

A New Approach to Hospital and Health Systems Strategy



Gabriel Chahine
Partner



Jad Bitar
Partner



Nikhil Idnani,
Senior Associate at Booz & Company

The Middle East's major hospitals, like most leading organizations, put considerable thought into their strategy. Ideally, this involves defining what they do, or their "function," and establishing how to achieve it, their "form." While this exercise is beneficial for most businesses, it actually hinders many hospitals and health systems from sustaining their operations and achieving growth. This is because too many health organizations are approaching their strategy the wrong way. Hospitals and health systems typically deem their function to be their mission, which is often a laundry list of goals and a purpose rooted in the past. The result is missions that are unfocused and disconnected from the needs of the community. This is a particular problem in the Middle East where health systems operate under missions that fail

to account for recent trends such as increased customer expectations and surges in rates of such chronic illnesses as obesity, heart disease, and diabetes. Similarly, health organizations mistakenly consider their form to be restricted to assets such as land, buildings, and medical technology. However, health systems do not have to own assets to realize ongoing benefits from them. For instance, many rent their buildings so they can free up cash for investment in patient services. They can lease equipment from manufacturers, paying for it based on a pay-per-usage model, an approach used by Al Noor Hospital in Abu Dhabi.

Middle East health institutions should therefore reevaluate their function and form if they are to enhance how they operate and improve health outcomes, and they must do this by emulating leading private companies. This requires health executives to define their function as how they attract patients, or their distinctive "value proposition." They should base the function on the specific needs of a community. In terms of form, they should build a set of capabilities around their distinctive strengths.

By adjusting their thinking about form and function, Middle East hospitals and health systems can keep pace with their communities' evolving needs, unlock new opportunities, and make two important operational gains. First, from an operational perspective, they can respond to increasing demand while ensuring quality and sustainability in the long term. Second, they can avoid outdated and costly tactics such as bidding wars to hire nurses and doctors.

Multihospital health systems—a model that is spreading in the region—can benefit the most from this approach. Worldwide, multihospital systems are under pressure due to the shift in healthcare from volume to value, from inpatient to outpatient, and from physician to consumer. By redefining their function and form, multihospital systems will have a strategy that will allow them to adjust to these important changes in healthcare.

The first step to implementing this new strategy is to



choose a value proposition for the health organization. This requires hospitals and health systems to determine their target market, and align resources to succeed in that market. There are three areas in which health executives can choose their value propositions: care, access, and cost.

In the care dimension, hospitals and health systems can choose to be "Specialists." Such institutions deliver cutting-edge research in a specific area and have best-in-class outcomes for a particular treatment, such as Sheikh Khalifa Medical City in Abu Dhabi and King Fahd Medical City in Riyadh.

In terms of access, hospitals and health systems can offer patients local availability of quality care. One option is to be a "Convenience King," providing a full range of clinical services to meet most community needs, such as Mediclinic located in the Dubai Mall. Another option is to be an "Integrator" and create value for patients by orchestrating the provision of healthcare under one hospital roof or system and offer everything from diagnosis to treatment—similar to what NMC Healthcare is working towards in the UAE.

When it comes to cost, systems can stress luxury, price, or value. One option is "Premium Properties," which involves offering quality healthcare combined with luxury at any cost. Burjeel Hospital in Abu Dhabi demonstrates this value proposition, offering high-quality service levels, privacy, and top-class amenities, including a wellness center and massage room. Another option is to become a "Price Cutter," offering patients the lowest price point for

a particular service. This value proposition is particularly important given that price shopping for healthcare is now the norm, and medical tourism is an option for many.

In terms of value, health providers can become "Value Maximizers" that offer patients enhanced overall value by eliminating unnecessary extras. Narayana Hrudayalaya Hospital in India provides open-heart surgery for as little as \$2,000—a stark contrast to the \$20,000-\$100,000 fee charged at some hospitals in the region.

Once a hospital or health system has chosen its value proposition, the next step is to define its capabilities, or its form. Health executives will need to recognize their organization's current and potential capabilities, the key strengths that allow it to perform its function successfully. For "Specialists," these capabilities can be the recruitment and development of top medical students and doctors, and building partnerships with leading medical schools. For "Convenience Kings" and "Integrators" capabilities can include footprint optimization to increase geographic coverage, advanced staffing techniques, and end-to-end healthcare delivery. Capabilities for "Price Cutters" and "Value Maximizers" can include a sophisticated financial approach that involves special skills to evaluate input costs. "Premium Properties" capabilities might involve delivery of highly personalized services, and an emphasis on holistic patient care.

Defining the appropriate function and form will not be an easy task. However, Middle East health organizations that implement this new approach will be able to understand their organization's strengths and market realities, and develop a new set of priorities and a mission aligned to their communities' needs. Furthermore, this strategy will allow them to give back to their region to a greater extent, offering the community improved quality of care. Signatories include the 2008 and 2011 winners of the Nobel Prize in Medicine, Dr Harald zur Hausen, from Germany, and Jules Hoffmann from France, and the former director-general of the World Health Organisation, Gro Harlem Brundtland.

While a deal struck on Saturday to disarm President Bashar al-Assad's regime of its chemical weapons has, for now, averted the prospect of western military intervention, which some humanitarian groups have warned would make the situation worse, there was no sign on Sunday that it will help bring about a resolution to the two-and-a-half-year conflict that has claimed the lives of more than 100,000 people.