PUBLICATION SNAPSHOT

MAKING GOOD ON THE PROMISE OF CLINICAL SCALE

SG2
health care intelligence

As health care consolidation continues, merging systems have mostly succeeded in leveraging their newfound size to achieve business and financial scale. However, mergers and acquisitions have generally not yet delivered on **clinical scale**: leveraging greater size to improve quality, lower costs and expand access.

DELIVERING ON CLINICAL SCALE

Until now, health systems have not been forced to undertake this difficult effort. But organizations can no longer afford to neglect the opportunities and potential benefits of clinical scale. As provider systems consider where to focus their efforts, a systematic approach must be taken to narrow the list of initiatives and assess the organizational capacity to take them on.

FOUR AREAS TO PRIORITIZE

HIGH-STAKES CARE

Priority Play:

Financial bonuses or penalties may be in play, evidence of widespread shortfalls can spur external scrutiny, and/or reputation and market position can be enhanced or tarnished by performance on certain high-profile services.

Examples: Outcomes measures with direct financial results (eg, value-based purchasing metrics), bundled payment programs in which the health system is on the hook for episode costs

Top of Mind for:

Quality teams at the hospital or service line level, likely already focused here

SHOPPABLE/STEERABLE SERVICES

Priority Play:

Mounting mandates for price transparency and payer steerage to high-value care options necessitate scalable "commodity" services offered in multiple settings. Disrupters are seeking to capture these profitable streams of business.

Examples: Imaging, lab tests, urgent care, colonoscopy

Top of Mind for:

Consumers expecting such low-complexity, price-sensitive options to be available now

MARGIN-FOCUSED SERVICES

Priority Play:

Whether high- or low-margin, services key to financial sustainability are important targets for clinical scale activities, just with different goals: maximizing a perceived strength or addressing a financial drain.

Examples: Financially favorable services (eg, joint replacement), destination medicine services for academic medical centers

Top of Mind for:

Purchasers, as even midsized and smaller employers are increasingly turning to high-value provider systems to rein in health care costs

UPSTREAM CARE

Priority Play:

Some provider systems may choose to prioritize primary care. Goals may be to strengthen network integrity, safeguard the brand or implement enterprise-wide best practices in areas such as behavioral health or primary care for diabetes.

Examples: Upstream screening and triage to optimize use of specialists

Top of Mind for:

Organizations with a growing portfolio of risk-based contracts, and especially those with a provider-sponsored health plan

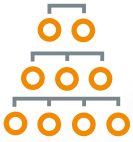
FOUR CRITICAL CAPABILITIES FOR EXECUTION

LEADERSHIP AND CULTURE

This capability encompasses a common vision and language for clinical scale imposed from the top of the organization, as well as provider engagement in these efforts. Supporting this capability are system-wide communication channels and a culture geared toward clinical scale.

Common Barriers

- Goal and strategy misalignment
- M&A/consolidation efforts that neglect cultural differences
- Leadership changes



OPERATING STRUCTURE

The operating structure is "how the work gets done." In addition to management structure, it includes physician alignment (including financial incentives), system-established quality targets, and processes for supporting systemness, scale, standardization and sustainability.

Common Barriers

- Lack of accountability
- Lack of agility
- Limited physician bandwidth
- Absence of aligned incentives

DATA ANALYTICS

From the data needed to identify problems, through development of enterprise-wide benchmarks and unified dashboards, data analytics supports decisions system-wide and at the point of care. Analytics is one area where size may be an advantage, giving bigger systems more resources to build needed infrastructure.

Common Barriers

- Inability to capture data
- Resource availability/prioritization
- Lack of accountability
- Conflicting definitions

DELIVERY SYSTEM

This incorporates care (re)design, clinical teams and care coordination to expand access, achieve standardization, improve outcomes and lower the total cost of care. Service distribution—deciding where and how services are delivered across the system's footprint—is an important aspect of this capability.

Common Barriers

- Suspicion of programs developed elsewhere
- Physician pushback on standardization
- Lack of resources to ensure sustainability

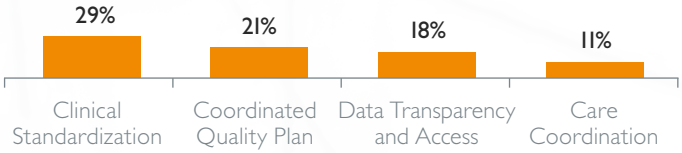
M&A = mergers and acquisitions.

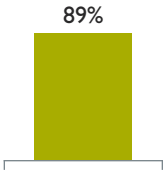
NEW DYNAMICS COMPEL CLINICAL SCALE MOMENTUM

Part of the push for clinical scale is a focus on "systemness"—operating as an integrated system providing a consistent clinical product and patient experience across the enterprise. While systemness is a focus for many organizations, however, executing on it continues to be rare. That's the finding from a recent Vizient Performance Improvement Collaboratives benchmarking study that surveyed 72 health system COOs, CMOs, CQOs, CNOs, CFOs and other executives responsible for clinical quality and value.

Reported focusing on systemness work over the past 3 years

But when asked to name their top 3 priorities, only a minority listed the following building blocks of clinical scale:



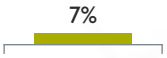


Had participated in a quality improvement project directed from the system level in the past 2 years

But a minority have:

A centralized function managing quality work

A system-wide clinical standardization team



Additionally, challenges with access, revenue and market dynamics are driving progressive organizations to tackle clinical scale through intentional efforts to link quality, cost and market performance.

AGGRESSIVE STEERAGE

Payers are increasingly steering patients via tiered networks, with some eliminating the option of higher-cost sites altogether.

DISPARATE PAYMENT

Private insurers pay on average nearly 2 and a half times Medicare rates for hospital care.

PRICE TRANSPARENCY

CMS has proposed a rule compelling health plans to publish their in-network and out-of-network rates.

VBC MOMENTUM

Value-based contracting is gaining steam, from programs like BPCI-A and Primary Care First to Medicare Advantage and self-insured health plans.

For a detailed look at this topic, see the full report, *Making Good on the Promise of Clinical Scale*. For customized assistance, contact your Sg2 service team at 847.779.5300.

BPCI-A = Bundled Payments for Care Improvement Advanced; VBC = value-based care.
Source: *Effective Operational Models for Systemness Benchmarking Report.* Vizient. June 2019.

Anticipate the Impact of Change

Sg2, a Vizient company, is the health care industry's premier authority on health care trends, insights and market analytics.

Our analytics and expertise help hospitals and health systems achieve sustainable growth and ensure ongoing market relevance through the development of an effective System of CARE.

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