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Balancing the scale:
Strategic regional health care planning

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The challenge with competitive strategic planning in health care

In health care, the role of competitive strategic planning and its impact on the health care ecosystem should be considered with prudence. On the one hand, competition encourages health care organizations to deliver the best care possible. On the other, competition can also result in underutilized facilities with low caseloads, which are often correlated with inferior clinical outcomes.[1] In this article, we explore the question: How can coordinated regional planning be conducted in a sound and effective manner?

Hospitals and health systems have traditionally pursued market strategy overhauls or performance improvement initiatives as isolated endeavors-largely limiting the focus of the efforts around their own priorities and goals. Hospital leadership might reach out to peers at other health systems to initiate clinical affiliations, or they might seek guidance from state agencies during planning. However, comprehensive regional health care services planning that involves multiple health systems is rare.

This is, in part, due to the competitive nature of strategic planning. While market competition is generally favorable for the consumer (more options, potentially improved customer service, innovation, lower price points), the opposite can occur in a highly regulated and capital-intensive business such as health care: The race to keep up with competitors can create a market that is oversaturated in some areas and underserved in others.

Oversaturated market: If two health systems set up competing heart surgery programs in the same geography, this may lead to a high cost/low quality situation due to higher infrastructure costs being spread over fewer cases, and a care team that performs fewer cases often lacks the requisite routine.

Underserved market: Lack of coordination can also result in so-called care deserts, in which neither health system offers cardiac surgery for lack of a viable business proposition.[2] Cardiac surgery must now be sought outside of the geography (which may or may not be advantageous for the patient).

Could state agencies take on a larger role in facilitating regional planning?

State-led regional planning could be an opportunity to bring hospitals and health systems together to address concerns of market concentration and service duplication. In their roles as conveners, state agencies can facilitate dispassionate discussions on how best to meet community health needs. This could include how to improve access to care, how to achieve economic vitality for important services, and how to avoid duplication of unnecessary services.

Is this a novel concept? Yes and no!

• **Yes, it is novel** to the extent that we envision state agencies proactively convening health system leaders for the purpose of shared regional planning (think: roundtable discussions). Regulators can also develop policies that promote collaboration.

• **No, it is not entirely new,** because various steerage mechanisms already exist and are utilized to varying degrees today.

Here are three examples of existing steerage mechanisms that serve different purposes but, in our opinion, are not granular or comprehensive enough to support cogent regional planning efforts:

CON: The Certificate of Need (CON) mechanism already offers some level of regional coordination. Facilities must make the case that there is unmet demand that warrants expanding or launching a service or facility before launching a new effort. But the CON process only covers certain services and is transactional between one applicant and the regulators.

FTC: The Federal Trade Commission's (FTC) review of mergers and acquisitions also provides some market coordination. One of the key tests is the market concentration pre- and post-deal. While the FTC review is effective in preventing anti-competitive consolidation, this does not filter into greater proactive regional planning and collaboration efforts.

Grants: Some state agencies provide subsidies and targeted grants to support health systems deemed to have a vital role in their community. Such programs steer resources toward certain providers, which helps shape the market. However, in our observation, the subsidy route is also not granular enough for purposes of planning clinical services.

In addition to convening various hospitals and health care systems and facilitating coordination of services planning, state agencies can also contribute unique data-driven perspectives to the planning efforts. For example, health systems report detailed financial and operational information in the form of Institutional Cost Reports (ICRs). This data can be aggregated and analyzed at the state and regional level for planning purposes.

Furthermore, Medicaid agencies also have access to comprehensive claims data, which can be analyzed to identify gaps in care and access, and thus inform decisions on how to care for the most vulnerable populations.

Considerations for regional strategic planning

We propose that regional strategic planning occur along five dimensions:

1. Supply of services and access thereto
2. Demand for services today and as projected for the future
3. Clinical quality and patient experience
4. Financial and operational performance of care delivery organizations
5. Strategic relevance of health care facilities to the region

Dimension	Regional planning questions	Examples of assessments
1. Supply of services and access thereto	• How accessible is care both in aggregate and service by service? • What services are underrepresented in a given geography and require travel outside of the region? • What services are duplicative across facilities, resulting in lower-than-desired volumes at any given site? • Is equitable access to care along the entire continuum provided? Where might there be gaps?	• Analyze relative geographical proximity of hospitals and other care sites to one another and patient populations (e.g., driving time, public transportation). • Examine distribution of clinical services in the region across facilities and sites (primary, acute care, post-acute care, home care, etc.). • Evaluate patient address relative to location of where care was received to analyze patient travel patterns inside the region and willingness to seek care outside of service area. • Examine market concentration indicators for services (e.g., HHI[3]).
2. Demand for services today and as projected for the future	• What services are in demand today? • How has current demand changed from historical demand? • How is demand expected to evolve (including socio-demographics, care delivery innovation, scientific advances, health tech trends, site of service shifts, etc.)? • What services need to be provided to vulnerable populations in the geography to be effective (e.g., maternal-prenatal care, pediatric care, behavioral health), taking into account demographic and social determinants of health shifts?	• Analyze historical utilization rates, projected use rates, and total demand by population cohort (e.g., socio-demographics, employment status, insurance coverage). • Evaluate population trends and demographics (race, age, self-identified gender, payer enrollment, residential ZIP code, etc.), which may affect future demand for services. • Compare demand projections relative to supply of services (see dimension 1).

Dimension	Regional planning questions	Examples of assessments
3. Clinical quality and patient experience	• Which facilities and sites of care provide objectively high-quality care, and which sites have had lower-than-desired clinical quality performance? • Where do patients give high satisfaction scores to their provider? • Are any facilities subscale or overburdened?	• Benchmark quality and patient experience scores (e.g., HEDIS, HCHAPS, and CHAPS)[4] for relative differences and absolute thresholds. • Evaluate volume of technically challenging services relative to clinical competence statements (minimum volumes considered safe, e.g., number of heart transplants, annual volume of coronary stents).
4. Financial and operational performance of care delivery organizations	• Which hospitals and sites of care are operating at financially sustainable levels? • What factors are driving financial performance, and which factors can be addressed? • What are current and future capital needs (e.g., facility construction, technology modernization)? • What is the distribution of government-provided subsidies in a given market, and are those funds achieving their objective and improving financial position?	• Analyze historical and current financial performance of a given facility (e.g., revenue, operating expenses, operating income). • Use indices and composite measures to access value (e.g., cost per discharge, staff per patient) and compare to peer facilities. • Evaluate balance sheet strength (e.g., cash on hand, days sales, debt outstanding). • Assess subsidies and grants provided to each facility and across the region versus other regions, including trends over time.
5. Strategic relevance of health care facilities to the region	• Which facilities or services are indispensable to a given geography based on population need? • Which facilities appear to be redundant and current volume could be serviced more efficiently by peer organizations? • Where do health care needs demand that certain services be expanded in the region?	• Assess breadth of options and which facilities are “sole community providers” or “critical access hospitals.” • Evaluate which facilities disproportionately serve vulnerable populations. • Examine patient travel trends and proximity to other providers to assess how volume might be redistributed under various scenarios.

Considerations for state leaders' involvement in strategic planning

The comprehensive approach to regional health care planning may exceed what any given health system or hospital could—let alone should—conduct independently. Indeed, we envision state agencies and their leaders assuming a proactive role in strategic regional health care planning for the betterment of the health of the constituents they serve via the following five steps:

Step 1. Analyze needs
The first step is conducting a comprehensive analytical assessment of regional health needs and the current acute care landscape as a foundation for decisioning. Beginning with acute care hospitals is foundational, as they are the largest drivers of health care spending and studying them can inform how a population is using health care services. The fact base should assess the region in its entirety and each health system individually along the five dimensions proposed here (supply of health services, demand for health services, financial and operational viability of facilities, quality performance of facilities, and strategic value of a hospital to the community).

Step 2. Engage leaders
Equipped with this better understanding of the health care region, state leaders can convene roundtable conversations with health care executives to include them as active participants in the process. The output of these regional planning conversations should be a set of objectives around improving access, quality, and efficiency of care in the region. Supporting actions could include expanding or curtailing services, modernizing infrastructure, improving coordination of care, and positively affecting known health disparities (e.g., maternal morbidity).

Step 3. Use action levers
The regional planning conversations may trigger voluntary actions by health care executives who participated in the roundtable discussions. The state leaders have several action levers of their own:
(1) Exercise policy levers that are already in place and advocate for new policies that support the agreed-upon regional planning objectives.

(2) Use financial subsidies and grant programs as tools to shape supply of services, facility configurations, and infrastructure modernization plans.

(3) If necessary, resort to more stringent measures, such as CON and reevaluation of licensure decisions or, in some cases, the issuance of cease-and-desist letters to health care organizations that have failed to take other steps to allow for regional planning.

(4) Filter regional objectives into the priorities for the next state budget cycle, and advocate for funds to be earmarked for health care and health equity programs.

Step 4. Monitor progress
We propose that state leaders also set outcome measures to track progress against the objectives. An interesting concept could be to tie clinical and operational success measures to a given grant or subsidy award. Access to the next tranche of financing or subsidy payments would become contingent on meeting certain impact indicators (e.g., reduce ER wait times, improve patient satisfaction scores, achieve quality benchmarks, complete facility construction phase 1, launch a given clinical service).

Step 5. Keep communicating
We envision continuous dialogue between state leaders and health care executives. The regional planning effort is hardly a one-and-done solution. Indeed, socioeconomics evolve in the region, medical innovations occur, fiscal budgets evolve, federal policies change, and so on.

It is important to acknowledge that state, regional, and facility-level decisions cannot be made effectively without an understanding of policy, regulation, and macro-level implications. State leaders should consider assessing drivers of need and propose evidence-based policies, conduct budget and legislative analyses, and negotiate with appropriate stakeholders to drive policy and regulatory changes that benefit the hospitals and unique patient populations they serve.

Acknowledgments

Keara Klinepeter, Shahzeb Mirza, Stephanie Serafino
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Endnotes

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