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## Business Imperatives for Population Health Management

by Laura Ramos Hegwer

Taking an organization's population health management capabilities to the next level requires healthcare leaders to boldly rethink where, how and to whom their organizations provide services and which services are most appropriate, given the unique needs of the populations they serve.

"Healthcare's transition to a population health management model presents hospitals and health systems with significant opportunities and challenges that vary by market," says Rob York, senior vice president and leader of the population health management division for Kaufman, Hall & Associates LLC, Skokie, Ill. "How well organizations actually achieve population health management depends on their execution of six business imperatives." These six business imperatives are interrelated and interdisciplinary, crossing strategic, financial, clinical, operational and capital management domains, York says. They include:

- Physician and clinician integration
- Contracting strategy
- Network optimization
- Operational efficiency
- Enabling infrastructure
- Clinical management

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These six business imperatives should be on healthcare leaders' radar as they develop and implement population health strategies. Here, leaders of three organizations of varying size and type share how they are addressing these business imperatives, and offer lessons learned in developing effective and sustainable approaches to population health management.

## Business Imperative No. 1: Physician and Clinician Integration

The move to a population health management model requires improved economic and clinical integration if hospitals and clinicians are to work together in changing the way patient care is delivered, reduce clinical variation, enhance satisfaction and engagement and improve each element of the value equation.

“Population health management is a team-based care approach that requires many physicians to act in ways that may run counter to the way in which they were trained,” York says. “As leaders think about

provider-led population health management and integration, the key challenge is finding a pluralistic model that reflects what physicians most value, whether they are primary care physicians or specialists; employed or independent.”

One popular model that can create a greater degree of integration between physicians and hospitals is that of an accountable care organization, a strategy implemented by NYC Health + Hospitals, New York. The health network includes 11 public hospitals and other health services used by one in six New Yorkers.

“Our ACO is one of the few public hospital ACOs that saved money two years in a row and was able to distribute bonuses to our doctors,” says Ramanathan “Ram” Raju, MD, FACHE, president and CEO. In 2014 alone, the ACO reduced spending by \$7.1 million and earned a Medicare Shared Savings Program bonus of \$2.6 million. Raju believes the ACO's care coordination efforts and use of technology to track and share patient information more



Photo credit: Maksim Monastyrskyy

*Rob York, senior vice president and leader of the population health management division for Kaufman, Hall & Associates LLC, Skokie, Ill., cautions healthcare leaders against trying to replicate population health management strategies from other geographies in their own market.*

quickly with physicians were two of the biggest reasons for its success. In addition, the health system has created a population health department that is led by a physician who also serves as COO of the ACO.

Richard F. Afable, MD, president and CEO of Orange County, Calif.-based St. Joseph Hoag Health, which includes a 351-bed acute care hospital and is part of the large integrated health system St. Joseph Health, Irvine, Calif., says leaders should work toward common clinical, operational and financial goals. In fact, achieving integration was part of his organization's strategy with the Hoag Orthopedic Institute, Irvine, Calif., in which physicians have a 50 percent ownership interest in the facility.

“We developed an orthopedic enterprise in which the physicians and the hospital had the highest level of

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Kaufman, Hall & Associates LLC

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clinical, operational and financial integration,” says Afable, who also is executive vice president, St. Joseph Health’s Southern California region. “Without integration, we are not going to get the best results, and in a large population, the negative effects of misalignment become much more apparent.”

## Business Imperative No. 2: A Well-Thought-Out Contracting Strategy

“When it comes to developing your contracting strategy and accepting risk, part of the discipline is knowing when to say ‘No’ and when to say ‘Yes,’” York says. “For example, you may need to guard against some of the risk associated with value-based payment models while you develop your population health capabilities, as opposed to jumping right in.”

Actuarial modeling can help organizations determine the right level of risk to take on, York says. “You need to understand the market landscape and how quickly it is evolving: Are there other risk-sharing arrangements in your market already, or do you have a little more time or more control over your destiny?” he says. Talking with brokers, major employers and payers about their timelines to transition to risk contracting can help leaders understand the dynamics in their marketplace.

St. Joseph Hoag Health has had decades of experience managing

professional and global risk under capitation, thanks to its heavily managed care market. “We have straight-up capitated contracts with commercial payers, and we understand the work that needs to be done to be successful under these contracts,” Afable says. However,

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success under capitated contracts does not necessarily translate to success under population health contracts, which is why the organization is piloting population health approaches on a smaller scale through its ACO. Created in partnership with Children’s Hospital of Orange County, Orange, Calif., the ACO includes eight hospitals, nine medical groups and a variety of urgent care centers and clinics focused on providing comprehensive pediatric care.

## Business Imperative No. 3: Network Optimization

“Creating a high-performance delivery network often requires detailed consumer insight such as knowing

how consumers choose their providers and understanding which types of consumers prefer specific settings for care,” York says. “To be successful under population health, leaders need to have a consumer mindset and recognize that different consumers have different needs.” Once

these needs are identified, network optimization—which involves covering the care continuum under an optimized contracting strategy and effectively engaging stakeholders, including patients, families and employers—often requires partnerships to address gaps across the care continuum, York says.

St. Joseph Hoag Health uses an infinity diagram to illustrate its network, which spans the full continuum of care. To help cover gaps in care or service across the continuum, St. Joseph Hoag Health has pursued partnerships with other organizations, including two California-based health plans that once might have been considered competitors.

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“Population health requires alignment of a host of participants, and with that alignment, we can get the best possible services for a given population,” Afable says. “The absence of a broad coalition of organizations aligned around population health greatly reduces the chances of sustainable success.”

To meet consumer demand, the health system also has created five wellness corners in Orange County. These wellness corners

for groups, including patients with diabetes. The health system also plans to expand capacity to improve access at six existing community health centers while developing five others across the city.

## Business Imperative No. 4:

### Operational Efficiency

Many healthcare organizations already have experienced success with rigorous cost management,

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provide prevention and wellness services such as fitness training, lifestyle coaching, nutrition counseling, stress management, primary care, sports physicals and even cosmetic treatments.

St. Joseph Hoag Health also is testing telehealth and mobile health technology with local businesses like Western Digital, Irvine, Calif. So far, these technologies have had the greatest adoption among millennials.

NYC Health + Hospitals also has implemented telehealth programs

which is essential for operational efficiency, but that is only the beginning, York says. “In reality, the most challenging aspects of operational efficiency center on business restructuring and clinical effectiveness,” he says. “Business restructuring involves difficult decision making such as determining how much inpatient capacity is needed and the distribution of service lines necessary to address a population’s needs. Clinical effectiveness centers on reducing variation and managing health across the continuum.”



Photo credit: NYC Health + Hospitals

*Ramanathan "Ram" Raju, MD, FACHE, president and CEO, New York City Health and Hospitals (NYC Health + Hospitals), New York, N.Y., believes healthcare leaders need to do a better job of listening to their communities when developing population health management strategies.*

At Sarah Bush Lincoln Health System in Mattoon, Ill., leaders apply the Baldrige Criteria for Performance Excellence to improve operational efficiencies, says Tim A. Ols, FACHE, president and CEO. The 129-bed community hospital, which serves a rural area in southeastern Illinois that includes two universities, has an average of 30 employees enrolled in Lean performance improvement training at any given time, Ols says.

“Each year, our staff lead 50 projects aimed at reducing waste and improving quality,” he says. “We also have a clinical quality value analysis program that reviews supplies and produces a \$500,000 to \$1 million improvement annually.” For example, a recent project to reduce waste in preparing chemotherapy medications generated \$425,000 in cost savings.

## Business

### Imperative No. 5:

#### Enabling Infrastructure

Developing an effective and sustainable population health management strategy requires hospital leaders to rethink their infrastructure needs and invest and organize in a way that supports the organization's role and key initiatives in population health management for the long term. York believes many organizations can benefit from having a dedicated leader responsible for population health once they determine what role they want their hospital or health system to play in the local market. "At the end of the day, you need someone who is ultimately accountable for bringing care management, analytics and contracting together," he says.

St. Joseph Hoag Health, which manages approximately 200,000 lives, has created a vice president of population health position to oversee its strategy. To compete in Southern California's highly saturated managed care market, St. Joseph Hoag Health has already developed many components of the infrastructure needed for population health, Afable says. These include actuarial analysis, data analytics and utilization management.

"What is different for us today is that we are adding more infrastructure, including analytics, to assess the 20 percent of the patient population that is in good health but has a chronic condition and might

become unhealthy later on," he says. "Prior to this, we were functioning more like a health plan; now we are adding more tools that will be valuable in caring for the entire population. For example, if we had 1,000 lives under a commercial contract, we would focus on the 5 percent of the population that was sick. Today, we will address all 1,000 lives in the population and actively segment the entire population depending on their health risks."

Smaller organizations also are taking steps to build their enabling infrastructure. Leaders at Sarah Bush Lincoln Health System have created a care coordination department that oversees the organization's care coordinators and physician practice navigators. The department also will manage the hospital's new health coaches, who are premed and other

**>>> We are on a journey right now to improve health by solving some of the socioeconomic issues facing the population. >>>>>**

preprofessional students from local universities who are trained to conduct basic wellness checks with homebound seniors. "Research has shown that this intergenerational focus on social issues can be a big plus in improving outcomes," Ols says.



Photo credit: Ana Watts

*Richard F. Afable, MD, president and CEO, Orange County, Calif.-based St. Joseph Hoag Health, and executive vice president, St. Joseph Health's Southern California region, cautions healthcare leaders to be patient while waiting to realize the financial rewards of population health management.*

Technology also is an important piece of Sarah Bush Lincoln Health System's enabling infrastructure. The hospital is launching a new population health management platform that aggregates and analyzes data from the EHR, insurance claims and

—Ramanathan "Ram" Raju, MD, FACHE  
NYC Health + Hospitals

pharmacy benefits management companies to help physicians segment their patient populations and target specific groups for interventions. In addition, the hospital will benefit from its 2015 decision to join the BJC Collaborative, an affiliation of health systems in Illinois, Missouri and

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eastern Kansas, Ols says. “The collaborative is creating an information hub to analyze data and help members develop local population health management strategies that will be most effective for their markets,” he says.

## Business Imperative No. 6: Effective Clinical Management

Mastering the clinical aspects of population health management involves segmenting the population, developing interventions to improve clinical and financial outcomes and evaluating and refining those interventions, York says.

Many such interventions require long-term investments that may not

generate returns for five years or more, he says.

“Leaders must accept that it takes time to develop and stabilize a new culture as they migrate to a population health management model,” he says. “Once 30 percent of an organization’s revenue is value-based, leaders will start to see rapid acceleration away from fee for service toward value-based care.”

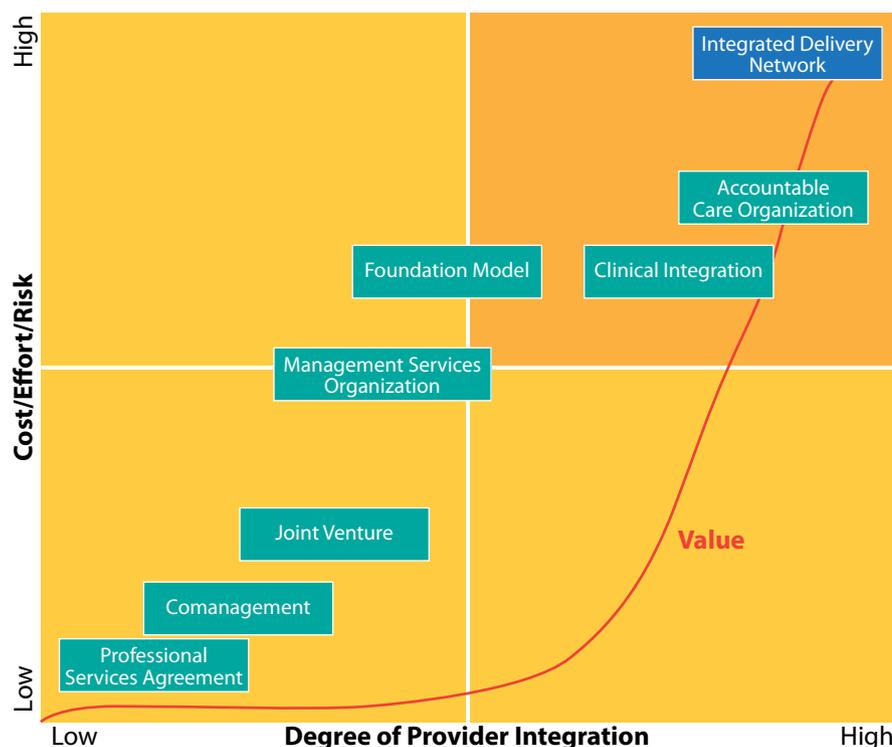
Some of the interventions that forward-thinking organizations are using are less focused on disease and more focused on the holistic needs of the population. That is why Raju of NYC Health + Hospitals believes healthcare leaders need to become social change agents.

“We are on a journey right now to improve health by solving some of the socioeconomic issues facing the population,” Raju says, adding that poor housing conditions have been linked to poor mental health, development delays, heart disease and other medical issues. Through a joint effort with the NYC Department for the Aging, NYC Health + Hospitals has transformed some of its former hospital buildings into affordable housing, including one building in East Harlem that has 176 new studio and one-bedroom apartments for low-income, disabled adults. The health system is working with several partners to convert three other buildings into supportive housing facilities.

NYC Health + Hospitals also has established a partnership with a local legal assistance group to help patients address issues like eviction or immigration status that can compromise health outcomes.

Like other providers in the state, NYC Health + Hospitals is getting ready for the massive transformation that will come with New York state’s Delivery System Reform Incentive Payment Program, which aims to reduce avoidable hospital use by 25 percent over five years through greater population health management. “As the largest provider system in New York state, we have more than 250 partners who are helping us assess needs in the communities,” Raju says. “Today, we are much more thoughtful in our approach to

## Spectrum of Alignment Arrangements



Source: Kaufman, Hall & Associates LLC



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addressing a population’s healthcare needs, whether those needs include housing, better food or other services.”

## Lessons Learned

When pursuing these six business imperatives for effective population health management, executives should consider the following advice from these successful healthcare leaders.

**Don’t rely too heavily on population health management case studies.** “What worked in one market may not be directly transferable to your own market,” says York of Kaufman, Hall & Associates. “We have seen some healthcare leaders try to export a model from another geography that fails to launch in their own market because they do

not have the same market characteristics and level of engagement. You need to determine the right path for your own organization.”

**Be patient.** “Population health is hard work, and even when you do it well, it may be several years before you realize the financial rewards,” says Afable of St. Joseph Hoag Health.

**Make sure staff members are part of the culture change.** “In our organization, we say that we never truly discharge patients, which is especially true under population health management,” says Ols of Sarah Bush Lincoln Health System. “It has changed how people think about the continuum of care.”



Photo credit: Sarah Bush Lincoln Health System

Tim A. Ols, FACHE, president and CEO, Sarah Bush Lincoln Health System in Mattoon, Ill., discusses the hospital’s new care coordination department with Lisa J. Woodward, DNP, RN, CENP, vice president, patient care continuum.

**Create culturally appropriate interventions.** Staff members at NYC Health + Hospitals understand the importance of developing interventions that complement, rather than convert, a population. For example, to help manage diabetes among Brooklyn residents from the Caribbean, the organization created a series of healthy, ethnic cooking classes.

“The key is not focusing on the disease but rather understanding the needs of the population,” Raju says. “When building a population health model, you must create what the community needs, not sell the community what you have. By getting out of our C-suites and learning more about the communities we serve, we will serve them far better than we do now.”

*Laura Ramos Hegwer is a freelance writer and editor based in Lake Bluff, Ill.*

## A Comparison of 3 Approaches to Care Delivery

	Case Management	Care Coordination	Population Health Management
<b>Objective</b>	Contain costs	Facilitate access/deliver value	Maintain health; minimize illness
<b>Target Population</b>	High-cost/high-use patients	High-risk populations	At-risk populations
<b>Tactical Approach</b>	Prior authorization	Problem solving and process improvement	Prevention of acute illness
<b>Mindset</b>	Episodic	Longitudinal	Predictive
<b>Setting</b>	Within a single organization providing medical care	Across various organizations/providers providing care	In the community/home

Source: Kaufman, Hall & Associates LLC