

## Red and Blue Health Alliance Case Study

### *Multiple health systems act together on costs and population health*

#### Assessing the Situation

The Red and Blue Health Alliance began as a conversation between three health system CEOs, but it soon expanded to five. The CEOs recognize that their systems are no longer large enough to take their next logical steps individually: “We can be as efficient as we want within our own boundaries, but we are leaving larger scale economies on the table. Also, as we look ahead, it only makes sense to come together for the investments we need to make in population health management.”

The Red and Blue Health Alliance’s mission is to:

- Identify and implement scale economies to lower costs and improve other aspects of performance in such areas as supply chain, revenue cycle, and IT.
- Work together to make needed investments in population health management infrastructure and services.
- Investigate whether it makes sense to combine in some contracting arrangements, such as a clinically integrated network or ACO.
- Be a joint learning community taking advantage of each organization’s advances and expertise.

Alliance members do not view their service areas as having significant overlap. They do not see a sufficient advantage to merging. Some members are in different states (and thus have different political environments). Some are faith-based and some are community-based.

#### Determining the Options

The Alliance’s analysis of options included the following assessments:

- *Supply chain consolidation.* Can the supply chain for all five health systems be combined? What would be the projected efficiencies? Each system would still need a supply function, and some hospitals would require dedicated staff. The supply chain function would have to be matrixed to the Alliance and the member systems. Regional supply chain networks would still be supported and facilitated (although some might be combined).
- *Joint financial services center.* Several finance functions should be evaluated for centralization (including revenue cycle and investments). However, each system must retain its own CFO, financial reporting function, and advisory role.
- *Consolidation of other support services.* Candidate services for consolidation include facilities, security, custodial, labs, home health, durable medical equipment, and rehabilitation.
- *IT, analytics, and decision-support center.* Member systems currently have a mix of IT platforms; therefore, several sub-assessments are under way. The Alliance anticipates sponsoring a joint



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center that can include other participants for performance metrics, clinical and financial analytics, an integrated approach to claims and EHR data, and a patient information system and internet portal.

- *Telemedicine center.* A telemedicine center is envisioned (including virtual emergency department services, virtual ICU, imaging, sub-specialty consults, and virtual patient home visits).
- *Joint clinical process improvement center.* The Alliance is evaluating the role of an alliance-wide clinical process improvement initiative, including a coming together of physicians in 16 diagnostic clusters to develop care protocols and reduce unnecessary variations in processes and supplies.
- *Joint HR support center.* A feasibility analysis is underway to determine whether it makes sense to consolidate all of human resources work, or to consolidate only selected functions.
- *Joint clinically integrated network or ACO.* Each member system maintains its own clinically integrated network. However, it may also be desirable to work together as a group. At a minimum, lessons learned and data can be shared. Joint leadership education is also expected.

## **Moving Forward**

Initial funding for the Alliance is \$ 6 million from each member health system. An Alliance CEO has been named. A small core staff is being recruited. Some staff are coming from the member systems.

Substantial savings and improvements in quality and other aspects of performance are anticipated over time. These initial projects have been approved:

- *Supply chain consolidation.* Full consolidation is planned, with matrix reporting relationships to member systems, hospitals and care networks. Joint contracting has begun.
- *Joint learning on process improvements.* Member systems are sharing their performance improvement projects and results. Joint education of new project leaders is also underway.
- *Joint physician leadership education.* A joint physician leadership academy has been established.

Member organizations have also begun to work together on two clinical issues: patient retention (facilitating meeting patients' needs within the network of Alliance physicians and services) and treating patients in the most appropriate venue (e.g., community hospital care, physician office care, home care, etc.)

The potential of the Alliance for optimizing the care process is significant. However, there are real barriers to moving forward:

- Is there enough synergy between the five member systems' needs and priorities?



- Can the Alliance develop a track record that builds momentum and justifies further investments of time and focus?
- Can the Alliance effectively manage its portfolio of potential initiatives?
- Will one or more members decide instead to merge with another system?



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