

Developing Your Orthopedic Strategy

A New Heights Group White Paper



New Heights Group

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Ask any hospital administrator what their key service lines are and orthopedics is likely to be in the top three. Despite a poor economy, the orthopedics market continues to grow, whether it be fracture care in the emergency room or sports medicine on the playing field.

It's not just demographics driving orthopedic growth. Advances in medical technologies also contribute significantly, enabling more and more people to benefit from orthopedic procedures. Joint replacements are being done on younger and younger candidates, replacements have extended beyond hips and knees, and those with back injuries have more treatment options than ever before. Finally, Medicare's bundled payment initiatives present opportunities for providers to position for the first wave of value based purchasing.

Physician alignment is one of the greatest challenges to a successful orthopedic service line. Organizations often work with multiple physicians/groups, all with different ideas and priorities. Traditionally, physician alignment centered on a voluntary medical staff model, yet this model is increasingly difficult to sustain as independent practices struggle with their own cost increases and payment decreases.

Many orthopedic groups have invested in competing facilities and services, including imaging, ambulatory surgery centers, and physical therapy/rehabilitation, further complicating the relationship with the hospital. So, unless physicians see a direct benefit to them and/or their practice, it can be difficult getting their active support to build a service line.

Developing a strategy

Your orthopedic service line strategy must address how you want to address the challenges and opportunities in this growing and evolving market. There is no "one size fits all" strategy for orthopedics; rather it involves a review of your internal capabilities and gaps, your orthopedic market, and key characteristic of your medical staff. The following questions can serve as a framework for your orthopedic strategy.

Organizational Capabilities

A critical review of your organization's orthopedic capabilities helps determine your readiness for any strategic initiatives, and identifies what gaps exist as barriers to your ultimate vision.

- What is your strategic objective in orthopedics? Are you looking to grow volume, broaden your market reach, become the dominant player, and/or position for accepting financial risk? Are you building orthopedics in an effort to 'catch up' to the competition, to leapfrog the competition, or to continue to offer a needed community service? Understanding the 'why' behind your strategy is critical to developing a successful 'what'.
- Are you introducing a new organizational model (service line structure) as part of the orthopedic strategy?

Restructuring into service lines can create organizational stress due to the changes in reporting relationships inherent in the structure. Your organization's ability to manage change may influence just how aggressive your orthopedic strategy can and should be.



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- What components of the continuum of care do you operate internally? Will you need to add to the continuum to complete your orthopedic service line? Are partnerships in place with outside providers to do so? Is transition along the continuum smooth or fragmented?
- How efficient is your surgical suite? Are you able to give orthopedics the equipment, technology, and overall support needed to deliver quality surgical care? Do you have dedicated OR staff and/or a dedicated nursing unit? Is your rehabilitation department in sync with your orthopedic groups?
- Do you have the decision support capabilities to fully evaluate service line performance? Are your costs and financial reports reliable at the service line level? By DRG? By physician?
- How do you fare on standard quality metrics? How do you compare with your peers? Is there considerably variation by physician? What are your patients saying about their orthopedic experiences?

Medical Staff Characteristics

Matching your internal capabilities and goals with your orthopedic medical staff strengths and weaknesses is a key component of a well thought out strategy.

- Do your orthopedic surgeons split their practice between your facility and competitors and/or do they operate competing services of their own (e.g., ambulatory surgery, imaging, therapy). Do you have multiple orthopedic groups practicing at your hospital and how do these groups get along? Is there friendly competition or animosity among groups? Do they differ in their relationship/loyalty to your organization?
- How much trust is there between hospital administration and your orthopedic group(s)? Have they taken leadership positions within your organization, or indicated an interest in developing new programs and capabilities? Are they pushing your organization to do more and better, or are they trying to maintain status quo? Do you have a physician champion in orthopedics?
- Staff breadth - Do you have a full complement of orthopedic subspecialists on your staff (staff breadth) – joint replacement, sports medicine, foot/ankle, hand, spine, etc.?
- Staff depth – What is your depth in the subspecialty areas? For example, do you have just a few sports medicine specialists and just one joint replacement specialist? Or perhaps several surgeons specializing in sports and joint replacement, but only one in spine? Or hand?
- Are there one or more ‘star’ physicians on your orthopedic staff? Is the reputation local, regional or national?



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Market Characteristics

A good strategy should be based on more than the common knowledge that orthopedics is a growing market. What's happening in your market and your historical market position will give you a strong foundation for deciding on the best strategy for your organization.

- Do your orthopedic patients come from a broader or smaller service area than your entire organization? Is there an opportunity to change this, expanding the orthopedic draw?
- What is your current and historical market position? Look at market share and perception/image of inpatient and outpatient surgery, rehabilitation, and home health to address the full continuum for orthopedics. What do your primary care physicians think of your orthopedic services?
- What is the competitive landscape in orthopedics? What differentiates the market leader(s)? Are orthopedic institutes and/or centers of excellence common among the competition? If so, what differentiates you/them? Or is the market fragmented with multiple providers but no dominant player?
- Do demographic trends point to any specific niches within orthopedics that might be opportunities for differentiating your service? For example, a young population is associated with sports medicine, vs. total joint for an older population. High manufacturing and agriculture may present opportunities for hand and/or spine.

With the questions, and your answers, in mind, New Heights Group has outlined three overarching strategies for developing your orthopedic service line.

1. The Local Joint strategy is a focused, targeted approach to gaining market dominance in one or two orthopedic sub-segments. Joint 'camps' and spine centers are both examples of a local joint strategy. The joint camp concept promotes a team oriented, patient centered approach to managing this orthopedic sub-segment.

The Local Joint strategy is most effective in competitive markets where differentiation is key, and/or when there is a limited breadth of orthopedic staff. Within the selected sub-specialty (i.e. joint), there is considerable depth however. This strategy is very consistent with, and can do very well under, Medicare's bundled payment initiative.

2. Hospitals that have a greater breadth of sub-specialists in orthopedics may pursue a Leg Up strategy to get a 'leg up' on the competition, becoming a market leader as well as a premier service within the organization. The focus here is to expand market share and market reach, providing a comprehensive array of high quality orthopedic services (though depth may be limited). A Leg Up strategy can help align competing physician interests through pursuit of bundled payments and/or center of excellence distinction. This is the most common strategy, whether stated or unstated, so understanding and leveraging what differentiates your service line is key.
3. A Cutting Edge strategy requires a commitment to leading edge technology, and to being the first to the market with new products and services. These organizations may be test sites for new products, have research capabilities, and serve as referral



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centers for the most difficult cases. Select physicians or the institution may have partnerships with device manufacturers to maintain state of the art care. Cutting Edge centers have both and extensive breadth and depth of orthopedic sub-specialists. Cutting Edge centers typically provide tertiary level care and are most often associated with academic or teaching institutions. The Hospital for Special Surgery in New York is one of the better-known Cutting Edge facilities.

The local joint and leg-up strategies can be building blocks a more sophisticated and comprehensive orthopedic service line. While trauma may or may not be included in the first two strategies, the ER is a critical part of access and patient satisfaction in orthopedics, and therefore must be incorporated into any strategic plan.

The checklist below shows how each of the strategic questions posed above relate to the three overarching strategies. Review each criteria and response, circling the one that most represents your current situation and/or your vision. The column with the most circles indicates a strategy that may be the best fit for your organization. You can also see where your weaknesses are, addressing these in your strategy.

	Local Joint	Leg Up	Cutting Edge
Organizational capabilities			
Strategic objective	Increase share of profitable niche	Increase service line share and broaden market reach	Market dominance, broaden market reach
Service line capabilities	No service line experience	Some experience; may be new	Mature track record in service
Continuum of care	Most components but not connected with service	Full continuum	Full continuum falls under service line
OR efficiency	Ortho treated as all others	Specialty OR suites	Specialty ORs dedicated ortho
Medical Staff			
Loyalty/Alignment	Few exclusive	Mostly exclusive; physicians as medical directors	Physicians integrated into service line.
Physicians as competitor	Yes	Moderate	No
Relationships among groups	Little to none	Friendly competition	Friendly competition to collaboration
Trust - Phys:Hosp	Little interaction historically	Moderate: good relationship	Strong relationship
Staff composition	Limited fellowship trained subspecialists	Key subspecialists, limited depth; local 'star'	Full breadth and depth,
Market characteristics			
Market area	Consistent with hospital service area	Consistent with other key hospital services	Stronger than most other hospital services
Competition	Pursuing bundled payment	Pursuing center of excellence designations	Institutes, academic centers, specialty hospitals
Historical position	Weak	Moderate	Moderate to strong

