

# Time to Re-form Your Service Line Strategy? Part 1 in a Series

A New Heights Group White Paper



## **New Heights Group**

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## Time to Reform Your Service Line Strategy, Pt. 1

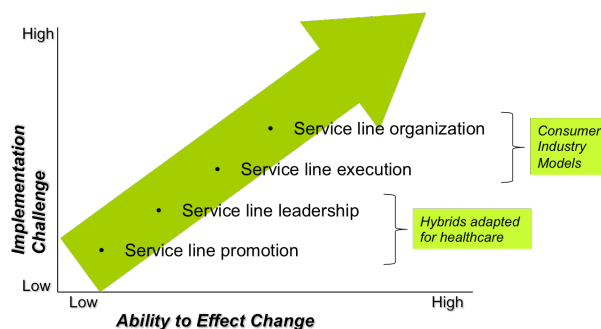
Service line strategies are being pursued for a variety of reasons; volume growth and program development are probably the most common reasons cited, but lowered cost and improved quality are also frequent expectations. As we look to life under reform, we at New Heights Group think organizations that have invested in service lines will have an advantage over those who have not. Service lines can, in fact, serve as a catalyst for change in the organization. We have developed multiple service line models, and implementing the right model to fit your situation will enhance your ability to succeed under reform.

Let's first look at healthcare reform. While the details remain unknown, we can anticipate and begin positioning for some things:

1. *Those who manage costs while enhancing quality will prevail.* A service line approach helps the organization focus on those services most important to the organizations future position. A service line **management** model allows the manager to control costs and enhance quality while developing a full continuum of services specific to the population served, thus better able to manage costs.
2. *Providers will be accountable for more and different indicators of quality; quality will increasingly drive financial performance.* Service lines look at quality from a population perspective thus rely on consistent measures targeting their group. As such, quality metrics can be evaluated more specifically, rather than with the hospital as a whole.
3. *Vertical integration (with physicians and/or different settings on the continuum) will be an effective strategy for managing the care continuum as well as managing any type of bundled payments.* It is the strategic focus that is inherent in service lines that facilitates greater physician alignment and continuum development. Rather than looking to develop one continuum that fits the entire organization, or one physician approach for the organization, service lines allow the organization to focus and make decisions in smaller pieces, making it easier to implement these decisions as well.

Like everything, the "devil is in the detail". New Heights Group has found that most healthcare service line initiatives fall into one of the four models shown below. The models vary in terms of ability to effect change and the challenge associated with implementation. The easier the implementation, the lower the value gained.

### Service line models - The continuum



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An exploration of each of these models is needed to determine what makes the most sense for your organization. Trying to pursue the wrong model can result in frustration and goals left unachieved.

**Service line promotion** is the structure most used in the 90's, during the first wave of service line initiatives, and is still used today in some instances. Service line promotion is just that – developing and implementing marketing strategies to grow a service line. An advantage of this model is the ease of implementation – it doesn't ask for realignment of existing silos, so, shown in the figure above, there is very limited ability to effect operational change. Many have experienced the frustrations associated with growing volume when the clinical service is not up to delivering on the promises made in the marketing campaign. A good example is marketing your orthopedic services to increase volume, when you have a six-week wait to get in, and orthopedists will not take emergency call.

**Service line leadership** is the most common model we see in healthcare today. Many organizations think they are doing service line management, when they are really providing a leadership approach. The service line leader is responsible for strategy and program development – they are the ones looking into the future. In some cases, some operational oversight exists, but limited ability to effect change remains. This approach can be a good starting point when entering into a service line structure. Unfortunately, it generally comes up short when trying to make significant improvements to cost and quality. Service line leadership is heavily dependent on a team of clinicians, physicians and support staff to create a vision and make recommendations regarding programs and operations.

**Under the service line executive** model, the manager has the responsibility and authority to develop **and** implement strategies for growth, cost management, quality, and potentially physician relationships - a subtle difference from service line leadership, but a major difference when starting to put this new structure in place. This model shifts the traditional (and comfortable) reporting relationships common in healthcare settings – nurse reports up to nurse, rehab to rehab, etc. These staff now find themselves reporting to a service line manager who may or may not have the same clinical background. There is a dotted line relationship between clinical staff and their respective specialty managers. For example, a cardiovascular service line manager would likely have direct oversight of the cath lab, dedicated cardiac nursing units, cardiac diagnostics and cardiac rehabilitation.

Despite the appeal of the service line executive model on paper, it can be quite difficult to implement as it is a dramatic change from the traditional silo culture of hospitals, and many information systems are not set up to support it. Despite the challenges associated with this model, we at New Heights believe the service line executive model has the greatest chance of success under reform.

The fourth model on the continuum is service line organization whereby the entire organization chart changes from a functional focus, to an organization modeled around service lines, or patient populations with common needs. Under this model, senior leadership is responsible for leading service lines, not just facilities and departments. For example, the executive over the cardiovascular service line may have dual roles – one as the service line manager, and the other as an administrator of select departments or even facilities in a multihospital system. Venturing into this model turns the traditional culture upside down and can only be tried under strong leadership, good physician alignment, a culture comfortable with change, and a sophisticated



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information system. To date, only a few healthcare organizations that have tried this approach.

Considering the need for change under the new re-formed healthcare system, we believe that the service line leadership and service line executive models can best enable you to start positioning your key services more quickly. Service line leaders/executives, and the respective service line teams, should be charged with developing strategies for adapting to our new environment and dealing with issues pertaining to quality, cost and physician alignment. Changing culture on a service line level is much easier than trying to do so across the entire organization. Those who have implemented these models should look to them as a catalyst for change across the organization.

Service line leadership and executive models are the most useful in managing the changes that will be required under reform. Under any model, the service line approach is focusing resources to your most important services, and facilitating changes to adapt to market needs. The leadership and executive models offer the necessary focus without turning organizations upside down. That said, understanding what you are asking of your service line leaders/executives, and what authority they have to drive implementation is a key part of your service line strategy. You will best be positioned to manage change if your service line model is consistent with what you are asking service line leaders/executives to do.

If you have already ventured into service lines, look at the model you using and evaluate whether that fits with what you are asking the service line leader/executive to do. Are you asking things that he/she has no control over? New Heights Group suggests using your service lines as a catalyst for change. Think about what model you are using today, and what model might be best in your particular market. If you are still considering service lines, think of them as a first step in reforming your organization.

