

# Healthcare Facility and Service Decisions in a Self-Serve Environment

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Healthcare's changing business model is taking its toll on hospitals and health systems nationwide. The way patients traditionally have accessed healthcare—chiefly through physician offices, urgent care, and emergency rooms—is giving way to mobile telehealth, retail clinics, and other non-traditional access points.

For many consumers, these non-acute offerings eliminate the inconvenience associated with waiting for and traveling to appointments at distant offices and facilities.

Loss of low-intensity services is a real risk for legacy providers, as new models begin to disrupt lucrative hospital services, such as diagnostic testing. For example, through small facilities that are open Monday through Saturday at a minimum from 7 a.m.–7 p.m., Smart Choice MRI is impinging on hospital imaging business in Wisconsin and the Chicago-land area.<sup>1</sup> The firm offers the consumer a no-wait appointment for an MRI scan, the results of which are available to the consumer in less than an hour and at a cost of no more than \$600. Scans are read by subspecialty board-certified radiologists at the Cleveland Clinic.

Seventy to 80 percent of patients are self-referrals. These are people whose physicians ordered an MRI and who actively pursued a non-traditional facility. They are shopping for the test, working around the typical gatekeeper model that is the basis of hospital traffic.

In this challenging environment, senior executives and directors of U.S. hospitals and systems should use two lenses to make their facility and service decisions.

## 1. Consumer Needs and Expectations

A much deeper level of understanding of the consumer is required of healthcare leaders for effective decision making with facilities and services going forward. To serve activated consumers, providers must understand consumer preferences and needs—particularly unmet needs in the increasing set of “shoppable” services. Fulfilling those needs and expectations will

drive provider and venue choices, and influence customer loyalty under all payment arrangements.<sup>2</sup>

Organizations that excel will likely be well-capitalized health systems that offer access to health maintenance and healthcare services across the entire continuum.<sup>3</sup> Their providers will be accessible at a variety of convenient locations, with extended hours, and online through email and video chats. Price and quality information will be readily available.

The online and in-person experience for the consumer will be like that of the most innovative retailers. Communication between consumers and providers will be continual and multichannel rather than episodic and limited to in-person visits and occasional phone calls, and services will be organized and easy to navigate. The entire enterprise will be highly integrated through two items: information technology that allows seamless coordination of care from any entry point and a deep understanding of services that consumers need and want informed by a wide array of data analytics.

Many healthcare providers likely need to develop virtual offerings. At its most basic, online and mobile interaction can be used to schedule appointments, send/receive reminders, communicate test results, and exchange messages with providers. However, virtual care has a large potential to complement or replace traditional in-person healthcare services. Some providers will opt to partner with others for the provision of virtual services, and some will want to develop their own.

## Key Board Takeaways

Hospital and system leadership teams nationwide need to move rapidly to make strategic decisions related to the services offered by their organizations and the locations in which each service will be provided. Inpatient facilities will need to be reconfigured, outpatient care likely will involve retail clinics as well as other new models, and virtual care options will be expected by increasingly activated consumers. These decisions are unfamiliar and extremely complex, and they carry millions of dollars in risk. Two lenses will help leaders make high-quality facility and service decisions:

- Consumer needs and expectations: by understanding new and changing customer expectations, organizations can identify and appropriately meet unmet needs.
- Risks and rewards: through use of an integrated plan, leaders can prioritize clinical, infrastructure, and technological initiatives required for their reconfigured delivery system, thereby balancing risks and returns.

Making facility and service decisions carefully and correctly is the new strategic imperative for a successful provider organization.

On the bricks-and-mortar front, community-based healthcare sites could be limited in size and offer a single service, such as urgent care or physical therapy. For example, SCL Health and Dignity Health have opened “microhospitals” that offer comprehensive emergency services, but typically have fewer than a dozen beds.<sup>4</sup> Community sites could also be larger, offering multiple services such as specialty care, surgery, and diagnostics at various degrees of comprehensiveness.

Healthcare boards and executives will need to find ways to translate the strong relationships their organizations currently have with patients into new levels of service for today's demanding consumers.

1 Kenneth Kaufman, “A Clear and Present Disruption,” Kaufman Hall Blog from the Chair, May 16, 2016.

2 David Crosswhite and Paul Crnkovich, “Understanding the Consumer Patient,” Kaufman Hall ebriefing, April 2016.

3 Kenneth Kaufman, *Fast and Furious: Observations on Healthcare's Transformation*, Kaufman, Hall & Associates, LLC, 2015.

4 Michelle Andrews, “Sometimes Tiny Is Just the Right Size: ‘Microhospitals’ Filling Some ER Needs,” *Kaiser Health News*, July 19, 2016.

## 2. Risks and Rewards

Leadership teams must make strategic calculations of the risks and rewards related to facility and service offerings soon—determining the best combination of single-service outpatient sites, multi-service outpatient sites, inpatient sites, and virtual services.

With their deep roots in acute care, hospitals face a steep challenge with identifying appropriate care delivery channels. At the same time, leadership teams need to calibrate all these channels in the midst of constantly changing purchaser expectations, technological capabilities, and competitive pressures.

For organizations that get the right offerings in the right locations with the right timing, the potential rewards are great. Providers may be able to dramatically reduce fixed costs associated with their physical assets, make more productive use of clinicians' time, provide a greater level of convenience and lower prices for consumers, and position themselves for success in

an environment of value-based payment, capitation, and consumer choice.

In past decades, changes occurred more slowly and each facility or service decision was additive and influenced another decision only marginally. In contrast, the nature and speed of current change in healthcare brings multiple new inputs, constraints, and interconnections.<sup>5</sup> Unfamiliar and extremely complex, these decisions now carry millions of dollars in risk.

Use of a planning process and an integrated strategic financial plan is a must, as is close oversight of the analyses and plan by the board.<sup>6</sup> This plan should provide rigorous and objective assessment of the organization's current situation and establish a future path that enables the organization

to maintain a solid financial position. Importantly, the plan articulates a strategic vision, quantifies opportunities, and prioritizes the clinical, infrastructure, and technological initiatives required for an ambulatory- and consumer-centric delivery system.

Through the consumer needs and risk/reward lenses, hospital and system leadership teams can best investigate and experiment with new delivery models and channels, and move quickly to implement the most promising opportunities for their facilities and service offerings. This phase of change in healthcare will take commitment to an analytic decision-making process and a lot of courage. ●

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5 Ryan Gish, Mark Grube, Mark Muller, and Emily Pirch, *Integrated Strategic Direction Setting and Planning*, Elements of Governance, The Governance Institute, 2015.

6 Patrick Allen and Mark Grube, "Three Leadership Imperatives for Success with Value-Based Care," *BoardRoom Press*, The Governance Institute, August 2016.