Are Your Service Lines Ready for Healthcare Reform?
Repositioning Your Centers of Excellence in an Accountable Care World
By Barbra Z. Riegel, MBA, Vice President, guest author for HASC Briefs Focus

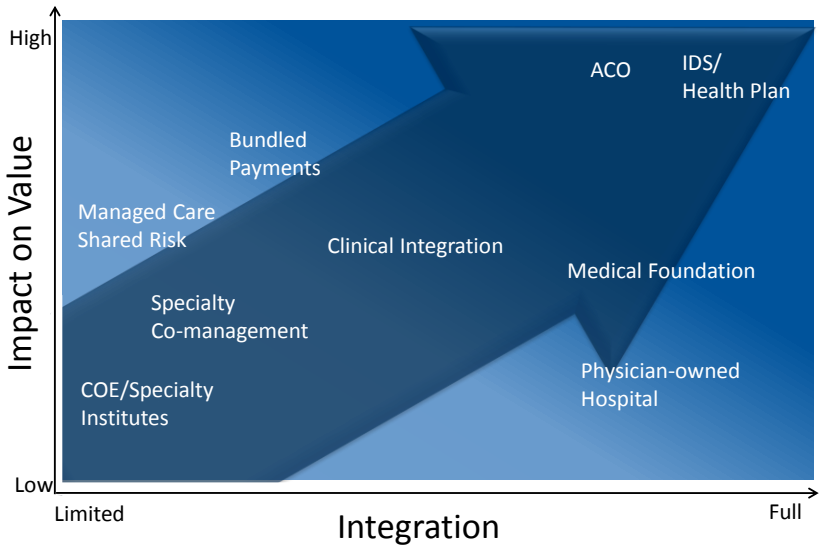
Many hospitals and health systems have spent the last few decades focusing on key service lines to establish Centers of Excellence that will attract patients to their hospitals, improve their overall reputation, and enhance financial viability. Historically, hospitals have utilized program development, marketing/branding campaigns, and loose affiliation with their physicians to improve service line performance. However, will these strategies be enough to be successful in an accountable care world? How will strategies need to be modified to thrive in the dynamic environment of value-based purchasing?

A Hospital Association of Southern California education event on August 17, 2010 tackled these questions. The presentations were made by Barbra Riegel, MBA, Robert Minkin, MBA, and Steve Nahm, MBA of The Camden Group. This article summarizes key insights from the presentations.

The Context

The passage of healthcare reform will require the industry to become more coordinated, integrated, and provide quality care while reducing the overall cost, waste, and duplication. This will require a significant change in the way many organizations are currently structured and paid for services. When we think of the way healthcare providers are currently structured and paid vs. how they will be under health care reform, the changes needed are transformational and can seem overwhelming. An ideal bridge between the two worlds is the implementation of coordinated, integrated systems and new payment mechanisms at the service line level. The learnings from the service lines can then be applied to the organization overall in an accountable care world.

Physician-Hospital Integration: Driving the Value Proposition



Source: The Camden Group

Service line repositioning

Here is a list of the top ten ways to reposition service lines for an accountable care world.

1. **Objectively assess the service lines in terms of what is critical in the new environment.** In the future, organizations will need to demonstrate value (i.e., reduced costs, increased efficiency, improved quality), coordinate care along the continuum (e.g., reduce avoidable readmissions, encourage preventive care), and become clinically integrated. Assess the organization's performance and capabilities to determine each service line's strengths and weaknesses. Are tools and resources in place adequate to deliver and demonstrate value (e.g., strong physician leadership, integrated clinical information, consistent use of evidence-based protocols, and collaboration across the continuum)? Is the volume adequate to assure care team proficiency and meet payer thresholds?
2. **Prioritize the organization's focus.** Many hospitals have tried to develop numerous service lines simultaneously to varying levels of success. Through an assessment of each service line, identify those in which the hospital is best positioned for success and focus energies in strengthening these key areas; carefully consider resource allocation and/or partnerships for those services that are unlikely to meet the market's future expectations for value.
3. **Identify and develop physician leadership.** One of the most crucial success factors in accountable care is that it is physician led. For most physicians, the skills needed to lead these efforts are not skills that they have previously developed or received in their training (e.g., consensus building, management, and leadership skills). Identify physician leaders within the organization and take the time and allocate the resources to educate and develop them for their changing roles. If necessary, determine whether outside leadership/expertise will be needed to lead the service line.
4. **Implement structures that give responsibility and incentives to physicians for the management of patient care and overall performance of the service line.** This may include co-management agreements or physician employment with performance- based compensation. Compensation incentives are currently misaligned now between hospitals and physicians. Historical methods to align incentives such as medical directorships and ED call agreements are insufficient to develop accountability for the performance of the service line. Developing alternative structures, such as physician employment with compensation based in part on the achievement of key service line performance metrics

or co-management agreements that reward achievement and provide accountability for service line performance among a group of physicians, are a critical element of success. Metrics and performance measures should be balanced with financial and quality indicators to include outcome metrics, coordination of care, efficiencies, and expense management.

5. **Negotiate with payers for compensation structures that align financial incentives, such as bundled payments, gain sharing, shared savings.** Bundled payments for an episode of care (e.g., heart surgery, joint replacement) provide one payment for all care provided to the patient -- inpatient, outpatient, physician fees, and readmissions -- for a designated period of time (e.g., 3 days pre and 30 days post procedure). CMS will be expanding their Acute Care Episode ("ACE") pilot to additional states by 2013, if not sooner. In the meantime, aggressively negotiate with other payers to establish new compensation models that reduce variation, improve quality, and lower cost, providing the financial incentives to transform the delivery of care.
6. **Standardize care process/protocols.** Reducing variation, eliminating waste and duplication, preventing avoidable readmissions, and maximizing quality care are critical to success. Identify, develop, standardize, and use evidence-based protocols to improve the service line's value. Use timely feedback and reporting tools to assure adherence to the protocols.
7. **Eliminate silos and focus on the continuum of care.** Changing the mindset from "my area" to the broader view of the overall patient's care is a critical part of redesigning the care process. Physicians and management will need to expand their view outside of their practice and/or the hospital to maximize the coordination of care for the best outcome for the patient. This will require proactive care management with a focus on the patient's condition before admission, real-time concurrent review, and optimizing the use of other levels of care such as remote monitoring and home health to keep the patient healthy and avoid emergency room visits, as well as preventable admissions and readmissions.
8. **Redefine the role of the service line leader.** Redesigning the service line leader's roles, responsibilities, and resulting skill set needed to succeed is an important initial step in the transition. Historically, service lines have been hospital-centric and led by a nurse and/or MBA, who was focused on keeping physician customers satisfied, increasing volume, and accommodating multiple physician preferences. In the new era, service line leaders will need to partner with physicians by having them take accountability and responsibility for achieving and demonstrating value through use of evidence-based protocols, integration

and coordination along the continuum, and meeting established metrics for quality, efficiency, and cost. Additional education may be needed to develop this new perspective, interpersonal skills, and business acumen needed in the future.

9. **Leverage information technology ("IT").** Use IT to compile complete information about the care a patient has received regardless of the setting (e.g., physician office, outpatient, freestanding surgery, imaging or labs, post-acute, inpatient hospital) and utilize that information at the point of care to identify the best care plan; consistently provide high quality care; eliminate waste and duplication; and proactively manage a patient's health. IT systems should also be leveraged to proactively identify high risk patients through a data warehouse and use of predictive modeling, identify trends, and benchmark to best practices.
10. **Create a culture of continuous improvement.** Transforming the delivery model will take time, so it is important to start now in order to be ready for accountable care organizations ("ACOs") beginning 2012! This transition will take many years and is more of a journey than a destination. Mature organizations that have developed many of these skills over decades are still constantly looking at how to continually improve. Creating a culture in which people are continually excited and motivated to improve care is essential to the long-term success in an accountable care world.

Implementing structures that give responsibility and incentives to physicians for the management of patient care and overall performance of the service line is a critical step in transformation. Two options in redesigning the service line include bundled payments and co-management.

Bundled Payments

The health care reform act expands the Acute Care Episode Demonstration to a voluntary national pilot. There are also a number of other organizations nationally that are pursuing bundled payments as a way to control high cost, high volume services with much variation in the cost, and quality of services provided. Many of these pilots have focused on the cardiac and orthopedic areas. Robert Minkin MBA, Senior Vice President with The Camden Group shared a case study with those who attended the HASC education event in August. He described the circumstances of one of the original ACE demonstration projects for cardiac services and how the organization was able to improve quality, increase market share, increase physician collaboration, and decrease cost. In this pilot, the hospital received a bundled payment for the physician and hospital services. It also included all physician follow-up care 30 days post discharge. The price was determined through a competitive bidding process, and it allowed gainsharing with physicians

with a Stark 4 exemption from CMS as a part of the award. Medicare also shared the savings they realized with beneficiaries up to $1,157 per episode. They set up incentives with their physcians if they met established criteria (e.g., use of protocols, achievement of quality initiatives, concurrent peer review) that resulted in increased physician compensation of up to 25 percent higher than current Medicare professional fee rates.

Bundled payment programs may also drive market consolidation. In this case study market, there were 19 hospitals in the area, 17 of which had cardiac surgery programs, and 12 of which did not do 100 heart surgeries a year. Through this pilot, volume shifted to the high value provider, and is anticipated to drive consolidation throughout the industry. Continuing to enhance and position your service lines to eliminate variation and provide consistent top quality care, cost-effectively is a great stepping stone to providing accountable care.

Co-management Arrangements

Co-management is another stepping stone to accountable care and can be very effective to integrate a service line. A co-management arrangement is an organized and formal mechanism to actively engage a group of physicians to achieve greater operational efficiencies, promote evidence-based medicine and care coordination, and improve patient outcomes. Steve Nahm MBA, Vice President with The Camden Group described these models to the HASC attendees. He explained that the simplest of these structures involves a hospital contracting with a physician organization, under which the physicians are granted greater input and managerial authority, to design and enforce clinical and operational standards. A more complex structure may involve the dual ownership of a management company by both a hospital and physicians. The management company is responsible for establishing and enforcing clinical and operational standards.

These arrangements permit a hospital and physicians to work through issues on a small-scale, learning and perfecting a model that can serve as a template for an accountable care organization or as the foundation for a bundled payment arrangement. Key steps in forming a co-management arrangement include:

- Form a steering committee to clarify and reach agreement on objectives, guiding principles, governance and organizational structure.
- Determine the scope of services and responsibilities to be included and excluded from the arrangement

- Develop participation criteria for initial and ongoing participation, including adherence to quantifiable standards, time commitment, etc.
- Define performance metrics in clinical, operational, utilization, patient experience and physician performance
- Determine compensation and valuation that is fair market value
- Educate hospital staff and medical staff impacted by the change

The transformational changes required for accountable care are significant. By focusing on service line integration, the organization can develop a new culture, structure, and payment mechanisms that will prepare it for accountable care.

Barbra Riegel is Vice President with The Camden Group, a national consulting firm with offices in Los Angeles, Chicago and New York. This article is based on a presentation she and her colleagues Robert Minkin and Steven Nahm made to HASC hospitals.