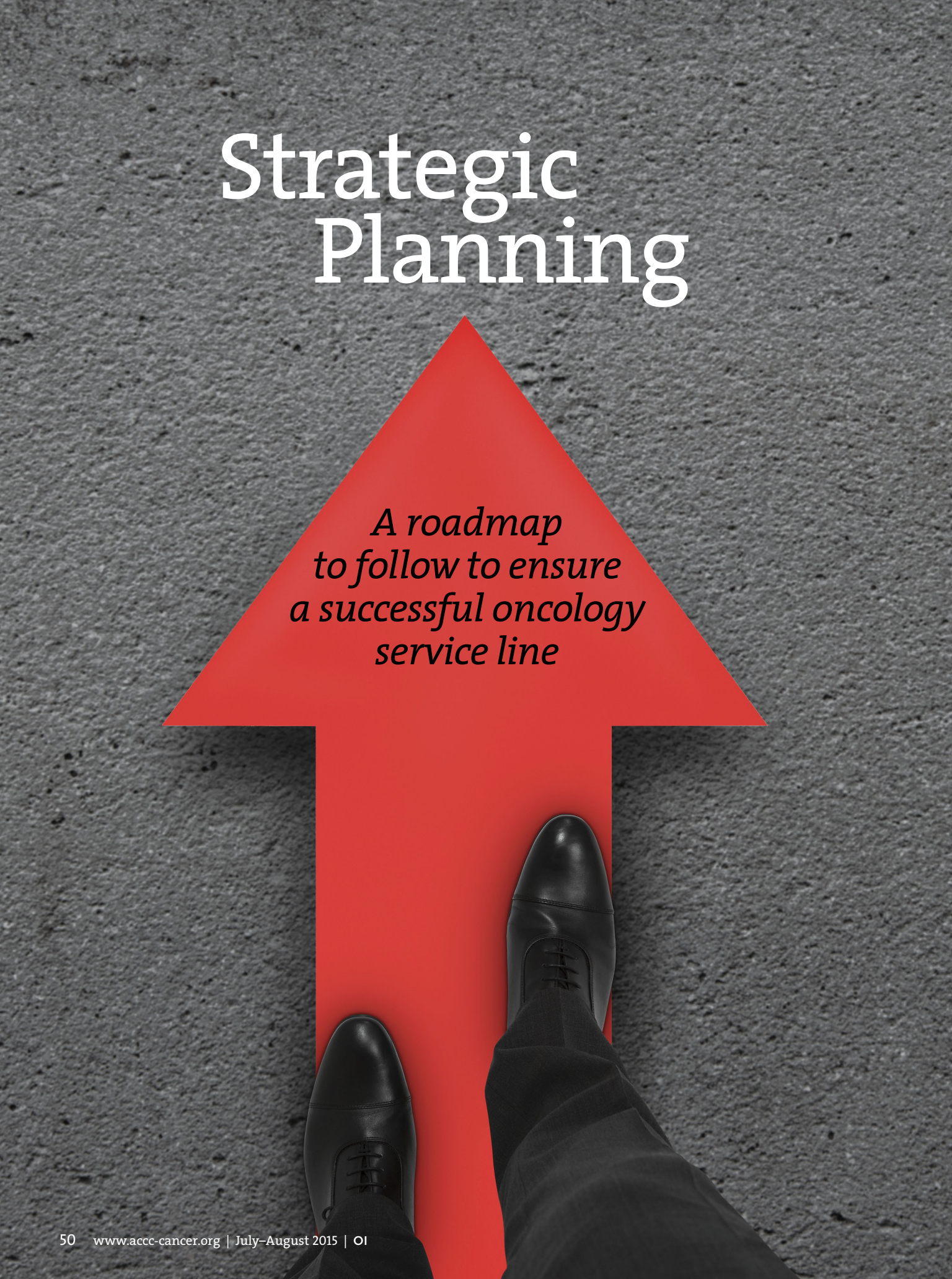
Strategic Planning

A roadmap to follow to ensure a successful oncology service line



BY RYAN LANGDALE, MBA

In Brief

For many hospitals and health systems, oncology may have only recently been recognized as a "service-line," due in large part to the unique nature of cancer within the broader portfolio of hospital services. Oncology defies the norm for most hospital business—existing primarily in the outpatient setting, spanning multiple departments—and requires high capital investment, including spending for a range of supportive care services critical for its patient population. Many hospitals also find it challenging to clearly track the flow of oncology funds across multiple departments and disciplines. Yet, for successful program growth, it is important that strategic planning for oncology occur within this broader context.

This article examines the hallmark of successful oncology programs—an action-oriented strategic planning process, specific to the unique nature of cancer care—and assesses the "must haves" for cancer program planning, offering a roadmap to follow for effective oncology strategy. In making the case for oncology-specific planning, we draw on the lessons learned through our nearly 1,900 cancer planning engagements across the country over the past 42 years.

The Oncology Opportunity

In a recent strategic planning session, our team listened to a hospital CEO share a sobering assessment of his organization with the assembled leadership. He explained that fiscal year 2014 margins had been squeezed, growth opportunities were limited, and the community was rapidly losing confidence in the hospital's ability to meet its financial obligations. His message that morning was quite candid: identify novel areas for growth or face acquisition by a larger healthcare system. This mandate had brought us to the table, as the CEO believed that cancer care might be one of the few remaining opportunities for revenue growth and preservation of organizational independence.

Why was oncology viewed as such a singularly important opportunity? For this hospital, and many like it around the country, cancer care has traditionally taken a back seat in terms of institutional priority. The reasons for this are myriad, but largely boil down to competing organizational interests and a lack of knowledge specific to the economics of cancer care. Oncology is notoriously hard to pin down from a planning perspective—patients access cancer services across an array of departments, making it difficult to clearly delineate operational responsibility and identify the true financial contribution to the enterprise. For this reason, the oncology service line has not always had a strong voice in developing meaningful, specific organizational strategy.

But the needle has moved substantially in recent years. Overall population growth—coupled with an aging population—have fueled a meteoric rise in cancer diagnoses and increased visibility for oncology services. Progressive healthcare systems have invested heavily in cancer, ushering in a new age of community-based care. The rest of the country, once on the sidelines, is now rushing head-long into the business of cancer and seeking to become providers of choice in their respective regions. In this rush, we find that many organizations are failing to appreciate the complexity of the undertaking.

The planning team must appreciate that while the oncology market is growing, it is still very much a referral-driven business, and understanding those referrals today requires a global perspective.

The Market Imperative

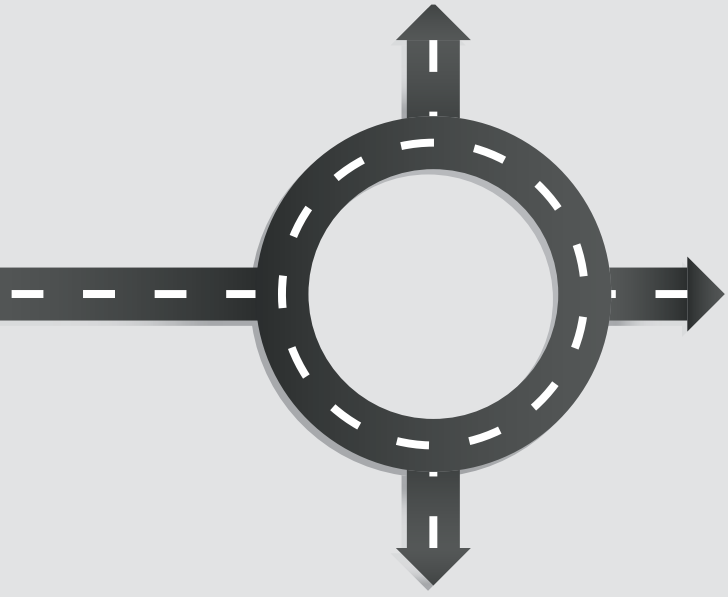
Two well-documented drivers of the increasing demand for oncology services are the growing number of cancer survivors—owing to the advances in cancer care over recent decades—and the growing, aging population in the U.S. For hospitals and health systems evaluating their institutional readiness for this surge in demand, consider the following: For every 100,000 people in your hospital service area, 500 to 600 will be diagnosed with cancer this year, and another 4,000 to 5,000 are currently living with the disease. By the year 2020, these numbers will reliably be 20 to 30 percent higher.[1]

The projected increase in demand for cancer services is both an opportunity and a challenge. Each new cancer patient uses a host of inpatient and outpatient services throughout his or her cancer journey—diagnostic, surgical, and adjuvant treatment phases. These services represent substantial opportunity in the form of program revenue contribution. At the same time, increased demand from new cancer diagnoses, newly insured patients, and expanded coverage for screening services is beginning to seriously challenge underprepared organizations.[2]

The growing market is a key factor to consider in planning strategically for the oncology service line. However, forecasting is not simply about estimating potential cancer cases and the impact on demand for downstream services. The planning team must appreciate that while the oncology market is growing, it is still very much a referral-driven business, and understanding those referrals today requires a global perspective.

The shift toward "value-based care" is rapidly realigning the shared-savings incentives of the primary care referral base. This, in turn, is rendering age-old patterns of referral inert and

CREATING AN ONCOLOGY ROADMAP



Whether your cancer program engages outside expertise or not, we suggest your organization keep the following elements central to your approach:

- ✔ A strategic plan in oncology cannot be created in isolation and cannot be a static document. The most effective plans are those developed with broad input from executive and physician leadership (at times, even those physicians who work with your competitors).
- ✔ The cancer plan should coordinate a 3- to 5-year roadmap and no further. We find that planning beyond that horizon introduces far too much uncertainty and reduces the organizational imperative to move quickly.
- ✔ The strategic plan should emanate from a broadly supported cancer program "vision statement," allowing for meaningful and measureable goals accomplished in a specific time frame.

placing a renewed emphasis on high-quality, low-cost providers. At the same time, payers are taking a more active hand in steering care to "providers of choice," making it challenging for patients to choose from a full provider menu in their narrowing networks. As this dynamic continues to evolve, hospitals will need to be cognizant of these changes and not rely on "business as usual" tactics in planning for maintenance or growth in their oncology service line.

The Business Imperative

For effective strategic planning, hospitals must also be able to quantify the true business impact of the oncology service line. In our experience, we find that the hospital C-Suite is often on unfamiliar ground with cancer. Unlike other hospital service lines, oncology services are predominantly delivered in the outpatient setting, span multiple departments, and are resistant to the categorization necessary for traditional program budgeting and contribution analysis. We commonly refer to our oncology service line financial assessments as "virtual" budgets, as they use specific ICD-9 diagnosis sets to corral all inpatient and outpatient services associated with cancer patients across the enterprise. The end result of this analysis is typically eye-opening for the C-Suite.

On average, a new cancer case in a fully-aligned healthcare system (meaning the patient stays in the system from diagnosis through, surgery, medical, and/or radiation oncology) creates $20,000 to 25,000 in contribution margin. These patients often remain in the system for follow-up care and co-morbidities as well. Many cancer programs that we have worked with have found that oncology accounts for 15 to 20 percent of total hospital net revenues, despite the fact that after surgical intervention much of outpatient cancer care is provided in the private practice setting.

While high-level analyses may serve other service lines, oncology strategic planning also requires a detailed, tumor-specific accounting of the financial contribution made by disease-site programs (e.g., breast, thoracic, colorectal). These analyses inform the strategy and tactics that allow an organization to protect access, attract patients, and provide a superior service as competitors seek to do the same.

Physician & Patient Imperatives

Oncology planning must also account for the paradigm shift underway with physician specialists. All across the country is already happening now—and is likely here to stay. Plan with the knowledge that academic medical centers are affiliating, purchasing, or otherwise aligning with programs in traditional community hospital catchment areas. Plan with an understanding that oncology is ever more an outpatient service, and that legacy acute-care strategies will not survive the next 10 years. Finally, plan with an approach that is collaborative, action-oriented, and seeks to listen first—as the alternative unilateral, top-down approach is rarely successful in the world of cancer care.

- ✔ While it is tempting to focus strategy on bricks and mortar, do not neglect medical leadership; physician alignment and transactional opportunities; distributed network strategies; risk-based contracting models; clinical and supportive care program development; or process improvement.
- ✔ The market has migrated towards tumor-specific strategy, meaning patients want their cancer treated by sub-specialists, not cancer generalists. The strategic plan should bring together multiple stakeholders in a substantive way, creating tumor-specific "centers of emphasis" that are intrinsically marketable. Explore all program elements to ensure that you are consistent with this value proposition.
- ✔ Our final advice would be to plan with the broadest context possible. Plan with the realization that cancer volumes are increasing precipitously and that oncology risk-based payment

physicians are reassessing the private practice model and evaluating meaningful alignment with hospitals. The Community Oncology Alliance reports that between 2007 and 2013, 469 medical oncology practices were aligned or purchased by hospitals.[3] For the medical oncologist, this alignment can provide financial stability in a reimbursement landscape that has been volatile in recent years. For the hospital, alignment can improve care coordination, increase patient volume, and offer the opportunity to develop an integrated IT and EHR infrastructure. In some cases, hospitals may realize a significant financial contribution from provider-based chemotherapy.

In our experience, the most successful oncology programs are built with fully aligned medical and radiation oncologists. Successful alignments are a product of proactive and carefully planned discussions between the hospital and physician practice. Those partnerships that fall short, resulting in broader "strategic" failures for the hospital, are overwhelmingly due to poor planning and a lack of oncology business understanding on the part of the hospital.

Strategic planning should also recognize that oncology referrals remain predominantly driven by primary care providers (PCPs), meaning the hospital must have a strategy for communicating a clear and consistent message about the value of their cancer program. Some of our clients have stated that their expanding medical groups will create a captive oncology referral base and reduce the need to communicate value or invest in services. In reality, this has not been the case. We've seen so-called "aligned" physicians continue to refer wherever they find the best possible value for their patients in terms of timeliness, coordination, experience, outcomes, and cost.

Perhaps the most important reason to plan with oncology specificity is the unique needs of the patient and his or her support system. Cancer is an overwhelming and terrifying diagnosis, requiring a level of care coordination unprecedented with most hospital programs. Unfortunately, this elevated level of support is quite rare, as evidenced by the Institute of Medicine's recent "Delivering High Quality Cancer Care: Charting a New Course for a System in Crisis" report.[4] As the IOM surmises, hospitals are ill-prepared to offer a "concierge" experience to patients, and the results have been dissatisfied customers, sub-par clinical outcomes, and leakage of business to academic medical centers for basic, community care. For this reason, many of the cancer programs that we have worked with recently have produced strategic visions that are focused on providing "patient-centered" care. This focus mandates attention to programmatic elements that put both physician and the patient at the center of all decision making.

The cancer programs that truly prosper in our experience are those that place strategic focus—and investment—on the resources necessary to manage the entire continuum of cancer care. This begins with the realization that today's cancer patients are savvy and demand more than just clinical excellence for their care. It further requires institutional buy-in and understanding that non-revenue producing program elements (e.g., patient navigation, survivorship, palliative care, clinical research) provide indirect financial returns. In some cases, it takes a true leap of faith when the strategic plan calls for multi-million dollar capital investments in cancer centers, linear accelerators, and the infrastructure necessary to provide comprehensive care. Our overwhelming experience is that the hospitals with a willingness to plan carefully—and invest with fortitude—enjoy substantial returns on both financial investment and goodwill and loyalty in their communities. OI

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