

CALENDAR OF EVENTS

July 17, 2012, 2:00 p.m. ET

Community Hospital 100

Network Teleconference:

Managing Employed Physicians

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October 14 - 16, 2012

Community Hospital 100

Leadership & Strategy Conference

Ritz-Carlton Dove Mountain

Tucson, AZ

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About Community Hospital 100

Community Hospital 100 is a year-round program dedicated to educating and connecting senior executives at community hospitals and hospital systems. Anchored by the annual Leadership & Strategy Conference, October 14 - 16, in Tucson, AZ, Community Hospital 100 facilitates the sharing of industry best practices between and among providers and suppliers during face-to-face and online encounters. The newest part to the program is the Community Hospital 100 Network, a virtual community created for the exchange of critical business information and resources.

For more information, visit:

www.communityhospital100.com

Community Hospital 100 Executive Roundtable Summary

It's well understood that our health care system is undergoing rapid change: merger and acquisition activity is heating up and new emphasis is being placed on cutting costs while improving quality of care.

A Community Hospital 100 Regional Roundtable convened on April 13 brought together 7 mid-Atlantic hospital and health system executives to discuss strategies around three key industry topics:

- **Physician-Hospital Alignment & Clinical Integration**
- **Organizational Relationships & Partnerships**
- **Reimbursements, Quality, Value and Hospital Consumer Assessment of Healthcare Providers & Systems (HCAHPS) Scores**

Jeff Hoffman, a Senior Partner with Kurt Salmon's Health Care Group, moderated the discussion. Ultimately, all three issues relate back to how, faced with a changing environment, community hospitals and small systems can help better the health of their communities while remaining financially viable.

Physician-Hospital Alignment

Physician alignment and some level of clinical integration of these physicians is an essential first step towards population health management, but many of the hospital executives in attendance said they were still grappling with how to best align with their physicians and get everyone working towards a common set of goals.

There are, of course, many different alignment models, and most hospitals will have to use more than one and manage in a mixed model environment for the foreseeable future. For example, one CEO said their hospital relies on a mixed model, which includes employment and co-management agreements. The hospital employs about 24 of its physicians, but views employment as a last-ditch path to alignment if there are no other options. Regardless of the model used, this CEO emphasized the importance of incentivizing employed, independent and

co-managed physicians. In one particular case, the hospital was able to create the right incentives to encourage a cardiac surgeon from another hospital to partner with them, helping their cardiac surgery program get off the ground without new recruitments.

Physician alignment can also incentivize behavior that helps lead to healthier communities. One CEO said his system's physicians host community events to encourage healthy behavior long before patients show up at the hospital doors.

The take away here was the discussion that no one model or strategy will work for community hospitals. Multiple models will be needed, integrating models will be required and community hospital leaders will need to get comfortable managing in this mixed model environment.

Organizational Relationships & Partnerships

Stressed for capital, many of the participating hospitals are considering potential partnerships with systems, but are worried about giving up governance control. Partnering can provide an opportunity for an organization to improve the health of its community without risking financial peril.

It's often difficult for a small hospital to offer all the services all patients in its community might need. For example, one COO said their hospital is constantly grappling with which services are essential versus nice to have.

That's where a partnership can help. For example, one of the attending hospitals doesn't treat all types of cancer, doesn't do open heart surgery, and recently sold its nursing home to help pay down debt. But by focusing on its core services and relying on partners to provide the rest, the hospital can ensure the health of its community and remain financially stable. Its CEO said he realized the organization could no longer stand alone and remain profitable, and is willing to give up some control to maintain sustainability in the long run. He said an ideal partner would be one with key specialty skills his hospital cannot make financially viable on its own.

Partnering can provide an opportunity for an organization to improve the health of its community without risking financial peril.

An attending CFO agreed. He said that while many hospitals are concerned with losing control, they must be willing to give up some control for access to capital, and that pursuing partnerships that highlight their strengths will help ensure they have a voice in any new organization.

From the system's perspective, a system VP said health systems often use capital as a carrot to get hospitals to join. They believe their system is becoming increasingly integrated, benefiting from back-office efficiencies and increased purchasing power, while still trying to give local hospitals as much control as possible.

Jeff Hoffman of Kurt Salmon reminded the group that local Boards that want to remain independent need to be prepared to make the really tough decisions that can have uncomfortable political ramifications in their local community, but it is the price they may have to pay to maintain their independent governance.

Reimbursement, Quality, Value & HCAHPS Scores

Both alignment and partnerships can help improve quality of care while reducing costs. But faced with falling reimbursement rates, hospitals are also turning to other tactics to improve patient satisfaction and reduce unnecessary readmissions.

Over the past 18 months, one medical center found that 539 people were admitted more than four times, resulting in \$6 million in costs. To help prevent unnecessary readmissions, this medical center is piloting health coach and nurse navigator models to help those patients most vulnerable to readmission.

And when it comes to HCAHPS scores, even small changes can make a difference, according to one hospital CNO. Their system implemented a "no-pass zone"—if a patient call light is on, no one will pass the room without going in and seeing what the patient needs. They've also had physicians start sitting next to their patients instead of standing over them. After showing physicians their scores, they were eager to make changes. "No one likes getting bad grades," the CNO said.

Conclusion

The challenging environment hospitals and health systems have to respond to is placing continued emphasis on the provision of high-quality care at a low cost, and it is becoming more and more a reality to achieve. By pursuing strong alignment with physicians, partnering where it makes sense, and focusing on lowering readmissions and increasing patient satisfaction, hospitals will be prepared to succeed in this new reality. Community hospitals with largely independent medical staffs will need to operate in a mixed model environment for the foreseeable future. The measure of their success will be the innovative models and strategies that they develop to succeed.

Jeff Hoffman has more than 25 years of experience advising the nation's leading hospitals and health systems. He can be reached at jeff.hoffman@kurtsalmon.com.

Kurt Salmon is a premier management consulting firm for today's leading hospitals and health systems. They work closely with our clients to create tailored solutions for their strategic, facility and capital asset, operations and performance, and information technology needs. For more information, go to www.kurtsalmon.com.

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is the only national gathering committed exclusively to the issues of community hospitals. Many of the most dynamic players in the industry attend, offering you an opportunity to strategize and plan for the future and expand your personal network during education, social and recreation functions.

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Executive Roundtables

combine the same high-level CEO audience and high-quality experience of the conference for smaller, more intimate discussions about the role of the community hospital in the future continuum of care. By invitation, these roundtables provide a tremendously valuable opportunity to leverage the experiences and knowledge of your peers in a compact period of time.

More information: www.communityhospital100.com