

Alan M. Zuckerman



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What Would You Do?

what should our strategy be in the post-reform era?

The Problem

In mid-2010, University Medical Center (UMC), the clinical division (hospital and medical group) of an academic medical center, faced an eroding position and seemingly overwhelming obstacles to compete successfully in its region. Leaders identified five significant strategic challenges with seven competitive issues and realized that UMC must prioritize its future efforts to make good progress in addressing these issues in the next few years. The challenge was to identify which issues should be given highest priority.

The Situation

Located in a mid-sized metropolitan area, UMC faced stiff competition from two large hospitals and associated health systems and a number of smaller and niche competitors. UMC had performed adequately for the past five to 10 years, but its primary competitors were performing exceptionally well, especially financially, and had grown more formidable.

UMC is governed by a board appointed by the university board. Concerned about UMC's position, the parent university board had recently reorganized UMC's board and appointed a new chair. Concurrently, most of UMC's senior leaders had turned over, and all new leaders, including the dean, hospital director, and faculty group head, had been appointed.

UMC's board and senior leadership team concurred that a new strategic plan was called for. They faced many strategic, operational, and financial challenges, and believed a strategic plan would help them set priorities and provide the overall context to successfully address these issues. The prospect of healthcare reform was looming large and was a major factor spurring this important initiative.

Alternatives Considered

Based on its environmental assessment, UMC's leaders summarized the organization's key challenges for the future and its current position relative to these challenges. The challenges—and in parentheses, UMC's assessment of its position with respect to each one (on a scale of 1 to 5, with 5 being the highest)—involved achieving the following:

- > Demonstrated quality (3)
- > Superior service (1.5)
- > Cost competitiveness (2)
- > Sufficient scale and scope (1)
- > Real integration (2)

UMC's leaders then assessed each of these challenges to identify what its priorities should be for the next few years. The following were the key findings.

Demonstrated quality. Among the five challenges, UMC had progressed furthest toward meeting this one, especially when compared with competitors. It had some good outcome measures and more in process.

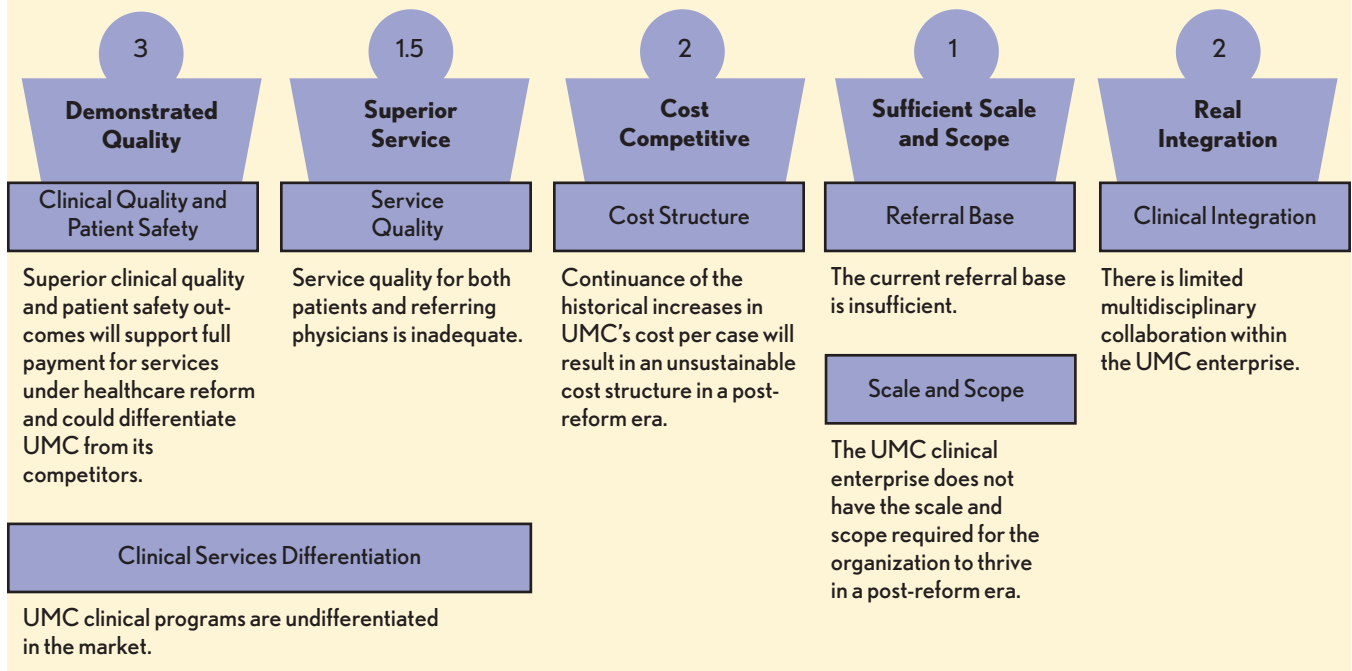
Superior service. UMC's leaders regarded this as being possibly the major deficit and a threshold problem in building business.

Cost competitiveness. UMC was about average in the market at that time, but not close to what would be required in the future.

Sufficient scale and scope. UMC was the smallest and least comprehensive of the three major systems in the market.

Real integration. UMC concluded that the organization had a potential advantage with its fully

ENVIRONMENTAL ASSESSMENT CONCLUSIONS: TIER COMPETITIVENESS ISSUES



employed medical group, but it was not using it effectively or even much at all.

To build on this summary, the senior leadership team defined seven significant competitive issues for UMC to address in the next three years, the time horizon for the strategic plan:

- > Clinical quality and patient safety
- > Service quality
- > Clinical services differentiation
- > Cost structure
- > Referral base
- > Scale and scope
- > Clinical integration

Recognizing that it would be impossible to move forward equally and effectively on all fronts simultaneously, the team struggled with how to prioritize future efforts. It used its emerging system vision—"leadership in clinical excellence"—and the team's view of the best sequencing of strategies to determine the highest priorities going forward.

Given your experience and sense of the situation described above, what would your priorities be?

The Decision

Three of the areas—clinical quality and patient safety, clinical integration, and service quality—were designated as top priorities for the next few years. To address these priorities, UMC's leaders adopted the following respective strategies:

- > Differentiate UMC clinical quality through leveraging the university's medical education and research
- > Develop a high-functioning multispecialty group with a geographic reach extending across the state
- > Invest in a customer service culture change; make customer service stand out

The leadership group determined that 75 percent of the resources and effort in strategic plan implementation should be directed to the top three areas and that modest attention and resources should be allocated to the other four areas. The group felt strongly that success in the top three areas would advance UMC further and fastest and position it to make significant progress in the other four areas subsequently. ●

Alan M. Zuckerman, FACHE, FAAHC, is president, Health Strategies & Solutions, Inc., Philadelphia (azuckerman@hss-inc.com).