

Executive Brief



Implications of Becoming a Regional Referral Center

Across the country, many community hospitals are evolving into regional referral centers. However, the plans for doing so often ignore the core implications of becoming a regional referral center and, instead, describe it in terms of volumes, which are out of an organization's control.

While volumes and long-term growth are obviously important, successful organizations will focus efforts on the areas they can control: competitive strategy, physicians and staff partnership, operations and infrastructure, governance and management structures and payor relationships.

Two Types of Factors

Regional referral centers are different from community hospitals on many fronts. Based on our study of hospitals across the country, these differentiating factors fall into two categories:

- > **Incremental factors:** largely outside of immediate administrative control, often seen as requirements to move from community to regional referral center—include scale, service area, scope of programs and growth.
- > **Non-incremental factors:** largely within immediate administrative control to influence the transition from community to regional referral center. These factors include competitive strategy, physician and staff partnerships, operations and infrastructure and governance and payor.

Many community hospitals transitioning to regional referral centers place too much emphasis on the incremental factors. Instead, the focus should be on the non-incremental factors, which they can influence.

Non-Incremental Factors

Each non-incremental factor evolves along a continuum. As a community hospital moves toward becoming a regional referral center, these factors shift as summarized in the following:

- > **Competitive strategy:** shifts toward an expertise-based platform as compared to an access platform. Regional referral centers must develop distinctive expertise over that of the community hospitals to justify patients by passing local care options.
- > **Physician and staff partnerships:** increases prioritization of relationships needed to develop expertise. Regional referral centers must effectively prioritize relationships with select core programs, including how physicians should be engaged by hospital leadership.

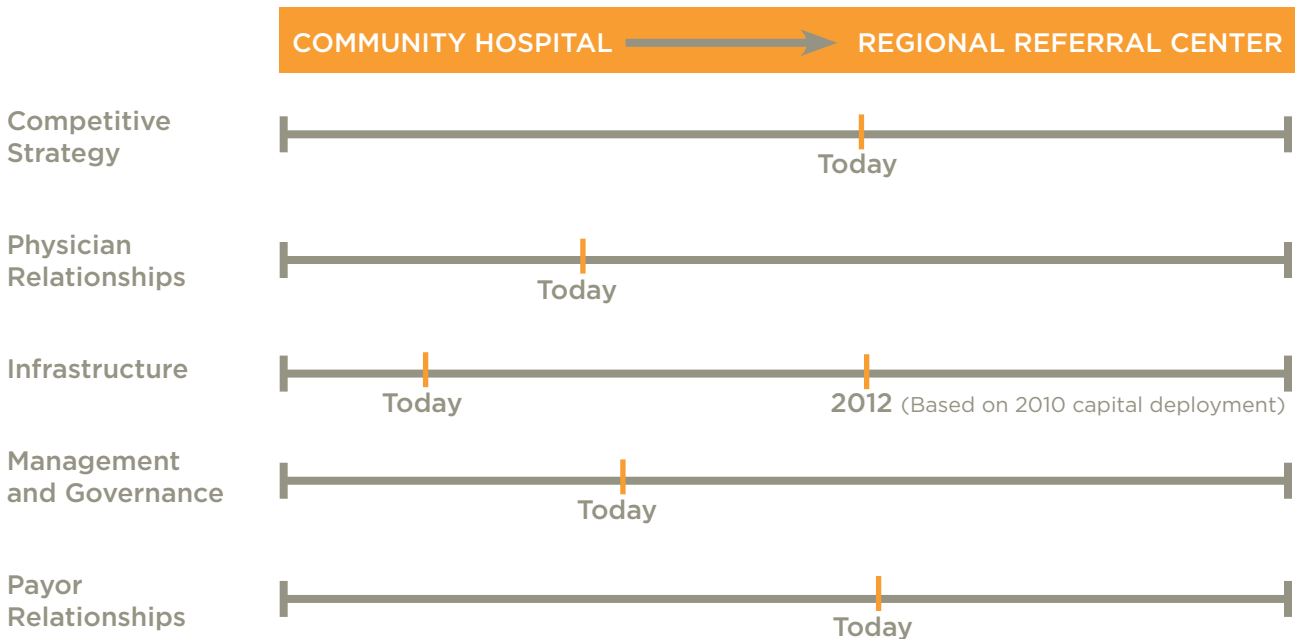
- > **Operations and Infrastructure:** increases the level of complexity in the organization. Regional referral centers shift toward subspecialized models of care (technical teams, nursing units, technology) to accommodate higher acuity patient volumes.
- > **Governance and Management:** changing focus at the board level. Governance for regional referral centers becomes more about leadership (not operational management), more about regional issues (less about local community issues), more about differentiation (in outcomes, processes, expertise).
- > **Payor:** increases collaboration between payors and providers. Regional referral centers focus more on the impacts of chronic care management, medical homes and other non-fixed asset mediums of care in an effort to improve the care for the region.

	COMMUNITY HOSPITAL	REGIONAL REFERRAL CENTER
Competitive Strategy	<ul style="list-style-type: none"> > Competes on access, convenience and availability > Focuses on the local community > Goal to be first to market/tie up all patients and referral patterns 	<ul style="list-style-type: none"> > Competes on unique expertise and reputation > Community redefined larger geographic area > Goal to be first doing a type of procedure/subspecialty to capture all patients in a broad region who need that procedure
Physicians and Staff Partnerships	<ul style="list-style-type: none"> > Generalists, non-invasive specialists > Smaller practices, supported by primary care strategy and local network > Volume productivity focused with general staff capabilities > Some ability to cross-train in multiple areas > Expertise backup, not coverage, from the regional referral center 	<ul style="list-style-type: none"> > Subspecialists, clinical experts > Academically focused, advancing treatment for the region > Volume and expertise focused with dedicated technical teams to support large, complex case loads > Ongoing advanced training for new procedures and cases > Advanced techniques and technologies
Operations and Infrastructure	<ul style="list-style-type: none"> > Maximize convenience and service for physicians and patients through less specialized facilities—generic or standard facilities to accommodate variation in volumes, patient types or physicians > Highly efficient throughput > Selected franchises from the hub (cath lab processes, CTA PACS network) 	<ul style="list-style-type: none"> > Maximize expertise for tertiary programs through dedicated operations and facility infrastructure > Dedicated flow processes for patient types across a broad range of specialties > Multidisciplinary care models based on clinical expertise > Flexibility to accommodate changes in volumes, technologies and techniques
Governance and Management	<ul style="list-style-type: none"> > Structure focused at the local level > Strong local physician/local hospital connections and alignment required to manage > Secondary local/main center physician relationships primarily based around referral, education and camaraderie 	<ul style="list-style-type: none"> > Coordinated structure across region for strategic direction, clinical protocols, manpower and operational protocols > Physicians and administrative team closely tied to subspecialty assets (physicians, staff, facilities) > Manage relationships at outlying hospitals
Payor Relationships	<ul style="list-style-type: none"> > Arm’s-length negotiations with payors > Target highest case rate 	<ul style="list-style-type: none"> > Partnership negotiation to achieve common goals of higher-quality care without significant cost increases > Leadership for chronic care management models for the region

Evaluating an organization’s position along these five competencies under their control provides a roadmap for how to align and balance resources to achieve a regional referral center vision.

There are many organizations that claim to be regional referral centers and more that have stated plans to become regional referral centers. The reality is that an organization cannot transition overnight. While certain elements, such as size and resources, constrain many organizations, leadership teams can and must develop these five competencies to successfully move toward regional status.

REGIONAL REFERRAL CENTER PROGRESS (Illustrative)



Kurt Salmon Associates

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