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Establishing Academic Health System Clinical Scale Goals and Strategies

By Steve Levin, Director, The Chartis Group, and Keith Dickey, Chief Strategy Officer, Michigan Medicine

Many academic health systems (AHSs) grapple with the scale required to remain successful as markets consolidate and care migrates toward population-driven models. Answering the question of "How many lives are needed?" is complex because it crosses different strategic and mission-related dimensions and should be driven by each AHS's aspirations regarding its overall enterprise. Yet, clinical enterprise scale is typically framed using two different metrics, often with accompanying threshold goals that have not been rigorously tested or adapted within the specific market and organizational context:

1. Overall clinical revenue: Some observers have posited that health systems must exceed $5 billion of revenue, though the evidence to support this required scale can easily be challenged.
2. Lives managed and/or accessed: Some AHSs have suggested that they need access to several million lives without rigorous quantitative support for such goals and viable strategies to achieve these aspirations.

The ultimate clinical scale required for any AHS—and the strategies to secure it—will be a function of its aspirations for academic, clinical program, and population health goals, and will be informed by the competitive landscape. Pursuing specific tactics without first addressing what the AHS is seeking to achieve across these areas creates a risk that the tactics are insufficient to meet the organization's needs or that the target is being overshot, creating a clinical enterprise whose role, assets, and mission focus are no longer synchronized. This article provides a framework that AHSs can use to define their goals for the number of lives needed to sustain their missions.

Key Board Takeaways

As boards of academic health systems plan for the future, they should:

- Understand the scale required for the organization to be successful across all elements of the tripartite mission.
- Determine whether and how the desired scale can be achieved and the optimal way to create this delivery system.
- Define how the organization can leverage its unique attributes to differentiate itself from competing health systems.
- Determine how best to organize its clinical, academic, and leadership assets in support of the above.

A Framework for Defining AHS Clinical Enterprise Scale

To address these issues, AHSs must consider the scale of the clinical enterprise needed to support different, but overlapping, objectives across the tripartite mission, including:

- Scale needed to manage population health
- Scale needed to remain a major player in the local market
- Scale needed to sustain educational and clinical research programs
- Scale needed for differentiated tertiary and quaternary programs
- Overall clinical enterprise scale needed to fund academic enterprise

The required scale of the clinical enterprise must balance the different roles that each AHS plays in pursuing its tripartite mission. It also should acknowledge that the nature of these roles may differ substantially in terms of the services utilized at the AHS and the provider's associated margins from each role. These roles include:

Comprehensive Manager of Health for Attributed Lives	Regional Referral Center for Complex Care for Influenced Lives	National and International Referral Center for Attracted Lives

Each AHS will have a different starting point in terms of the balance among these roles, as well as different aspirations regarding their desired future state.

Considerations in Establishing Goals

There are several factors AHSs must consider in establishing their goals for the number of attributed, influenced, and attracted lives needed to sustain their mission. These factors can be organized into three interrelated categories of work.

1. How Many Lives Does the AHS Serve Today and from What Geography?

It's important to understand your current volumes and revenues by role. Having an accurate understanding of the current volumes and associated revenues and margins coming from local, regional, and national/international patients is required to establish future goals.

2. How Many Lives Does the AHS Need to Support Its Tripartite Mission?

Inherent in these considerations is determining the scale required to spread fixed costs across a broader asset base, attract and retain top-tier clinical and administrative talent, and achieve economies of skill and scale within the tripartite mission. Systems must also consider what scale is required to achieve and maintain market relevance of its clinical enterprise to individuals, payers, and employers.

Defining the number of lives required to secure current volumes and revenues: AHSs can estimate the number of lives needed to secure their current and desired future patient volumes and revenues from each of the markets they want to serve.

Determining the number of lives needed to secure education programs: The residency review committees (RRCs) for many of the procedural specialties suggest minimum case volumes to provide residents with adequate experience. AHSs can calculate the number of lives needed to ensure their complement of residents perform the minimum number of procedures.

Defining the scale necessary to achieve university aspirations: University leaders and faculty routinely question how big the AHS needs to be to successfully meet all elements of their mission. University boards, the president, and faculty are increasingly concerned that AHS efforts to achieve scale could destabilize the university's finances. A few university presidents and faculty members at relatively large universities have asked if they are becoming a "health system with a university attached" given the differences in scale. The exercise of defining the scale necessary to remain successful across all mission elements has been a powerful tool in educating university leadership about their scale requirements and the strategic rationale.

3. Is the Requisite Scale Achievable and, If Not, What Alternatives Are Available?

This includes looking at market and competitive dynamics. The estimates shared in the three categories above provide preliminary goals which must then be refined based on an understanding of the market dynamics of each region the AHS intends to serve and its position in that market.

There are also additional considerations for population health models. As AHSs seek alternative payment models, they must determine the requisite scale to justify investments in new care management infrastructure and capabilities to manage risk. The first consideration for most AHSs often relates to the size of opportunities associated with targeted payers or purchasers—specific commercial carriers or products, employers, and/or government agencies—and the network geographic and provider composition (number of physicians by specialty, facility capacity, and cost position) required to capture those lives.

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Conclusion

The approaches described above can be a first step to help AHS leadership define the numbers of attributed, influenced, and attracted

lives needed to remain successful and fulfill all elements of their tripartite mission. From this grounding, AHSs can evaluate options and define the strategies to achieve their objectives. For instance, understanding the required number of attributed lives informs the scale of the closely aligned primary care and ambulatory network needed and whether some of the attributed life goal can be achieved through partnerships with other local physician organizations and health systems. Likewise, the numbers of influenced lives needed is unlikely to be achieved entirely through ownership of health systems in the broader region and typically requires a variety of partnership approaches.

Establishing the AHS's aspirations for attributed, influenced, and attracted lives is an iterative process in which potential strategies to reach the goals are tested to determine their feasibility.

The Governance Institute thanks Steve Levin, Director with The Chartis Group, and Keith Dickey, Chief Strategy Officer with Michigan Medicine, for contributing this article. They can be reached at slevin@chartis.com and dickeyk@med.umich.edu.