BECKER'S HOSPITAL REVIEW

ECG MANAGEMENT CONSULTANTS

5 key trends shaping healthcare and strategic enterprise transformation

Many healthcare leaders bemoan the lack of certainty in healthcare today, but there are some trends that hospital and health system leaders can count on to shape the industry in the coming years.

Leaders should keep these trends in mind as they create their roadmap for the future, and consider utilizing strategic enterprise transformation (SET) to ensure success in an ever-shifting industry landscape. Strategic enterprise transformation builds successful organizations by aligning the population health needs of a defined market with their optimized clinical service capabilities and rationalized expenses.

Here are five trends organizations should incorporate into their plans for strategic enterprise transformation if they wish to remain financially sustainable and market competitive, as discussed during an April 12th executive roundtable at the *Becker's Hospital Review* 9th Annual Meeting in Chicago.

1. Demand + cost structure = unsustainability

All indicators point to the fact that healthcare will continue to be a growth industry for years to come, but much of that growth will inevitably take place in outpatient settings and other ancillary services. As governmental and commercial payers reduce reimbursement rates, healthcare service growth will not necessarily directly correlate to net revenue.

Cost growth for healthcare has held near 6 percent since 2014, but still outpaces economic growth in the same timeframe by nearly three times as much. In order to counter this imbalance, providers must continue to emphasize value-based initiatives and continuously improve operational efficiencies.

Organizations can utilize data to identify inefficiencies and share that knowledge to clinicians, but need to exercise great discretion in doing so. As the CMO of a 50-bed specialty hospital in the Southeast said, providers should "make sure the metric you're sharing are actionable. Just like we have alert fatigue with EHRs, if you're feeding your docs lots of statistics and some of them are operational, they will tune them out. Clinicians should receive a small, defined number that is not just meaningful to operational performance, but to taking care of patients."

2. Consumerism affecting all stakeholders

As healthcare costs rise, businesses and commercial payers will increasingly ask customers to play a greater role in their care. The more participatory patients become, the more they will make care decisions based on price and convenience, which will drive demand for health solutions outside of more expensive hospitals.

Strategic, nontraditional market players such as the recently "partnered" Amazon, Berkshire Hathaway and JPMorgan Chase will direct patients to appropriate care in the short term while leaving long-term decisions to individuals. Providers should find points of care access that are differentiated from competitors and demonstrate the highest of quality in those areas.

3. Increased risk sharing with market variation

CMS has aggressively pushed toward alternative payment models, and commercial plans are following suit. Providers will bear greater risk, with most of that risk being upside.

However, the willingness of payers to share risk varies by market. Health systems in urban and rural areas face vastly different landscapes for risk-based agreements. As the CMO of a 222-bed hospital in the Mountain West said, "[payers are] all in to get providers together to work toward a goal of lowering utilization, but when it comes to the risk, that's a whole separate conversation. I actually have difficulty talking about what it means to take downside risk."

The president and CEO of system in the Midwest spanning five states said the payers he has worked with are reluctant to engage in risk sharing agreements with rural providers: "We haven't been fortunate with risk contracts in rural areas. Payers are willing to look at quality and things like that, but they were basically keeping their upside. They had their market dominance, they didn't need providers per se. They were holding 80 percent market share of the commercial market, so they are not particularly interested in sharing risk because they don't' need to."

4. Elusive system consumer value

Consolidation among hospitals and health systems is completely resculpting the healthcare landscape, but so far there is little value created by these newly merged systems beyond nominal administrative savings and economies of scale. While higher market shares have led to increased negotiation power with payers and higher revenue, operating margins have actually tightened at many of these consolidated systems. Systems must work on utilizing their scale to pass value along to consumers.

In order to generate substantially greater value that consumers notice and benefit from, systems must wring out redundancies and make sure they focus their resources on efficient and effective clinical services areas. However, there are sometimes other considerations that make it difficult for providers to eliminate services.

"A lot of us are impacted by U.S. News rankings and other external rankings that give you credit for doing services that are higher acuity and lower volume," said the associate CMO of 288-bed pediatric hospital in the Midwest. "I actually think that's counterintuitive to improving our health system. Having too many systems doing lung transplants actually decreases the quality of care. We sometimes don't have enough demand to perform the services well, but we have to offer them."

5. Technology advancement and disruption

The technology available to providers and patients has grown at an exponential rate. As one indicator, private investment in digital healthcare initiatives has gone from $1 billion in 2010 to $8.3 billion in 2016. Smartphones have allowed patients to take more control of their care than ever and consumer interactions will continue to move beyond the four walls of the hospital.

While it cost $95 million to sequence a genome in 2001, that price dropped to $1,000 in 2016. Providers have never before had access to such a cross section of clinical, genomic and social data, but dedicating resources to leverage this data is what most organizations must work on improving.

"It's interesting that in a healthcare we're basically in a data business, but we don't use data like we should," said the CMO of a 10-bed critical access hospital in the Pacific Northwest. "We may start a program, but six months later when we want to do something or examine it, there are no business analytics to report."

These trends will undoubtedly affect the way care is delivered and paid for in the future, and it is up to organizational leaders to prepare accordingly or risk being left behind. One way leaders can ensure their hospital or health system is prepared to adapt accordingly is through strategic enterprise transformation.