Service Line Strategy and Implementation
AMGA Virtual Executive Roundtable Summary
March 5, 2025

The AMGA Hospital & Health System Advisory Committee convened physician executives and health leaders to discuss **what constitutes a service line and what attributes warrant service line designation**. This inaugural virtual discussion explored how health systems are structuring, measuring, and operationalizing service lines amid ongoing consolidation and integration challenges.

Key Themes & Takeaways

1. Defining Service Lines: Purpose and Criteria

- One system uses service line designation as a "badge of honor" for programs with the greatest potential for market share growth, reputation enhancement, and new patient acquisition—not merely for care coordination.
- Common service lines across systems include **cancer, cardiovascular/heart & vascular, neurosciences, orthopedics, primary care**, with some systems adding women's & children's and digestive disease/GI.
- Systems struggle with what qualifies as a service line versus a department, particularly for hospital-based services (radiology, lab, pathology) that may have similar scale but less potential for new patient growth.
- **Patient-centric approach**: Service lines should be organized around patient conditions rather than traditional specialties or DRG codes, since patients, for example, seek care for neurologic conditions, not specifically neurosurgery or neurology.

2. Organizational and Financial Complexity

- **Matrix reporting challenges**: Departments must coexist with service lines (e.g., surgical oncology sits within Surgery but also within the Cancer service line), requiring "two sets of books" to avoid double-counting.
- **Financial accountability**: Systems reported significant difficulty measuring service line performance across the continuum when patients and revenue are claimed by multiple entities (departments, service lines, hospitals).
- **DRG-based definitions** remain entrenched in hospital systems but don't align well with physician perspectives or integrated care models, creating tension in reporting and resource allocation.
- **Local vs. system control**: Hospital presidents and local physician cultures resist ceding control to system-wide service line leadership, even when standardization would reduce variation and improve outcomes

3. Implementation and Integration Strategies

- **Merger integration tool**: One system used service lines to introduce its operational platform and culture to newly acquired hospitals without immediately changing employment models or upending finances.
- **"Right case, right location"**: Service lines enable appropriate care concentration (e.g., intraoperative MRI brain tumor surgery at select facilities), but this threatens community hospitals competing locally.

- **Cross-service line coordination**: High-value care (value-based care) and primary care access create friction when specialty service lines (e.g., orthopedics) don't align with system-wide goals for lower-cost care settings.
- **All-in approach**: One system assigned every department and every hospital department into a service line to eliminate double-counting, using consistent HR, Epic, and financial reporting structures built over 18 months.

4. Primary Care as a Service Line

- Primary care designation as a service line remains contested—some systems view it as the "front door" essential to specialty referrals, while others question growth investment when specialty access remains constrained.
- **Demand analysis challenges**: Leaders struggle to determine the right primary care capacity to support specialty service lines and prevent downstream bottlenecks.
- Systems acknowledged primary care is either "on the chopping block or growth block," depending on CEO priorities and market dynamics.

5. Resource Allocation and Success Metrics

- Service line designation traditionally signals prioritization for capital, strategic resources, and growth investment
- Systems lack standardized methodologies for:
    - Measuring physician value and downstream revenue contribution
    - Determining staffing needs (nurse navigators, APPs) based on service line productivity
    - Creating transparent metrics that keep all stakeholders "whole" despite overlapping attribution
- **Quality concerns**: Maintaining high standards when expanding service lines into community partners with varying experience creates risk of "us vs. them" mentality'

6. Access and Capacity Constraints

- **Patient access** emerged as a critical pain point—subspecialty wait times (e.g., 52 days for endocrinology) undermine service line growth potential.
- Systems are pursuing schedule optimization, template redesign, and bump rate reduction to create capacity without adding providers.
- Leaders questioned the wisdom of growing primary care volume when specialty access remains weeks out, potentially limiting downstream revenue realization.

Outcomes Highlighted

- **Shared service line models**: Cancer, cardiovascular, neuro, and orthopedics dominate across systems; digestive disease and women's & children's appear selectively.
- **Growth strategies**: Service lines increasingly drive enterprise growth planning, with physician hiring mapped directly to service line volume targets.
- **Standardization opportunities**: Participants identified the need for common language around service line definitions, methodologies for measuring physician value/downstream revenue, and approaches to primary care demand forecasting.
- **Market-specific variation**: Open markets versus closed academic markets require different service line organizational approaches.

Overall Conclusion

The discussion revealed that service lines remain a powerful but complex tool for system integration, strategic prioritization, and growth. However, **organizational politics, financial reporting limitations, and competing definitions** create substantial barriers to effective implementation. Leaders emphasized the need for:

- Consistent definitions that move beyond hospital DRG codes
- Transparent financial models that prevent double-counting
- Patient-centric design focused on conditions rather than specialties
- Balance between system standardization and local market realities
- Clear resource allocation frameworks tied to service line designation

Participants agreed this topic warrants continued discussion at AMGA national and regional meetings, with particular interest in exploring **primary care capacity planning, access optimization, and standardized methodologies for measuring service line value**.