

Navigating an Uncertain Environment: Key Strategic Considerations for 2011 and Beyond

By Cleo Burtley, MBA

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As regulations for the CMS Shared Savings Program and Value-Based Purchasing Program are finalized, hospital executives will continue to grapple with the long-term changes to the fee-for-service business model. But to be successful in the post-healthcare reform environment, executives must refocus on near-term strategies to improve their organizations' positions today. Long-term changes in strategic direction – such as developing accountable care models and medical homes – should not distract leaders from meaningful near-term strategic considerations. While some hospitals have managed to thrive in today's environment, many face increased uninsured and underinsured patient volumes, overall declines in patient volume, and uncertain payer relationships. Healthcare executives need to carefully plot offensive and defensive strategies with a particular emphasis on market share growth. If the appropriate steps are not taken today, many hospitals will not be in the position to maximize the benefits of broader insurance enrollments in 2014 –resulting in unattractive payer mixes, lower utilization in key specialties, and increased competition.

To help craft a near-term strategy for hospitals, below are the critical areas of focus for leaders navigating a challenging environment.

- 1. Adopt strategies that truly foster long-term trust with physicians.** Many hospitals have downright hostile relationships with physicians. Initially, the medical establishment resisted cost containment and quality measurement initiatives associated with delivering increased value, fearful that the information will be used against them. The history of physician relations at many hospitals includes continuous “revolving doors” of hospital executive leadership, abandoned corporate initiatives, and broken promises. To get cooperation, leadership, and support for measurement, clinical protocols, and cooperation and coordination with clinicians, hospital leaders must strive to improve relationships while establishing a comprehensive vision. Taking proactive steps to mend broken relationships will foster stronger clinical integration and will likely result in improved quality and patient satisfaction scores. To achieve this, take steps to address issues physicians face in the hospital, consistently follow-through on commitments (no matter how small), and target administrative and operational challenges that may hamper physician practice in the hospital. Assure that effective venues and processes exist to engage physicians in collaborative planning and decision-making.

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2. Craft volume growth strategies (they still matter). Some hospital teams have largely abandoned clinical and ancillary service growth and marketing strategies in favor of cost cutting measures – mostly out of short-term economic necessity. Cost containment initiatives are still important, but should not come at the expense of real opportunities for revenue growth. As many markets are anticipating flat to declining patient volumes, future growth will likely come from capturing market share from competitors. Teams should evaluate their portfolio of primary care and subspecialty services and selectively target market share opportunities through physician referrals and marketing efforts. For organizations where subspecialist coverage is a challenge, teams should consider alternative approaches to ensuring coverage for high acuity cases: affiliations with academic medical centers and physician groups, partnerships, and telemedicine capabilities. Finally, teams should systematically develop relationships with non-provider stakeholders, such as local employers, to create or strengthen referral channels.

3. Commit to systematic performance improvement efforts. To fully realize growth opportunities and subsequent financial gains, organizations must embrace continuous performance improvement – and have the right mix of vision, talent, and executive sponsorship to generate meaningful results. Honing the organizational discipline necessary to eliminate variation in clinical care, for instance, is oftentimes easier said than done for most organizations, many of which struggle with fragmented medical staff models and misaligned incentives. All too often, organizations tackle performance improvement without consideration of the type of internal culture and support needed to create successful initiatives. For providers who still encounter difficulties in performance measurement and reporting with physicians, further education and relationship building are necessary before embarking on a more comprehensive performance improvement program.

4. Reevaluate the organization's approach to payer contracting. In many markets, hospital relationships with commercial payers have become increasingly adversarial in recent years, with payers turning up the pressure on hospitals to reduce costs (and contracted reimbursement rates). This dynamic limits the opportunity to realize gains from value-based purchasing schemes, which many providers will need to implement in their commercial payer contracts to assure their market shares and, ultimately, to stay financially solvent. Hospital perspectives on

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payer strategy must change focus from capturing the greatest reimbursement rate to collaborating to ensure the best outcomes and long-term financial viability.

For more information on near-term strategies for hospitals, please contact Ms. Burtley at 310.320.3990, x4009 or cburtley@thecamden.com.