



NEW CATHOLIC SYSTEMS, NEW STRATEGIC QUESTIONS

Until recently, most Catholic systems were a loose network of individual facilities each sponsored by the same religious congregation, which was also the system sponsor. Often, these organizations shared little geographic alignment or market synergy and operated independently. The system's role was to leverage its larger organizational size and scope to generate economies of scale and other benefits that the individual institutions could not achieve on their own. As a result, system strategic planning was driven largely "from the bottom up." It focused on defining areas of common need and opportunity through which system action could support the individual strategic agendas of each local institution.

Because the domain of system strategic planning was largely limited to this overlap among the local institutions' individual agendas, fundamental choices regarding the future of the ministry were often made exclusively in the context of local strategic planning processes. Although these processes usually involved participation (sometimes heavy) from system executives, they were not often formally integrated into the system strategic planning process. But as Catholic systems have merged and reorganized to create larger, more geographically concentrated, cosponsored organizations with focused strategic agen-

*Planning
Must Now
Effectively
Integrate
Local Efforts
with the
Ministry as
a Whole*

BY DAVID BURIK &
AMIE THORNTON

das, the nature of strategic planning at the system level has shifted.

A MULTIDIMENSIONAL ROLE

The new large systems have a broader role, which has three dimensions:

- *Sponsorship.* They must preserve and strengthen the religious identity and sponsorship of the local health ministries.
- *Stewardship.* They must leverage system size and scope to maximize the value of collective resources.
- *Strategic positioning.* They must use system mass, scope, and collective expertise to strengthen the positioning of local health ministries in their markets.

System strategic planning now must be neither top down nor bottom up, but effectively integrated to balance the realities of the local ministry with the common good of the ministry as a whole. If the new Catholic health systems are to realize their potential, they must face squarely tough and often controversial choices forced on them by the realities of the market. And they must learn to make these choices proactively in the context of a well-structured strategic planning process, rather than back into decisions as problems arise. One way to achieve this is to answer a series of "litmus tests" as part of the system planning process, so that system responses to actual challenges and opportunities are driven by proactive strategy rather than reactive decisions.

FUNDAMENTAL STRATEGIC QUESTIONS

Scenarios such as the following are appropriate for evaluation at the strategic planning level.

- One of your local sponsored hospitals seeks approval for a joint operating agreement (JOA) with its cross-town secular competitor. Your local facility is in a vulnerable market position and is



Mr. Burik is president and Ms. Thornton is director, Tiber Group, Chicago.



unlikely to remain successful without entering into the JOA. Both your local hospital and its potential partner do not wish for the JOA to remain part of the system. What will be the system's position? What markets may require this approach?

- Another multistate system proposes to "swap" isolated assets so that each system's strong geographic position is reinforced and sponsorship of less sustainable institutions is transferred. What will be the system's position? Where does the system anticipate that situation may arise? What if the swap is with an investor-owned system?

- System priorities require that capital "earned" at one location be transferred for use at another site. A large historically profitable entity is in a stable position in a highly competitive and saturated urban market, while a sole community provider in a growing semirural community has an opportunity to expand its scope of services to become a strong regional player. Will debt capacity and/or reserves be transferred from the larger institution to fund expansion in the smaller market? Where does the system anticipate such situations are likely to occur?

- A small congregation with three hospitals is seeking to transfer their assets to or cosponsor them with another Catholic organization. Your system is one of several entities invited to propose. The congregation's key question is, "How will your system drive value and benefit to the sponsored local ministry?" How will your system respond? Does it make sense for Catholic systems to compete against one another for new members?

- A small congregation has petitioned your system to accept sponsorship of its health ministry. However, none of the congregation's institutions is well positioned in its market, and none truly enhances the positioning of system facilities. In addition, the congregation's financial position would weaken the system's balance sheet. How will the system respond? Is growth the principle goal or will opportunities be qualified?

- Your system anticipates needing to form a partnership in the near future. What sponsors and health ministries can your system identify that would significantly enhance the system through their participation? Are factors other than geography relevant? If so, would your system target different organizations on the basis of these factors?

- Three member institutions scattered across the nation have separate, but equally renowned, cardiac programs. Historically there has been no formal interaction among the institutions or their programs. The same investor-owned physician

practice management company is now negotiating with the key cardiology group at each site. Can the system put forward a meaningful alternative in the form of a system-sponsored carve-out product or network?



Responding to fundamental strategic questions will require a focused and interactive planning process.

- Like many Catholic health systems, one of your system's goals is to improve the health of the communities the system serves. Given limited resources, current payment incentives and disincentives, and an extensive historical investment in the delivery of medical care, how can the system meaningfully make the transition to being a health organization rather than a healthcare organization?

- The sponsors have formed the system to ensure continuation of the mission and religious identity of their sponsored health ministry. Yet the current political, financial, and market climate permeating healthcare challenges the mission and viability of religiously sponsored healthcare. How will the system ensure the continued vitality and robustness of its mission and religious identity within the context of a competitive market environment?

Defining a system's response to these fundamental strategic questions will require a focused and interactive planning process that can engage sponsors, boards, and managers from the corporate, regional, and local levels in identifying and evaluating their options. Those systems prepared to move beyond traditional methods of strategic planning to wrestle openly with these difficult and sensitive questions will be best positioned to take advantage of market opportunities and effectively address potential risks and weaknesses. □