

Association of Cancer Executives Meeting

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Agenda



Intro to Strategic Planning



Growth in Place



Regional Expansion Planning

Intro to Strategic Planning

Intro to Strategic Planning

Strategic Plan Framework



The purpose defines what the organization wants to be in the future.

Goals define what must be accomplished to achieve the purpose.

Strategies define how each goal will be achieved.

Tactics are specific activities that support each strategy.

Values, Culture, and Philosophy

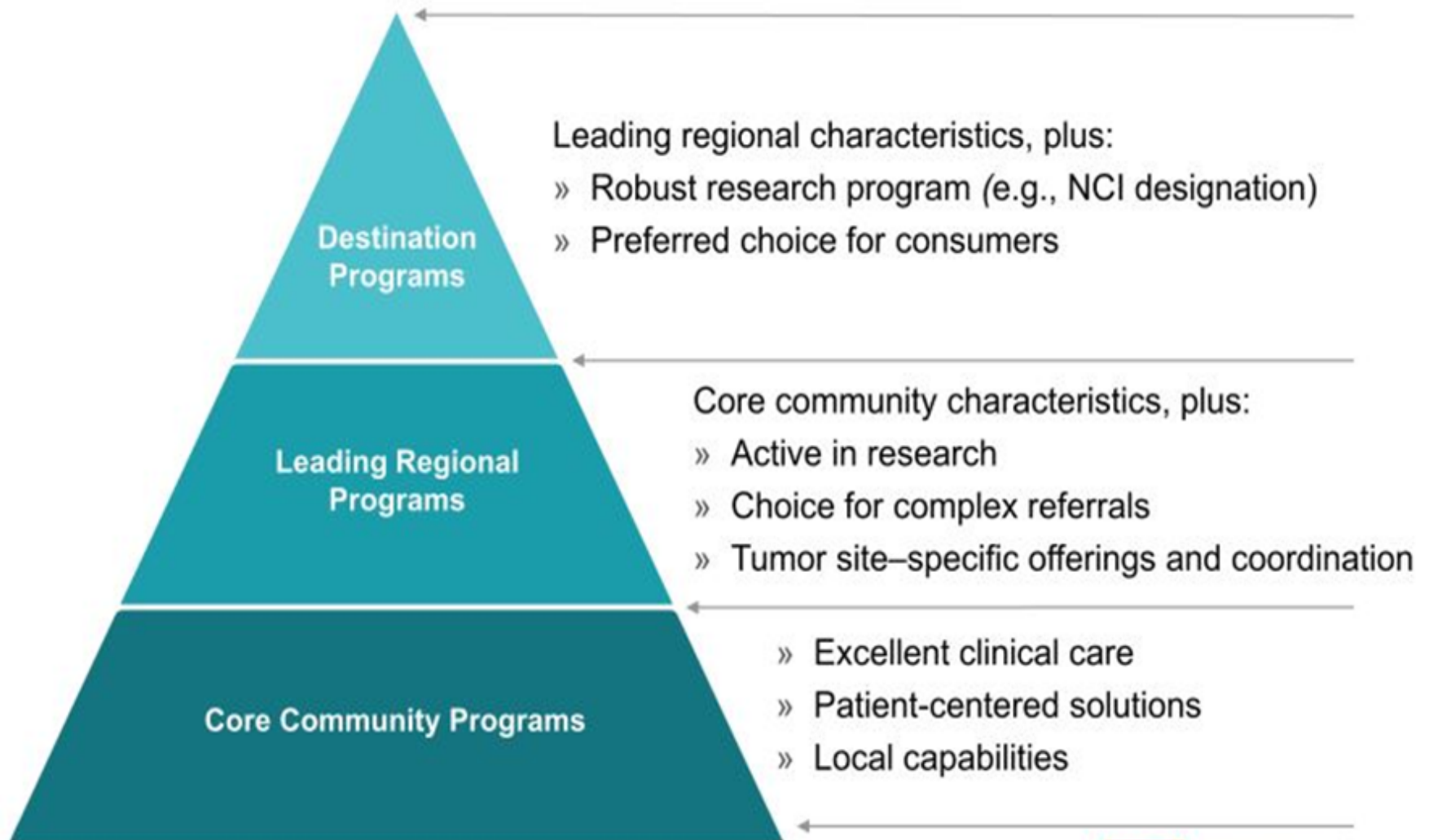
Efficient and Effective Organization, Operating Mechanisms, and Governance

Financial Strength and Capital Formation

Intro to Strategic Planning

Vision Considerations

Generally, cancer programs can be organized into three tiers based on their size, scale, and sophistication. Few reach the top tier.



Intro to Strategic Planning

A Planning Framework

Cancer centers are driving innovation through the development of comprehensive, multidisciplinary tumor-site programs.

Physician Leadership and Expertise

- » Cancer leadership (clinical and administrative dyad)
- » Dedicated and subspecialized surgeons and oncologists for tumor sites
- » Physician champions for tumor sites

Quality Improvement

- » Tumor-specific reporting
- » Real-time data that actively informs program (re)design
- » National quality initiative participation
- » Preparation for value-based care

Research

- » "Critical mass" of research studies, scientists, and grants
- » Dedicated research staff
- » Collaboration with other entities

Supportive Care

- » Dedicated navigators
- » Social work, psychosocial, nutritional and financial counseling, etc.
- » Integrated palliative care
- » Seamless transition to survivorship



Screening, Education, and Prevention

- » Adherence to national guidelines
- » Genetic counseling services
- » Formalized community outreach
- » Integration with primary care/other specialties

Diagnosis

- » Seamless evaluation
- » Pathology expertise
- » Access to advanced diagnostics

Treatment

- » Multidisciplinary care teams
- » Prospective tumor boards
- » Clinical pathways utilized in 90% of applicable cases

Facilities and Technology

- » Electromagnetic technology
- » Interventional oncology
- » Pharmacogenetics
- » Dedicated and updated space

Intro to Strategic Planning

Proposed Future Structure: Best Practice Progression for Program Development

The visual below shows a typical progression through clinical program and service line development. Successful planning efforts often start with the formation of a physician leadership construct to engage providers and help drive the process.



Organizing around a physician leadership construct (step one) and building consensus around the strategic vision (step two) are critical next steps before extensive planning work continues.

Intro to Strategic Planning

Strategic Themes

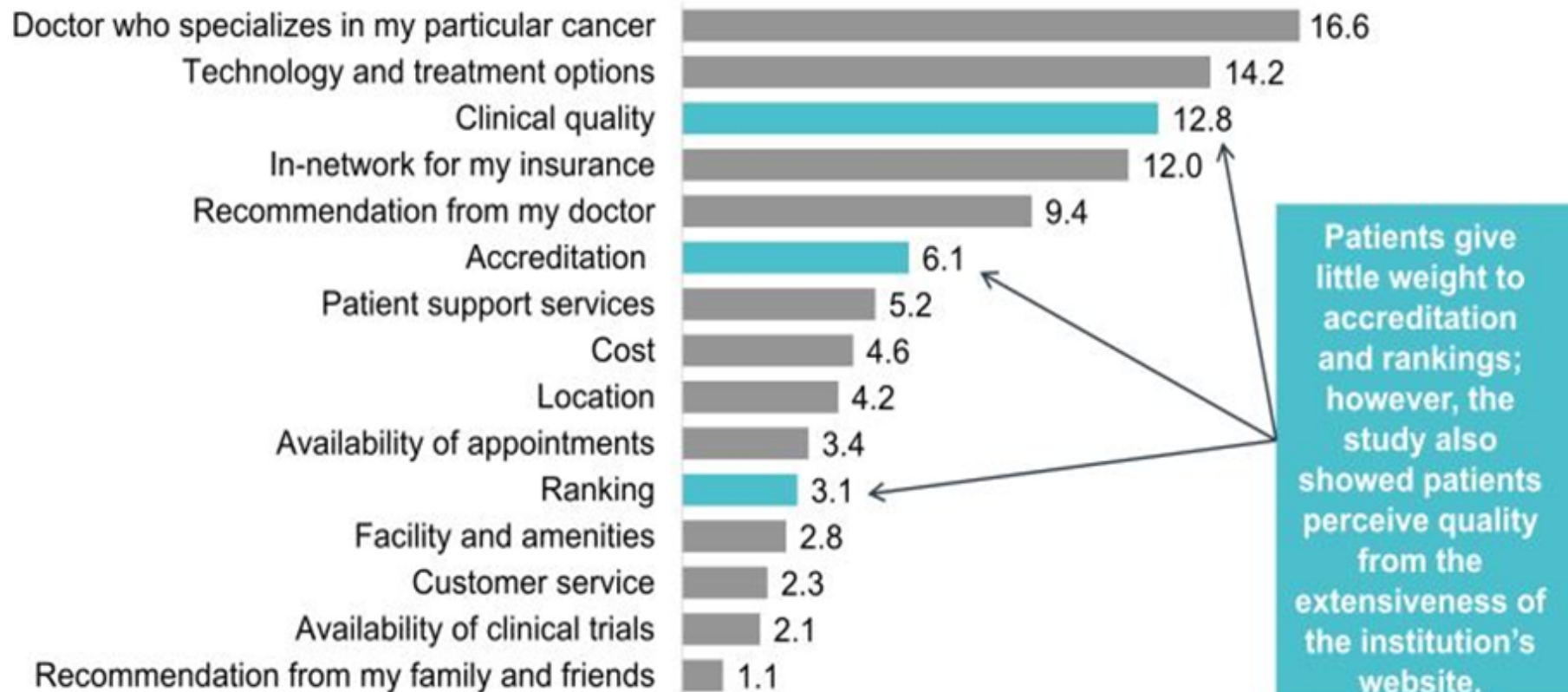
Commonly, strategic plans for cancer programs will have two major thrusts: growing clinical volumes within the existing footprint and/or expanding into new markets to provide services.



Intro to Strategic Planning

Strategy Considerations: What Patients Want in a Provider

The Advisory Board's Oncology Roundtable interviewed and surveyed cancer patients to discover their priorities for care. The results show provider specialization and an organization's clinical scope of services are most important to patients.

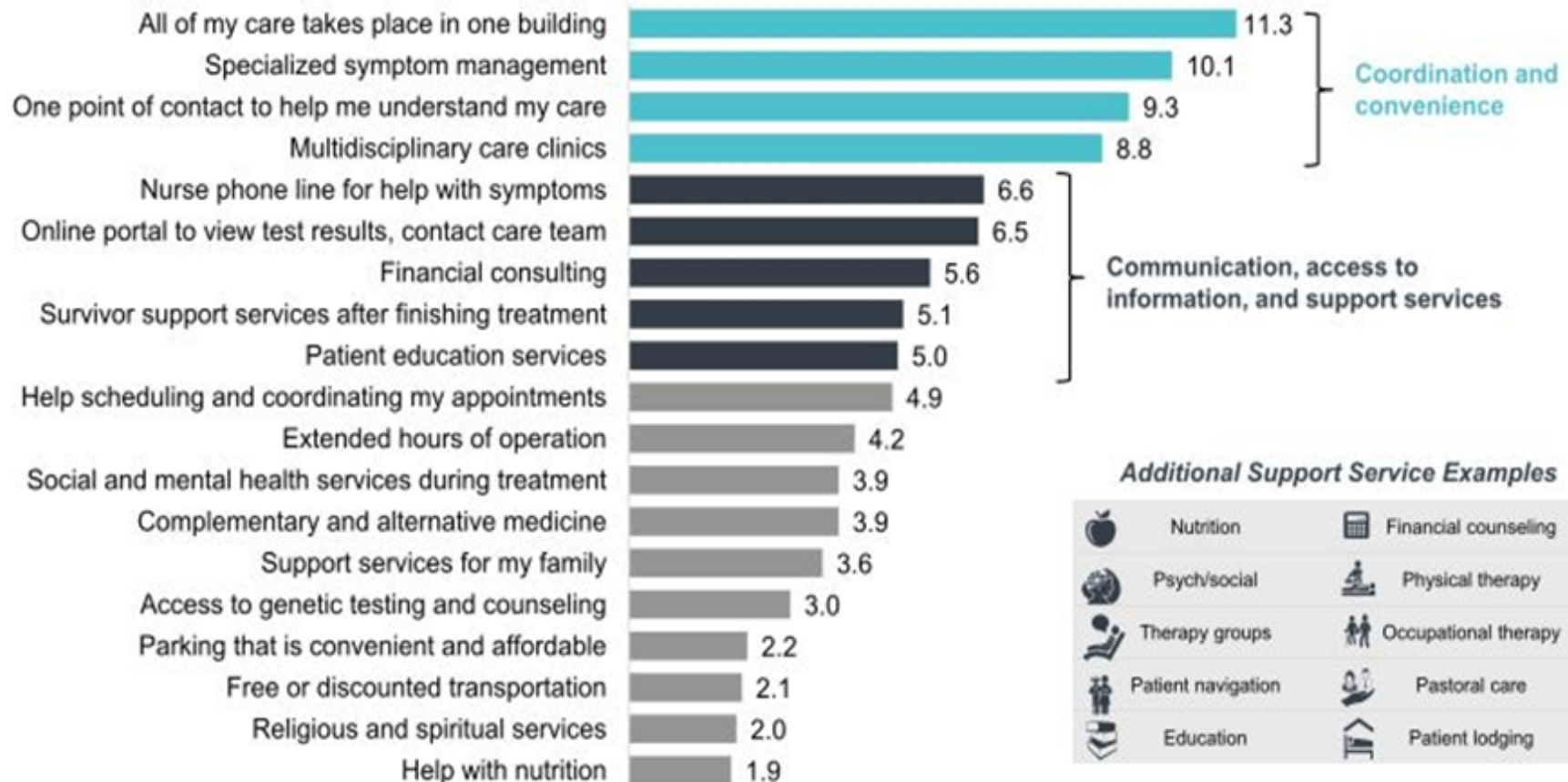


Source: Advisory Board 2015 Cancer Patient Experience Survey, Oncology Roundtable interviews and analysis.

Intro to Strategic Planning

Strategy Considerations: Patient Priorities for Services and Amenities

The survey additionally found that patients value convenient, coordinated care, followed by simple modes of communication and support services, suggesting the desire for a shared clinic space and centralized operations.



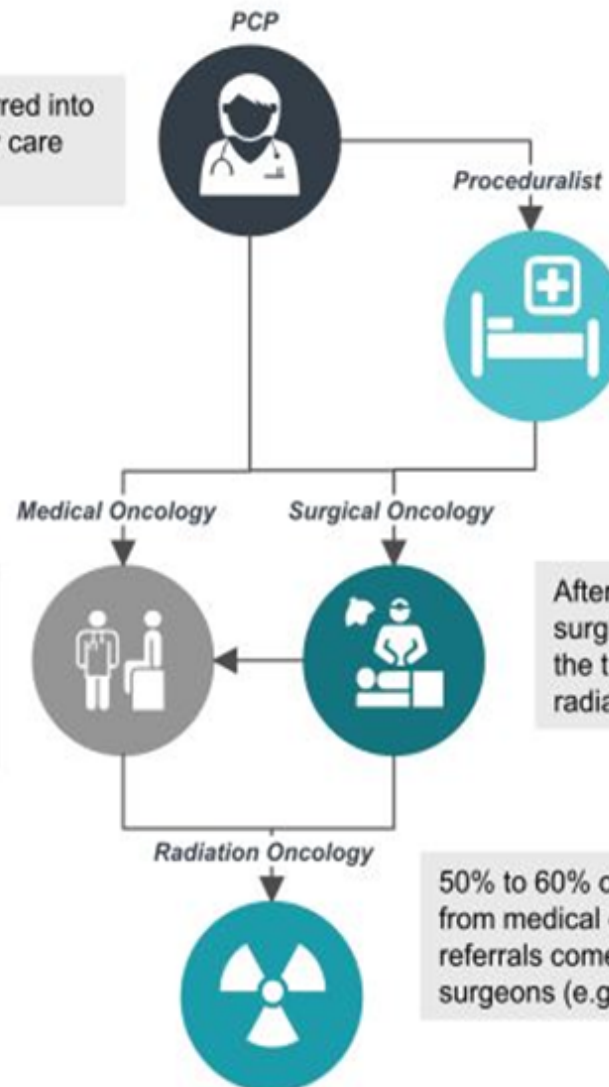
Source: Advisory Board 2015 Cancer Patient Experience Survey, Oncology Roundtable interviews and analysis.

Intro to Strategic Planning

Strategy Considerations: Referral Patterns

When planning for growth, it is important to consider oncology referral patterns.

The majority of cancer cases are referred into the oncology care pathway by primary care providers (PCPs).



Most referrals for solid tumors are received from surgeons. Hematology referrals are generated by PCPs. The diagnosis of hematology-related issues is performed by hematologist-oncologists.

After solid-tumor cancers are biopsied, surgical interventions will include removing the tumor and/or referring to medical or radiation oncology for treatment.

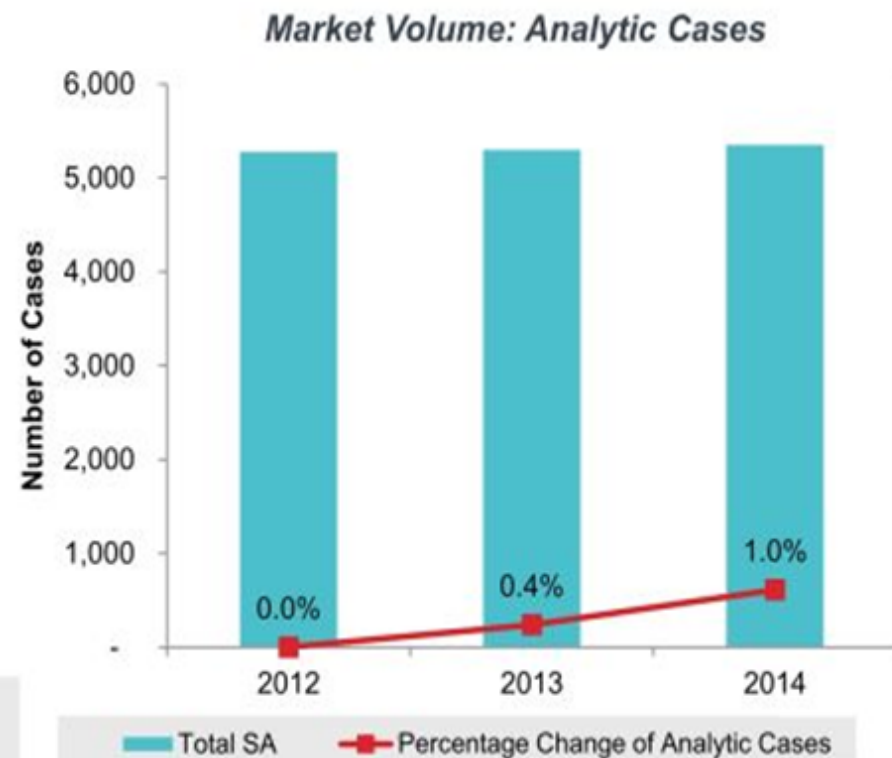
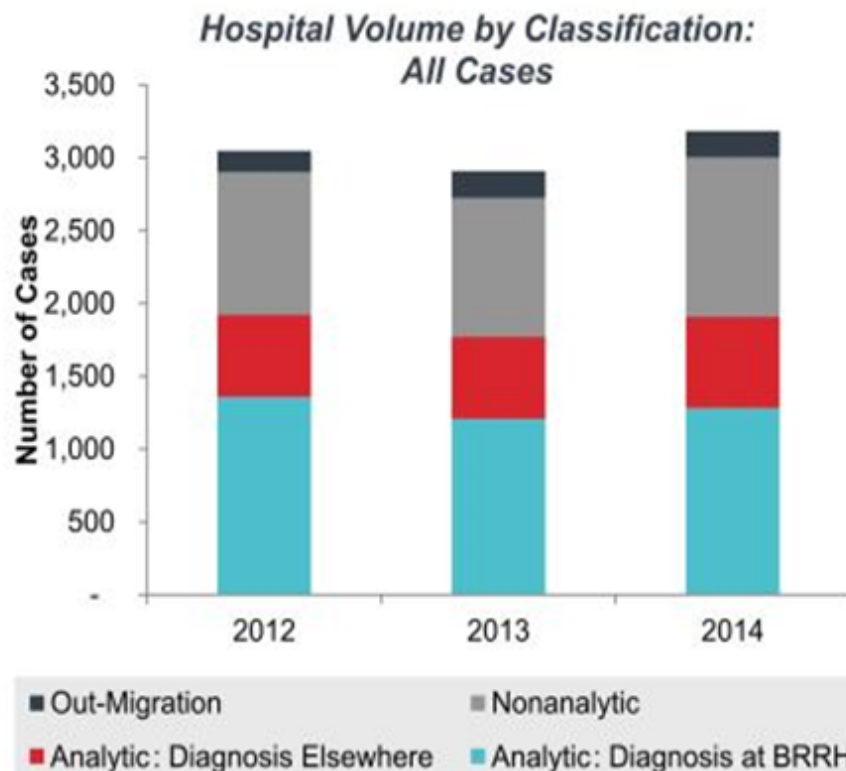
50% to 60% of radiation oncology referrals come from medical oncologists. The remaining referrals come directly from certain tumor surgeons (e.g., lung, breast, brain, prostate).

Growth in Place

Growth in Place

Situational Assessment: Volume Growth Rates

The first step for a Growth in Place strategy is to understand the program's current performance.



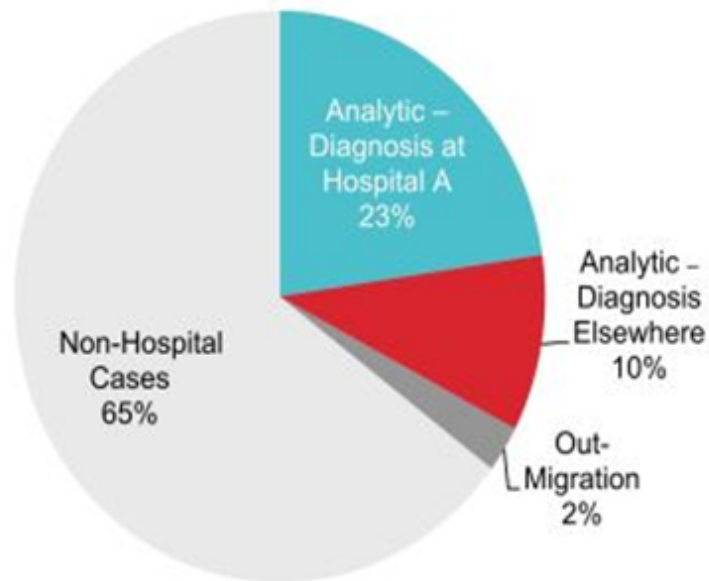
Note: Hospital case volume data is from tumor registry.

Growth in Place

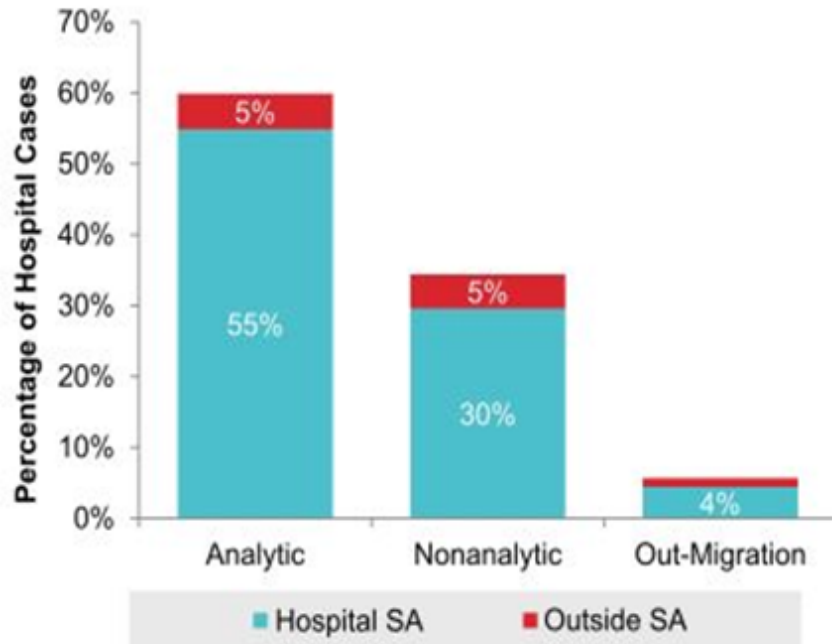
Situational Assessment: Market Share and Patient Origin

The tumor registry is an important source of information for strategic planning and can help the program understand key trends.

2014 Estimated Market Share: Analytic Cases



2014 Patient Origin and Class: All Cases



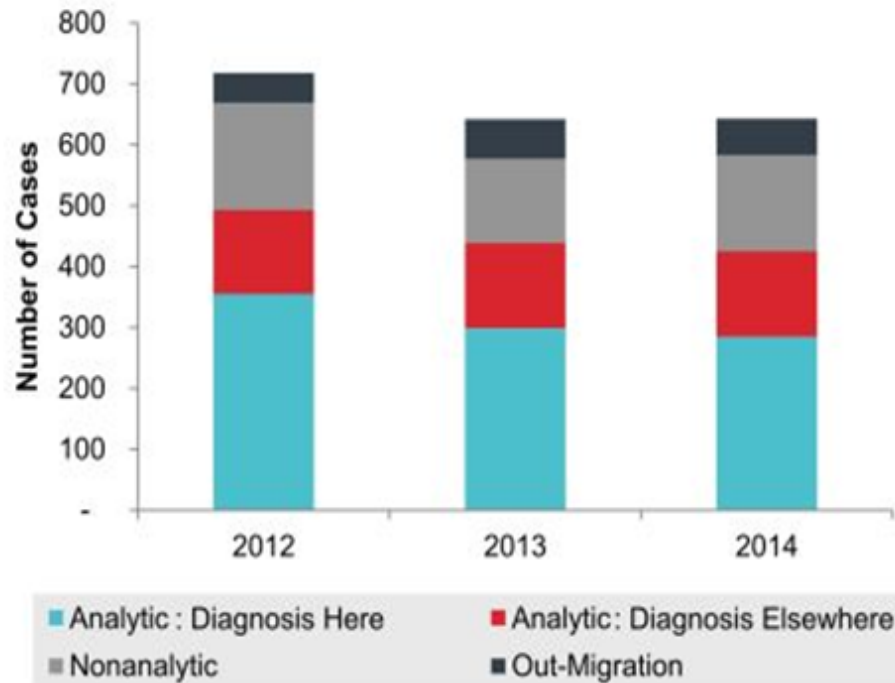
Note: Hospital case volume data is from tumor registry.

Growth in Place

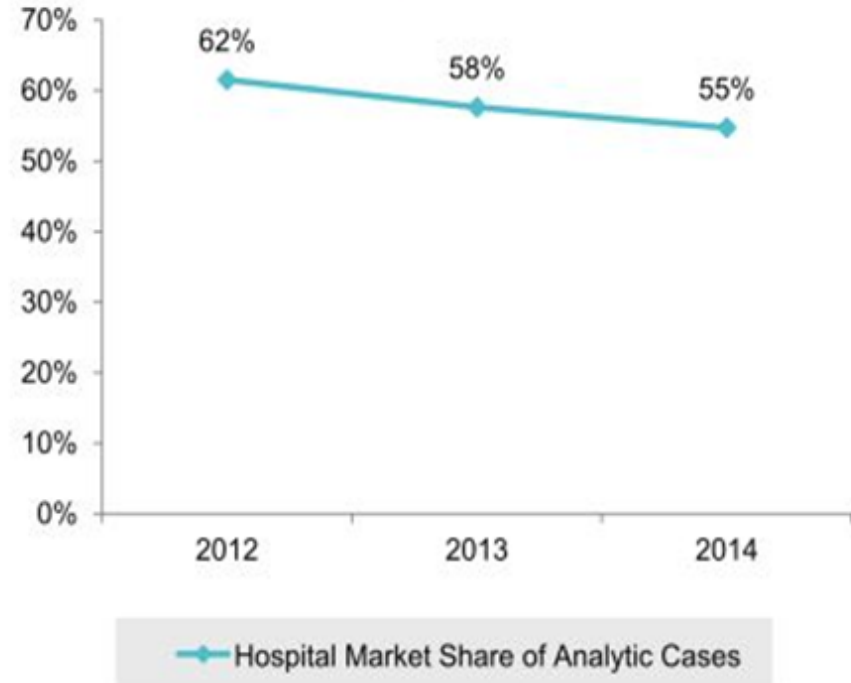
Situational Assessment: Tumor Site Volume Trends (Breast Example)

Registry data may be further segmented to examine trends within each tumor-based program.

Hospital Volume by Program: Breast



Hospital Yearly Market Share: Breast



Note: Hospital case volume data is from tumor registry.

Growth in Place

Situational Assessment: Summary of Tumor Site Volume Trends

A dashboard-type tool can be an effective way to examine macro trends across all tumor-based programs.

	2014 Hospital Analytic Cases ¹	2014 Hospital Market Share of Analytic Cases ²	2014 Patient Retention Ratio ³	Market Share Trend from 2012 to 2014 ⁴	FY 2015 Hospital Market Share of Cancer Surgical Cases ⁵	
					PSA	SSA
Breast	485	55%	83%	Down (-7%)	21%	2%
Hematologic Malignancy	312	74%	92%	Down (-3%)	28%	0%
Lung	287	39%	87%	Flat (0%)	28%	3%
Other	285	22%	87%	Down (-1%)	24%	2%
Prostate/GU	276	23%	94%	Up (+1%)	6%	0%
Colorectal	129	24%	95%	Up (+1%)	34%	1%
Pancreas	119	61%	73%	Up (+14%)	33%	4%
Gynecological Oncology	100	32%	93%	Flat (0%)	28%	6%
GI	79	33%	93%	Up (+5%)	26%	5%
Brain and ONS	16	21%	89%	Up (+5%)	22%	4%
Total	2,088	35%	88%	Down (-1%)	23%	2%

¹ Hospital cancer registry, 2014 cases. Figures include tumor registry cases from outside the geographic service area.

² Estimated market cases are developed by ECG. Market share excludes tumor registry cases from outside the geographic service area.

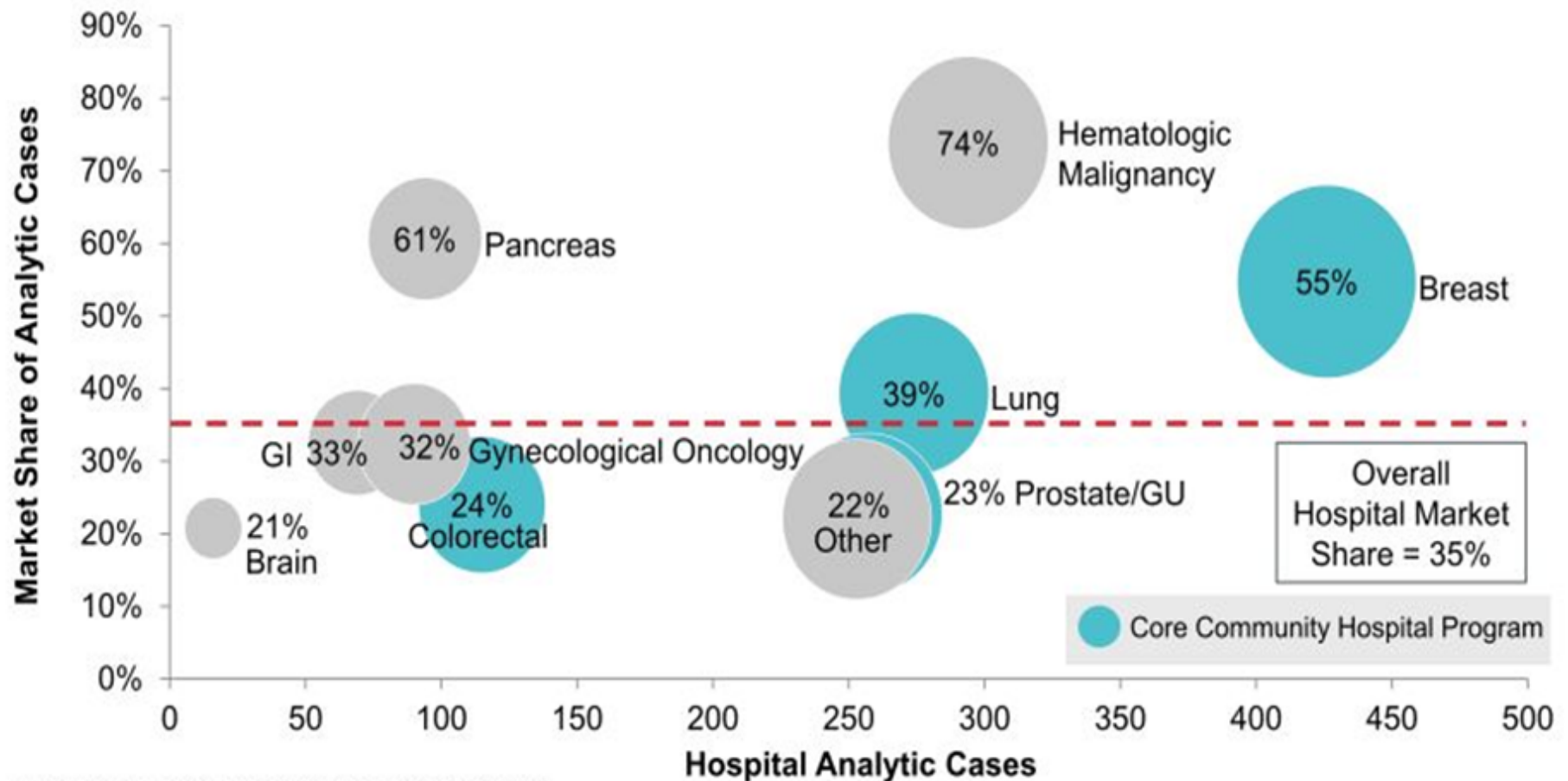
³ Patient retention ratio is calculated based on the percentage of patients who receive treatment after diagnosis at the hospital.

⁴ Market share trend based on analytic cases from hospital cancer registry; excludes tumor registry cases from outside the geographic service area.

Growth in Place

Situational Assessment: Analytic Cases and Estimated Market Share by Tumor Site

A visual diagram, such as the one below, that illustrates numerous variables (e.g., market size, market share) can be an effective tool to better understand current performance and areas of opportunity.



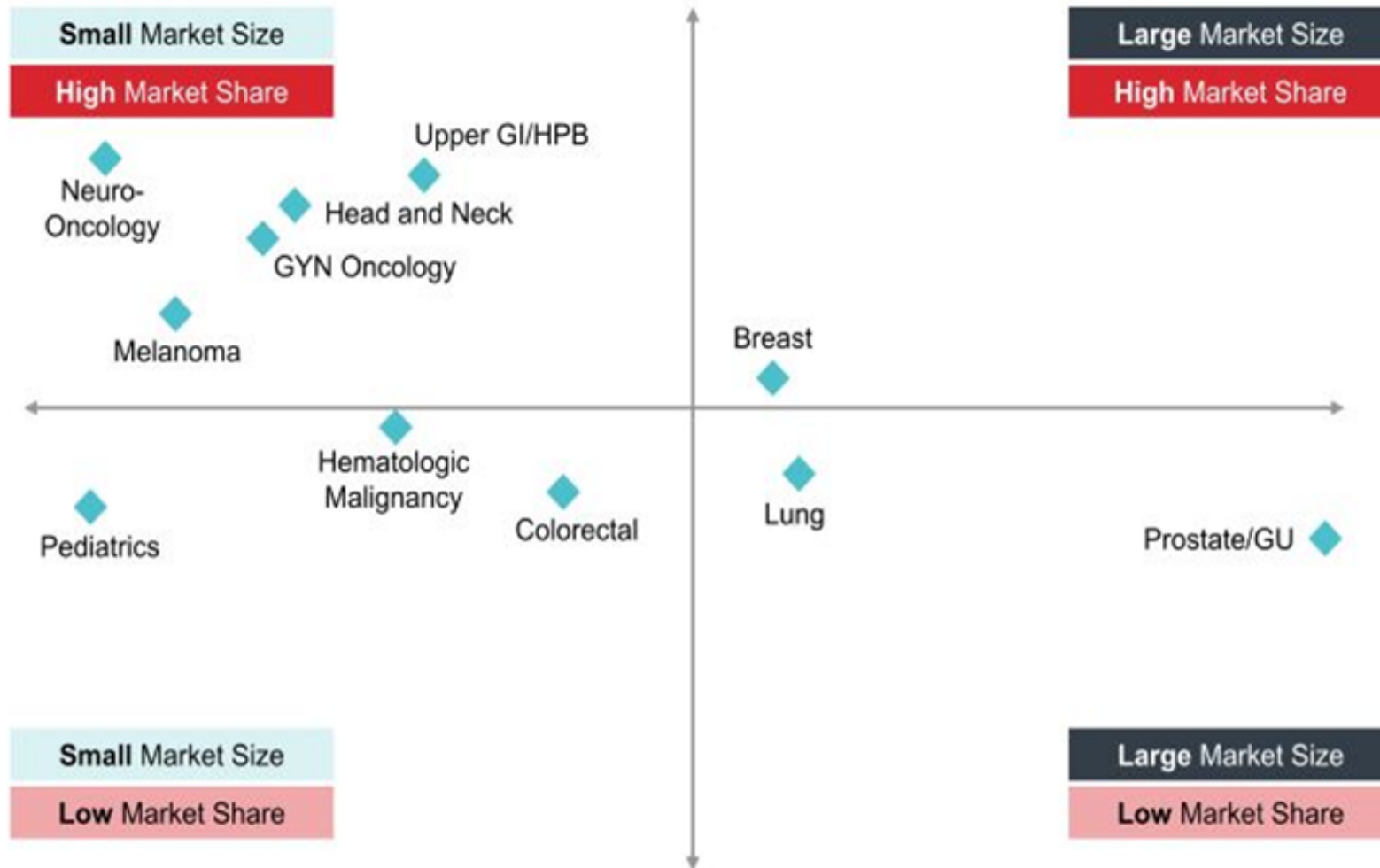
Note: Size represents the number of hospital analytic cases.

Source: Hospital cancer registry, 2014 cases; exclusions are in situ and benign other. Estimated market cases are developed by ECG.

Growth in Place

Strategic Direction: Relative Market Opportunity by Tumor Site

Similarly, a 2x2 matrix may identify areas to prioritize for differential investment.



Growth in Place

Situational Assessment: Financial Summary

By incorporating financial data with the dashboard, leaders may understand the potential opportunity for return on investment (ROI) in various programs.

Tumor Site	2014 Analytic Cases			Direct CM		Percentage Patients Receive			Average No. Treatment Modalities per Patient
	Estimated Market	Hospital A Cases	Hospital A Market Share	Total (millions)	Per Case	Surgery	Medical Oncology	Radiation Oncology	
Breast	778	426	55%	\$ 3.5	\$ 8,080	37%	100%	68%	2.05
Hematologic Malignancy	398	294	74%	\$ 1.0	\$ 6,034	17%	85%	14%	1.16
Lung	697	274	39%	\$ 2.1	\$ 8,841	46%	81%	56%	1.83
Other	1,149	253	22%	\$ 1.4	\$ 5,273	41%	100%	62%	2.03
Prostate/GU	1,128	257	23%	\$ 0.9	\$ 5,027	35%	65%	72%	1.72
Colorectal	479	115	24%	\$ 0.9	\$ 7,901	72%	100%	30%	2.02
Pancreas	155	94	61%	\$ 0.3	\$ 5,353	48%	65%	17%	1.30
Gynecologic Oncology	278	90	32%	\$ 0.4	\$ 6,247	48%	34%	20%	1.02
GI	212	69	33%	\$ 0.3	\$ 6,447	39%	80%	43%	1.62
Brain and ONS	77	16	21%	\$ 0.2	\$16,978	31%	100%	100%	2.31
TOTAL/AVERAGE	5,351	1,888	35%	\$11.0	\$ 6,578	41%	81%	48%	1.71

Percentage Legend

Less than 30%

30%–60%

More than 60%

Average DCM Legend

Below Average (\$6,578)

Above Average (\$6,578)

Average No. Treat Legend

Less than 1.5

1.5 – 2.0

More than 2.0

Growth in Place

Strategic Direction: Recommended Evolution of Tumor Programs

A high-level summary of the program's direction communicates where resources and efforts will be differentially prioritized.

Program	Meets Standards	Exceeds Standards	Best of Class
Breast			● — X — ● X →
Lung		● — X — ● X →	● X →
Prostate/GU		● — X — ● X →	● X →
Gynecologic Oncology	● — X — ● X →		● X →
Colorectal		● — X — ● X →	
GI			● XX →
Pancreas			● XX →
Hematologic Malignancy		● — X — ● X →	
Brain and ONS	● — X — ● X →		
Head and Neck	● — X — ● X →		

● Current Position
X FY 2018
X FY 2021
● Exceeds Standards Program in Development
● Best of Class Program in Development

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Recommendation

Best-of-Class Cancer Program Strategies

- » Target two to three tumor sites to begin (commonly includes breast, lung, colorectal, and prostate).
- » Build programmatic elements to support the tumor site programs.
- » Focus recruitment, leadership, and development around these targeted tumor site strategies.



Growth in Place

Strategic Direction: Recommended Tumor Program Priorities

While cancer centers may support multiple tumor-based programs, resource commitment should be based on a program's strategic importance.

Primary Focus: Principal Resource Commitment

- » **Breast and Lung:** Capitalize on the large market size and the hospital's strong market share and direct contribution margin to further develop regional best-of-class programs.
- » **Prostate/GU:** Invest in resources to enhance the depth of expertise and breadth of services offered in order to better serve patients and improve market position.
- » **Gynecologic Oncology:** Through targeted investments, create a high-performing program with a comprehensive service offering.

Secondary Focus: Moderate Resource Commitment

- » **Colorectal:** Take advantage of existing resources and capabilities plus general programmatic investments in the cancer service line to create a more robust program.
- » **GI and Pancreas:** Build off established subspecialty practices to give these programs more of a regional presence.
- » **Hematologic Malignancy, Brain and ONS, and Head and Neck:** Make general programmatic investments in the hospital's capabilities and expertise to benefit the programs in early stages of development.

Growth in Place

Summary of Strategic Plan Tactics

Many strategic plans will focus on five major areas for investment.

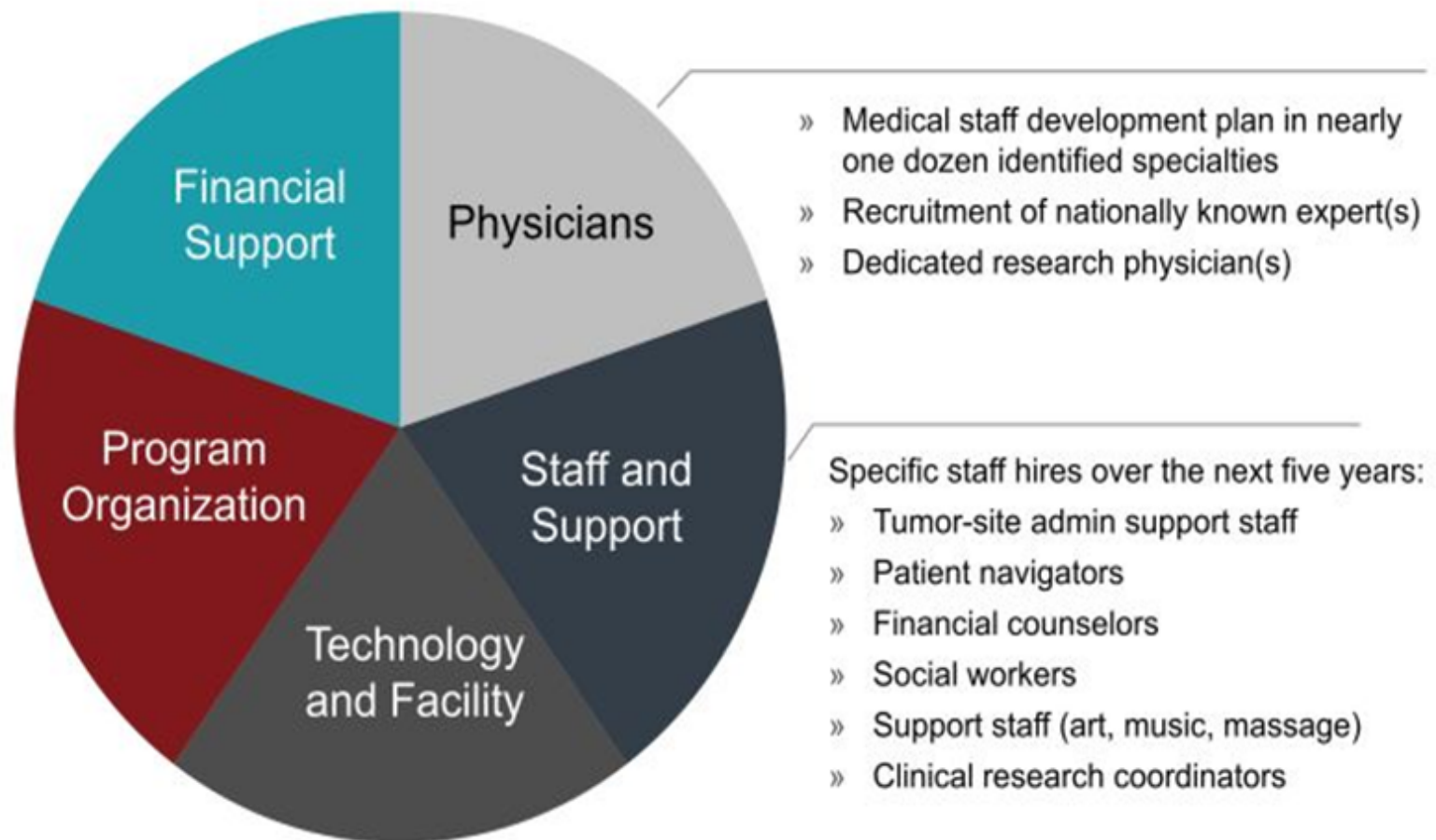


The next slides provide details on each area.

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Strategic Plan Tactics Deep-Dive

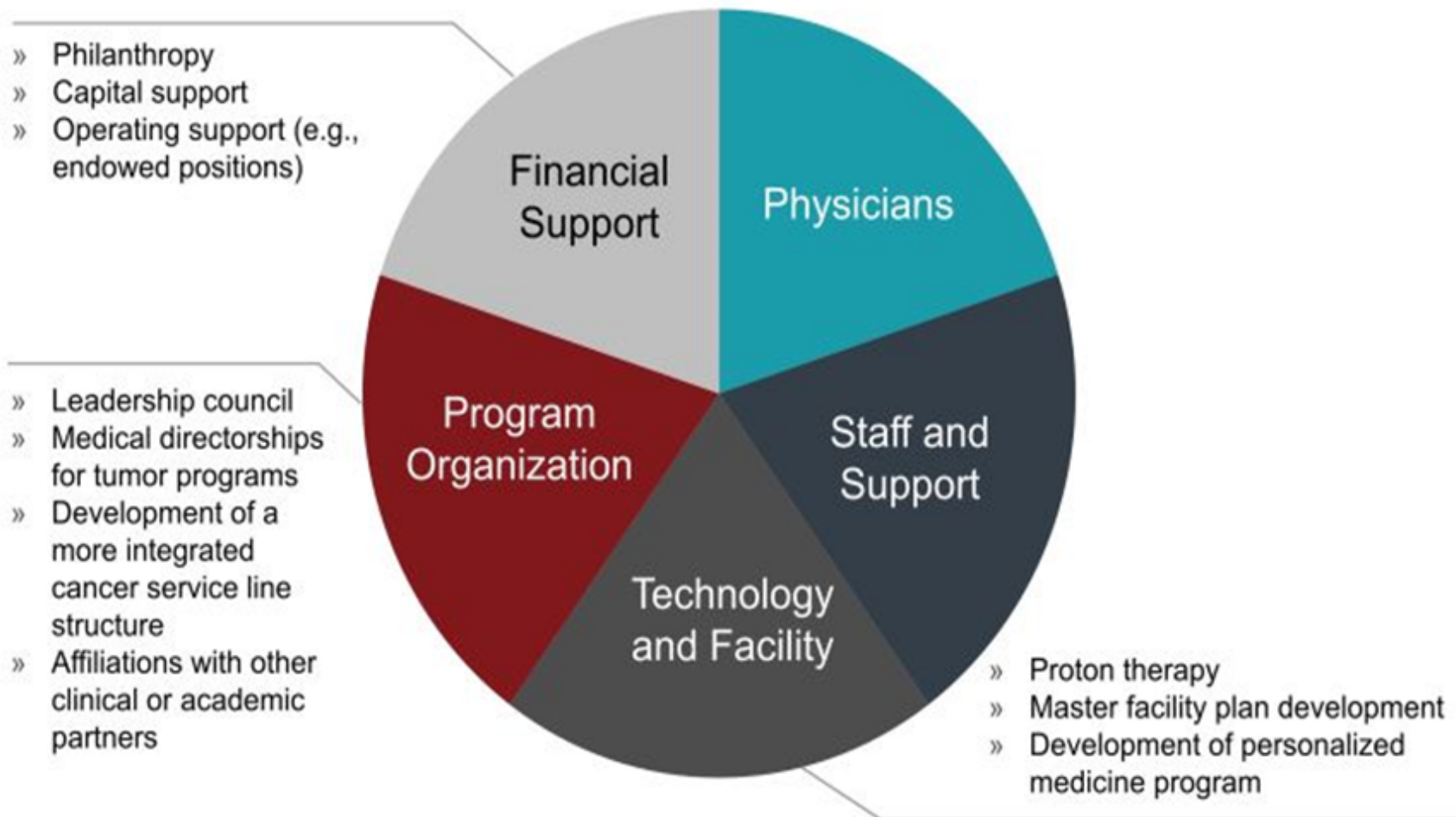
A centerpiece of many Growth in Place strategies, the recruitment of physicians is the key driver of volume, revenue, and expenses. Additionally, programs may identify needs for other specialized staff.



Growth in Place

Strategic Plan Tactics Deep-Dive *(continued)*

Investments in technology and facilities are other common aspects of a strategic plan. Often the planning process may illuminate the need for refinements to the program's organization or leadership structure to enable its growth and success.



Regional Expansion Planning

Regional Expansion Planning

Introduction

Once an organization determines the need for regional expansion, the first priority is to determine where to go.

Where to
Expand

Number
of Sites

Build, Buy,
or Align

Regional Expansion Planning

Prioritization Framework

The nine criteria below may be used to prioritize markets for expansion, as well as specific opportunities within those markets.

Market Evaluation

1. **Market Attractiveness:** Overall rating based on the attractiveness assessment
2. **Essentiality:** Degree to which the hospital has to gain or, conversely, to lose
3. **Partners:** Existing or potential partners and their current relationship to the hospital and its parent organizations
4. **Competitors:** Presence of competitors and anticipated competitive response
5. **Physician Alignment:** Impact of the expansion on referring physicians
6. **Time Sensitivity:** Strategic window of opportunity defined as short, medium, or longer term
7. **Adjacency to the Hospital:** Ability to strengthen/complement the hospital's existing footprint and generate better financial performance by maintaining proximity to campus
8. **Resource Requirements:** Level of investment needed to capture the opportunity
9. **Anticipated ROI:** Degree to which expansions are financially accretive and reflect the challenges and risks associated with expanding

Regional Expansion Planning

Prioritization Framework *(continued)*

The prioritization framework can be divided into market-specific features and hospital- and opportunity-specific features.

- » Market attractiveness examines both demographic factors (e.g., household income, payer mix) and clinical factors (e.g., cancer volume, projected growth, access, quality, research).
- » Some components of market attractiveness (e.g., quality of care, research opportunities) may be more difficult to assess at a high level and thus are typically included in subsequent, more detailed analyses.



Market-Specific Features

- » Market Attractiveness
- » Adjacency to the Hospital



Hospital- and Opportunity-Specific Features

- » Essentiality
- » Partners
- » Competitors
- » Physician Alignment
- » Time Sensitivity
- » Resource Requirement
- » Anticipated ROI

Regional Expansion Planning

Methodology

Demographic data, new cancer cases, and access to providers may be analyzed for each potential new market.

Market Definition

- » Markets were defined based on a combination of the Census Bureau's core-based statistical areas (CBSAs) and geographic locations.
- » Markets may be subdivided into zip codes using a US Department of Housing and Urban Development CBSA-to–zip code crosswalk.

Market Demographics

- » Demographic data was collected at the zip code level (including population size, age distribution, median income, and payer mix).
- » Claritas data (for population, age, and income) was used to estimate 2017 market data and project it for 2022.

Projected New Cancer Cases (NCCs)

- » SEER data may be used to estimate cancer incidence for age bands ranging from 0–4 to 85+ years of age.
- » Rates may be applied to projected market populations by age band to estimate future cancer cases by market.

Demand and Access

- » Industry benchmarks may be used to determine physician need for the expected NCC volume.
- » Provider demand may be compared to a listing of current providers by market to determine unmet need.

Regional Expansion Planning

Key Statistics by Market

For purposes of provider-based billing and access to 340B drug pricing, organizations may wish to consider the 35-mile rule.

Market	2017 Population	Within 35 Miles of the Hospital?
Market 1	268,643	No
Market 2	630,830	Yes
Market 3	445,002	Yes
Market 4	269,805	Yes
Market 5	451,745	Yes
Market 6	365,107	No
Market 7	172,655	No
Market 8	745,790	Yes
Market 9	1,340,148	<i>Partially</i>
Market 10	576,985	No
Market 11	561,871	No
Market 12	386,872	No
Market 13	237,579	No

Regional Expansion Planning

Market Attractiveness: Median Income

Median household income data may serve as a proxy for payer mix in the identified markets.

Market	2017 Median Household Income ¹	2022 Median Household Income ¹	Estimated Five-Year CAGR
Market 1	\$53,834	\$57,744	1.41%
Market 2	118,067	131,153	2.12%
Market 3	72,588	80,753	2.15%
Market 4	62,283	65,767	1.09%
Market 5	81,111	90,184	2.14%
Market 6	57,752	62,451	1.58%
Market 7	46,360	49,917	1.49%
Market 8	67,243	74,575	2.09%
Market 9	63,050	68,695	1.73%
Market 10	64,285	69,316	1.52%
Market 11	52,063	55,652	1.34%
Market 12	58,531	60,068	0.52%
Market 13	50,470	56,883	2.42%
Market Average	\$65,203	\$69,954	1.66%

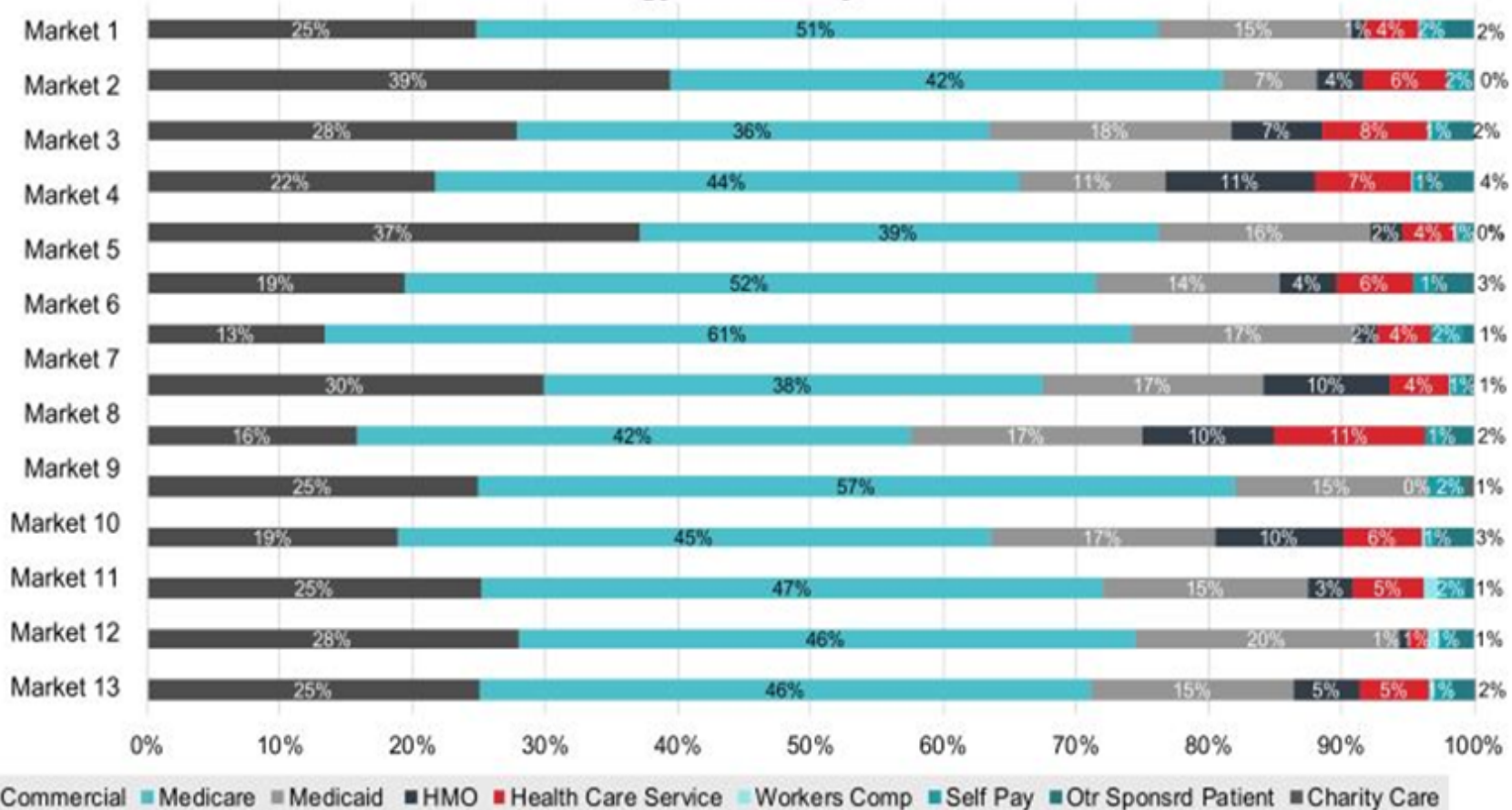
¹ Based on Claritas data and ECG market definitions.

Regional Expansion Planning

Market Attractiveness: Payer Mix

If payer mix data is available, it is worthwhile to examine, as it may illustrate trends in governmental payers. However, such data is commonly based on inpatient activity.

2016 Oncology Market Payer Mix¹

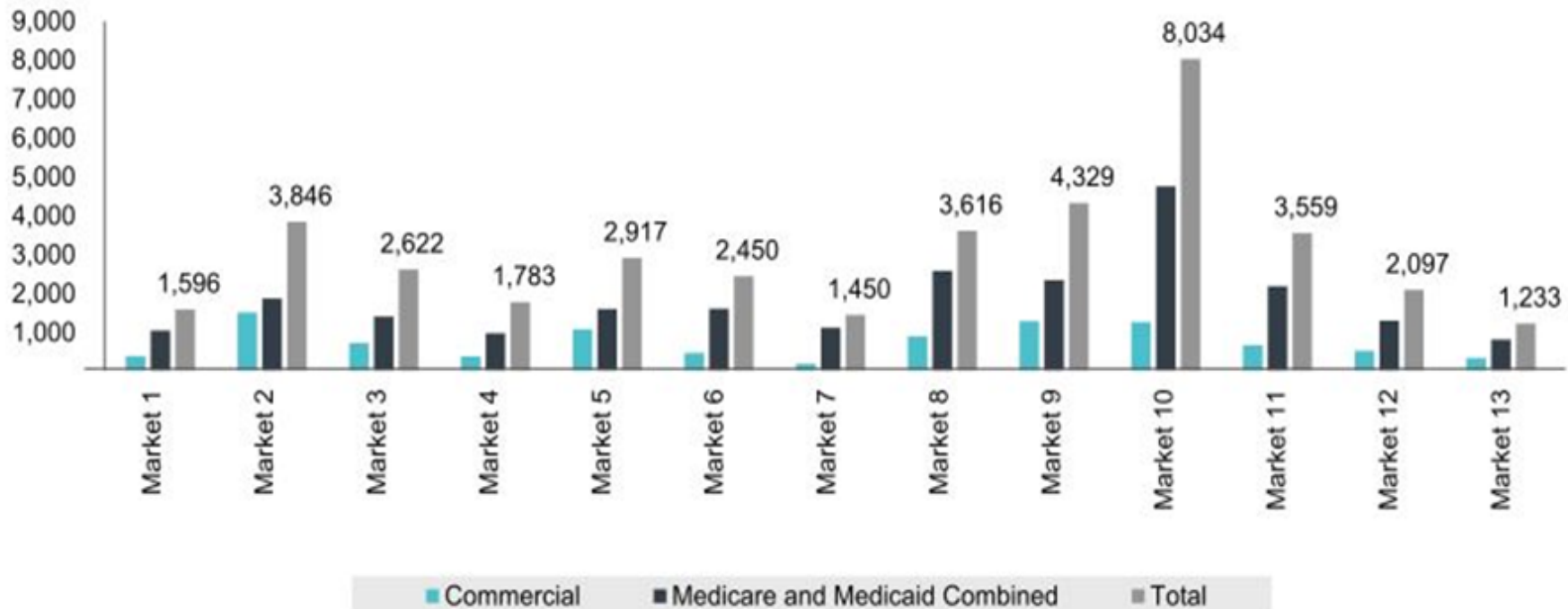


Regional Expansion Planning

Market Attractiveness: Cancer Case Volumes

Markets may be further stratified by examining potential trends in new cases by payer mix, allowing the program to more clearly identify areas of high opportunity.

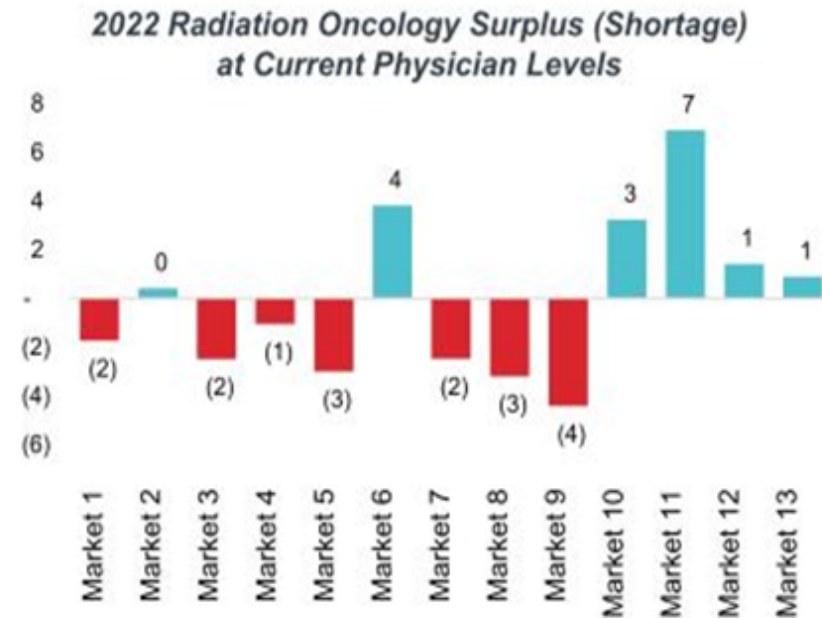
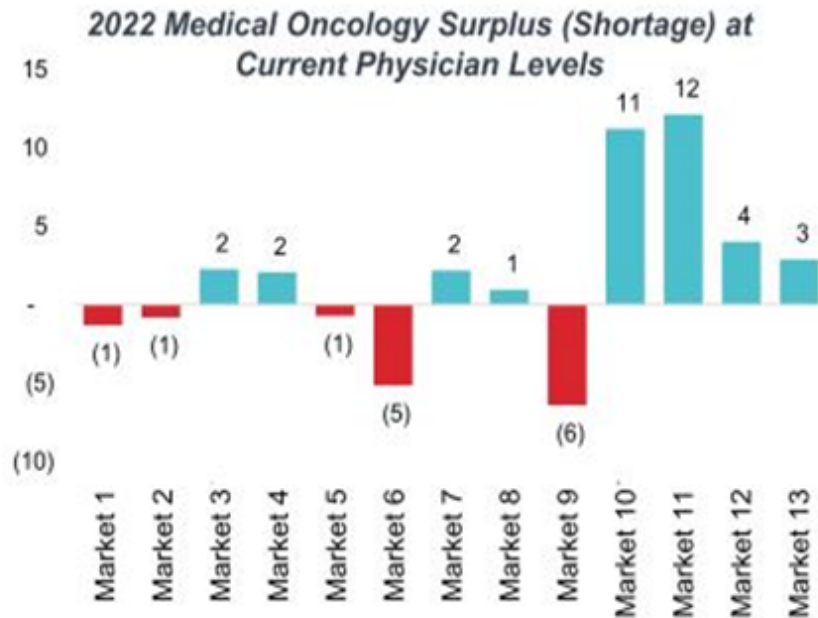
Estimated 2022 NCCs by Market and Payer



Regional Expansion Planning

Market Attractiveness: Access and Demand

Next, considering surplus or shortages of physicians in each market will help the program identify areas in need of additional coverage or, conversely, areas where they may need to work with existing physicians.



Regional Expansion Planning

Market Attractiveness: Scorecard

After analyzing all the data elements, the potential markets may be ranked among each criteria. The data may be further combined by taking a straight or weighted average.

Market	2022 Median Household Income Rank	Payer Mix Rank ¹	2022 NCCs	Medical Oncologist Market Need ²	Radiation Oncologist Market Need ²	Within 35 Miles of the Hospital?
Market 1	10	8	11	3	11	No
Market 2	1	1	3	4	3	Yes
Market 3	3	5	7	9	7	Yes
Market 4	7	9	10	7	10	Yes
Market 5	2	2	6	5	6	Yes
Market 6	8	10	8	2	8	No
Market 7	13	13	13	8	13	No
Market 8	4	3	2	1	2	Yes
Market 9	5	12	1	12	1	<i>Partially</i>
Market 10	6	7	5	6	5	No
Market 11	12	11	4	13	4	No
Market 12	9	6	9	11	9	No
Market 13	11	4	12	10	12	No

¹ Defined as highest commercial insurance percentage for oncology service line discharges.

² A higher rank implies a greater market need.

Regional Expansion Planning

Preliminary Market Rankings

After combing all the assessment criteria, a consolidated and prioritized list of markets may be developed. The prioritization should be predicated on the factors that are most important to the program.

High Priority	Medium Priority	Low Priority
<ul style="list-style-type: none">» Market 2» Market 8» Market 5» Market 3	<ul style="list-style-type: none">» Market 4» Market 9» Market 1» Market 6» Market 10	<ul style="list-style-type: none">» Market 12» Market 13» Market 11» Market 7

Regional Expansion Planning

Development Options

Having identified the target markets, an organization must next assess whether to build, buy, or align in order to provide the services.

Build

Typically, the “build” approach necessitates bringing new providers into the community and assembling other requisite infrastructure, such as clinic space and the associated diagnostic or therapeutic capabilities. This is often the slowest approach to program development but allows for customization.

Buy

The “buy” approach to program development seeks to acquire and utilize existing infrastructure (providers, technology, administrative leadership, etc.).

Align

The “align” approach may be preferred when (1) there is not enough critical mass for a program in a single market, (2) the organization does not have the time or resources necessary to build or buy a program, or (3) there is already an established program that can not be acquired for whatever reason.

Regional Expansion Planning

Build: Market-Specific Tactics

Three tactics may be pursued separately or in combination to develop a new cancer program.

Expansion Tactics



Rotating Providers

- » Establish outreach clinics for oncologists.
- » Provide consultative services only, and refer patients as appropriate for treatment.



Distributed Clinics

- » Launch smaller clinics in areas that lack a significant oncology presence.
- » Use existing partnerships and assets to determine where to position new clinics so they both support and are supported by existing infrastructure.



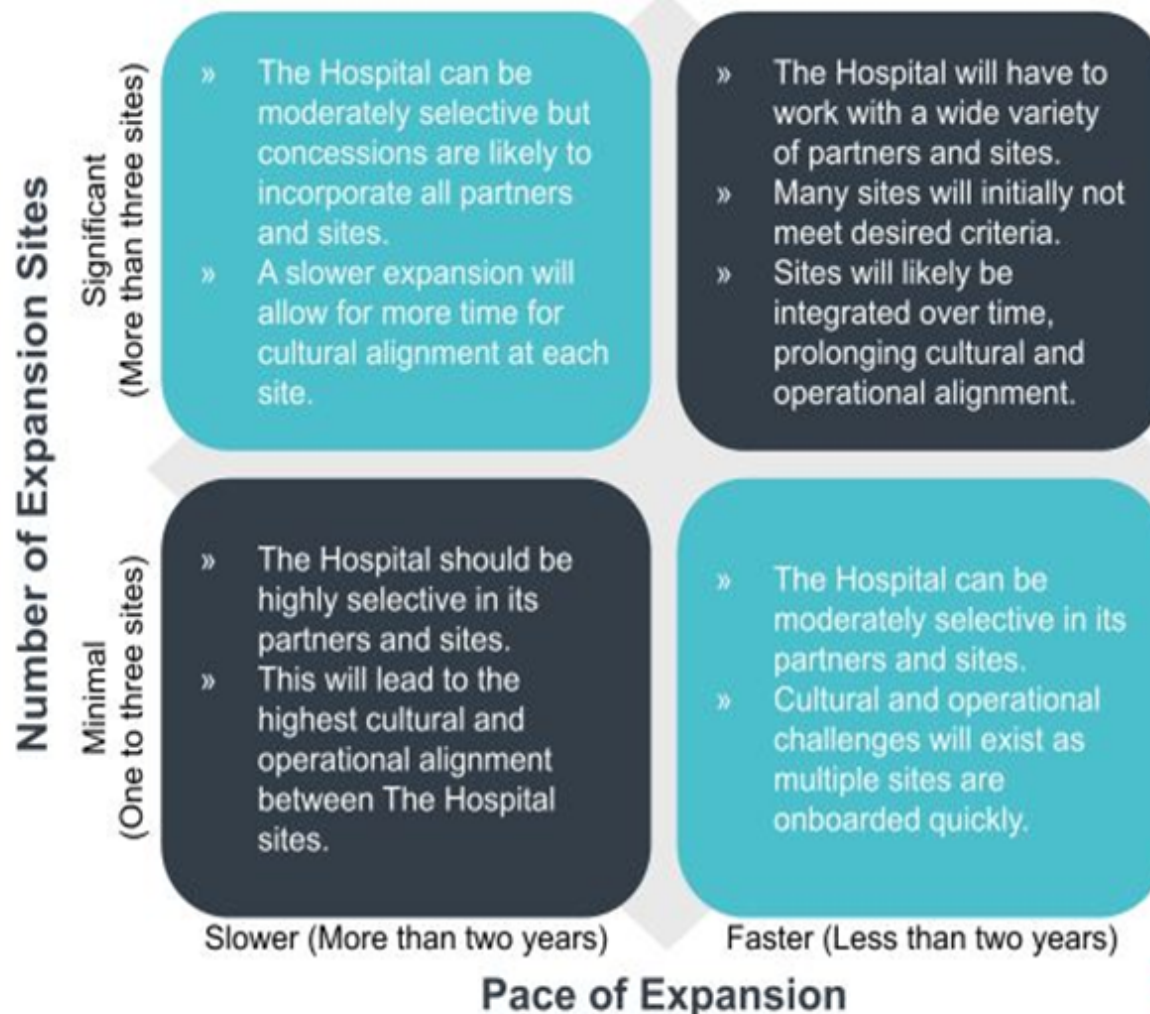
Community Cancer Center

- » Develop a second community cancer center in the market with a comprehensive service offering.
- » Develop with a partner or independently.

Regional Expansion Planning

Buy or Align: Size, Speed, and Integration

The pace and breadth of clinic expansion will determine how closely sites must align with the desired expansion elements. The more concessions made to add sites, the longer it will take to have a culturally and operationally aligned network.





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