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FREE SUMMARY REPORT

MARCH 2013

Reshaping the Cardio Service Line

for Population Health and Reform Challenges

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About the Premium and Buying Power Editions

This is a summary of the March 2013 edition of the HealthLeaders Media Premium Intelligence report, *Reshaping the Cardio Service Line for Population Health and Reform Challenges*. In the full report, you'll find a wealth of additional information, including the results of all the survey questions. For each question, the Premium edition includes overall response information, as well as a breakdown of responses by various factors: setting (e.g., hospital, health system, physician organization), number of beds (hospitals), number of sites (health systems), net patient revenue, and region.

Available separately from HealthLeaders Media is the Buying Power edition, which includes additional data segmentation based on purchase involvement, dollar amount influenced, and types of products or services purchased.

In addition to this valuable survey data, you'll also get the tools you need to turn the data into decisions:

- A foreword by Laura Robertson, CEO of Banner Heart Hospital and Banner Baywood Medical Center in Mesa, Ariz., the lead advisor for this Intelligence Report
- Three case studies featuring initiatives by Banner Heart Hospital in Mesa, Ariz.; Piedmont Heart Institute in Atlanta; and Baptist Cardiac & Vascular Institute in Miami
- A list of recommendations drawing on the data, insights, and analysis from this report
- A meeting guide featuring questions to ask your team

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Methodology

The *Cardiology Service Line Survey* was conducted by the HealthLeaders Media Intelligence Unit, powered by the HealthLeaders Media Council. It is part of a series of monthly Thought Leadership Studies. In December 2012, an online survey was sent to the HealthLeaders Media Council and select members of the HealthLeaders Media audience. A total of 238 completed surveys are included in the analysis. The margin of error for a sample size of 238 is +/-6.4% at the 95% confidence interval.

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The following healthcare leaders graciously provided guidance and insight in the creation of this report.

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Miami

Laura Robertson
CEO
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Banner Baywood Medical Center
Mesa, Ariz.

Upcoming Intelligence Report Topics

APRIL: ***Collaborative Care Organizations***

MAY: ***Emergency Department Strategies***

JUNE: ***Service Line Strategies***

ABOUT THE HEALTHLEADERS MEDIA INTELLIGENCE UNIT

The HealthLeaders Media Intelligence Unit, a division of HealthLeaders Media, is the premier source for executive healthcare business research. It provides analysis and forecasts through digital platforms, print publications, custom reports, white papers, conferences, roundtables, peer networking opportunities, and presentations for senior management.

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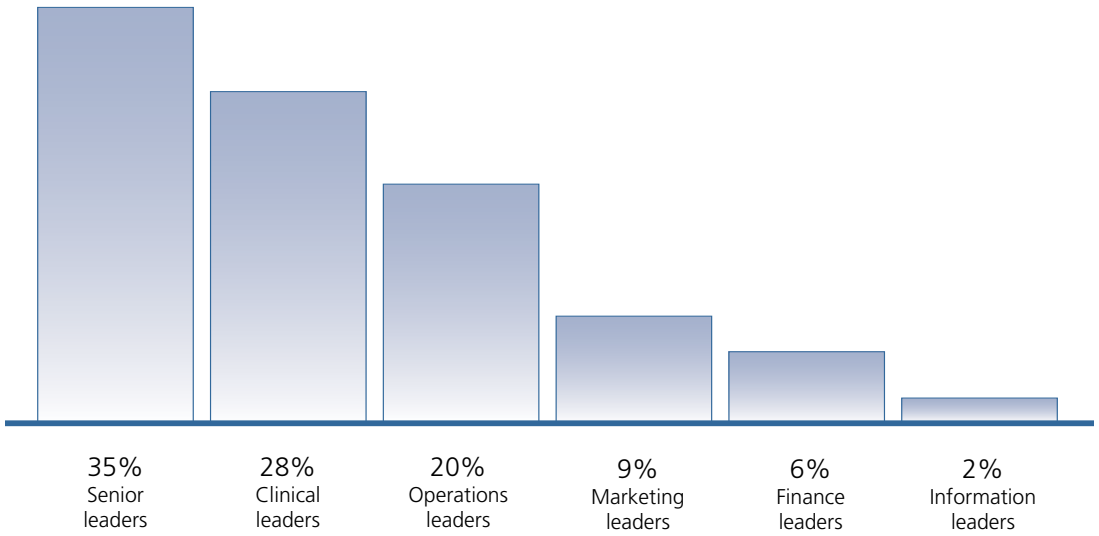
Respondent Profile

Respondents represent titles from the across the various functional areas, including senior leaders, clinical leaders, operations leaders, marketing leaders, finance leaders, and information leaders. They are from hospitals, health systems, and physician organizations.

Title

Base = 238



Senior leaders | CEO, Administrator, Chief Operations Officer, Chief Medical Officer, Chief Financial Officer, Executive Dir., Partner, Board Member, Principal Owner, President, Chief of Staff, Chief Information Officer

Clinical leaders | Chief of Orthopedics, Chief of Radiology, Chief Nursing Officer, Dir. of Ambulatory Services, Dir. of Clinical Services, Dir. of Emergency Services, Dir. of Nursing, Dir. of Rehabilitation Services, Service Line Director, Dir. of Surgical/Perioperative Services, Medical Director, VP Clinical Informatics, VP Clinical Quality, VP Clinical Services, VP Medical Affairs (Physician Mgmt/MD)

Operations leaders | Chief Compliance Officer, Asst. Administrator, Dir. of Patient Safety, Dir. of Quality, Dir. of Safety, VP/Dir. Compliance, VP/Dir. Human Resources, VP/Dir. Operations/ Administration, Other VP

Information leaders | Chief Medical Information Officer, Chief Technology Officer, VP/Dir. Technology/MIS/IT

Finance leaders | VP/Dir. Finance, HIM Director, Director of Case Management, Director of Revenue Cycle

Marketing leaders | |VP/Dir. Marketing/Sales, VP/Dir. Media Relations

Type of organization

Base = 238

Hospital	54%
Health system	35%
Physician org.	10%

Number of beds

Base = 129 (Hospitals)

1–199	43%
200–499	40%
500+	18%

Number of sites

Base = 83 (Health systems)

1–5	27%
6–20	37%
21+	36%

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ANALYSIS

Despite Shift in Services, Margin Outlook Solid

BY MICHAEL ZEIS

As healthcare leaders pay more attention to what their patients want and need, the tactics for caring for cardiology patients are changing. Those responsible for cardio service lines are placing more emphasis on patient behavior. Closely and loosely aligned partners, often practicing in the community and not in the hospital, are playing pivotal roles in expanding the patient referral base in new ways. And even though there is more emphasis on care outside the hospital, for the most part, healthcare leaders expect stability in cardio revenues and contribution margins, partly as a byproduct of industry consolidation.

Shift toward prevention

Half of the Intelligence Report respondents (50%) say that prevention programs are a critical part of their cardio service lines. Wellness programs are important to nearly as many, 47%. That's today. Looking forward three years, prevention (62%) and wellness (54%) top the chart, while inpatient drops from 69% to 35%.

Laura Robertson, CEO of the 111-staffed-bed Banner Heart Hospital in Mesa, Ariz., explains one way her organization extends care into the community. "[We've been through] a big transformation of care. We brought in a postacute care skilled nursing facility and home care. With them we designed cardiac units in their skilled nursing facilities, and

WHAT HEALTHCARE LEADERS ARE SAYING

Here are selected comments concerning the challenges to achieving strategic goals for the cardio service line.

"Access to capital."
—CEO for a small hospital

"Collaboration among competing entities: establishing a common purpose and executing the culture change."
—Chief medical officer for a medium health system

"Combining separate cardiology groups that were once competitors—and have now been purchased or employed—into one cohesive group."
—Chief operating officer for a small health system

"Financial constraints. We continue to find efficiencies in workflows and attempt to produce more with existing staff, or with the least incremental staff increases possible."
—Service line director for a small hospital

"We continue to have the challenge of having an outside cardiology service that we feel is a reliable source for referrals."
—Chief nursing officer for a small hospital

"Competition from destination centers such as Cleveland Clinic."
—Chief operations office for a large hospital

"Physician-owned outpatient catheterization labs are a challenge, and we need to recruit a 'rock star' cardiovascular surgeon."
—CEO for a medium hospital

"Dealing with Medicare revenue cuts."
—CEO of a large health system

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Analysis (continued)

[established] cardiac teams to manage patients through home care. [Now they are] more successful at assessing, understanding what to do, managing both resources and patients in the home."

The extension of cardio services into the community does not necessarily have a negative effect on inpatient cardio revenue. Robert Iannaccone, senior vice president of cardiovascular services for Barnabas Health—a New Jersey–based not-for-profit health system that cares for 2 million patients annually out of six acute care hospitals, two children's hospitals, and other facilities—explains who does what: "Procedural services remain in the hospital. In community settings now are primary cardiology services, diagnostic services, and imaging services such as nuclear stress and ECOs, and those services are going to stay in the community."

Revenue stability

With a shift away from inpatient care for some services, what happens to cardio revenues? Sid Kirschner, executive vice president of Piedmont Healthcare, and president and CEO of Piedmont Physicians Organization, looks at patient care in pretty broad terms. "Wherever a patient enters our system, [we] have to be able to treat that person for all of their cardio needs for the rest of their life. We could get someone who is healthy and goes to a cardiologist; as time evolves, other problems develop. Our system is designed to handle all those issues."

Piedmont's wellness programs prompt early medical encounters with the population at large, maximizing the opportunities to establish relationships with patients. Does that sound like marketing? Kirschner calls it "a mutual benefit endeavor. You want to capture the patient as early as possible in your cycle. It's a combination of preventive health benefit for the patient as well as a marketing program. So now that you have the patient, as the patient ages and has a problem, the patient is in your system."

> "You want to capture the patient as early as possible in your cycle. It's a combination of preventive health benefit for the patient as well as a marketing program."
>
> —Sidney Kirschner, President and CEO, Piedmont Heart Institute, Atlanta

Banner Heart's Robertson observes that population characteristics support such a long-term view. "There will always be cardio patients that need procedures," she says. "Cardiac disease isn't going away. Look at diabetes incidence, the aging population, obesity. The risk factors for cardiac disease are so prevalent."

Analysis (continued)

If one examines the make-up of the revenue stream, one sees continuing revenue in imaging, mostly on an outpatient basis. Says Kirschner, "If you really track reimbursement, most of the volume is outpatient testing after the first visit. You do an initial MRI or CT scan and then there is appropriate follow-up." This may be why imaging is cited by 35% of respondents as a technology they expect to add to their cardio service line in the next three years. The appeal of imaging is even stronger among smaller enterprises: 42% of organizations with net patient revenue of less than $250 million expect to add imaging technology, while just 19% of organizations with NPR of more than $1 billion will be doing so, as they focus more on remote monitoring technology (60%) and hybrid rooms (55%).

Barnabas Health's Iannaccone expects that the trend toward consolidation will increase inpatient cardio revenue: "Hospitals are consolidating into systems, and cardiology practices are being integrated with hospitals and health systems. Those trends will probably create greater opportunities for expansion for our tertiary centers."

Regardless, changes in payment structures loom. The Intelligence Report results show that there are as many who are reimbursed on a fee-for-service basis as are bundling payments: 38% each. But payment bundling is on the way up, while fee-for-service is declining. Says Janice Finder, RN, BSN, MSN, a director with The Methodist Hospital System in Houston, "That's what we have right now, fee-for-service. Fee-for-service is no longer the solution. Pay-for-performance matches quality to reimbursement."

Contribution: Mostly positive

For most, the cardio service line remains a leading service line in terms of financial contribution. The mean positive contribution margin reported by respondents is 19%. Nearly half of respondents (45%) expect a minor increase in contribution margins from cardio in the next three years. On top of that, 21% expect a major increase. No wonder 74% of healthcare leaders expect to expand their cardio service lines in the next three years.

> "Cardiac disease isn't going away. Look at diabetes incidence, the aging population, obesity. The risk factors for cardiac disease are so prevalent."
>
> —Laura Robertson, CEO, Banner Heart Hospital and Banner Baywood Medical Center, Mesa, Ariz.

One of the organizations expecting a major increase in contribution from cardio services is TriStar Greenview Regional Hospital, a 211-bed community hospital in Bowling Green, Ky., that is part of healthcare giant HCA of Nashville. Andre Boyd, FACHE, TriStar Greenview Regional's chief operating officer, explains that the organization is

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Analysis (continued)

placing new emphasis on the cardio service line. Demographics indicate that the population will need treatment for heart problems associated with obesity and smoking. The community has a high incidence of COPD as well. "We are in the early stages of developing a new cardiology program," Boyd says. "We have strategies in place to grow. Our goal is to renovate our cardiac cath lab and partner with cardiologists and pulmonologists."

While only 1% of respondents expect a major decrease in cardio service line margins, a notable share (11%) expects a minor decrease. Gregory D. Timmers, CEO of Springfield, Ill.–based Prairie Cardiovascular, a specialty practice with more than 65 board-certified physicians that operates 35 clinics in Illinois, says that the aging population that helps other cardio programs does not help his. "There are markets in the country where Medicare is the best payer," he says. "That's not the case in our market. We still do better with commercial payers, so as the population ages and we shift patients into a lower-paying category, we are reducing our profit margin."

In addition, Prairie Cardiovascular now is seeing a higher proportion of charity and bad debt patients, a phenomenon Timmers attributes to the recession. Finally, although integration of cardio practices has resulted in an increase in revenue due to provider-based billing and the Centers for Medicare & Medicaid Services' hospital outpatient prospective payment system, Timmers says the increase is going to the cardiologists in an effort to provide fair-market salaries.

Alignment and collaboration

More attention to collaborative care means more attention to physician alignment. Many provide collaborative care through comanagement programs (31%) or joint ventures (17%), but the fully employed model is used in 33% of cardio service lines. Robertson of Banner notes the benefits of the medical staff model for cardiology. "More than ever," she says, "we are aligning with medical staff. For the cardio service line, you need cardiologists who are committed to your facility to bring business, ensure quality and service, and manage costs."

> "Our goal was to tackle the reason they came to the emergency department, correct that, and then get the patient back to their primary care physician or cardiologist for additional evaluation."
>
> —Carol Mascioli, Vice President, Baptist Cardiac & Vascular Institute, Miami

And today, interventional cardiologists are in demand, especially with more procedures done in an outpatient setting. Nearly one-third of respondents (31%) plan to hire interventional cardiologists to drive business to their cardiology service line. "Interventional cardio is the real driver of reimbursement," Robertson says. "They'll do the procedures

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Analysis (continued)

like catheters and stents. A non-interventional cardiologist can do a diagnostic catheterization, but they can't do any interventions."

Advisor Carol Mascioli, vice president of the Baptist Cardiac & Vascular Institute at the 680-bed Baptist Hospital in Miami, explains how inclusion helps her organization earn buy-in from a 100% voluntary cardio physician team. Baptist Hospital is developing a protocol for patients arriving at the emergency department with atrial fibrillation. It wants to identify which patients with the condition can be treated or observed in the ED and sent home, instead of being admitted as a matter of course. Mascioli's effort started with a broad clinical team, including nursing leaders, the ED medical director, the clinical cardiology medical director, the electrophysiology medical director, hospitalists, and the anesthesia medical director.

"Our goal was to tackle the reason they came to the emergency department, correct that, and then get the patient back to their primary care physician or cardiologist for additional evaluation," Mascioli says. Being inclusive about developing such a protocol "may slow down some processes, but if it's related to quality improvement, we make sure we have participation across the spectrum." She predicts complete buy-in to the atrial fibrillation effort because the same clinical team has accepted a jointly developed chest pain process and heart failure process. She observes that all of the 30 or so doctors on the cardio team are voluntary. "It doesn't require an employment model to get collaboration. We do it."

Boosting admissions

One needs a certain critical mass of population to support a cardio service line. Expanding geographical reach has been a common way to increase cardio admissions. Organizations that offer more specialized services need to draw on a larger population base. "The more specialized you become," Kirschner observes, "the fewer people have that problem in any one area. Therefore, you need to grow into a bigger area."

> "If you really track reimbursement, most of the volume is outpatient testing after the first visit. You do an initial MRI or CT scan and then there is appropriate follow-up."
>
> —Sidney Kirschner, President and CEO, Piedmont Heart Institute, Atlanta

As healthcare leaders look to enhance their cardio services and expand their domains, though, they should keep in mind an important customer dynamic about visits to the doctor. As Kirschner explains, "A patient doesn't mind driving a long distance for a unique service, as long as

Analysis (continued)

routine care is local." Indeed, because 75% of respondents want to be a regional cardio destination center or local cardio leader, their current challenge will be to offer a competitive set of subspecialities while increasing their outpatient services.

Today, the revenue and contribution picture for this leading service line remains positive. Most feel the heat of competition, but competition in cardio is nothing new. Healthcare leaders sustain their cardio businesses through classic techniques such as recruiting leading practitioners, providing their clinical teams with the latest technology and up-to-date facilities, and ensuring that they support their position in the market through connections with a community of primary care physicians and private cardio physicians. However, as is the case in most areas of healthcare, the ripples caused by reform are affecting cardio.

Industry consolidation concentrates specialized services and removes redundancy, which is good for those who are consolidating, but presents challenges to those who remain independent. At least part of today's optimism is a result of market efficiencies from consolidation. As consolidation settles out, we can expect more competition, with renewed vigor and higher stakes.

Michael Zeis is research analyst for HealthLeaders Media.
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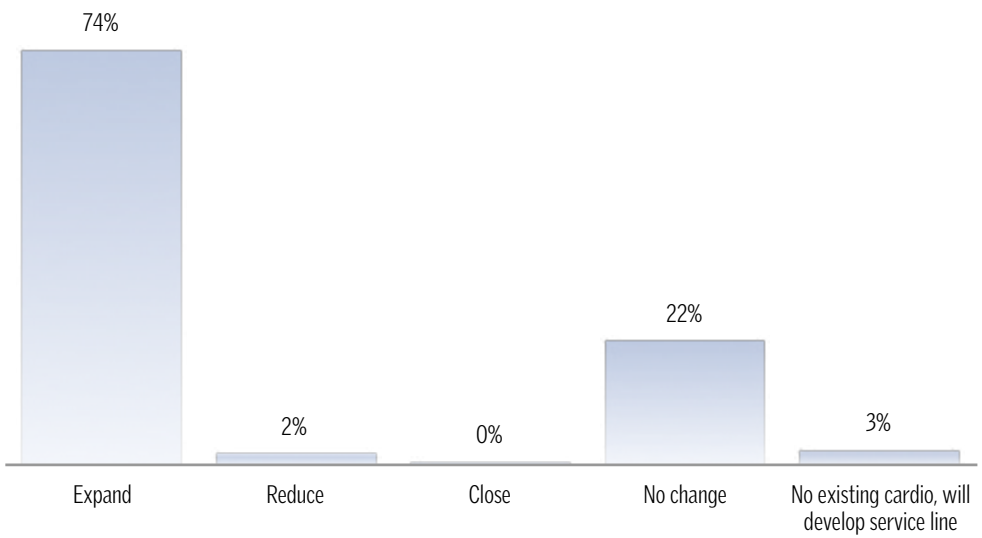
FIGURE 1 | Cardio Service Line Changes in Next Three Years

Q | Over the next three years, what changes do you plan for your cardiology service line?

Total responses



TAKEAWAYS

- While a notable minority of organizations (22%) expect no change in their cardiology service line over the next three years, almost no one (2%) is looking to get out of that business.
- Four in five health systems (80%) and almost three-quarters of hospitals (73%) plan to expand the service line.
- Using net patient revenue as a measure, we see that 64% of small organizations (NPR of $249.9 million or less) plan to expand the service line, while 83% of medium organizations (with NPR of $250 million–$999.9 million) and 91% of large organizations (NPR greater than $1 billion) plan expansions.

WHAT DOES IT MEAN?

Healthcare leaders are clearly committed to growth in their cardiology service lines over the next three years. As the industry places emphasis on population health and care coordination, and with increased patient volume related to our aging population and obesity rates, organizations see opportunity for the cardiology service line.

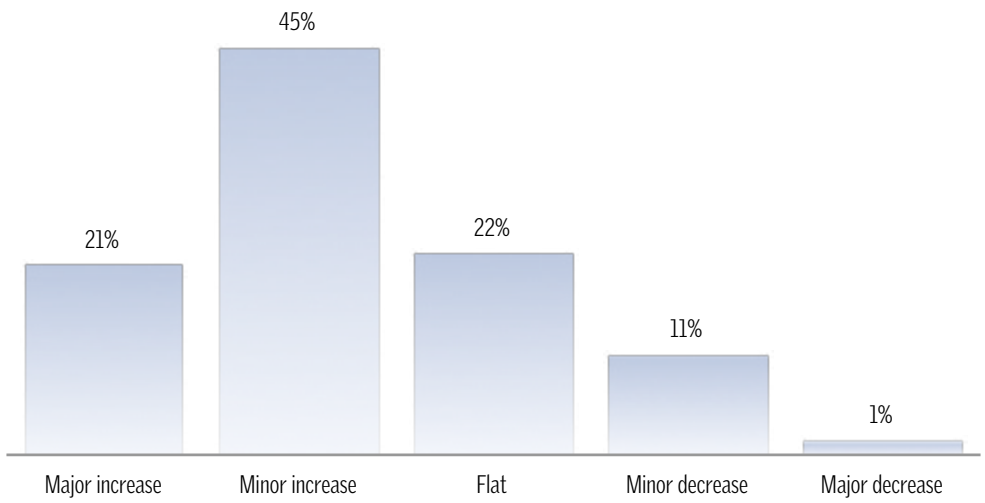
Click on these icons to dig deeper. VIEW BY SETTING | VIEW BY NUMBER OF BEDS | VIEW BY NUMBER OF SITES | VIEW BY NET PATIENT REVENUE | VIEW BY REGION | MAIN CHART AND TAKEAWAYS

CLICK HERE TO LEARN MORE: CASE STUDIES, RECOMMENDATIONS, FURTHER SEGMENTATION

FIGURE 13 | Change in Cardio Service Line Margin Over Next Three Years

Q | Regarding your cardiology service line margin, over the next three years what changes do you anticipate?
Among those with existing service line

Total responses



TAKEAWAYS

- In the face of increased market competition and reduced reimbursements, relatively few organizations have a negative outlook for their cardio service line: 11% expect minor declines in margin, while 22% expect them to hold steady. Most expect increased margins.
- Larger organizations, though, are more likely to see declines. While 10% of organizations with NPR of less than $250 million expect cardio margin to decrease, 16% and 15%, respectively, of organizations with NPR between $250 million–$999.9 million and in excess of $1 billion are expecting decreased margin.

WHAT DOES IT MEAN?

Despite high-flying growth expectations (Figure 1) and a grocery list of cost-cutting efforts that includes a shift to less costly outpatient services and an emphasis on prevention and wellness, providers remain fairly optimistic about the margin prospects for the cardio service line. The thorn in the side, of course, is declining reimbursements. Cardiology is facing a transition from a procedure-based specialty to one that will probably be more focused on prevention and wellness. The question providers must ask themselves is: How do we keep our cardiology patients healthy and free of hospital stays? That's important not only for the quality of life of their patients, but also to maintain reimbursements, which will be increasingly based on taking steps to help their patients manage their heart problems to prevent more serious episodes.

Click on these icons to dig deeper. VIEW BY SETTING VIEW BY NUMBER OF BEDS VIEW BY NUMBER OF SITES VIEW BY NET PATIENT REVENUE VIEW BY REGION MAIN CHART AND TAKEAWAYS

FIGURE 13 *(continued)* | Change in Cardio Service Line Margin Over Next Three Years

Q | Regarding your cardiology service line margin, over the next three years what changes do you anticipate?

Among those with existing service line

BUYING POWER

Who controls the money? Click on the icons to learn how they think

VIEW BY PRODUCTS/SERVICES

Indicates the type of goods or services the respondent is involved in purchasing

VIEW BY INVOLVEMENT

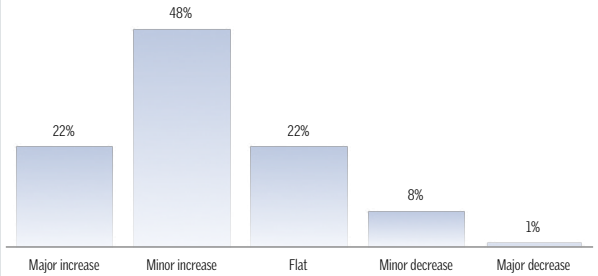
Indicates the role of the respondent in making purchasing decisions

VIEW BY DOLLARS INFLUENCED

Indicates the total dollar amount the respondent influences

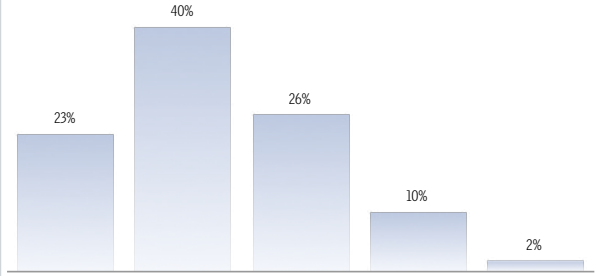
PRODUCTS/SERVICES

Clinical products



Base = 142

Financial services



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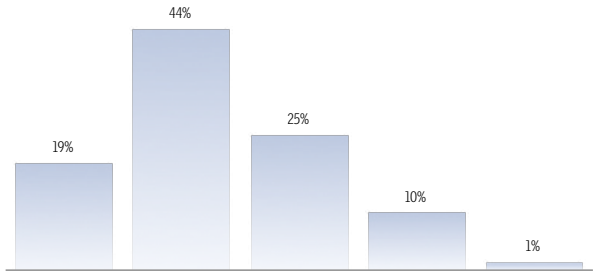

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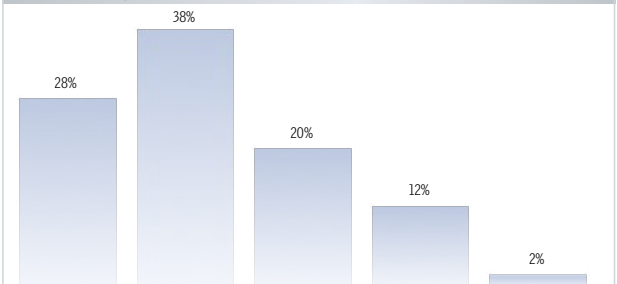
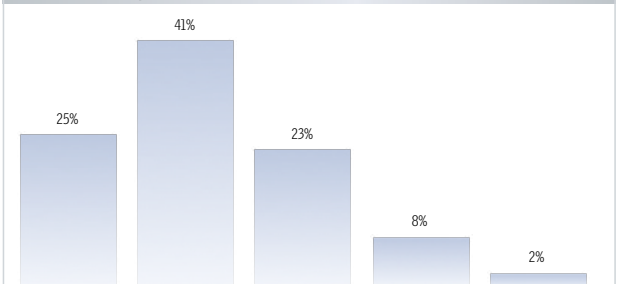
Consulting services



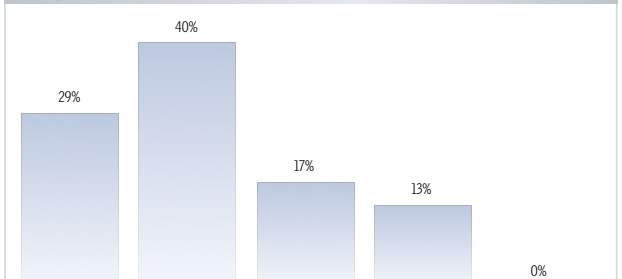
Base = 108

Outsourcing services



Base = 83

Legal services



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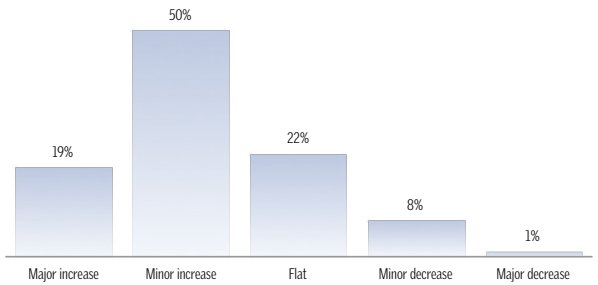
Information technology



Base = 129

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