

# Strategies to Stay Independent in a Consolidating World

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# What is Causing Market Consolidation

1. Payers & Providers Are Consolidating Aggressively
2. More Hospitals have gone on a physician feeding frenzy, with the number of practices owned by hospitals and health systems rising 86% from 2012-15.
- 3.
4. Payers have also been acquiring aggressively. ( Optum, CVS and Aetna)
5. Younger Physicians Are Embracing the Employed Model

# Competitive Forces Confronting the Private Group

## Constant power struggle between competing forces

1. Local Competitors – Other groups ( private and P/E sponsored )
2. Physicians – Employed and referral patterns and constant pressure to meet the objectives of their employment contracts
3. Hospitals – Narrow Markets and their competing employed doctors
4. Payors – Manages care and preferred Networks
5. Patients – Caught between employer health care programs and narrow healthcare networks

Notes from Michael E. Porter's Five Forces, Harvard University

# Growth Magnifies Complexity

## Need to Create Income to Sustain a Group

Join a small group

Recruit Physicians

Add an ASC

Add Pathology

Add Anesthesia

Add Infusion

Add Research



**Need for More  
Ancillary Services  
to create Profit  
Margins to fund  
expansion  
opportunities**

# **Growth Magnifies Complexity**

## **Competitive Pressures for Groups**

Hospitals Hiring GI's  
Reimbursement Declining  
Management Complexity  
Payor Negotiations  
Referral Sources Consolidating  
Administrative Burden Increasing  
Retiring Leadership Competing Groups

# **How Must Private Groups React In Developing Their Leadership Teams**

# The Anticipatory Organization



**Anticipatory**

**Future Focused**

**Transform and  
Extend**



**Reactionary**

**Legacy Thinking**

**Protect and Defend**

**People**

**Culture**

**Process**

**Current Organization**

# **Role of the Senior Leader During the Initial Phase To Remain Independent**

The Senior Leader must lead the organization to better understand their strategic imperatives:

Here is an example :

Senior Leader must encourage everyone to make changes that will lead to

- 1. Operational Excellence,**
- 2. Patient Care Excellence,**
- 3. Financial Excellence**
- 4. Transformational Excellence**
- 5. Innovation Excellence**

These are the pillars the organizational house is built on



# The House that Business Planning Built

## The Five Pillars of Organizational Excellence

**Operational Excellence**  
Provide high quality and  
cost effective medicine

**Patient Care Excellence**  
Exceed Customer's  
Expectations

**Transformational  
Excellence**  
Enhance Human Capital by  
designing a sustainable  
corporate culture

**Financial Excellence**  
Exceed Financial Goals to  
Promote Practice  
Independence

**Innovation Excellence**  
Enable New Ideas and  
Strategic Solutions for  
Profitable Growth

**Corporate Motto: What is the purpose of the company and expression of the culture?**

**Corporate Values: What does your group stand for? What are core principles?**

**Corporate Mission: What are your groups goals?**

**Foundation  
Building:**

# Operational Definitions

## Corporate Motto

- A corporate motto is an important symbol of your medical practice . For patients, it is an expression of the value that your clinical practice creates through a unique combination of decisions that create your business model .
- To the employees of the practice , the corporate motto expresses the purpose of the clinical programs being offered and an expression of the group's culture.
- The simpler that you can keep the business motto, the easier it will be for people to remember. You can also use this expression to brand your company.

# Operational Definitions

## Corporate Values

The operating philosophies or principles that guide an organization's internal conduct as well as its relationship with its customers, partners, and shareholders.

# Operational Definitions

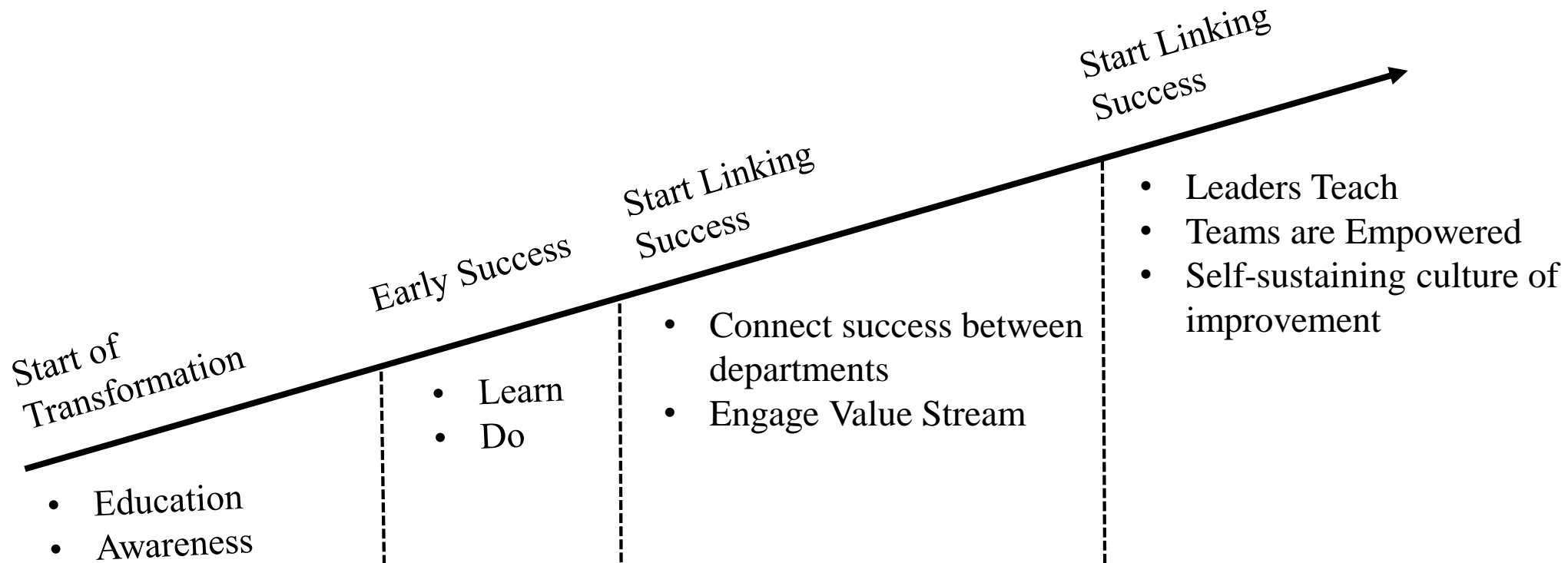
## Mission Statement

1. Mission statements is used to focus your team's energy and attention
2. The mission statement shouldn't just be your beginning - It should stay with you through every decision.
3. The simplicity of the mission statement requires you to isolate only the most important part of your company's purpose. By developing a mission statement, you must evaluate every option and decide what will best suit your company and its future. By talking through your decision process with the mission statement, you can help your team work through problems and ideas.
4. The mission statement opens this communication and can refocus a team that has been pulled apart in too many directions.

# To Stay Independent You Must Do Business Transformation

## The Role of the Senior Leader in this Program

- What the transformation process will look like and our goal



# Business Transformation – Step #1

## Initial Assessment

### What is the desired culture of the organization

- **Impetus to Improve**
  - Sense of urgency
- **Leadership**
  - Commitment
  - Passion
  - Personal Involvement
  - Involve all levels of leadership
- **Improvement Initiatives**
  - Must re-engineer not just do a project
  - Must be important work
  - Successful initiatives build momentum

# Business Transformation – Step #1

## Initial Assessment

**What is the desired culture of the organization**

- **Alignment**
  - All levels with shared understanding
  - Match resources with goals
  - Meaningful employee goals and accountability
- **Integration**
  - Across patient clinical care needs, not professions
  - Cooperation of all departments

**MUST HAVE ALL FIVE ATTRIBUTES  
TO TRANSFORM**

# IGH Business Transformation – Step #2

## Focus on Building a Team with a Survival Mentality

### Framework for Improvement

- **WE CARE**

- We. We are a team. Does everyone who touches this process have a say in the process change?
- End State. What is the aim or goal of this improvement idea?
- Capture. Have you drawn a picture of the process?
- Analyze. How do you know a change is an improvement?
- Revise. What changes are being made to improve? Just telling people to change does not work.
- Endorse. Endorse change and sustainment. Endorse celebrating success. Process must be able to be sustained.







**Business Process Reengineering Cycle**

# Business Transformation –

## Step # 3 -Getting “ Buy In ” from the Senior Leadership team

### Mental aspects of Practice Survival –” Get Your Head in the Game ”

- **Total Engagement** - Every senior manager must be totally engaged in the practice by rethinking and redesigning the way work is being done in their area
- **Focus on the Objective** –Each senior leader needs to support the group’s overall patient oriented mission while at the same time reducing the costs associated with those services and contributing to the groups desire to stay independent

***Focus on True North - Each senior manager must ask each and every day – what can our departmental team do to better serve the organization***

## **Business Transformation – Step # 4 -Getting “ Buy In ” from the Senior Leadership team**

### **Redesign Aspects of Practice Survival – “Don’t Look at the Practice as Business as Usual ”**

- Re-engineering should optimize the performance of sub-processes but those efforts will be futile if the process itself is fundamentally flawed by being inefficient and outdated
- For that sole reason, the Senior leader must focus on re-designing the total process to achieve the greatest possible benefits to their customers

***Change the Optics - This drive to re-think how the organization's work distinguishes the re-engineering from all other process improvement efforts which only focuses on functional or incremental improvement***

## Business Transformation –

### Step # 5 -Getting “ Buy In ” from the Senior Leadership team

#### Mental aspects of Practice Survival – “ Macro to Micro – Drill Down and Change

- Each senior leader needs to ask how their unit can re-engineer the steps and procedures that govern how resources are used in their area of operation and replace them with value added steps that improves the overall efficiency of the team
- Each senior leaders must become totally engaged in analyzing and e-designing the core business processes in their area of operation with the sole intent of achieving improvements in critical performance measures, such as cost, quality and outcome .
- ***Extreme Accountability - Each senior leader needs to know that they will be held personally accountable for the overall performance of the entire process which includes many sub processes - their efforts will be linked to their merit increase ( if the group has raises )***

# **Business Transformation Program**

## **Take Home Points for the Senior Leaders**

1. Each Senior Manager is expected to participate – make the time - take the time
2. Develop Physician Champions – link them to the redesign projects - get them involved - hold them accountable
3. Continue to preach PERSONAL ACCOUNTABILITY
4. 10 % - 80% and 10% GE Program
5. Introduce the “ Rank and Yank” program

# **What Do you Look for in A Senior Leader Characteristics of In Extremis Leadership**

## **Unique Patterns of Leadership Include :**

- 1. Inherent motivation – wants to win but is not afraid of failing**
- 2. Learning orientation – willingness to learn the trade**
- 3. Shared risk – Believes leadership is a privilege and not a right**
- 4. Common lifestyle – Small unit leadership – communication guru**

# **What Do you Look for in A Senior Leader Characteristics of In Extremis Leadership**

## **Unique Patterns of Leadership Include**

- 5. Competence - Subject Matter expert ( SME )**
- 6. Ability to develop trust - Staff will follow them no matter what**
- 7. Loyalty to the organization - Intensely loyal and understands their role on the team -**



**“The essence of strategy is choosing what not to do –  
then the essence of execution is truly not doing it ? ”**

Michael Porter

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**Last quote of the day ....**

**Always remember that leadership is a privilege and not a right**

Personal Philosophy Rule : 101

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