The Next Generation of Service Lines: Are You Prepared?

Cecily Lohmar
New Heights Group
Today’s discussion

• Service lines today
• What’s on the horizon
• Implications for the next generation of service lines
Service line approach goes beyond ‘mission critical’ services

Zismer, Daniel K. and Wegmiller, Donald C. "Clinical Service Lines: Mapping the Future of Community Health", C-SUITE Resources.
What’s on the horizon?

• Consolidation
• Value based payment
• Medical homes
• Population health management
Next generation service lines must adapt...

1. Strategy
2. Systems
3. Alignment
4. Leadership structure
1. Strategy

- Rethink service line definitions
- Invest in the continuum
- Address chronic disease
- Establish value-based performance metrics
Portfolio Analysis – still pivotal step but approach changing

<table>
<thead>
<tr>
<th></th>
<th>Growth</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capabilities</strong></td>
<td>Operating efficiency Percent of total volume</td>
<td>Operational efficiency Quality/pt. sat Physician support</td>
</tr>
<tr>
<td><strong>Finance</strong></td>
<td>Contribution Profit</td>
<td>Cost Revenues</td>
</tr>
<tr>
<td><strong>Market</strong></td>
<td>Market share Market size Market growth</td>
<td>Market definition Market share Market characteristics Community need</td>
</tr>
</tbody>
</table>

Can we perform better? Can we accept risk?

Episode or disease based market share?
New vs. old service line definitions

Where does 70 y.o. CHF fit?

“The Old Standbys”
- Cardiovascular Services: 82%, 83%
- Orthopedics: 76%, 71%
- Back/Spine Care: 53%, 54%
- Neurosciences: 44%, 49%
- Oncology: 70%, 77%

“The New Arrivals”
- Wellness & Preventative Medicine: 23%, 48%
- Primary Care: 70%, 49%
- Geriatrics: 23%, 49%

n=70

HealthCare Advisory Board 2011
Great strategy or built-in chaos?

Settings
- Primary care
- Ambulatory
- Behavioral health
- Post acute

Diagnoses
- Orthopedics
- Cardiovascular
- Oncology

Demographics
- Women’s
- Pediatrics
• Make, buy, partner options
• Investment value limited if not integrated
• Continuum and service line structure
## Make, buy or partner continuum?

<table>
<thead>
<tr>
<th></th>
<th>Make</th>
<th>Buy</th>
<th>Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational expertise?</strong></td>
<td>Strong</td>
<td>Good</td>
<td>Poor</td>
</tr>
<tr>
<td><strong>Facilities?</strong></td>
<td>Available</td>
<td>Not available</td>
<td>Not available</td>
</tr>
<tr>
<td><strong>Is there a market leader?</strong></td>
<td>No</td>
<td>No/Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>What is market demand?</strong></td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td><strong>Barriers to entry?</strong></td>
<td>Low</td>
<td>Moderate</td>
<td>Medium</td>
</tr>
<tr>
<td><strong>Cost of providing service?</strong></td>
<td>Low</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td><strong>Organizational culture?</strong></td>
<td>Same</td>
<td>Different</td>
<td>Different</td>
</tr>
</tbody>
</table>
### Address chronic care - options

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Pros</th>
<th>Cons</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Integrate into existing</strong></td>
<td>Service line definitions remain centered on similar patient groups.</td>
<td>Different clinical paths acute vs. chronic.</td>
<td>CHF in cardiovascular service line</td>
</tr>
<tr>
<td><strong>Create chronic care service line</strong></td>
<td>Critical mass of resources focused on higher cost/complex patients.</td>
<td>Integrating with ‘true’ service lines.</td>
<td>Group of diagnoses/diseases based on high volume/cost</td>
</tr>
<tr>
<td><strong>Create disease specific service line</strong></td>
<td>Ability to ‘drill down’ on select high cost diseases.</td>
<td>Integrating with ‘true service lines.</td>
<td>Diabetes</td>
</tr>
</tbody>
</table>
Redefine the value equation
Value = Cost + Quality

• Cost
  – Copays
  – Fee scales
  – Guarantee (e.g, Geisinger Proven Care)

• Quality
  – Return to function
  – Pain
  – Caring

“What is value to the customer may be the most important question for a business, and the one that is asked least often.”
-- Peter Drucker
Redefine performance metrics

<table>
<thead>
<tr>
<th>Old</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Market share</td>
<td>• Market share</td>
</tr>
<tr>
<td>– Percent of illnesses</td>
<td>– Percent of SL pop</td>
</tr>
<tr>
<td>• Processes</td>
<td>• Outcomes</td>
</tr>
<tr>
<td>– What did I do?</td>
<td>– How did it work?</td>
</tr>
<tr>
<td>• Profitability</td>
<td>• Profitability</td>
</tr>
<tr>
<td>– Managing the episode</td>
<td>– Managing the population</td>
</tr>
</tbody>
</table>
2. System service lines

- Clarify reporting relationships
- Balance integration/consolidation

Considerations:
- System organizational philosophy
- Relationships between/among organizations
- Market dynamics
- Leadership
# Reinforce system strategy with structure

<table>
<thead>
<tr>
<th>Description</th>
<th>Central reporting</th>
<th>Regional reporting</th>
<th>Hybrid – local and corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital and SL leader both report to system leadership</td>
<td>Service line leaders report to regional leadership</td>
<td>Service line leader has dual reporting – hospital and system leadership</td>
<td></td>
</tr>
</tbody>
</table>

**Pros**
- Facilitates consistency & coordination
- Facilitates coordination across geographic area
- Strengthens SL leader visibility and accountability

**Cons**
- Potential disconnect between hospitals and ‘corporate’
- No incentive to cross regional boundaries
- Potential for mixed signals – system vs. hospital
Balance integration/consolidation activities

- Preservation
- Symbiosis
- Holding
- Absorption

Need for Strategic Interdependence
- HIGH
- LOW

Need for Organizational Autonomy
- HIGH
- LOW
## Integration continuum

<table>
<thead>
<tr>
<th></th>
<th>Coordinate</th>
<th>Integrate</th>
<th>Consolidate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Markets served by the entities</td>
<td>Diverse</td>
<td>Similar</td>
<td>Similar</td>
</tr>
<tr>
<td>Distance between entities</td>
<td>Far</td>
<td>Near</td>
<td>Near</td>
</tr>
<tr>
<td>One entity maintains a well-known image</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Demand for service consistency</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td><strong>Financial Issues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payor demands for system-wide pricing</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Payors looking for case rates</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of at-risk contracts</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Priority placed on cost reduction</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td><strong>Political Issues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional culture</td>
<td>Diverse</td>
<td>Similar</td>
<td>Coincident</td>
</tr>
<tr>
<td>Ease of recruiting and retaining clinical staff</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Skilled service line manager / leader</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Multiple medical staffs</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Need for local control</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
</tbody>
</table>
3. Alignment

- Create multiple alignment models
- Address primary and specialty care
What makes for successful alignment hasn’t changed

<table>
<thead>
<tr>
<th>Physician Trust</th>
<th>Physician Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH</td>
<td>HIGH</td>
</tr>
<tr>
<td></td>
<td>LOW</td>
</tr>
<tr>
<td>LOW</td>
<td>HIGH</td>
</tr>
<tr>
<td></td>
<td>LOW</td>
</tr>
</tbody>
</table>

Next generation alignment - greater integration and broader scope

Scope of Activities

Degree of Integration

- Collaborative Branding & Marketing
- Practice Development Support
- Advisory Councils
- Information System Networking
- Coordinated Clinical Research
- Co-Management
- Joint Ventures
- Professional Services Agreements
- Full Integration
Match alignment to medical community

**Competitive community**
- Build trust among groups.
- Modest initiatives.

**Coordinated community**
- Align economic incentives, more complex joint initiatives.

**Mix of competition and coordination**
- Align financial incentives.

**Employed medical staff**
- Align compensation plans with service line goals.
# Multiple medical directors addresses complexity and facilitates alignment

<table>
<thead>
<tr>
<th>Approach</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>By specialty</td>
<td><em>Medical &amp; surgical</em></td>
</tr>
<tr>
<td>By disease/program</td>
<td><em>Open heart, CHF, other</em></td>
</tr>
<tr>
<td>By population</td>
<td><em>Geriatric, chronic</em></td>
</tr>
<tr>
<td>By function</td>
<td><em>Quality, technology</em></td>
</tr>
</tbody>
</table>
4. Structure

*Form follows function...*

*Louis Sullivan*
Companies positioned for rapid change

Product line managers have control over:

• Operations
• New product development
• Technology acquisition
• Full “continuum”
• Pricing

This is our next generation service line leader!
Incorporate continuum management into service line structure

What does service line own? What does service line buy?

Today’s service line purview

Service Line Leadership Team

Preventative Care  Screenings  Ambulatory Clinics  Acute Care  Post-Acute Care  Home Care/Chronic Care

Blueprint for Service Line Transformation HealthCare Advisory Board 2011
Administrative/clinical leadership teams to manage complexity

- Registered Nurse: 23%
- Business Management: 15%
- Healthcare Administration: 26%
- Physician: 36%

Zismer, Daniel K. and Wegmiller, Donald C. "Clinical Service Lines: Mapping the Future of Community Health", C-SUITE Resources.
Next generation service line leaders need COO skill sets

- Strategy
- Operations
- Entrepreneur
- Change management
- Financial management (beyond budget management)
- Partnership development/Negotiator
- Process re-engineering
Next generation physician leaders driving change

• Physician engagement
• Physician recruitment/retention
• Quality
• Evidence based practices
• Utilization management
1. Have you integrated the full continuum into your service line discussion?
2. Are your service line definitions still valid?
3. Are your performance metrics value based?
4. Is your service line structure clear to all?
5. Do you have tailored alignment options?
6. Does your service line leadership dyad/triad have the needed authority to create change?
7. Do your service line leaders have the needed skill sets?
Contact

Cecily Lohmar, Principal
New Heights Group
252 249 1225
cecily@reach-newheights.com

www.reach-newheights.com
Please take a few moments to complete a brief survey for this session. The more surveys you take, the better your chances are to win one of five $25 Amazon.com gift cards. Two ways to take the survey:

1. Via Mobile App

   Navigate to Schedule → Full Schedule → then click the session you are in now → scroll down & click this button:

   ![Take Our Survey Button](image)

2. Scan this QR Code

![QR Code](image)

Join the SHSMD Social Conversation!

@SHSMDAHA #SHSMD13

/SHSMDAHA

SHSMD Connections 2013

The opinions expressed are those of the presenter and do not necessarily state or reflect the views of SHSMD or the AHA.

© 2013 Society for Healthcare Strategy & Market Development