



Leading a hospital sector 'turned inside out'

By James Furbush | November 22, 2016

The rapid changes in the hospital sector pose challenges for operations, and also for leadership. As they contend with the transformation of a decades-old business model, how can hospital leaders step back from the demands of daily management to think strategically?

athenaInsight asked Joseph Johnson, a managing director and partner at the strategy firm L.E.K. Consulting, and former hospital executive Linde Wilson, who collaborated last year on a white paper about trends driving change in healthcare.

Q: In your paper, you describe how industry realignment is "turning the hospital inside out." Can you explain what that means and implications for hospital leaders?

Johnson: First, for years, hospitals were focused on inpatient care. Today, the ambulatory side has become as significant as the inpatient.

Second, public pressure for information about the inner workings of hospitals and health systems [means that] what was once a revered and cosseted institution is now being turned inside out to dissect every process and outcome. And so it should be.

Historically, consumers have had less information about the cost and quality of healthcare than they do televisions and computers.

These shifts will challenge leaders, who will need to connect the continuum of care – from inpatient through to ambulatory and post-acute care, and even potentially into patients' homes – while also managing the hospital or health system's image in the face of increased scrutiny.

Q: What role should hospital boards play in that leadership? We tend to think of these boards as ceremonial positions for prominent people. Should they look to become more activist?

Wilson: Never in the history of healthcare has so much change been afoot. So good governance is crucial. A competency-based membership is required to ensure that boards meld together the skills required in a complex environment such as that of a health system.

I believe strongly that in this time of change, it should be the board that is responsible for the development of strategy; they must assure that the strategy protects the health system and

the services availability in the community. Management is then responsible for strategy activation, with the board assuring that goals are being met.

In terms of their constitution, boards can no longer be made up merely of community leaders. [They] need forward-thinking, innovative members with understanding of and experience in a diverse array of areas.

Q: Organizations such as Castlight Health are creating increasing pressure for price transparency. Do you think transparency is inevitable?

Wilson: As consumers become more responsible for payment of their healthcare expenses, there is evidence they will become more aware of the cost of care and make decisions based on maximizing their healthcare dollar. At the moment, there remain great obstacles to price transparency. Many consumers have no idea where to find valid information on pricing. In 2014, Public Agenda conducted a survey: 50 percent of patients who had never checked a price were unsure how to even find price information.

Price sensitivity is not static in a medical setting. In the midst of the emotional turmoil of medically necessary care, consumers become less and less price sensitive. They will often indicate they will pay whatever the cost to alleviate pain or receive needed care.

It's a complicated issue, but one that healthcare leaders cannot avoid.

Q: You recommend that leaders at hospitals and health systems take a "portfolio" approach to service lines. Can you tell us what that means, and what to look for in portfolios?

Johnson: Portfolio analyses involve the assessment of each individual service and product line at health systems. Each analysis includes a deep look at profitability, quality, technology, process, service, performance improvement, and other items in relationship

to the market. It not only gives insight into how to maximize care delivery and reduce waste, but also gives the management team the ability to make decisions on growing, reducing, or maintaining specific service or product lines.

Given scarce resources, it is imperative that financial resources be effectively allocated to meet financial targets, and a look at each service and product line in detail gives insight into profitable and sound growth.

Q: There have been some reports that high-deductible health plans are increasing bad debt at hospitals, particularly among the very ill. Do you think that will become a growing problem?

Wilson: Studies have shown that high-deductible health plans do indicate greater consumer sensitivity to costs and reduced healthcare spending. However, there are no clear indications on whether reduced spending is delaying medically necessary care or reducing unnecessary care. If consumers are foregoing needed care, they could need more intensive treatment later. The result could be a spike in healthcare costs down the road.

One of the critical implications for management is the changing elements included in the revenue cycle. As a larger percentage of providers' revenue comes directly from patients, many providers must enhance front-end revenue cycle management workflows and technology solutions to improve collections, particularly point of service, to avoid bad debt. Providers will also need to develop proactive projections for patients on their out-of-pocket expenses.

High-deductible health plans are not consistently understood by patients. This further shifts the burden of education to providers, adding additional costs to the system. However, these increased educational and counseling costs should benefit the health system by improving the patient experience and, ultimately, patient loyalty and retention.

Q: You give a five-step process for achieving clinical integration. You list leadership first and technology last. Can you explain why?

Wilson: Technology is a tool. Leadership is the ongoing guidance of the system in the midst of change. Health systems can effectively exist without technology. It makes much of the work very difficult and slow. But health systems cannot exist without strong leaders. Particularly today.

This interview was edited and condensed.



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