Cost Containment Transformation Glidepath to Success

Part II
It starts with a vision: be the best, by design.
Transformation requires more than a mission statement. Sustaining success requires more than a robust investment in business intelligence (BI) infrastructure. Organizational change requires vision grounded in a profound understanding of the current market landscape, and the acknowledgment of the impact from providers, payors and consumers upon that landscape. Too often transformation fails because the vision is not shared organizationally or is not clear. A vision developed through the strong collaboration of multidisciplinary leadership across all operating units of the organization can provide a clear vision that is understood from administration down to the front-line leaders.

Vision is a transformative force when driven by the ambition and skill to commit to a core strategy focused on operational excellence initiatives, predictive population analytics, and the development and execution of innovative care and prescriptive care delivery models. Vision provides the shared commitment to disrupt the current market norms and demand, leading to market leadership.

Investments by healthcare institutions in teams and analytical tools reflect the disarray of strategy in the industry. In a recent survey on “Return on Analytics” jointly fielded by EPSi and the Healthcare Financial Management Association, healthcare leaders listed a wide array of areas they plan to spend on, from revenue cycle, business development and growth, quality initiatives, financial programs, clinical operations to cost accounting, ambulatory operations and accountable care. However, the survey also found that the most common measures in place to measuring the effectiveness of investment analytics are... none. It is most notable, more than half say their overall strategy drives analytics only “somewhat” or “not at all,” indicating a potential disconnect between where organizations are headed and their plans to use analytics as a driver to get there.

More than half of survey respondents report strategy and analytics aren’t well aligned.
To what extent does your organization’s overall strategy drive your analytics initiatives?

3% Not at all
51% Somewhat
46% Very much


Many healthcare systems stand up teams to drive clinical transformation, but the groups are empowered to tackle variation in the inpatient setting only. Performance improvement teams are chartered with removing excess costs in the organization, but often have limited to no interaction with the financial groups responsible for the data. Provider and hospital data are maintained and managed by two distinct systems and operators. When myriad teams are guided by individual micro strategies in isolation, analytical investments rise with an egregious negative correlation to return.
Moreover, a strategy cannot be created in a vacuum. Both internal and external constituents must find common purpose for the strategy to be sufficiently agile and robust to both accommodate divergent interests and drive a common purpose. Strategy becomes bogged down or derailed when constituencies can no longer rationalize the value proposition of their participation. Further, leadership must build and communicate its core strategy within both the contextual past, and the existent and emerging market forces and their interdependencies.

**What does true strategy look like?**

Strategy is not a mission statement, nor a detailed workplan.

### Shaping a Vision

<table>
<thead>
<tr>
<th>Strategy Is</th>
<th>Strategy Is Not</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Relevant and market value-oriented</td>
<td>• Regurgitating past conquests</td>
</tr>
<tr>
<td>• Scenario-tested and focused</td>
<td>• A list of unrealistic “nice to have” extravagances</td>
</tr>
<tr>
<td>• Validated through e-internal and external metrics</td>
<td>• A detailed list of findings</td>
</tr>
<tr>
<td>• Evolving at an appropriate speed</td>
<td></td>
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### Informing Analytical Investment Needs

<table>
<thead>
<tr>
<th>Strategy Is</th>
<th>Strategy Is Not</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Driven by operational levels</td>
<td>• A list of analytic metrics</td>
</tr>
<tr>
<td>• Focused on identifying and addressing the analytics chasm</td>
<td>• A detailed workplan or task list</td>
</tr>
<tr>
<td>• Focused on by both clinical and financial leadership, in alignment</td>
<td>• Rigidly defined by tools</td>
</tr>
<tr>
<td>• Malleable capabilities</td>
<td></td>
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</table>

### Organizational Buy-In

<table>
<thead>
<tr>
<th>Strategy Is</th>
<th>Strategy Is Not</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A unified purpose – a sense of “us”</td>
<td>• Core steering committee-driven</td>
</tr>
<tr>
<td>• Clearly communicated throughout the organization</td>
<td>• Ingrained in daily culture</td>
</tr>
<tr>
<td>• Focused on clear objectives</td>
<td>• Both top down and bottom up</td>
</tr>
<tr>
<td></td>
<td></td>
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</tbody>
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| | |
| --- | |
| • A mission statement | • A directive for growth above all else |
| • Top secret or exclusive | • Suite command-driven |
Developing a Rigid Pliability

Curating a strategy is often one of the greatest challenges for health system leadership. It requires integrating pieces of a hospital, ambulatory, provider, and, in many cases, a health plan. Leaders in these historical fiefdoms are accustomed to operational autonomy, including control of discretionary funds. In this scenario, finance and strategic planning team members invest copious hours attempting to line up the incongruent visions of each party. When tribunal strategy leadership retreats occur, strategic, objective market data are lacking—as are frameworks to guide the discussions. Inevitably, the biases of each leader’s background emerge, and “owners” of the largest budgets become the loudest voices. With limited data and analytics to inform discussions, the organizational “strategy” looks more like the broken past and not the needed transformational future.

What are options to break through this deadlock? This type of standoff often requires bringing in third parties. For example, EPSI’s Strategy Solution Team works with clients to facilitate strategic planning sessions, guiding our market partners through a meaningful multi-day journey to set the course of the organization for the upcoming years. Our approach is grounded in years of experience as seasoned leaders in Big Four consulting shops, guiding clients through transformational journeys in population health, statewide networks, CIN (Clinically Integrated Networks) formation, and more.

While each client’s scenario is unique, successful strategic planning should consider the following:

1. **Market Analytics**
   Develop analytics to objectively evaluate current market dynamics, market position, internal and external comparative performances, etc.

2. **Market Scenarios**
   Portrait a virtual reality of various scenarios that could occur. While a strategy should be thorough in its exhaustion of market conditions, we find that most often the likely market trends can be summarized to two-to-four different scenarios.

3. **Internal Levers**
   Outline the 15-20 levers from which the organization can draw upon to influence and respond to the market conditions of the future. This should consider things like provider network, health plan, service lines, analytical tools, etc. These should not focus on external market conditions. They are the arrows of the organization’s quiver that can be used to spear change.

**Market Analytics**

Do not overlook the importance of market analytics. When done well, the market analytics should begin with a hypothesis of the story the data will tell. The data gathering should outline objectives, strategic facts about the market(s) and validate or reject hypotheses as they relate to current market conditions and trends as well as internal performance results against said trends. The analytics should provide enough data to confirm hypotheses and uncover narratives related to the organization’s current positioning.
Market Scenarios

The market analytics inform the current state and trends, including the likely future state. And while history is a good indication of the future, it is not guaranteed.

It is imperative, therefore, to integrate alternative scenarios that shed light on the needs for alternative futures. EPSi typically recommends using three different scenarios for this part of the planning:

**The Terrible, Horrible, No Good “Doomsday” Scenario**

Market conditions deteriorate rapidly from challenges with employer investment, governmental funding, competitive market share gain, etc.

**The Predicted Future**

Extension of current market scenarios and external market factors with anticipated disruptions and market movement based on observed trends.

**The Banner Year**

Gains in employment and thus governmental funding drive significant focus in healthcare investment and footprint, internal investments drive material relative gains in market share, etc.

The scenarios will differ by each, but the underlying principle should remain the same – to efficiently create enough scenarios to stress test the balance of investment in strategic levers dependent upon future market dynamics.
Internal Levers

Internal levers are not strategies. They are themes of investment/managerial theories around organization, integration, and execution. An example of an execution lever is service line leadership. On one end of the spectrum is “Administrator-led” which represents historical approaches to service lines management focused on a corporate, often non-clinical resource spearheading analytical and clinical studies to effect change. On the other end of the spectrum is “Triad-led,” which represents more progress leadership techniques that draw upon leadership from administration, physician, and nursing within each service line to enact change.

Artifact 1: Administrator-led
Corporate-only resource

Artifact 2: Triad-led
Administration, Physician, Nursing

Prioritization of “Levers”

A summary of current thinking in terms of prioritized levers to drive organizations to the future for alignment into the vision of decision analytics.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Lever</th>
<th>Status Quo</th>
<th>Envelope-Pushing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network</td>
<td>“Systemness”</td>
<td>Loose Federation of Disparate States</td>
<td>United Front Coordinating as One</td>
</tr>
<tr>
<td>Network</td>
<td>Strength of Network</td>
<td>Inpatient Aura w/ Market Draw</td>
<td>Outpatient Reach w/ Patient Proximity</td>
</tr>
<tr>
<td>Network</td>
<td>Provider Backbone</td>
<td>Specialist Led w/ Billboards &amp; Stars</td>
<td>PCP Led w/ Customer Led Model</td>
</tr>
<tr>
<td>Integration / Growth</td>
<td>Role of Health System</td>
<td>Focused Factory</td>
<td>General Contractor</td>
</tr>
<tr>
<td>Integration / Growth</td>
<td>Geographic Footprint</td>
<td>Regional Market Manager</td>
<td>Statewide Aggregator, Multi-State</td>
</tr>
<tr>
<td>Execution</td>
<td>Operational Excellence</td>
<td>Rigid Staffing, Target Looming</td>
<td>Elasticity &amp; Float, Managerial Precision</td>
</tr>
<tr>
<td>Execution</td>
<td>Financial Stewardship</td>
<td>Vertical – Hospital / Region Owned</td>
<td>Service Line Owned</td>
</tr>
<tr>
<td>Execution</td>
<td>Service Line Programs</td>
<td>Centers of Excellence</td>
<td>Longitudinal Customer Hubs</td>
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Rigidity – Represents areas in which investment should be the same, irrespective of where the market goes. With most client partners, usually 30-50% of the levers fall into this category. These create the “rigidity” of the plan as they emerge as areas of organizational focus, investment, and analytical need irrespective of market conditions.

Pliability – What’s left are areas in which there is variation in investment dependent upon the market conditions. These emerge as the “elastic” levers and highlight core areas for analytical need. Without precision and expediency of analytics to support investment decisions in these areas, organizations could embark on a multi-year journey with sunk dollars in investments that could generate minimal return if market conditions have trended in a completely different manner.

Artifact 3: Prioritization of “Levers”

Artifact 4: EPSi has built out a standard series of 15+ levers under the three themes of “Network,” “Integration/Growth,” and “Execution” that array differing theories and use these to facilitate the planning discussions to determine the right investments across each lever, specific to each market scenario. The concept of “rigid pliability” of the organizational strategy emerges from planning around these priorities.

Artifact 5: Prioritization of “Levers” Table

Current State of Organization | Future State of Organization
---|---

Cost Containment Transformation
Why > What > How

As HFMA’s ‘Return on Analytics’ pillar partner, our goal is to help clients develop tangible ways to generate, measure, and monitor return on analytical investments. Our experience working with our large client community has found that alignment of the organization’s overall strategy in driving analytics is one indicator of likely return – the “Why” of the organizational vision is greater than the “How” and the functions of the analytical tools in isolation.

The recent study fielded by EPSi and HFMA shows that over 50% of finance executives currently do not believe that strategy drives analytics. One potential consequence of this way of thinking is that transformation fails because the vision is not shared organizationally or is not clear. A vision developed through the strong collaboration of a diverse leadership team should provide a clear vision that is understood from administration down to the front-line leaders. This is why we want to know and understand your organizational priorities and the why behind your system strategies to build a better roadmap before we build out your system.

At EPSi, we recognize the imperative of strategic alignment. That’s why we make strategic planning a core competency within our advisory team. The Discovery and Design phase of every engagement begins with the “end in mind” and identifies analytics requirements to deliver Core Strategy and BI alignment. The team that coordinates our clients’ implementation of our market differentiated software, is the same group that helps clients enrich clinical and financial insights to execute strategic imperatives.

Up Next

In the next chapter of the EPSi Cost Containment Transformation series we’ll discuss our proprietary framework to evaluating analytical return through the Arc of the Possible – a tool intended to help prioritize analytical investments after the organizational strategic vision is established. Find out more about how EPSi is helping clients address the chasm between data and process challenges to maximizer the return on their decision support analytics.

If this is the journey you’re already on or you envision for your organization, you’re not alone. Welcome to the community of innovators, those who are ready to change the narrative and write a new chapter in healthcare analytics.

We’d love to hear from you and hear your organization’s story. Our team is ready to usher in a new era of analytics with you.

It starts with a vision: be the best, by design.
Acknowledgements

Special thanks to the following individuals for their contributions in this article:

Darren Cook
Manager
Darren Cook rejoined the Allscripts EPSi Professional Services team in 2017. In his role as Manager, Darren’s focus is on delivering prescriptive consulting services across the breadth of EPSi solutions and clients. Darren is particularly focused on aligning our clients’ strategic initiatives with ongoing operations through the Strategic Product Budget application. Darren has worked in healthcare finance at multiple healthcare organizations over a span of 30 years.

Darren’s prior experience includes serving as a Corporate Director of Decision Support and implementing a number of key management systems (i.e. DSS, Costing, Productivity and Labor Management, Operational/Clinical Benchmarking). He has also served as the Chief Financial Officer for a multi-specialty physician practice and affiliated network. Darren’s consultancy experience includes managing a practice based in Nashville responsible for over 120 DSS implementations and value-added services for a large for-profit system. He has extensive experience working with patient data, particularly as it relates to product line reporting, costing strategic planning.

Darren has a B.S.B.A in Finance from the University of Missouri – St. Louis.

Danielle Magaziner
Consultant
Danielle joined the EPSi Professional Services team in 2018. In her role as Consultant, Danielle’s focus is on delivering value-add consulting services for clients across all modules, focused around project management, strategy and visualization tools. Prior to joining EPSi, Danielle was a senior consultant in IBM Watson Health’s Strategic Advisory Practice.

Danielle’s prior experiences include strategy consulting and market research, configuring and implementing a population health outreach platform and guiding clients through solution optimization. She also has experience in developing new service offerings and creating design thinking workshops for healthcare systems.

Danielle has a B.A. in Health and Society from The University of Texas at Austin and is currently pursuing her MBA from the Texas McCombs School of Business. She currently resides in Dallas, Texas.

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