

# Structuring Your Service Lines for Success

*Cecily Lohmar*  
*New Heights Group*  
*April 18, 2013*

*"FORM FOLLOWS FUNCTION"*

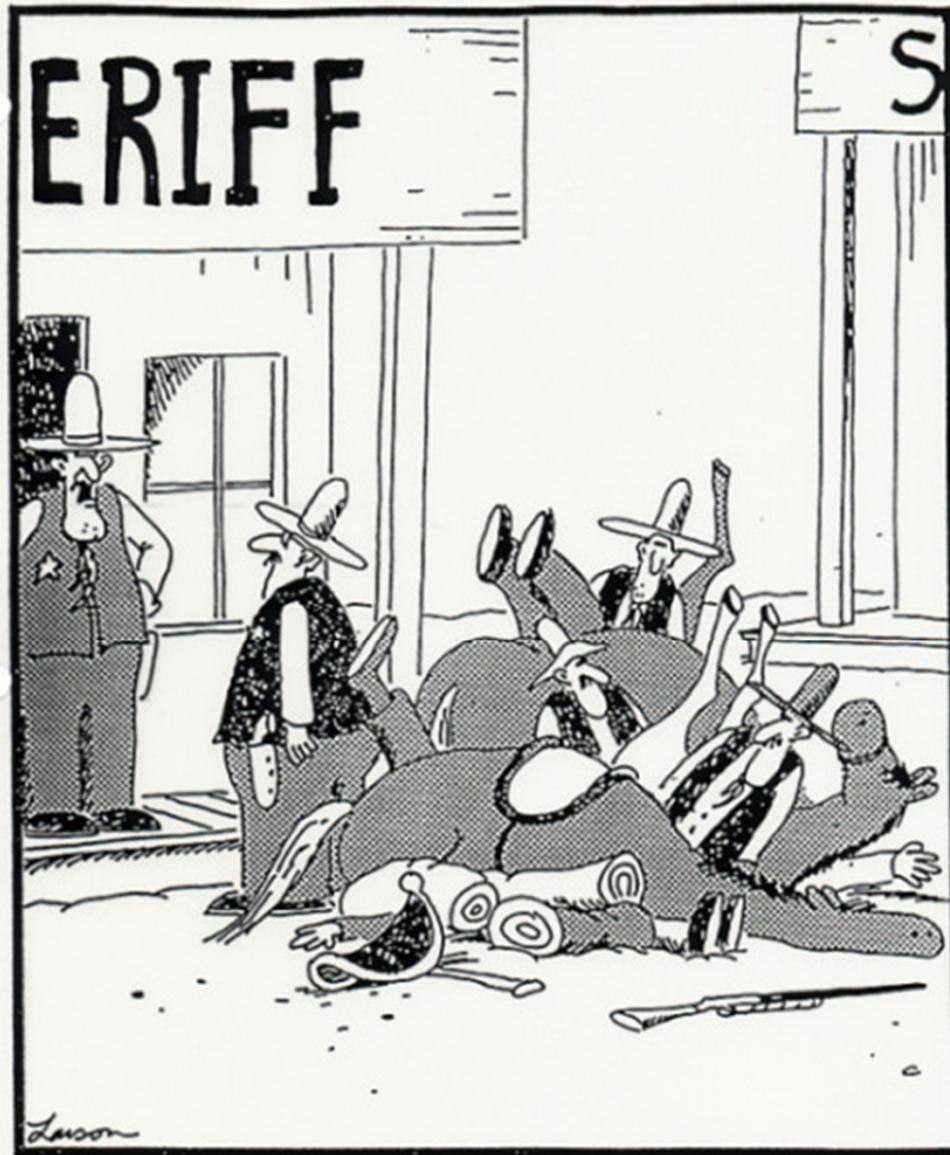
*Louis Sullivan*

# Opportunities in service line development will increase under reform.

- **Value based purchasing.**
- **Physician alignment.**
- **Bundled payments.**
- **Population based planning.**

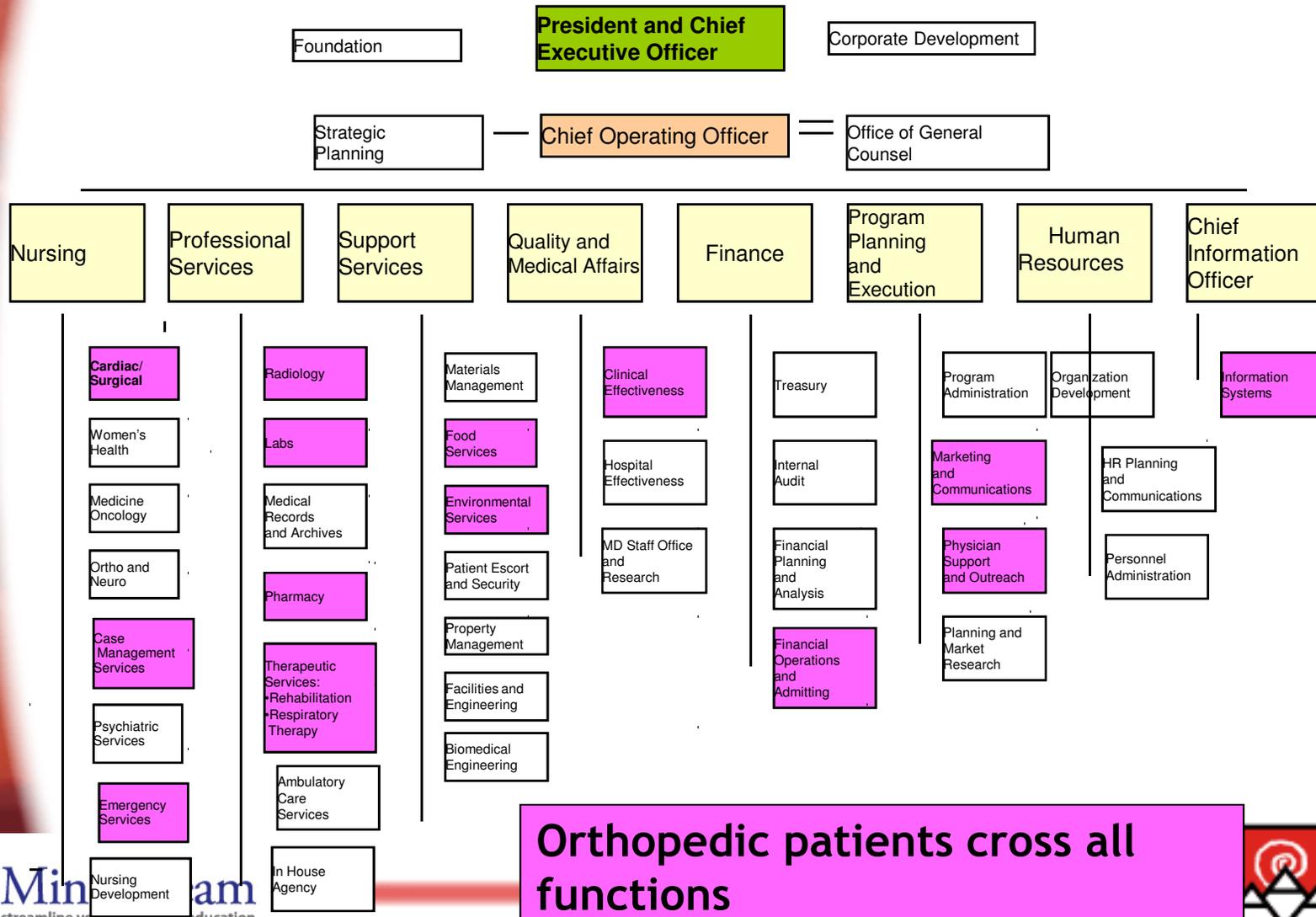
# But are we prepared?

- **What is our strategy?**
- **Does the structure support this?**



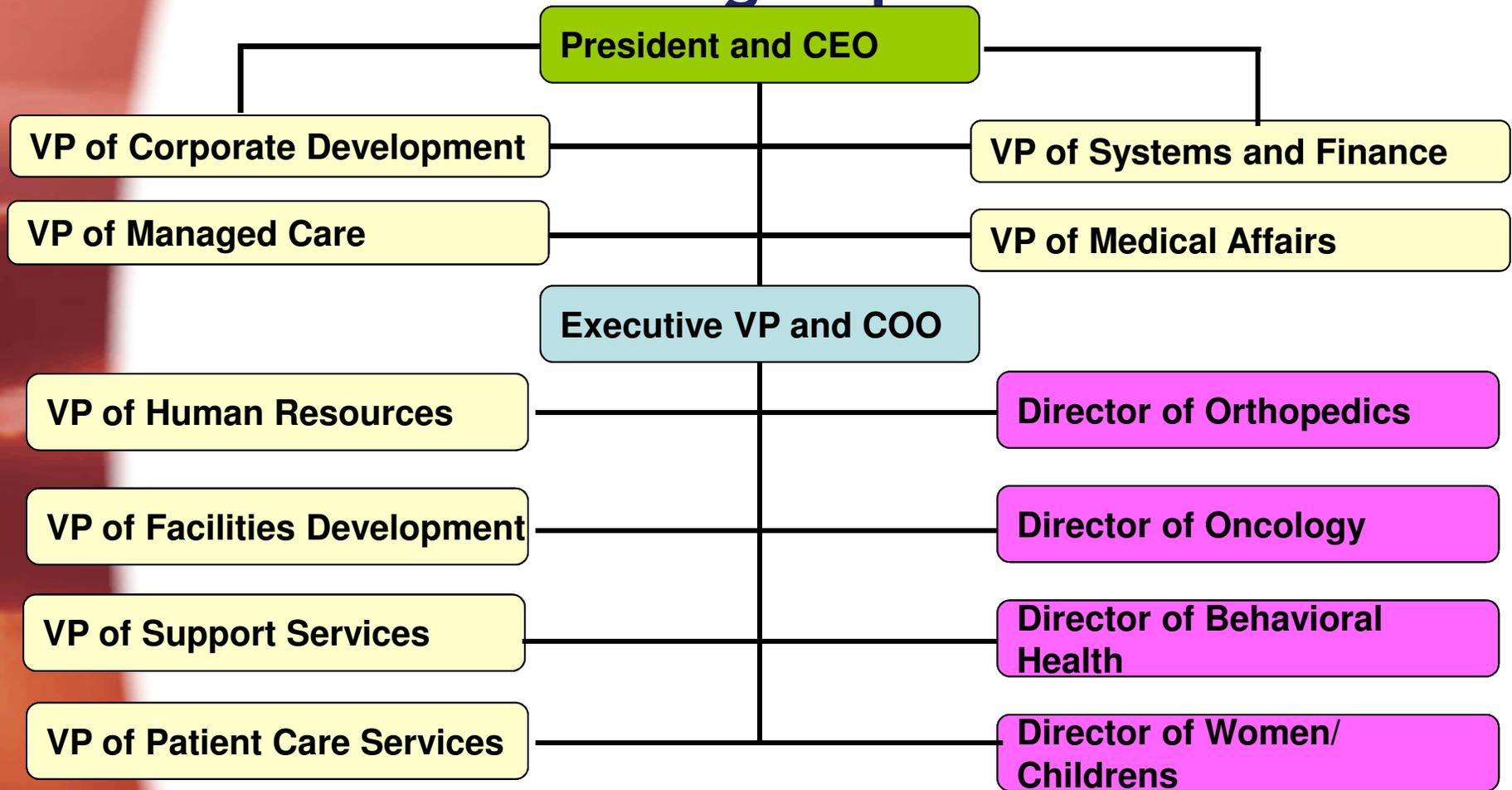
"And so you just threw everything together?  
... Mathews, a posse is something  
you have to *organize*."

# Silo structure focuses on staff and physicians.



**Orthopedic patients cross all functions**

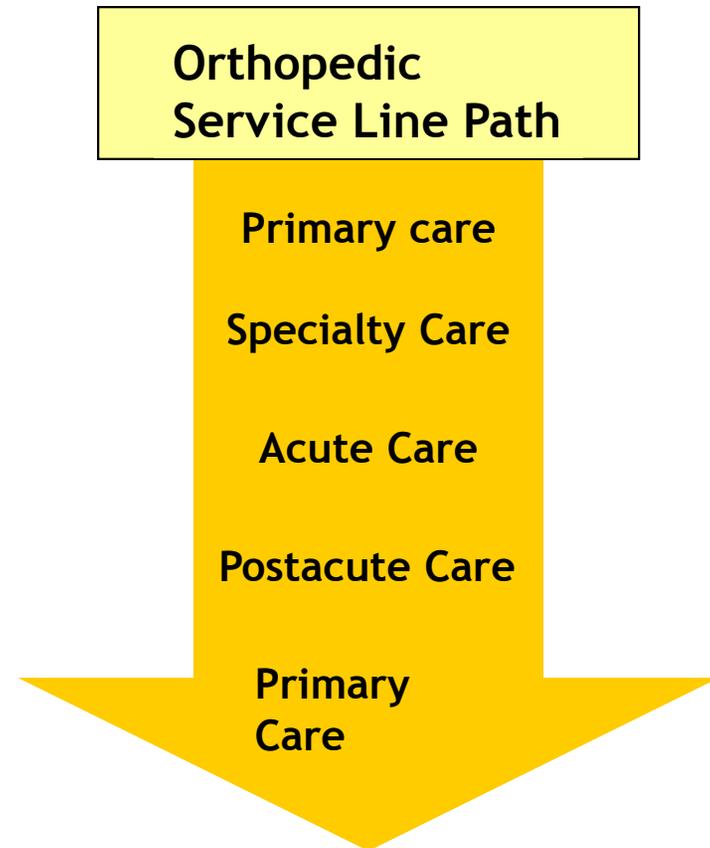
# Service lines focus on patient groups.



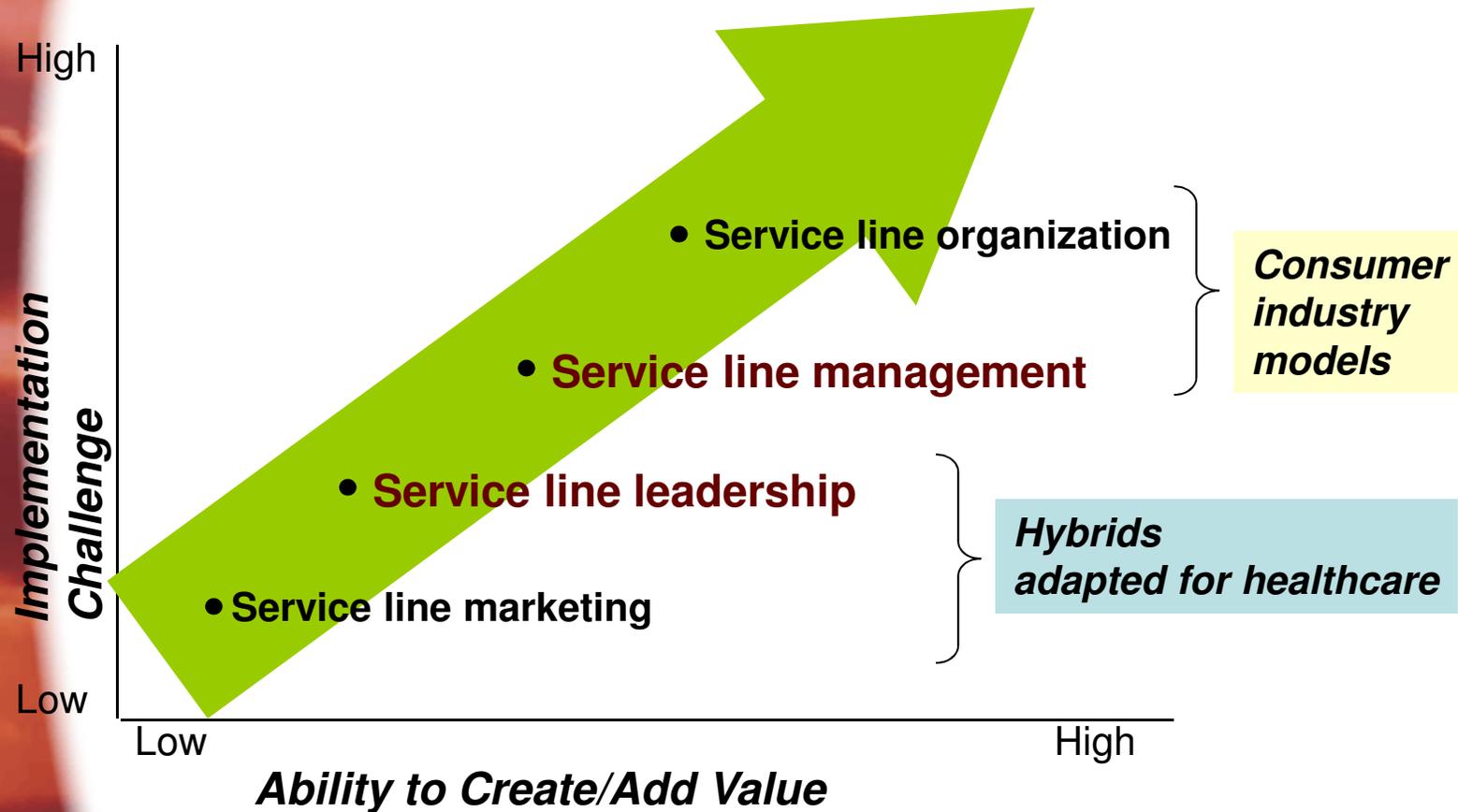
# Does your center of excellence/service line cover the continuum?

## Service line definition:

A diagnostic grouping of like patients, covering all or part of the care continuum.



# The continuum of service line structures.



# Why is structure important?

- **Service line strategy is all about reorganizing!**
- **One of the most frequent reasons for service lines not meeting expectations.**
- **When structure is not consistent with goals and objectives, expectations rarely met.**
- **Basis for determining roles and responsibilities.**

# Which structure is right for you?

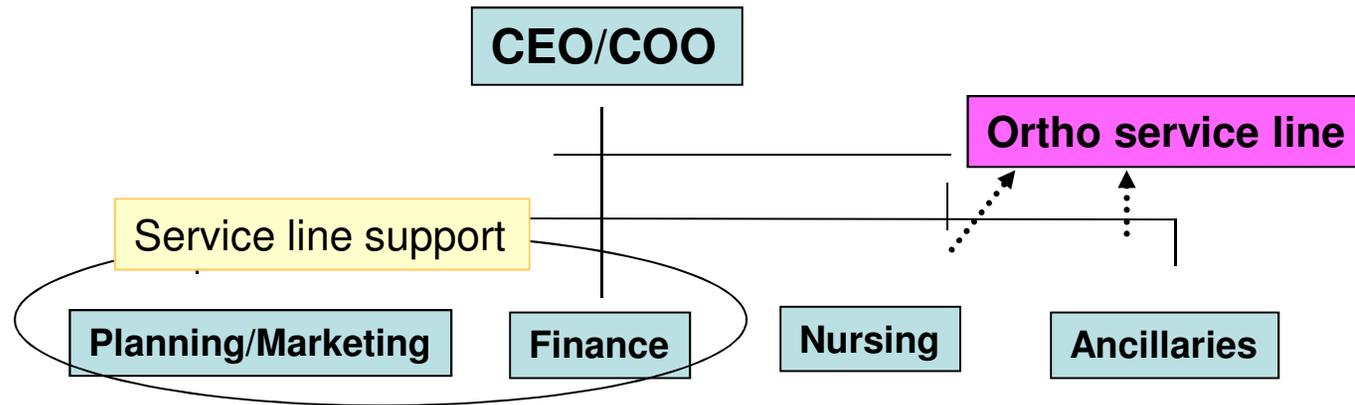
## A checklist

	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

# Service line leadership most common structure.

- **Service line “light”.**
- **Service line leaders are champions and thought leaders.**
- **Primary focus strategy, program development, service line growth and quality improvement.**

# But is this enough?



Pros	Cons
<ul style="list-style-type: none"> <li>✓ Culture change not significant</li> <li>✓ Good stepping stone to advanced structure</li> <li>✓ Creates momentum and visibility</li> <li>✓ Provides physicians with 'go to' person</li> </ul>	<ul style="list-style-type: none"> <li>✓ No authority to affect operational change - relies on relationships</li> <li>✓ Reliance on matrix relationships challenging in a silo culture</li> <li>✓ Difficult incorporating strategic thinking into operation-oriented cultures</li> </ul>

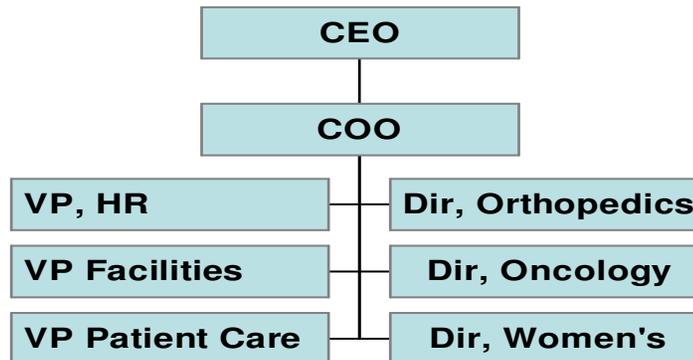
# When to use leadership.

	Marketing	Leadership	Management	Organization
Culture	Entrenched in traditional culture	<b>Strong traditional culture</b>	Traditional culture; not resistant to change	Culture adapts easily to change
Strategic Orientation	Operational vs strategic orientation	<b>Begin thinking strategically about service lines</b>	Achieve dominance in key service lines	Manage the healthcare dollar and patient experience
Management Leadership	Equate service lines with advertising	<b>Strong, oriented around functional departments</b>	Management team understands and 'thinks' service lines	Very strong, visible, active
Physician Leadership	Little to none	<b>Potential, but not yet identified</b>	Yes	Yes, strong
Market Dynamics	Competition not strong; visibility is primary need	<b>Strategic thinking needed to reverse volume trends</b>	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	<b>Basic financial and market performance available at service line level</b>	Full P&L available by service line	Information systems must cross campuses and departments

# Service line management.

- **Service line leader plus operational and financial accountability/authority.**
- **While just one step up on continuum, a significant cultural shift for any organization.**
- **More like consumer products model that puts control at service line level (i.e., patient centered).**

# Service line management.



Pros	Cons
<ul style="list-style-type: none"> <li>✓ Single accountability for performance enables greater focus.</li> <li>✓ Better ability to address quality, other operational issues.</li> <li>✓ Less reliant on matrix.</li> <li>✓ Physicians and consumers have clear 'go to' person.</li> <li>✓ More entrepreneurial response to change</li> </ul>	<ul style="list-style-type: none"> <li>✓ Significant <i>culture change</i> not to be underestimated.</li> <li>✓ Difficult to manage both service line and functional departments; senior leadership required to succeed.</li> <li>✓ Physician disengagement risk.</li> </ul>

# When to use management.

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

# Manager vs. leader.

## ***Service line manager***

- *Strategic thinker*
- *Team builder*
- *Change agent*
- *“Executive” personality*
- *Entrepreneurial*
- *Negotiator*
- *Analytical*

Executive



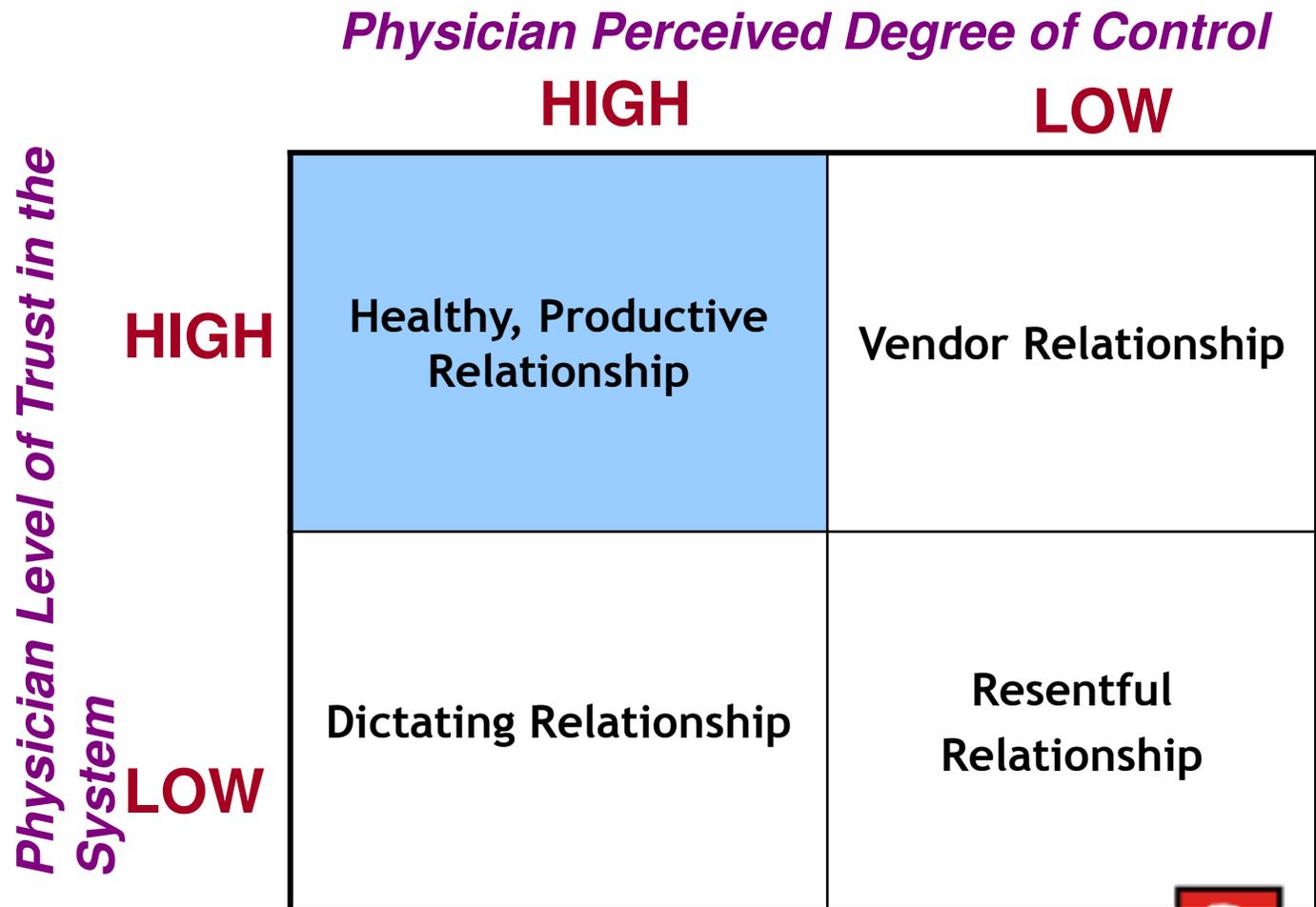
## ***Service line leader***

- *Strategic thinker*
- *Team builder*
- *Change agent*
- *Sales*
- *Diplomacy*
- *Consensus builder*
- *Action oriented*

Facilitator



# Physician engagement challenging in all structures.



# Two-person management teams work best under any structure.

## *Physician/Medical Director*

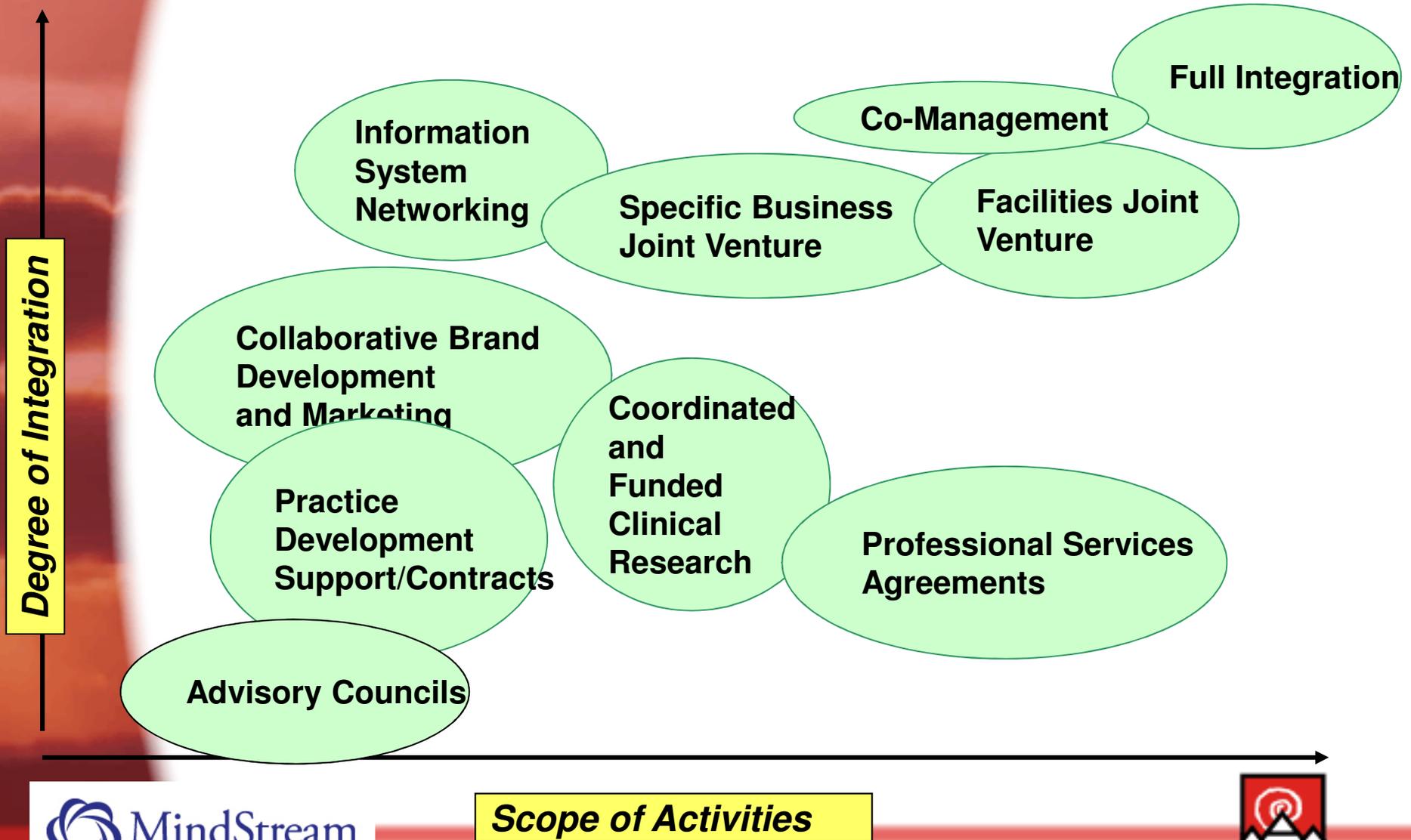
- *Physician engagement*
- *Physician recruitment/retention*
- *Quality initiatives*
- *Evidence based practices\**
- *Utilization management\**

## *Service Line Leader/Manager*

- *Marketing*
- *Program development*
- *Patient satisfaction*
- *Financial performance\**
- *Service line metrics\**
- *Staffing ratios\**

*\* Responsibilities in management structure.*

# Multiple options for aligning physicians.



# Questions driving alignment approach.

1. What attributes/characteristics are needed to achieve your objectives?
2. Are you looking for a fully integrated physician: hospital model or something less complex?
3. How will your alignment model affect relationships with other physician groups?
4. How much control are you willing to give up and how much are your physicians willing to take on?
5. How much are your physicians willing to invest financially in the model?
6. What are the potential compliance risks and what is your risk tolerance?

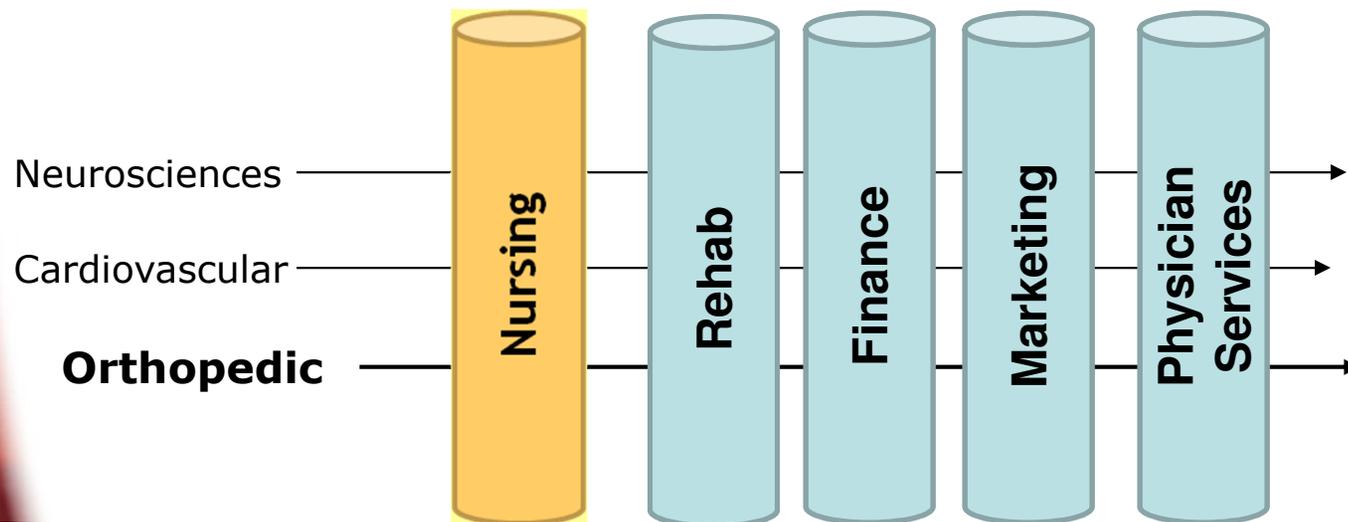
# Strong matrix relationships critical for service line success.



- **Role clarification and reporting structure needed for:**
  - service line leader/manager
  - functional manager
  - staff
- **Allegiances should be anticipated and corrected through org. structure.**
- **Strong support from senior leadership will help manage and/or avoid any disconnects.**

# Matrix relationships inevitable in any service line structure.

In most service lines, the leader/manager has two (or more) reporting relationships.



# Senior management's role in the matrix.

- 1. Discuss strategic plan to service line leader/managers first, then functional departments.**
- 2. Implement the new accountability.**
- 3. Revamp reward/recognition systems.**
- 4. Adopt a standard method for 'managing' matrix relationships.**

# Evaluating your matrix structure.

- **Do support staff have a clear understanding of their roles and responsibilities in service line development?**
  - Is this in their job description or informal?
- **Do clinical staff have a clear understanding of their reporting relationships under the matrix?**
  - Who do they report to and for what?
  - Does leadership support this fully?
  - Do functional managers fully understand and support the matrix? Is their relationship with matrix manager spelled out?
- **Have you thought of everyone?**
  - Senior leadership often left out
  - Ancillary staff as well as nursing

# A matrix checklist.

	Yes	No	Comments
Roles and responsibilities are clear throughout		X	Cardiac nursing staff are 'passive aggressive', turning to CNO before SLM
Everyone feels a sense of ownership		X	Cath lab staff keep referring to 'your' service line
Everyone feels a sense of empowerment		X	Can't get cath lab staff to take initiative to change schedule to accommodate patients without contacting SLM
All are moving towards a common goal		X	Not yet operating as a team

# Parting Thoughts

***Keep the patient at the center of all decisions! Who are they and what are their needs?***

# Questions/Discussion



# Contact

***Cecily Lohmar, Principal  
New Heights Group***

***704 895 3410***

***[cecily@reach-newheights.com](mailto:cecily@reach-newheights.com)***

***[www.reach-newheights.com](http://www.reach-newheights.com)***