



## INSIGHTS

# Strategic Positioning Assessment for an Uncertain Future

*Are you optimizing your organization's performance for a changing healthcare landscape?*

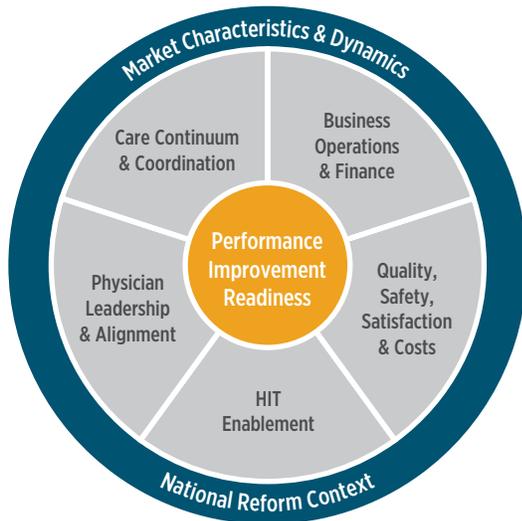
## OVERVIEW

Healthcare reform legislation has focused on expanding coverage, reducing costs and increasing quality, without requiring explicit changes in healthcare delivery. Indeed, much is left for interpretation. Despite the uncertainties regarding the implementation of reform legislation, current markets and industry dynamics suggest that changes in the delivery and cost of care are essential for any healthcare provider's long-term success, regardless of the future of reform. Amid the uncertainty, we can make one prediction with certainty—we will face many changes.

### Key Implications for Providers

- » Pace of reform-driven change to local delivery systems will largely be market driven, not legislatively driven
- » Government reimbursement rates will erode due to budget pressure, and commercial insurers will follow; employers will shift costs to employees, resulting in large amounts of healthcare financial responsibility being put into the hands of consumers—who will be largely unprepared to manage this burden
- » Providers who understand—and manage—their “true” cost structure and clinical performance will be better positioned than others who continue to focus on volume and revenue, even in the short term
- » Competition for the best-insured sectors will intensify; the same will be true for the most-complex patients
- » Material financial rewards for quality and safety have historically been, and will likely continue to be, slow to develop
- » Not every provider needs to, or should be, the center of an accountable care organization (ACO)
- » Providers not structured to manage payment risk can still be very viable by focusing on value: high-quality, excellent patient care and experience, delivered cost-effectively
- » Specialty hospitals and groups should focus on what will make them attractive to one or more systems—they can develop arrangements with one or more ACOs or other networks
- » Scale will increasingly matter

## EXHIBIT 1: Kurt Salmon's Positioning Assessment Framework



### The specific areas for assessment based on the above are:

- > Market characteristics and dynamics
- > Physician leadership and alignment
- > Care continuum and coordination design
- > Business operations, finance and reimbursement
- > Performance improvement: quality, safety, satisfaction and costs
- > Health information technology

### Assessing Your Readiness for the Future

Regardless of the political overtones driving much of the health-care reform dialogue, many health systems recognize that our current delivery system funding and delivery model is not sustainable, and healthcare reform initiatives represent the single greatest potential for change to the U.S. healthcare delivery system since the introduction of Medicare and Medicaid. As such, the landscape that employers, payors, hospitals, physicians and other providers, and, of course, patients have become accustomed to, and around which our business models have been structured for nearly 50 years, will be fundamentally altered.

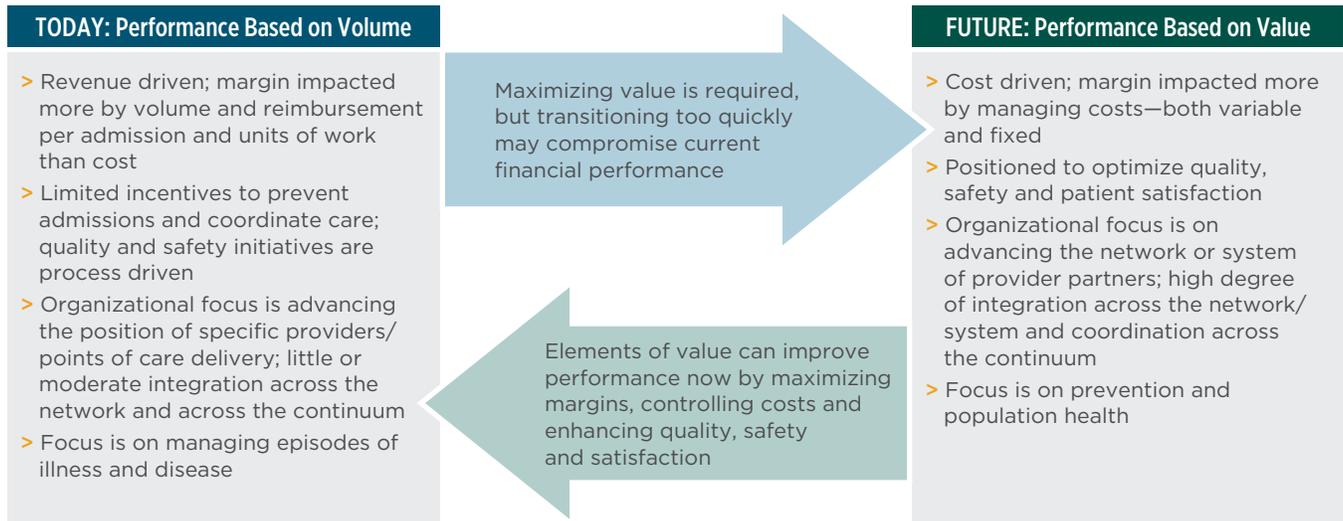
Kurt Salmon has developed a review of core issues related to the underlying issues of healthcare reform and an assessment framework to help hospitals achieve immediate performance improvement. We believe that regardless of what happens with respect to the specifics of reform, an essential step will be developing strategic approaches to optimize institutional

performance today to get ready for the future. In this context, we have introduced our reform positioning assessment framework as illustrated in Exhibit 1.

Providers must also appreciate the evolutionary nature and uncertainty of reform initiatives given political drivers and the broad nature of current federal and state legislative initiatives, as well as the ongoing efforts of multiple stakeholders to shape and define the specifics around funding, implementation and measurement.

Ultimately, a health system's underlying strategy and business model must anticipate and be ready for potentially significant change. While many are considering development of ACOs, this evaluation is not a recipe for becoming one, but is rather an assessment of your positioning along key variables that are fundamental to any organization's success today and certainly into the future.

## EXHIBIT 2: Transitioning from Volume to Value



The appropriate performance metrics may well change over time from an emphasis on volume to an emphasis on value (quality, safety, satisfaction, clinical effectiveness and cost-efficiency) and assumption of accountability for population health over a longitudinal timeframe.

### Redefining Performance: Volume to Value

The pace of many proposed healthcare reform initiatives and incentives will provide the tipping point to accelerate the existing momentum for a transition from a focus on volume to a focus on value as the key to successful performance. Nevertheless, there are many aspects of value-based performance that can improve the bottom line now.

The challenge for health systems lies in the need to be an ambidextrous organization—continuing to live in a volume-oriented reimbursement model while developing strategies that emphasize value; they need not be mutually exclusive, though success

will come to those organizations most able to move toward the future with a vision and goals shared with their physicians. (See Exhibit 2.)

Our approach employs a maturity model construct as a framework to help you define current capabilities and obtain consensus on your organization's readiness for reform today—and what you could achieve given the staged execution of a number of focused strategies related to opportunities critical for achieving improvements in both current and future performance. Each component of the assessment is conducted using a focused tool that measures key elements of performance based on today's volume-driven model and in anticipation of tomorrow's value-driven model for healthcare, as shown in Exhibit 3.

### EXHIBIT 3: Kurt Salmon Performance Maturity Model



The results of the assessment compare your strategic performance improvement position with peer organizations and serve as a basis for establishing goals and strategies.

Following the assessment and discussion of strategy development with senior leadership, Kurt Salmon will work with senior leadership to engage key clinician stakeholders in designing action steps to implement change using our accelerated design process.

#### KURT SALMON

Kurt Salmon is the premier management consulting firm for today’s leading hospitals and health systems. We work closely with our clients to create tailored solutions for their strategic and finance, facility development and performance, operational and information technology needs.

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