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EXPERT REVIEWED

Integrated delivery: A 45-year case study of one IDN's successful evolution

UChicago Medicine Ingalls Memorial Hospital has succeeded in forming an integrated delivery network (IDN) only through strong adherence to basic strategic tenets and principles.

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Over the past 50 years, the integrated delivery network (IDN) model has evolved to become widely accepted among health system leaders as an effective means for controlling costs, improving quality through better coordinated care and achieving financial returns.[a]

Yet an important question confronts any healthcare organization that wants to pursue an IDN strategy today: What process is most effective for launching this model and investing it with the capabilities to evolve and flourish?

The experiences of UChicago Medicine Ingalls Memorial Hospital, a community hospital in the south metropolitan Chicago suburb of Harvey, Ill., exemplify this process. Starting in the late 1970s, Ingalls began building an IDN with the goal of placing services as close as possible to the patient population. Successive iterations of this model stayed true to the basic concept while expanding its reach both horizontally and vertically.

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a. Hwang, W., et al., "Effects of integrated delivery system on cost and quality," *American Journal of Managed Care,* May 2013; and Leibert, M., "Performance of integrated delivery systems: quality, service and cost implications," *Leadership in Health Services,* July 19, 2011.

INGALLS' CHALLENGE

In the mid-70s, as a stand-alone facility, Ingalls Memorial Hospital faced significant financial challenges from demographic shifts in its service area. The result was an unfavorable payer mix, with a high percentage of government payers, a significant uninsured population and a shrinking pool of commercial plan coverage.

Meanwhile, competition from other area hospitals prevented Ingalls from accessing referral volume in adjacent geographies. While the hospital's market share in neighborhoods to the east was strong, its market presence in communities to the south was only moderate. Most concerning, Ingalls' market share in attractive, fast-growing communities to the west with a much better payer mix was less than 1%.

These challenges put Ingalls at risk of closure, as occurred often among urban U.S. hospitals in the late 70s and early 80s due to similar circumstances.

Ingalls' leaders realized that to survive, the organization needed an IDN development strategy for connecting with patient populations. Their three primary strategic goals were to:

- Solidify Ingalls' referral base in the east
- Grow its presence in the south
- Capture significant market share in the west

6 STRATEGIC PHASES

Ingalls' IDN strategy unfolded in six iterative phases.

1 **Create a primary base.** Ingalls' core strategy was to place primary care services as close as possible to targeted populations to create a referral platform for higher levels of care. In 1977, therefore, Ingalls opened a primary care clinic, or Family Care Center (FCC), in the Chicago suburb of Tinley Park, eight miles west of the main hospital. The FCC's providers saw more than 30 patients on the first day, and patient volumes took off.

The FCC had two features that were unique for the time:

- Its physicians were employed by the hospital.
- It housed extensions of the hospital's emergency department (ED) in those communities.

This model proved powerful: When the ED saw patients who lacked a primary care physician, it could refer them to an FCC physician for follow-up, leading to ongoing care relationships and expansion opportunities.

2 **Expand feeder programs.** In 1978, the FCC added an occupational medicine program to provide healthcare services to large and mid-sized employers locally, with a focus on pre-employment physicals and care for on-the-job injuries. Early on, the program secured a contract with a large national waste disposal company. The contracts provided a significant source of referrals to in-house providers for enrolled patients lacking a primary care physician, thereby further building practice volumes.

3 **Build specialist-level care.** Throughout the 1980s, the clinic's expanding primary care base drove growth in specialist referrals. To accommodate this demand, Ingalls added specialty practices to the FCC, including general surgery, otolaryngology, obstetrics/gynecology and orthopedic surgery. The FCC then expanded to include a freestanding ambulatory surgery center (ASC), structured as a joint venture between Ingalls and a group of local surgeons. A critical characteristic of the joint venture was that it ensured the partnering surgeons did *not* have privileges at Ingalls Memorial Hospital. Only then could the partnership grow the IDN's surgical volume without cannibalizing Ingalls' main operating room.

4 **Expand horizontally.** Based on the original FCC's success, Ingalls began to open additional FCCs in nearby communities, beginning with Flossmoor, six miles to the south, and next with Calumet City, seven miles to the east. The local patient populations quickly embraced

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Number of care locations, including hospitals, in the UChicago Medicine care network as of Feb. 22, 2024

Source: uchicagomedicine.org

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4 principles of IDN development

The evolution of UChicago Medicine Ingalls Memorial Hospital exemplifies four principles of IDN development that are critical to the success of such an endeavor.

Focus on creating a self-sustaining system. All IDN development iterations should contribute to a self-sustaining business model, no matter how they differ from earlier efforts. Ingalls first Family Care Center (FCC), for example, was designed to sustain primary care practices through a base of emergency department (ED) and other services. Specialist practices and ancillary services were added only when the primary care enterprise reached sufficient scale to generate adequate referral volume. Successive tertiary and quaternary care expansions followed the same pattern: Build out when the existing platform would support a new layer of service delivery.

It also is important to perform a market analysis and remain alert to emerging market opportunities. The possibility of performing cardiology interventions in the ambulatory setting, for example, could help build stronger connections with local patients.

Market protection also is needed to keep patients within the network. For example, Ingalls implemented a process for scheduling patients' referral appointments during their primary/ED visits. To retain patients, Ingalls also looked to capital investments such as advanced imaging modalities difficult to duplicate in the market.

Build from the patient perspective. The foundation of IDN strategy is placing services as close to the population as possible. Clearly this should be the objective with primary and emergency care. But subspecialty care, traditionally centralized in urban academic medical centers, can also be sited for local access. (For example, Ingalls brought transplant specialties closer to patients by offering transplant consultation services in its FCCs.)

Ingalls also explored other approaches to optimizing patient access. Its goal for having FCC-based ambulatory surgery centers (ASCs) was to meet patients' needs for procedural care in a convenient, lower-cost and patient-centric setting, consequently contributing to success under value-based care.

Optimized patient access requires convenient locations (e.g., areas with high retail traffic), convenient parking, convenient scheduling and, increasingly, use of digital access tools. Marketing efforts should focus on building the IDN's brand around convenient access to high-quality care, with the goal of achieving a "likely to refer family and friends" score of 85% or higher.

Create strong links with physicians. There is a perennial truth in U.S. healthcare: "People do not go to institutions; they go to physicians." Thus, physician relations and retention must be strategic priorities for an IDN. Basics today include competitive compensation and schedule flexibility. But Ingalls went further by pursuing other strategies that build strong links with physicians.

One strategy was to create economic linkages with physicians through joint ventures that would ensure strong physician support of the IDN's ASC strategy. Today, as private-equity firms attract independent physicians with investment opportunities, not-for-profit IDNs should explore using joint ventures to retain key specialties such as cardiology, gastroenterology and general surgery.

Another strategy for Ingalls was to foster connections with physicians to ensure they felt valued. Physicians in an IDN should have a strong sense that they *own* their practices and that the larger organization is there to support them in meeting their patients' needs.

Maintain focus by establishing system-level leadership. As an IDN grows beyond the startup phase, it can become bogged down in operational complexity and administrative bureaucracy. To maintain growth in volume, services and quality, leaders must maintain focus on the overall goals and strategy of integrated delivery. Ingalls maintained this focus through multidisciplinary leadership. Early on, Ingalls established a physician advisory committee comprising physicians practicing at its FCCs, which functioned like the board of a physician-owned multispecialty group and was charged with identifying new service opportunities and strategies for improving revenue and profitability.

the new FCCs, spurring fast growth in primary care services and specialty referral volumes for the IDN.

5 **Add a subspecialty tier.** During the 1990s and 2000s, continued growth in the patient base created an opportunity to expand the FCC network into subspecialty care, and several cardiology and oncology practices began operating out of FCC locations. To support these practices, Ingalls invested in select ancillary services, including imaging labs, cardiac testing, an

infusion center and radiation oncology services. FCC Tinley Park is now recognized as a center of excellence in breast cancer care by the American College of Radiology.

6 Link to quaternary care. In 2016, Ingalls was acquired by UChicago Medicine, principally because of the strength of the hospital's ambulatory care footprint. Ingalls' care network has become a strong source of quaternary referrals and high-acuity inpatient volume for the academic health system, which in turn has helped expand capabilities and services at local FCC clinics. For example, FCC Flossmoor recently became a center of excellence in neurosciences.

▶ UChicago Medicine at Ingalls – Flossmoor is a Family Care Center and a component of the south suburban Chicago IDN that offers, in addition to family medicine, a broad range of specialty services, including neurology, endocrinology, nephrology, cardiology and emergency medicine.

A STRONG GROWTH TRAJECTORY

This decades-long process has resulted in an IDN that is deeply embedded in the local market and capable of delivering a full range of care services in a financially sustainable manner.

From 1977 to 2022, Ingalls' share within Chicago's southwest suburban markets grew from less than 1% to about 20% — a key factor in its 2016 acquisition by UChicago Medicine.

The growth in the network's combined market share of high-acuity inpatient cases since the acquisition also has been significant, increasing from 14.6% in 2016 to 20.3% in 2022 — representing a 39% increase for the combined organization and a 48% increase for UChicago Medicine.

Of note, the FCC network was instrumental in helping the total organization weather COVID-19's disruption to the surgery business. Between 2019 and 2022, case volumes at the Tinley Park FCC same-day surgery center grew 20%, reflecting its key role in helping UChicago Medicine accommodate the shift to ambulatory surgery by providing the community with safe surgical care during the pandemic.

A PATH TO SUCCESSFUL VALUE-BASED CARE

UChicago Medicine Ingalls Memorial Hospital's IDN has grown over four decades through a process of iteration and successive adaptation to challenges and opportunities. Hospitals and health systems that are still in the incipient stages of developing an IDN can take a lesson from the iterative way Ingalls embarked on its strategy in phases: It is important to take the long view in pursuing such a strategy.

Ultimately, Ingalls' approach reflects four key principles in IDN development (described in the sidebar on page 30) that organizations pursuing such a strategy should keep in mind. By applying the lessons from Ingalls' experience and adhering to core IDN principles, organizations can create an IDN that both improves patient care and can thrive under value-based payment. ▮

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