

Metrics for Success: Strategic Planning for 2024

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How far into the future does your strategic plan reach? Three years, five, 10, or maybe 20? Does your plan guide your hospital/health system aggressively into the future? Does it chart a definitive path to viability and success clinically, financially, and operationally, consistent with the mission, vision, and core values of the organization?

This article is part of our “Metrics for Success” series, which looks at how the hospital or health system of 2024 will measure its performance. In this article we take a look at how strategy planning and metrics will be changing to move organizations forward into a value-based future. We include a list of critical strategic questions to ask now, and the answers to those questions will shape a new strategic plan with new metrics for success in 2024.

Many of the strategic plans that we review with boards are more accurately described as operations plans. Has this perspective ever occurred to you when you read your organization's strategic plan? The drift towards an operational focus is an easy path in which an organization can get diverted, especially if you're in a highly competitive market or need immediate turnaround-type action. Strategic vision needs to be broader and reach outside the lines of traditional thinking about competitive market position, challenges, threats, and opportunities. It must include clear measures for accountability to ensure long-term sustainability and success.

Board Focus on Strategy: The Next Level

Several years ago Richard Umbdenstock, CEO of the American Hospital Association, asserted a bold perspective of how strategic thinking and planning should guide the work and accountability of hospital boards and senior leadership. He suggested that every board meeting should be a referendum around two questions:

1. Do we have the right strategic plan?
2. If so, is it being implemented effectively?

(Bonus follow-up: If not, do we have the right leadership team?)

Recently Richard and I were presenters at a conference in New York City, and I took him aside to ask about the current validity of his

prior assertion years ago about every board meeting, strategic plans, and leadership accountability. His answer made me smile: “Yes! It's even more relevant and applicable in today's turbulent environment than it was before!”

Navigating Toward 2024: Crucial Questions for Long-Term Success

Each hospital board must identify clear measures to assess if the organization has the “right” plan. Specific criteria are essential to consistently assess the plan's effectiveness as a roadmap to guide all decisions about the organization's path to the future. This implies that other functional plans should fit under the umbrella and direction of the overall strategic plan. These include plans for capital allocation, facilities/master site development, operations, medical staff recruitment and retention, financial, clinical care redesign, service lines, and others.

The following are selected essential questions that can be used to create metrics and a fluid checklist to determine if the organization has the right strategic plan now and to navigate toward 2024. The questions are grouped into seven categories (and do include both strategic and operational elements). They can stimulate and guide strategic discussions in the boardroom and inform updates and course corrections to the strategic plan as needed. (Note: the word “hospital” used repeatedly herein also refers to health systems.)

1. Physician Alignment and Engagement: Physicians as Partners

- How effectively does the hospital engage physicians today? How will it need to engage and align with them differently in the next five to 10 years? Is there a plan to do this?
- Do physician alignment models address the current and evolving future needs of independent as well as

employed providers? What will they need to look like in five to 10 years? Is the physician enterprise driving change or resisting it?

- Are financial and clinical incentives effectively engaging physicians in meaningful ways in delivery model changes to address reimbursement changes from payment reform?
- Does the organization use data to profile physicians based on cost-efficiency and clinical outcomes? How transparent is it to those being measured? What should it be like in the future?
- How effective are the hospital's recruitment and retention efforts today? Is this sufficient to be competitive with predicted physician shortages and competitor activities? What will need to change?

2. Revenues, Expenses, Capital Access: Financial Sustainability

- What are the hospital's primary revenue sources today, and how might these change during the next five years? Are scenarios being modeled to show financial impacts?
- When will the shift from fee-for-service (FFS) to payment-for-value occur in the hospital's market? What signs and financial indicators should be monitored regularly to indicate the pace and degree of change? (Hint: the change in behavior needs to be synchronized with the change in payment model(s).)
- Is there a plan to optimize both FFS and payment-for-value simultaneously during the transition?
- Does the hospital breakeven on Medicare reimbursement, and if not, what is the plan and timeframe for doing so?
- Is there a plan to adjust the hospital's cost structure if commercial payer

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rates decline to Medicare reimbursement levels?

- What is the hospital's long-term risk regarding access to capital? What options should be considered to mitigate this risk?
- Is the hospital proactively addressing underperforming service lines, businesses, and other assets (e.g., turnaround, divest, repurposing)?

3. Competitive Positioning: Optimizing the Transition

- Who are the hospital's competitors today, and how will this be different in five or 10 years? Have potential disruptors from outside the traditional provider/health-care community been considered as competitors? Are there current competitors that may become partners in the future?
- How will the hospital's revenues, market share, and customer loyalty be impacted by competitive incursions into niche aspects of the continuum (e.g., retail, health plans, private equity, providers, others)? Are there partner opportunities in this arena?
- Where will the hospital's margins come from in the future? How will this be different than today? Which service lines will be impacted, and what actions can be taken now to prepare?
- Will the hospital consider aligning with a partner at some point to create scale, increase geographic footprint, expand its role in the care continuum, and facilitate access to capital?
- Regarding affiliations, will the hospital be the consolidator or the consolidatee? What characteristics would the hospital's ideal partner(s) possess? Is there an ideal timeline for pursuing these activities?

4. Care Redesign: Clinical Integration and Transformation

- Is the hospital developing a team approach to collaborative care coordination using advanced technology, real-time access to data, and efficient seamless transitions across care settings?
- Are physicians actively leading the care redesign process effectively? Are other clinicians (nurses, pharmacists, social workers, etc.) actively engaged?

- Does the hospital have a plan to integrate critical components across the continuum that are essential to provide and manage care cost-effectively in the future? Will the hospital make or buy these components? (What partners will be best suited for this?)
- What changes are anticipated in order to accommodate higher occupancy rates, to expedite throughput, and to maximize resources by making services available 24/7?
- What plans are being developed to manage care for defined populations (including pilot programs)? Does the hospital have experience with global and bundled payments, shared savings programs, capitation, direct employer contracts, etc.? What opportunities are being considered?
- Does the hospital plan to test new models of care with its own employees to demonstrate the ability to reduce costs and improve health outcomes?

5. Employers, Exchanges, and Health Plans: Adversaries or Partners?

- Does the hospital anticipate partnering with health plans, employers, or other payers and to assume risk in these relationships?
- Does it have the capability to form a "narrow network" of providers to manage and deliver cost-efficient, high-quality care with measurable outcomes if necessary?
- Is there an effective positioning strategy with commercial payers and insurance exchanges (marketplaces)?

6. Mission, Vision, Values: Guiding Principles

- Does the strategic plan enhance, embody, and carry out the mission of the hospital while exercising stewardship and optimizing resources?
- Does the strategic plan provide a clear vision for what the organization will be, do, and become in the future?
- Does the plan provide a clear roadmap that integrates and synergizes every aspect of the organization, while aligning the activities of each functional area, personnel, and corporate entity?

7. Leadership Team Effectiveness: Management and Operations

- Is there a balance and clear understanding between the board and management regarding roles and responsibilities pertaining to setting policy and strategic direction by the board, and execution and operational accountability on the part of the executive team?
- Does leadership foster a culture of excellence, innovation, and personal accountability at all levels of the organization?
- Do the current senior executives have the right skills, talents, and capabilities to lead the organization through this change?
- Are senior executives "riding it out" until retirement, or are they pushing the envelope, creating effective teams, taking prudent risks, and leading with commitment, optimism, and passion?

Final Word: Transforming Healthcare Delivery

Having the right strategic plan in place is essential to future sustainability and success. Board members need criteria with which to judge if the hospital has the right plan. Key questions can be used as criteria to assess whether or not the strategic plan is providing a clear roadmap through uncertainty and new opportunity as the industry evolves. Strategic plans that focus primarily on operations will not be sufficient to transform the organization through the transitions of the healthcare environment. Boards that ask the difficult strategic questions about the broad environment and require satisfactory answers will be better positioned to make decisions about strategic direction, policy, and allocating resources for optimal use and performance outcomes, now and in the future. Transforming hospitals and healthcare delivery will never be easy, but the results will speak for themselves. Do you have the right strategic plan? Is it being implemented effectively? ●

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