WHITE PAPER

How Children’s Hospitals Can Maximize Partnership Value

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New demands in the healthcare delivery and payment landscape are prompting many children's hospitals to reexamine their care delivery networks. Children's hospitals that enhance their networks through closely aligned physician relationships and select institutional partnerships can realize significant strategic, economic and clinical benefits and accelerate the achievement of their longer-term goals.

In this paper, we describe several pressures facing children's hospitals and corresponding strategic imperatives that place increased emphasis on the importance of building a broader delivery network. We then explain how a comprehensive network strategy can effectively position children's hospitals to navigate the changes ahead and enhance the health of the children in the communities they serve.

The Evolving Pediatric Care Delivery Landscape

The pediatric care delivery landscape is experiencing meaningful changes and children's hospitals are expected to continue to face considerable pressures as a result. Key dynamics shifting pediatric care delivery include the following:

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<th>Growing Competitive Landscape</th>
<th>Shifting Consumer Demand</th>
<th>Increasing Economic Pressures</th>
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<td>With integrated delivery networks providing a broader scope of pediatric care, especially lucrative services, children's hospitals face an increasing challenge to be more cost competitive. Additionally, many children's hospitals face competitive threats that are no longer just local and regional, but national and international as top-tier children's providers seek to expand their reach.</td>
<td>Healthcare is following many other industries, albeit more slowly, with an increasing activation of consumers who bring new expectations to the way they desire to experience healthcare. Increasingly, patients and their families are seeking convenient, accessible and lower-cost services — within the context of a highly-personalized care relationship. They also desire more information as inputs to all decisions, from selection of coverage to providers to treatment protocols. Parents and pediatric patients alike are receptive to technology-enabled solutions — from convenient models of patient self-service activities like scheduling to information access and virtual care delivery.</td>
<td>There are added financial challenges given children's hospitals' heavy reliance on Medicaid as a primary payor, with continued contraction of Medicaid reimbursement and uncertainty around its level of funding in the future. Meanwhile, commercial payors are increasingly focused on tying reimbursement to value. Due to their traditionally more expensive services and the challenge of measurably demonstrating the value they provide, children's hospitals may face being disadvantaged in tiered or narrow network products or ACO arrangements. Additionally, some payors may prioritize value-based strategies with general regional health systems that are positioned to serve the broad population, rather than carving out pediatric-specific models.</td>
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Implications for Children’s Hospitals’ Strategic Priorities

Given these dynamics, it is important for children’s hospitals to ensure they are appropriately calibrated to effectively serve their patient populations in the future — with several core implications for the composition and configuration of their delivery network. Key strategic imperatives for many children’s hospitals include the following:

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<th>Securing and Strengthening Relationships with General Pediatricians</th>
<th>Responding to New Consumer Expectations</th>
<th>Positioning for High-Value Care</th>
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<td>The increasingly competitive pediatric landscape is heightening the need for children’s hospitals to build or reaffirm strong relationships with general pediatricians. Pediatric providers have an increasing number of alignment options available to them, driven by the development of regional health system-sponsored networks, especially in markets that are moving toward population health and value-based care. While children’s hospitals may have traditionally maintained informal yet strong relationships with the pediatric primary care community, it may be necessary to formalize these ties given changing market dynamics.</td>
<td>By expanding their networks, children’s hospitals will be better positioned to meet consumer expectations to provide the most appropriate care closest to their patients’ homes. Children’s hospitals can optimize care delivery by working with community providers and other stakeholders to ensure that appropriate cases are served locally, while higher-severity cases are transferred to the main campus. This strategy enhances access for children across a broader geography, achieves economies of scale and optimizes contracting opportunities with purchasers – especially important in states threatened by Medicaid cuts. New modalities of care delivery — such as virtual care — offer another way in which children’s hospitals seek to differentiate on service and access to meet consumer needs.</td>
<td>With the unprecedented level of competition from both pediatric providers and regional health systems moving upstream to manage the entire care continuum, children’s hospitals must develop strategies and evolve their care delivery model to become more competitively priced and demonstrate the differentiated value they offer to the community. Expanding a network to incorporate lower-cost sites of care and more ambulatory and close-to-home options is a near-term approach that can support a more competitive price position. Offering more integrated care models and repositioning from being a care provider to a health manager may be a longer-term aspiration for some organizations.</td>
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Pursuing a Comprehensive Network Strategy

As children’s hospitals identify the network requirements to implement their strategies, many are recognizing that pursuing a portfolio of strategic partnerships will help their network development efforts, accelerating their ability to meet their strategic imperatives more effectively or efficiently than they could do on their own.

While there are a number of relationships that children’s hospitals may consider within their network strategy, for most hospitals, two major models for consideration will include:

1. Developing a formal pediatric network with independent physicians

   - Brings together wide variety of clinical decision makers
   - Strengthens relationships with community pediatricians
   - Enhances care coordination, co-management of patients and referral guidelines/processes
   - Provides a structure that can be used to align pediatric providers with other providers, e.g., a pediatric CIN as a bolt-on to an adult CIN
   - Creates a platform to partner with payors on value-based care reimbursement models

2. Developing pediatric partnerships with other institutions

   - Develops a comprehensive pediatric system of care providing the right care at the right location close to home
   - Collaborates to deliver pediatric value in the community supporting Triple Aim goals
   - Shares appropriate clinical and operational information to deliver high-quality pediatric care
   - Aligns incentives so all partners experience financial success as the partnership grows

Figure 1. Potential Benefits in the Development of ...
1. Developing a Formal Pediatric Network with Independent Physicians

Most children's hospitals enjoy strong relationships with pediatricians and other pediatric providers, collectively sharing an unwavering commitment to improve the health of children. Given the broad geographic areas that most children's hospitals serve, interactions between community pediatricians and children's hospitals often center around the referral of the sickest patients who require tertiary or quaternary services that are not available in distant communities. However, as other health systems expand select pediatric services or develop integrated networks that include pediatric services, they position themselves to move toward tighter integration with community pediatricians. In this environment, it is critical for children's hospitals to develop more formal partnerships with community pediatricians across a broad geographic area. These partnerships go beyond traditional referral relationships, supporting children's hospitals' need to retain the primary relationship with pediatricians and advancing new pediatric care models that position them to take accountability for pediatric lives.

An option children's hospitals can consider for developing this physician network is a pediatric clinically integrated network (CIN). Using a CIN, children's hospitals have an opportunity to partner with providers across a broad geography to offer high-quality pediatric care through a network of aligned and accountable pediatric providers, further solidifying alignment beyond the traditional referral relationship.

To build a successful pediatric network, it is imperative to build a system of providers that is large enough and a network of services that is geographically well-distributed to enable children to access care close to home — and for the network to support the patient-community physician relationship. A key consideration for the children's hospital is to articulate how the collective network can support independent pediatric providers by providing operational, quality improvement and reporting support to meet these providers' existing requirements at a time when it can be challenging to maintain current reimbursement levels. Although some pediatricians may already be aligned with adult-focused CINs, they will preferentially join a dedicated pediatric CIN that emphasizes pediatric population health. Whereas general CINs are likely to prioritize a focus on highest-spend population cohorts such as high-risk, polychronic adults, pediatric CINs can differentiate from general CINs through pediatric governance of the CIN, clinical protocol development to support the care of children and metrics focused exclusively on the pediatric population.

In states/regions where there are multiple children's hospitals, these institutions may identify an opportunity to come together to jointly develop a CIN focused exclusively on caring for children — rather than each institution separately pursuing CIN development. The combined network of multiple children's hospitals and community physicians can ultimately work together to be the leading voice for pediatric health across the region or state, improving the health and health outcomes for all children in the area by developing consistent protocols and care delivery approaches and building robust systems of care that all children in the state will be able to access.

A strong CIN can drive numerous benefits for children's hospitals, community providers, patients and payors. Children's hospitals can leverage their expertise to promote the use of evidence-based medicine to ensure that children across the state receive excellent care. The network can help physicians prepare for value-based care models and provide access to additional resources for their patients, such as care coordination, co-management of patients and referral guidelines/processes. Patients will be able to receive coordinated care closer to home, providing a convenient and seamless experience. Finally, the network will also provide a vehicle to work directly with payors to facilitate the transition to value-based payments.
2. Developing Pediatric Partnerships with Other Institutions

In many markets, children’s hospitals should evaluate the opportunity to partner with a regional health system to develop a more extensive care delivery network and serve a broader population of children and their families. In many cases, children’s health systems consist of one “mothership” acute care hospital and several ambulatory clinics or other satellite outpatient sites. For institutions with limited geographic scope, there are often advantages to forming relationships with regional health systems to leverage the breadth of their robust delivery networks, while in turn offering an extensive scope of sub-specialized pediatric clinical services. These partnerships may also be attractive to payors and employers, as children’s and regional health systems may jointly take accountability for the health, outcomes and total costs of care for the entire population.

A partnership between a children’s hospital and a regional health system can uniquely position both organizations to establish a comprehensive regional or statewide network, propelled by the regional system’s broad geographic reach and the children’s hospital’s depth of pediatric expertise.

The partnership can allow each organization to share appropriate clinical and operational information, including protocols, data and expertise to deliver high-quality and expanded care locally, with increased access to health services closer to where patients live. Finally, both parties can work together to optimize care delivery by working with community providers and other stakeholders to ensure appropriate cases are served locally at the regional health system’s sites, while specific higher-severity cases are referred or transferred to the main children’s hospital.

The children’s hospital-regional health system model promotes the advancement of value-based care and population health initiatives for both organizations. As part of the partnership, the two organizations may decide to develop a CIN where the regional system would function as the adult provider and children’s hospital would function as the pediatric provider. By collaborating to deliver pediatric value in the community, the network partners will support the Triple Aim and allow the partner health system to offer necessary pediatric services to managed care networks. The children’s hospital can structure its CIN so the model is bolted-on to the regional system’s CIN (or other CINs); this will position the parties to jointly approach payors and employers to institute value-based payment arrangements. It will also position the partners to align incentives so that all parties achieve financial success as the partnership matures.
Building a Cohesive Network Strategy to Maximize Value

While formalized physician networks and institutional partnerships are distinct elements of a network development strategy, they are not mutually exclusive.

In fact, a strong physician network should be the core of a successful institutional partnership — both organizations must build a cohesive physician platform and culture to be successful. Irrespective of the institutional partnerships that are pursued as part of the network strategy, we recommend that all children’s hospitals develop a strong, aligned physician network that includes and extends beyond the employed physician base.

By converging physician networks and institutional partnerships within a coordinated network strategy, and ensuring that the physician network is foundational to the institutional partnership, children’s hospitals and their partners can realize significant benefits. These benefits include advancing high-quality and competitively priced services, creating systems of engagement across broad geographies to attract consumers, and empowering joint program planning and data/information sharing. Institutional partnerships that successfully integrate physician networks are likely to have more meaningful opportunities to contract with purchasers, and thus, move their markets toward value-based care more expeditiously.

Finally, institutional partnerships with a tightly aligned physician network are well positioned to establish a unified vision and powerful voice for children in the market, and in some cases, across an entire state or region.

Figure 2. Maximizing Value by Converging Partnership Strategies

- Establishes unified vision and voice for children in the market
- Provides opportunity to accelerate traditional fee-for-service markets toward value-based care
- Optimizes contracting opportunities with payors
- Advances delivery of high quality and competitively priced services
- Creates systems of engagement to attract/retain consumers (e.g., health neighborhoods, telemedicine, digital connectivity)
- Enables joint program planning and data/information sharing
- Preserves scale and mitigates economic risks
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Melissa Anderson is a Principal at The Chartis Group and has more than 10 years of healthcare consulting experience. During this time, she has worked with a wide range of healthcare providers including health systems, integrated delivery networks and children's hospitals. She has led consulting engagements in the areas of: enterprise strategy, mergers and partnerships, network development and service line strategy. Ms. Anderson recently worked with an integrated delivery network to develop a children's service line strategic plan prioritizing strategies for investment and preparing the organization for value-based care. She holds a Master of Healthcare Administration from the University of North Carolina at Chapel Hill and a bachelor’s degree in public health education from Central Michigan University.

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