

5 Strategies to Transform Anesthesia for Your ASC

THOMAS DIXON, VICE PRESIDENT
NORTH AMERICAN PARTNERS IN ANESTHESIA

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Introductions

THOMAS DIXON

Corporate Development Officer at NAPA

Previously

- Corporate Development Officer at SCA
- Principal at top-5 healthcare consultancy
- Chief Strategy Officer at \$2 B IDN
- Multi-site retail operations leader for *Fortune* 500 company

NORTH AMERICAN PARTNERS IN ANESTHESIA (NAPA)

US' largest single-specialty anesthesia provider

1,200,000 patients served annually

2,500+ employees

Named #1 anesthesia partner by Black Book Research (2018)

Nation's 5th largest pain management provider

Growth from 9 ASCs served 5 years ago, to 90 today

- Achieved with strategies discussed today

This Afternoon's Objectives

Challenge the commonly held notion that anesthesia is a commodity

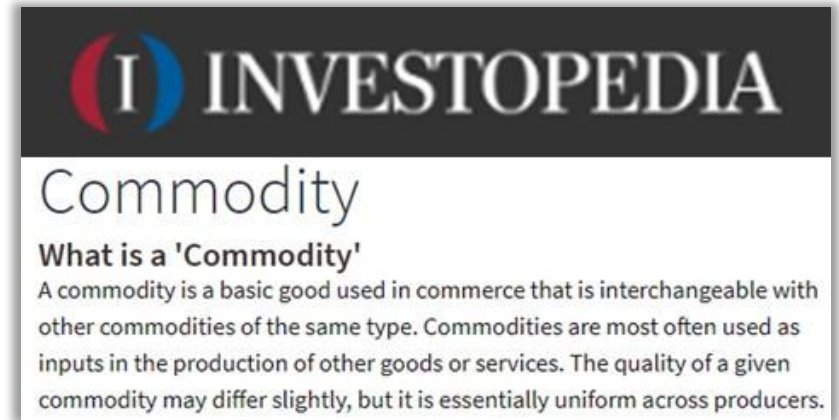
Present multiple, actionable strategies for ASC leaders to collaboratively implement with their anesthesia teams to drive growth and profitability for their Center(s)

Have a lively/fun discussion

The State of Play

Traditional view of anesthesia

- Above all else, pay no subsidy
- Purveyors of a staffing model (i.e., “I need X bodies in Y rooms”)
- Holding staffing/price equal, only difference between groups = physician relationships



Flaws with the traditional view

Foregone growth opportunities

ASC exposed to margin/staffing risk

Low bar set for operational and service performance

Five Transformative Anesthesia Strategies

1. Make it a Growth Engine



From a cost driver to a growth engine

2. Integrate it into Your Team



From a clinical service to an operational team member

3. Use it to Enable Disruption



From a barrier to an enabler of disruption

4. Leverage it to Improve Service



From service parity to service advantage

5. Create a Strategic Partner



From a staffing model to a strategic partner

Strategic Shifts Required to Achieve Differentiation from Anesthesia

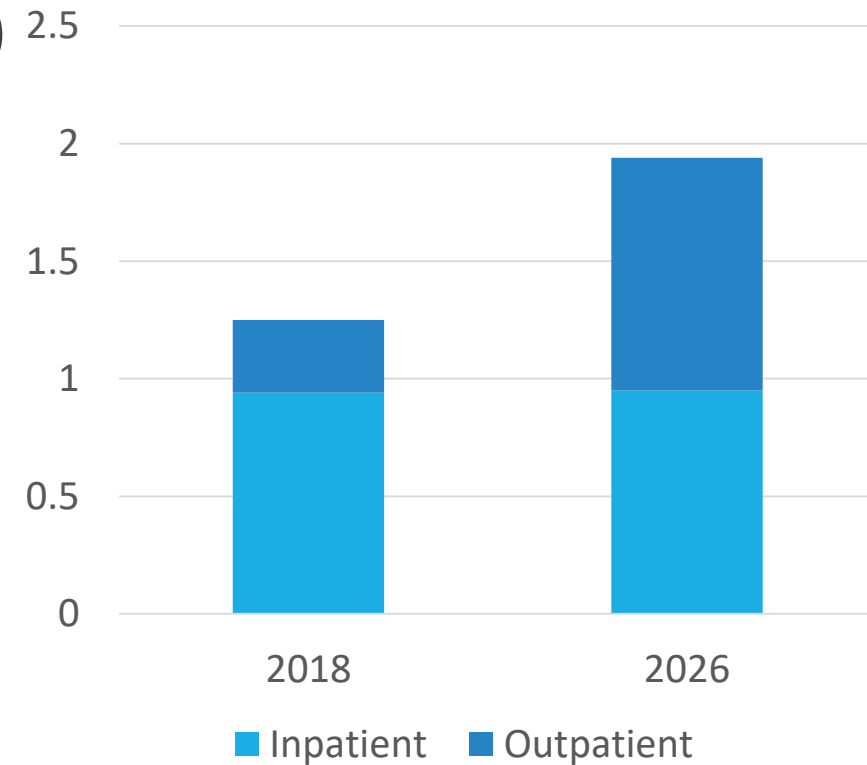


1. Make Anesthesia a Growth Engine

Anesthesia can drive growth by

- Enabling new patient populations (e.g., TJR)
- Coordinate PST/patient selection
- Design/implement care protocols to minimize nausea/vomiting, maximize ambulation
- Directly contributing cases (e.g., IPM)

Projected US Primary Hip and Knee Replacement Surgeries
(000,000s)





1. Make Anesthesia a Growth Engine

Cost Driver (Commodity)

Anesthesia group provides

- Bodies in rooms
- No/minimal subsidy

Growth Engine (Differentiated)

Anesthesia group provides

- Bodies in rooms
- Codified, OP/low LOS experience with services targeted for growth
- Clinical and business capabilities to stand up incremental services (e.g., IPM)



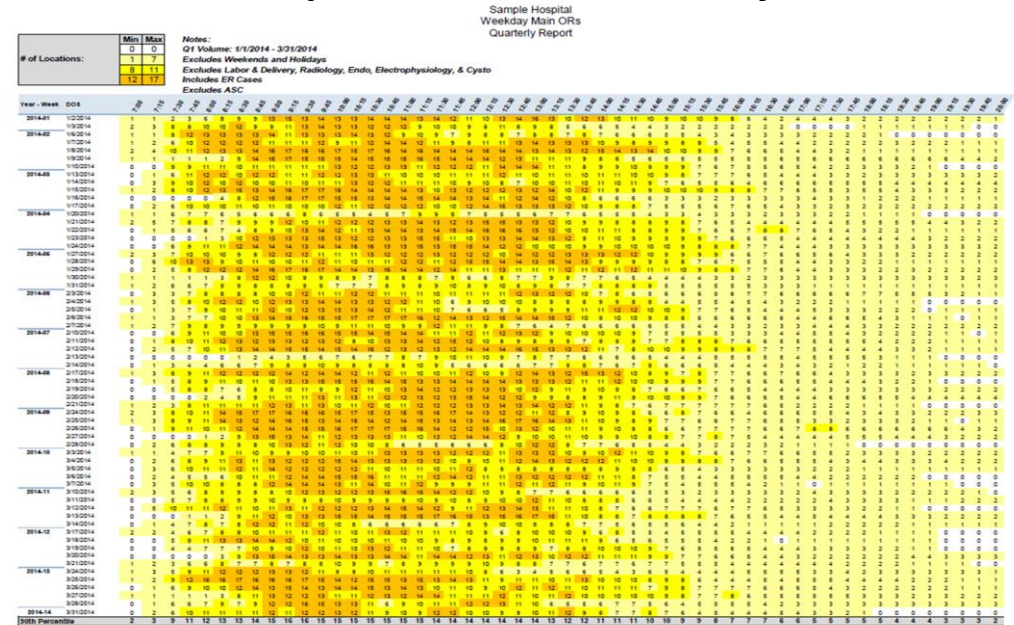
2. Integrate Anesthesia into Your Team

Challenge: Not all anesthesia groups understand the ASC arena (stuck in the 1980s)

Anesthesia drives operating profit by

- Improving on-time starts → reduced labor costs or improved revenue (latent demand)
- Improved turn-over time → reduced labor costs or improved revenue
- Schedule compression → reduced labor costs
- Supply chain optimization → reduced supply (drug, disposables) costs

Example OR Utilization Analysis





2. Integrate Anesthesia into Your Team

Clinical Service (Commodity)

Anesthesia group provides

- Bodies in rooms
- Quality care

Operational Team Member (Differentiated)

Anesthesia group provides

- Bodies in rooms
- Quality care
- Data assets (benchmarks) and analytical resources to support PI
- Active participation in/leadership of Center PI initiatives
- Proactive identification (quantified) and implementation of profit-enhancement opportunities



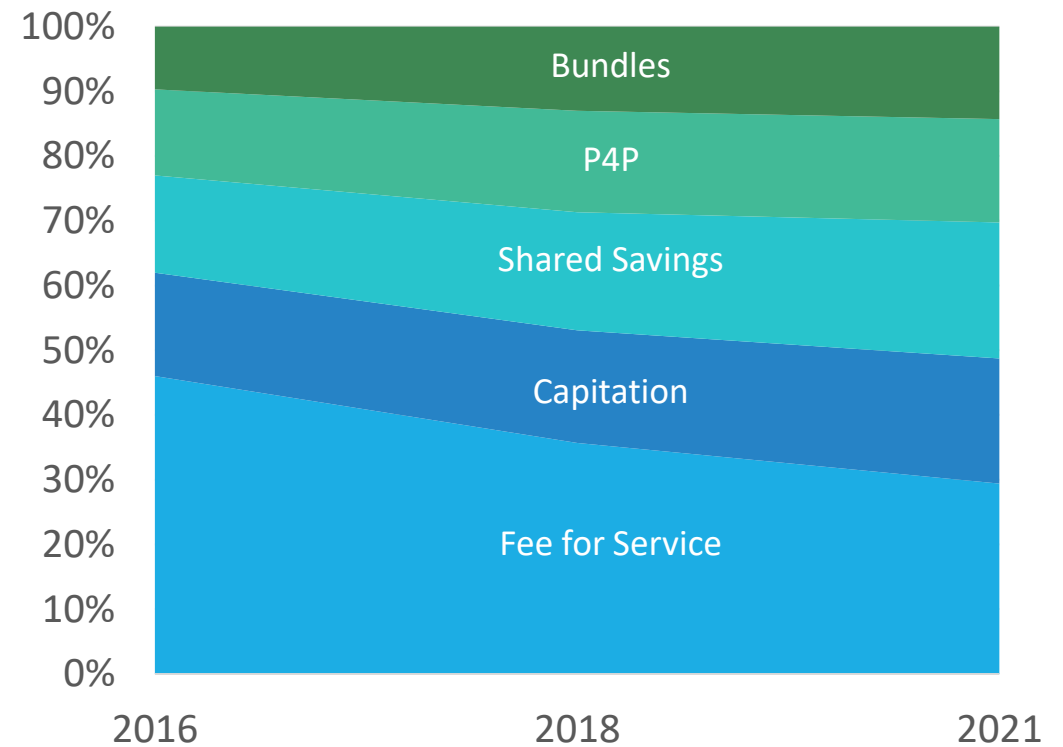
3. Use Anesthesia to Enable Disruption

Value-based payment models → opportunity for ASCs to be rewarded with directed volume

Challenge = anesthesia groups often lack the resources to fund transformation

- Private groups typically distribute vs. retain and invest earnings

Projected Growth In Commercial Value Based Payment Models





3. Use Anesthesia to Enable Disruption

Barrier to Disruption (Commodity)

Anesthesia group provides

- Bodies in rooms
- Quality care
- Ability to “work-around” group in implementing innovative reimbursement arrangements

Enabler of Disruption (Differentiated)

Anesthesia group provides

- Bodies in rooms
- Quality care
- Experience inside innovative reimbursement arrangements
- Savvy contracting team (preferably with health plan experience)
- Data assets and analytical resources required to perform vs. risk
- Intellectual capital to reduce waste and standardize care to best practice

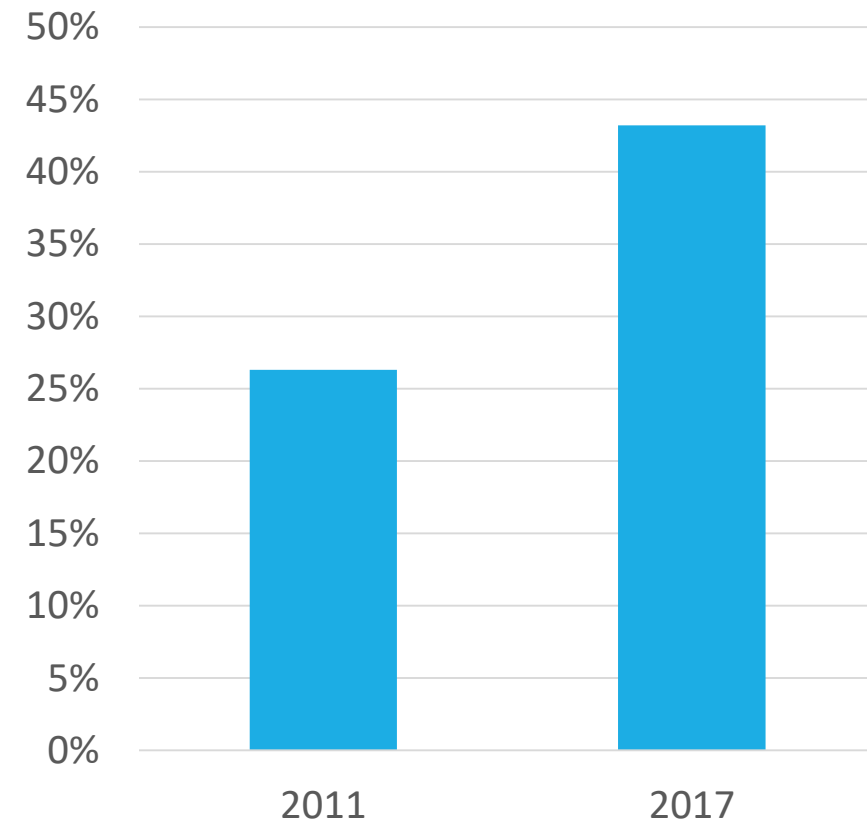


4. Leverage Anesthesia to Improve Service

Healthcare responsibility shifting to consumers → opportunity for ASCs to be rewarded for their lower cost, higher quality and superior service

Challenge = almost all ASCs offer great cost, quality and service – how does a Center stand out?

Percentage of Americans Enrolled in HDHPs





4. Leverage Anesthesia to Improve Service

Service Parity (Commodity)

Anesthesia group provides

- Bodies in rooms
- Minimal patient interaction

Service Advantage (Differentiated)

Anesthesia group provides

- Bodies in rooms
- Defined service protocols for patients, surgeons and administrators
- Survey measurement (specific to anesthesia) of performance with each constituency
- Experience-enhancing technology



5. Create a Strategic Partner

Academic research conducted in healthcare:

- *“it is not the effectiveness of a leader in isolation that affects organizational performance, but the alignment of leaders . . . that is associated with the successful implementation of a strategic change.”*

Implications for ASC leaders – implementing growth and PI strategies cannot be easily accomplished without alignment from anesthesia (and other departments/functions)

Challenge = in many markets, anesthesia consolidation has led to a lack of alignment (i.e., which master does a group serve – your ASC or a competing ASC/hospital?), and equity (ASC default) is NOT the answer

How leadership matters: The effects of leaders' alignment on strategy implementation

Charles A. O'Reilly^{a,*}, David F. Caldwell^b, Jennifer A. Chatman^c, Margaret Lapiz^d, William Self^c

^a Graduate School of Business, Stanford University, United States

^b Leavey School of Business, Santa Clara University, United States

^c Haas School of Business, University of California, United States

^d The Permanente Medical Group, United States

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ABSTRACT

Research has confirmed that leader behavior influences group and organizational behavior, but we know less about how senior leaders ensure that group and organizational members implement their decisions. Most organizations have multiple layers of leaders, implying that any single leader does not lead in isolation. We focused on how the consistency of leadership effectiveness across hierarchical levels influenced the implementation of a strategic initiative in a large health care system. We found that it was only when leaders' effectiveness at different levels was considered in the aggregate that significant performance improvement occurred. We discuss the implications of these findings for leadership research, specifically, that leaders at various levels should be considered collectively to understand how leadership influences employee performance.

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1. Introduction

Leadership has been a central, but sometimes controversial, topic in organizational research (e.g., Chemers, 2000; Hogan, Curphy, & Hogan, 1994; House & Aditya, 1997; Judge & Piccolo, 2004; Khurana, 2002; Meindl, 1990). For example, reflecting a macro-OB perspective, Podolny, Khurana and Hill-Popper observed that “for at least the past thirty years, the concept of leadership has been subject to criticism and marginalization by the dominant organizational paradigms and perspectives” (2005:1). Part of this skepticism has resulted from questions about the definition of the construct as well as whether leadership has discernable effects on organizational outcomes (Hannan & Young, 1984; Pfeffer, 1977). Proponents of leadership argue that leaders, by their very roles, are responsible for making decisions that help their organizations adapt and succeed in competitive environments (e.g., Bass, 1991; Waldman & Yammarino, 1999). In contrast, those who view organizations as heavily constrained claim that leadership is largely irrelevant and, at best, a social construction (e.g., Hannan & Freeman, 1989; Meindl, 1990).

While provocative, the assertion that leaders in organizations do not play a distinct role in influencing groups and individuals to achieve organizational goals, is not supported by the empirical evidence; leaders often have a substantial impact on performance (e.g., Barrick, Day, Lord, & Alexander, 1991; Bass, Avolio, Jung, & Berson, 2003; Bertrand & Schoar, 2003; Judge & Piccolo, 2004; Judge, Piccolo, & Ilies, 2004; Koene, Vogelaar, & Soeters, 2002). The circumstances under which leaders are able to affect performance are less clear, however (e.g., Hambrick, Finkelstein, & Mooney, 2005).

* Corresponding author.

E-mail address: oreilly_charles@gsb.stanford.edu (C.A. O'Reilly).



5. Create a Strategic Partner

Staffing Model (Commodity)

Anesthesia group provides

- Bodies in rooms

Strategic Partner (Differentiated)

Anesthesia group provides

- Bodies in rooms
- Leadership training and development given to Chiefs (CRNAs and Physicians)
- At-risk compensation for anesthesia leaders, tied to ASC objectives
- Cultural expectations for Chiefs to provide perioperative leadership vs. simply purvey staffing

A Call to Action

Expect more than just coverage, a low subsidy and likable clinicians

Identify opportunities for anesthesia to contribute to your center's growth and profitability; find a group capable of doing so

Pursue transparency in your anesthesia relationship – understand and evaluate your group's finances and plans to adapt to the changing marketplace

Evaluate anesthesia options in terms of ability to deliver value versus price alone

Your Thoughts/Questions

