



Healthcare Executive Alliance

Insights for Healthcare Leadership

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The Keys to Staying Competitive in Today's Healthcare Market

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The keys to staying competitive in today's healthcare market.

Six things your competition is probably already thinking about

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Dr Bernd Montag

Chief Executive Officer
Siemens Healthineers

Healthcare organizations do a phenomenal job. Today, an increasing number of diseases are treated successfully and people enjoy a better quality of life even into old age. Yet, while much is being done to discover new ways to improve patients' lives, we now see radical changes to structures, incentives, and processes within healthcare to sustain provisions for our inhabitant-rich planet.

Gone are the days of the simple equation that a higher price guarantees quality and vice versa. Faced with cost pressures, we see provider strategies of consolidation, industrialization, and population health management designed to meet the growing care demands. Times have changed — today, healthcare and its delivery are increasingly validated and regulated by performance metrics.

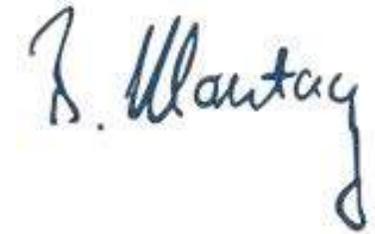
This development has led to nothing short of a paradigm shift in the structures and infrastructures of care.

In times of transformation, success comes from leading the changes. Riding the wave, rather than being washed away. We believe that effective healthcare transformation must include clinical, operational, and financial improvements. Delivering healthcare to more people with fewer resources is possible. But the levers need to be set in order to improve your particular clinical outcomes, streamline your operations, and optimize your financial performance.

Through the Healthcare Executive Alliance initiative, we would like to support you and your teams to find insights, ideas and solutions for succeeding in these

times. Our goal is to be your inspiring partner, helping you achieve better outcomes and reduce costs. As a starting point, we have developed this set of white papers to help identify key challenges in your healthcare organization and outline some innovative opportunities for improvement.

*Now's our time to
inspire the future of
healthcare together.*



The Keys to Staying Competitive in Today's Healthcare Market

Aging Populations and Cuts in Public Healthcare Funding are Driving New Levels of Competitive Pressure

As global populations continue to age and governments continue to cut back on public healthcare funding, the ability to strengthen clinical capabilities, patient outcomes, and process efficiency is rapidly becoming the battleground on which competitive strategies are being fought. Find out what can be learned from the U.S. market, the largest, most competitive healthcare market in the world, to strengthen competitiveness within a given healthcare system.

The Size Counts

Becoming larger – whether by acquisition, merger, or entering into joint ventures – confers a number of competitive advantages, including the ability to

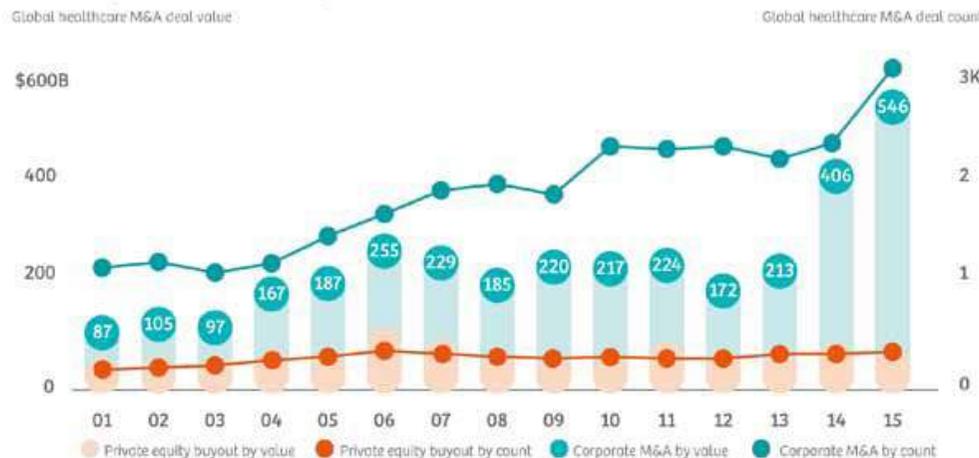
leverage economies of scale, strengthen bargaining position with payers, and provide additional services through the verticalization of managed care programs along the supply chain.¹ It's little wonder that mergers and acquisitions in the healthcare sector are growing every year.² Both horizontal and vertical consolidation are up significantly. Surveys show that U.S. hospital managers see the verticalization of outpatient services and post-acute care as a way to improve patient outcomes and increase market share and revenues.³ The most common objectives of healthcare partnerships in the United States are to: increased market share, improved operational cost efficiencies, improve financial stability, expand geographical coverage, and strengthen payer negotiations.

It Pays To Be Where the Patients are

The U.S. healthcare market is moving quickly toward greater overall outpatient care. Retail and walk-in clinics offer convenient and accessible primary care as an affordable alternative to emergency room visits. Demographic targets call for half of all Americans to have a CVS MinuteClinic within 10 miles of home.⁴ Following their success in the primary care market, retail clinics are now looking to expand further into chronic and specialized care. Rather than see this as a reason for worry, far-looking hospital managers see an opportunity. Many providers, for example, have already entered into partnership agreements with players such as CVS and Walmart. The establishment and development of outpatient networks is particularly attractive for healthcare providers.

Leave the Customer Satisfied

In the U.S., since 2012, a growing portion of hospital reimbursements has been tied to Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) scores. HCAHPS performance will determine up to 2% of all Medicare payments for hospitals and health systems by 2017.⁵ The projection is that this amount will increase in the future. Investment in modern medical technology can make a particularly important contribution to patient satisfaction. Rapid and accurate diagnoses based on technology can enhance the competitiveness of an institution. Innovations in IT infrastructure contribute to patient satisfaction as well. While patient satisfaction is a clear marker for competitiveness,



Note: Excludes spin-offs, ride-ons, loan-to-own transactions and acquisitions of bankrupt assets based on announcement date; includes announced deals that are completed or pending, with data subject to change; deal value does not account for deals with undisclosed values. Source: Dealogic; AVCJ; Bain analysis.

Growing Volume of Merger and Acquisition Deals in Global Healthcare⁹

it's important to weigh the need to keep patients happy against the need to keep them healthy and the need of institutions to remain financially sound.

Smart Personnel Management Is a Smart Move

Nearly 70% of health workers worldwide are concentrated in Europe and North America.⁷ Still, even in industrialized countries, skilled healthcare professionals are hard to find. Not surprisingly, tech solutions are already proving their value. Effective hospital staff management today requires that all processes be optimized and calls for improved individual skills management and investments in safe, user-friendly technology. Easy-to-use tech solutions help reduce training costs, enable better staff rotation, and reduce the need to hire overspecialized experts for individual silos in the care delivery chain.

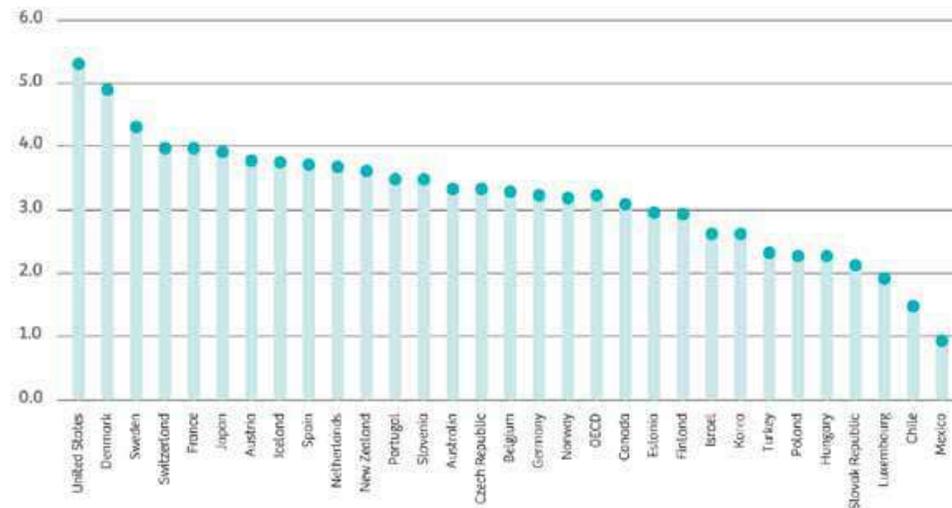
“The financial risk for not giving patients a good experience now becomes very high. Hospitals or practices that don't stand behind the fact that we need to take care of our patients both behaviorally and clinically stand to lose a significant amount of money.⁸”

Lori Kondas

Senior Director for the Office of Patient Experience
at the Cleveland Clinic in the United States

Cultivate Referrals

Practicing active referral management is crucial for a hospital's ability to influence patient flow. Referring physicians should be viewed and treated as valuable partners. Referrers may be broken down into categories such as frequent referrers, first time referrers, local referrers or external referrers. The most successful hospitals attempt to cultivate an ongoing relationship with all referring physicians in the catchment areas.



Hospital Expenditures Account for 2% - 4% of GDP in most OE CD countries



In a Nutshell: Six areas of focus most likely to strengthen competitiveness

Size

Becoming larger – whether by acquisition, merger, or entering into joint ventures

- confers a number of competitive advantages:
 - Ability to leverage economies of scale
 - Strengthened bargaining position with cost payers
 - More services in managed care programs through

verticalization along the supply chain

Customer Proximity

The trend toward greater overall patient care is growing. Retail and walk-in clinics offer convenient and accessible primary care as an affordable alternative to emergency room visits. Furthermore, establishing outpatient networks, verticalization of outpatient services and post-acute care, and telemedicine to widen geographic coverage approaches are on the rise.

Patient Satisfaction

Investment in modern medical technology can make a particularly important contribution to patient satisfaction. Rapid and accurate diagnoses based on technology can enhance the competitiveness of an institution. Innovations in IT infrastructure contribute to patient satisfaction as well. This

includes measures that relieve staff workload, freeing up time for more patient interaction.

Staff Allocation

Effective hospital staff management today requires that all processes be optimized and calls for improved individual skills management and investments in safe, user-friendly technology. Easy-to-use tech solutions reduce training costs, enable better staff rotation, and reduce the need to hire overspecialized experts for individual silos in the care delivery chain.

Referral Base

Hospitals can best remain competitive with referrers through referrer surveys that continually solicit feedback on an institution's strengths and weaknesses.

Useful criteria include:

- Satisfaction with patient care
- Collegiality
- Professional cooperation
- Admissions management / appointment scheduling
- Discharge procedures

Ability to Invest

Leasing or rental-based opportunities are effective solutions to limited investment resources. They help hospitals avoid large capital investments and provide funding based on readily calculable operating costs, which can focus on actual usage – and hence on positive cash flow.

Invest in Success

Without adequate profit margins to generate surplus for investment purposes, hospitals enter a dangerous downward spiral: necessary investments fail to occur, which decreases competitiveness, and in turn decreases surplus, preventing investment. Investing in modern IT, staff training, high-performance equipment, modern premises, and even contemporary room amenities is the price of entry for competing in most markets. Leasing or rental-based opportunities are effective solutions to limited investment resources. Overall, healthcare institutions are using smart finance to improve planning, acquire state-of-the-art technology, and manage cost-per-outcome in order to offer high-quality care and service to patients.



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Read the QR-code to watch a short video introduction about the topic of competitiveness in a given marketplace on YouTube

Seven Innovation Strategies to Win Patients and Staff

Seven Strategies Hospital Systems Can Pursue to Extend their Clinical Capabilities

Healthcare service providers face significant challenges in attracting patients and retaining qualified staff. The most obvious way to outshine one's competitors is to offer superior clinical capabilities, but such innovations can seem prohibitively expensive. Read about seven strategies that hospital systems can employ to advance their clinical capabilities, respond to the evolving challenges of healthcare today, and attract both clinicians and patients.

Invest in New Diagnostic and Therapeutic Modalities to Improve Outcomes and Expand Services

The most obvious way for service providers to augment their clinical capabilities is to offer the very latest diagnostic and therapeutic technology. For instance, innovative imaging techniques can significantly improve the speed and reliability of diagnosis, and hence of treatment success as well. They can also reduce the length of hospital stays, and as a result, the overall cost of treatment.¹ Novel clinical procedures and processes can also have a positive effect on medical staff – by reducing the workload, or promoting the flow of information and knowledge sharing along the treatment chain, for example. Ultimately, no service providers want to be the last ones in their region to offer diagnostic and therapeutic capabilities that are being touted by all of their competitors. Therefore, navigating this challenge requires an outcomes-based investment strategy for acquiring the new equipment necessary to remain competitive, along with a fleet management approach

to ensure that each new investment continues to provide clinical value throughout its lifetime.

Implement Patient-Centered Process Innovations

Companies that systematically focus on innovation in products, services, business models, and customer targeting grow more quickly, generate more revenue, and are more successful.² The same goes for healthcare providers, for whom innovation has become a key success factor. So, just like companies in the

“ HOSPITALS THAT MAKE THE LEAP TO A SERVICE-LINE ORIENTATION BECOME MORE PRODUCTIVE, IMPROVE THEIR QUALITY OF CARE, RECRUIT PHYSICIANS MORE EFFECTIVELY, AND BUILD MARKET SHARE ⁸ ”

business and academic sectors, hospitals benefit from participation in innovation networks as well. To be able to offer patients new treatment options, they need access to new medical procedures. A particular challenge for companies across all industries is how to create appropriate structures for innovation and develop an effective innovation culture. Healthcare providers with a strong culture of innovation that runs through all business sectors, and promotes ingenuity and knowledge sharing, are especially successful. Moreover, communication and a consistent, comprehensive implementation strategy have a strong influence on the success of an innovation.

Include Clinician Leadership in the Top Tiers of Management

Innovations that are removed from patients, such as improved logistics and accounting processes, may represent very sound, sensible investments. However, these innovations contribute less to building a good reputation or a strong competitive position for a hospital than innovations that directly contribute to improving clinical capabilities.³ While it is increasingly being recognized that clinician leadership within hospitals is not only beneficial, but essential, to ensuring that hospitals implement the kinds of patient-centered innovations that are needed to remain competitive, increasing such leadership can remain an elusive goal. When institutions make investment decisions, the focus is often more on the purchasing costs and return on investment (ROI) rather than their impact on patient outcomes, patient safety, and employee satisfaction. In order to identify and implement promising innovations with beneficial effects on clinical capabilities, physicians and business leaders must align each other's competencies to establish a qualified, shared decision-making process. This enables traditionally more numbers-oriented managers to develop a necessary understanding of the mindset and needs of their medical departments – and vice versa.

Pursue Innovation in eHealth

Electronic medical record digitization is transforming the flow of information and access to healthcare services – with corresponding implications for patient outcomes and treatment costs. The emerging



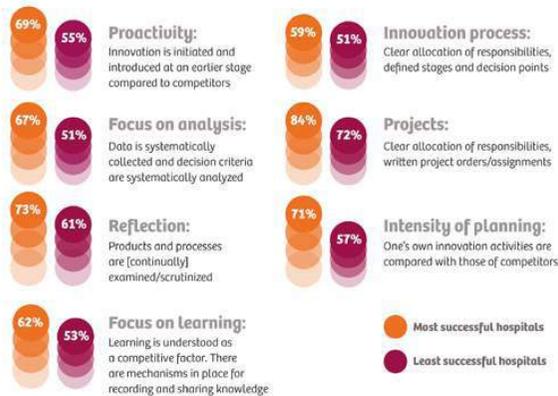
telemedicine market provides underserved rural populations in emerging countries with access to medical expertise for the first time.⁴ Furthermore, telemedicine has proven to contribute to improvements in diagnosis and treatment for aging populations⁵ and chronically ill patients.⁶ Suitable partners for hospital operators can also come from other industries, such as the retail, technology, telecommunications, and consumer products sectors, and can often innovate at a faster pace than traditional healthcare companies, with lower costs.

Improve Outcomes through Innovative Service Delivery Models

Integrated care programs have the potential to more adequately respond to the comprehensive needs of people with multimorbidities by taking a holistic approach, while making efficient use of resources. Such programs are characterized by patient-centered, proactive, and coordinated multidisciplinary care, using new technologies to support patients'

Innovation Leads to Success

Research by Kiel University shows that commercially successful hospitals are more systematic about cultivating a culture of innovation than their less successful competitors.¹²



self-management and improve collaboration between caregivers.⁷ The program shows that improved treatment results don't necessarily require groundbreaking technical innovations. Instead, significant progress can often be made through targeted knowledge and information exchange as part of an organizational innovation.⁷

Consider Specialization Instead of Diversification

A critical mass of patient cases is a prerequisite for capability advancements in any institution. Diseasespecific competency centers or service lines support hospitals in becoming established as clinical opinion leaders, recruiting highly qualified staff, and investing more successfully in technical equipment. Experience derived from managing a large number of cases can also increase clinical capabilities and thereby improve patient outcomes. One way that hospitals can effectively attract more patients and enhance their clinical experience and capabilities is to organize themselves by service lines in strategically defined clinical areas. By developing a focused service-line strategy, hospitals can also free up additional financial resources, which can then be redirected to further improve their clinical capabilities in key areas with investments in modern, patient- and user-friendly technical equipment and/or innovative services and care concepts.

Cultivate Opinion Leaders to Drive Patient Demand, Attract Qualified Staff, and Enhance your Institution's Reputation

Opinion leaders represent an often untapped resource for hospitals to ensure that patients receive medical care based on the best evidence. They can have a significant influence on whether (and how quickly)

innovations are implemented in clinical practice for the benefit of patients. As respected and well-connected sources of information, they can serve as a bridge from bench to bedside to span the knowledge-translation gap, through the early adoption of new evidence and subsequently influencing the majority of practitioners in a clinical group. Although full-service general hospitals are still the mainstay of acute-care delivery in most countries, this tradition is undergoing a revolution in the U.S., among other places. Immense clinical complexity, growing competitive intensity, and the advent of performance transparency for evaluating quality, service, and costs are challenging the notion that any hospital can excel across a broad spectrum of clinical service lines.⁹ Even if generalists won't disappear entirely, focusing on a few clinical service lines can help hospitals compete, while also improve operations, raise clinical quality, and enhance service in their communities.

Ways to Identify Opinion Leaders

- Regionally or nationally recognized celebrity
- Leadership survey within a group
- Staff-selected (based on group observation)
- Positional merit (currently in leadership position)
- Identified by experts within a community
- Identified by select community members
- "Snowball method": potential leaders identify other potential leaders
- Sociometric (interview majority of group community members to identify leaders)
- Sample sociometric (interview random sample of group/community members to identify leaders)

The key to commercial success is being more systematic.

Percentage of Clinically Trained Managers by Country



Physicians and businesspeople must align each other's competencies to establish a qualified shared decision-making process. (Source: McKinsey & Company10)

In a Nutshell:

Seven innovation strategies to extend clinical capabilities

Invest In Clinical Technology to Improve Outcomes and Expand Services

Innovative medical technology directly influences clinical capabilities. Service providers need an outcomes-based investment strategy designed to advance their clinical capabilities, and a fleet management approach that supports state-of-the-art, outcome-based medicine.

Use Patient-Centered Process Innovations to Expand Clinical Capabilities

Process innovations that are close to the patient, and in the field of care, help increase patient and employee satisfaction as well as treatment and process quality, and hence a hospital's reputation and market success.

Include Clinician Leadership in the Top Tiers of Management

To synchronize innovation budgets and clinical capabilities, medical and business management teams should interact as equals.

Pursue Innovation in ehealth

Electronic medical record digitization is transforming the flow of information and access to healthcare services, with corresponding implications for improving patient outcomes and reducing treatment costs.

Improve Outcomes through Innovative Service Delivery Models

Integrated care programs have the potential to more adequately respond to the comprehensive needs of people with multimorbidities by taking a holistic approach, while making efficient use of resources. Consider Specialization Instead of Diversification Disease-specific competency centers or service lines support hospitals in becoming established as clinical opinion leaders, recruiting highly qualified staff, and investing more successfully in technical equipment.

Cultivate Opinion Leaders

Opinion leaders represent an often untapped resource for hospitals to ensure that patients receive medical care based on the best evidence. They can have a significant influence on whether (and how quickly) innovations are implemented in clinical practice. Furthermore, they bolster a service provider's reputation, attracting high-quality staff, as well as patients.



Read the QR-code to watch a short video introduction about the topic of clinical capabilities strategies on YouTube.



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