Performance Transformation: An Undeniable Requirement in Uncertain Times

Authors: Stacy Melvin and Stephanie Hines
Performance Transformation: An Undeniable Requirement in Uncertain Times

While uncertainty permeates the healthcare landscape due to the political climate and potential regulatory, funding and reimbursement changes, provider organizations across the country agree that a focus on performance is essential under any future market scenario. To successfully meet current and future market requirements, high performing organizations must achieve and sustain levels of clinical, operational and financial performance that transcend those previously conceived or realized. With the stakes higher than ever before, past incremental approaches to performance improvement will not be sufficient to achieve the transformational change that is needed to succeed moving forward. Clinical and operating models must be fundamentally redesigned based on leading practice; and next-generation, sustainable approaches to performance improvement must be woven into the fabric of the organization’s culture. Many organizations are going "back to basics" to more sustainably address longstanding, foundational issues associated with access, cost, quality and the patient experience. At the same time, those that have made more significant progress or feel they have exhausted traditional means are seeking the next frontier in performance improvement.

To succeed, high-performing organizations must achieve and sustain levels of clinical, operational and financial performance that transcend those previously conceived or realized.
Performance Pressures are Escalating

As the healthcare industry continues to anticipate potential changes to the regulatory, funding and reimbursement environments, several dynamics heighten the need to meaningfully and sustainably improve performance:

- Significant top-line revenue pressure due to an anticipated increase in the uninsured and underinsured, continued downward pressure on Medicare reimbursement and the potential for additional bad-debt as patients bear more financial responsibility.

- Continued pursuit of performance-contingent payments and the focus on value — although perhaps at a slower pace — as well as movement to risk-based, bundled contracts in specialties such as orthopedics and cardiac care.

- A deeper focus on the consumer — and the associated attention on cost, convenience and experience — due to both greater competition for the commercially insured and individuals continuing to bear increased responsibility for the cost of care.

- Escalating provider and staff burnout stemming from the need to maintain productivity in the face of constant and fragmented change, additional demands on time (e.g., computerization, bureaucratic tasks of regulatory programs, documentation requirements) and profound inefficiencies.

- A need to realize maximum value from investments made to date — in information technology (EHRs), medical technology, facilities and acquisitions that have not been fully integrated — prior to committing to additional investments.

The needs to offset declining revenues, demonstrate value, improve consumer relationships, increase provider satisfaction and realize returns on investments are not new. The healthcare industry continues to be burdened by significant waste and inefficiencies. For many providers, the expected shifts on the horizon elevate key pressures they have faced for years yet have been unable to fully address in a sustainable manner. A common challenge for many organizations has been a perpetual performance improvement cycle, characterized by interventions to address immediate performance issues in the absence of the organizational capabilities necessary to scale and sustain achieved improvements. Intense focus on a specific issue is often successful at reducing costs or improving quality in the near-term. However, these providers typically see those same issues gradually degrade performance over time, finding themselves having to revisit the same opportunities three to five years later.
While the nature of performance challenges — access, cost, quality, revenue and the patient experience — is familiar, the level of improvement and associated magnitude of change that must be sustained is significantly pronounced for most provider organizations. Recognizing that past incremental, cyclical approaches will not be sufficient, many organizations are “going back to basics” to develop more sustainable methods to address longstanding, foundational issues. Simultaneously, organizations that have made significant progress or feel they have exhausted traditional means are looking for the next generation of performance improvement initiatives and approaches. For them, the focus is on achieving peak performance by engaging clinicians to truly change how clinical care is delivered.

Implications for Providers

As providers begin to tackle the heightened requirements for efficient and effective performance, it is important to recognize that improvement efforts across familiar areas like access, cost, quality, revenue and experience must be taken further than they have in the past. To achieve meaningful results, maximize impact and promote sustainability, the following key performance imperatives should be considered as providers determine how and where to focus their efforts:

Cost Management

The imperatives of today’s healthcare landscape require organizations to focus on cost reduction in different and more significant ways than in the past. To be successful, they must shore up traditional operational cost management approaches — such as managing supply chain and labor, and leveraging economies of scale and negotiating power — and quickly move beyond them to reduce the costs embedded in care delivery. Advanced models drive higher quality and lower costs by addressing the decisions made by physicians, reducing variation in clinical practice, eliminating unnecessary care and activities, and ensuring the right people are doing the right things at the right time in the right place. While immediate financial gains are enticing and often required to fund other initiatives, providers should quickly shift to investing in methods to drive more meaningful and lasting results by innovating new workflows and redesigning clinical models. Simultaneously, they must embed robust and replicable improvement processes and leading cost management strategies into daily management to ensure improvement opportunities identified are implementable and sustainable.

Revenue Optimization

While a seemingly simple concept, decades of healthcare financing evolution have created a complex and highly technical domain within every organization, where an army of administrative experts manages the interconnected processes of the modern
revenue cycle. These teams have become accustomed to the constant state of flux as regulations change and new contract terms are created. However, the pure volume of change to the healthcare industry has placed an unprecedented burden upon revenue cycle operations to adapt, absorb and conform to new realities. Healthcare providers need to establish an integrated view of the organization’s entire revenue ecosystem, understanding and addressing strategic drivers, payor contracting drivers, clinical operations drivers and revenue cycle operations drivers. As it relates to the revenue cycle operations drivers, it is essential that the revenue cycle operates as more of a value-add function to the organization, driving and enabling hybrid reimbursement model operations, process redesign, technology integration and business intelligence. The increasingly critical interconnectedness of strategic, contracting, clinical and revenue cycle agendas requires these areas work together, enabling continual improvement and alignment between theoretical objectives and actual performance. At the same time, these new requirements for success must be developed while maintaining foundational operational requirements to appropriately and compliantly schedule, register, charge, code, bill and collect for patient encounters in an efficient, effective and patient-centric manner.

**Patient Engagement and Access Management**

A highly reliable and efficient patient access model supports growth and retention, optimal use of capital, cost effectiveness and patient engagement — all of which are critical in both traditional payment models and the evolving value-based environment. In the past, access was viewed as an operational challenge, focused on getting patients through the front door and addressed on a department or site basis. Moving forward, leading provider organizations must view access as a strategic imperative, developing capabilities to support a seamless, system-wide approach to interacting and communicating with patients beyond an episode or appointment. Providers must be able to offer timely and convenient access to services and information across the continuum, and help patients navigate to the right services for their care needs and preferences. Provider capacity management; scope of services; practice operations, workflows and care models; patient scheduling and navigation; registration, pre-certification and authorization processes; and patient and referring physician relationship management are some of the most significant untapped opportunities for health systems aiming to optimize performance.
Quality and Clinical Management

While quality assurance and management has always been an important regulatory function within health systems, the future role of quality and clinical management is more pronounced as providers look to achieve peak financial performance. The focus of quality must move to managing the variation in clinical practice to ensure the use of consistent, evidence-based approaches that optimize outcomes. Additionally, poor quality outcomes will increasingly impact the bottom line as performance-contingent payments expand. As a result, quality programs must be able to achieve the outcomes demanded by patients, payors and the migration to value-based payments. High-functioning quality programs should be designed to: continuously improve clinical outcomes; establish highly reliable care; relentlessly focus on unexplained and unnecessary variation in clinical decisions and processes; and establish accountability for consensus-driven, evidence-based practice standards. At the same time, the scope of quality programs must be enterprise-wide, encompassing not only hospitals but ambulatory care, physician practices, long term care facilities, and home and community-based settings.

Patient Experience

Providers need to view patients increasingly as consumers given the continued rise in competition for commercial lives and the continued shift of healthcare costs to the individual. As such, an organization’s focus on the patient experience must expand to encompass the entire consumer experience. Consumers are demanding more from providers in terms of their overall experience interacting with the organization, both within the brick and mortar of the hospital or physician office, as well as through each interaction necessary to: establish a relationship with the organization; navigate the system; schedule, register and prepare for services; manage billing and payments; receive follow-up services; and gain access to information needed to manage their overall health. To address the expanded scope and requirements of the patient experience, providers should determine their desired phenotype — low cost, convenient access, high service, differentiated services — and their target consumer segments. The phenotype and consumer segment decisions should inform a shared organizational vision for service excellence and associated consumer experience strategy that reinforces the vision, upon which all future experience improvement efforts are based. Performance initiatives related to clinical quality, personal interactions, operational efficiency and environmental supports can then be appropriately prioritized to achieve the specific vision and strategy identified.
For many organizations, the task of prioritizing performance initiatives can be daunting, with many areas often requiring the time and attention of the same leaders and staff. The prioritization and sequencing processes alone can cause organizations to stall. Providers may consider a broad approach, commencing the improvement work by developing a major strategic initiative focused on one dimension of performance (e.g., cost management, access improvement) across the entire system. Alternatively, some organizations find it more manageable to focus on the comprehensive set of performance dimensions — cost, quality, revenue, access and experience — within a single functional area or setting of care (e.g., medical group performance, primary care performance, hospitalist model optimization). An additional, more targeted option is to focus on one dimension of performance in one setting (e.g., ambulatory specialty access). No single answer exists for all providers — the organization’s current performance improvement capabilities and culture, other strategic priorities and existence of active and engaged leaders and staff in critical areas all influence the best path for each.

### Moving Forward

At a time when performance matters more than ever, it is important to reflect on and reevaluate past successes and failures related to performance improvement. For many organizations, historic approaches have been incremental in nature, addressing immediate needs in the absence of a long-term plan or approach for sustaining achieved improvements or continuing to raise the bar on an ongoing basis. While often successful at “getting the costs out” or addressing performance opportunities in the near-term, organizations typically fall back into old behaviors and patterns. It is not uncommon for providers to see those same costs or issues gradually reappear over time, finding themselves having to revisit the same performance opportunities three to five years later. This cyclical approach to performance improvement will not be sufficient to achieve the level of transformative change that is needed to succeed moving forward. Providers need to focus their improvement efforts on developing advanced clinical and operating models, rather than continuing to invest time and resources to repeatedly resolve the same foundational issues.

Achieving next-level performance requires providers rethink historic approaches to performance improvement, as every role and every function will need to demonstrate value to the health system. Clinical and operating models must be fundamentally redesigned based on leading practice; opportunities must be identified, solutions designed and implemented, and performance rigorously managed in a sustainable fashion. High performing provider organizations must develop the capabilities necessary to achieve and sustain transformative levels of performance. They should approach each performance initiative with the dual purpose of addressing the immediate issue at hand, while enhancing the organization’s underlying capabilities to identify, address and sustain improvement.

To do so, we recommend an approach to performance improvement that encompasses the following dimensions:

---

Next-level performance requires both fundamental redesign of clinical and operating models; and a sustainable approach to advancing performance.
Core Dimensions of Sustainable Performance Transformation

Material impact and meaningful results | Culture of continuous improvement | Organizational agility

**Leadership Alignment:** Clinical and operating model redesign driven by leadership alignment around a shared definition of success and clear management roles and accountabilities for performance.

**Solution Orientation:** Program development guided by leading practice solutions, with thoughtful consideration of how those leading practices must be tailored to the unique needs of the organization.

**Physician Alignment:** Positioning of physician leaders as “owner operators” of the clinical enterprise with the leadership skills, management capabilities and decisional authority to drive performance.

**Change Management:** Robust approach to change management that includes alignment of stakeholders around the future state vision, engagement of clinicians and staff in solution development, and dynamic training and education programs.

**Care-First Orientation:** Creation of enduring transformative change by orienting improvement through the caregivers’ lens – leading to superior performance across all dimensions.

**Focus on Results:** Reliable assessment, design and implementation processes built to enable near-term, actionable results in the context of long-term plans for ongoing value creation.

**Measurement and Monitoring:** Continuous focus on purposeful and meaningful data and the underlying performance that underpins solution design to ensure cost-effective and sustainable solutions are developed.

**Communications:** Ability to promote ongoing, two-way dialogue with leaders and staff to ensure individual engagement and targeted interaction and exchange of ideas and feedback.

**IT Innovation and Enablement:** Appreciation for the critical role of technology in transforming care delivery, tools and processes to support caregivers with its use, and mechanisms to continuously enhance, improve and innovate technology enabled solutions.
While the evolving political landscape is likely to have a significant impact on the entire healthcare sector, it is important that leaders not let the continued atmosphere of uncertainty hold them back from investing time and resources in the performance imperatives critical under any future market scenario. There is impactful work providers can do to address the performance pressures that already exist and prepare for those to come. Provider organizations should focus on developing sustainable approaches to cost management, revenue optimization, access management and quality improvement, while identifying a few priority areas to initiate the fundamental redesign of clinical and operating models.

**Our Performance Practice Area Team**

The Chartis Group’s Performance Practice Area is comprised of uniquely experienced senior healthcare professionals and consultants who apply a distinctive knowledge of healthcare economics, enterprise performance improvement, clinical management, patient engagement and access, physician alignment, revenue cycle management and technology to help clients achieve maximum results. Contact Stacy Melvin or Stephanie Hines for more information.

**Stacy Melvin**  
Director and Performance Practice Area Leader  
917.501.6915  
smelvin@chartis.com

**Stephanie Hines**  
Performance Practice Area Manager  
219.241.1994  
shines@chartis.com

**Pam Damsky**  
Director and Oncology Service Line Practice Leader  
917.513.2368  
pdamsky@chartis.com

**Ann Edwards**  
Director and Enterprise Performance Improvement Practice Leader  
860.604.1039  
aedwards@chartis.com

**Melissa McCain**  
Director and Leader of Patient Engagement and Access and Clinical Management Practices  
207.653.6859  
mmccain@chartis.com

**Kevin Ormand**  
Director and Revenue Cycle Practice Leader  
512.217.4401  
kormand@chartis.com

**Mark Werner, MD**  
Director and National Leader of Clinical Consulting and the Chartis Physician Leadership Institute  
540.520.4161  
mwerner@chartis.com

**Myra Aubuchon**  
Principal and Informatics and Technology Clinical Performance Excellence Practice Leader  
314.330.8095  
amaubuchon@chartis.com
About The Chartis Group

The Chartis Group® (Chartis) provides comprehensive advisory services and analytics to the healthcare industry. With an unparalleled depth of expertise in strategic planning, performance excellence, informatics and technology, and health analytics, Chartis helps leading academic medical centers, integrated delivery networks, children’s hospitals and healthcare service organizations achieve transformative results. Chartis has offices in Boston, Chicago, New York, Minneapolis, and San Francisco. For more information, visit www.chartis.com.

© 2017 The Chartis Group, LLC. All rights reserved. This content draws on the research and experience of Chartis consultants and other sources. It is for general information purposes only and should not be used as a substitute for consultation with professional advisors.