

A Strategy Checkup: Setting Your Hospital Up for Success in 2016

BY GUY M. MASTERS, M.P.A., THE CAMDEN GROUP

What strategic issues has your board really wrestled with this year? Have board meeting discussions focused on strategic concerns a large percentage of the time or are they consumed with financial and operating reports?

The following 10 areas are strategic “checkup” subjects that the board should consider to calibrate and transition to next year’s priorities. We recommend that you pick the top three or four items that relate to your market and healthcare organization, and discuss their potential impact on strategic focus and competitive positioning for 2016 and beyond.

1. Pre-2016 Strategy Tune-up

Some of your high-priority strategies have most likely worked, and perhaps some have not. Has the board taken time to discuss and understand why some fell short of expectations or failed? Are the results due to timing, market factors, availability of resources, staff attention, or execution? Unless you examine the contributing variables, you will not improve your success rate and will continue to diminish the value generated. Do you need to eliminate some strategies and reinvigorate others? Take time now to ask and answer the questions: Do we have the right strategic plan? Is it being implemented effectively? If not, do we have the right leadership team?

2. Physician Enterprise Results

Many organizations are losing record amounts of money on their employed physicians when measured as a standalone enterprise. Have you identified the cost/benefit value of your employed physicians for 2015? What standards and metrics are you using to measure the results? Do you have a target for desired performance in 2016? Are you using physician co-management models to standardize clinical processes and improve performance in key service lines such as orthopedics, cardiac, oncology, women’s health, and other areas? Recalibrating and tying the performance of your physician enterprise to organizational targets should be an ongoing process.

3. Service Line/Department Business Process Efficiency Analysis

There have always been periods where organizations focus on “trimming the fat” and becoming lean. Those efforts can be followed by periods of no growth, as the remaining staff struggle to perform the basic duties of the organization. Are your clinical departments and service lines operating efficiently and optimally? A rigorous assessment of your administrative support and clinical departments can stimulate growth and improve efficiencies by reducing waste, eliminating duplication, and streamlining operational processes. This process can be critical to reducing costs and improving quality to enable success in risk and value-based payment models, including bundled payment and shared savings arrangements.

4. Pre- and Post-Acute Continuum Services

Over time, non-acute and outpatient services have become as important as inpatient for many healthcare organizations. Is your hospital/health system well positioned in the delivery of coordinated pre- and post-acute care service delivery modalities? Increased focus on bundled payment arrangements, the Medicare Shared Savings Program, reducing inpatient readmission rates, and risk-sharing models all require the ability to provide efficient, cost-effective, quality care seamlessly across the entire continuum of non-acute as well as inpatient services. Do you have the care team capabilities to do so now? What strategies will be essential to implement in this area in 2016?

5. Care Model Redesign

You have likely revised your care protocols to achieve best practices across the organization. Are your care models positioning the organization to succeed in value-based payer relationships? Are they responsive to new entrants into your market that are patient- and technology-friendly? Are your incentive models reinforcing the desired care model and clinical team performance? Your care redesign efforts should be

Key Board Takeaways

Calibrate 2016 priorities now by conducting a “checkup” of essential focus areas based on your healthcare organization’s market and competitive situation:

- Can you identify the specific “whys” of your current success (or shortfalls)?
- Which strategies should be reinvigorated or eliminated?
- Will you experience price pressure from health plan consolidations?
- Do you have the right strategic plan? (How do you know?)
- Is your strategic plan being implemented effectively?
- What new competencies should you consider in board candidates (e.g., hi-tech, data security, predictive analytics, risk contracting/management, social media)?

enhancing your ability to attract, engage, and retain patients. Are they resulting in behavior change from your providers with measurable results?

6. Narrow Network Strategy

Your organization’s payer mix no longer changes based only on consumer choice or socioeconomic status of the service area population. Are you creating narrow physician networks to competitively position your organization while strategically displacing one or more of your top competitors? The opportunity cost of not being on the right side of this equation is compounded by the significant advantage you may be inadvertently providing to competitors. Is your strategy effectively positioning your hospital/health system as a must-have provider in available preferred/narrow networks in 2016?

7. Revenue Impact Assessment

Changes to worry about used to be related to losing a payer contract or seeing an important medical group align with a competitor. In today’s environment, the changes are happening in waves, and the impacts can be exponential. Can your organization survive

A Strategy Checkup...

continued from page 1

a 10 percent revenue decrease from selected health plans? Price pressure will come with health plan consolidation and transparency, as well as from the federal push toward value-based reimbursement for 50 percent of Medicare payments by 2018. What revenue contingency strategies should be accelerated in your 2016 priorities?

8. Risk Mitigation Analysis

All strategies have varied degrees of associated risks. Some organizations ignore them; others have formal methods to identify, assess, and mitigate them. However, risks are not fixed variables. They can be prospectively mitigated to increase the chance of success. Are you including a risk mitigation analysis for selected high-priority strategies? This activity can help you decide between choices with the same potential return as you consider priorities for the coming year.

9. Philanthropy, Again

With downward pressures on revenues, philanthropy remains more important than ever. Capturing the philanthropic dollar from a new generation of potential donors is more competitive and complex than in the past.

Prior generations of donors contributed for legacy and out of a sense of duty. Boomers consider donations as making “investments” toward the social good and want to see specific measurable results for a “return” on their investment. Is your purpose, vision, brand, and message sufficient to attract this new breed of potential donors and to generate higher levels of philanthropy? As healthcare advisor Leland Kaiser often observed, “Big ideas attract big donations.” What big ideas do you have in your future?

10. Competency-Guided Governance

The strategic questions laid out here demonstrate the sophistication needed to navigate the challenging healthcare landscape and make decisions that determine if an organization will be sustainable and thrive. Do you have the right board composition for this climate? What worked before may no longer be sufficient in the future. It is essential to determine what board member competencies are required (individually and collectively) to effectively govern the organization through these complexities. Additional competencies may include experience in high-tech, security (IT breaches), population health, predictive analytics, social media,

culture alignment and change management, innovation, and others. An annual competency/capability needs profile of your board can help guide future recruitment efforts to create a board that is more diverse, engaged, competent, and confident in fulfilling its fiduciary duties and core responsibilities. What are the recruitment capabilities that should be considered in 2016 and beyond for your board of directors?

A pre-2016 strategy checkup by the board using some or all of these questions will put your organization ahead of the curve in weathering the evolving healthcare environment that persists. Managing the turbulence successfully will be the challenge of the next decade for all. ●

The Governance Institute thanks Guy M. Masters, M.P.A., Senior Vice President, The Camden Group, and Governance Institute Advisor, for contributing this article. Panos Lykidis, Vice President, The Camden Group, was also a contributor to this article. They can be reached at gmasters@thecamdengroup.com and plykidis@thecamdengroup.com.