

JUNE 2013

# Service Line Optimization: Strategies to Drive Value Along the Care Continuum

Powered by



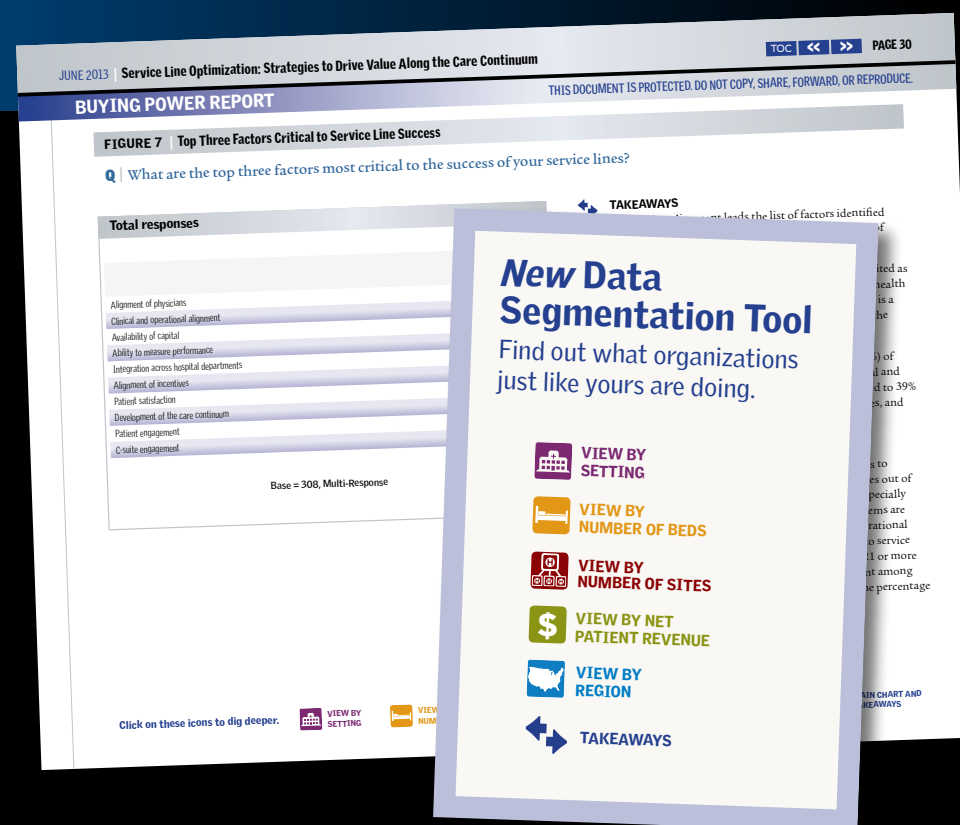


*Intelligence Report Premium* from HealthLeaders Media

# Service Line Optimization: Strategies to Drive Value Along the Care Continuum

Find out why 61% of healthcare leaders report physician alignment as the No. 1 challenge to service line success, and what strategies they are employing to drive value along the continuum of care.

- Learn which service lines are expected to have the greatest potential for patient volume, operating margin, and strategic significance in the next two to five years
- Find out the top three most critical factors in aligning physician practices with service lines
- Discover how Mountain States Health Alliance consolidated service lines into four strategic service units, adding a focus on chronic diseases to the redefined business units
- Get insights and analysis, best practices and benchmarks, and over 400 charts and graphs



For more information or to purchase this report, go to [HealthLeadersMedia.com/Intelligence](http://HealthLeadersMedia.com/Intelligence) or call 800-753-0131.

HealthLeaders<sup>Media</sup> Intelligence

Access. Insight. Analysis.



[Click here to learn more and order the PREMIUM EDITION: case studies, actionable strategies, further segmentation](#)

## About the Premium and Buying Power Editions

This is a summary of the Premium edition of the June 2013 HealthLeaders Media Intelligence Report, **Service Line Optimization: Strategies to Drive Value Along the Care Continuum**. In the full report, you'll find a wealth of additional information, including the results of all the survey questions. For each question, the Premium edition includes overall response information, as well as a breakdown of responses by various factors: setting (e.g., hospital, health system, physician organization), number of beds (hospitals), number of sites (health systems), net patient revenue, and region.

Available separately from HealthLeaders Media is the Buying Power edition, which includes additional data segmentation based on purchase involvement, dollar amount influenced, and types of products or services purchased.

In addition to this valuable survey data, you'll also get the tools you need to turn the data into decisions:

- A Foreword by Allison Rogers, Vice President of Strategic Planning for Mountain States Health Alliance in Johnson City, Tenn., and the Lead Advisor for this Intelligence Report
- Three Case Studies featuring initiatives by The Christ Hospital in Cincinnati, Ohio; Centura Health in Englewood, Colo.; and Mountain States Health Alliance in Johnson City, Tenn.
- A list of Recommendations drawing on the data, insights, and analysis from this report
- A Meeting Guide featuring questions to ask your team



Click here to learn more and order the PREMIUM EDITION: case studies, actionable strategies, further segmentation

# Table of Contents

Foreword

●

Methodology

5

Respondent Profile

6

Analysis

7

Case Studies

●

Integrating Chronic Disease Into the Continuum of Care

11

Shifting From Service Line Silos

13

Physician Leadership Important to Service Line Success

16

Survey Results

12

Figure 1: Leader Designated to Improve Service Lines

12

Figure 2: Operate Under State Certificate-of-Need Regulations

Figure 3: Effect of CON Regulations

Figure 4: Effect of Lack of CON Regulations

Figure 5: Top Three Drivers of Service Line Investment

Figure 6: Top Three Challenges in Adding or Expanding Service Lines

Figure 7: Top Three Factors Critical to Service Line Success

Figure 8: Top Two Metrics Critical to Service Line Performance Evaluation

14

Figure 9: Top Two Factors Critical to Aligning Physician Practices With Service Lines

Figure 10: Importance of Outpatient Programs to Service Line Success

Figure 11: Importance of Postacute Care Programs to Service Line Success

Figure 12: Existing Service Lines

Figure 13: Primary Leadership Structure for Service Lines

Figure 14: Top Three Service Lines Expected to Have Greatest Increase in Patient Volume in Next Two to Five Years

Figure 15: Top Three Service Lines Expected to Have Greatest Operating Margin Potential in Next Two to Five Years

Figure 16: Top Three Service Lines Expected to Have Most Strategic Significance in Next Two to Five Years

Recommendations

●

Meeting Guide

●

This document contains privileged, copyrighted information. If you have not purchased it or are not otherwise entitled to it by agreement with HealthLeaders Media, any use, disclosure, forwarding, copying, or other communication of the contents is prohibited without permission.



[Click here to learn more and order the PREMIUM EDITION: case studies, actionable strategies, further segmentation](#)

## Methodology

The *Service Line Strategies Survey* was conducted by the HealthLeaders Media Intelligence Unit, powered by the HealthLeaders Media Council. It is part of a series of monthly Thought Leadership Studies. In March 2013, an online survey was sent to the HealthLeaders Media Council and select members of the HealthLeaders Media audience. A total of 308 completed surveys are included in the analysis. The margin of error for a sample size of 308 is +/-5.6% at the 95% confidence interval.

### ADVISORS FOR THIS INTELLIGENCE REPORT

The following healthcare leaders graciously provided guidance and insight in the creation of this report.

#### Heather Adkins

Vice President and  
Chief Strategy Officer  
The Christ Hospital  
Cincinnati, Ohio

#### Pam Nicholson

Senior Vice President of  
Strategic Integration  
Centura Health  
Englewood, Colo.

#### Victor DiPilla

Vice President and Chief  
Business Development Officer  
The Christ Hospital  
Cincinnati, Ohio

#### Allison Rogers

Vice President of  
Strategic Planning  
Mountain States Health Alliance  
Johnson City, Tenn.

Click to Join Now



### Upcoming Intelligence Report Topics

JULY: *Patient Quality & Safety*

AUGUST: *Patient Experience*

SEPTEMBER: *Physician-Hospital Alignment*

### ABOUT THE HEALTHLEADERS MEDIA INTELLIGENCE UNIT

The HealthLeaders Media Intelligence Unit, a division of HealthLeaders Media, is the premier source for executive healthcare business research. It provides analysis and forecasts through digital platforms, print publications, custom reports, white papers, conferences, roundtables, peer networking opportunities, and presentations for senior management.



Intelligence Report Research Analyst

**MICHAEL ZEIS**  
mzeis@healthleadersmedia.com

Publisher

**MATTHEW CANN**  
mcann@healthleadersmedia.com

Editorial Director

**EDWARD PREWITT**  
eprewitt@healthleadersmedia.com

Managing Editor

**BOB WERTZ**  
bwertz@healthleadersmedia.com

Intelligence Unit Director

**ANN MACKAY**  
amackay@healthleadersmedia.com

Media Sales Operations Manager

**ALEX MULLEN**  
amullen@healthleadersmedia.com

Intelligence Report Contributing Editor

**JOE CANTLUPE**  
jcantlupe@healthleadersmedia.com

Intelligence Report Contributing Editor

**MARGARET DICK TOCKNELL**  
mtocknell@healthleadersmedia.com

Intelligence Report Design and Layout

**STEVE DINIS**  
sdinis@hcpro.com

Copyright ©2013 HealthLeaders Media, 5115 Maryland Way, Brentwood, TN 37027

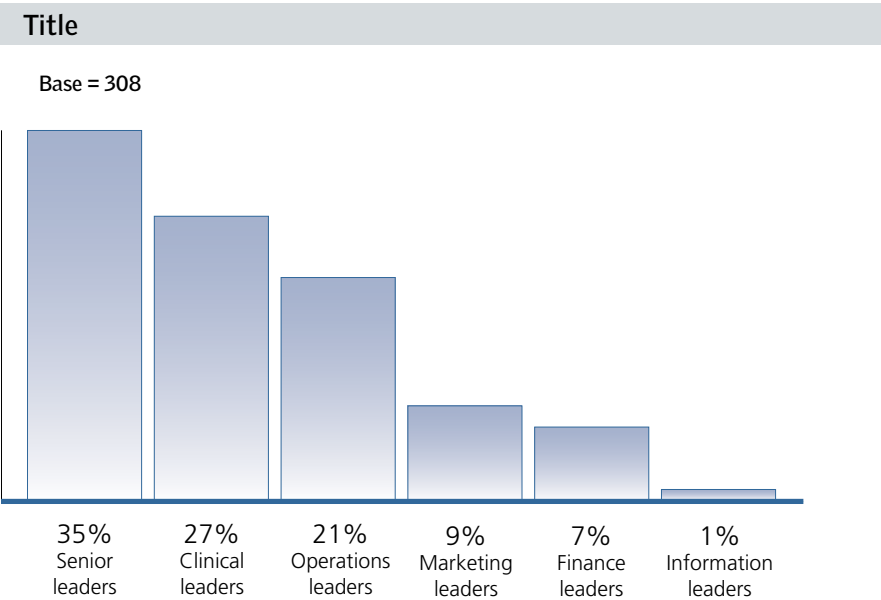
Opinions expressed are not necessarily those of HealthLeaders Media. Mention of products and services does not constitute endorsement. Advice given is general, and readers should consult professional counsel for specific legal, ethical, or clinical questions.



[Click here to learn more and order the PREMIUM EDITION: case studies, actionable strategies, further segmentation](#)

# Respondent Profile

Respondents represent titles from across the various functions at hospitals and health systems.



**Senior leaders** | CEO, Administrator, Chief Operations Officer, Chief Medical Officer, Chief Financial Officer, Executive Dir., Partner, Board Member, Principal Owner, President, Chief of Staff, Chief Information Officer

**Clinical leaders** | Chief of Orthopedics, Chief of Radiology, Chief Nursing Officer, Dir. of Ambulatory Services, Dir. of Clinical Services, Dir. of Emergency Services, Dir. of Nursing, Dir. of Rehabilitation Services, Service Line Director, Dir. of Surgical/ Perioperative Services, Medical Director, VP Clinical Informatics, VP Clinical Quality, VP Clinical Services, VP Medical Affairs (Physician Mgmt/MD)

**Operations leaders** | Chief Compliance Officer, Asst. Administrator, Dir. of Patient Safety, Dir. of Quality, Dir. of Safety, VP/Dir. Compliance, VP/Dir. Human Resources, VP/Dir. Operations/Administration, Other VP

**Information leaders** | Chief Medical Information Officer, Chief Technology Officer, VP/Dir. Technology/MIS/IT

**Finance leaders** | VP/Dir. Finance, HIM Director, Director of Case Management, Director of Revenue Cycle

**Marketing leaders** | VP/Dir. Marketing/Sales, VP/Dir. Media Relations

**Type of organization**

Base = 308

Hospital	60%
Health system	40%

**Number of beds**

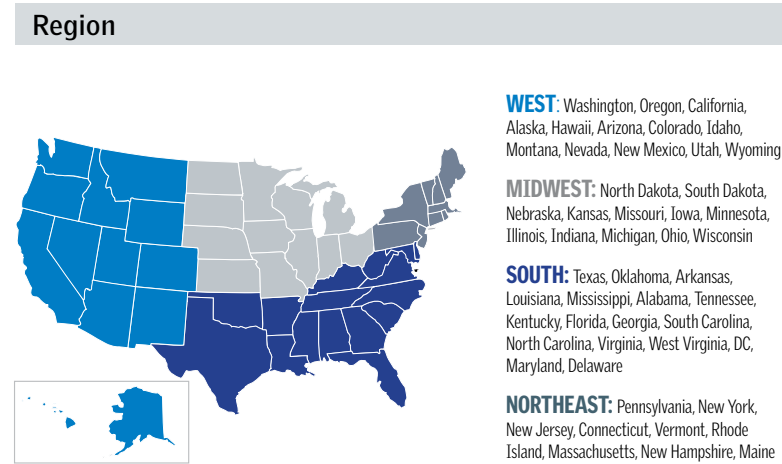
Base = 185 (Hospitals)

1–199	46%
200–499	37%
500+	17%

**Number of sites**

Base = 123 (Health systems)

1–5	23%
6–20	28%
21+	49%





[Click here to learn more and order the PREMIUM EDITION: case studies, actionable strategies, further segmentation](#)

## ANALYSIS

# Fit Your Service Lines Into Your Organization's View of Population Health

MICHAEL ZEIS

As hospitals and health systems investigate delivering healthcare services along a continuum of care, they are reevaluating the strategic fit of their service lines, often with a view toward better integration of service lines with outpatient and postacute care. For some, the examination causes a regrouping or consolidation of the service lines, and sometimes the service lines are coupled with practice areas that care for related chronic diseases. In addition, as organizations strive to make their service lines more efficient, more care is provided in outpatient settings. As a result, the service-line revenue picture may be in a state of flux.

## Broader objectives

Intelligence report results show that financial performance (69%) and clinical performance (63%) lead the list of items respondents include among the top reasons they invest in their service lines. That said, strength in service lines in the future may depend on broadening one's perspective as the industry shifts to address population health. For many, the shift to population health will mean providing services along the continuum of care, and our research shows that health systems—especially larger health systems (six sites or more)—place more emphasis on the continuum of care than hospitals or smaller health systems.

Pam Nicholson, senior vice president for strategic integration for

## WHAT HEALTHCARE LEADERS ARE SAYING

Here are selected comments from leaders concerning their service line strategies.

*"We are just beginning our journey with this, which is both good and bad. Physician interest is high and we have excellent data. Our biggest challenge is going to be managing across the matrix and balancing the performance of our multiple facilities with the performance of the service lines."*

—Chief medical officer of a medium health system

*"Community-based services compete with tertiary facilities offering complete and complex service lines. Finding the right balance for specialty service lines is key to facility reputation and fiscal success."*

—Chief nursing officer for a large health system

*"Competition with a dominant entity in a limited market makes it essential to focus on a limited number of specific service lines."*

—Medical director for a small hospital

*"When service lines reflect an improvement in patient service or address recognized healthcare delivery needs, patient engagement is much easier to obtain, especially if input from the target population is solicited in the design of the service line delivery system."*

—CEO for a small hospital

*"We need to account for employer benefit plans that direct patients to other providers or physician referral patterns that are to competing facilities."*

—Chief financial officer for a small hospital



[Click here to learn more and order the PREMIUM EDITION: case studies, actionable strategies, further segmentation](#)

## Analysis (continued)

Colorado's Centura Health, which operates 14 hospitals in Colorado and Kansas, explains that Centura's integrated network of ambulatory, acute, and postacute care is guided by a value proposition that adds service and convenience to the classic financial and clinical drivers. "The quality and the financial pieces are very hospital-centric," Nicholson says, "because that is what hospitals are used to focusing on. We think that the industry has to become different by offering different access points—meaning convenience—and providing service that is second to none. At Centura, we are working to have all four—cost, outcome effectiveness, service, and convenience—at a high level."

### Physician alignment and leadership

Achieving alignment with physicians is critical for success, but presents challenges, survey respondents report. Alignment with specialty physicians is included as a top challenge to service line adoption or expansion by 66% of respondents, and is called a critical success factor by 61%. According to Centura's Nicholson, an advisor for this report, "You want to work with your providers to have them help drive toward the best clinical pathways. How do we coordinate care? How do we make sure we are transitioning correctly? The key is that you have the right specialists that the primary care wants to use. You can hire physicians for alignment, but you must also make sure to partner with the full continuum of primary care specialists and agree on how you are going to work together and build together, trying to optimize healthcare value."

For the majority of respondents (56%), service lines are administration-led, although that structure is more common in hospitals (62%) than health systems (46%). Only 22% of respondents report that dyads lead their service lines, a number that seems bound to increase. Says Allison Rogers, vice president of strategic planning for Mountain States Health Alliance, a not-for-profit health system based in Johnson City, Tenn., that operates 13 hospitals in four states, "You've got to have the outcomes, but you've also got to keep your eye on costs, so you are really going to need a management team that can focus on both of those perspectives. I think just having administration-led service lines only leads to challenges in getting physician buy-in and physician engagement. With physician leadership only, you may achieve quality, but at what cost? I would anticipate dyad-led going up over time."

Rogers, lead advisor for this report, explains that it is vital to include primary care physicians in the discussions about the new roles for service lines. "Generally speaking, the primary care physicians in traditional

"You can hire physicians for alignment, but you must also make sure to partner with the full continuum of primary care specialists."

—Pam Nicholson, senior vice president for strategic integration, Centura Health, Englewood, Colo.



[Click here to learn more and order the PREMIUM EDITION: case studies, actionable strategies, further segmentation](#)

## Analysis (continued)

patient care would send the patient to specialties relatively quickly, whenever the primary care physician has gotten anything that seems a little bit complicated. Now there is going to be more focus on those primary care docs managing really complex patients and hanging on to those patients, and only accessing the specialists when they truly need them from a proceduralist's perspective or when [the patient] gets to a high-end state. That's why bringing the primary care physician in as a component when thinking about how to build and grow your service lines is going to be really critical to me in the future."

### The continuum of care

Nowhere in the survey results can we see the emphasis on the continuum of care demonstrated in a stronger fashion than in the near universal acknowledgment of the importance of outpatient programs and postacute care to service-line success. Overall, 98% say that outpatient programs are very important or somewhat important to service line success. In similar fashion, 86% say postacute care programs are somewhat or very important. The idea is to provide appropriate care in an appropriate setting, while ensuring smooth handoffs for each patient. In practice, the concept is aided by maturation of clinical procedures, which allows what may have been hospital-based procedures at one time to be performed in clinics and physician's offices.

"If we are truly effective about keeping patients healthy," says MHSA's Rogers, "in the future when you think about population health

management, it means that there will probably be fewer patients in the inpatient setting."

### Service line accounting

With more patient care taking place in outpatient settings at lower cost, the acute-care patient mix and revenue mix are liable to change. Indeed, many healthcare establishments examine accounting structures as they reorganize service lines. Says Victor DiPilla, vice president and chief business development officer at The Christ Hospital, a 425-staffed not-for-profit acute-care facility in Cincinnati, Ohio, "We are trying to capture the whole service line from a P&L perspective so you get a better measure of the true profit and loss of each of the service lines, as opposed to just the hospital portion or the outpatient portion."

Physician alignment is certainly a consideration when modifying service-line accounting. "It's not as easy as you might think, to align those P&Ls by service line," says DiPilla, a report advisor. "It's a process, you have to bring the physicians along. You should continually work with them to make sure they understand the business side of the equation. It's about

"Having administration-led service lines only leads to challenges in getting physician buy-in and physician engagement."

—Allison Rogers, vice president of strategic planning, Mountain States Health Alliance, Johnson City, Tenn.



[Click here to learn more and order the PREMIUM EDITION: case studies, actionable strategies, further segmentation](#)

## Analysis (continued)

how you share information so that they understand what it is that you are presenting. They have been pretty receptive to the approach.”

With the prospect that hospital revenue could fall because patients increasingly are treated in outpatient settings, The Christ Hospital expects to make up for lost income through reductions in readmission rates, for one. According to Heather Adkins, vice president and chief strategy officer at The Christ Hospital and a report advisor, “We are looking to partner for continuous postacute care with high-quality providers. We do not necessarily see revenue bump for that. But it will help reduce readmissions; it will show in clinical quality measures, which ultimately will reflect in our revenue picture.”

Such a multistep and long-term view of revenue—based on the logic that providing quality healthcare will eventually pay off—is one reason why the early movers in dismantling silos and integrating service lines into the continuum of care are health systems. It takes a degree of financial oomph to make a commitment to an organizational structure that expects to benefit from future population health even while current revenue streams are very much based on fees for service.

### Moving forward

As mentioned above, physician alignment is vital to service line success. Here is how The Christ Hospital’s Adkins sees it: “The only way that an organization is going to expand its service offerings or its footprint or its physician complement is through physician leadership and agreement

on meeting the mission.”

The second most frequently mentioned success factor is clinical and operation alignment, mentioned by 44%. When we look at responses by setting, we see that more respondents from health systems (54%) than hospitals (36%) place clinical and operational alignment among their top three success factors. Moreover, more respondents from large health systems (65%) than medium (49%) or small (39%) health systems cite clinical and operational alignment as a top success factor, which means that clinical and operational alignment—not physician alignment—is the success factor mentioned most often by respondents from large health systems. (Still, 58% of large health systems place physician alignment among their top three success factors.)

When large health systems approach their service lines from a population-health perspective, they must consider casting aside hospital-centric thinking. When they do, clinical and operational alignment can become as important as physician alignment.

“You should continually work with [physicians] to make sure they understand the business side of the equation.”

—Victor DiPilla, vice president and chief business development officer, The Christ Hospital, Cincinnati, Ohio



[Click here to learn more and order the PREMIUM EDITION: case studies, actionable strategies, further segmentation](#)

## Analysis (continued)

For the time being, health systems seem to be on the forefront of developing tactics for delivering healthcare along the care continuum. “We already have that continuum of care in our mind-set,” Rogers observes. DiPilla offers, “It may be that the smaller systems don’t have the total continuum to address. In addition, it may be they are more focused on operational day-to-day performance on the financial portions of their business, as opposed to looking at a more global view of the world, perhaps because of not having the resources to do that.” His colleague, Adkins, cautions that command over the care continuum can be a burden, as well: “There are costs we have to control related to that continuum of care. It’s a much bigger financial impact for a large system than it is for a smaller system.”

The need to be efficient in light of such financial exposure provides another reason that large and medium health systems are more inclined than small health systems to emphasize clinical and operational alignment and the efficiency that uniformity offers.

Changes in the healthcare industry are influencing how service lines fit into the continuum of care, how service lines are likely to be organized

within hospitals and health systems, and the set of skills leaders need to bring to bear to manage in the new environment. The “service” part of service lines—which usually means specialized physicians caring for patients with particular conditions, supported by specialized staff, equipment, and facilities—may not look very different. The referral base will remain a referral base. But the flow of patients is likely to change, both before and after the patient’s interaction with a given service line.

The change in patient interaction is likely to alter service line revenue, which, in a way, is the point. Those who are adept at incorporating their service lines into their view of how to support population health probably will deliver better healthcare at lower costs. In short, service lines will need closer relationships with outpatient services and postacute care services. In large health systems, service lines are becoming less hospital-centric, and it is likely that service lines in smaller health systems and hospitals will become less hospital-centric, as well.

**Michael Zeis is research analyst for HealthLeaders Media. He may be contacted at [mzeis@healthleadersmedia.com](mailto:mzeis@healthleadersmedia.com).**



## BUYING POWER REPORT [Click here to order!](#)

### FIGURE 1 | Leader Designated to Improve Service Lines

**Q** | Who within your organization is designated to lead efforts to improve your portfolio of service lines?

DATA SEGMENTATION TOOL

Click on these icons to dig deeper



BUYING POWER REPORT [Click here to order!](#)

**FIGURE 1** *(continued)* | **Leader Designated to Improve Service Lines**

**Q** | Who within your organization is designated to lead efforts to improve your portfolio of service lines?

Click on these icons to dig deeper

Indicates the type of goods or services the respondent is involved in purchasing

Indicates the role of the respondent in making purchasing decisions

Indicates the total dollar amount the respondent influences



**PREMIUM REPORT** [Click here to order!](#)

**FIGURE 8 | Top Two Metrics Critical to Service Line Performance Evaluation**

**Q** | What two metrics are most critical in evaluating your service line performance?

DATA SEGMENTATION TOOL

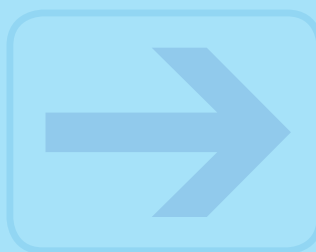
Click on these icons to dig deeper



Access.  
Insight.  
Analysis.



The nation's most exclusive  
healthcare intelligence community



Be a voice  
Gain insight from your peers  
Shape the direction of the industry



Join today at [www.healthleadersmediacouncil.com](http://www.healthleadersmediacouncil.com)