



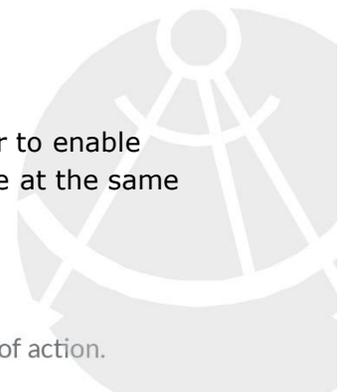
Allocating Capital for the Integrated Care Network of the Future:

A Billion Dollar Conundrum for Health System Leaders

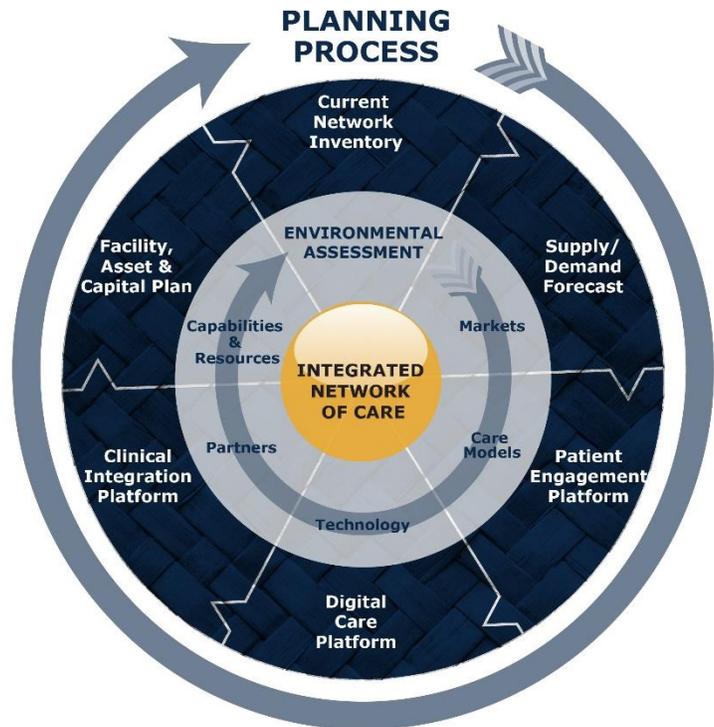
The health system of the future will look very different from today's; its capital planning and investment process will also need to be different. In the past, hospitals focused their investments on the acute care space creating competitive advantage by attracting patients and providers with state-of-the-art facilities. In recent years, as care migrated to outpatient settings, ambulatory sites and continuum services have been the focus of investment. These points of access enabled health systems to extend their geographic reach. Now health systems must extend their investments beyond the traditional bricks and mortar networks of hospitals, ambulatory centers and physician offices to reach patients through new technology-enabled channels of service delivery.

These new channels of delivery redefine the health system from an aggregation of physical access points to an integrated network of care that unifies the physical points of access with technology-enabled distribution channels. In this context, the new strategic imperative for health systems is to drive growth through service distribution – providing new care delivery channels that leverage technology and act as a provider extender to enable health systems to grow their member base while lowering the total cost of care at the same time.

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To meet the challenges of this new strategic imperative, health systems will need to employ a different approach to investment and capital allocation that both sustains existing physical assets and redirects capital to the investments needed to open these new distribution channels. This approach must also leverage partnerships with other providers and technology-enabled service companies that can provide needed capabilities. Successful providers will develop a robust and dynamic planning process to facilitate decision-making regarding the prioritization of assets and capabilities to optimize the use of capital. The Chartis Group has developed a comprehensive framework to help guide this planning process.



Integrated Network of Care Planning: An Environmental Assessment

Markets

Every health system must ground its strategic plan in the context of their market and competitive environment. Traditional strategic plans have always taken into account local and national trends, local market conditions (payers, competitors, physicians and populations), and economic and reimbursement trends. Today, a new era in healthcare is emerging, characterized by an intense focus on costs, new market entrants aided by reduced regulation, and an increasing amount of innovative virtual care. Technology-enabled methods of service distribution are changing the way health systems define their market. New market entrants can now provide services to patients without the constraints of physical access points. The environmental assessment must now



include a thorough understanding of these emerging potential partners and competitors. Health systems must rebase their understanding of the market in light of this new reality.

Care Models

Health systems have built their care delivery network around traditional care models that placed the primary care provider at the center of the relationship between patients and the health system. This meant that health systems could organize their networks around a predictable set of hierarchical referral relationships with higher acuity care concentrated on tertiary hospital campuses and lower acuity care distributed in the community. Today, innovative care models are emerging that enable patients to receive care through new types of provider relationships in nontraditional settings. Patients are able to receive simple (but high volume) primary care evaluations on their smart device without ever leaving home. The tele-ICU model allows the health system to leverage its local community assets to deliver higher acuity care in a community hospital. And with advances in remote monitoring, home health providers are able to treat patients for an increasingly broad range of conditions at home, reducing the need for inpatient care. These changes in how care is delivered will have a profound impact on the number and types of physical assets that health systems need to develop and maintain.

Technology

Advances in care models, enabled by technology, are changing what it means to be a health system. Leading health systems are becoming sophisticated users of clinical technology and over the past two decades they have incorporated clinical information systems into their operations. The next evolution will see technology taking an even more direct role in enabling the provision of medical services to patients.

Partnerships

Increasingly, the role of the health system is to be the orchestra leader, blending the instruments of care delivery to create a harmonious balance of services for the patient. A health system does not need to play every instrument but, like a good maestro, will need to integrate all the players. To be a leader in the integrated network of care, health systems need to have a deep understanding of the capabilities and models of alignment for potential partners.

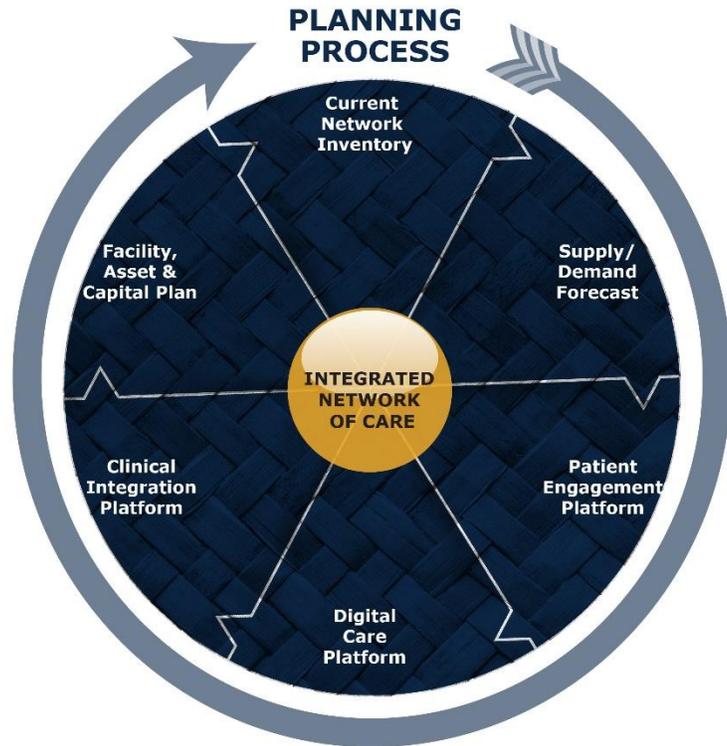
Resources

The investments needed to develop the network of care will require significant capital but also new people, expertise, technology and operational capabilities. Many of these resources may not be available in your organization today.

Integrated Network of Care: Planning Process

Understand Current Network Assets and Capabilities

A clear understanding of future service demand and capacity requirements is a critical element of a successful network transformation. A comprehensive network of care strategy must begin with a thorough evaluation of the existing network assets and service delivery capabilities including virtual and digital health. This inventory should include owned, leased and networked services across the continuum.



Supply and Demand Forecast

Building on the understanding of the current network, future network requirements can be determined based on a careful evaluation of the key drivers of change in capacity and demand. Most health systems have facilities that are reaching the end of their useful life. These buildings must be either refurbished or decommissioned and the services within these structures must be either reconfigured or relocated. A clear understanding of the service demand curve can assist the organization in allocating the right amount of capital to keep these assets competitive. This work will create a baseline capital forecast and provide the foundation for the subsequent planning activities.

Patient Engagement Platform

Health system leaders are increasingly cognizant of the fact that one of the most valuable players on the care team is the patient. As both the first and last link in the healthcare value chain, the patient is uniquely positioned to impact their own health. Activating patients to become meaningful participants in their care is critical to building a strong patient engagement platform. The challenge for health systems is to build a platform for patient engagement that creates value by improving the efficiencies and outcomes that result in a better patient experience and drive adoption.

Digital Care Platform

The patient engagement platform must be complemented by a robust and scalable digital care platform. The digital care platform brings together technology and information management capabilities to provide advanced analytics, applications and personal health devices, clinical decision-support, and digital care delivery to optimize health management. In this rapidly evolving field, health systems must build a strong digital platform capable of supporting innovation.

Clinically Integrated Network Platform

To provide value, health systems will need to move beyond the traditional silos of care and their focus on local geographic networks to create networks that can serve the diverse needs of payors and employers at the regional, statewide and even an interstate scale. Health systems will be challenged by the scale, resources and capabilities required to meet these needs. Successful health systems will partner with other providers to construct clinically integrated networks that leverage partner capabilities and allow health systems to maximize the depth, breadth and reach of their service delivery channels. Health systems can also leverage developer-financed projects to build provider partnerships with a lower capital commitment.

Facility, Asset and Capital Plan

The facility, asset and capital plan is the implementation roadmap for an organization's network of care strategy. This plan should layout the approach (make, buy, partner), resources (physical, human, information), sequence and timing for the development of each element of the network of care, and within the constraints of capital funding capacity, prioritize among main campus, network and virtual investments. An effective plan will seek to drive action around clear objectives, drive clarity around areas of ambiguity and preserve flexibility around areas of potential risk.

Implications

The true value of a care delivery network is its ability to reach consumers with the right care at the right time to deliver consistent quality and value. Without exception, health system's existing networks will be inadequate to meet the consumer demands for the future network of care. The future network of care must provide a set of services that integrate patient engagement, care models, technology and partnerships to seamlessly deliver care across both physical and technology-enabled network channels. Making the right

investments to manage this transition is the primary challenge facing health systems today.

Leading health systems will act now to develop an integrated network of care strategy.

Leading health systems will act now to develop an integrated network of care strategy. This plan should outline a strategic and capital allocation roadmap for creating a new integrated

platform for service delivery. Building this network will require a long-term strategic plan to balance investments that ensure health systems remain competitive in the near-term while investing in the capabilities, assets and innovations that will position health systems for long-term success.

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ABOUT THE CHARTIS GROUP

The Chartis Group is a national advisory services firm dedicated to the healthcare industry. We help our clients solve their most pressing issues, empowering first movers in their markets. Our tailored, custom solutions are built on an integrated thought leadership platform delivering the core disciplines needed to drive meaningful results and materially improve the delivery of care. www.chartis.com

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