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E-Briefings

Healthcare Forecast 2020: 10 Trends (and Implications) Board Members and Senior Leaders Need to Know

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The Affordable Care Act has now turned 10 years old. As we step into a new decade, it seems fitting to take stock of where we've been and where we're likely headed. While this year's election does make prognostication difficult, not every policy is polarizing and not every shift ahead is being led by the federal government. Indeed, some of the drivers of change are almost completely out of government control, including demographics, our aging population, and the poor health status of many Americans.

At this point, the private sector is poised and ready to implement many of the sweeping changes, where employers, disrupters, and consumers alike are aligned on the need to fundamentally change the way healthcare is provided and paid for. This includes the continued shift away from inpatient admissions and toward retail, digital, outpatient, and home care settings, particularly as more providers move toward population health and risk-based contracting. Moreover, with a strong economy and stock market, more baby boomers will continue to age into Medicare and retirement, causing a knowledge drain and human resource shortage, which will further cause innovation in healthcare to reduce the need for human labor and automate more tasks to machines. This article provides a list of the top 10 trends to watch and respond to this year.

1. Vertical and Horizontal Integration

Hospitals, health systems, and physician organizations will continue their horizontal expansion into new geographic areas, jettisoning lower-performing business segments in certain markets. Integration will occur through robust ambulatory expansion via new delivery sites and



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Key Board Takeaways

This year, board members and senior management will need to become "uncomfortable" and consider new innovations and strategies to respond to environmental changes and shifts in market share. Questions that should be asked include:

- Is our organization prepared to succeed in an environment of continued turbulence from care model and payment change, increased risk-sharing, and new non-traditional competitors?
- What potential financial, operational, clinical, and governance impacts should we prepare for as care models continue to de-emphasize inpatient hospital care?
- What are the strategic implications of increased numbers of Medicare fee-for-service enrollees potentially transitioning to Medicare Advantage and shared savings models in the market?
- What opportunities and challenges to physician alignment can be anticipated as payers, equity investors, and other disruptor entities potentially offer significant financial incentives to join them? What degree of vulnerability exists in our organization and in the broader market?
- Does the board understand where the transition to population health currently stands in the market, the pace of change, and the potential financial, clinical, operational, and governance impacts? (Especially consider areas such as revenues and costs, further shifts from inpatient to outpatient care, taking more responsibility for social determinants, further integrating IT/big data into clinical decision support, and traditional physician alignment disruption.)



access points (e.g., urgent care, retail clinics, ambulatory surgery centers, and imaging centers). In addition, with health plans and Medicare expanding coverage of telehealth, telehealth expansion will be augmented using mobile and digital outreach services, especially in poorer and rural areas of the country. We expect to see more partnerships or co-branding of services between community hospitals and either single-specialty or academic medical centers. Lastly, we anticipate seeing more work-site access points (e.g., Google, Apple, and other large employers).

In the boardroom:

- Take a higher-level strategic view of your hospital/health system's current and future potential competitive position and role in your marketplace. For what geography will you take responsibility? Does your strategic plan address disruptive conditions or events as opportunities? Do you view your organization as a disrupter or being disrupted?
- Do your strategies address all access modalities of care delivery, as well as consider partnerships and alliances that could expand and accelerate population health-related financial, clinical, and operational capabilities?
- Does the organization have a robust ambulatory and post-acute care strategy?

2. Consumer Focus and Experience

Consumers are demanding more from their healthcare experience. Consumers expect their needs to be met quickly, conveniently, and efficiently through Web site searches or apps. They want access to their health records, and the ability to schedule appointments, refill prescriptions, and get test results quickly and easily—increasingly digitally. Consumers want a “good

to great” experience from their healthcare provider(s). They expect easy, efficient, and convenient access to care and don't want to wait (waste their precious time). Word of mouth (text, email, tweet, post, verbal, etc.) still has a significant role to play in the patient referral process and recommendations.

In the boardroom:

- Ensure that the organization has an engaging, broad, multi-faceted, continuously changing digital and social media presence.
- Monitor competitor consumer strategies and respond quickly as required.

3. Provider Shortages Will Persist

As baby boomers retire or cut back their work schedules (delayed due to the “great recession” but now accelerating with a strong economy), turnover and vacancies will increase. This will cause hospitals and health systems to focus on employee retention and recruitment actions. This will also cause wages to begin to increase faster than inflation. The shortages may contribute to an increase in use of travelling and contingent workers, which will also cause staffing costs to go up. This will have a bigger impact on physicians as the “old school doctors” retire and are replaced by the younger “manage my lifestyle” doctors who are not, as a group, willing to put in the same number of work hours. Expect private equity to fund start-ups in the area of machines and technology that will reduce the need for and use of humans to perform work. Expect physician, nursing, and allied professional shortages to increase. The largest shortage is expected with home health aides, especially as more care is driven to homes using remote monitoring and virtual communications technology innovations.

In the boardroom:

- Proactively anticipate potential leadership voids in management as well as board members, and ensure that succession plans are in place and up to date.
- Monitor labor costs, productivity trends, and unfilled openings and retirement of staff (especially nursing and allied professionals) and ensure that strategies are in place to address them. This will include exploring use and adoption of non-human resources to increase productivity.
- Ensure that the medical staff needs assessment is current and addresses retirements and potential shortages in primary care and key specialty areas.

4. Information Technology Will Play an Even Larger Role in the Healthcare Field

The adoption of artificial intelligence (AI), blockchain, and machine learning will continue its advance as new applications are discovered. Private equity and innovators will keep pushing these technologies forward and find new and better uses to apply in healthcare. We expect that uses in the back office and revenue cycle will continue to improve and grow, while enhanced use in clinical diagnosis and treatment will come into play. The slow development of 5G will bolster integration of big data analysis and processing with remote use and telehealth and clinical use. Concern over cybersecurity will continue (fewer breaches likely, although bigger data may be affected) and efforts to defeat invasions will increase along with resources in defense. We expect growth in the use of wearables and remote monitoring. As population health and value-based care models increase, these tools will be adopted to assist with the reduction of emergency room use and active intervention with patients suffering from chronic ailments. Expect more innovation and competition from

Amazon, Google, Microsoft, Apple, and others in this area as they apply new technology uses into care delivery and respond to patients' needs and expectations.

In the boardroom:

- Ensure that a comprehensive plan is in place for a totally integrated IT infrastructure that will optimize data to improve quality, value, patient experience, and lower cost.
- Have a plan in place that addresses use of AI, machine learning, informatics, and other analytic capabilities to translate data into information to accomplish the goals above.

5. Provider Consolidation and Closures Will Continue, Albeit More Slowly

Despite baby boomers getting older and requiring more healthcare, the per capita inpatient use of hospitals will continue its downward slide from over the past 20 years, mostly as a result of fewer admissions, much less from length of stay reductions. Providers have done a very good job of reducing hospital length of stay using care protocols, hospitalists, caregivers, discharge planners, and the development of post-acute care services. The fight for market share will still be a key focal point for hospitals and health systems. The decline in hospital use directly impacts the increasing use of post-acute, ambulatory, outpatient, and home care. Health systems will evaluate the closing and repurposing of underutilized facilities to new ambulatory or post-acute use, or even housing for the homeless to address social determinants and their role in the use of healthcare resources. The smaller-size mergers may slow down, as many of these targets have already been acquired, while some of the bigger health systems will continue to explore mega-mergers with other large systems in the never-ending quest

for greater scale.

In the boardroom:

- What is your organization's vision regarding size, scale, and independence/alliance?
- Continue to monitor, assess, and address the key drivers of mergers, including insufficient access to capital, poor payer mix, service area population decline, inability to attract physicians, and lack of resources needed to compete in the market.

6. Value-Based Payment Models Continue to Grow

Medicare, along with health plans and employers, will continue to introduce payment incentives that will encourage new care models focused on improving the patient's experience and engagement, while improving value through better outcomes at a reasonable cost. Health systems and hospitals will innovate and adopt new ways of delivering care, monitor the patient's experience, and seek to continuously improve. We expect more "two-sided risk payment models" for non-capitated populations through clinically integrated networks (CINs), ACOs, bundled payments, and creation of high-value networks developed separately by both providers and payers. For health systems and hospitals that have experience in these new care models, there will be an attempt to focus on improving performance and shoring up weak spots. The move into value-based care will push right into population health initiatives and require exploring new strategies to address social determinants, including housing, transportation, and food security. This push will surface the gaps and needs in the mental health arena and require investment and partnerships to address.

In the boardroom:

- Continue to focus on improving performance in new payment models to lower costs and improve outcomes (strive for top quartile or decile), patient experience, and satisfaction. (This will be more difficult in 2020 as consumer expectations will increase and patients will have higher demands for faster response to their needs, convenience, use of digital tools, and communication.)
- Focus on delivering a value proposition that is superior to your competitors.

7. Continued Execution on Building Brand

Many organizations have realized that they need to improve their brand in the market. In other words, how does the public think of them? High quality? Expensive? The best? Fast and easy to use? Consistent care with minimal variation? State-of-the-art? Where you go if you are really sick? Boards and senior management will need to address their brand honestly as they survey the market and take realistic stock of how they stack up to competitors. For many organizations, it will take too long to improve their brand, and they will seek to co-brand with a single-specialty/disease provider or an academic medical center. The hope is to get some positive recognition that the level of care just improved at the community facility through the co-branding (which includes certain performance expectations: use of care protocols, medical directors, policies and procedures, telehealth, AI tools, etc.). The focus here is "what is the value add/proposition that we, as a community provider, get as a result of the branding strategy and partnership?"

In the boardroom:

- How does your brand awareness measure up to that of your competitors?

- Explore the potential benefits of co-branding and affiliation with partners that can accelerate and elevate your brand identity and awareness to drive preference for your services.
- If you have a strong brand, explore the potential benefits of reaching out to other organizations that could use brand-improvement assistance and that will strengthen your brand by virtue of your alignment.

8. Hospitals and Health Systems Will Remain Focused on Cost Reduction

Hospitals are facing greater price transparency pressure from the government and the public. People paying the bills want to know what their healthcare choices cost them. Price transparency is a cornerstone to the Trump administration's efforts to reduce the total cost of care. As the public's percentage of healthcare costs go up, they become more price sensitive and tend to become more educated and ask "what am I getting for my money?" Hospitals and health systems will be more vigilant on the accuracy and fairness of their prices.

In the boardroom:

- Accelerate efforts to reduce the total cost of care through using fewer resources, using less expensive resources (sites of care: home health, ambulatory, post-acute, telehealth), and buying supplies, equipment, etc. at a lower cost.

9. Inpatient Decline and Growth in Outpatient and Home Health

Two-sided risk and value-based payment methods will force the continuation of the per capita decline in inpatient admissions and readmissions. The length of stay (LOS), which has been reduced through the efforts of nurses and physicians for years, has hit a saturation point where there is little room to improve. Physicians, through incentives, have become more engaged in the cost of care and seek to maximize their value to patients. Look to new entrants such as CVS and Amazon, Google and Ascension, Haven, Apple, and others to enter the market with a focus on reducing costs and improving value.

The decline in use of hospitals will push trend #5 above, and could force mergers, closures, and the repurposing of facilities to alternate use.

In the boardroom:

- Assess the potential of disrupters in your service area to siphon off patient revenue and volume.
- Assess new care models and potential expansion of value-based care initiatives as a new source of revenue.
- Do you have a robust ambulatory strategy that addresses niche markets and micro-consumer segments?

10. Healthcare Costs Will Climb

Healthcare costs are expected to rise about 6 percent (versus about 2 percent for inflation and 3 percent

in wage growth) in 2020, about the same as 2018 and 2019. This increase is occurring despite the hard-fought efforts to reduce costs by health plans, consumers, providers, and clinicians. The increase in healthcare costs is attributed to costs of new technology, new treatments, new drugs, new procedures, the public wanting immediate access to diagnosis and/or treatment (many nations with lower costs limit/delay access to care), and unhealthy lifestyles and health status. Continued diligence by all parties is needed to reign in the spiraling cost of care.

In the boardroom:

- Does your strategic plan assertively embrace population health strategies as well as responsibilities for social determinants of health?
- Are you partnering with other organizations to coordinate activities around social determinants?

Conclusion

In 2020, governing boards and senior leaders of hospitals, health systems, and medical groups will need to think differently, plan differently, deliver care differently, and act with a greater sense of urgency than in the past. The outcome of the 2020 election will have little impact on healthcare in 2020 through 2021. Nevertheless, change is happening, and further change is inevitable. The organizations that are willing to depart from the status quo, take prudent risks, and embrace new technologies and methods of care financing and delivery will be those that survive and thrive into the future.

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