



Four Imperatives for Pediatric Hospitals in the Decade Ahead

The children's hospital and pediatric care ecosystem is perhaps the most complex in the healthcare industry, with pediatric providers facing all the same pressures adult health systems face, including an intense regulatory environment, declining inpatient utilization, cost escalation exceeding payment rate growth, inadequacy of electronic records and data analytics, aging physical plants and access to capital, difficulties of managing at-risk populations, and alignment challenges between hospitals and providers. Other unique aspects of children's healthcare are that pediatric specialty services are among those experiencing the greatest workforce shortage and that children's providers generally have a much higher dependency on government payers via Medicaid and the Children's Health Insurance Program (CHIP). To break through these and other industry complexities, boards and senior leaders should develop a vision and strategy for success that addresses the four imperatives outlined in this article.

1. Scale and Geographic Reach Are Essential for Growth

Improving an organization's market share is imperative. Children's health centers located in large metropolitan statistical areas (MSAs) generally become the

Key Board Takeaways

Boards of children's hospitals must ask several critical questions as they look to the future:

- How are we positioned to grow in a flat or declining market?
- How can we best improve value? And how can we enhance our cost position without compromising our ability to continuously improve outcomes, safety, and the patient-family experience?
- How can we deliver a patient and family, hospital staff, and provider experience that truly differentiates our organization and ensures our standing among the best children's hospitals?
- Are we prepared to truly manage patient populations and, if not, how can we learn to do so to mitigate the risks associated with Medicaid funding and that critical portion of our patient population that is characterized by high utilizers and chronic conditions?

nucleus of pediatric medical activity for their service areas and have a greater geographic reach than most adult-oriented community hospital systems. Population concentration alone does not determine preeminence in clinical care, but population density does matter. Regional population density and accessibility from multiple and sometimes far-reaching locations allow urban health centers and children's hospitals to draw in a significant scale and diversity of patients, attract expert specialty practitioners and employees, and fund significant investments in infrastructure to accomplish what providers in less-populated areas cannot.

Children's hospitals in large MSAs will have the best chance for

growth based on demographic and commerce patterns alone. However, since many of these MSAs also have more than one children's hospital, the competitive dynamics of the market will also accelerate. Most children's hospitals' growth strategies will lie close to home and focus on capturing share from acute care hospitals with pediatric programs and other pediatric providers within their core communities, redirecting leakage of patients who travel great distances to other leading children's hospitals, or extending their geographic reach and expanding their traditional service area boundaries through satellite operations, community partnerships, and/or affiliations with larger health systems. One example that combines these

strategies is that of Lucile Packard Children's Hospital at Stanford. It has partnered with Sutter Health, a health system based in Sacramento that spans a large region of Northern California, to "borrow" clinic space one or two days a month so that Stanford pediatric specialists can serve patients throughout the San Francisco Bay Area.

2. Sustainable Value Requires Heightened Cost Management

Heightened cost management is essential to address headwinds facing all healthcare organizations. Most children's hospitals are financially strong, and rating agencies have historically reported a stable outlook for children's hospitals, but it's still critical to consider the "value" imperative in pediatrics. There are two main reasons for this: 1) the much higher dependency on Medicaid revenue for children's institutions places them at risk for top-line revenue contraction when state funding is threatened, and 2) this is coupled with a flat demographic growth curve for many markets. Policy approaches to address costs commonly employ means such as reductions in payment levels, benefit structures, and eligibility, all of which are threats. While policy initiatives often cast a dark shadow of uncertainty, the one certainty that providers must address is their cost structure. This includes having a much greater focus on lowering costs where necessary and appropriate. For example, for children's hospitals, paying particular attention to the pediatric population with chronic conditions can yield big dividends in cost savings through reductions in avoidable hospital admissions.

3. Children's Hospitals Can Drive Population Health

Children's hospitals and their pediatric primary care and specialty provider networks, if sufficiently integrated, can make significant strides toward the population health objective. The high adoption of managed Medicaid in the U.S. creates the opportunity for children's hospitals to define the population health model for a large geographic region or even across a state.

Children's hospitals, particularly those in states with high managed Medicaid enrollment, should have defined population health strategies and vehicles to clinically integrate across their provider network. They must also determine those areas of the pediatric care continuum that make the most sense for it to own and manage, and ensure clinical relationships (and, potentially, business partnerships) are in place to ensure coordination of care across other elements of the continuum. As true population health management becomes more essential, it is also increasingly untenable to avoid addressing the social determinants of health (SDOH), such as social issues, individual behavior, and environmental elements. Given that SDOH affect children far more than healthcare does, addressing them is ultimately the key to an effective population health management strategy. For example, Akron Children's Hospital in Akron, Ohio, partners and collaborates with organizations such as food banks, public health agencies, schools, and payers to advance health and wellness and address SDOH. The hospital has a population health strategy that focuses on this

and other goals such as providing timely and optimal access to health services and information, reducing the total cost of care, developing and implementing aligned payment and care delivery models, and creating an integrated, coordinated, and reliably high-quality continuum of care.

4. Experience Will Differentiate; Excellent Care and Safety Alone Are No Long Sufficient

Children's hospitals often enjoy a halo effect given the purity of their mission, their standing in the community or state as stewards of charitable healthcare delivery, and their recognition as leaders and innovators bringing advanced medical care to the nation's most vulnerable populations. In the past, a referral or care plan from a provider often went unquestioned, and patient and family satisfaction was seen as the key indicator of a given care episode's success. In the future, experience will transcend satisfaction, and a long-term lens will be applied. Satisfaction is typically measured by a patient's willingness to recommend a hospital from a specific encounter with that hospital. This is no longer a sufficient measure, as it only represents a component of the entire experience which for children and their families is often a continuous relationship. A positive experience must connect the patient, the hospital staff, and the provider. Today and in the future, the most meaningful experience measure is that the patient wouldn't consider going anywhere else for their care.

Board Considerations

Boards of children's hospitals should take steps to ensure that they are developing strategies related to the imperatives in this article, including:

- **Develop a growth strategy:**
Boards of children's hospitals

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need to understand the demand for basic, moderate, and complex services at their organization and know which services—whether diagnostic, outpatient treatment or procedural intervention, or acute inpatient care—will drive the greatest return on their investment in patient acquisition and growth. Not all growth is good growth, so it is important to be strategic about what will work best for your organization. For example, one of the keys to growth is access so many children’s hospitals have already developed specialty care centers outside their main campuses to improve care convenience and allow patients to receive care closer to home, and have created sophisticated telehealth platforms to increase specialist accessibility to remote patients.

- **Consider how the organization can enhance its cost position:** Finding ways to lower the cost structure is an imperative for every children’s hospital. With limited organic population

expansion to drive growth, commercial payers pulling back on rate increases, and a heavy dependency on Medicaid, children’s hospitals’ ability to rely on historical levers to fund their strong operating performance will become limited. Increasingly, children’s hospitals will have to place much greater focus on managing unit costs and the resource requirements that drive their direct and indirect costs. Boards need to be forward-thinking about how their organizations can cut costs (e.g., through innovations in care delivery and technology solutions, value-based contracts, better managing chronic patient populations, etc.).

- **Focus on population health:** Ensure your organization has an effective population health management strategy that includes a clear vision for the future and a plan to operationalize it. This strategy should focus on everything from clinical integration to

coordinating care across the continuum to identifying the SDOH prevalent in the pediatric population you serve. Most importantly, the board needs to hold management accountable for implementing the organization’s plan and achieving results.

- **Plan for the ideal patient experience:** Today’s typical pediatric patient’s parents expect more. They are accustomed to access to the Internet and obtaining information from social networks and search engines, and they desire a consumer relationship that is more on their terms and emphasizes convenience and accessibility as much as affordability. To improve the patient experience, invest in consumer-facing digital health strategies, work with management to adopt a “signature” standard of care across the system, and make provider and staff engagement a priority.

This article is based on ECG Management Consultants white paper Key Imperatives for Children’s Hospitals in the Decade Ahead. The full publication can be accessed at <https://www.ecgmc.com/thought-leadership/whitepapers/key-imperatives-for-childrens-hospitals-in-the-decade-ahead>.

