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## E-Briefings V3N2 PDF Download



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### Welcome to The Governance Institute's E-Briefings!

This newsletter is designed to inform you about new research and expert opinions in the area of hospital and health system governance, as well as to update you on services and events at The Governance Institute. Please note that you are receiving this newsletter because you are a Governance Institute Member or expressed interest at one of our conferences.

#### Updates from Research & Publications

##### Why Many Strategic Planning Efforts Fail

*Nathan Kaufman, Senior Vice President of Healthcare Strategy, ACS Healthcare Solutions*

Almost every hospital and major healthcare provider engages in a strategic planning exercise. Many of these plans turn out to be a waste of scarce natural resources (trees), money, and valuable time. A failed attempt at strategic planning can usually be traced to the omission of one of several critical success factors, explained below.

##### Strategy Must Be Specific and Measurable

A strategy is a deliberate decision by an organization to make a significant, multi-year investment of resources (i.e., time, money, manpower) for the purpose of achieving specific, measurable improvements in the organization and/or the population it serves. These outcomes are usually measured in terms of market share and net income. Examples of effective strategies include: developing a primary care delivery system of employed physicians to capture greater market share; specifying the investments necessary to recruit clinical stars, as well as facilities to increase the market share in Neurosciences; implementing an intensivist and hospitalist program to reduce expected mortality and cost; and developing specific "rules of engagement" for payer contracting, including acceptable rates and terms and a contingency plan for terminating the contract in order to achieve a desired level of net income. 'Pseudo-strategies' such as "enhancing patient care," "improving physician relations," and "improving the health status of the community" are nice hopes, but hope is not a strategy. Even mission-focused strategies should produce measurable outcomes, such as the number of free prenatal visits.

##### Strategy Needs Focus and Tradeoffs

Strategy requires a significant multi-year investment. Since most organizations have limited resources, good strategy requires tradeoffs. It is as important to identify where an organization is going to shrink (i.e., stop investing) as identifying where the organization is going to grow. Also, considering that resources are limited, a strategic plan should have no more than five major strategic themes.

##### Strategy Requires Objective Analysis of Market Imperatives and Organizational Competency

Strategy only works when an organization's competency is focused on true imperatives for success in the market. Strategies fail when an organization focuses its resources on 'phantom' imperatives. For example, in the early 90s it was believed that there was an imperative to prepare for capitation. Hospitals invested millions of dollars chasing this opportunity only to find out that a capitated delivery system was not an imperative for success. Other phantom imperatives include buying small satellite hospitals, developing fitness centers, operating deficit-generating home health services, and so forth.

Strategy will also fail when an organization focuses on a true imperative for success but does not have the competency to do so. For example, many hospitals have employed physicians without having the infrastructure or talent to do so. Other examples where lack of competency impaired a good strategy include hospitals developing/acquiring and operating free-standing imaging and surgery centers, small satellite hospitals, and nursing homes. These efforts require a skill set different from that of operating hospitals

In many cases, organizations base their strategy on the subjective beliefs (instincts) of executives and board members. This rarely results in successful strategy. Objective analysis of true competency and real market imperatives significantly increases the probability that a strategy will be on target.

### **Buy-in and Input from the Right Participants**

Good strategy requires both participation by key stakeholders and input from experts. Strategic planning sessions should encourage constructive conflict. Too often hospital leaders decide on the strategy ahead of the process and then orchestrate the process to arrive at the desired result. Consultants are hired based on their willingness to support the conclusion and participants are discouraged from dissenting. The "Law of Group Polarization" is alive and well in many healthcare organizations:

"When people only engage in deliberation with like-minded others, they end up more confident, more homogeneous and more extreme in their beliefs...even though they may be dead wrong."

It is critical to invite individuals with different perspectives to participate in the planning process. Some hospitals invite participation by multiple consultants in order to encourage different points of view. Strategic planning meetings need to be uncomfortable.

An important by-product of the planning process is development of a common mindset among the leadership. Critical to the success of any strategic planning effort is the selection of participants in the planning process. The informal leadership of the medical staff must be encouraged to participate along with the elected leadership. Also, if the plan focuses on a specific area, participation by the clinical leaders of that area is needed in order to get their buy-in as well as their expertise.

### **The Vision**

Visioning can be one of the most harmful steps in a strategic planning process. Many planning 'experts' will engage the leadership in a 'visioning process' to determine what they want the organization to look like in five years. Then the organization identifies its gaps and develops a plan to fill the gaps and achieve their desired vision. This "Kabuki Theater" has led poor inner city hospitals to focus on attracting the affluent population and has focused small hospitals to strive to become 'heart centers.' Note: my personal five year vision is to become a star quarterback in the NFL, but neither I nor the aforementioned hospitals have a chance of realizing our visions. The key questions in developing a 'vision' are: "What do you have to be, and what is it possible to be?" NOT "what do you want to be?" The former questions are answered with detailed analysis rather than opinions and feelings.

### **No Plan is a Plan**

Strategic planning is all about allocating resources. A hospital that either doesn't plan or uses a faulty process will allocate its resources with a high probability of achieving sub-optimal performance. The quality of the plan is ultimately measured by the organization's performance over time. Chances are if the organization is growing market share and net income, the plan is working. If the performance of the organization is declining, you need to rethink the planning process.

### **Consent Agenda Practice: A Second Look**

*Michael W. Peregrine, Esq., Partner, McDermott Will & Emery, LLP*

Leave it to the lawyers to "mess up" a good thing. The concept of the "consent agenda" has proven in recent years to be a popular means by which governing boards quickly dispense with administrative matters, ostensibly freeing up greater time to spend on substantive matters. With the concept of "corporate responsibility" often translating into longer and more burdensome meetings, mechanisms such as the consent agenda have been embraced by boards searching for ways to responsibly manage meeting time and reduce director fatigue. However, the continuing utility of the consent agenda is threatened by increasing (and legitimate) legal pressures on board members to more closely evaluate ministerial matters previously considered suitable for consent agenda treatment.