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MAKING THE BET ON POPULATION HEALTH PAY OFF: REALIZING “SYSTEMNESS”

Over the past few years, many large hospitals and academic medical centers (AMCs) have acquired, merged, or formed joint ventures with other hospitals, rehabilitation centers and skilled nursing centers, home care organizations, and urgent care centers. Much of this consolidation has been driven by the shift to a focus on population health, and the ability for health systems to adequately and cost-effectively address the needs of a population at every point along the healthcare continuum. The promise of population health is the delivery of more value at a lower cost by driving down variation in care so that caregivers and systems deliver quality care and eliminate procedures that do not contribute to health.



Sound as this premise is in theory, it will only pay off — for the health systems and for the health of the population — if these new organizations and alliances achieve “systemness.” By systemness, we mean acting as one organization, with a defined and aligned strategy, a clinical enterprise that shares data, protocols, and resources, and an administrative infrastructure that enables the operating entities to cost effectively provide value to the population.

Not surprisingly, health systems are struggling to achieve systemness. A Vizient 2016 report notes no evidence that large systems outperform smaller hospitals or systems on measures of quality or value. Vizient defines systemness as “a set of interconnected elements that behave as a whole, exhibiting behavior distinct from the behavior of the parts.” Based on their survey of over 150 health systems nationwide (including an AMC and large community-based systems), there was more variation in care **within** each health system than **between** different systems. They also note the unrealized value is high: if systems could consistently perform as well as their best quartile, the impact on both quality and cost would be substantial.¹

Some of the learning from mergers and acquisitions in other sectors is pertinent here. The data shows fewer than half of all mergers succeed — that is, few realize the objectives that drove the merger in the first place. A 2013 L.E.K. Consulting analysis found that, out of 2,500 merger and acquisitions deals between 1993 and 2010, more than 60% had seriously negative effects on shareholder value.² It turns out to be much easier to estimate the economic impact of a merger, and much more difficult to change the on-the-ground processes and practices required to make it successful.

Not all aspects of integration are equally difficult. Different organizations will face different challenges, depending on their geography, mix of entities, cultural philosophies, histories, mission, and values. In this series of articles, we will introduce a few tools and ideas for realizing systemness by defining and aligning strategy and leadership, integrating the clinical enterprise, and enhancing corporate services.

We’ll explore issues such as:

- **Orienting changes to a shared purpose** — With a collective understanding of why and how the whole can be greater than the sum of its parts, leaders across the system can better adapt the broader goals to local situations.
- **Balancing centralization and distributed resources** — Systemness doesn’t mean uniformity or loss of autonomy. Just as clinical metrics need to vary across entities by case mix, administrative support will not work within a one-size-fits-all frame.

Contributors:
Jennifer Tomasik, Carey
Huntington Gallagher, and Lynn
Oppenheim, WG ‘81
To learn more about Jennifer,
Carey, and Lynn [click here](#).

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continued

- **Promoting active learning and adaptation across entities** — If you allow some variation across entities, you have natural experiments, places where innovation can happen that you can learn from across the system. There is often an assumption that the largest or first hospital in the system will be the source of innovation, but *new ideas often come from places with tighter resources* that have more recently joined the system. Using success as your guide, no matter where it comes from in your system, furthers nimbleness in organizations that will be increasingly large and hard to change.
- **Engaging in cultural change** — Gains from system alignment cannot be met by policy alone. While policies are shaping, systemness is more related to how the organization works on a day-to-day basis. How do you ensure interprofessional collaboration doesn't become an empty buzzword? How can the corporate finance department best support registration in the new rural hospital? Taking the time to understand and support the key behaviors that will advance systemness will help realize the promise in sustainable ways.
- **Adapt communication and dissemination approaches to be more flexible** — While it is of course important that all the entities in a system follow current regulations, it is also important to have enough leadership and management flexibility to anticipate future changes. Within a bigger system, the same tools for dissemination of policies may not be adequate for all audiences. Rethinking how to monitor the environment and how to communicate changes is critical to ensuring the system is able to comply with regulatory changes or adapt to shifts in the different markets a system may serve.

A senior leader at an organization that had grown through aggressive acquisition once noted to us that he could tell the legacy organization of anyone in the company within five minutes of conversation. While this situation may remain true for a decade or more after a health system expands, it does not mean that systemness has not been achieved. The charge of creating an aligned health system is to ensure that people across the health system, no matter their role or location, understand enough of the organization to act on their contributions to the mission. With the right tools and processes in place, we firmly believe they can. The challenges of achieving systemness are significant but achievable. It requires investment—and not just the investment of putting the system together, but the continued investment over time in realizing systemness.

For more information on this topic or related materials, contact CFAR at info@cfar.com or 215.320.3200 or visit our website at www.cfar.com.

References

1. See: *Promises Kept: Delivering Untapped Health System Value to Buyers*, Vizient, 2016.
2. See: Michael Connerty and Bob Lavoie, “Mergers & Acquisitions: What Winners Do to Beat the Odds.” L.E.K. Consulting *Executive Insights*, Volume XV, Issue 16.