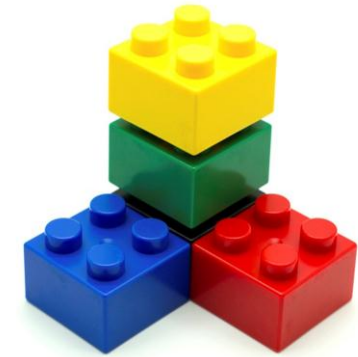




Aligning on the operating model through reporting structure and decision rights

Creating an effective environment



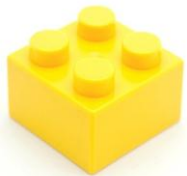
What's at stake?

Defining the decision rights

Achieving the goal of operating with greater coordination, integration, and productivity – or “systemness” requires a well-defined organization structure for clinical and support service delivery, as well as clear accountabilities and decision rights. Unless reporting structures and decision rights paradigms are aligned to the future state operating model, the organizational transformation effort is still only a visual on paper and siloed, ineffective decision-making will continue.

Organization charts alone do not relay information on how work gets done; structural changes may allow decision rights to remain unclear or to continue to reside in unexpected places. In order to resolve issues such as duplication of effort, misalignment of execution with strategy, and internal political battles, key decisions should be identified and understood, and the decision making authority and responsibility should be allocated in a way that supports the operating model design. A decision framework that clearly defines the decision rights for all involved parties can enable consistency and transparency in the development and deployment of policies and procedures, **create an environment in which decision cycles are effective** and allow leaders to better manage stakeholder expectations in a consistent and transparent fashion.

Our CEO has now established his new executive team and they are poised to execute the strategy. In order to work effectively together to deliver the future of health care, they need to define the organization's reporting structure and decision rights framework.



Instant insights

When all stakeholders have a clear understanding of the decision-making process up front, they can have more trust in the outcomes.

Our take

Making the right decisions

A new integrated model requires joint-decision making and standard creation, with clear determination of which decisions should be owned by health system leadership and which should be owned by clinician leadership or the front-line care team. Here, decision rights documentation is essential as it can lead to increased communication and improved relationships between administrative leadership and physicians. To further effective decision-making, the organization should develop a plan to assess and then augment physician and other clinical leaders' competencies in areas such as risk management, performance management, financial and clinical acumen, collaboration, and teaming; strong leaders can unify a disparate group and support the transition to effective clinical integration.¹

Sample Decision Rights Framework

Decision	Roles			
	Health System Leadership	Hospital Leadership	Service Line Leadership	Physician Leadership
Set health system quality and safety goals and metrics	A,R	R	C	C
Set hospital patient satisfaction goals	A	R	C	C
Set physician compensation and incentive strategy and policy	A	C	R	C
Determine evidence-based practices	A	C	R	R
Determine operational impacts of workflows built into electronic medical record system	I	A, R	R	R
Determine what clinical content will be available to physicians using electronic medical record software	A, R	R	R	R

Key

R = Responsible for “doing the work” and participating in decision making
 A = Accountable for the work product or outcome of the decision and for ensuring the decision is made
 C = Consulted by the “responsible” stakeholders to provide input but not directly involved in the work or decision making
 I = Informed about the decision after the decision has been made but not involved in the work or decision making

A clear decision rights framework can provide the foundation for effective decision making by defining what role each party plays in decision-making.

The path forward

Key considerations

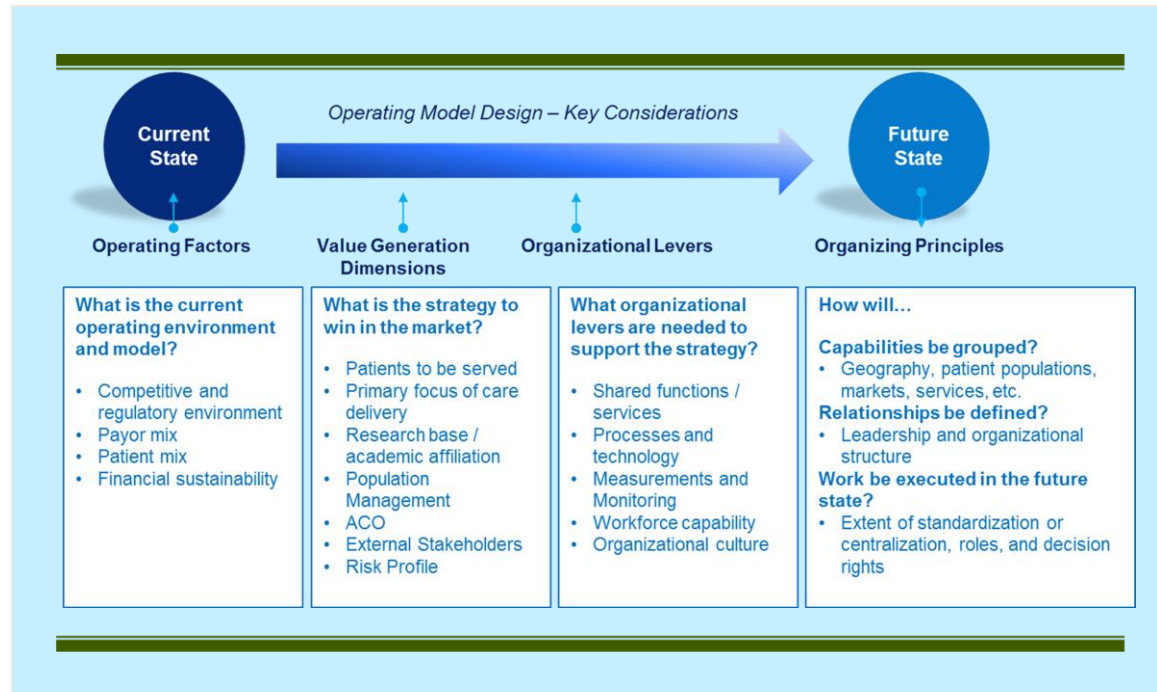
Just as there is no “right” answer for the design of a future state operating model, designing the appropriate organizational structure and decision rights framework will depend on the organization’s strategic priorities. The following key considerations should be weighed against these strategic priorities.

Degree of centralization

While centralization is sometimes misconstrued as requiring physical re-location or deployment, the term actually refers to the consolidation or integration of **reporting relationships**, allowing for local, regional or virtual deployment strategies. Legacy decentralized organizational structures have resulted in fragmented, largely independent operations. In such systems, one area may uncover leading practice information around quality, cost containment or treatment-related advantages that does not get disseminated system-wide. With external pressures ever increasing, systems are realizing that centralizing certain services can bring about improved outcomes and lower operating costs.

Health system leaders will have to determine the degree to which centralization is appropriate for each area and the associated deployment strategy, especially when the unique attributes of local patient populations may require customized activities. The degree of centralization can be determined through an adaptive cost management exercise, wherein cost-cutting priorities are paired with investments needed in strategic operations, such as local-delivery capabilities.² Each organization will have to calibrate accordingly, but we see great opportunity to challenge traditional thinking on what clinical services should be controlled at the local level and which ones may be as good or better when managed regionally or centrally.

Operating model and organization design key considerations



Degree of standardization

Regardless of where your organization may end up on the centralize/localize continuum, health systems can still combat key issues by standardizing their organization's approach to service delivery. While a central reporting structure may make it easier to sustain standardization, a standardized service organization is not simply about the structure: these groups should agree upon the high standards and expectations for the activities performed.

But even with high standards, we find that when executed without careful thought to impact, attempts at standardization may leave people without clarity about the relationship among different operating units. It is critical to clearly specify intended relationships between functions or operating units. When different managers with different responsibilities make separate uncoordinated decisions, it becomes difficult for people in their respective organizational units to work together and deliver consistently. This tendency can multiply across the system and result in unproductive complexity. To increase productive interactions, the standardization of policies, processes, performance expectations, and service level agreements should be accompanied by a concerted effort to develop role clarity and decision rights frameworks.

Aligning decision rights to the newly determined organizational structure

Organization charts alone do not relay information on how work gets done; structural changes may allow decision rights to remain unclear or to continue to reside in unexpected places. In order to resolve issues such as duplication of effort, misalignment of execution with strategy, and internal political battles, key decisions should be identified and understood, and the decision making authority and responsibility should be allocated in a way that supports the operating model design. A decision framework that clearly defines the decision rights for all involved parties can enable consistency and transparency in the development and deployment of policies and procedures, **create an environment in which decision cycles are effective** and allow leaders to better manage stakeholder expectations in a consistent and transparent fashion.

Improved decision-making brings success in operating model redesign

Issue

A large Mid-West healthcare system with multiple medical centers and outpatient facilities had grown organically and through acquisitions. Anticipating the need to be prepared for upcoming health reform impacts and pressures to reduce costs and improve care, system leadership decided to reevaluate its operating model. Historically, the organization had operated like a holding company, where decisions were made by the CEO, the CEOs of each operating unit, and C-level functional leaders without clear understanding of which role held responsibility and accountability for integration decisions. On top of this, the executives were human. The presence of behavioral biases also contributed to the ineffectiveness of the organization's decision-making process. Thus, a new decision rights framework was needed.

Case in Point

Impact

Deloitte worked closely with leadership to conduct an assessment to identify opportunities to achieve the vision of the system. Based on the results of this assessment, key tendencies and deficiencies were identified and used as inputs into the design of the future state framework.

When designing the future state, decision-making scenarios were created to illustrate several important decisions and the integration points between various leaders involved. An approach for recognizing biases was integrated into the decision making framework to improve the outcome of these decisions.

The redefined future-state decision rights framework provided much needed clarification for local and corporate leadership around the accountability for important decisions. The refined decision rights were used to clarify individual and group roles in decision-making. Some important changes included: shifting decision-making responsibility towards corporate and improving the decision-making process by recognizing existing behavioral biases and educating the team on techniques to overcome them. This redesigned framework ultimately allowed the organization to successfully implement its new operating model focused on continued growth.

Bottom line

Our CEO has now defined his organization's reporting structure and decision rights framework. His leadership team has clarity around decision-making roles and responsibilities that are helping to avoid confusion, inefficiency, and duplication of effort across the organization, and providing the solid foundation that's critical for the successful implementation of his strategic goals and growth plans. By rethinking his systems operating model, leadership structure, decision rights and organization design, he is poised to succeed in the new world of healthcare.

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