SERVICE LINE DEVELOPMENT

Different Markets Demand Different Approaches

Presented by:
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Today’s Discussion

- Service line overview
- Conceptual framework - different models for different needs
- Each model in action
- Knowing what might work for you
The Fundamentals

• An organizational model borrowed from other industries (think P&G, Saturn)
  – More closely aligns operating units with the customer base (patients)
  – Traditional hospital model aligns with staff and physicians

• Model has been adapted for use in healthcare
  – In its adaptation, basic intent has been forgotten:
    • To design, organize, and manage a distinct area of the enterprise to create a product of greater value
Why All the Fuss?

- Greater focus on “mission critical” services - those services of most importance to organizational success (core service lines)
- Strategic ‘watchdog’ to monitor and respond to market changes
- Enhanced operational efficiency
- Greater alignment with physicians
- More appropriate allocation of organizational resources - human and capital
- Expedited decision making; enable organization to assess vulnerable areas and adjust rapidly to changes in submarkets
- Keep up with the other guy
Service Lines Are a Shift in Organizational Focus

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<th>Service Line</th>
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What Constitutes a Service Line?

- A patient population that travels through the same continuum of care; typically defined by group of diagnoses (cardiovascular)
  - Beginning to see subgroups of service lines develop (thoracic, vascular)

- In practice, no consistent definition applied
  - Delivery settings (rehabilitation) – do stroke patients go through similar continuum as sports patients?
  - Demographic populations (women’s) – are needs of young women at all similar to those of older women
  - Revenue centers (surgery) – is the continuum of care similar for trauma and urology?
Service Line Models
Service Line Models - The Continuum

- Service line organization
- Service line management
- Service line leadership
- Service line marketing

Hybrids adapted for healthcare

Consumer industry models

Ability to Create/Add Value
## Selecting the Model

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Service Line Marketing

- Focus: marketing only
- No authority/ accountability across functional areas or departments

**Pros**
- Easy to implement
- Minimal culture change needed
- Creates market perception of coordination

**Cons**
- No ‘there, there’
- No mechanism for delivering on market image
- Potential to backfire – promise more than deliver
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Service Line Leadership

- Service line leaders are champions and thought leaders
- Matrix relationships across organization
- Support by planning, marketing, finance, recruitment, other staff functions

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<td>✓No authority to affect operational change</td>
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<td>✓Good stepping stone to advanced structure</td>
<td>✓Reliance on matrix relationships challenging</td>
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<td>✓Creates momentum and visibility</td>
<td>in traditional culture</td>
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<td>✓Provides physicians with ‘go to’ person</td>
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Case Study 1: Service Line Leadership

- 250-bed sole community hospital
  - Significant outmigration, particularly of surgical and insured patients
  - Traditional hospital structure; culture accepts change slowly
  - Four service lines (surgery, ambulatory, cardiovascular, medicine)

- Structure:
  - Leaders identified from director/managers
  - Teams established with physicians, clinicians, administrative participation
    - Objectives: Develop plan to improve quality, increase market share, and improve financial performance
    - Met monthly over 6 months
  - Support by finance, decision support
Organizational Structure

Biggest challenge: Matrix relationships/dual reporting
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Case Study 1: Performance Report

- **Start Up**
  - Significant physician support
  - Initial planning process allowed operational leaders to learn/understand strategic thinking

- **Challenges**
  - Matrix structure challenging implementation
  - Getting stuck incorporating strategies into operational framework
  - Teams looking for quick hit
  - Service line leaders managing delay by focusing on other initiatives they can control

- **Lessons Learned**
  - Create clear lines of accountability all the way up the ladder
  - Identify service line champion among senior leadership
  - Don’t underestimate challenge
  - Provide definitive time frames
Service Line Management

- Service line managers have accountability over operational departments affecting their service line.
- Service line managers both operational and strategic leaders.

Pros:
- Single accountability for performance enables greater focus.
- More responsive to change, and more aware of market needs.
- Physicians and consumers have clear 'go to' person.

Cons:
- Significant culture change within organization.
- Difficult to manage both service line and functional departments.

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Case Study 2: Service Line Management

- Two hospital system - one tertiary and one smaller community hospital
- Highly competitive environment
- Service line management identified for key services
  - Service lines those services to receive ‘disproportionate’ share of planning, marketing, management emphasis
  - Not all revenue based (e.g., behavioral health a service line)
- Structure
  - Service line managers report to one of two VPs
  - Varied responsibility and authority for planning, marketing, and operations of service line
  - Matrix relationships to smaller hospital
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Case Study 2: Performance Report

- **10+ years in implementation**
  - Strategic focus on key services
  - Facilitate enhanced operations

**Challenges:**
- Matrix relationships with smaller hospital
- Managing default focus on tertiary hospital a challenge
- How many service lines can we manage?
  - Once on, do they stay on?

**Lessons Learned**
- Not all service lines need be structured the same
- Clearly define objective before adding service lines
Service Line Organization

• Complete organizational redesign
• Functional departments become support to service lines; no independent identities
• Multiple campuses run by site administrator who ensures service line needs are met on site
• Senior leadership take on dual roles - site administrator and service line leader

Pros
- Shift entire culture often easier than mixing traditional and service lines
- Places emphasis on patient experience rather than departments; fosters strong consumer orientation
- Aligns service-specific patient care requirements across continuum

Cons
- Culture shift difficult for many
- Physicians – dual relationship with service line leaders and site administrator
- Structure only possible in a few organizations
- Difficult to hold particular department accountable for achieving broader goals
Service Line Organization

ADVANTAGES
- Service line teams are important in obtaining institutional support from key players
- Avoids ambiguity over authority and accountability
- Technical specialists with knowledge in one area are brought together
- Scarce or expensive resources can be best utilized
- Aligns service specific patient care requirements across the continuum

DISADVANTAGES
- Service line managers’ lack of authority over physicians and functional departments limits ability to increase revenues and control costs
- Specialists may pursue their goals rather than organization goals
- It is hard to hold a particular department accountable for achieving broader organization goals, although individual accountability often increases through well-defined roles and responsibilities
- Relies on integrated systems to manage the flow of information
Case Study 3: Service Line Organization

• Urban community hospital
  – Recent acquisitions shifted from tertiary center to ‘system’
  – Two well organized service groups heart & cancer

• Rationale for organizational redesign around service lines
  – Competitive edge
  – Cost management
  – Physician integration
  – Market responsive

• Change from traditional structure focused on real estate to one focused on services
  – Resources organized around service groups
  – Resources allocated to support services rather than facilities
  – Real estate supports service groups
Case Study 3: Organization

Old Model
Collection of Hospitals

Health Services

B   FH   Prov

New Model
Select Network of Services

Service Groups

Beh Med  Cancer  Card
ED  Med  Neuro  Ortho  Peds
Post Acute  Surg  W&I
## Case Study 3: Selecting the Model

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Case Study 3: Lessons Learned

- Traditional hospital systems not structured to support service group management
- Service line definitions difficult across campuses
- Matching/tracking outpatient services
- Requires change from traditional medical staff structure
- Culture change is never easy
Case Study 4: Service Line Evolution

- 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
### Case Study 4: Selecting the Model

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Case Study 4: 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
Case Study 4: The Evolution

Operationalize, Viability, Authority, Expand Focus, Grow
Case Study 4: Evolution in Five Phases

• **1st phase - Operationalize**
  – Focus on internal operations and quality
  – Hospital and clinic data
  – Financial performance

• **2nd Phase - Evaluate viability**
  – Resources facilitate expansion
  – Potential for success
  – Focus priority
Case Study 4: Evolution in Five Phases

• **3rd Phase - Assign hospital authority**
  – Coordinate all Inpatient activity
  – Assume responsibility for I/P units
    • Clinical Outcomes
    • Operational outcomes – employee and patient
    • Financial outcomes

• **4th Phase - Focus on system operations**
  – Service line targets
  – Measure and report performance
Case Study 4: Evolution in Five Phases

- 5th Phase - Grow the Business
  - Market expansion
  - National recognition
  - Volume and financial Performance
Case Study 4: Performance Report

- **Phased Implementation Worked Best**
  - Gained credibility and acceptance
  - Changed infrastructure first
  - Facilitated financial and quality turnarounds
  - Stabilized volume and market share

- **Remained Flexible**
  - Changes in personnel resulted in slight changes in organization
  - Migrated to other system hospitals and sites
  - Adapted to marketplace changes

- **Future Challenges**
  - Overcome rural location
  - Maintain staff
  - Increase volume
Getting Started in Service Lines

• Define your objective
  – Be clear about why you are doing this

• Define service lines based on market, current structure, culture and objective

• Evaluate service line models critically to determine what makes most sense
  – Leadership a good launching pad for further evolution
If you have already ventured into service lines....

- Is it achieving the objectives you set forth?
  - What are barriers to success?
    - Right model, wrong objective
    - Right objective, wrong model
- Are you ready to evolve to next level? Questions to ask:
  - Do you need to evolve?
  - Are people (leadership and line staff) thinking service lines or functional departments?
  - Do we have a champion in medical staff and senior leadership?
  - Review checklist
    - Has your position changed in key areas to support evolving to stronger management structure?
Questions?
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