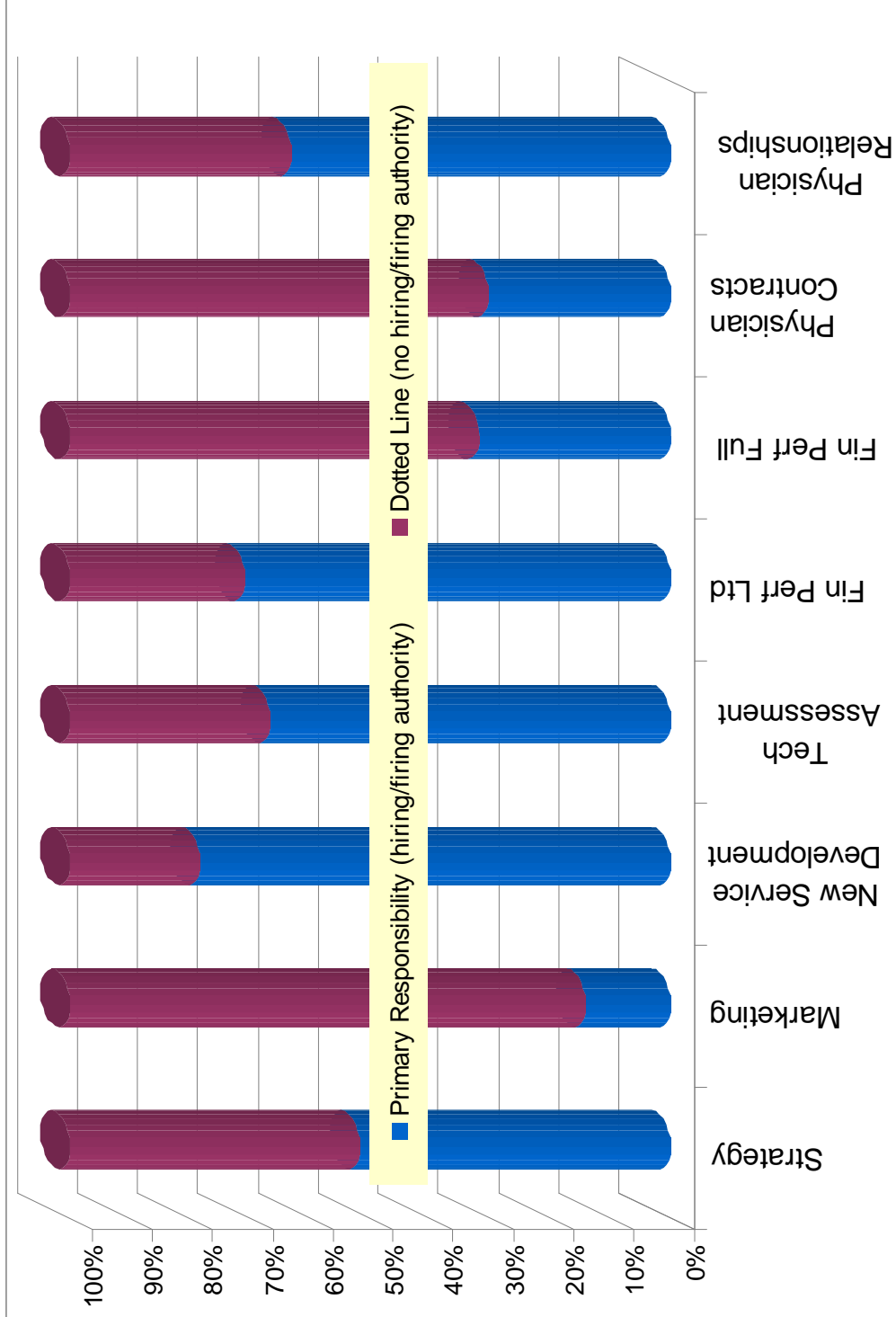
- **3-5 Year Vision**
  - Clinical and physician development
  - Quality and customer service
  - Market and financial gains
- **Key Issues and Concerns (positive or negative)**
  - resource constraints – whether management, capital, physician, or facility; competition
  - payer or public policy concerns
  - market opportunities
- **Priority Areas for the Year Ahead**
  - Why selected
  - Why realistic
  - Resource alignment (do we have enough?)
- **Objectives**
  - Volume/market share
  - Customer service
  - Quality
  - Financial
- **Strategic Marketing Plan**

# Volume Growth Driving Objective for Service Line Management



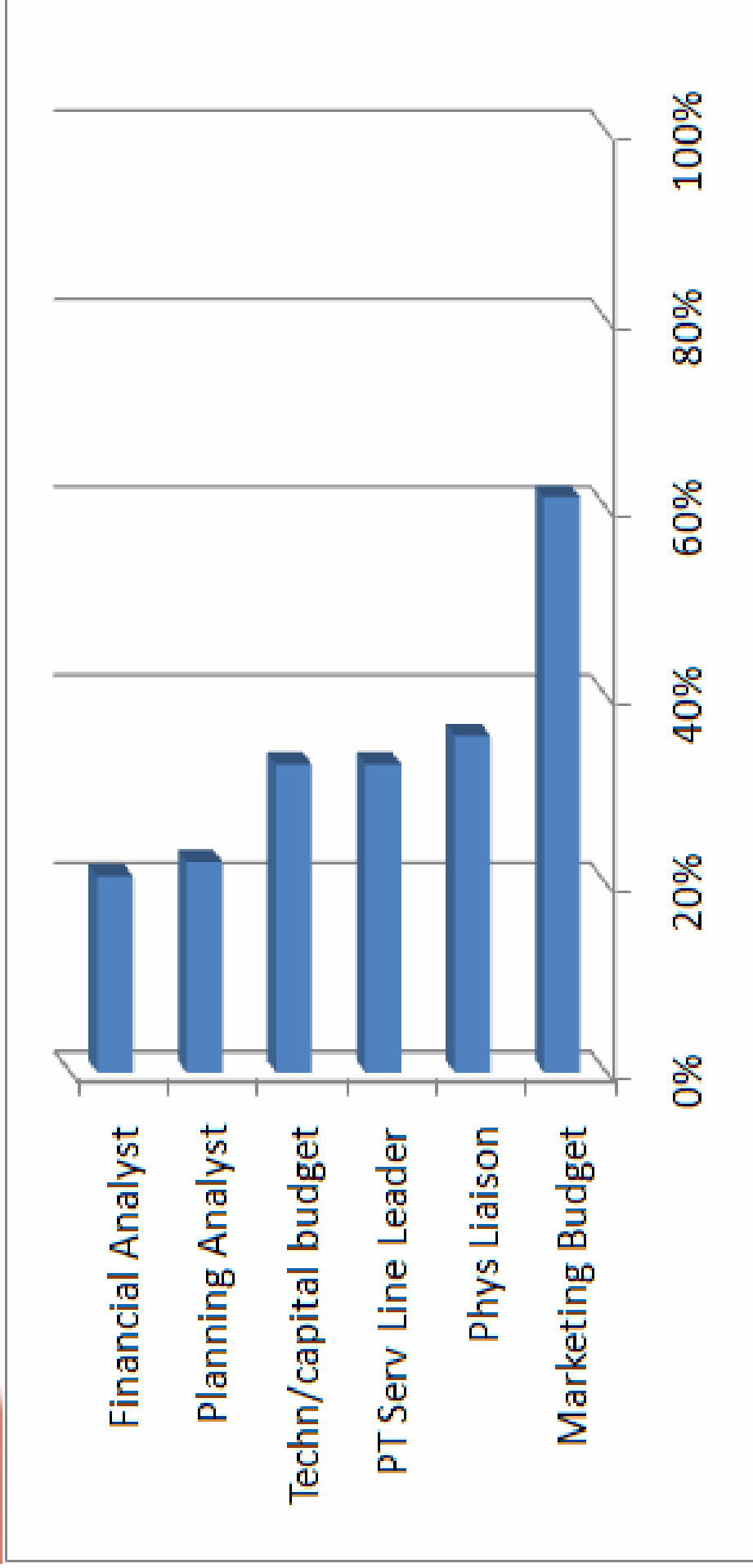
# Roles and Responsibilities of Service Line Manager

Do service line leaders have needed control?

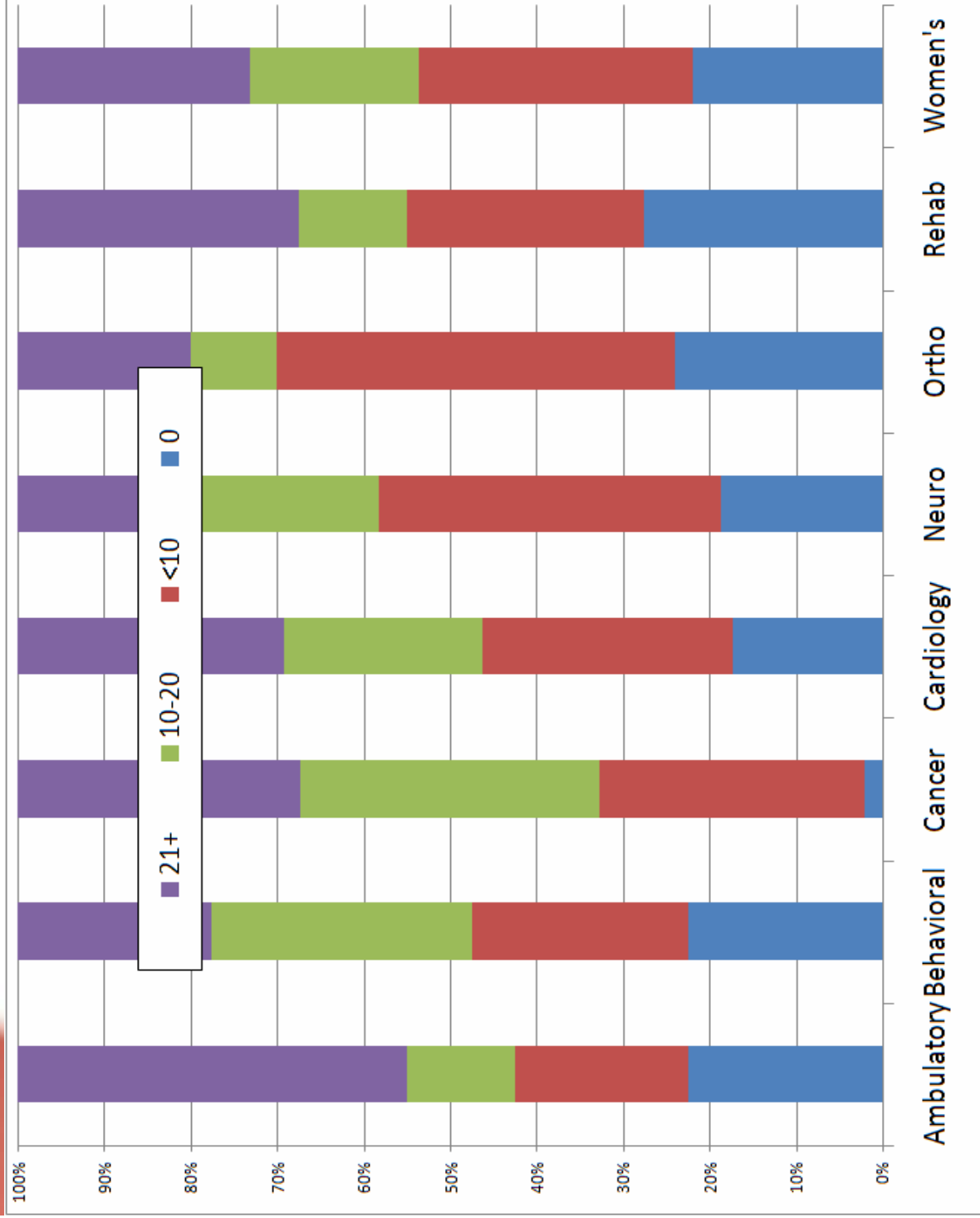


# Resources Committed to Service Lines

Despite resource commitment, alignment of these areas a challenge



# Service Line Staffing

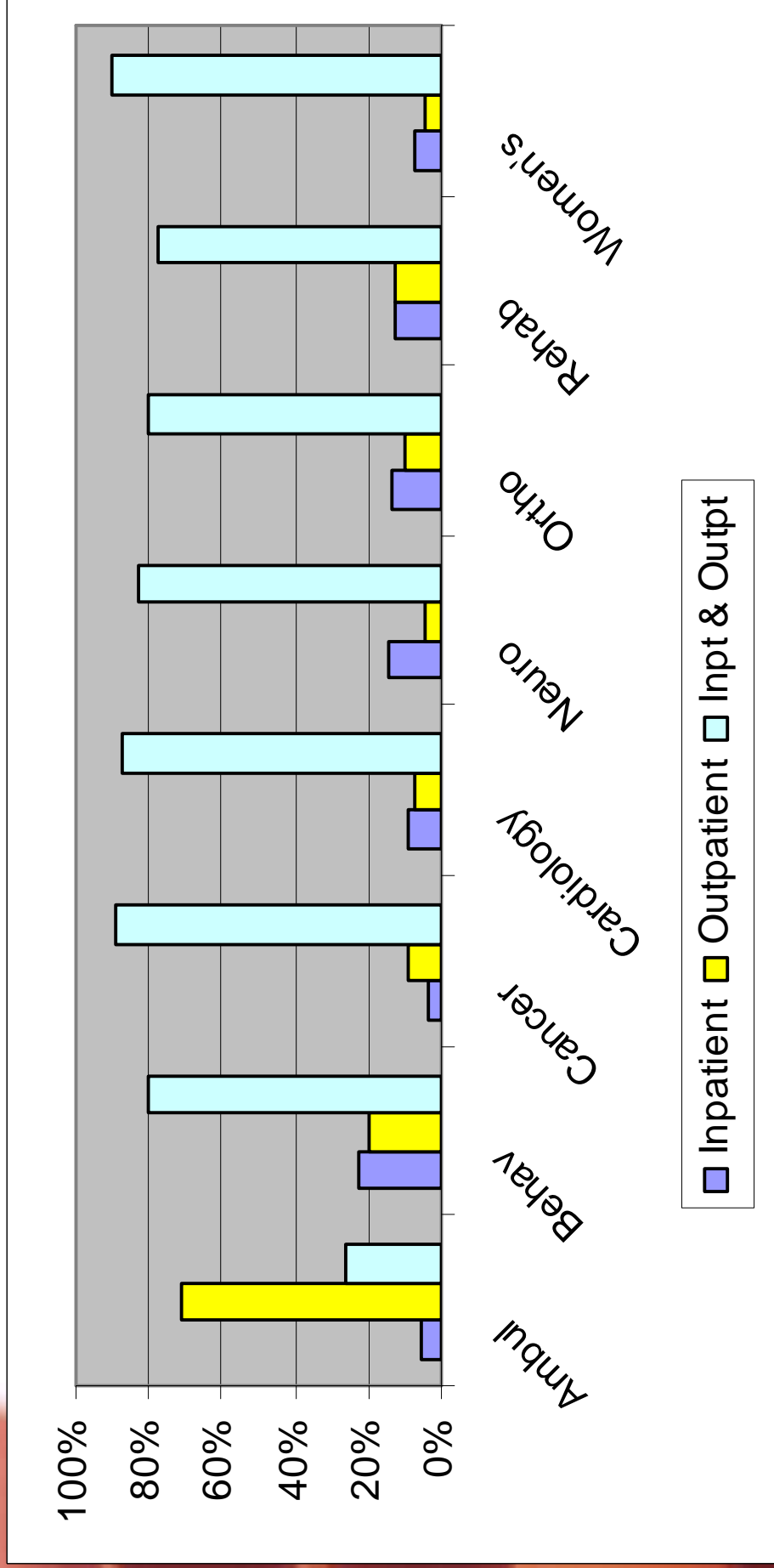


Almost 20% of service line leaders have no staff reports.

Nursing seldom a direct report to service line.

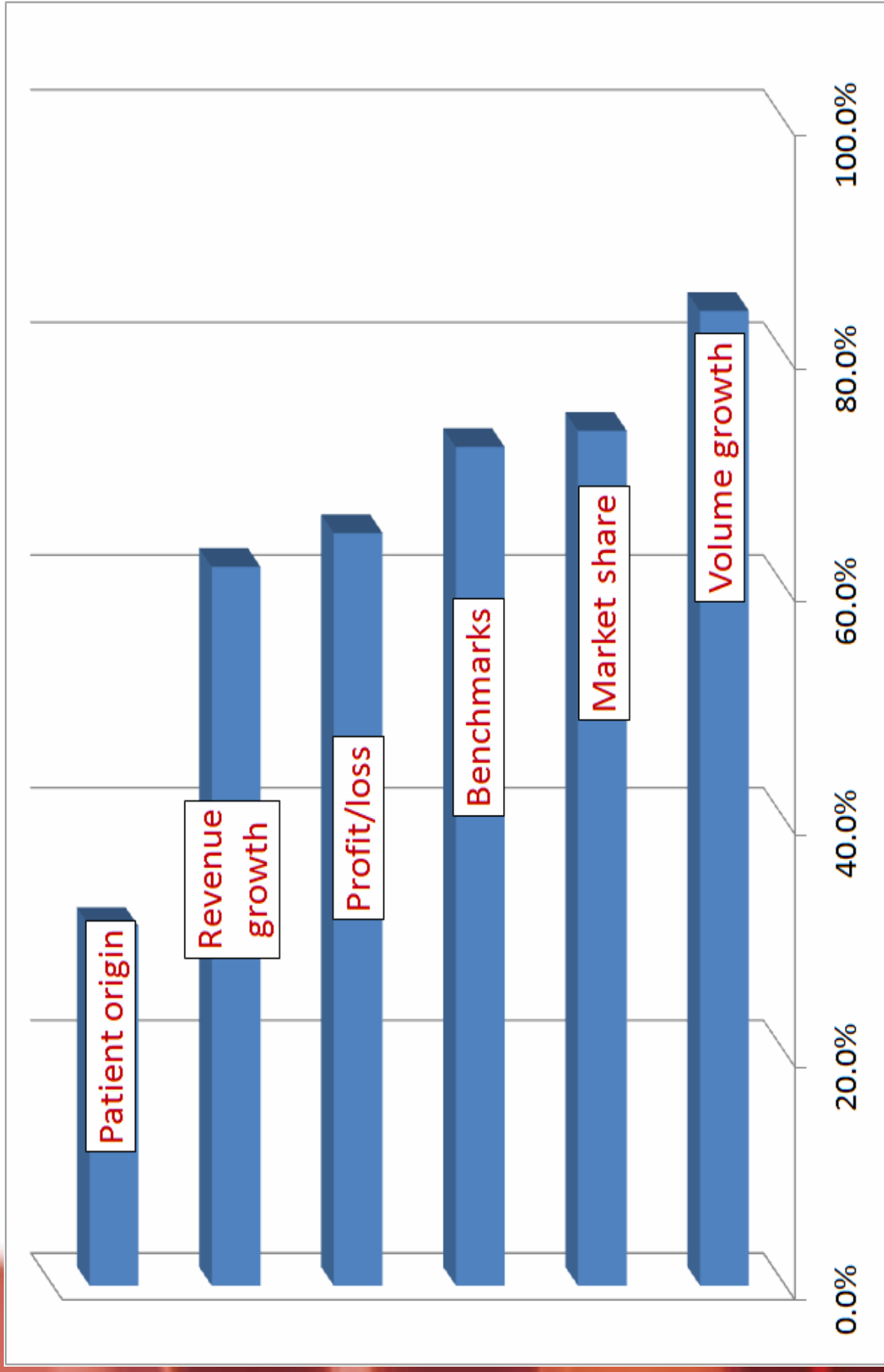


# Continuum Incorporated into Service Line





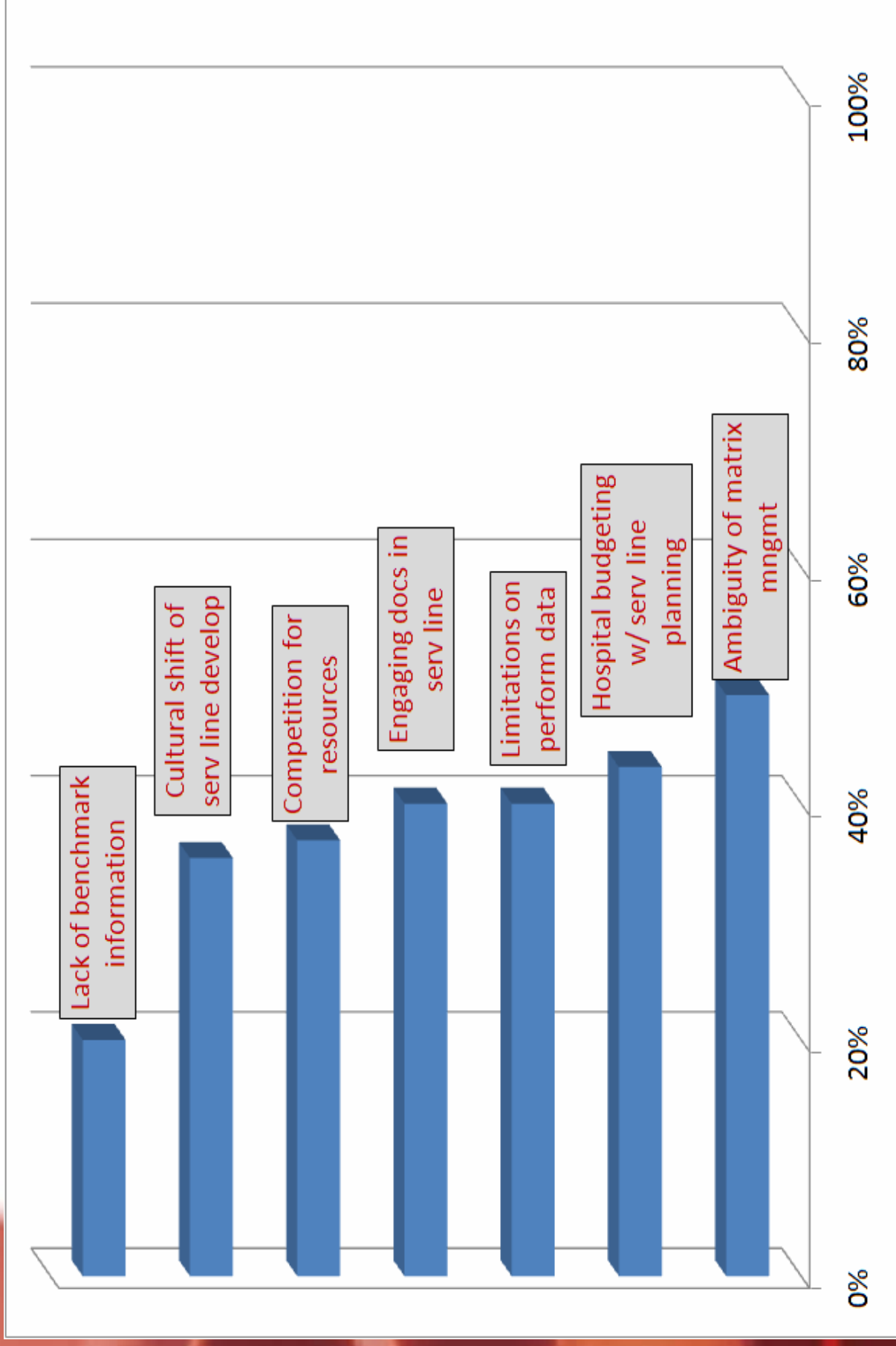
# Performance Metrics



# Surgery Service Line Scorecard

| Category             | Indicator               | 2006       |            | 2006 Q1   |           | 2006 Q2 |        |
|----------------------|-------------------------|------------|------------|-----------|-----------|---------|--------|
|                      |                         | Target     | Actual     | Target    | Actual    | Target  | Actual |
| Clinical Quality     | SIP                     | 95%        | 83%        | 77%       | 81%       |         |        |
|                      | Infection Control DICON | 0.53%      | 0.53%      | 0.53%     |           |         |        |
|                      | Mortality (index)       | 1.00       | 1.17       | 1.23      | 1.61      |         |        |
|                      | Readmission (index)     | 1.00       | 1.15       | 1.20      | 1.20      |         |        |
| Patient Satisfaction | IP Quality              | 97.4       | 95.7       | 95.7      | 92.7      | 95.7    | 96.9   |
|                      | IP Recommend            | 96.7       | 94.7       | 94.7      | 91.4      | 94.7    | 95.7   |
|                      | IP Return               | 97.3       | 95.6       | 95.6      | 92.0      | 95.6    | 95.9   |
|                      | IP Courtesy             | 97.1       | 94.7       | 94.7      | 94.2      | 94.7    | 96.6   |
|                      | OP Quality              | 96.7       | 94.8       | 94.8      | 94.8      | 94.8    | 95.6   |
|                      | OP Recommend            | 95.6       | 93.5       | 93.5      | 94.0      | 93.5    | 94.0   |
|                      | OP Return               | 96.4       | 94.3       | 94.3      | 94.8      | 94.3    | 94.4   |
|                      | OP Courtesy             | 97.9       | 96.1       | 96.1      | 96.2      | 96.1    | 96.8   |
| Volume               | Inpatient Surgery       | 2,124      | 1,927      | 482       | 439       | 482     | 412    |
|                      | Outpatient Surgery      | 4,456      | 3,522      | 881       | 907       | 881     | 962    |
|                      | Endoscopy (OP)          | 2,464      | 2,172      | 543       | 505       | 543     | 513    |
| Market Share         | Inpatient               | 57.7%      | 51.7%      | 50.2%     |           |         |        |
|                      | Outpatient (incl endo)  | 50.2%      | 44.2%      | 42.7%     |           |         |        |
| Financial            | Inpatient Contribution  | 12,628,444 | 11,030,172 | 2,757,543 | 2,165,882 |         |        |
|                      | Outpatient Contribution | 7,120,016  | 5,433,468  | 1,358,367 | 1,694,490 |         |        |
|                      | Endoscopy Contribution  | 1,601,775  | 1,360,666  | 340,167   | 328,374   |         |        |

# Biggest Challenges to Implementation



# A COO's Perspective

## A Service Line Success Story



# Background

- **Three hospital system serving large rural geography**
  - Flagship facility tied to large multispecialty clinic
- **Declining market position and physician relationships instigated service line review**
  - Initial analysis identified several key service lines
- **Service line model evolved along with organization**

# Selecting the Model: In the beginning....

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# A few years later...

|                              | <b>Marketing</b>   | <b>Leadership</b>  | <b>Management</b>  | <b>Organization</b>  |
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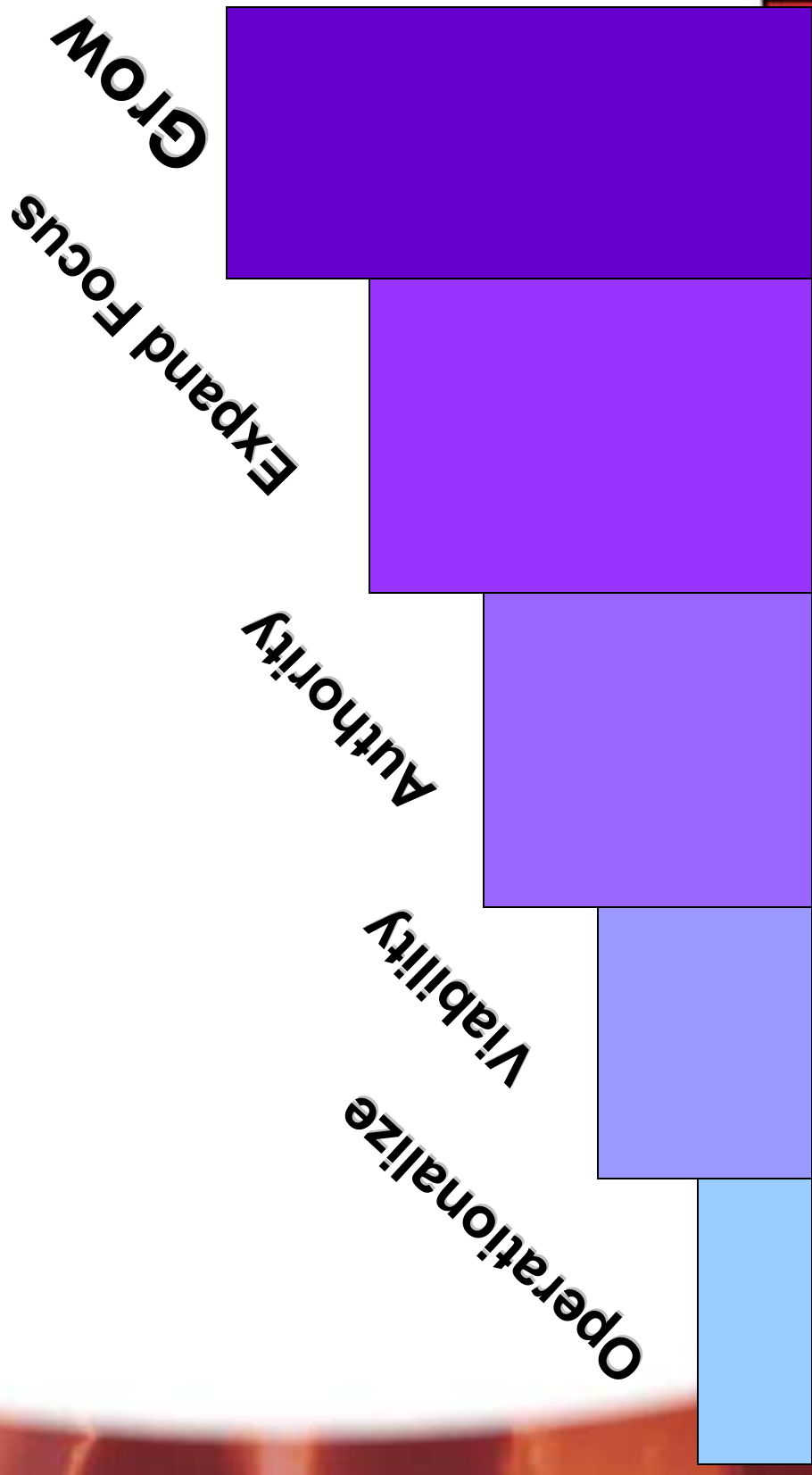


# Service Line Structure

- **Organization**
  - Five service line managers identified from existing clinical staff
  - Each service line manager partnered with physician champion from clinic
  - Initial charge to develop plan to improve performance and market position
- **Role of Service Line Leader**
  - Accountable for Clinical, Operational and Financial outcomes
  - Facilitate focused strategic and operational thinking throughout the enterprise
  - Engage Hospital and Clinic staff around service line issues
  - Manage appropriate leaders in both organizations



# Evolving the Service Line - Five Phases



# Evolution in Five Phases

- **1<sup>st</sup> phase – Operationalize**
  - Focus on internal operations and quality
  - Hospital and clinic data
  - Financial performance
- **2<sup>nd</sup> Phase – Evaluate viability**
  - Resources facilitate expansion
  - Potential for success
  - Focus priority

# Evolution in Five Phases

- **3<sup>rd</sup> Phase – Assign hospital authority**
  - Coordinate all Inpatient activity
  - Assume responsibility for I/P units
    - Clinical outcomes
    - Operational outcomes – employee and patient
    - Financial outcomes
- **4<sup>th</sup> Phase – Focus on system operations**
  - Service line targets
  - Measure and report performance

# Evolution in Five Phases

- **5<sup>th</sup> Phase – Grow the Business**
  - Market expansion
  - National recognition
  - Volume and financial performance

# What Does This Suggest?

## Some Take Aways

- **Service lines remain more a staff function than line function, with emphasis on program growth**
  - Are we getting the full potential of structure?
  - How do we evolve into full, operational lines?
- **Physician component important but role of service line a challenge**
  - Responsibilities but limited authority
  - Can we succeed without authority?
- **Understanding and supporting matrix structure is key to success**
  - Has this been fully thought out?
  - Is it made clear before implementing strategy?
- **Are we focusing on the right things?**

# Questions?



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