Advisory Board

CHEAT SHEET

for U.S. health care providers

Service Lines, Institutes, and Centers of Excellence

Defining service line organizational models

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Key takeaways

- Many service line models are restricted to the hub hospital but face an increased need for service line "systemness." Integrating and aligning service line management and strategy across all sites is a foundational step to achieving system service line goals such as principled growth, care variation reduction, coordinated patient experience, and appropriate service distribution.
- Well-integrated service lines can be a mechanism to appeal to value-driven purchasers and referrers who are evaluating not just acute care, but the full coordinated continuum for their patients.
- "Institute" and "Center of Excellence" are often just marketing used by service lines to distinguish areas of investment. However, increasingly purchasers are defining Center of Excellence models for patient steerage.

What is a **service line**?

While there is no one industry definition of a service line, our working definition is:

An operating and management structure that has some level of oversight over all the entities that provide care for a specific patient population with similar clinical needs, encompassing geographic sites and the full continuum of care. This requires a dedicated leadership body, discrete budget, and unified strategic plan.

Service lines by their nature interact with multiple departments, specialists, ancillaries, physician groups, and support functions. While not all of these should report up through service line leadership directly, there needs to be some level of strategic alignment to effectively function as a service line.

Source: Advisory Board interviews and analysis.

What is an **Institute** or **Center of Excellence** (COE)?

Similarly, there is no consistent industry definition of an **Institute** or **COE**. These terms are often used interchangeably across organizations, although they do tend to reflect program scope. For example, programs may develop a "Heart & Vascular Institute" to signify dedicated investment in services across cardiology, vascular, and cardiovascular surgery. Center of Excellence branding often has a narrower focus on a specific subset of a traditional service line—such as a spine surgery or heart failure COE—although that is not always the case.

In many cases, this nomenclature is just branding to highlight a specialized program to the market and does not necessarily convey a different operating model or even exceptional outcomes as compared to traditional service lines. We have not seen concrete evidence that this branding alone drives referrals.

However, there are systems that are putting meaning behind these terms and defining criteria for service lines in which they want to place additional investment and effort behind to differentiate themselves in the market. For example, select systems design institutes that allow aligned and independent physicians to opt-in and codify what participation means for both the service line and the physicians. This is intended to overcome the common barriers to aligning across a multidisciplinary and mixed medical staff that needs to participate in a service line model.

Additionally, some programs seek official Center of Excellence designations from external accrediting bodies like the Joint Commission or specialty societies. From our experience, these can prove most useful if the program uses the accreditation process to drive performance improvement against strategic goals, and better align or standardize processes across the system.

Source: Advisory Board interviews and analysis.

Why does it matter?

Market forces such as the integration of physician practices, site-of-care shifts, and episodic payment models are transforming how care is delivered—and accelerating interest from health system executives to optimize service line organizational models. Well-integrated service line organizational structures are central to providing coordinated care across a growing number of sites for increasingly complex patients.

Two key reasons highlight why it's crucial to understand and optimize service line operating models:

1. **Increased need for service line "systemness":** Many service line models are restricted to the hub hospital. Systems today are looking to integrate and align service line management and strategy across all acute, ambulatory, and post-acute sites (and increasingly, virtual/home). This is a foundational step to initiatives like rationalization that require aligned goals and incentives across service line sites.

2. **To meet evolving purchaser demands:** As health systems face a challenging recovery from the Covid-19 pandemic, many providers see service lines as a mechanism to restart their growth engine. At the same time, purchasers have continued to evolve their expectations of specialty partners—particularly value-driven entities like employer and health plan Center of Excellence (COE) networks, and at-risk primary care groups. Well-integrated service lines can be a mechanism to appeal to these purchasers and referrers who are evaluating not just acute care, but the full coordinated continuum for their patients.

Source: Advisory Board interviews and analysis.

What should be considered a service line?

Developing a system service line model is not a short-term project. It requires time, executive input, and engagement across a myriad of stakeholders to not only develop, but continually manage a service line. Not all clinical programs demand this intensive approach to be successful.

As much as possible, service line infrastructure should be consistent across service lines at an organization to reduce unnecessary friction and enable collaboration across service lines. Having agreed-upon service line criteria will ensure that the clinical programs are similar enough in management needs to allow for this aligned infrastructure.

Below is a set of suggested criteria we have developed to help systems define where having a system service line infrastructure is worth the effort.

Suggested criteria for service lines

- ✓ Requires a level of **multidisciplinary care** across the services you are grouping, cutting across departments and specialties
- ✓ Serves patients across **diverse care sites** across the continuum
- ✓ Has a significant amount of **volume and revenue** to benefit from consistency and integrated oversight
- ✓ Is **critical to strategic objectives,** and having a service line model would allow the organization to better achieve these objectives
- ✓ Has an opportunity to **differentiate your system in the market**, and can be a competitive advantage for market capture of consumers and purchasers

Source: Advisory Board, "Enrollment and graduation aren't just for students: Clear guidelines optimize care management programs," Care Transformation Blog; Advisory Board interviews and analysis.

How do other clinical programs fit in?

Service line development can often lead to a politically sensitive situation for those specialists and leaders within clinical programs that are not specified as service lines for the organization.

Programs that are not designated as service lines are still critical to the success of the organization, but do not need the same high-touch approach with additional layers of administrative oversight and direction. For example, a clinical program that is primarily acute does not need quarterly meetings for cross-continuum executives to align initiatives. In fact, often these programs interface with all service lines, and carving them out as a separate service line would hinder their ability to support each.

It's important for organizations to codify these delineations between service lines and other clinical programs. We recommend providing a name for these such as "Enterprise Services," "Integrated Services," or "Clinical Programs" that carry its own weight and meaning.

Distinguishing enterprise or integrated services from service lines

- Services that connect to multiple service lines and do not meet service line criteria can be viewed as enterprise or integrated services
- This does not mean these services are less important—however, they likely do not require the same system structure and management model as service lines
- Systems should develop consistent nomenclature for service lines versus these programs
- Examples (although these vary by organization): lab, imaging, emergency, rural health

Use a market-facing test:

Do you want to be known for this service from a strategic perspective and be a destination for these patients? If not, it likely is an integrated service or program versus a service line.

What about purchaser COE models?

Both health plans and employers are increasingly developing Center of Excellence networks that steer patients to specialty providers that meet their criteria for high-value care. Criteria for COE inclusion varies by entity, but often includes metrics like outcomes, procedural volumes, episodic cost, appropriate utilization, and access. By being a part of a purchaser's COE network, service lines could have access to patients otherwise inaccessible to them.

In particular, employers are increasingly looking to this model as they try to curb unsustainable cost growth—especially in the financial wake of the pandemic. An October 2020 survey found overwhelming buy-in from large employers that COEs can reduce costs and improve quality.

As opposed to employer COE models of the past, which focused primarily on the quality and cost of a procedure itself, emerging models look more holistically at the total employee care pathway. This means a provider's ability to manage episodic utilization, cost, and quality. For example, Walmart has expanded its COE model to include steering employees to a shortlist of high-quality imaging centers. The goal here is to enable more accurate diagnosis upstream to reduce the need to even send a patient to a surgical COE.

A program does not have to brand itself as a self-designated COE or even get accreditation from an external body to develop these direct-to-employer relationships. However, they will need to understand the specific needs and criteria of local or national employers they look to partner with. Developing these models, particularly with large employers outside your area, requires a significant investment in administrative infrastructure to manage these contracts and tightly coordinate this subset of patients. Providers will want to ensure they can capture enough new patient volume to cover these investments.

Source: Willis Towers Watson, "2020 Health Care Delivery Survey," October 16, 2020, www.willistowerswatson.com/en-US/Insights/2020/10/2020-health-care-delivery-survey.

Conversations you should be having

01 Define the goals of your service lines at your organization, and what system infrastructure is necessary to achieve them.

02 Establish agreed-upon service line criteria to assess which clinical programs are best suited to and require the administrative oversight of a service line.

03 Engage clinicians and clinical leaders in conversations to delineate service lines versus other enterprise programs, and to monitor and remove obstacles interfering with smooth interactions between them.

04 Work with your contracting team to determine the specific needs of employer partners in your market and to anticipate administrative infrastructure to support potential contracts.

These conversations will help you assess your organization's current approach to service lines, integrated services, and COEs to improve program performance and market appeal.

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