



Thriving in the New Health Care Economy

How Hospitals and Health Systems Can Pivot Their Operating Models for Sustainability

Sponsored by:  **Guidehouse**

Introduction

Most health system executives agree that nearly everything in this new health care economy is different, due in part to the effects of the COVID-19 pandemic as well as other external market forces.

What's not different, though, is how some hospitals and health systems operate. As a result, many organizations are struggling to achieve clinical, financial and operational efficiency. What they need is a new operating model — one that matches and overcomes the material changes happening in their markets. Traditional, marginal responses to those material changes won't cut it anymore.

This Trailblazers report from the American Hospital Association's Market Scan outlines the key tenets and characteristics of that new operating model and details how two health systems are using that model to respond sustainably to the material market forces that are permanently changing their respective health care economies. ●



“Successful health system management teams are challenging themselves to innovate and adapt their business models beyond the margin. Concrete examples of deep analytics informing fresh perspectives on such topics as long-standing service configurations, speed to decision and implementing change are emerging and having a material impact.”

— DAVID BURIK —
Partner and Center for Health Insights leader,
Guidehouse

Out With the Old

In the current health care economy, market changes are no longer transitory. They're permanent. Things like health care consumerism, price transparency, virtual care models, digital health technologies, hospital-at-home models, myriad sites of care, and advances in medicine and medical technology are here to stay.

There's no going back. Similarly, there's no going back to the old ways of coping with them. They don't work.

This ah-ha moment is reflected in a survey of C-suite hospital and health system executives conducted by Sage Growth Partners. The two biggest challenges the executives said they'll face in 2024 and 2025 are lowering the total cost of care and financial sustainability (see Chart 1). There is nothing marginal or temporary about those issues.

Where hospitals and health systems are moving their digital and IT investment dollars mirrors those challenges. Increased operational efficiencies and improved customer experience topped the list of benefits of digital and IT investment in 2024, according to a Guidehouse survey of hospital and health system executives (see Chart 2). ●

Chart 1
Top 5 challenges facing U.S. health care, 2024-2025
Percentage of surveyed C-suite hospital and health system executives

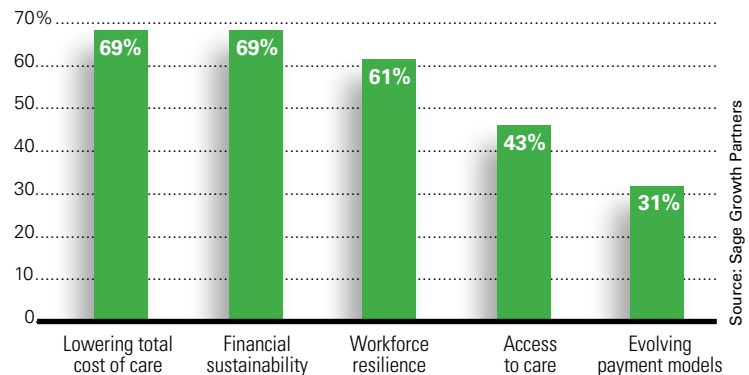
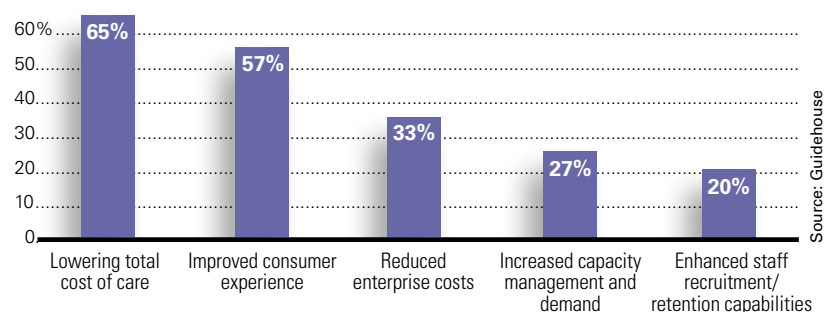


Chart 2
Top 5 benefits of digital and IT investments in 2024
Percentage of surveyed C-suite hospital and health system executives



Pivoting Your Operating Models for Sustainability and Growth

Permanent and material challenges and strategic priorities require a permanent and material operating model.

Think of the new operating model as a new way to run a hospital or health system. The model combines discipline, rapid improvements, digital technologies and operations capabilities in a well-integrated, well-sequenced way to achieve sustainable improvements in business, consumer experience and cost.

The new operating model sits between two other foundational pillars — strategy and operations:

STRATEGY | Why are we doing this?

Define clear goals and strategic decisions about day-to-day operations while recognizing that the hospital or health system no longer can be everything for everyone everywhere.

OPERATING MODEL | What are we doing and how do we do things?

The operating model serves as the engine for execution and provides the playbook and guide for the enterprise leadership team, medical personnel, managers and staff. This requires having a clear view and approach on how to execute change through accountability, processes, teams and technology.

The new operating model translates strategy into structure. It dictates where and how the critical work gets done across a hospital or health system. It defines the hospital or health system as a whole, not as individual parts.

Chart 3 delineates the benefits of such an operating model. ●

Chart 3

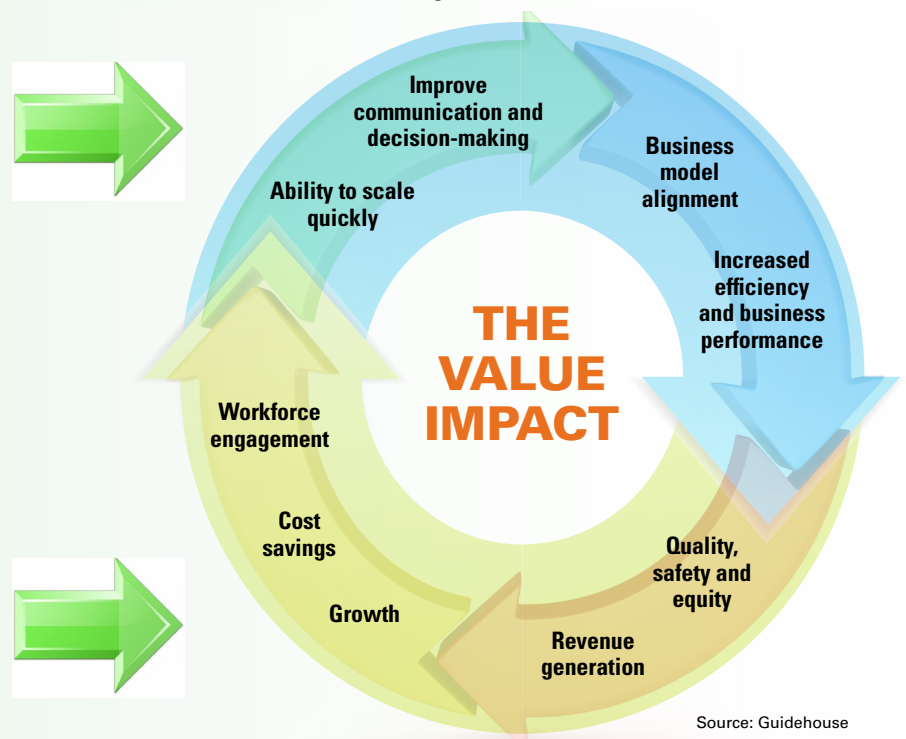
ALIGNING OBJECTIVES TO ACHIEVE SUCCESS

Long-term sustainable success will require full transformation to a more disciplined, next-generation operating model

C-suite, physician and organization alignment on strategic and operational objectives



A more disciplined operating model will help an organization deliver on the organization's vision and strategies and drive value



Source: Guidehouse

Powered by People and Technology

The new operating model doesn't run itself. It's a process that needs people and technology to make it work.

At the top of that list is the CEO, according to Steve Smoot, chief operating officer at SSM Health. CEOs must believe that a material change in how their hospital or health system runs is required for sustainability. They must build a forward-thinking management team around them to go along with, ideally, a forward-looking board.

The forward-thinking CEO also must:

- Break down organizational silos and run the hospital or health system as a whole.
- Accelerate the pace of decision-making.
- Use data to help make decisions faster.
- Manage the organization simultaneously for both the short and long term.
- Invest in communication, training and education as staff reorient to the new operating model.
- Hold people accountable for the results using new metrics attached to new initiatives.
- Integrate physicians into the decision-making process.
- Invest in technology.

Additionally, the CEO, leadership team and board must be willing to invest in the right technologies to facilitate the desired material changes. To wit, electronic health record systems must be optimized. Technologies must be integrated. IT systems must be interoperable. Only then can the provider organization collect and track performance data across the enterprise in real time to power the new operating model.

A separate survey of hospital and health system executives by the Center for Connected Medicine and KLAS Research had patient care and patient access at the top of the list of health care challenges that can be solved better with technology (see Chart 4). ●

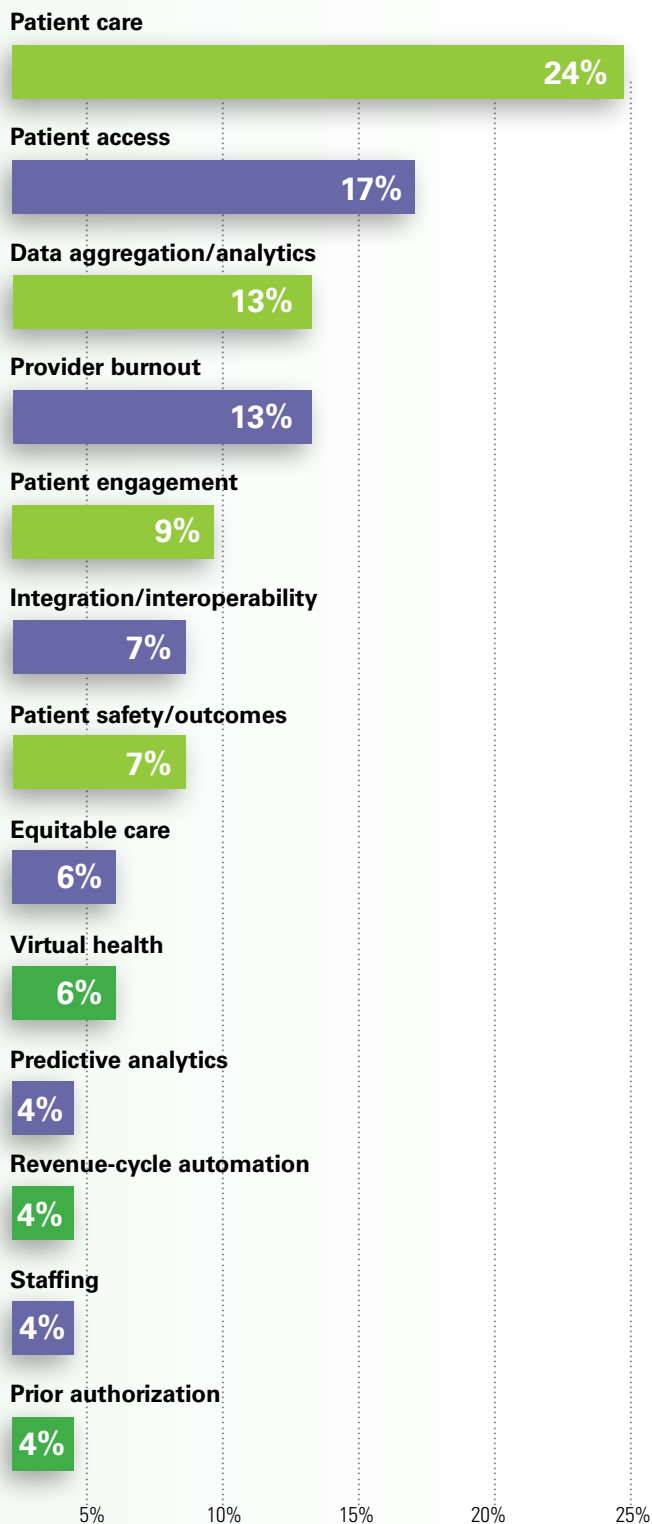



“CEOs often evolve. But if they don't, that can lead to organizational struggles because they get behind the material changes in their market.”

— K. BOBBIE CARBONE, M.D. —
Director, Guidehouse

Chart 4

Health care challenges that can be solved better with technology





Complex Journeys
Demand a Trusted
Guide. That's Us.

Guidehouse is a global consultancy providing advisory, digital, and managed services to the commercial and public sectors. Guidehouse is purpose-built to serve the national security, financial services, healthcare, energy, and infrastructure industries. Disrupting legacy consulting delivery models with its agility, capabilities, and scale, the firm delivers technology-enabled and focused solutions that position clients for innovation, resilience, and growth. With high-quality standards and a relentless pursuit of client success, Guidehouse's more than 17,000 employees collaborate with leaders to outwit complexity and achieve transformational changes that meaningfully shape the future.

[guidehouse.com](https://www.guidehouse.com)



CASE STUDY Main Line Health



The End of Seasonality

Main Line Health operates five hospitals — four acute care and one inpatient rehabilitation — all within 25 miles northwest of Philadelphia. Other hospitals in its market are closing or reducing services, according to Barbara Wadsworth, Main Line’s executive vice president and chief operating officer. Wadsworth says that this market dynamic is creating “incredible” capacity challenges in Main Line’s hospitals and emergency departments (EDs).

Other market changes affecting Main Line include a huge reduction in behavioral health services and a tremendous growth in ambulatory care services by its remaining competitors.

“There are no short-term solutions,” Wadsworth says. “Back then, we had seasonality. You could adjust. There is no seasonality now. We’re busy all the time and getting busier.”

Under President and CEO Jack Lynch III, Wadsworth, and Director of Performance Excellence Martha Rudi, Main Line pivoted the system’s operating model. The new model focuses on what Rudi calls “dynamic and innovative” solutions to Main Line’s capacity challenges as well as

other material market changes like staffing shortages and an aging patient population.

That pivot in the operating model, which happened in 2021, has resulted in the following:

- A Virtual Care Operations Center (VCOC): Opening in 2021, the 24/7 VCOC oversees staffing, bed availability and patient transfers at all hospitals. It also centralizes the scheduling of surgical and diagnostic procedures at all sites.
- A virtual buddy program: The program, which also began in 2021, allows one staff member to watch via remote camera as many as 12 patients at a time and talk to them via microphone to answer questions or address needs.
- A hospital-to-home program: Launched in 2022, this

SYSTEM SNAPSHOT

Main Line Health

Headquarters: Bryn Mawr, Pennsylvania

Hospitals: 5 (all in Pennsylvania)

Employees: 13,390

Physicians: 2,100

Net revenue: \$2.2 billion (fiscal 2023)

Source: Main Line Health, Fitch Ratings

CASE STUDY Main Line Health



“You’re not waiting until the end of the following month to have a conversation about a specific issue. You’re having that conversation in real time so that you’re not constantly in a reactive mode.”

— **BARBARA WADSWORTH** —
 Senior vice president and COO
 Main Line Health

initiative reduces unnecessary days in the hospital and frees up bed capacity by identifying patients who can be discharged safely to their homes.

- A virtual nursing program: This program started in 2022 and enables one nurse to monitor the medical condition of a patient remotely by using a “deterioration index.” This index is a set of 25 clinical indicators that check a patient’s condition every 15 minutes and reports whether the patient’s condition is green, yellow or red and/or has changed.
- A virtual physician and advanced practice provider (APP) program: This program, launched in 2023, lets physicians and APPs screen ED patients and decide whether the ED team should send the patients home, keep them for observation or admit them to the hospital based on their clinical conditions and health status.

Main Line runs all the new capabilities through the VCOC from all its hospitals.

One of the tenets of Main Line’s new operating model that makes initiatives like these possible is how the system introduces an initiative to its users.

“The message is never, ‘You will do this,’” Rudi says. “We lead with, ‘Let’s try this. Let’s see how it works, and let’s continue to improve it as we adopt it.’ It’s easy to shy away from change when you’re used to your world working a certain way.”

Eliminating top-down command also allows Main Line to test more things and roll them out at a faster pace. In addition, Main Line’s new operating model enables management teams at each of the system’s hospitals to address and mitigate potential issues at a faster pace.

Another tenet of the model is accountability. All management teams have a performance dashboard with key performance indicators (KPIs). Like the deterioration index, each KPI is either green, yellow or red. Main Line expects each management team to know its own KPIs and the direction those KPIs are headed based on data collected at the system level.

The system actively pushes out the dashboards to individual management teams on a regular basis, rather than passively waiting for the teams to log in to their dashboards to see what’s happening. The individual management teams include the hospital president, vice president, physician leader and nurse leader. Transparent accountability also allows individual teams to share best practices with their peers.

In the future, Main Line may add beds at one or more of its hospitals and grow its physical ambulatory footprint. If that happens, it will be the result of the system’s new way of thinking, operating and caring for patients. ●

CASE STUDY **SSM Health**


Whiteboarding the Future State

SSM Health operates 23 hospitals and hundreds of other care sites in four states. Serving a broad mix of urban, suburban and rural markets, the health system's challenges are as unique as the communities it serves. But the solution to those unique challenges — as well as common challenges facing all health systems across the country — is simple and singular: Act like a system.

Laura Kaiser brought that solution to SSM Health in 2017 when she became the system's president and CEO. A year later, Steve Smoot joined SSM Health as chief operating officer to help Kaiser implement a new operating model that would position the organization to more quickly adapt and respond to internal and external pressures.

Prior to their arrival, SSM Health ran under a traditional command-and-control management style. Mandatory directives came from the top down. It worked. But as market changes turned material from marginal, the system needed to evolve to continue fulfilling its mission as a Catholic health system.

As for what material market changes forced SSM Health's hand, the following made Kaiser's list:

- Increasing tension between payment and cost of care including labor costs, supply and demand.
- Increasing incidence and prevalence of chronic disease such as a widening gap between the demand for

and availability of behavioral health services.

- Serving as an entry point to ensure access to care for all regardless of ZIP code.
- The negative impact of climate change on health and well-being.

None of those issues are retreating. If anything, they're accelerating.

"We chose to face these issues head-on by becoming more innovative and agile," Kaiser says. "Operating as a unified system on efforts that can best be tackled with size, scale, talent and expertise is helping us to respond to the increasing challenges across our industry."

The system implemented a new operating model that produces sustainable, material and permanent responses at a faster clip. SSM Health's customized model is based loosely on Lean management principles for continuous quality improvement.

"We wanted our model to be easy to understand and simple to adopt. There's a lot of common sense in the principles. We came up with terminology that could be easily explained to every team member," Smoot says.

SYSTEM SNAPSHOT

SSM Health

Headquarters: St. Louis

Hospitals: 23 (in four states)

Employees: 40,000

Physicians: 13,900

Net revenue: \$10.5 billion (2023)

Source: SSM Health

CASE STUDY SSM Health

STEP 1 | STRATEGY DEPLOYMENT

Using SSM Health's four strategic pillars of community, growth and sustainability, culture and inclusion, and exceptional care and performance, system leaders play what SSM Health dubs "catch ball" with the next tier of system managers. They toss the ball back and forth to set a goal for the objective. The goal is tossed back and forth through the system to its four regions, to individual care sites and, eventually, to front-line physicians and staff. The goal then works its way back up for approval at the system level. By the time system leaders land on a realistic or oftentimes aspirational goal, everyone has bought into the strategic objective. They're aligned and ready to support it.

STEP 2 | PERFORMANCE VISIBILITY

The strategic objective, the goals to meet that objective, and metrics showing current performance are placed on a whiteboard in every department affected by the objective. The goals and real-time performance are transparent. The whiteboard is a visible reminder that keeps everyone continuously focused on achieving shared goals.

STEP 3 | DAILY IMPROVEMENT

Staff and departments have daily huddles around their whiteboard to discuss progress or lack thereof, ideas to improve and ways to remove barriers to improvement. Staff huddles are tiered. Tier 1 is at the front line. Tier 2 is at the director or department level. Tier 3 is the hospital level. Tier 4 is the regional level. Tier 5 is the system level, with huddles typically occurring weekly. Concerns are quickly escalated through the tiers, as needed, until they reach resolution. This commitment to daily problem-solving gives staff and leaders confidence they have support at every level of the organization.

STEP 4 | LEADERSHIP CADENCE

System, regional and local leaders routinely visit with staff and departments to learn about their progress toward meeting the strategic objective. It's a strong message signaling that the strategic objective matters and everyone needs to stay focused until it's met. These department visits are also used to recognize exceptional performance and reinforce leadership's full support.

SSM Health used this approach to dramatically reduce the rates of catheter-related urinary tract and central line-associated blood stream infections, to the point of erasing them from the active list of objectives. A new objective is effectively managing patients' blood sugar levels — a goal Kaiser admits is difficult, but worth the journey of improving patients' clinical outcomes.

System leaders are responsible for balancing strategic objectives among the four pillars. Other active strategic objectives include financial sustainability, social determinants of health, environmental impact, employee engagement and driving value. At any moment, a dozen system-level objectives are in play with supporting goals on whiteboards throughout the organization.

SSM Health invests in process improvement training and education at every level to help people master the new operating model. Ultimately, the new operating model drives a culture encouraging team members to think and act like a system. The model fosters coordination, collaboration and communication across the enterprise, enabling SSM Health to achieve its goals and pivot quickly when new challenges arise. Yet, while it acts as a system, this approach abandons the traditional top-down hierarchy and allows all voices to be heard and contribute. ●



“To do this successfully, you absolutely must have a CEO and a board who are fully committed to make this change. Those two pieces are critical.”

— STEVE SMOOT —
 COO, SSM Health

Conclusion

In the same way that some antibiotics are resistant to some strains of bacteria, traditional tactics used by many hospitals and health systems are not working on temporary disruptions in their markets. The disruptions are resistant because they're not temporary. They're permanent, and they're materially changing those markets.

What hospitals and health systems need are new models and strategies that are equally permanent and material. Hospitals and health systems need a new way to generate them and to do it better, faster and less expensive. The answer is a new operating model that converts strategy into structure to produce better outcomes. ●



“Traditional hospital and health system leadership can be very siloed. IT is doing its thing. Clinical leadership is doing its thing. Finance is doing its thing. Forward-looking leaders are now realizing they have to break down those barriers and do this horizontally. It’s necessary, but it’s easier said than done. Additionally, organizations can no longer function in a delayed and reactive approach to metric management and executable remediation plans. The operating model must hardwire real-time, predictive analytics that can drive immediate response and accountability within the organization.”

— KRISTIN GREENSTREET —
 Partner, Guidehouse



Contributors

The AHA's Market Scan thanks the following people and organizations for their insights, support and contributions to this Trailblazers report:



Laura Kaiser
President and CEO
SSM Health
St. Louis



Steve Smoot
Chief operating officer
SSM Health
St. Louis



Martha Rudi
Director of performance
excellence
Main Line Health
Greater Philadelphia



**Barbara Wadsworth,
R.N.**
Senior vice president
and chief operating officer
Main Line Health
Greater Philadelphia



David Burik
Partner, Center for
Health Insights leader
Guidehouse
Chicago



**K. Bobbi Carbone,
M.D.**
Director
Guidehouse
Detroit



Kristin Greenstreet
Partner
Guidehouse
Hillsborough, N.J.



For more information, visit www.guidehouse.com



MARKET SCAN

ABOUT US: The AHA's Market Scan newsletter provides insights and analysis on the field's latest developments in health care disruption, transformation and innovation. For more information and to sign up for our free e-newsletter visit www.aha.org/center/form/innovation