

The rapidly shifting landscape requires all-wheel-drive management. Organizations must expect and be prepared for constant change.



4 BUSINESS IMPERATIVES



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to manage dynamic change in the new healthcare environment

More than any other time since the 1960s, the forces influencing healthcare promise to revolutionize the clinical and business sides of the industry. Individuals and organizations that survive the revolution will have to act quickly and decisively, using the forces within the change to position themselves for the future. Those who ignore the changing game, who think they can fight the revolution or who waste energy grouching about how bad life has become will most likely become victims rather than players in the new game.

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The word *incremental* comes from the Latin word *increscere*, which means to grow. Incremental change usually involves a regular increase or movement on a predictable scale. Such change, positive or negative, often comes in small doses. You can assimilate incremental change through slight modifications in processes or rules. It is evolutionary in nature and often purposely pursued as part of continuous improvement processes.

Dynamic change is explosive. The word *dynamic* finds its roots in the Greek word *dunamis*, which means power. Dynamic change involves new energy and ideas. It results in stimulating development. It involves forces producing motion and progress within a system. Dynamic change is not evolutionary, it is revolutionary – so much so that you cannot assimilate it within a current context. Dynamic change does not just change the rules, it changes the game.

Business imperatives

Regardless of the ultimate details of healthcare reform, physicians, managers and support staff can count on the following:

- Reimbursement will continue to decrease;
- Regulation will increase in this highly visible healthcare industry;
- Business and government focus on clinical quality will intensify;
- Payers will increasingly pay for demonstrated performance;
- Hospitals will employ larger numbers of established physicians;
- New physicians will continue to seek hospital employment – even over private practice opportunities;
- Increased consolidation among hospitals and physicians will result in intense competition in local markets, particularly for insured patients;
- Continued success in medical practice will require increased productivity and efficiency;

- Improved technology will continue to facilitate, even force, change in healthcare delivery; and
- Coming events will result in increased risk and require increased business rigor.

While incremental performance improvement has overcome barriers in the past, the current extraordinary environment calls for a dynamic response based on the collective, creative intelligence of physicians, management and support staff working together to enhance clinical care, customer service, team productivity and financial viability. Our dynamic response will be significant change requiring careful management of the direction, pace (energy consumption), process and outcomes.

As the old ways become obsolete, success in our changing environment will require attention to the following four business imperatives:

Access to market share. All healthcare providers must maintain access to patients. Primary care physicians must attract and retain women as customers because women still make the majority of healthcare decisions for their families. Specialists must remain in the referral path by maintaining access to primary care physicians and their patients. Hospitals must attract referrals from both primary care and specialty physicians. Established referral relationships are threatened by changes in primary care practice ownership, by specialty employment, hospitalist programs, advanced technology, increased competition and many other factors.

Demonstrated quality. The ability to identify, measure and demonstrate clinical quality outcomes will become increasingly essential. Changes in reimbursement will drive adherence. Even in integrated systems of physicians and hospitals, service quality will be essential to maintain strong referral relationships among providers of choice. As always, communication and patient experience will motivate referrals from patients and physicians.

Access to capital. While all healthcare providers generate revenue, hospitals consistently generate and reinvest capital in new people, technology and facilities. A successful hospital is a capital-generating engine for the local health system, producing capital to invest in new primary care and specialty physicians, electronic medical records, new operating rooms, latest digital and robotic technology, and developing service lines. Having access to capital is essential to address community need, strategic demands and competitive pressures in a dynamic healthcare setting.

Productivity. Minor adjustments in processes (“rules”) will not work. Those who wish to prosper under these circumstances will need to change the game. Medical practices win or lose on the revenue side of the income statement. Revenue (even under capitation) is fundamentally a function of seeing and serving patients. Serving adequate numbers of patients (assuming they are available in the marketplace) is a function of productive capacity. Operational effectiveness (getting the job done) and efficiency (using appropriate resources) enhance the productivity of our service delivery mechanism and increase patient access.

Managing dynamic change

For medical practice managers, these are extraordinary times, and extraordinary times demand extraordinary responses. The rapidly shifting landscape requires all-wheel-drive management. Our organizations must expect and be prepared for constant change — even dynamic change. Our teams must be adaptable so that if one process, method or approach spins out, other processes have traction. We must be resilient enough to regain momentum while minimizing energy expenditure. We need a clear vision, extraordinary sponsorship, effective and efficient implementation, and a culture of accountability just to survive.

Managing dynamic change in the med-

ical practice setting involves the following critical success factors:

- **Sponsorship.** In a private medical practice setting, sponsors are the physician owners. In a hospital-owned medical practice setting, the ultimate sponsor is the hospital chief executive officer, although other physician and administrative leaders can become sustaining sponsors of change throughout the organization. Practice managers risk their tenure if they try to implement change without the full support of their sponsors — people who have the authority to insist on change. Sponsors initiate a culture of accountability by holding each other and management accountable to implement change.
- **Compelling vision.** In a rapidly changing environment, sponsors must establish and agree on their place in the new game. There can be no question about the direction the practice is headed. That vision for the future must be compelling enough to engage physicians, management and support staff to overcome barriers and endure the pain of change. This compelling vision must be developed within the context of market realities, even if it means choosing sides in a competitive setting to maintain access to market share and capital.
- **Needs, wants, priorities.**

Traditionally, medical practices have focused on meeting clinical needs usually at the convenience of physicians. Meeting clinical need is not enough in markets where competitive alternatives are available and perceived to be clinically adequate, which means they are in business despite our perception that we have the best doctors.

Understanding and meeting the wants and priorities of our “patient customers” and our “referring physician customers” more effectively than our competitors are increasingly essential. We will need to “WOW” these critical customers by

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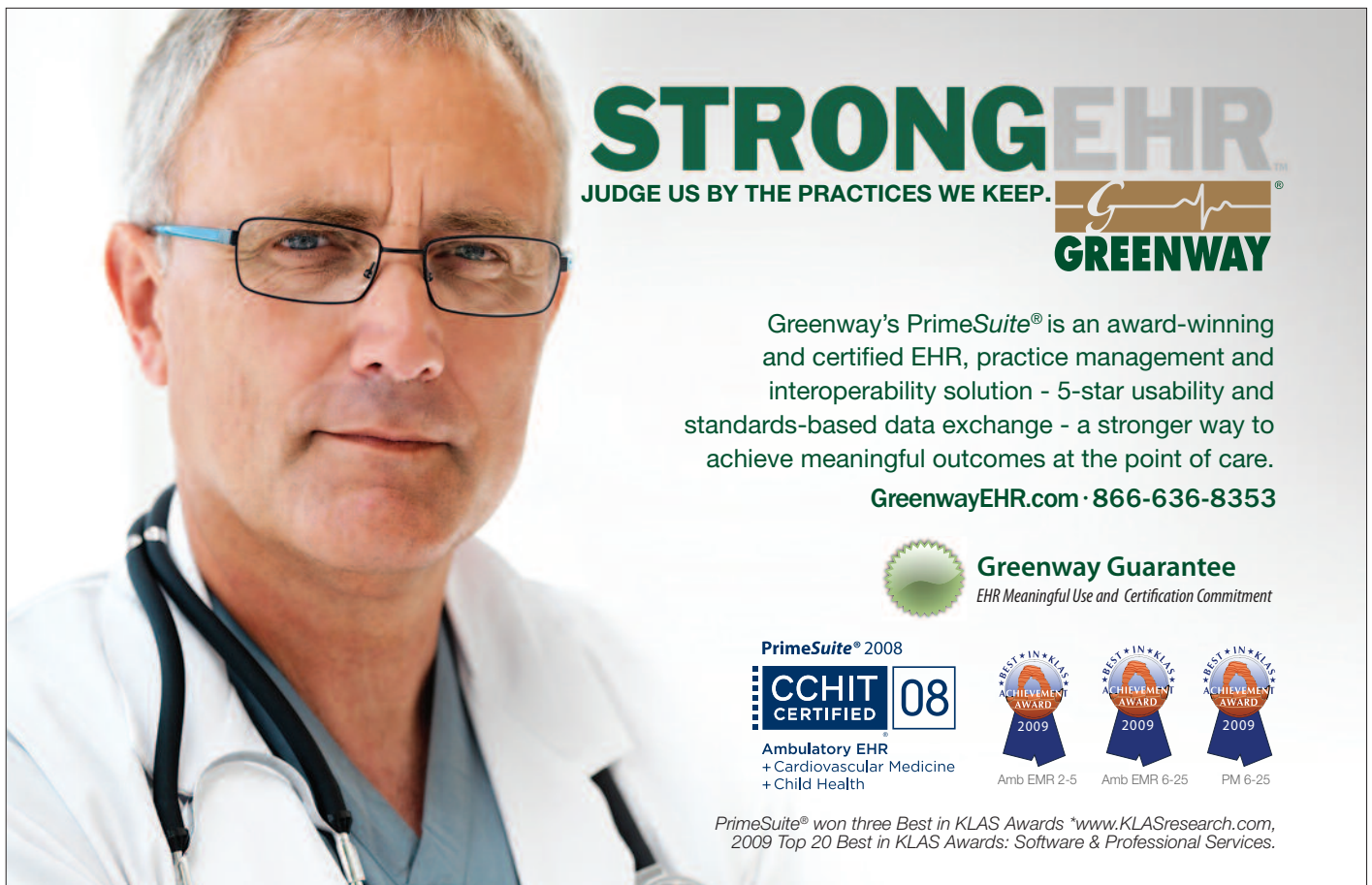
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consistently delivering exceptional service as they define it. Such service usually involves access, effective communication and patient experience. We must demonstrate our service quality through establishing and consistently meeting specific service commitments in these areas.

- **Learning the game.** Our changing industry requires us to understand an evolving game with new rules for success. Physicians, management and support staff must be able to identify and report trends in the local, regional and national marketplace. We must anticipate and watch how competitors respond to those trends. Simultaneously, sponsors and management must take the lead and set the example of understanding the new game and engaging all team members in anticipating and responding rather than reacting to the new game and new rules. No energy-consuming grousing can be allowed.

Dynamic change is upon us, and an incremental response will not do. Along with dynamic changes come tremendous opportunities for those who can see them and learn to play by new rules. Physicians and managers who anticipate dynamic change and plan their response have many more strategic choices and can position themselves for success in the new game. Those who wait until change forces a response will have few, if any, positive alternatives. Wise medical practice managers will engage their sponsors in identifying, understanding and creating their place in the new healthcare game. 🌐



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