



Shifting Leadership Competencies

As the U.S. health system migrates from fee-for-service reimbursement, the traditional wall that's separated clinicians from those paying the bills will continue to crumble. Already, alternative payment approaches are reverberating throughout: shared savings efforts, bundled payment programs and population health initiatives, to name a few. By early 2013, 16 percent of hospitals had either established or joined an accountable care organization, and another 7 percent were considering such a move, according to an ongoing American Hospital Association survey to track emerging models of care.

The outstanding question: How rapidly can hospital leaders shift their mindsets and tactics? "You can't sit still, because this thing is moving too quickly," says Jim Hinton,

CEO of Presbyterian Healthcare Services, Albuquerque, N.M., and chair of the AHA's board of trustees. "I think the risk is [that] it takes a long time to change the DNA of health care systems."

In short, hospitals leaders must think more like payers to develop the expertise needed to navigate the morphing reimbursement environment, says Hinton and other experts interviewed. Hospitals traditionally have focused on high-quality patient care, while the payers have held a crucial data piece, says Kevin Reddy, a vice president at Furst Group, a health care executive search firm. "They're the ones with all of the claims data," he says. "And they are the ones who can really slice and dice that data.

"When you combine these pools of talent, that's where success will come."

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Strategizing First

Before deciding what expertise they need, though, hospital leaders must vet their own strengths and weaknesses. Calculate what percentage of the hospital system's revenue already stems from some form of capitated arrangement, Hinton suggests. Then break down the relative profitability of various funding sources, such as Medicare or commercial payers. "There are a lot of assumptions," he says, "that have to really be evaluated based on facts."

When meeting with prospective partners, bring more to the

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table than brochures about intriguing programs. Share outcomes data packaged with other statistics, such as publicly reported measures and some partnership ideas.

"Ultimately, I think the real difficult question that all health systems have to ask is, 'If you were a payer, why would you want to contract with my health system?'" Hinton says. "What is the value added? What do you bring to my members?"

Presbyterian, which started its own health plan nearly three decades ago, has been expanding its various capitated arrangements for years, and now nearly two-thirds of the system's revenue is thus pre-budgeted. One of the system's recent initiatives includes the establishment of a primary care clinic at a local Intel manufacturing plant, staffed by the system's clinicians. The employees of the computer chip manufacturer benefit from the patient-centered medical home approach and Presbyterian knits closer ties with "a very key customer," Hinton says.

Fostering Expertise

Once hospital leaders zero in on their strategic path, they'll know what types of nuts-and-bolts roles they need regarding contracting, actuarial and other positions, says Kevin Sears, vice president of payer strategy and product development at CHE Trinity Health, Livonia, Mich.

"Even if you're not going to become a health plan," Sears advises hospital leaders that "it's really important to be able to, at a minimum, validate the per-member, per-month targets that payers are setting."

More challenging is finding the right mix of skills for more senior-level positions, some of which might be difficult to capture by a title and a resumé, says Bob Clarke, Furst Group's CEO. A potential candidate might hold a big title in a local health plan, but it's critical to look further at skills and vision, Clarke says. "As health plans go, are they creative? Have they engaged in interesting partnerships?"

Reddy talks about finding individuals with "learning agility" to fill these emerging multifaceted roles — someone who could think about potential players and partners in the marketplace, he says, "even if, heretofore, they'd been on opposite sides of the table. 'What should this look like, and how do we get the people?'"

Those future leaders, Reddy says, will need to have "those relationship skills and the demonstrated ability to drive that [process], and to build something that maybe doesn't even exist today."

CHE TRINITY HEALTH: Consolidating Knowledge

At CHE Trinity Health, a key benchmark for success moving forward "will be the number of attributed lives that we have as a system," says Kevin Sears, vice president of payer strategy and product development at the nonprofit system, which includes 86 hospitals in 21 states.

"Our charge is to obtain in each of our markets the right number and the right mix of those covered lives," he says.

To that end, leaders at the Livonia, Mich.-based system evaluate the relative profitability and innovative potential of prospective partners, both public and private. Along with analyzing reimbursement rates, they look at the payer's willingness to support the infrastructure and initiatives needed to transition toward population health, Sears says.

Once a partnership is formalized, tracking and dissecting both treatment and claims data are crucial. CHE Trinity Health leaders are in the process of creating a center for population health analytics. The first step has been to hire actuaries for the center, including someone with nearly 30 years of experience who previously worked for a health plan.

That center eventually will be populated by a mix of actuaries, biostatisticians, epidemiologists and other analysts, Sears says, "to help us understand not only the financial trends, but also the opportunities to improve that performance clinically and financially."

The sprawling health system, which treated about 32,000 people through population health initiatives just two years ago, now manages the care of slightly more than a million individuals nationally through ACOs, bundled payment approaches and other types of shared savings arrangements.

The goal for 2016: to treat roughly half of the system's patient volume through some type of population health initiative.

UNITYPOINT HEALTH: Jump-starting Innovation

Hospital system leaders fall into one of two camps, according to Kevin Vermeer, executive vice president, chief strategy officer and ACO chief executive at UnityPoint Health in Des Moines, Iowa. Either they are "pretty aggressively going after developing population health capabilities," he says, or



they are trying "to maximize fee for service as long as it's in existence."

UnityPoint's recent track record illustrates which philosophy their leaders have embraced.

The integrated system of 32 hospitals, once called the Iowa Health System, has facilities participating in both Medicare's Pioneer and Shared Savings programs. UnityPoint also has set up a commercial shared savings arrangement with Wellmark Blue Cross and Blue Shield, involving about 55,000 of the plan's fully insured members in Iowa. In January, the nonprofit health system acquired a health plan, Physicians Plus Insurance Corp., as part of its affiliation with Meriter Health Services of Madison, Wis.

To some extent, the Midwestern system pursued these shared savings arrangements to jump-start innovation, Vermeer says. "The way that we were really going to engage our physicians and hospitals and home care agencies around changing how we deliver care is by entering into these contracts and really forcing ourselves to build these capabilities, and to look how we deliver care differently," he says. "And it's definitely done that."

Along with developing a core group of analysts, UnityPoint also added a new senior-level position last fall, called vice president of payer innovation. "What we wanted to bring into the organization was a person who was more focused strategically on how we get paid for value," Vermeer says. "So, how do we create different relationships with payers other than straight fee for service?"

THE STRATEGIC MINDSET: Five Components

How can hospital leaders revamp their perspective? Krista Bowers, a director at the health care strategy firm BDC Advisors, suggests five components to becoming more payer-savvy:

1 ANALYZE THE MARKET:

Break down profit and loss across payer types, public and private, looking for potentially lucrative niches. Pay attention to market share, with primary care doctors' driving that equation. How many of them are aligned with your system?

2 THINK COMPREHENSIVELY:

To what extent can the hospital system manage or support patient care outside of its walls? Besides adding programs and services, this form of integrated care requires clinician buy-in, Bowers says. "Even if you employ [the physicians], you have to win their hearts and minds."

3 ISOLATE NICHE:

Decide what groups of patients initially should be targeted. Depending upon the market analysis, a hospital might focus on a few medical conditions or a particular insured group, such as Medicare Advantage patients.

4 BRAINSTORM MODELS:

What patient services or staffer skills should be developed to more cost-effectively treat these patients? What data need to be analyzed further and what new people brought on board?

5 REACH OUT:

Should your hospital hang back or approach intriguing partners? There's already a lot of jockeying in some markets, Bowers says. "People are looking for dance partners, so I don't think it's going to be difficult."