

Three Leadership Imperatives for Success with Value-Based Care

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Healthcare's transition to value-based care delivery and payment is appropriate and inevitable. It cannot and should not be resisted, but rather, planned for and implemented by providers nationwide. Unlike the "tipping point" described by Malcolm Gladwell,¹ which happens quickly and is hard to prepare for because predictions are lacking, healthcare organizations have had ample forewarning of the basic trajectory of health system change.

Value-based contracting may be developing slowly in some markets, but in other markets it's moving rapidly as organizations assume responsibility for managing the health and care needs of defined populations. Many hospital systems, physician groups, and other providers are working hard to transition to value-based care delivery. Much of their future success will ride on their leaderships' commitment to meeting three imperatives.

1. Planning and Using a Blueprint for the Journey

Hospital and health system executives and directors should closely track trends and issues associated with the industry's changing model, assess the financial implications to their organizations, and devise and implement effective plans to address the challenges. Deliberate thinking and controlled contingency planning will help organizations secure a solid market position and continued financial stability.

Significant investment of human and capital resources will be required to build value-based care delivery vehicles, such as accountable care organizations and clinically integrated networks. Care delivery design often must be reshaped or developed anew. Revisioning and redesigning the delivery system should be staged based on the entity's unique market, capabilities, desired role, and competitive factors. The foundational planning is grounded in fact-based market, financial, and clinical/quality realities, and the organization's current and expected performance related to these realities.

Leaders must be committed to use of an integrated planning process and plan. The

plan positions the organization to provide services in an environment characterized by better informed and more cost-conscious consumers. It identifies the pieces of infrastructure required for a delivery system that firmly positions the organization in the ambulatory sphere, and with a blueprint-like approach, determines how and where those pieces would be assembled.

A blueprint identifies the items to tackle first, but leaders ensure that all of the puzzle pieces are on the table so that the organization applies objective criteria to drive delivery decisions and their implementation. The existing hospital chassis is *not* likely to have the right assets in the right geographies to manage population health under value-based arrangements. The board should be involved in, or provide close oversight of, relevant analyses and planning exercises.

2. Drive Value through an Aligned Post-Acute Network

Efficiency will be critical for hospitals and health systems that want to be included in value-based delivery networks forming nationwide. Broad strategic thinking about the care patients receive after they leave the hospital's four walls is required to yield such efficiency, resulting in the right care in the right place at lower costs and better quality.

New payment models emerging under a population health/value construct are incentivizing closer relationships between acute hospitals and post-acute care (PAC) providers that offer skilled nursing, home health, inpatient rehabilitation, hospice, and palliative care. The goals are to:

- Reduce costs related to uncoordinated care transitions between acute and PAC.
- Eliminate avoidable readmissions and their associated penalties.
- Increase the efficiency and quality of PAC.

Hospitals and health systems should consider post-acute services within the broader continuum, and integrate PAC within their strategic-financial planning process. Partnering with and/or managing a network of PAC providers can better

Key Board Takeaways

It is clear that healthcare is transitioning to value-based care delivery and payment. Rather than resisting this change, providers nationwide need to be planning for and implementing new contracting arrangements. To ensure success with value-based care, healthcare leaders should focus on the following imperatives:

- Use of an integrated planning process and plan that positions the organization to provide services in an ambulatory-centric environment.
- Partnering with and/or managing a network of post-acute providers to better position the hospital or health system for success under value-based payment models, particularly bundled and capitated payment.
- Use of arrangements that incentivize employed and independent clinicians in post-acute settings, hospitals, and doctor's offices to ensure that patients receive care in the lowest-cost setting appropriate to the patient's condition.

position hospitals for success under risk- and value-based payment models, particularly bundled and capitated payment.

A range of alignment options exist for hospitals and health systems, including:

- General outreach/marketing/support (for example, IT integration for record sharing)
- Preferred provider agreements (if certain quality, service, cost, and other metrics are achieved)
- Joint ventures through an equity or other type of investment
- Ownership

Organizations can pursue multiple options simultaneously, depending upon the post-acute business. Owning everything typically is not a desired or viable option. Through preferred arrangements, hospitals can tighten the strategic-financial connection with their PAC providers to ensure that care consistently meets quality, utilization, and cost targets.

Whether joint venture, acquisition, or another option is selected, the criteria are the same. The business case for the hospital-PAC provider partnership must be based on quantitative and qualitative analyses of the strategic-financial impact, geographic coverage and access, ability to provide the required care, and management strength.

1 M. Gladwell, *The Tipping Point: How Little Things Can Make a Big Difference*, New York: Little, Brown & Company, 2000.

3. Ensure That Clinicians Are Part of the Solution

Under the value-based model, improved economic and clinical alignment between hospitals and clinicians will be essential to:

- Change the way patient care is delivered and reduce clinical variation.
- Enhance patient, family, and provider satisfaction and engagement.
- Improve each element of the value equation.

Developing a solid hospital–clinician alignment plan involves recognizing that one strategy will not be appropriate for all physicians or other clinicians, and that hospitals and health systems should offer multiple options. A pluralistic model or hybrid strategy that includes independent clinicians, clinically integrated physicians, and employed clinicians (as permitted by law) is recommended.

Whether employed or independent, clinicians in post-acute settings, hospitals, and doctor's offices must be aligned through arrangements that incentivize them to ensure that patients receive care in the lowest-cost setting appropriate to the patient's condition. The hospital's goal should be

to encourage/reward behavior that helps to reduce unnecessary admissions and readmissions, emergency department visits, and discharge to PAC facilities that provide a higher level of care than a patient requires.

Hospitals may wish to consider the following approaches:

- Employing the lead physician(s) practicing in the preferred skilled nursing facility(ies), or making arrangements to provide coverage by hospital-employed physician(s), particularly for patients at high risk for readmission
- Educating clinicians in physician-support/extender roles, such as nurse practitioners and physician assistants, about preferred PAC options in the community
- Ensuring that case/discharge planning managers who work with the patient and family understand the patient's social infrastructure, know the PAC options in the community, and can refer patients to preferred home care agencies and PAC facilities

Hospital leaders must encourage and incentivize doctors to have much earlier

conversations with patients about end-of-life care than they typically do. Increased use of hospice and palliative care will be critical to improving patients' quality of life and reducing care costs.

Closing Comment

Hospital and health system leaders should use an iterative approach to timing and coordinating the transition to value. Frequent strategic and financial planning will be required to fully understand the implications of evolving payment and care delivery models. Regular assessment of the market, the organization's position in its market, and value-based arrangements will better enable leadership teams to build sustainable care delivery strategies. ●

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