

WHITE PAPER

HSG

FOCUSING ON THE STRATEGIES THAT MATTER

Health System Strategic Planning in an Uncertain Environment

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Table of Contents

About HSG	3
Words from the Team	4
Introduction	5
Strategic Planning Outcomes and Metrics	6
Foundation of the Plan	7
Potential Strategic Planning Priorities	8
Conclusion	11

About HSG

HSG builds high-performing physician networks so Health Systems can address complex changes with confidence.

SERVICES



PHYSICIAN STRATEGY

Driving a common strategic focus with engaged physicians.



PHYSICIAN LEADERSHIP

Identifying and engaging strong physician leaders is integral to the network's development and success.



PERFORMANCE IMPROVEMENT

Improving the performance of employed physician networks.



NETWORK INTEGRITY

Leveraging HSG Physician Network Integrity Analytics® to create and monitor patient acquisition and retention strategies.



PHYSICIAN COMPENSATION

Aligning physician compensation with Health Systems and employed network goals.

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Words from the Team

Dear Colleague:

Strategic planning has never been more important for healthcare systems. A well thought out plan will force you to prioritize among the many competing strategies, and failing to plan almost always leads to disjointed, unfocused leadership.

Equally important, a good plan will help you communicate the vision and leadership's intent throughout the organization. If it does that well, the plan will help staff and providers understand how they contribute to the overall success of the enterprise.

At HSG, as you will soon read, we believe providers are at the core any good strategy. As accountability grows, and payers push for outcomes around cost and quality (and access too), it is hard to imagine how a health system will be successful without a strong group of physician partners. We will admit to that bias up front, and think it is a fool's errand to pursue success without physician partners.

We hope you find this whitepaper useful in evaluating and enhancing your current strategic planning processes. If you need an outside perspective, HSG can partner with you to build and execute your health system strategic plan to achieve short and long-term objectives of the system.

We look forward to any questions or comments you may have.



David Miller



Travis Ansel

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Introduction

Healthcare executives and hospital personnel are accustomed to high stress and heavy workloads, but the current environment is testing leadership at new levels. It's easy to understand how solving urgent issues and enacting new regulations is being prioritized over strategic planning. However, if leadership stays in the zone of crisis response on a regular basis, the health of the entire system could be at risk. In an increasingly complex market, healthcare executives and hospital leadership must set aside time for rigorous analysis and intentional decision making. Strategic planning must be prioritized.

At HSG, we've pinpointed three issues that will undoubtedly lead to resistance to strategic planning, or a devaluing of the planning process.

The first issue is the perception that the market is so complex, so turbulent, that it is impossible to plan. Yet, while there are disruptions and turbulence, the future seems reasonably predictable to our consulting team. That predictable future, at its core, includes greater accountability for quality and cost. And it includes building your system's ability to manage risk.

The second issue leading to resistance is that in the predictable future, it is inevitable that employed physicians will be the key driver of your system's ability to produce predictable results. As we often ask, "how can a health system produce predictable outcomes without using the knowledge and insights of its physicians?" This seems like a fool's errand. At the same time, the growth of

employment has supplanted the medical staff as the locus for physicians. Solid strategic planning processes put that employed network in its sights, defining how the employed group needs to evolve in concert with the system's evolution.

The final issue in devaluing strategic planning is that despite uncertainties, planning needs to drive down into the details: the actions, the costs of implementation, the benefits of the activities, and the accountable parties. Without that level of detail and discipline, even the most insightful strategies will fail. And while certainty is elusive, the effort to define the details will be invaluable in a successful plan.



Strategic Planning Outcomes and Metrics

Strategic plans are ultimately about producing results. So what does the organization wish to achieve for its community, for itself, for its stakeholders?

Within reason, the array of potential objectives metrics are reasonably clear. We see six categories of objectives. Our purpose here is not an extensive discussion of those metrics but rather to highlight the categories.



Quality Performance – Building a comprehensive metric has always been elusive, but much of the focus must be on value-based measures. What buyers define as their needs and our ability to deliver that data seem worthy of focus. The second metric relates to population health; essentially, provider networks' priorities to improve the health of their patients.



Financial Performance – Operating margin and bond rating are often the measures, with financial sustainability being the outcome.



Patient Preference – The strength of your brand, and its ability to influence buying decisions, should likely be measured when an individual is making a health decision. What, if anything, draws them to your organization?



Strategic Growth – Patient growth and revenue growth are outcomes that should flow from higher quality, patient preference, and reinvestment in services. Measures of dollar growth, or market share, are the most frequent measures. In addition, network integrity measures such as HSG's Share of Care will document growth in downstream revenue.



Success with Risk – Performance under risk (i.e., did we meet the utilization and quality goals) are measured directly from the financial performance under risk contracts.



Workforce Development – This foundational measure, addressing our ability to deliver the care needed, is a final key outcome. Vacancy rates and turnover are not tremendous but perhaps the best measures here.

Foundation of the Plan

Your strategic planning process is essentially priority-defining. Given the future (which is relatively straightforward) and the outcomes desired (which are somewhat clear), how does the organization allocate its resources (manpower and financial) to get the desired results?

The first step is to create a vision of what your organization must look like to thrive in the evolving environment. What capabilities will be required, and what gaps in capabilities exist? HSG advocates developing a vision statement that is substantial, generally 3-4 pages, and descriptive of what the organization needs to look like in the future. This approach fosters significant discussion, creates common insights, and results in a narrative that is easily shared and understood throughout the organization.

With the vision defined and focused on making the organization more accountable for outcomes (cost, quality, and access), we see many potential strategic priorities. Twelve factors defined in the following pages are issues that should be discussed and considered during the planning process.

Additionally, driven by data and insights for stakeholders, many organization-specific strategies will emerge as potential priorities. By synthesizing those and integrating them with the twelve factors, we strive to determine 4-6 priority strategies, allocating resources to ensure we can succeed in implementation, and build the detailed roadmap to drive success.



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Potential Strategic Planning Priorities

Keep in mind as you review and consider the list below, that your health system will fail at planning if you try to tackle all of these issues simultaneously.



Access

Attracting patients will always be critical to the mission and the strategy of any health system. In a fee-for-service world, volume matters. In a fee-for-value world, providing access within your network will be essential to managing the total cost of care.

Health systems must provide exceptional geographic access to primary care. It must provide timely access to specialties. In services such as ED and diagnostic testing, convenient access is required in light of the growing market competition. Planning for access requires a detailed understanding of drive times, lags for appointments, and other metrics which health system executives have rarely studied. The strategic planning process should address this deficiency if you believe access is one of your top priorities.



Analytics

With the growing importance of predictable outcomes, health systems will need better information on treatment processes, associated outcomes, and variance from best practices. Armed with this information, physicians and executives will have better information to guide their decisions.

This will require a significantly different level of data capabilities than is available today. The first step is to shape your EMR to drive better prevention and reduce variations in care. But additional resources will be required if your organization is going to have the information needed.



Best Practices

A focus on and investment in understanding best practices will grow in importance as an organizational capability. Whether the practice is clinical (i.e. managing care for heart patients), operational (i.e. managing throughput in a physician practice), or even marketing, (i.e. how to package services to employers), your organization will need to learn from the best. That said, there will also need to be an infrastructure to define and institutionalize these practices, again with significant resource commitments. An initial first step is to determine the process you must master to succeed and prioritize work on those.



Consolidation

The trend toward industry consolidation will continue, and your organization needs to define how this will color its strategy. Being intentional, and approaching this topic from a position of strength, is key to success. Being clear-eyed about your ability to compete in your current form is likewise crucial.

Assessing your organization's financial viability (notably - leverage with payers) and your ability to improve care in your community are the two major issues that require assessment in the planning process. If you cannot construct a plausible financial plan, or if you cannot provide competitive care to the community, you should prioritize seeking a partner who can help with those issues.



Employer Focus

Privately insured patients will remain the most financially attractive. The lack of a strategy to work directly with employers to attract those patients is a blind spot for most health systems. These relationships have been abdicated to insurers. Listening to employer needs and desires and building capabilities to respond are rarely prioritized within health systems. As employer relationships mature, they will allow health systems to explore risk contracting on a manageable scale.



Network Integrity

Retention of patients within your health system's network will increase revenue and provide insights into managing the total dollar spend. Building accepted metrics for this, and strategically targeting gaps that lead to leakage, will grow in importance as employed provider networks grow as the predominant model. Building a physician culture to "own" this issue is essential. Building strategies to facilitate patient retention is the crucial companion strategy.

Most health systems are in the outpatient business primarily. The increase in physician employment is further accelerating this trend.



Outpatient Focus

Building ambulatory capabilities has several aspects. The first is convenient access. A second issue is cost and building services with an eye toward patient out-of-pocket expenses. A third is clinical, working with physicians to stretch the limits of outpatient diagnostics and treatment. All could be key elements of your system's outpatient strategy.



Patient Experience/Centrality

Creating an ideal, seamless patient experience would be an amazing differentiator. We see three elements to such a strategy:

- Designing services to make access and scheduling, registration, payment, and communications easy.
- Designing services to minimize out-of-pocket costs.
- Engaging patients in their care and care planning.

Combined, they would provide a significant competitive advantage to any system.



Physician Leadership

The evolution of the market, and drive for predictable outcomes, will further increase the importance of physician leaders. A strategy to identify and build a cadre of physician leaders will be central to your success. A focus for those leaders will be building your employed provider network into a strong, cohesive multispecialty group. Physician leaders will likewise provide great insights when focusing on best practice development across the care continuum.



Shaping Perceptions

Most health systems under resource their marketing and promotion efforts. As a result, potential patients often do not understand the organization's clinical capabilities, its performance on access, its service line strengths, or have a physician preference from the health system. This represents a poorly defined brand and missed opportunity for the health system.



Value-Based Incentives

The CFO may drive performance on value-based metrics, but often it is not a strategic priority. The result is the organization does not build an infrastructure to capture the needed patient clinical information. It does not tie current performance to negotiations with payers. It does not adjust provider compensation to ensure attention to the incented metrics. Creating discipline around this process will create a strategic advantage as more reimbursement is put at risk.



Workforce

All our strategy clients are struggling with workforce. Exacerbated by the pandemic, and a change in culture among workers, shortage of talent is threatening their ability to provide predictable care. Building strategies to ensure a pipeline of associates through investment in education and training is a crucial part of the answer. Ensuring associates are productive is a second part. Building systems to engage employees, so they feel more closely tied to the organization is a third. This is obviously a complex issue but perhaps rises to the level of being a key strategy.



Conclusion

Strategic planning is about setting priorities and allocating scarce resources. But this activity will be wasted without two issues that must be driven by the C-Suite. One is discipline and accountability, maintaining focus on the selected priorities and the implementation plans. Without that, the plan becomes the dreaded “book sitting on the shelf.”

A second element is beginning to intentionally create a culture that will support the vision and strategy. Accountability and discipline are certainly part of that culture. But your system also must address what attitudes and behaviors will be required to achieve success, and what principles, incentives, and supports are in place to drive that behavior.

With these elements in focus, the strategic plan will become a clarifying document. The plan will be the roadmap to implement the vision and create the accountable organization needed by your community. With these outcomes, it is undoubtedly worthy of management attention and investment.

To discuss how HSG can work with your organization to craft and incorporate a strategic plan with your employed provider network, contact us at **502.814.1180** or info@HSGadvisors.com.

The logo consists of the letters 'HSG' in a bold, white, sans-serif font. The 'H' and 'S' are connected, and the 'G' is slightly separated. Below the letters is a thin white horizontal line.

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