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4 Leadership Imperatives

How to improve population health management

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The sickness, hospital-centric model of healthcare, which has been in place in this country since the mid-1960s, is giving way to an "anywhere care" model that centers on population health management (PHM). PHM goals for patient populations include better health and better care, lower costs and improved access and outcomes. A new leadership mindset focused on four imperatives will spur progress toward meeting these goals.

Imperative 1. Commit to a New View of Healthcare

Hospital leaders with the new mindset recognize that change is not coming to healthcare; it's already here based on consumer-driven and Internet-fueled choice. If consumers prefer the convenience and style of nurse practitioners in retail store-based clinics, then they will get nurse practitioners in retail settings. Consumers are bypassing expensive, inconveniently located facilities, preferring their care in places close to where they live, shop and work.

Defending the long-standing activity-based business model is not a long-term strategy. Significant changes are needed for hospitals to operate under the PHM model. Boards and executives must commit to a new view of healthcare's future. Proactive leaders are willing to revisit organizational purpose in the face of a changing socioeconomic and business landscape. The new view entails accepting the concept that hospitals are not assured a position as the controlling hub of healthcare delivery in their communities. That role could be played by a powerful non-hospital entity that builds a system to provide products and services in an affordable and accessible way.



Leaders of legacy entities are best serving their communities' interests by dedicating their available energy, talent and capital to being part of healthcare's reinvention. With their wealth of knowledge, their broad infrastructure and in many cases their financial wherewithal, existing healthcare provider organizations are well positioned to collaborate with partners that bring other attributes-such as new technology, community-based solutions and nimble structure-to the challenge of transforming their large, complex healthcare system.

The board and executive team should be evaluating whether they are capable of

reorganizing and achieving financial and clinical relevance in an ambulatory and telehealth-focused delivery system. This path holds the opportunity to maintain relevance and market share-and therefore financial and clinical strength-in the changing market.

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Imperative 2. Build Agility

The role of healthcare's leaders now centers on building organizational agility, defined as the ability to nimbly operate current business while simultaneously preparing for changing/new conditions.¹

Today's successful leaders have to be both transformers-moving healthcare to a PHM-based model-and business curators-managing the traditional business while healthcare in their community(ies) transitions to the new model.

For legacy organizations, the transition to a different model is incredibly complex. To improve access, outcomes, costs and quality-all at a price point that is affordable for the population-executives and boards will need to make difficult decisions about the direction, pace and timing of change. Some core elements of the organization's structure, talent, technology and operations likely will have to change.

Agile leaders recognize the value of collaboration with all stakeholders who are willing to contribute energy and new ideas. Sharing one's "perceived power" with others is a critical aspect. Working with the best ideas, agile leaders will formulate a new vision of their organizations' future, and through teamwork, will do the hard work needed to make the transformation.

Imperative 3: Experiment and Innovate

The drumbeat for value has been present in healthcare for decades and is growing considerably faster and louder. Adoption or expectation of adoption of value-based payment has increased rapidly, with impetus from the Centers for Medicare & Medicaid Services, which announced its goal of moving at least 50% of its payments into value-based mechanisms by 2018.

Unlike the "tipping point" described by Malcolm Gladwell², which happens quickly and is hard to prepare for because predictions are lacking, healthcare organizations have had ample forewarning of the basic trajectory of health system change. Organizations that use value-based payment and delivery models now, even on a limited scale as pilot tests, are better positioned for success as the delivery system continues its progress toward broad implementation of value-based care.

Proactive hospital and health system leaders are innovating, looking within and beyond healthcare for models that work. Without undermining existing business, they are funding experiments until such experiments reveal a viable direction for the organization or not. These leaders understand that some experiments will fail and that failure is an integral part of innovation, creativity, and the journey to value. If an experiment fails, funding flows to other experiments.

For example, in 2012, Houston-based MD Anderson Cancer Center launched an ambitious plan to dramatically reduce mortality for seven types of cancer through cancer control and prevention. Called the Moon Shots Program, the initiative involves multiple disciplines in a carefully orchestrated, multi-year effort.

The program's core qualities do not depend on size or funding, but on a mindset orientation focused on the health of a population. The goals are to identify a population segment in need of preventative efforts, target environmental and behavioral factors contributing to health problems in that segment, and work with stakeholders to mitigate those factors.

Ultimately, the Moon Shots Program suggests a new way for hospitals and health systems to think about mission. Not content to limit itself to treating cancer, or even to discovering ways to mitigate cancer through its research, MD Anderson has stepped outside its walls and into its community and beyond to help stop cancer before it starts.

Imperative 4. Use Integrated Planning and a Blueprint for the PHM Journey

To manage an environment of complex change, executives must be able to analyze many market dimensions and develop and plan for multiple scenarios. They then must move ahead to make the fundamental changes needed in their organization's technology, system configuration, and clinical and business processes. Revisioning and redesigning an organization's delivery system

should be staged based on the entity's unique market, capabilities, desired role and competitive factors.

Leadership must ensure that the foundational planning process is grounded in fact-based market, financial and clinical/quality realities, and the organization's current and expected performance related to these realities. Certain organizations will be able to carve out a strategy to deliver only high-end acute-care services. But for most hospitals and health systems, an effective ambulatory and virtual strategy will be key to market relevance.

Leaders with the new mindset are committed to the use of a strategic planning process and plan. The plan positions the organization to provide services in an environment characterized by better informed and more cost-conscious consumers. It identifies the pieces of infrastructure required for a delivery system that firmly positions the organization in the ambulatory-centric sphere, and with a blueprint-like approach, determines how and where those pieces would be assembled.

The existing hospital chassis is not likely to have the right assets in the right geographies to manage population health. The optimal delivery system for each organization will balance population size, access, resources, quality of care, cost per unit of service and competitive considerations.

A blueprint identifies the items to tackle first, but leaders ensure that all of the puzzle pieces are on the table so that the organization applies objective criteria to drive delivery decisions and their implementation. Required investments include the elements of a new and different chassis with the following elements:

- An enhanced outpatient network
- Technology for virtual interaction
- Employees with technology know-how to meet the changing needs of activated patients
- Intellectual capital in areas such as care redesign, payment/pricing models and community health

The changing landscape will impact the reliability of credit platforms, the appropriate funding mechanisms, the investment of cash reserves and the ability to manage/support organizational risk. New partnerships likely will be required to cover new services and/or geographies. Securing such arrangements may be complex so leaders must be ready to give the exploration process the deserved time.

Early-stage investments in a PHM chassis often take five or more years to show positive return on investment. This means that leaders must continuously work to minimize overall enterprise risk as they invest capital and revise balance sheet strategies for a PHM-focused future (see Figure 1).

Figure 1. The New Era of Capital Investments and the Impact on Risk
Note: For illustrative purposes only; excludes routine operating expenses
Source: Kaufman, Hall & Associates, LLC

Composition of Capital Investments				Change	Risk Impact
Yesterday		Tomorrow			
Working Capital				No material change	Continue evoking cross-industry best practices
Equipment				Constant, though cyclical and accelerates with technological advances	Retain cash flexibility; improve lease incurrence and management
Technology				Increases significantly with care coordination, consumerism, big data, etc.	Shorter funding horizons; different funding partners; greater cash allocation
Bricks & Mortar				Decrease following transition to ambulatory care delivery and reduced utilization	Reduced access to "low, long and level" tax-exempt capital and risk structures
Risk Reserves				Significant increase in the amount and diversity of risk-based arrangements	Rebalancing of risk tolerance (overweight to operations)
Strategic Investment				Increases with changes to business model and core competencies	Potential need for rapid and significant allocation of capital capacity (including excess cash resources)

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