

## Time to Re-form Your Service Line Strategy?

### Part 2 in a Series

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Last month, we outlined the benefits of a service line initiative, and described the different models being used in healthcare today, as well as one that hasn't seen success to date but may be a model in the future. This month, we'll look at how you can determine which model is the best fit for your organization. Organizations that struggle with implementation, or aren't reaping the intended benefits from their service line initiatives, can often look to the organizational model being used as the source of the struggle. Either the model is more complex than the organization can support, or it does not go far enough to differentiate the service line.

New Heights Group has identified several variables that affect what service line model to pursue. These include:

- organizational culture,
- strategic orientation,
- management leadership,
- physician leadership and commitment,
- market dynamics, and
- information systems.

Use the following matrix to evaluate your situation and determine which model is best suited for your service line initiatives.

	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; 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

*Organizational culture* reflects the day to day behaviors of physicians and staff. Our culture is inherent in everything we do, from housekeeping to surgery, so it comes as no surprise that it strongly influences which service line model to select. Most hospitals are organized by like functions, not patient populations. In addition, many hospital cultures are resistant to change, an important consideration when determining the service line model to pursue.

It is important to recognize that organizing around service lines will require a considerable shift in your organization's culture. The service lines orient more around markets/populations rather than the departmental focus most often seen in hospitals and health systems. The amount of culture change needed for success increases as the models move up the continuum (see first article). Service line marketing will require minimal culture change because the focus is primarily marketing. This may be a useful first step, with the intent of moving to a more complex leadership or management model in the future. As you move up to "true" service line management and organization, however, significant culture change is required as you are changing the basic organizational structure of the hospital. Under these two models, the organizational culture must be market oriented, proactive and strategic, and comfortable working in a matrix structure.

Organizations that do not manage change well should consider starting with a less 'invasive' service line model like marketing and perhaps service line leadership. The more complex models will meet considerable resistance at all levels.

Your *strategic orientation* reflects the management style – typically either operational or strategic. Organizations that are oriented toward operations – for example spending senior level management time working out issues such as block time in the OR, or finding a way to decrease throughput in the ER – may have a difficult time adapting to the more strategic service line management and service line organization models.

Every organization must balance operational thinking with strategic thinking. Understanding how you balance these two can help you determine the best model for your organization. Ask the question – when faced with poor financial performance, do we tend towards a cost cutting (operational) or revenue growth approach (strategic)?

More operationally oriented organizations often put a manager over service lines, trying to implement a service line strategy as an add-on to existing operations, rather than an opportunity to restructure the organization. These efforts will never get the full benefit of the service line structure as operations most frequently 'trumps' strategy.

Understanding your strategic orientation requires an honest look at your senior leadership team (and it may include you). More operationally oriented providers may



start with service line marketing and leadership, often with the intent of using these models as an opportunity to shift the balance from operations to strategy.

*Strong leadership from senior management* is essential in developing a successful service line organizational model. Service line initiatives by nature challenge existing thinking, and management leadership is needed to support culture change by example, and keep service line teams on track. Management leadership is also needed to link the service lines to other strategies within the organization. Without strong support and involvement of senior management, service line initiatives will struggle.

Many organizations have tried to implement some service line initiatives, but have done so as a parallel track to the traditional departmental focus. If you are talking about developing service lines but management still looks at things and operates through departmental silos, frustration is almost inevitable.

In addition to evaluating the leadership in your own senior management team, *physician leadership* is another important factor in selecting which service line organizational model is best. Physician leadership and involvement increases as the complexity of the service line model increases. Without physician leadership, your service line strategy may be a tough sell to other physicians that make up the service line.

As physician alignment models evolve, more opportunities will exist for physicians to work in leadership positions, particularly within your service lines. Some organizations are using the service line structures as the basis for aligning with key physicians and groups. Within these alignment models, physicians can even be 'groomed' for future leadership positions.

Physician alignment models will be addressed in more detail in a future white paper from New Heights Group.

An area that is often overlooked in service line initiatives, but can significantly influence what model works for you, is *information systems*. The level of information and data needed to achieve peak performance goes up as the service line models move up on the continuum. If your information systems can not provide the information needed for a successful service line, then your ability to implement the service line management and organizational models is compromised substantially. Key information needed for successful service line initiative includes:

- Financial profit/loss for the service line, including net revenues and fully loaded expenses specific to the service line. Marketing, and sometimes leadership, models can work if you don't have sophisticated financial systems, but it is very difficult to succeed with a service line management model, or organizational model, if you don't have the strong financial data needed to fully understand performance of the service line as a whole and in parts.

- Continuum revenues and expenses include all those other services the service line patient may use. For a cardiovascular patient, this might include lab work, nutrition, emergency room, outpatient cardiac rehab. This is often referred to as upstream and downstream revenues.
- Looking at the service line's implications across other 'products' the organization offers is also important in understanding the true value of the service line. Often referred to as the halo effect, a service line should be able to evaluate their patient's use of other organizations services. Staying with cardiology, is that patient getting screened and treated for peripheral artery disease, do they attend cholesterol management seminars, do they even have a primary care physician, and routine cardiologist (if admitted through ED, they may not).
- Data showing market position by individual 'product'. For a cardiac service line, good data regarding market share for cath, bypass, EP, and other service in offerings under the cardiovascular service. It is important to know who is coming to your facility and who is going to your competitors.
- Patient origin data will tell you where your patients are coming from. Most valuable is patient origin of the service line patients. This can then be compared to the hospital service area to see if there are discrepancies – are we drawing patients from a larger service area? Are there opportunities for the service line that we may not have considered when looking at patient origin as a whole?

The above areas focus on internal characteristics, but *market dynamics* also play a part in determining the right service line models. A competitive market where service differentiation is important will tend towards the service line management model, and in the future there may be even more attempts at the service line organization model. Trying to do service line marketing in a highly competitive environment will likely get you nowhere as your competitors will be ahead of you. Conversely, trying to do service line management (our definition) would be more than needed in an environment with limited competition and where gaining visibility is the primary goal of the service lines.

We have briefly described the categories used in the matrix to help you identify the optimum service line model for your organization. This matrix can help identify the right model for your current organization, and can also help you understand what variables are holding your service lines back (eg. Everything suggests service line management but your information systems are falling short. Additional work is needed on information systems before you can expect to reap the full benefits of a service line management structure). The matrix may also help identify what variables may be pushing you to move to a more complex service line model (e.g., you have a service line marketing model but your market is getting increasingly competitive and consumer oriented. You need to move to at least a leadership model to keep up).

It is unusual to see one organization that has all variables falling under one model. The model that gets circled most frequently should reflect the service line model that would best suit you, at least as a starting point.

There may be other variables unique to you that affect the service line model you select. The important point is to evaluate the models, and your organization, along consistent criteria to make sure you are creating the most appropriate service line approach. In many cases, the service line model you start with changes over time as you become more comfortable with the changes, so revisiting your model periodically is good practice.