Hospitals 2020—Specialized, Integrated, & Connected

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A "HOSPITAL" IN 2020 WILL BE A VERY DIFFERENT ORGANization from today. Hospitals that still exist will have examined the value they provide to their community and redefined their core competencies, causing them to become more specialized, integrated, and connected.

Core Competence

A core competence is analogous to the roots of a tree; it feeds the trunk, branches, and leaves.[1] Historically, the true core competence of hospitals has been centralization and coordination of the diagnosis and treatment of acutely ill patients. This competence was beneficial to society. Hospitals provided great community value by serving as a central meeting point for physicians and others to physically gather in proximity to patients and proceed through an iterative process of patient diagnosis/treatment.

Specialized, Integrated, & Connected

Over the course of the last decade—thanks largely to clinical advances and information technology breakthroughs—the core competence of the hospital has been increasingly disrupted. Primary care physicians don't come to hospitals, surgeons rely on PACS systems accessed from remote locations (including iPhones), and some types of surgeries are performed robotically. Medicine is more precise and physical presence less paramount.[2] The pace of this disruption will increase over the next five to ten years.

Specialized

The core business for most community hospitals is the organization and delivery of acute care services (i.e., care of the sick and injured). Most hospitals attempt to provide wellness, prevention, chronic disease management, and other beneficial services to their communities.

Until very recently, hospitals could afford the luxury of diversifying outside acute care services. Challenges, which were rare, to diversification were addressed with two simple admonitions:

- These services are good for the community.
- If we didn't provide these services, we wouldn't be fulfilling our mission has a full-service hospital.

Given the pressure hospitals will be under in the foreseeable future, the full-service mission will face serious challenges. "Doing good" is important and should be respected as a fiduciary obligation the hospital has to the community it serves. However, it is insufficient justification for diversion of a hospital's resources from its core business. Rather than asking, "Is this good for the community," the question will become, "What is the highest and best use of the hospital's limited resources to meet the community's needs?"

Over the course of the next decade, diagnosis and treatment will become more precise—and standardized—making it possible to evaluate and compare both clinical outcomes and costs. In the 1990s, the term Center of Excellence (COE) was so overused it became meaningless. Today it is increasingly meaningful in, for example, cardiovascular, orthopedic, stroke, and urologic patient care. In 2020 the COEs that exist will have the clinical and financial documentation to back the claim. To accomplish this they will have redefined their core competence. If you establish a brand that guarantees excellence, you'd better be doing more than organizing and coordinating care because you have, at least implicitly, provided a guaranteed result.

Integrated

As hospitals become more specialized they will also become more integrated horizontally (i.e., hospital to hospital) and vertically (e.g., with physicians). The motivations for horizontal integration will remain what they have been for the last fifteen years: capital access, physician recruitment, payer contracting, reduction of operating costs, market share defense, and/or service line enhancement.[3] There will be a renewed emphasis on hub and spoke models that support specialization. We fully expect the recent uptick in consolidations to continue, but most of the transactions that are going to take place will have been completed by 2015—probably sooner. Note: everyone won't join a system. Some strong, freestanding hospitals will still remain, even in 2020.

The case for hospital–physician alignment has been well established.[4] It is likely that nearly all physicians in 2020 will practice in a single- or multi-specialty group that may or may not be corporately tied to a hospital. The tightest alignment (therefore having the strongest core competence, therefore being the most competitive) will be in vertically integrated provider organizations (advance thinkers have already stopped calling them "hospitals"). Regardless of the structure, hospitals in 2020 will be more closely integrated with physicians in order to improve quality, manage costs, and respond to patient, government, and payer demands for accountability.

continued on page 2

1 C. K. Prahalad and Gary Hamel, "The Core Competence of the Corporation," *Harvard Business Review,* May/June 1990, p.81.

2 Policy wonks, payers, and others are piggybacking on these two megatrends to put even more pressure on hospitals to redefine their core competence. But hospital leaders should focus, first, on the two major drivers of disruption (clinical and technological advances).

3 Don Seymour, "Mergers, Acquisitions & Partnerships—Lessons from the 1990s," *Healthcare Executive,* July/August 2009, pp. 56–59.

4 Barry S. Bader, Edward A. Kazemek, and Pamela R. Knecht, *Aligning Hospitals and Physicians: Formulating Strategy in a Changing Environment* (white paper), The Governance Institute, Fall 2008.

Connected

Hospitals in 2020 will be full participants in the digital exchange of all patient related information (i.e., clinical, financial, and demographic). They will participate in a secure, interoperable IT network that is accessible to patients, physicians, other providers and payers. The transition will be difficult and some won't survive the journey. Those that do will be able to provide more value to the communities they serve. Just as the hospital was the central point for coordination of patient care from 1945–2005, the EMR will be the point of coordination in 2020 and beyond.

Boardroom Implications

We hope the premises and hypotheses in this article will provide the foundation for a great leadership discussion about the future mission and vision of hospitals and health systems. We suggest starting with the following questions:

1. What is our core competence today (hint: no more than three components)?
2. How will trends in clinical practice, IT, public policy, and payment support or disrupt us over the next 10 years?
3. What will be the highest and best use of the hospital's limited resources to meet the community's needs? How is that different from what we do today?
4. Perhaps your board sees things differently. If your board and management don't agree with this 2020 vision for the future of hospitals, what is your alternative view for the future of the healthcare industry and, most importantly, your hospital/health system? ■