THE ACADEMY LUMERIS STRATEGIC SURVEY – Q1 2018
ORGANIZATIONAL RESTRUCTURING

MELISSA HOLLOWAY | HEALTH SERVICES FELLOW | THE HEALTH MANAGEMENT ACADEMY
MELISSA STAHL | SENIOR RESEARCH MANAGER | THE HEALTH MANAGEMENT ACADEMY

KEY FINDINGS

- Over half (53%) of responding health system executives report that their organization has undergone significant restructuring over the past two years, ranking the extent to which they've reorganized a 4 or 5 on a scale of 1 (Not Restructured) to 5 (Broad Implementation).

- Leading Health System executives report that their main goals in restructuring are to achieve more effective management around decision making (79%), speed of innovation (71%), and consumer concentricity (57%), aiming to make care more convenient and affordable.

- Among Leading Health Systems, executives have found that successful organizational restructuring requires organizational alignment around common values, effective processes for assessing needs and developing talent, and frequent and transparent communication both prior to change and during the early stages of implementation.

LEADING HEALTH SYSTEMS ARE RESTRUCTURING AT VARIOUS PACES

Leading Health Systems are organizationally restructuring at various paces, with over half (53%) of responding executives ranking the extent to which their organization has reorganized over the past 2 years a 4 or 5 on a scale of 1 (Not Restructured) to 5 (Broad Implementation (Figure 1).

"We are redefining roles and scope at market level, and rethinking the scope of each region and how care delivery is composed." (CSO)
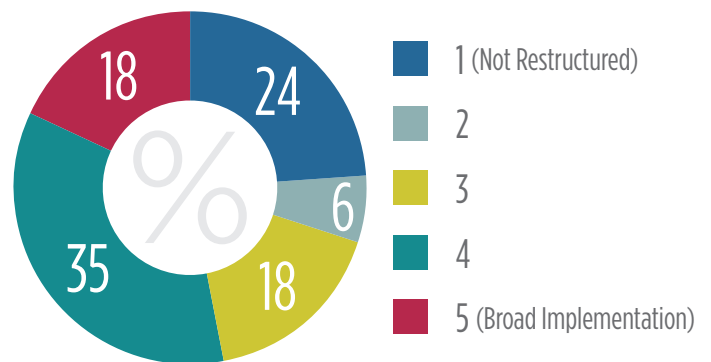
The ways in which health systems are restructuring differ depending on the organization's needs, though one common theme among those who've restructured is an increase in C-suite and SVP-level executive visibility to increase operational effectiveness and provide clarity around reporting relationships. Many executives reported streamlining reporting, oversight, and functional assignments within their administrative and operational divisions.

FIGURE 1. PLEASE RANK TO WHAT EXTENT YOUR ORGANIZATION HAS UNDERGONE RESTRUCTURING IN THE PAST 2 YEARS.

- 1 (Not Restructured) — 24
- 2 — 6
- 3 — 18
- 4 — 35
- 5 (Broad Implementation) — 18

"We did a major restructuring at the system level, clearly delineating the responsibilities of our COO and CAO and all of the functions of those who report to those people." (COO)

Leading Health Systems have also implemented changes in their service line structures, reorganized their medical groups, and adjusted physician compensation. A driving factor for these changes has been variation reduction and increased clinical effectiveness.

"We've moved to a matrix structure and we've implemented vertical sets of operations. We've also aligned around ten service lines and business services, with a physician-led structure." (COO)

CORPORATE RESTRUCTURING IS EXPECTED TO YIELD RESULTS IN THE MANAGEMENT OF DECISION MAKING, SPEED OF INNOVATION, AND CONSUMER CENTRICITY

Of the health systems that have undergone organizational restructuring in the last two years, executives reported that they are hoping to enhance management around decision making (79%), speed of innovation (71%), and consumer centricity (57%) as part of these efforts (Figure 2).

FIGURE 2. WHICH OF THE FOLLOWING AREAS WILL BE BETTER MANAGED WITH A NEW ORGANIZATIONAL STRUCTURE?
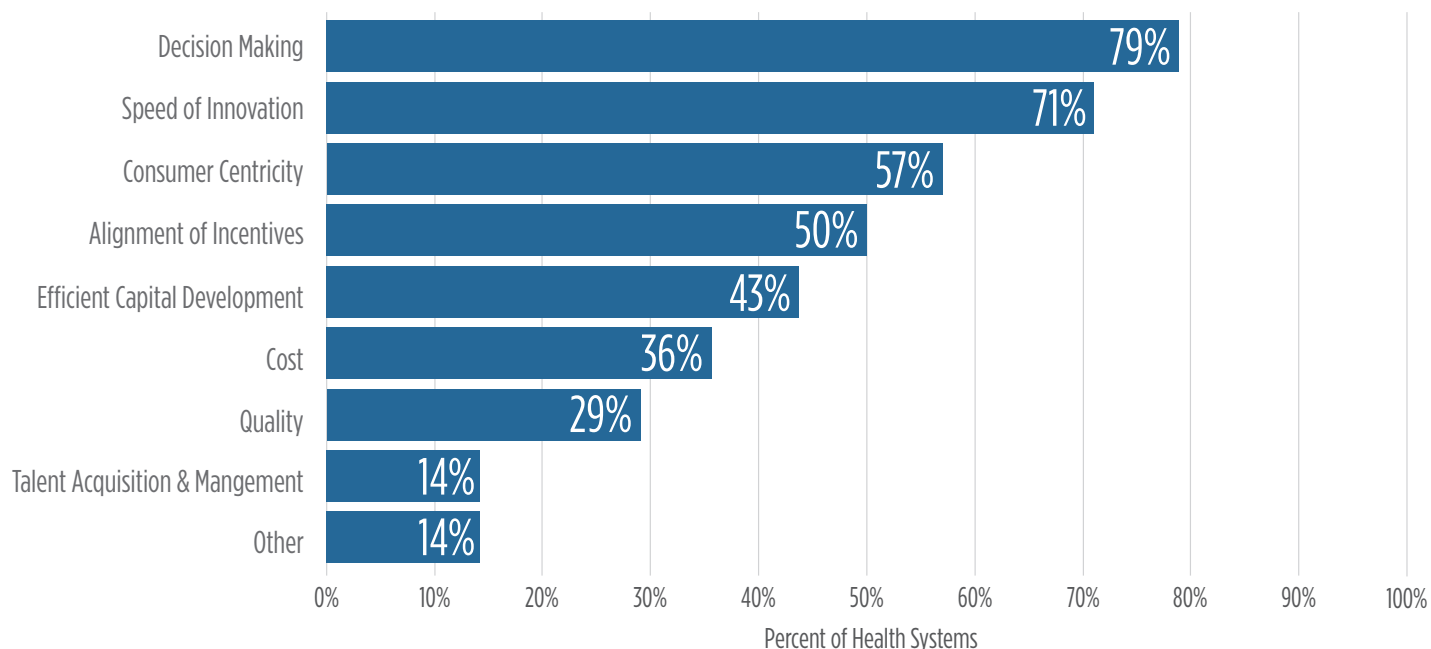
 "We've gained a lot of clarity around who's second in command. There is also more clarity around hospitals with direct reporting and decision-making power organized into a hub." (CSO)

Health systems are also using organizational restructruing as an opportunity to augment their efforts to acheive more innovative and integrated systems by consolidating services and leadership structures.

"We are making changes around population health and are thinking about how to restructure our organization by combining primary care and support assets. This could give us a full picture of the financial and clinical outcomes in that piece of the organization." (CFO)

Many health systems executives acknowledged that restructuring has the potential to impact all of the listed areas, specifically indicating that improvements in all of these areas ultimately come back to the consumer, allowing providers to deliver more convenient and affordable care.

"We are thinking about the design of the patient across the continuum. We are already more efficient than we were last year." (COO)

HEALTH SYSTEMS FOCUS ON VALUES, FUNCTIONAL NEEDS, AND COMMUNICATION DURING REORGANIZATION

The organizational changes implemented at Leading Health Systems in the past two years vary widely, though health system executives tend to agree on a few key steps which make for a successful and smooth implementation process. The first of these is establishing a guiding set of principles or values for the organization or division undergoing reorganizing. Leaders expressed that they first must ensure that all employees are aligned around a common mission.

"Our leaders are hired to head up specific functional areas – those areas work with our transformation team to design their areas along a set of guiding principles." (CNO)

Multiple health system executives also emphasized that evaluating the needs of the organization from a talent perspective – and adjusting recruitment processes accordingly – was critical to successful reorganization.

"Talent acquisition is tough because it requires content expertise, as well as, in our case, the ability to work in an ambiguous matrix organization, in which an employee may be accountable to multiple people. This led us to dismiss multiple business unit leaders and look at our recruitment processes." (COO)

Lastly, many leaders expressed that an effective communication strategy was the one major key to a successful reorganization, actively ensuring that all affected parties were made aware of the impending changes beforehand and how this may shift the organization's expectations of them.

FIGURE 3. PLEASE DESCRIBE THE PROCESS OF IMPLEMENTING/OPERATIONALIZING A NEW ORGANIZATIONAL STRUCTURE AT YOUR HEALTH SYSTEM

Value Setting
"We designed principles which led to the functions we needed. We then mapped out current leaderships and designed roles based on the identified functions." (COO)

Talent & Needs Evaluation
"After laying out the organization's new strategic direction, we've started evaluating our talent acquisition strategy to make sure it's consistent with what we're looking for going forward." (CSO)

Effective Communication
"We communicated broadly, but with intention, making sure to have those conversations one-on-one or in-person, cascading down from the C-suite." (CSO)

"The most important piece in restructuring is the communication strategy – you need to put the strategy together, make sure the right people know before it becomes public, then develop a system-wide strategy and have leaders speak to teams in person to let them know which changes are coming and why changes are taking place." (COO)

Leading Health System executives agree that one of the biggest challenges in restructuring is anticipating and addressing the cultural impact on the organization. Leaders largely use aligned value setting and effective communication as pre-emptive strategies for addressing this. To ensure these changes are sustainable, leaders realize that they also must show employees that the changes are effective and valuable, which is broadly recognized as a difficult and ongoing task.

"We are tearing open communication lines across the organization because we want employees to internalize what values are intended by structural change. We are bold about naming the moves we are going to make as an organization, and take that as an opportunity to reinvigorate people on the fundamentals of why we're here and what we're trying to do." (CFO)

RISK MANAGEMENT STRATEGIES REQUIRE SHORT-TERM PLANNING AND LONG-TERM ASSESSMENT

Leading Health Systems recognize that with change comes substantial risk. Executives acknowledge that organizational restructuring makes systems vulnerable to losses in both talent and productivity. Many leaders expressed that the most successful transitions were those where risk assessment occurred before the reorganization process, incorporating any stakeholder feedback and securing stakeholder buy-in before making changes.

"First and foremost, we are making sure to address feedback from stakeholders as we implement our new committee structure." (CFO)

Many health system executives also indicated that they found it useful to role-play potential scenarios and implement standard procedures where necessary.

"We brainstormed and laid out potential scenarios and risks, and have a process in place to escalate any issues related to structure so we can quickly address them." (COO)

Systems executives most forcefully stressed the importance of continuously assessing risk and adjusting the model during the implementation and operationalizing processes.

"Our executive leadership team has a daily huddle in which we hear how things are going from each area across the organization. During these discussions, we are actively making a list of our biggest risks and concerns, making sure we have someone monitoring each one." (CNO)

Leading Health System executives identified a few key requirements for the successful performance of a new organizational structure. There was broad consensus around three distinct requirements for success: 1) Clear, defined goals surrounding quality, safety, efficiency, and cost; 2) Transparency and communication of overall system performance around key performance indicators (KPIs); and 3) Established communication channels and a clear feedback mechanism for caregivers and employees.

"We've made sure to establish clear communication of changes made as well as the goals of such changes. We also wanted to be sure we were transparent on performance metrics." (CMO)

THE MAJORITY OF HEALTH SYSTEMS ARE CONFIDENT THAT THEY ARE WELL-POSITIONED FOR THE FUTURE

Most (83%) health system executives believed that their system was well-positioned for the future under the current organizational structure. Many stated that their organization had become more agile and adaptible, making them less vulnerable to exertnal disruption and workforce turnover.

"We feel we've made the right structural changes, including more specific communication plans and a structure that allows us to act swiftly but comprehensively. The changes have led to more collaboration across the system as opposed to continued initiatives within each business unit." (CNO)

Those executives who do not currently feel well-positioned have concerns around the training and education of employees, expressing that they need to work on talent development, employee engagement, and an infrastructure to facilitate long-term sustainability.

"Favorable positioning is the driving force behind this work, and just because we were well-positioned for the last 20 years doesn't mean we will be for the next. Now it's time to focus on education and talent development." (CSO)

LUMERIS COMMENTARY

In this survey, the Academy has identified how health systems are managing change in terms of organizational structure. In the midst of the dynamic changes occurring in healthcare today, most notably a shift from volume-based care to value-based models, health system leaders are determining how to best position themselves for the future. An orientation toward value requires providers to develop new capabilities to manage clinical and financial risk. Similar to what Lumeris sees in the market, surveyed organizations are at different levels of restructuring based on their market, readiness, and current structure. Success in organizational restructuring mirrors key elements of what is required for successful value-based care delivery. Respondents indicate that alignment on strategy and values, the right leadership and governance structure, and clear communication at all levels all drive effective change in the organization. These elements also support health systems as they focus on value—delivering improved clinical and financial outcomes while pursuing improved physician engagement and consumer satisfaction.

PROFILE OF PARTICIPATING HEALTH SYSTEMS

Representative of the U.S. Regions

39%
28%
33%
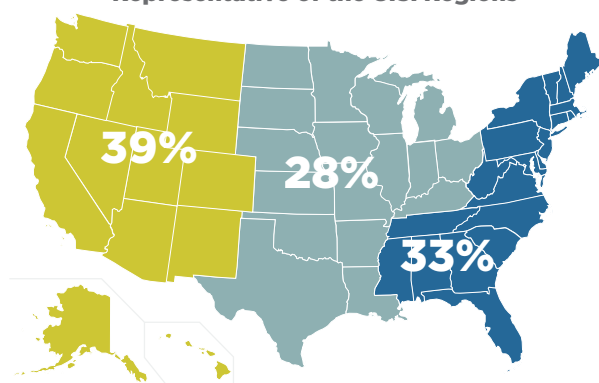
AVERAGE NET PATIENT REVENUE

$4.75 BILLION

OWN OR OPERATE **296 HOSPITALS** WITH **54,026 BEDS**

PROVIDER OWNED HEALTH PLAN: **56%**

SINGLE-STATE SYSTEMS: **56%**

MULTI-STATE SYSTEMS: **44%**

PARTICIPATING HEALTH SYSTEMS

- Advocate Health Care
- CONE HEALTH® The Network for Exceptional Care
- Intermountain Healthcare
- Ochsner Health System
- UnityPoint Health
- Avera
- FAIRVIEW
- KAISER PERMANENTE®
- Piedmont HEALTHCARE
- Yale NewHaven Health
- Banner Health®
- HAWAI'I PACIFIC HEALTH Kapi'olani · Pali Momi · Straub · Wilcox
- Lehigh Valley Health Network
- PRESBYTERIAN
- BayCare
- Indiana University Health
- Northwell Health℠
- Providence St. Joseph Health

METHODOLOGY

In March 2018, The Academy conducted the fourteenth round of its quarterly strategic survey among 18 senior health system executives, including: CEOs, COOs, CFOs, CMOs, CNOs, and CSOs. The survey for the interview consisted of: (1) a tracking section that provides insight into trends around primary strategic areas; (2) a special topic area that allows for an in-depth look into a timely, developing issue. Innovation, consumer engagement, ambulatory and real estate strategies, physician alignment, bundling, data analytics, telehealth, pharmacy strategies, branding, health policy, cost reduction, cybersecurity, and disruption were topics of previous surveys.

THE HEALTH MANAGEMENT ACADEMY, "THE ACADEMY"

The Health Management Academy (The Academy) is a membership organization exclusively for executives from the country's Top-100 Health Systems and most innovative healthcare companies. The Academy's learning model identifies top priorities of health system leaders; develops rich content based on those priorities; and addresses them by convening members to exchange ideas, best practices, and information. The Academy is the definitive trusted source for peer-to-peer learning in healthcare delivery with a material record of research and policy analysis. Offerings include C-suite executive peer forums, issues-based collaboratives, leadership development programs, research, advisory, and media services. The Academy is an accredited CE provider. More information is available at www.academynet.com.

LUMERIS

Lumeris serves as a long-term operating partner for organizations that are committed to the transition from volume-to value-based care and delivering extraordinary clinical and financial outcomes. We guide health systems and providers through seamless transitions from volume to value, enabling them to deliver improved and more affordable care across populations—with better outcomes. And, we work collaboratively with payers to align contracts and engage physicians in programs that drive high-quality, cost-effective care with satisfied consumers—and engaged physicians.

An industry recognized leader, Lumeris won the 2018 Best in KLAS award for value-based care managed services for helping clients deliver improved clinical and financial outcomes. This was the third year it received this distinguished award. For the past seven years, Essence Healthcare, Lumeris' inaugural client with more than 65,000 members in Missouri and Illinois, has received 4.5 to 5 Stars from the Centers for Medicare and Medicaid Services. Lumeris is committed to delivering these same results with its multi-payer/multi-population clients to meet their goals and missions.