

Management for Professionals

Jim Austin
Judith Bentkover
Laurence Chait *Editors*

Leading Strategic Change in an Era of Healthcare Transformation

 Springer

Management for Professionals

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*To our spouses, Susan Conger-Austin,
Peter Allaman, and Ann Chait.*

Preface

Healthcare is personal. Healthcare is local. And healthcare is one of the greatest challenges faced by countries around the world. The magnitude of these challenges calls for fundamental change to address inherent problems in the healthcare system and ensure sustainable access to healthcare for generations to come.

As authors, educators, practitioners, and participants in the healthcare system, we find ourselves in the midst of these challenges and their solutions. Certainly, change is occurring, but not nearly as broadly and rapidly as we believe is necessary. Today's mindsets and methods are inappropriate and/or insufficient to enable the level of needed change.

Our observations lead us to ask four simple questions (some with not-so-simple answers):

- **Why change?** Given history and ongoing challenges, why call for transformational change?
- **What to change?** What areas for change are most promising—areas with the greatest potential to yield significant benefits?
- **How to change?** What is the balance between incremental change and more fundamental, longer-term, transformational change?
- **When to change?** What is the speed and timing of suggested changes?

Part I provides frameworks for answering these questions. Parts II, III, and IV—Case Studies—utilize these frameworks to outline examples of transformational change in multiple healthcare settings. Together, this book provides both a guide for healthcare leadership teams grappling with change and real-world examples that emphasize lessons learned from comparable efforts.

We are all faculty members in Brown University's Executive Master of Healthcare Leadership (EMHL) program, preparing leaders to transform healthcare. EMHL is designed for clinicians, executives, and senior administrators with significant responsibility in the healthcare industry. The program seeks to create and effect real, lasting change in moving towards a healthcare system centered on the patient, replacing traditional silos with innovative, collaborative efforts to truly transform healthcare. Participants identify a critical challenge they face in their role in healthcare that requires transformative change. Throughout the program, students gather advice, resources, and support to identify and implement creative solutions to their

chosen challenges. As indicated, this book outlines our various frameworks to transform healthcare (Part I), complemented by examples primarily provided by our students of the transformational changes they realized utilizing these frameworks (Parts II, III, and IV). The book balances theory with real-world examples, so healthcare leaders can utilize it as a guide for driving transformational change in their own organizations.

We, the authors, come from a variety of academic and professional backgrounds: a former senior healthcare executive at an international medical products company who teaches management and marketing; a healthcare strategy consultant teaching value creation as a means of attaining high performance; and a health economist with a career split between international healthcare consulting and academe, lecturing on healthcare policy and data-driven decision-making.

This book is for current healthcare leaders, grappling with how to transform their organization to meet the evolving, often contradictory needs of changing local healthcare systems. A fundamental assumption of this book is that healthcare transformation is possible. But what do we mean by “*transformational*” change? Definitions abound from the *incremental* aimed at reducing the *rate* of healthcare cost increases to *improving population health*. And does transformational change mean working *within or outside* of existing institutions and relationships?

The frameworks outlined in Part I are meant to aid healthcare leaders and their teams in undertaking *either of these, ideally related journeys—transforming within or beyond existing healthcare institutions*. The case studies in Parts II, III, and IV are examples of institutional improvement *and* expansion.

Through this book, we hope to share an effective “treatment plan” with healthcare leaders around the world who understand the need for transformational change and are seeking the tools and processes to achieve it.

Providence, RI, USA

Jim Austin
Judith Bentkover
Laurence Chait

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Contents

1 Introduction	1
Jim Austin, Judith Bentkover, and Laurence Chait	
Part I Strategic Issues and Frameworks	
2 Setting the Stage: Today’s Healthcare Challenges	15
Jim Austin, Judith Bentkover, and Laurence Chait	
3 Building Blocks for Strategic Planning	25
Jim Austin, Judith Bentkover, and Laurence Chait	
4 Tools for Transformational Strategic Planning	47
Jim Austin, Judith Bentkover, and Laurence Chait	
5 Driving Successful Implementation	71
Jim Austin, Judith Bentkover, and Laurence Chait	
Part II Case Examples of Institutional Change: Hospitals, Treatment Centers, and Provider Groups	
6 The Pursuit of the Integrated Multidisciplinary Service Line	93
James Andrews	
7 Creating Ever Better Ways to Provide Cost-Effective Care for Our Community: The Coastal Medical Journey	107
Meryl Moss	
8 Transforming the Facility Master Planning Process: How to Manage Risk in Times of Uncertainty	119
David H. Deininger	
Part III Case Examples of Population Health Change	
9 Buprenorphine Integrated Care Delivery Project: Genesis of the Howard University Urban Health Initiative	139
Chile Ahaghotu	

10 Transforming Cancer Survivorship Care	151
Doreen Wiggins	
Part IV Case Examples of Market Transformation	
11 Importance of a Vision: Licensure of Medical Dosimetrists.....	161
Brian Napolitano	
12 Transforming Health Information Management: AHIMA and Scenario Planning.....	169
Linda Kloss	
13 Transformation of Brand Planning to Embrace Future Uncertainties: A Pharmaceutical Company’s Voyage.....	181
Brendan O’Brien	
Part V Concluding Remarks	
14 Conclusion	193
Jim Austin, Judith Bentkover, and Laurence Chait	
Index.....	201

Editor Bios

Jim Austin a former senior executive at Baxter Healthcare, combines business strategy and organizational development theory with extensive industry experience. In 2013, Brown University appointed Jim an Adjunct Senior Lecturer in the Executive Master of Healthcare Leadership program where he leads the graduate Management & Marketing course. He also lectures at the Wharton Business School and Duke CE where he tailors and delivers senior-level seminars on Strategy, Strategic Execution, Scenario Planning, and Critical Thinking for a number of leading companies including Boston Scientific, Coca-Cola, Lincoln Financial, JP Morgan Chase, Roche China, General Electric, Boston Scientific, McKesson, and Hitachi.

From 2005 to 2016, Mr. Austin worked at Decision Strategies International, leaving as a Senior Principal. There he led numerous projects including scenarios of the future for a Medical Devices firm; R&D priorities for a major consumer products company; a strategic plan for the American College of Radiology; scenarios of the future for the League of Southeastern Credit Unions; and a new vision/priorities at RAND Health. Today, he heads his own consulting/executive development firm, JH Austin Associates, Inc.

Jim holds a BA in Economics and Politics from Yale University. He was a Special Student at the Massachusetts Institute of Technology in the Urban Studies Department and received a joint Masters in Public Affairs (MPA) and a Masters in Urban and Regional Planning (MURP) from the Woodrow Wilson School, Princeton University.

Judith Bentkover is the Executive and Academic Director in Brown University's Executive Master of Healthcare Leadership program. She is a Professor of the Practice in the Department of Health Services, Policy and Practice at Brown and also a Professor of the Practice in the Economics Department at Tufts University.

As the former President and Chief Executive Officer (CEO) of Innovative Health Solutions, a consulting firm providing research and strategic analysis to healthcare manufacturers, providers, and payers, Dr. Bentkover led international multidisciplinary teams in projects focused on applied economic and decision analysis associated with the use of pharmaceuticals, devices, biotechnology products, procedures, and diagnostic, therapeutic, and preventive regimens. As Partner-in-Charge of KPMG's global

Strategic Health Solutions practice, she helped life sciences companies bring products to market, obtain reimbursement, and maximize revenues associated with their sale. Earlier in her career, she was a faculty member at Harvard University and taught in the School of Public Health and Kennedy School of Government. She also served as the Deputy Director of the Boston Health Care Coalition, which she helped start. In this capacity, she worked with employers, hospitals, labor unions, patient organizations, and insurers collectively to address the issues of rising healthcare costs and disparities in access to healthcare.

Dr. Bentkover has authored approximately 100 research articles, chapters, monographs, books, and reports. She has testified before Congress, explaining the drivers of hospital costs. Dr. Bentkover is a reviewer for several pharmacoeconomics, medical, and health policy journals. She was included on Health Care 500's list of the most influential health policy makers in the USA and is recognized as a developer of therapy economics, translating cost-benefit methodology into innovative strategic management tools. She often is invited as a guest lecturer at universities, executive workshops, and conferences.

Laurence Chait Mr. Chait is an Adjunct Senior Lecturer at Brown University, where he teaches a Masters-level course in Strategy. He is also Managing Director of Chait & Associates, Inc., a consultancy that advises senior management and their teams on achieving and sustaining high performance—and helps them keep their strategic initiatives on track. He has over forty years of experience in business management and information technology.

In his consulting work, Mr. Chait has helped executives and organizations across industries manage change. His focus is on strategic business planning, change management, process improvement, and knowledge leverage. In addition, Mr. Chait supports clients as an executive and team coach.

Prior to Chait and Associates, Mr. Chait was Vice President and Director of Arthur D. Little, Inc. He held positions including Chief Knowledge Officer and Principal. While at ADL, Mr. Chait developed the firm's Business Process Improvement methodology and built its practice in that area.

Jim Austin, Judith Bentkover, and Laurence Chait

Abstract

The US healthcare system faces upheaval ranging from incremental efforts to improve operating efficiencies to more transformational changes to care delivery and payment systems. Interestingly, all major economies confront similar issues: “demand-side” growth for care driven primarily by aging populations and “supply-side” resource constraints from the ever-increasing costs of providing such care. While cultural, historical, and political differences among nations will yield different solutions pertaining to the “correct” allocation and financing of healthcare products and services, leaders across the globe must deal with ever-increasing uncertainty as to the scope and speed of their healthcare systems’ evolutions. What to do? This book will provide healthcare leaders with the tools, processes, and examples/case studies to lead strategic change in their organizations.

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While cultural, historical, and political differences among nations will yield different solutions pertaining to the “correct” allocation and financing of healthcare products and services, leaders across the globe must deal with ever-increasing uncertainty as to the scope and speed of their healthcare systems’ evolutions. What to do? This book will provide healthcare leaders with the tools, processes, and examples/case studies to lead strategic change in their organizations.

All healthcare leaders struggle to define their path forward in these times of high uncertainty. The theme of this book is:

Incremental change is essential—organizations need to focus on the short-term to remain stable, efficient, effective, and well financed. But, this is not enough. Organizations that will succeed in the longer-term must also pursue transformational change to expand the way healthcare is delivered and financed—as well as each organization’s role in a newer, more enduring system.

Written for senior healthcare executives, this book focuses on how to lead transformative, strategic change in times of great uncertainty. While organizations must change to meet the evolving needs of their healthcare systems, the problem is understanding where and how to change. Failures of strategy are often failures to anticipate a reality different than what an organization is willing to see.

While each country’s healthcare system will evolve differently, two interrelated themes extend across nations: the need to improve outcomes and quality while lowering costs and the need to improve population health, not just treat the sick. For example, in 2012 the US Centers for Medicare and Medicaid Services (CMS) began rewarding and penalizing hospitals based on patient satisfaction scores and outcomes measures. And in 2015, CMS announced a goal of tying 85% of all traditional Medicare payments to quality or value by 2016, and 90% by 2018 (CMS 2015). Payment for volume of healthcare delivered is *morphing* into payment for value of healthcare delivered and *shifting* focus to capitated, risk-based “per-member-per-month” payment schemes. Physicians who were once viewed as independent contractors are *moving into* the role of hospital employees or developing affiliations with integrated care systems. Personal doctor–patient relationships are *expanding* to include multidisciplinary care teams.

But such issues are not unique to developed markets. In January 2014, Indonesia launched a broad healthcare coverage plan for its 250 million citizens. Over 133 million signed up for a plan that included everything from maternity checkups to expensive cancer operations. According to an independent survey, 81% of Indonesians were satisfied with the program. Unfortunately, costs are rising dramatically:

Last year, the program cost 3.3 trillion rupiah (\$224 million) more than it took in from participants and from a government fund that pays the premiums for more than 97 million poor Indonesians. This year’s shortfall could deepen to 13.5 trillion rupiah, the health ministry has projected. As a result, Indonesia is undertaking a costly overhaul... [including the need to raise] healthcare premiums by year-end... (Rachman 2015).

Neal Halfon (2014) outlines a three-stage evolution of any health-delivery system. In summary:

1. Stage 1: Acute Care System, characterized by episodic, nonintegrated, fee-for-service care interventions.
2. Stage 2: Coordinated Healthcare, focusing on outcomes, preventative care, with cost/quality metrics supported by strong information technology (IT) networks.
3. Stage 3: Community-Based, Integrated Care centered on population health, integrated networks and risk-based, capitated payment systems emphasizing outcomes.

More recently, the Health Care Advisory Board argued what healthcare systems are facing is the shift from a “traditional market” to a “retail market,” specifically:

- **Buyers:** From passive employer, price-insulated employee to activist employer, price-sensitive individuals
- **Networks:** From proliferation of product options to narrow, custom networks
- **Plan Comparisons:** From minimal transparency to clear plan comparisons
- **Employer Role:** From reduced switching costs to ease of annual plan switching
- **Premiums:** From cost exposure to high deductibles and variable contributions based on individual situation (Daniel and Kupper 2015)

Healthcare leaders should ask themselves: where is my group or institution in this progression, or how does my organization relate to healthcare organizations in this progression? Where could we be in the future? How should I, as a healthcare leader, drive strategic changes in my organizations to meet the evolving needs of my healthcare environment? What short-term, incremental changes should we be putting in place ... and what transformational, longer-term initiatives should we be focusing on?

A fundamental assumption of this book is that healthcare transformation is possible. But what do we mean by “*transformational*” change? Definitions abound from the *incremental* aimed at reducing the *rate* of healthcare cost increases to “*global health*” focusing on “*improving health and achieving equity* in health for all people worldwide” (Marušić 2013). In-between these extremes are multiple gradations of “*transformational*.” Clayton Christensen, for example, argues for “*disruptive innovations to revitalize the healthcare industry*,” meaning low cost, readily available technologies that will “*provide sophisticated service in affordable settings*” (Christensen et al. 2000; Ulwick et al. 2003).¹

This book is for current healthcare leaders, grappling with how to transform their organization to meet the evolving, often contradictory needs of changing local healthcare systems. Does that mean working within or outside of existing institutions and relationships?

¹Interestingly, the recently announced partnership between IBM and Novo Nordisk A/S “to create a so-called virtual doctor for diabetes patients that could dispense treatment advice such as insulin dosage” (Roland 2015) is an example of such innovations.

Dr. Karen Hein writes to improve access, raise quality and lower overall costs, leaders must redefine their role in health to “understand the notion of population health by providing a coordinated array of services across the entire continuum of care and especially by focusing on wellness/prevention and post-acute care. Geisinger is indeed one example, but... there are growing examples of ‘Accountable Health Communities.’”² Such institution-expanding experiments are beginning. Chapter 9 and Chapter 10 are examples of Population Health initiatives indicative of broader institutional reform efforts. The Coastal Medical and AHIMA cases (Chapters 7 and 12, respectively) are examples of institutional improvement *and* expansion; the remaining cases focus on transformational change within current institutions. Thus, the frameworks outlined in the case studies (Chapters 6-13) are meant to aid health-care leaders and their teams in undertaking *either of these, ideally related journeys—transforming within or beyond existing healthcare institutions.*

Structure of the Book

This book addresses these questions and more, as described in the roadmap to the book chapters below.

Part I—Strategic Issues and Frameworks

Part I comprises four chapters outlining strategic issues facing healthcare leaders paired with recommended frameworks to drive transformational change from concept to execution.

Chapter 2—Setting the Stage: Today’s Healthcare Challenges

This chapter provides an overview of the healthcare system’s evolution over the last century and the rapidly growing challenges that exist today. Healthcare leaders, seeking ways through these challenges, must answer four simple questions:

- Why change?
- What to change?
- How to change?
- When to change?

The chapter focuses on these questions, explaining why change is necessary today and prime targets for change. The chapter then discusses how to change and

²Personal communication with Dr. Karen Hein, who is an Adjunct Professor of Family & Community Medicine at Dartmouth Medical School, a past member of the Green Mountain Care Board (VT), and immediate past president of the William T. Grant Foundation.

whether the changes can be incremental or need to be transformational. Finally, the reader can grapple with the question, “when to change?” The answer is simple: *now*.

Chapter 3—Building Blocks for Strategic Planning

Successful strategic planning requires several building blocks. The foundation includes an appropriate “mindset,” a relevant methodology, a focused team, and a holistic approach. This chapter explores these building blocks and how they can be best used.

Mindset. Strategic planning is only as good as the decision-making process that leads to strategic choices. One difficulty in times of uncertainty is how individuals process information—what they are willing to consider. Healthcare leaders must help their teams overcome their tendencies to be “predictably irrational” and open to new, innovative, potentially disruptive opportunities. Good decisions involve three distinct steps that help overcome all-too-common “decision traps”—framing issues far too narrowly, being overconfident in the information that’s gathered, and falling into groupthink to make decisions. This chapter outlines multiple examples and frameworks that should help teams and decision makers to increase their objectivity and creativity when approaching difficult strategic choices.

Effective Methodology. Successful strategic planning builds on a set of inter-linked steps and resulting outcomes. Leaders design a strategic planning process to develop a set of action plans that will achieve an organization’s mission and vision. Leaders must utilize appropriate, effective methodologies, or processes in designing a transformational strategic plan.

Appropriate and Focused Team. To develop an optimum strategic plan, people from across an organization, representing all organizational levels, should be involved in some way in the process. Such involvement is important not only to develop the plan itself but also to help ensure a supportive culture for its implementation.

Holistic Approach. While leaders are often aware of and concerned about “silos” in their organization, silos are not typically dealt with through the strategic planning process itself. Transformational change involves far more than basic “strategy.” To ensure an effective transformational plan, all of the elements of an organization must be aligned, as depicted in Fig. 1.1.

For example, if a strategy calls for more nursing staff—possibly even playing new roles in community health initiatives—but resources and organizational structures are not adjusted to provide for these initiatives, implementation will fail. Or, if people across the organization do not understand and support culturally the organization’s evolving mission and vision, any resulting plan will face significant barriers.

Of course, in a strategic planning process, an organization cannot specify and respecify in detail all of its organizational elements. However, at a minimum the process can and must identify and address major misalignments.