

Understanding Your Market to Take on the “Right” Strategies

By Jeremy Normington-Slay, D.P.T., FACHE, Firelands Health

Healthcare has not been historically wired to take big risks. This is understandable given taking a non-essential risk in a surgical procedure or pharmacological intervention could have a devastating impact on a patient. However, there are also high-risk interventions that may be the only life-saving option.

In recent years, healthcare organizations and their governing boards are being asked to provide high-quality but low-cost care, and to improve patient satisfaction. At the same time, providers have less reimbursement to do the necessary work. This reality has forced hospitals and health systems to look deeper into their local market dynamics to consider new strategies that will meet the current demands while maintaining, or returning to, sustainability.

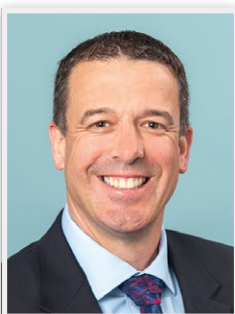
Although every hospital and health system is unique, there are a number of consistent factors that organizations must consider to evaluate and act upon the right strategic initiatives.

Make Time for Strategic Discussions

It is imperative for governing boards and hospital executives to find time to discuss strategic endeavors. This work should not only occur at annual strategic planning sessions but should be regularly incorporated into meetings throughout the year.

Firelands Health is a single-hospital health system with approximately \$300 million in net revenue and 2,000 associates. Our highest level of governance is the health system board of directors. This group currently meets six times per year, with each meeting lasting approximately 90 minutes each. Strategic planning discussions account for at least 75 percent of that time. As CEO, I value this time more than any other 90 minutes of my schedule.

You might ask, “With all of the regulatory and reporting requirements, how do you manage to devote that much time to strategic planning?” The answer for us lies in the segregation of duties and the regular use of a consent agenda.



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Firelands Health has a separate medical center board of directors that is primarily responsible for the oversight of quality and safety, patient satisfaction, community health, and employee engagement. This board also meets six times per year, with those meetings lasting 60 minutes in duration. The medical center board reviews and acts on many of the items required to support accreditation

standards and hospital operations. They use a consent agenda for items that do not require in-depth discussion since they are thoroughly vetted at the committee level. We have also given some committees, such as audit and compliance and investment management, authority to act on behalf of the medical center board versus being advisory in nature.

Another way to free up time for strategic discussion is to decrease board and committee meeting frequency. This may sound counterintuitive, but many hospital boards were established at a time when executive and managerial leadership was lacking. Hospitals often didn't employ their own lawyers or have health lawyers at their disposal. Board members were typically the main recruiters of physicians to the community, and hospital human resource teams relied on the expertise of board members to handle difficult healthcare employment issues.

However, times have changed. During the last five years, Firelands Health has decreased its overall board meeting frequency by more than 50 percent, and we have asked our board of directors to focus only on true governance and strategic planning. In doing so, we are allowing hospital management to handle the day-to-day operations of the organization. This is a win-win for both hospital management and the board. Board and committee meetings are not only time- and resource-intensive, but it is also increasingly difficult to recruit board members who have time to spare outside of their primary responsibilities. Focusing board member time on the highest priorities is paramount to effective governance.



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Key Board Takeaways

To make accurate decisions around new and progressive strategies to reach or maintain sustainability for their organizations, healthcare leaders and governing boards should take the following steps:

- Make time to discuss strategic endeavors.
- Invest in education from internal and external experts.
- Collaborate with other local entities.
- Use data to drive strategic decisions.

Invest in Education

For decades, many hospitals relied on their internal expertise to navigate the waters of the changing healthcare environment. This has served the industry well in the past, but with the current state of U.S. healthcare, this approach will not likely be adequate in the future. Although consultants are not the answer for every strategic initiative, there may be instances where an outside perspective could be beneficial.

In addition to project-specific experts, Firelands Health has scheduled multiple education sessions for its boards and executive team with both internal and external presenters. In 2022, Firelands Health partnered with The Governance Institute and other area hospitals for a joint board education session. This not only provided excellent education and allowed for cost efficiencies, but it also encouraged our board members to interact with and get to know their counterparts at neighboring hospitals.

Collaboration Is Key

When developing strategies in your local market, it is essential to think about collaborative and competitive partnerships. Other entities to consider will include medical groups, area hospitals, public health departments, and local non-profits. Although we can often feel like we are playing a complicated game of chess in one of the most competitive industries, organizations should consider collaborating when doing so will benefit all stakeholders. This is true even if the gain is larger for some entities than others.

As health systems, we cannot only think about what is best for our organization. Of course, internal impact is a very important strategic consideration, but understanding the responses of other entities must also be a top priority. If organizations are not aggressive enough in a specific area, they may invite new competition into the market. But, if they are overly aggressive with a neighboring organization, they may push local competitors away and into relationships with organizations outside the region.

Finally, organizations must not overlook the impact on medical staff. Healthcare leaders and governing boards should be tuned into staff and their concerns. The decision to collaborate or compete with independent medical groups is one for which there is no playbook. Ask yourself whether your margins are stable enough to enter into

value-based care expansion. If they are, what are the benefits to your health system and how do they compare to the alternative?

Let Data Drive Decisions

Understanding your current market environment is probably the single biggest priority in developing the “right” new strategies. This begins with clearly defining your primary and secondary markets and understanding your organization’s share in each. Nowadays, every hospital should know how much leakage is drawn from their local physician group and partnering organizations. Although it may not be possible for all organizations to justify the price tag associated with real-time outpatient data analytics software, they should ensure they have access to enough information to understand their local markets.

If an organization is struggling with accessing this information, it might be wise to look to an outside resource.

It is more important now than ever for governing boards and management to make accurate decisions around new and progressive strategies to reach or maintain sustainability for their organizations. Making time for strategic discussions, investing in education, collaborating with other entities, and using data to drive decisions will only help hospitals and health systems to achieve long-term goals and care for the communities served.

The Governance Institute thanks Jeremy Normington-Slay, D.P.T., FACHE, President and CEO, Firelands Health, Sandusky, Ohio, for contributing this article. He can be reached at norminj@firelands.com.