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## Ready for Change? 4 Questions Need Answering.

**Before embarking on transformation, health care leaders need to take a step back**

*By Todd Van Tol and Fritz Heese*

**C**hange is hard. Nowhere is this more true than in health care.

The industry is in the midst of a profound, multiyear transformation, and everything from payment models to the playing field is undergoing change. New competitors are starting up or moving in from adjacent industries. Consumer expectations are expanding. Costs and budget pressures are squeezing financials. What's more, the political climate in the United States and Europe threatens to alter the landscape and trigger significant redirection.

Today's health care leaders are acutely aware of these pressures and the urgent need to adapt. Across the provider landscape, organizations are implementing ambitious change agendas, but many are faltering, and a good many never get off the ground. This is not due to lack of sincere commitment at the leadership level. Instead, the difficulties are rooted in organizational roadblocks and the simple fact that the providers are not prepared for the change desired.

### **Thoughtful planning**

Before starting down the road of a transformation agenda, health care leaders should take a step back and perform a thorough change-readiness assessment. Overestimating an organization's readiness for change and rushing into transformation with a partial plan will doom the effort before it gets started.

To assess an organization's preparedness for change, leaders should ask themselves these four

questions:

#### **What level of change is desired?**

It sounds like a simple question, but this is the critical starting point for any systemwide change. Organizations must identify the specific level of change they are pursuing and assess the complexity of the transformation for which they are preparing. Failing to do this can lead to a number of pitfalls.

For example, many organizations underestimate the scale and magnitude of the change required. That can result in underinvestment, both financially and in terms of leadership commitment.

So, is the organization seeking to expand into a new industry, as Memorial Hermann and Legacy Health are as they attempt to expand into health insurance? Is the organization looking to change its clinical and revenue models, as is Banner Health in moving toward a model of value-based reimbursement? Or is the organization attempting to develop a new, closer relationship with its customers, as Florida Blue is with its focus on retail sites?

All know that when it comes to transformation, it is important to move vigorously; but without adequately scaled investment, change will not be successful.

#### **Does the transformation plan anticipate and include solutions for challenges that may arise?**

Before initiating even the earliest phase of transformation, leaders must identify anticipated roadblocks and ensure the change plan takes them into account.

For example, health care systems transforming their clinical and reimbursement models will likely spend some time in an “in-between” phase, in which clinical and revenue models are not completely aligned. (Revenue models may continue to require volume at the same time that changing clinical models reduce utilization, as an example.) It is critical to ensure the organization has the financial capacity to weather this transition period and that the organization’s board and leadership can tolerate any temporary misalignment.

Most organizations are still moving through this awkward period, but some have demonstrated the kind of clear, long-term thinking necessary for success. In a Harvard Business Review article, “Turning Value-Based Health Care Into a Real Business Model,” Laura Kaiser, the chief operating officer of Intermountain Healthcare, detailed a series of choices her organization and others have made that were financially negative in the short term but prepared them for the value-based future. Intermountain and other forward-thinking health care systems identified and internalized a series of long-term benefits associated with these decisions, preparing their staffs and leaders to manage through potential short-term losses.

#### **Is the organization hard-wired for change?**

Any organization thinking about transformation must ensure its organizational DNA not only allows but enables change to occur. What does that mean? Processes and technology tools can be easily changed; it is much more important — yet also much harder — to effectively implement change through people.

Some organizations in the health care industry have maintained fairly static business models for a long period of time and thus may not have an orientation toward change built into their cultures. A dedicated group of individuals responsible for enabling change can improve flexibility in such organizations. In some cases, a new change management division may be necessary to organize and drive the specific changes required. For example, Sutter Health recently established for-

mal parts of its organization dedicated to change and innovation, ensuring there will always be an advocate for what’s next.

#### **How will employees and other stakeholders be engaged?**

Too often, companies decide on the need for change at the executive level and then proceed to drafting and implementing change plans immediately. They fail to adequately define and communicate the change they are seeking, leaving employees unsure where priorities and direction have changed. Because these plans are not attached to an overall vision that employees and other stakeholders can understand, they rarely inspire individuals to change their own behavior. Thus, a few years (or in today’s reality, months) down the line, the change program fizzles.

Organizations that are smart about their transformation efforts will set a vision and make the case for the change to their employees, customers and key partners. All stakeholders must understand both what the end goal of the change is and why this change is required.

It is especially critical that clinicians — whether they are employees, affiliates or members of a provider network — be brought into the change process early. Collaborative relationships with clinicians are key to success in today’s complex environment, and clinician support can make or break a change plan. Inviting clinician input early in the planning stage is necessary both to develop the right end-state vision and to ensure that critical stakeholders are on board with the change.

#### **Don’t roll the dice**

Transformation can be risky, but it is not a game of chance. Leaders who take the time to assess their organization’s change readiness and anticipate likely challenges are much more likely to end up on the successful side of the equation.

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