The Role of the Board in Driving Strategic Change

Mike Halstead, Vice President
Quorum Health Resources (QHR)

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Wooster Community Hospital
STRATEGIC PLANNING IN THE POST-HEALTH REFORM ERA
Why Do Strategic Planning?

Hindsight is always 20/20

Current plan may not be geared toward changes in Health Reform

Markets change

Economics are changing how healthcare will be delivered and paid for in the future

Strategic Planning is the Responsibility of the Board!
What are the **fundamentals** of hospital strategic planning?

How will health reform impact the **strategic direction** of how we deliver and pay for healthcare?
Fundamentals of Strategic Planning
Objectives of Strategic Planning

- Community Healthcare Needs
- Opportunities to Address Needs and Grow
- Available Resources
- Role in Meeting Needs
- Strategy
The Planning Process

- Findings/Observations
- Strategic Imperatives
- Values
- Mission
- Vision
- Continuous Improvement Efforts
- Environmental Assessment
- External Influences
- Internal Influences
- Outcomes Measurement
- Recommended Strategies
- Resource Allocation
- Business Plan Modeling
Questions To Start The Planning...

- Are we financially viable?
- What should we focus on for the next three years?
- Do we have the right services?
Questions To Start The Planning...

- Do we have the manpower to grow?
- Do we have the right leadership, facility and infrastructure?
- How do we collaborate to retain services and control of our community’s healthcare?
Questions To Start The Planning...

Are we preparing for new payment models?

Is our revenue cycle effective?

Are we focused on process improvement?
With the Uncertainty of Future Health Policy…

… Focus on 6 Key Imperatives Essential to Strategic Success
Key Imperative #1 to Success in a Post Health Reform Era

Rebalance the cost structure to sustain financial viability on Medicare and Medicaid reimbursement.
Key Imperative #2 to Success in a Post Health Reform Era

Aggressively advance initiatives to enhance clinical quality and customer service.
Key Imperative #3 to Success in a Post Health Reform Era

Target creative solutions to grow top line revenue and market share. Physician recruitment is “Job 1”.

Expand Market Share  
Enhance Access  
Stem Outmigration
Engage in a culture of collaborative optimization and clinical alignment with the medical staff to reduce practice variation.
Key Imperative #5 to Success in a Post Health Reform Era

Protect the revenue cycle and prepare now for the implementation of ICD-10. A comprehensive readiness review and implementation plan will be critical to success.
Key Imperative #6 to Success in a Post Health Reform Era

Develop essential infrastructure and clinical performance systems to prepare for payment methodologies featuring bundled payments and shared savings models.
TYPICAL STRATEGIC PLANNING RECOMMENDATIONS
**STRATEGY #1**

**Optimize Physician Alignment and Integration**

- Imperative 1 - Chart a Course of Clinical Integration
- Imperative 6 - Plan for Outpatient Volume Expansion and Limited Growth in Inpatient Volume

**Recommendation**

- Develop and establish a Physician Advisory Council
- Leverage the Physician Advisory Council to address strategic and operational issues of the health system
- Prioritize primary care access and coverage, both in terms of market demand and as the key growth strategy for ABCMC
- Evaluate specialty provider recruitment based upon provider supply-and-demand, market growth opportunity, and eventual “core services” focus
Optimize Physician Alignment and Integration

• **Develop and Establish a Physician Advisory Council**
  
  Purpose – to serve as the advocate and collaborator with senior leadership and the board in strategic decisions, operational initiatives, and community health initiatives

  ▪ Composition – community and employed physician leaders (9 to 12); appointed by the CEO

  ▪ Co-Chaired by Chief of Staff and other senior physician leader (to be determined)

• **Leverage the Physician Advisory Council to address strategic and operational issues**

  ▪ Continue implementation of most recent medical staff development plan, including detailed succession planning needs, with focus upon primary care coverage/access

  ▪ Focus upon how to make it better for physicians to practice medicine and for patients to access and utilize care (i.e., scheduling, patient access, service coverage, etc.)

  ▪ Identify partnership opportunities with community physicians and third party entities (TPEs) targeting primary care growth, ambulatory surgery, imaging, and other key outpatient services
Optimize Physician Alignment and Integration, Cont.

- **Prioritize primary care access and coverage, both in terms of market demand and as the key growth strategy**
  - Recruit family practice physicians during the next three years to address undersupply in PSA
  - Evaluate recruitment of internal medicine physician
  - Consider additional nurse provider recruitment to bridge gap in demand

- **Evaluate specialty provider recruitment based upon provider supply-and-demand, market growth opportunity, and eventual “core services” focus**
  - Continue recruitment of orthopedic surgeons during next three years to meet identified undersupply in the PSA
  - Evaluate potential need for additional general surgery coverage and access, weighing both identified undersupply and market growth opportunity
  - Evaluate additional specialty providers based on core service determination
STRATEGY #2

Identify and Develop Core Services That Meet Community Need

- Evaluate existing “key” high volume services and “critical” market services (i.e., strong growth and community need) for development
- Aggressively target ambulatory opportunities for growth
- Develop a “decision model” for identifying and evaluating core services, including prioritizing all future growth planning
- Complete business planning to strategically consider the future of non-core inpatient and outpatient services

- Imperative 2 - Strategically Rebalance Cost Structure to Sustain Financial Viability
- Imperative 5 - Assess and Explore Collaboration or Diversification Strategies with Other Providers
- Imperative 6 – Plan for Robust Outpatient Volume Expansion with Limited Inpatient Volume
Identify and Develop Core Services to Meet Community Need

**Situation**

- Evaluate existing “key” high volume services and “critical” market services (i.e., strong growth and community need) for development
  - Evaluate existing “key” inpatient services, including general medicine, obstetrics, pulmonary medical, nephrology/urology, cardiovascular disease, and general surgery
  - Evaluate services on cusp of being “key” in terms of inpatient volume, “critical” growth potential, and community need
  - Further develop wellness and metabolic care models to better manage community health

- **Aggressively target ambulatory opportunities for growth**
  - Continue to expand the health system’s outpatient “footprint” with focus upon both primary care and outpatient surgery
  - Identify partnership opportunities with community physicians and other rural health providers targeting primary care growth, ambulatory surgery, imaging, and other key outpatient services
Identify and Develop Core Services to Meet Community Need, Cont.

- Develop a “decision model” for identifying and evaluating core services, including prioritizing all future growth planning
  - Evaluate and determine those core services that can be clinically and financially viable and sustainable for the long term
  - Assess services in terms of competency/quality, community need, financial impact (i.e., value) competitive position, and projected growth opportunity
  - Identify and prioritize specific inpatient and outpatient services that would be improved in terms of quality, access, and/or delivery via clinical affiliation

- Complete business planning to strategically consider the future of the non-core inpatient and outpatient services
  - Pursue partnership opportunities with key providers and resources in the region to properly address select non-core services and continuum of care needs in the community
  - Identify potential clinical affiliations for non-core identified services
Recommendation

STRATEGY #3

Transform the Health System to Enhance the Management and Delivery of Care

• Transform the Health System into three focused “clinical care divisions”

• Implement a new leadership dynamic for the management and delivery of patient care to enhance services and medical-surgical mix

• Invest in and develop a health care “team environment”

➢ Imperative 3- Focus on the Central Point of Payment Reform . . . Value Based Purchasing (VBP)

➢ Imperative 7- Position the Organization to be an Effective Participant in New Payment Models
Transform the Health System to Enhance the Management and Delivery of Care

- Transform the Health System into three focused “clinical care divisions”
  - Ambulatory Services
  - Advanced Medical and Surgical Services
  - Physician Enterprise

- Implement a new leadership dynamic for the management and delivery of patient care to enhance services and medical-surgical mix
  - Evaluate potential co-management model comprised of operations and medical leadership
  - Multidisciplinary clinical governance via strategic and operational teams comprised of administrative, clinical, and physician leadership

- Invest in and develop a health care “team environment”
  - Develop quality improvement teams to include physicians, clinicians, and other related staff
  - Explore options to increase staff education and training – most notably, in clinical skills/proficiencies (to be determined), leadership and management training, and IT/revenue cycle
  - Conduct or continue with annual physician and employee satisfaction survey(s), share and present results and prioritize areas in need of improvement
STRATEGY #4

Rebalance the Health System’s Cost Structure to Align with Core Services

- **Imperative 2-Strategically Rebalance Cost Structure to Sustain Financial Viability**
- **Imperative 4- Protect Revenue Cycle and Strengthen the Liquidity Position**
- **Imperative 5- Assess and Explore Collaboration with Other Providers**

- Complete the necessary steps or phases to rebalance clinical costs
- Protect the revenue cycle to optimize payment and revenue streams
- Consider opportunities to participate with other healthcare entities
Initial STRATEGY: Rebalance the Health System’s Cost Structure to Align with Core Services

- **Complete the necessary steps or phases to rebalance clinical costs**
  - Evaluate the current and long term viability and sustainability of clinical services
  - Reduce practice variation and hardwire processes, including disparate systems and operations of physician clinics and ambulatory sites to improve coordination and delivery of outpatient care

- **Protect the revenue cycle to optimize payment and revenue streams**
  - Maintain focus on key revenue cycle initiatives that will increase cash collections and net revenue
  - Proactively promote and educate community regarding new insurance options via health reform
  - Secure/confirm “line-of-credit” for expected ICD-10 reimbursement delays

- **Consider opportunities to participate with other healthcare entities**
  - Evaluate what services could be provided via strategic partnerships with other organizations
  - Determine what needs to be done to become the right “puzzle-piece” in the right ACO model

Note: ACO = Accountable Care Organization
## Are Your Strategies Addressing The Key Impacts of Reform?

<table>
<thead>
<tr>
<th>Strategic Objective</th>
<th>Downward Pressure on Reimbursement</th>
<th>Rebalance Cost Structure</th>
<th>Volume to Value Reimbursement</th>
<th>Increase in Primary Care Demand</th>
<th>Consumer Responsibility for Payment</th>
<th>Joint Accountability</th>
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Major Components of a Strategic Plan

Strategic Planning/Board Retreat Facilitation – 3 year cycle with annual updates

Medical Staff Development Planning

Service Line Profitability Analysis

Community Health Needs Assessment

Customized Strategic Issue Analysis

Strategic Assessment and Facilitation of Affiliation Opportunities
CASE STUDY:
WOOSTER COMMUNITY HOSPITAL
WOOSTER, OHIO
Wooster Community Hospital (WCH)
Wooster, Ohio

- Municipal hospital serving community for 70 years
- 172 beds
- QHR client for 20 years
- 2013 QHR CEO of the Year

- 2006 – New 2-story wing – No debt incurred
- 2010 – Two new Med/Surg floors added – No debt incurred
- 2013 – New Transitional Care Unit – No debt incurred
WCH Strategic Planning Process

- Involves Entire Board (12 members)
- Updated Formally Every 3 – 5 years
- Facilitated by QHR Consultants
Driven by Mission, Vision, Values

**Wooster Community Hospital**

**Our Mission**
To provide accessible, quality healthcare services to all people, to promote community wellness, and to do so with compassion, dignity, and respect of the needs of those we serve.

**Our Vision**
To be the regional healthcare provider of choice by assuring that all services are patient centered, cost effective and outcome driven.

**Our Values**
- Excellence
- Innovation
- Compassion
- Service
- Integrity
- Teamwork
WCH Planning Process: Foundation

- Provide Outside Board Education
- Develop Appropriate Board Expectations
WCH Planning Process: Guiding Principles

- “Steer by the Compass, Not Your Wake”

- “If You Don’t Measure It, You Can’t Change It.”

- “We Make Serious Decisions, But Don’t Take Ourselves Too Seriously.”

- Explain “Why.”
WCH Planning Process: Collaboration

- Two Half-Day Board Strategic Planning Retreats Per Year
  - Attended by Board, senior management team, and physicians where appropriate
  - Retreat objectives
  - External speaker
  - Seating to facilitate interaction/questions
WCH Planning Process: Strategic v. Operational
WCH Planning Process: Key Considerations

- ROI Analysis
- Political vs. Business Decision
- Own vs. Joint Venture
- Economic Value to Community

Key Considerations For Board
WCH Planning Process: Resource Allocation

Quadrant Analysis Focuses Resource Allocation

- Poor growth, Strong performance
- Strong growth, Strong performance
- Poor growth, Poor performance
- Strong growth, Poor performance
WCH Planning Process: Data Driven

Use Data to Evaluate Your Performance and Compare Yourself to Competitors

### Hospital Cost & Charge Index Report

<table>
<thead>
<tr>
<th>Provider</th>
<th>Hospital Name</th>
<th>City</th>
<th>Average Charge per Visit (RW &amp; WI)</th>
<th>Average Charge per Medicare (CMI &amp; WI)</th>
<th>Inpatient Revenue %</th>
<th>Outpatient Revenue %</th>
<th>Inpatient Cost Index</th>
<th>Outpatient Cost Index</th>
<th>Hospital Cost Index</th>
<th>Inpatient Charge Index</th>
<th>Outpatient Charge Index</th>
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<td>106.60</td>
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<td>Samaritan Hospital - Peoples Hospital</td>
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<td>Competitor Average</td>
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<td>363.76</td>
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<td>39.62</td>
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<td>US Median</td>
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<td>49.79</td>
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- **Competitor Average:** 362.42, 21.174, 40.64, 59.35, 102.35, 102.70, 102.13, 102.57, 103.82
- **US Median:** 350.37, 20.695, 49.79, 50.07, 100.00, 100.00, 100.78, 100.00, 100.00
WCH Planning Process: Quality Driven

QHR
Q2 2013 - HCAHPS Impact Report

HCAHPS Composite - National Comparisons

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<th>Oct ’11 - Sep ’12</th>
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<tr>
<td>Wooster Community Hospital (Wooster, OH)</td>
<td>74%</td>
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<tr>
<td>National Average (3,912 hospitals)</td>
<td>72%</td>
</tr>
<tr>
<td>Region - East North Central (653 hospitals)</td>
<td>73%</td>
</tr>
<tr>
<td>State - Ohio (160 hospitals)</td>
<td>73%</td>
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<tr>
<td>Location - Rural (1,605 hospitals)</td>
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</tr>
<tr>
<td>Acute Care Hospitals (3,310 hospitals)</td>
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<td>Non-teaching (3,626 hospitals)</td>
<td>72%</td>
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<td>Ownership - Government (775 hospitals)</td>
<td>73%</td>
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<tr>
<td>100 to 249 beds (1,239 hospitals)</td>
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Your Hospital’s Percentile Rank

- -
68
62
68
54
75
66
59
83

HCAHPS Composite - Scores Over Time

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<tr>
<td>Wooster Community Hospital (Oct ’10 - Sep ’11)</td>
<td>76%</td>
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<td>Wooster Community Hospital (Jan ’11 - Dec ’11)</td>
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<tr>
<td>Wooster Community Hospital (Apr ’11 - Mar ’12)</td>
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<td>Wooster Community Hospital (Jul ’11 - Jun ’12)</td>
<td>75%</td>
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<tr>
<td>Wooster Community Hospital (Oct ’11 - Sep ’12)</td>
<td>74%</td>
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National Percentile Rank

84
79
81
75
68

HCAHPS Composite - Competitive Analysis

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<tr>
<td>Wooster Community Hospital</td>
<td>74%</td>
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<tr>
<td>Competitor Composite (15 Hospitals)</td>
<td>71%</td>
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National Percentile Rank

68
44
WCH Planning Process: Implementation

- Specific and Measurable Annual Management Objectives
  - Input from Managers, Senior Management and Board
  - Bottom Up and Top Down
- Approved by Board each Fiscal Year/ Quarterly Review

<table>
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<tr>
<th>2014 – Management Objectives</th>
<th>First Quarter</th>
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<tr>
<td>Management Objective</td>
<td>2014 – Management Objectives</td>
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<tr>
<td>Organization wide – maintain EBIDA between 9.925 to 10.15%.</td>
<td>Finance</td>
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Other Plans Support Strategic Plan Goals

- Budget/Financial Plan
  - Separate half-day planning session focused on financial assumptions and budget
  - Attended by full Board and senior management team
  - Confirms budget assumptions for following year
  - Explains variances from the current/previous year

- Annual Information Technology Plan
Examples of WCH Strategic Planning Results

- Collaboration / Affiliation Discussion
- Bloomington Medical Services “R & D” Spending Cap Indexed to Hospital Net Revenue
Examples of WCH Strategic Planning Results, Cont.

Health Coaches/Community-Coordinated Care

Source: Sg2 System of Care™
Key Tenets of Our Strategic Plan

- Be a Low Cost / Charge Provider
- Avoid Debt If At All Possible
- Build Exceptional Nursing Leadership And Staff

At John Muir Medical Center in Walnut Creek, Calif., the set price of treatment for fractures of the hip and pelvis averaged $64,016 per patient in 2011. Meanwhile, Wooster Community Hospital in Wooster, Ohio, set its price for treating such injuries at an average of just $3,988 per patient that year.
Thank You!

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