STRATEGY

Continuous Right-Sizing: An Important Bridge Strategy

An incremental, focused approach can help lead organizations safely from one business model to the next

By Edward M. Hindin

As strategy professionals, we know the transformation from a traditional fee-for-service to a value-based reimbursement model is well underway. The timing of this transition, and how success will be achieved when providers are put at economic risk for population health, are less clear. Yet, successfully transitioning your organization from its current payment environment to a new world that stresses value and outcomes is critical to long-term sustainability.

Without question, healthcare leaders will need to design and deploy new delivery models that meet the future needs of their respective markets. In the meantime, they must also meet current needs and make sure their organizations thrive in today's environment. That means providing the right care at the right time in the right setting, and at the right quality and price levels in order to be sustainable.

A strategy that bridges the gap between these two imperatives and respects real world operating performance requirements is essential. Continuous right-sizing fills the bill nicely.

Elements of Continuous Right-Sizing

The timing of any organization's transition will vary by market but is likely to span a three- to five-year time frame, and will likely require a number of incremental steps. Negotiating this period of uncertainty and change calls for a delicate balance; any effective bridge strategy must align resources in a way that lets a hospital or health system hit short-term financial targets *and* make sufficient investments to prepare for and operate in a value-based world.

A continuous right-sizing operating model matches the organization's portfolio of services with the talent, relationships, facilities, network partners, and technology required to accommodate both goals, using six key elements.

1. *A baseline annual plan.* This plan should detail expected operating performance metrics along with a realistic assessment of expected expenses and investments needed to achieve these targets. It should also include contingency plans outlining actions that could be taken to offset potential gaps in targeted performance.

2. *A "rolling" operating plan.* This plan varies from the baseline annual in that it clearly defines the facilities, talent, technology, relationships, networks, and care delivery models needed to produce planned outcomes. It also specifies any reductions, changes, or shifts in care delivery models, sites, services, and personnel based on expected demand during the transition to a value-based model. This plan must be supported by executive leadership, governing bodies, and clinical leaders and should be revisited on at least a quarterly basis via an organization-wide review.

3. *A funded development plan.* This document provides specifics on the funding of talent, technology, resources, and relationships needed to transition into the new world regardless of the challenges faced in the short term. In a continuous right-sizing approach, targets and metrics must "guarantee" these investments, lest the research and development function suffer the fate of good but unfunded intentions.

4. *A robust and continuous market assessment.* This assessment should identify expected changes in demand, payer, and consumer behavior, care delivery practices, technology, and the delivery model itself. It must also take into account the potential impact of competitive initiatives from traditional and nontraditional players.

5. *Real time monitoring systems.* Reporting scorecards should carefully track performance against targets and trigger alerts that point to the need for changes in operations.

6. Alignment and commitment in support of this approach. Aligning the plans, operating performance targets, and compensation arrangements throughout the organization, from the governing body on down, is critical. This alignment should be demonstrated by regular and consistent reviews of performance against targets on a priority basis.

The Role of Strategy Leaders

Taking action in the face of risk and uncertainty requires nimble leadership and a set of skills that go far beyond technical proficiency. When implementing a continuous right-sizing strategy, strategy executives must lead the organization on each of these fronts:

- Creating and adjusting the vision of "what it will look like" in the interim and in the end for all stakeholders
- Educating stakeholders on the transitions to be expected on the journey to a value-based model
- Defining and assembling the primary care, acute, and post-acute components needed for their organization's emerging care delivery model
- Assessing markets, performance, and organizational capacity and requirements and alerting other leaders of the need for course corrections
- Promoting shared ownership and alignment among internal stakeholders, physician leadership, and governance structures
- Managing the natural tensions between those focused on the short term versus the long term and aligning operations, transition planning, and transformation initiatives

The Right Approach

Strategy executives have the opportunity, focus, and point of view to provide the nimble leadership needed in these sometimes trying times of fast-paced change. Adopting a continuous right-sizing strategy allows them to take an informed, organized, focused approach to transitioning from one overarching business model to another. It is an incremental execution strategy that acknowledges uncertainty while balancing the need for quick and facile marketplace adjustments. Ultimately, it facilitates the investment in the care delivery models, talent, technology, and partnerships needed for sustainability.

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