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System Focus

Bold Partnerships to Accelerate Strategy

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Strategy development is easy.

Successful, timely execution is where health systems often stumble. Maybe you have a capable leadership team and know what you want to do but lack the pieces—the specific technical capabilities—to pull it all together. Building those capabilities from scratch could take years, and executing on your strategy cannot wait.

Fortunately, as a health system, partnering with other organizations to serve your community is second nature. You have vendor relationships for your EHR (Epic, Cerner), contracts with medical groups for hospital-based services (Vituity, TeamHealth), and perhaps equity joint ventures for your urgent care centers (GoHealth, FastMed).

Now you're venturing into areas such as value-based care, hospital-at-home, and ambulatory surgery. How can you use partnerships to accelerate your strategy in these areas when you don't possess the core competencies to be effective alone?

Partnering to Manage Population Health

Succeeding in population health management has proven to be exceedingly difficult for health systems. Although there has been lofty rhetoric for nearly a decade after the passage of the Affordable Care Act, the ability to craft a fair and attractive payment model, identify and capture savings opportunities, and ensure patients feel appreciated has been a monumental task. The infrastructure required to manage diverse patient populations is distinct and often unfamiliar to organizations that have long operated under fee-for-service payment models. Frequently, the efficacy of integrated patient navigation and care coordination, social work, and triage services can be non-existent without technology enablement.

Key Board Takeaway:

Population health technology companies are a key driver in the ability for large health systems to quickly stand up population health management capabilities in response to the need for value-based programs.

In order to address these challenges, a new category of care management companies (e.g., Pearl Health, Honest Medical, and apree health) have found ways to manage population risk effectively, and often they have employed the use of sophisticated software solutions and innovative partnership structures to ease this transition. Traditionally, these types of companies viewed themselves primarily as a network administrator and technology enablement company, and any sharing of risk was limited to the particular program design (e.g., ACO Reach). The typical model lacked a broader strategic integration between the providers and the population management company.

Forward-thinking organizations are going a step further and developing risk-bearing organizations (RBOs) as joint ventures with their partners. Under this model, the joint venture company enters into risk-based contracts or programs directly and ensures strategic alignment across multiple programs through shared ownership. The RBO purchases its population health management services and support from the technology-enabled population health manager, but rather than charging a profit-maximizing price for this service, the population health manager is incentivized to be transparent and charge no more than the cost of the service. The ultimate success of the partnership is the end goal.

Contracting for Hospital-at-Home Capabilities

As health systems identify innovative approaches to adding value, one of the emerging trends is the shift from traditional facility-based care to home-based care. A recent survey of physicians estimated that up to \$265 billion of Medicare services could be delivered in the home by 2025.¹

Hospital-at-home models enable some patients to receive care in their homes—primarily medium-acuity patients who need hospital-level care but are considered stable enough to be safely monitored from home. With increased focus on patient-centric care, the goal is to provide quality care to patients at a setting of their choice. Almost three-quarters of adult consumers are confident in the outcomes from care they would receive at home and want increased access to clinical care in a familiar environment, which helps to alleviate anxiety.² While the patient is not physically at the hospital, they are constantly connected to their care teams through a combination of in-person and virtual visits and continuous monitoring using biometric devices that share real-time data (allowing for interventions, as needed).

Despite the benefits, such as reductions in mortality and cost, as well as increased patient satisfaction, most health systems are not equipped to appropriately deliver on

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- 1 Oleg Bestsenyy, et al., “From Facility to Home: How Healthcare Could Shift by 2025,” McKinsey & Company Insights, February 2022.
 - 2 Castell Health, “New Survey Shows Consumers Want Increased Access to Clinical Care at Home” (press release), December 7, 2021.

hospital-at-home models.³ Creating a robust hospital-at-home ecosystem at scale requires a health system to develop capabilities and offerings across a number of key dimensions:

- **Patient and provider engagement:** Multidisciplinary care teams that can intervene and be dispatched to support the patient in a timely manner
- **Clinical and operational infrastructure:** Command center to centrally monitor patients with protocols to support acute and post-acute care models and deployment of mobile medical units
- **Logistics and support:** Device management (monitoring technology, patient wearables, etc.), technical support and services, and end-to-end supply chain to deploy equipment to patient locations
- **Data analytics and monitoring:** 24x7 connectivity to enable clinical decision support, remote patient monitoring of vital signs and alerts, and analytics and reporting for whole-person care

Atrium Health recently partnered with tech retailer Best Buy to co-design hospital-at-home programming. This combines Atrium’s operational and clinical expertise with Best Buy Health, the retailer’s healthcare vertical that includes home installation and supply chain capabilities. The goal is to augment the aspects of hospital-at-home programs that are typically not core capabilities for health systems, including patient education for device installation and in-home technology service, support, and maintenance. Focusing and building on the individual strengths of the partner entities will enable the organization to scale the hospital-at-home program and support a seamless connected care experience.

Outsourcing Ambulatory Surgery Development and Management

Since 2005, the number of surgeries performed in hospitals per 1,000 population has decreased from 95 to 85. Meanwhile, in the past 10 years, the percentage of all outpatient surgeries performed in an ambulatory surgery center (ASC) has grown from 50 percent to over 60 percent. Total surgical procedures at ASCs now exceed 27 million and generate over \$37 billion in revenue. So ASCs and hospitals now perform about the same number of surgeries, and ASC revenue is expected to grow 6 to 7 percent annually for the next five years. This means ambulatory surgery is a service that every health system should see as core to its organization and key to its growth.

But developing and managing an ASC is very different from running a hospital surgical unit—and hospital CEOs recognize that. Unfortunately, many hospital CEOs take a shortcut and hand over their ambulatory surgery opportunity to ASC management companies like USPI, AmSurg, or SCA Health. These companies not only charge a

Key Board Takeaway:

Consumers are increasingly looking for convenience and access to care in a setting of their choice. Exploring innovative partnership models that bridge existing capability gaps for health systems and build on their strengths can help with effectively scaling consumer-centric programs.

3 Bruce Leff, et al., “Hospital at Home: Feasibility and Outcomes of a Program to Provide Hospital-Level Care at Home for Acutely Ill Older Patients,” *Annals of Internal Medicine*, December 6, 2005.

management fee, but they also demand a sizable equity stake. Management companies frequently do not provide adequate value for the equity position they take.

Many healthcare management consulting firms—from boutique firms of three to five consultants to large firms with dedicated ASC divisions—have extensive experience in ASC strategy, planning, development, and management. Consulting firms offer ASC management services that are customized to the health system’s needs without a required equity stake. Furthermore, the consultants can guide the health system in creating its own in-house ASC development and management capabilities.

Key Board Takeaway:

Consider the financial implications of sharing equity in an ASC with a management company.

Questions for the Board

- What criteria should we use to determine whether to build our own capabilities versus buying or partnering with others?
- Are there strategies we are avoiding because we know we cannot execute them on our own?
- Can we attract, integrate, and retain the personnel needed to advance our strategy within a reasonable timeframe?
- Given our mission and vision, what services should we consider core to our identity, and how should that influence our use of partners to accelerate our strategy?

“Change before you have to.”

—Jack Welch

Partnering to Change

Lack of change is possibly the biggest problem for most health systems. We must seek out change to remain relevant—and the change needs to occur quickly enough that the organization is not constantly one step behind. Strategic partnerships allow a health system to quickly access new capabilities/competencies, provide new services, and enter new markets. While many organizations would prefer to build these capabilities instead of outsourcing them, it’s often not feasible to do so, given the time and expense involved. Leaders need to be selective about which capabilities are core to their organization’s identity and need to be developed in house. Partnering facilitates change at the speed needed to achieve a health system’s vision.

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