

War Gaming as a Strategic Planning Tool

Nancy E. Rehkamp



cliftonlarsonallen.com



War Gaming as a Strategic Planning Tool

“The rationale for running a business war game is that it is a tool of particular value when the competitive environment is undergoing a process of change, as it allows decision makers to consider proactively how different players can react to the change, and to each other. The benefit of teams role playing competitors and developing more robust strategies is especially notable.....”

[Source: Wikipedia – Business War Games; accessed via the web 3/1/13](#)

^
—

Scenario 1 – Slow Road to the Future

Scenario 1: There are two community hospitals that serve a two county area of about 18,000 individuals 65+, of which about 25% are enrolled in a Medicare Advantage plan. About 65% of those 65+ use the local hospital, the remainder travel about 35 miles to a larger, tertiary care facility for inpatient care. About 45 to 50% of the hospitals total revenues are from 65+ individuals and it is considered profitable business.

The primary care physicians practicing in this two county area are in three small groups with many of the specialists in groups of 2 to 3.

The hospitals have been receiving pressure from the payers to accept more risk, but to date they have resisted. The physicians are concerned about their ability to survive long term independently and have been discussing mergers with the hospital, physicians affiliated with the tertiary center and with health plans.

There are currently 2 CCRC Campuses in the county with an additional 5 SNFs which also offer Assisted Living. Both hospitals and the 2 CCRCs and 2 of the SNFs offer Medicare Home Care.

Scenario 1 – Slow Road to the Future

Questions for consideration

1. How will the local hospitals respond to the growing pressures for reduced costs & payment changes?
2. How will the local and regional hospitals work with the physicians? What will be the anticipated impact of some of changes in physician alignments?
3. How will the tertiary hospitals engage the local hospitals?
4. What changes will the hospitals/health systems make in their programs? What will be there timelines?
5. How will the care delivery model change in the community?
6. What will physicians and health systems/hospitals expect of Senior Living providers?
7. What would you do as the CEO of one of the CCRCs? The SNF/AL Campuses?
8. How would you work with the tertiary hospitals out of the area? If you were the CEO of a rural provider working with the tertiary hospitals?

Scenario 2: Turbulent Market in Transition

Scenario 2: There are twenty two hospitals organized into three health systems with 8 independent hospitals that serve an eight county area of about 455,000 individuals 65+ of which about 32% are enrolled in a MedicareAdvantage plan. Additionally, about 20% of all acute discharges are from residents who live in surrounding rural areas. About 35% to 40% of total revenues for the hospitals are generated from 65+ and are considered break-even to slight profit.

The primary care physicians practicing in this area are in small groups except about 40% who are employed by the hospitals/health systems. The specialists are mostly in single specialty groups with four large multispecialty practices . None of the specialists are employed by the health systems/hospitals.

The hospitals have been receiving pressure from the payers to accept more risk and about 50% of the hospitals (mostly health systems) have agreed to Total Cost of Care Contracts with a 3 yr ramp-up. There are two Shared Savings ACOs which have been identified in the community and they have a three year ramp-up .

The physicians are concerned about their ability to survive long term independently and have been discussing mergers with the hospitals and health plans. They are also discussing other alignment models that do not include employment.

There are currently 3 CCRC organizations operating 15 campuses with an additional 80 SNFs which also offer Assisted Living. Most of the health systems/hospitals, large physician practices , the CCRCs and some of the SNFs offer Medicare Home Care.

Scenario 2: Turbulent Market in Transition

Questions to Consider:

1. How will the local hospitals respond to the growing pressures for reduced costs & payment changes?
2. How will the local and regional hospitals work with the physicians? What will be the anticipated impact of some of changes in physician alignments?
3. How will the tertiary hospitals engage the local hospital?
4. What changes will the hospitals/health systems make in their programs? What will be there timelines?
5. What are the impacts on rural Senior Living providers?
6. How will the care delivery model change in the community?
7. What will physicians and health systems/hospitals expect of Senior Living providers?
8. What would you do as the CEO of one of the CCRCs? The SNF/AL Campuses? The CEO of a rural Senior Living Campus?

Reframing the Discussion

Market changes are driving health care reform...

1. Customers/residents are defining new expectations
2. Growth in Medicare and Medicaid volumes are redefining state & federal budgets
3. Government spending limitations and changes in health insurance plans are driving movement to value vs. volume
4. Payment structures are moving to recognize value
5. Mergers and restructurings are occurring to manage costs and volume changes
6. New market entrants are helping redefine care and services

... the ACA is a product of market changes and facilitates health care reform through new funding streams, administrative rules, etc.

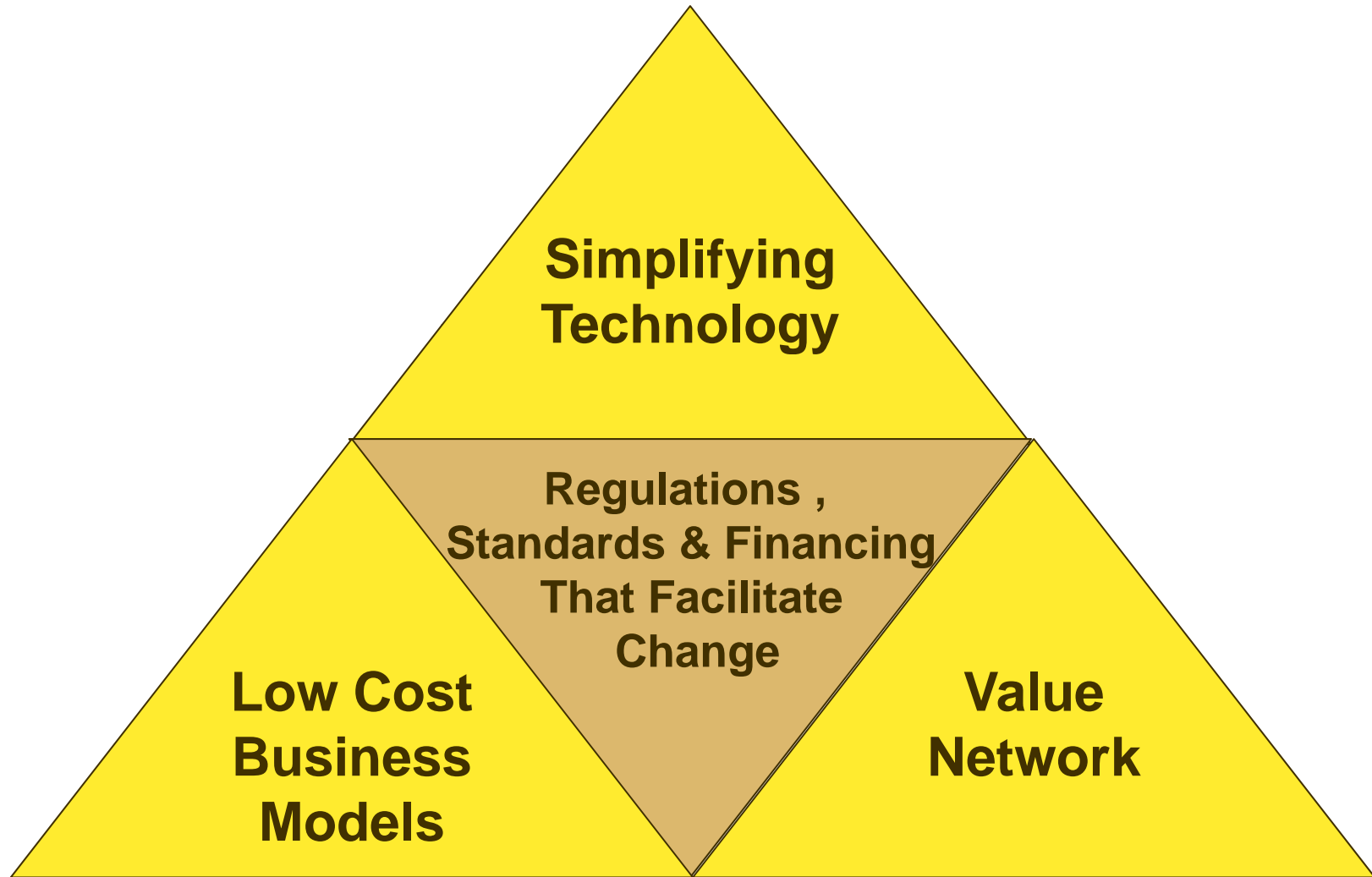
Business Case for Change



Key Steps :

- 1. Understand the market***
- 2. Define your place***
- 3. Create value***
- 4. Demonstrate value***
- 5. Establish role in the continuum***
- 6. Contract***

True Reform Will Require Disruptive Innovation*



* Source: *"The Innovator's Prescription"* by Clayton M. Christensen

Key Lessons From Early Adopters

1. Health care changes are evolving with significant variances
2. Change is really hard
3. Not all providers like the new organizational designs or the incentives
4. Timing is everything
5. Mergers and realignments are happening
6. Marketshare growth is essential
7. End of Life care matters...
8. Having fun is critical...



Nancy E. Rehkamp

Director of Health Care Innovations

612-376-4625

Nancy.Rehkamp@cliftonlarsonallen.com



CliftonLarsonAllen

cliftonlarsonallen.com



[twitter.com/
CLA_CPAs](https://twitter.com/CLA_CPAs)



[facebook.com/
cliftonlarsonallen](https://facebook.com/cliftonlarsonallen)



[linkedin.com/company/
cliftonlarsonallen](https://linkedin.com/company/cliftonlarsonallen)