

WHITE PAPER

Performance by Design: Nine Attributes of a Successful Service Line Strategy

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White Paper

Over the past several years, organizing medical groups into a health system's service line structure has been touted as a solution to many delivery challenges. Given the variability around how service line models operate in organizations, it was important to explore how service lines are structured at leading institutions across the country and to define what key attributes lead to successful models.

We know that organizations are structured in unique ways and the implementation of service lines can vary widely, but our team sought to answer key defining questions “What are ultimately the top predictors of success?” and “Are there key aspects or components that lead to successful deployment of service line models?” To answer these questions, we interviewed seven executive leaders at prestigious but very diverse healthcare organizations that operate service line models. The insights gleaned from these organizations, which are some of the best in our industry, along with our experience consulting with health systems across the nation, led to the development of the key attributes of leading service line models.

What Is a Service Line?

The most fundamental question in our interviews was, “What does it mean in your organization to have a service line?” We found two key approaches. The overall philosophy, which we see as aligned to either approach, is to ensure care is managed across the continuum and all parts of the organization—inclusive of physicians, advanced practice providers (APPs), nurses, and other clinical staff—function effectively across organizations, regardless of employing subsidiaries.

Here are the two approaches we identified. Both models have benefits and can drive growth and alignment in a health system:

Approach #1: The first approach focuses on creating a service line model that is structural, to drive alignment and connection of services across a system. The service line becomes the vehicle to drive the daily operations of clinical services. In this structure, most services are aligned to a service line, and the organizational leadership structure is organized around it. This structure includes both physician and nonphysician leaders.

Approach #2: The second approach is more strategic in nature, using the service line model as an engine to drive integration, growth, and standardization. At Henry Ford Health, for example, Dr. Steve Kalkanis noted that service lines drive the growth of new medical records for their system. However, not all clinical areas are defined as a “service line.” A significant aspect of Henry Ford Health's approach is that the designation “service line” is reserved for services that can lead to differentiation in the market. These service lines also are

Thank you to the executive leaders who participated in interviews with AMGA (American Medical Group Association) to cultivate this piece:

- Ken Ackerman, MHA, *Administrative Chair, Mayo Clinic Health System*
- Sarah Gahm, *President of Clinic Operations, Baylor Scott & White Health*
- Tedrick Johnson, *President, HCA Healthcare Practice Operations*
- Steve Kalkanis, MD, *Chief Executive Officer, Henry Ford Medical Group and Henry Ford Hospital*
- Mark LePage, MD, *Senior Vice President of Medical Groups and Ambulatory Strategy, Trinity Health*
- Ashok Rai, MD, *President and CEO, Prevea Health*
- Mark Sannes, MD, *Chief Medical Officer, HealthPartners Care Group*

viewed as those that have a high impact on the community and fundamentally lead to improved organizational performance. Once designated, the health system provides support in terms of specialized resources to bolster growth and development of service capabilities.

Physician Engagement	Multidisciplinary Leadership	Ambulatory Minded
Medical Group Integration	System-Level Coordination	Patient-Centric
Data Driven	Compensation Strategy	Organizational Structure

What creates success in service lines?

In either approach there is a focus on alignment, within groups, between groups and health systems, or simply aligning the organization’s strategies.

As we spoke with each of the seven leaders, we identified nine key attributes of high-performing service lines. These key attributes were shared across the organizations we interviewed. In our experience, they are integral to success when implementing a service line model. Executing well on these features was found to be more important than the strategic or structural approach to the service line.

Attribute #1: Physician Engagement

Interviewees unanimously agreed that physician engagement is paramount in service line management. A purposeful structure to align the priorities of health systems and physicians is necessary to achieve a mature service delivery model.

We identified various structures at the organizations we interviewed, spanning from complex utilization of Management Services Agreements to less complex committee structures to execute on their service line approach. Ultimately, what vehicle suits the unique needs of an organization must be a tailored strategy, but this remains one of the most critical steps in service line design. High-performing organizations, regardless of the detail of their structure, are purposeful, refined, clear, and consistent in aligning decision making in a manner that leads to a linkage of authority, responsibility, and accountability. This is an extremely critical aspect of effective service line deployment. When done properly, everyone, and especially providers, understands their role, responsibilities, tools, and support available. The clarity is significant, and their deployment refined and well thought-out.

At HealthPartners Care Group, for example, Dr. Mark Sannes explained their physician culture is “nothing about me, without me.” Physicians are part of the process, not merely consulted at the end. Alignment is a result of a purposeful approach that includes physician leaders at every step.

Ted Johnson noted that at HCA Healthcare Practice Operations, clinical and administrative leadership come together regularly to hold strategic planning sessions that span provider recruitment, supply chain/new technologies, and growth strategies. He shared, “Physician leaders have critical insights and are included in national planning sessions.”

Sarah Gahm from Baylor Scott & White Health explained that implementing a physician leadership structure made their physicians become business partners. Their approach enables self-governance in areas such as physician recruitment needs, coverage models, and performance management, ultimately driving financial outcomes of the service line, medical group, and health system.

Attribute #2: Multidisciplinary Leadership

Several of the organizations we spoke to utilized dyad models to balance the talents and perspectives of physician and nonphysician leaders.

Ken Ackerman highlighted how Mayo Clinic's well-established committee structure plays an integral role in driving enterprise-wide alignment aimed toward achieving a high-value, high-quality practice that promotes innovation and differentiation. Major practice committees serving the Outpatient Practice, Hospital Practice and Surgical and Procedural Practice are chaired by physician leaders and include key stakeholders from administration and nursing, which is representative of Mayo's triad leadership model.

It's important to note that an investment in leadership development is necessary to effectively execute. Organizations that simply appoint physicians to leadership roles will not yield results. Sannes shared examples of the physician leadership programs at HealthPartners Care Group, noting that it's important to recognize that physicians are not trained in their clinical programs to take on today's administrative responsibilities. The programs at HealthPartners provide each new physician leader with specialized education to develop skills like meeting facilitation, calendar management, financial acumen, physician compensation, and performance management. Senior Medical Directors are also supplied with an executive coach, which is a very strong, tangible example of their commitment to support leaders so that they can be as successful as possible in their roles.

Attribute #3: Medical Group Integration

Service line models create alignment, regardless of the organization's structure or the history between parties. This holds true even for hospitals with open medical staffs. Throughout our interviews, one key benefit of these models was their ability to unify different parts of the organization, ensuring physicians and hospitals work together as a cohesive team.

Gahm shared that Baylor Scott & White Health has a highly collaborative approach with medical group and hospital leadership. The medical group leaders meet monthly with hospital presidents to align on needs and strategy, but the medical group is ultimately driving physician planning, with critical insights from hospital leaders.

Johnson from HCA Healthcare Practice Operations commented that while tensions can exist between hospital and medical group leaders, it is imperative that they operate as partners. Medical group leaders foster relationships with physicians, and an important part of their role is to balance the needs of physicians and hospitals.

Sannes highlighted the importance of the medical group as a central hub and community for providers at HealthPartners Care Group. While every physician is part of a service line, their primary affiliation is with the medical group. HealthPartners emphasizes a physician leadership model, and while service lines function as key business structures, the medical group is where physicians truly belong and identify.

Attribute #4: Coordination at the System Level

With so much consolidation occurring across markets and large system growth, system-level coordination has become a necessary focus to drive strategy and performance, with the medical group responsible for driving certain aspects of the plan, such as integration or growth. Achieving effective integration from mergers and acquisitions is one of the most significant challenges facing executives from large systems. It is critical to align features such as provider compensation plans, strategic priorities, and operational models, as these aspects are vital to organizational performance.

Gahm shared the organizational structure of Baylor Scott & White Health, noting hard lines by regions and dotted lines by service lines to create accountability at all levels. Each service line has a physician “quarterback” who serves across all regions to balance the needs and opportunities of all sites.

Johnson said HCA Healthcare has a highly matrixed structure. The Clinical Services Group has a Division Vice President who reports locally to the Division President, then nationally to a Practice Operations Group Vice President. These leaders are responsible for areas such as growth, quality, new technologies, and holding an enterprise view. Johnson recognized that culture is always local but noted that a wide strategic lens benefits the organization.

Attribute #5: Clear Organizational Operating Structure

Our experience working with organizations nationally has made one thing evident: The organizational operating structure must be clearly communicated throughout the entire organization. It must outline who has accountability, responsibility, and authority. A lack of clarity in these roles stalls progress on initiatives and can be a point of failure for any service line. We have found that the project management tool RACI (Responsible, Accountable, Consulted, and Informed) can be used to ensure all stakeholders are aligned when implementing service line strategies.

Integrated systems must clearly define which decisions are made locally and which are driven by a larger system strategy. Without this clarity, delays and execution missteps can occur, frustrating physicians and ultimately harming program engagement. Agility is essential in executing strategy, but clear decision-making authority is just as paramount. Lack of execution remains a persistent challenge in our industry.

Attribute #6: Ambulatory Minded

In the market, we have seen healthcare delivery shifting toward a more ambulatory model. This shift is driven by the development of efficient care delivery models, payor design, and patient preferences. Service lines are becoming increasingly less hospital-centric, with a focus on the right care, at the right time, in the right place. To be effective, leaders of service lines must be ambulatory minded to capture patients through their entire journey.

Dr. Ashok Rai shared that Prevea Health has analyzed patient encounter patterns, and the data shows that patients have ten ambulatory encounters to every one hospital encounter. He suggested that leaders focus on ambulatory partnerships to drive market share and a favorable payor mix. Additionally, systems must focus on meeting patient service standards in contemporary ambulatory settings. Monitoring and reporting done on a service line basis lead to a better understanding of these key metrics.

At Trinity Health System, Dr. Mark LePage identified Primary Care's role in service line growth. Trinity Health is creating a five-year horizon to link Primary Care to specialty growth needs, including recruitment, real estate, and capital needs. Specialist recruitment planning is built from the base of an intentional Primary Care plan, based upon panel projections in given markets.

Attribute # 7: Patient-Centric

In today's consumer-driven world, healthcare is no exception. Leading organizations that excel at service are creating a longitudinal relationship with patients, rather than a transactional one. Service lines are poised to drive this design, as they touch the entire care continuum.

Rai commented that Prevea Health is focusing on making it easier for patients to use them and measuring patient retention, not just acquisition. They are focusing on consumer-friendly strategies, like a digital front door that creates a frictionless experience.

Henry Ford Health has implemented a navigator model in key service lines such as Oncology. By connecting Navigators with new patients to guide them through their entire treatment, they are aiming to create a meaningful relationship that improves patient experience and retention for all services within the system. This Navigator model is an example of an investment once a program has been designated as a service line in Henry Ford, to provide tailored resources that support program growth and continuity of care.

Attribute #8: Data Driven

Data is a vital component in healthcare, and service lines must be data-driven to understand internal and external factors. Data can be a powerful tool to drive priorities, identify gaps in planning, and ultimately measure progress on key strategies. It is not uncommon to find an organization stating they want to grow a service, yet they are not certain if that service has a positive contribution margin. An executive level dashboard should be able to answer questions such as:

1. What is our market share in our primary and secondary service areas?
2. What specific services represent opportunities to grow market share?
3. Do we have a positive contribution margin on each of the key services?
4. What is the profitability of the service line, once practices and hospital services are combined?
5. What are our volume trends year over year for ambulatory and hospital services?
6. Who are the physicians in the service line, and what are their volume trends?
7. Where are our patients coming from, and are we capturing them at the right time and transitioning them through the entire continuum?

Attribute #9: Strategic Compensation Planning

Physician compensation plays a crucial role in the success of a service line. It influences alignment and behavior, which in turn can drive growth for a health system. Compensation plan design is a core competency for medical groups and should not be conducted outside of it. We caution organizations to embrace and not dismantle the integrity of their medical group when building service line structures. We concur with our executive participants that service lines should not replace the group structure, as this

can lead to cultural and governance issues. In our experience, when compensation planning falls outside of the medical group structure, it leads to “one-offs,” which can lead to misalignment, decreased trust and transparency, and ultimately more expense.

Where Do You Stand?

Service line management is a critical focus for organizations aiming to drive growth and deliver results. Achieving success requires disciplined execution and a clear understanding of the key attributes that contribute to effective service line optimization. AMGA and AMGA Consulting work collaboratively with organizations to assess the maturity of these attributes, identifying areas that may need further development. By addressing barriers and creating actionable plans, organizations can achieve meaningful improvements in their service lines. For those seeking expertise and support in advancing their service line strategies, AMGA and AMGA Consulting serve as valuable resources to help navigate this complex process. ▲

Core Competencies for Service Lines

Mature service lines will excel at these core competencies and must resource the services adequately to realize the benefits.

- Unified medical group leadership
- Standard compensation planning approach and compensation committee
- Key performance indicators that are cascaded down into the organization and are based upon a standardized approach
- Recruitment planning
- Financial planning
- Strategic planning



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