

As healthcare leaders are positioning their organizations for a more competitive environment characterized by expanding consumer choice models, they are renewing their attention on organizing along clinical service lines. Bringing together clinical services in ways meaningful to patients can improve quality by better integrating care, while at the same time strengthening an organization's market position and creating new opportunities for increased physician collaboration—from collaborative planning to management to economic participation.

The RE-EMERGENCE of Clinical Service Line Management

by Bonnie K. Litch

The Benefits of Service Line Management

While service line management carries with it the challenges of altering traditional departmental structures and decision-making processes, it also carries with it many potential benefits. According to Mary Ann Crawford, PhD, RN, principal with DMI Transitions, Cleveland, benefits can include improved hospital-physicians relationships through joint management and better defined roles and responsibilities; greater coordination across the continuum of care; and improved alignment of strategies and resource allocation decisions.

In the short term, states Crawford, service line management can provide a platform to facilitate decision making, leading to clinical synergies that provide consistent, quality care to the community, the ability to create a brand identity associated with quality and increased market share for the components of the service line. Long-term benefits include an alignment strategy that connects the hospitals and its physicians as partners, creates a continuum of care that achieves measurable outcomes, and integrates the clinical and economic structures to provide quality outcomes, setting the stage for pay-for-performance.

Swedish Medical Center in Seattle has fully embraced the service line philosophy, and all its operations have been incorporated into 11 service groups. Richard Keck, president of StratEx, was vice president for Business Development for Swedish at the time. He credits the service line philosophy as the heart of Swedish's focus on customers. "Physicians love the service line approach because it is all about the patient first," says Keck. "Traditionally, hospitals structure themselves around buildings, departments and cost centers. Service lines necessitate that provision of care and management systems organize around patients."

According to Keck, Swedish made the decision to organize all the hospital's functions by service lines in 2000, but it took an additional six years to accomplish this goal. "The hardest part was switching over the financial and management systems into service lines," he says. "These supporting systems were organized by departments, cost centers or buildings. Customizing structures to reorganize these systems by DRGs took a great deal of time and effort, but we believe it was worth the challenge."

A Little or A Lot: How Much Should You Embrace Service Line Management

While clinical service line management can bring many benefits to an organization, there is a wide range of approaches toward implementation. Virtually every healthcare organization has some level of service line involvement. The question is how

extensive is their commitment to service lines and how much of an impact will it have on the basic structure of the organization.

Cecily Lohmar, a principal with New Heights Group, Huntersville, N.C., categorizes service line implementation into four levels, each involving increasing value and challenges as you move up the spectrum. At the bottom is *Service Line Marketing*. The focus on this strategy is marketing—with service lines existing in the marketing arena only. In reality, there is no authority or accountability across functional areas or departments. While this level is the easiest to implement, as it requires minimal change to organizational culture, it only creates the market perception of coordination. In the end, this strategy has the potential to backfire as it can promise more than it can deliver.

The next level of implementation is *Service Line Leadership*. At this level, service line leaders are tasked with the responsibility of being champions or thought leaders in particular service areas. There are matrix relationships across departments, with support by planning, marketing, finance, recruitment and other staff functions. While there is some culture change required to implement this strategy, it is not significant. This level is a good stepping stone to a more advanced service line structure. It creates momentum and visibility and provides physicians with a "go to" person. However, there is no real authority to affect operational change,

and its reliance on matrix relationships challenges the traditional culture of a healthcare organization.

The third level is *Service Line Management*, which gives service line managers accountability over operational departments affecting their service line. Indeed, these managers are both operational and strategic leaders. Their single accountability for performance enables a greater focus on the service line. This strategy facilitates more rapid responses to change and more awareness of market needs. But it requires a significant culture change within most organizations, and it can be difficult to manage both service line and functional departments in one organization.

The highest level is *Service Line Organization*, requiring a complete organizational redesign. Functional departments become support to service lines and there are no independent identities. Multiple campuses are run by a site administrator who ensures that service line needs are met on-site.

Senior leadership takes on dual roles as site administrator and service line leader. The benefit of this strategy is that sometimes entire culture shifts are easier than mixing a service line culture into a traditional one. It places the emphasis on patient experience rather than departments, fostering a strong consumer orientation. And it aligns service-specific patient care requirements across the continuum. However, the culture

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shift can be difficult for many. Physicians will have a dual relationship with the site administrator/service line leaders. And it is difficult to hold a particular department accountable for achieving broader goals. This level is only attainable for a few organizations.

Lohmar emphasizes that implementing service line management helps healthcare leaders think outside the box. “It focuses the organization on services and patients rather than departments and real estate. It further provides a common goal for integrating clinical, managerial and medical staff.

Implementing service line management intuitively makes sense in today’s consumer-driven environment.”

Service Line Management—Two Case Studies

Crawford worked with Providence Hospital Northeast, Columbia, S.C., to develop an Orthopaedic and NeuroSpine Institute. The Institute provides medical and surgical treatment of diseases and injuries of the bones, joints and spine—clinical specialties associated with significant potential for generating revenue. The objectives in forming the Institute

were to strategically align its members through providing a focused approach on selected orthopaedic and neurospine programs; co-management, medical directorships and consulting service contracts for program development; cost reduction projects; and business ventures under the Institute’s umbrella. In addition, it provides clinical quality outcome measurement, innovative services in conjunction with physician offices, and community and professional educational opportunities; clinical services and efficient operations also were optimized.

How to Start and Grow a Service Line

Define your service line. Do your homework. What specialty area can best be adapted into a service line? Look at providing services that can be addressed across the entire continuum of care. For example, a women’s service line includes family planning, obstetrics, mammograms, cancer and gynecological surgery. A rehabilitation service line includes medical/surgical rehabilitation, a comprehensive rehab unit, home healthcare and outpatient services.

The continuum of care should begin in the physician’s office. How do patients register? “If you want to provide efficient care, a system should be developed for common registration for the entire service line. If the access point to the system is via the physician, all a patient should have to do at the

hospital is to confirm registration information,” states Mary Ann Crawford, PhD, RN, principal with DMI Transitions, Cleveland. Organizations should develop pathways that are used to educate the patient and family about appropriate care issues. These pathways are maintained throughout the entire continuum from its beginnings in the physician office, through the hospital experience and then at discharge. This information can be developed by hospital staff who are then responsible for training the practice staff in the use of the pathway with the patient and family.

Define your objective. Cecily Lohmar, a principal with New Heights Group, Huntersville, N.C., believes this step is crucial. “Organizations must be clear about why they are embarking on this

path,” she says. “What do they hope to accomplish by implementing service line management? Defining their objective can help hospitals and health systems determine where they are in the range of management options—from marketing to full-blown implementation—and they can proceed accordingly.

Identify the physician specialties that might be involved. For example, Providence’s Ortho/Neuro Institute includes the following physician specialties: muscular neurology, neurosurgery and orthopaedics. Involvement of primary care physicians in the care process should be recognized as well. Any physician relationships should be based on quality. As Crawford points out, “If you go forward with physician relationships based on quality,

Service line implementation helped the Institute increase operating room usage from two to six and surgical volumes increased 135 percent during the past two years. They went from no neurosurgery and orthopaedic emergency room coverage to 24/7 call coverage with dedicated specialty medical direction. In addition, Providence developed clinical programs and system changes that linked the physicians' offices to the hospital for scheduling and registering patients electronically.

The Institute also added a Sports Health Division with support and

training for athletes at three high schools and a public health facility. This division is projected to provide more than 600 physicals to high school students in 2007 and has served as a referral base for the emergency department and clinics. A Spine Center also was opened to serve the community by triaging spine patients to the appropriate level of care, serving as a one-stop shop for back injury management. This, too, has become a referral base for surgery, radiology, rehabilitation and family practice groups within the organization.

To help educate the community, the Institute started Joint-to-Joint classes for patients. The Institute also developed a credentialing strategy for physicians. This is based on quality outcomes and it opened discussions with these physicians on joint venture opportunities for an ambulatory surgery center and an MRI facility. To improve quality and efficiency of service, Institute staff dramatically redesigned the pre-admission testing process to improve surgical patient flow. But most of all, they changed the hospital culture to a "can do" organization.

you will achieve these goals and more including cost containment and brand recognition."

Engage physicians as partners. The marriage between hospitals and physicians is a critical union. For these entities to join forces, it must be a win-win for both sides of the equation. Physicians are more unwilling to form service lines with hospitals without some sort of formal partnership, such as having a clear definition as to its financial and professional benefits. Hospitals must align their business and clinical goals with that of potential physician partners in order for the relationship to be successful.

Know your market factors. For example, what is happening in reimbursement that might affect your service line?

"In South Carolina," notes Crawford, "the state legislature passed a law stating that physicians could not directly employ physical therapists. Many of the orthopaedic physicians in the area offered this treatment in their office. Those already partnered with a hospital shifted managerial responsibility to their partners. The hospitals employed the therapists who continued to work out of the physicians' offices. It was a successful situation for all—providing patients convenient access to therapy while meeting legislative requirements. This is one example of a hospital-physician partnership strategy that met mutual business goals."

Remember to integrate your internal and external strategy. According to Andrew L. Epstein, MD, of the Bard Group in Newton, Mass., it is not

possible to execute meaningful external strategies without focusing on internal strategies, especially leadership structure and culture. An important focus is balancing authority and accountability in any new internal strategies. "Take Amtrak for example," he says. "They created a new high-speed train to go between Boston and Washington, D.C. But they ran the train over their old rail tracks, thereby negating most advances that the new train brought to the delivery of service. If you only change your external strategies without the accompanying internal alterations, it will take longer to implement the changes and it will be less likely that you reap the benefits. Hospitals and physicians must collaborate in a new way to bring about high-quality, safe care and top business performance.

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Other organizations are following Providence's lead. Maricopa Integrated Health System in Phoenix is about to embark on the service line path in two areas: children's health and surgical services. William Vanaskie, Maricopa's COO, has implemented service lines at other hospital systems and sums up the organization's rationale for implementing service lines as follows, "Our goal is to ultimately become the community hospital of choice. We hope to address patient satisfaction levels through service line implementation. I have seen this management strategy at other institutions raise these scores from 50 percent to levels routinely over 90 percent."

But Vanaskie realizes the transition won't be simple. He anticipates potential obstacles, the biggest of which will be to convince people to let go of the existing ways that Maricopa conducts business to improve outcomes. Specifically, he cites difficulties in convincing physicians to change their scheduling practices and getting the staff to understand that greater outcomes are attainable by consolidating patients together by areas. In Vanaskie's experience, the hospital can bring about positive, sustainable change in the areas of quality and continuity of care once these obstacles are overcome.

Organizing for the Future

Organizations that are fully embracing clinical service lines are finding success. The opportunities to actively involve physicians, improve coordination of previously fragmented care and focus resources on areas of clinical excellence coalesce to create a level of care and service that better meets patient and family expectations. As such, service line organizational models can represent a key strategy in the face of an environment moving to consumerism, patient-focused care and pay-for-performance.

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