Improving Hospital and Health System Performance by 20% to 40%

Modern Healthcare Webinar

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Business Imperative: Growing Profits in a Market of Declining Revenue

“...Revenue growth will remain positive, but will continue to decelerate as a result of federal cuts to healthcare spending, limited reimbursement increases from commercial healthcare insurers, and a tepid economy that dampens demand for healthcare services...”

Moody’s “US Not-for-Profit Healthcare Outlook Remains Negative for 2013: Ongoing Challenges Outweigh Stable Operating Performance”
- January 22, 2013

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Start with An “All In” Transformational Mindset

- Cost structure
- Revenue sources
- Physician network
- Governance
- Technology infrastructure
- Asset/Clinical infrastructure
- Market share
- Balance sheet
- Strategic planning
- People & culture

Ask The Hard Questions

Modern Healthcare Webinar | HEALTHCARE TRANSFORMATION STRATEGY

- Establish a strategy that leverages organizational strengths and local market dynamics, and delivers measurable value
- Use the healthcare transformation strategy to inform and integrate change across the enterprise
- Continuously evaluate organizational and market factors to calibrate the priorities and timing of the strategy
- Target annual improvement of 6% to 10%

Strategic Change | Market Demands 20% to 40% Improvement

REVENUE TRANSITION: 5% to 8%

- Proactively manage transition of top-line revenue sources – from fee-for-service to value-based
- Increase market reach to grow patients in traditional and emerging payment models
- Implement strategies to manage evolving payer mix – high deductible, underinsured, uninsured
Strategic Change | Market Demands 20% to 40% Improvement

OPERATIONAL EXCELLENCE: 7% to 10%
- Create an organization structure aligned with the strategy, and place the right people with the right skills in the right roles
- Continuously improve the quality and efficiency of current operations, while executing longer-term transformative change
- Establish a culture of data-driven decision making and accountability

CLINICAL TRANSFORMATION: 8% to 14%
- Increase quality and reduce costs using evidence-based standards of care
- Integrate the management of care and patient flow across the organization and with key partners
- Create strong patient engagement in clinical decision making and affinity to the enterprise

SCALE AND INTEGRATION: 5% to 8%
- Establish deep operational and data integration to improve quality, efficiency, and coordination
- Optimize assets – people and facilities – to align with the revenue transition and clinical transformation
- Align incentives within the enterprise and with key partners to remove barriers and sustain improvements

INFORMATION TECHNOLOGY
- Establish deep operational and data-enabled revenue transition, clinical transformation, scale and integration, and operational excellence through the effective use of information and technology
- Use “small data” to support care delivery and integration while using “big data” to understand broader opportunities and risks
- Optimize the use and ROI on current systems – EHR and other – and implement analytic tools that leverage data
Imperatives for Transformation

1. Strengthen link between strategy and performance improvement to achieve strategic priorities and drive breakthrough performance gains
2. Target annual “net new savings” to create focus on both continuous and breakthrough improvements
3. Use second curve analytics that drive deeper accountability at every level
4. Establish new levels of transparency within the operations, across the continuum of care, and with payers (government, commercial, individuals)
5. Increase focus, detail, granularity, and discipline around results, especially clinically
6. Change where and how care is delivered, and who delivers it
7. Create relentless commitment to improvement through investments in people, culture, and tools
8. Maintain sense of urgency with new messages from leadership that place performance improvement efforts in a strategic framework

Unprecedented Governance Complexity

“Even small healthcare institutions are complex, barely manageable places. Large healthcare institutions may be the most complex organizations in human history.”

- Peter Drucker

Governance Transformation Required

The quality of governance that was sufficient to get your organization where it is today will be insufficient to get it where it needs to be tomorrow.
Moody's Investors Service Special Comment
May 9, 2012

“The most meaningful cost reduction strategies will involve standardization of clinical care and elimination of variation in patient procedures.

This will be a multi-year, ambitious journey requiring strong physician, management and board leadership...”

Leadership Imperative

A leader is a person or group that people will follow to places where they would not otherwise go by themselves.

What is Disruptive Governance?

DISRUPTIVE GOVERNANCE

Innovations and practices that...
- Change culture, behavior, and the organization
- Create a collective body of knowledge and a new set of habits

Effective System Governance

Effective system governance is based on explicit principles such as:
1. Minimalism: Fewer governance entities are better.
2. Consistency: Governance structures are consistent throughout the system. All leadership structures are consistent throughout the system.
3. Authority: Centralize authority and decentralize decision-making. Clarity via authority matrix.
4. Leadership: The purpose of governance is to lead the system, not to create slots for representation of constituencies and stakeholders.
5. Intentionality: Governance structures and functions are based on conscious choices and explicit principles, not on history or happenstance.
Practical Steps Needed To Evolve Outmoded Models of Governance and Clinical Leadership To New Models

1. Assess the structures, dynamics, and cultures of current governance and leadership models to identify vestiges of old models and necessary attributes to succeed in the new model.

2. Develop a set of conceptual principles to guide the practical re-structuring of governance and leadership. Examples: Non-representational governance at system/parent board, but some representational governance at subsidiary boards.

3. Develop clear delineation of relative roles, responsibility, and authority of different boards and clinical leadership groups. Codify this with Authority Matrices, and then use them.

4. Centralize authority, decentralize decision-making. Ensure ultimate responsibility and accountability for system rests clearly with the system/parent board. Subsidiary and physician boards are provided specific, accountable goals for clinical transformation that focus on clinical quality, cost, and population health metrics. Each subsidiary board and clinical leadership group is held accountable to specific metrics.

5. Nimbleness is key! Governance and leadership structures cannot be set in stone. Leaders must be able to change and adapt as circumstances warrant.

6. The evolving role of physician leadership will require the most “care and feeding.”
$1x for Population Health Requires $5x on Cost Reduction, Variation

Net Patient Revenue

Physician Employment is Reaching an Inflection Point

Is the Employed Physician Group a “Group Practice” or a “Group of Practices”?

Back to Basics
Imperatives for Physician Alignment

1. Select a cost target and a systematic approach to measuring cost and eliminating waste through redesign and stick to it! (Expect resistance.)
2. Establish a “physician cabinet” of medical directors, MEC, and “care-line” leaders to be ‘partners’ in guiding the system (radical transparency).
3. Assign accountability for managing and optimizing the performance of hospital-based physician services and medical directors.
4. Establish a performance culture: routinely measure and report critical performance metrics (focusing on costs and outcomes) and demand action plans when targets are missed.
5. Have a third party conduct an objective performance assessment and develop implementation plans to optimize all critical functions: e.g., revenue cycle, documentation, IT, cost accounting, reporting on quality/outcomes, patient flow, capital allocation, employed physician practices, etc.
6. Develop a digitally connected network of physicians committed to delivering efficient-predictable-evidence-based-coordinated care – start with system employees.