

# FUTURESCAN™

Healthcare Trends and Implications

## 2018-2023

Society for Healthcare Strategy & Market Development  
American College of Healthcare Executives

## ***Futurescan 2018–2023 focuses on:***

- The future of value-based care
- What's next in healthcare consumerism
- The importance of healthcare cybersecurity
- How providers can advance health equity
- The transformation of emergency care
- Healthcare facilities of the future
- The emerging role of employers in healthcare
- Trends in provider-sponsored health plans

# THE VALUE OF PERSPECTIVE

**Mike Leavitt**

Founder and General Partner, Leavitt Partners

## THE ISSUE

The nation is 40 years into a 40-year transformation period for healthcare. Although politics dominates much of the current landscape, the mandate to change is profoundly economic.

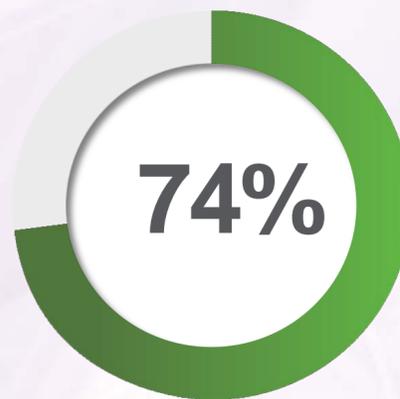
## Key insights:

- Healthcare reform is being driven primarily by financial factors, as the nation's medical system consumes an increasingly large share of the federal budget.
- The fee-for-service system creates the wrong incentives; takes a narrow rather than a holistic view of patients' health; and prevents providers from delivering effective, coordinated care.
- Although politicians, government and private payers, and state innovations will have influence, they are unlikely to alter the shift to value-based care.
- The overarching goal of lowering costs and improving quality will remain paramount.

## New models of care are showing signs of growth and progress.

- The number of accountable care organizations (ACOs) increased from 890 with less than 30 million covered lives in 2016 to 923 with more than 32 million covered lives in 2017.
- Centers for Medicare & Medicaid Services data show a number of hospitals have met the requirements of the agency's hip and knee replacement bundled-payment programs and received financial rewards.

### WHAT HOSPITAL EXECUTIVES ANTICIPATE BY 2023



SAY IT IS AT LEAST SOMEWHAT LIKELY THAT 10 PERCENT OR MORE OF THEIR PATIENTS WILL BE COVERED BY RISK-BASED BUNDLED-PAYMENT AND POPULATION HEALTH CONTRACTS.



**As the shift from volume to value gains momentum, healthcare financial analysts are cautiously optimistic the trend will enable providers to improve the cost and quality of patient care.**

### **Leaders must take these steps to position hospitals and health systems for success under healthcare reform:**

- Overcome barriers to change, especially the lack of readiness to manage patient populations in new ways.
- Adapt to MACRA by moving affiliated providers into advanced alternative payment models, where they will receive larger annual payment updates, qualify for bonuses, and be exempt from MIPS reporting.
- Partner with community groups to address mental health care, population health, and other issues.
- Embrace new models of care, and facilitate the transition by engaging physicians, management teams, and staff.

# CONSUMERISM IN HEALTHCARE: THE NEXT CHAPTER

**Richard L. Gundling**

Senior Vice President of Healthcare Financial Practices,  
Healthcare Financial Management Association

## THE ISSUE

**Increasingly, a patient's financial experience is an important element of his or her overall healthcare encounter, one that affects not only patient satisfaction but also attitudes toward providers.**

## For hospitals and health systems, there is work to be done:

- Patients now expect providers to offer the same financial experience they enjoy with retailers. But, too often, they find it complex and confusing.
- Surprise medical bills are a major source of frustration and unanticipated medical debt for consumers.
- Concerns about prices, affordability, and out-of-pocket expenses are significant dissatisfiers for many Americans and threaten to erode their trust in healthcare organizations.

**The trend toward consumerism continues to pick up steam:**

As insurers and employers shift consumers into high-deductible plans and force them to pay more of their medical expenses out-of-pocket, there is an increased incentive to “shop” for healthcare.

Despite a growing emphasis on price transparency in recent years, patients still have trouble obtaining user-friendly information about the cost and quality of healthcare.

### To prepare for the new environment, leaders should:

- Pay increased attention to consumers as healthcare decision makers and purchasers of care.
- Provide patients with price and quality information that is accurate, timely, and easy to understand.
- Develop simplified billing practices that are more consumer-centric.

- Train billing and frontline staff to help patients understand their financial responsibilities for care and provide empathetic guidance on payment options.
- Inform patients about the risk of surprise medical bills, and take steps to reduce the risk.

#### WHAT HOSPITAL EXECUTIVES ANTICIPATE BY 2023



BELIEVE IT IS SOMEWHAT TO VERY LIKELY THEIR ORGANIZATION WILL ESTABLISH A STRATEGIC GOAL TO IMPROVE PATIENTS' FINANCIAL EXPERIENCE.

# HEALTHCARE'S MOMENT OF CYBER RECKONING

## **John Riggi**

Head of Cybersecurity and the Financial Crimes Unit,  
BDO Consulting

## **Patrick Pilch**

National Co-leader,  
BDO Center for Healthcare Excellence and Innovation

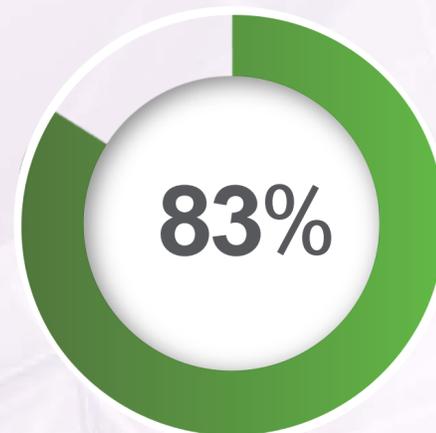
## THE ISSUE

**Cyberattacks are a growing threat for all industries, but the healthcare field is especially at risk.**

## Why healthcare is so attractive to cyber criminals:

- The industry handles personal health information, personally identifiable data, and payment information.
- Most healthcare organizations lack resources devoted to cybersecurity.
- Hospitals and other care settings have a vast array of vulnerable internet-connected devices.
- Many providers still rely on older IT systems with few protections against cyberattacks.
- While other sectors have aggressively upgraded security controls, healthcare has often lagged behind.

### WHAT HOSPITAL EXECUTIVES ANTICIPATE BY 2023

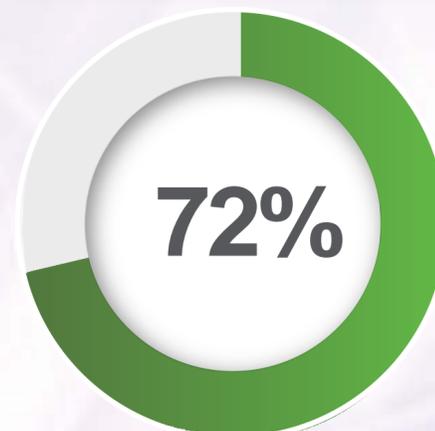


PREDICT IT IS SOMEWHAT TO VERY LIKELY THAT A PROVIDER IN THEIR AREA WILL EXPERIENCE A CYBERATTACK INVOLVING THE THEFT OF PATIENT DATA.

### As cybersecurity risks continue to grow, hospital and health system leaders should develop a security program that includes:

- Providing specialized training to employees.
- Identifying and correcting IT system vulnerabilities.
- Being vigilant about monitoring threats.
- Ensuring the organization's cybersecurity insurance is adequate.
- Developing a crisis communications plan.

#### WHAT HOSPITAL EXECUTIVES ANTICIPATE BY 2023



ARE VERY LIKELY TO INCREASE THEIR INVESTMENT IN ADVANCED CYBERSECURITY DEFENSE TECHNOLOGY.

DISMANTLING DISPARITIES:  
HOW HOSPITALS AND HEALTH  
SYSTEMS CAN ADVANCE  
HEALTH EQUITY

**Eugene A. Woods, FACHE**

President and Chief Executive Officer,  
Carolinas HealthCare System

## THE ISSUE

Healthcare disparities function together with social determinants of health in a complex and devastating equation for many Americans. By working to counteract these forces, providers can move the needle toward better health equity.



## The human toll of health disparities is enormous. Consider the following:

- Native American adults have a higher incidence of diabetes than any other race or ethnicity in the United States.
- African American babies are more than twice as likely as white babies to die before their first birthday.
- The opioid epidemic has caused heroin use among white males to surge higher than in any other group.



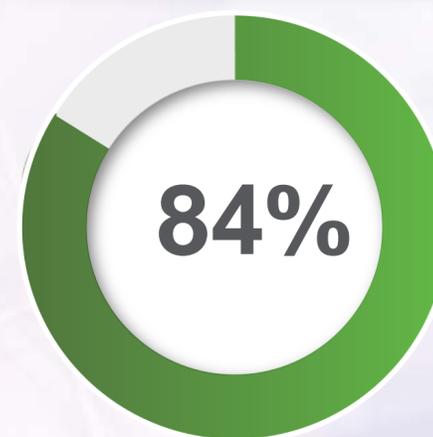
**Fortunately, the shift from volume to value is enabling hospitals and health systems to make progress.**

- Patients are deriving more benefit from their healthcare—both in financial terms and in impact on their health.
- Providers are able to better coordinate patient care and achieve greater efficiencies across the care continuum.

### To make further strides, healthcare leaders need to leverage the latest trends driving advances in health equity.

- Incorporate health equity goals and outcome measures into their organization's strategic plan to send a clear message about its importance.
- Collaborate with community partners to address broader issues that directly and indirectly affect the health of populations and community members.

#### WHAT HOSPITAL EXECUTIVES ANTICIPATE BY 2023



SAY IT IS SOMEWHAT TO VERY LIKELY THEIR ORGANIZATION WILL HAVE INCORPORATED HEALTH EQUITY INTO ITS STRATEGIC PLAN.

- Collect and use relevant data to address disparities in care.
  - Patient information on language, race, ethnicity, geography, payer-mix, clinical quality, patient experience, and social determinants of health
  - Data from community health needs assessments and other outside sources that offer a broader view of the population served
- Take steps to ensure the workforce reflects the racial, ethnic, and cultural makeup of your service area.
- Provide employees with training to help them deliver culturally competent care.
- Use influence with local and state legislators to enact positive healthcare policy changes.

# THE TRANSFORMATION OF EMERGENCY CARE IN THE UNITED STATES

**James J. Augustine, MD**

Member, Board of Directors,  
American College of Emergency Physicians



## THE ISSUE

Perhaps nowhere is the transformation of healthcare happening faster and more dramatically than in emergency medicine.



# EMERGENCY

## The future of emergency care is being shaped by:

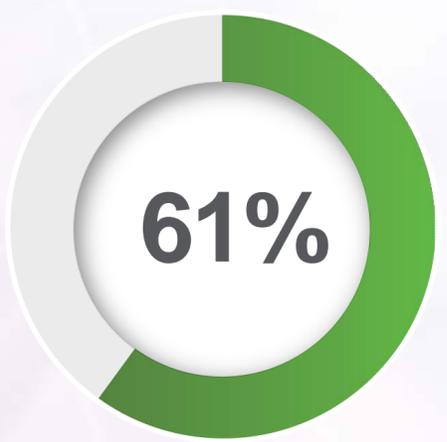
- Changing consumer expectations
  - Patients are increasingly demanding emergency care when and how they want it.
- Pressure on medical costs
  - Commercial and government payers are focused on reducing utilization of hospital-based emergency departments.

## As a result of these market forces, alternatives to traditional emergency departments are flourishing:

- Urgent care centers
- Walk-in clinics
- Freestanding emergency departments
- Microhospitals
- Telemedicine

Despite the increased competition, hospital emergency department volumes have continued to grow about 2.5 percent annually, and that trend is expected to continue.

WHAT HOSPITAL EXECUTIVES ANTICIPATE BY 2023



BELIEVE IT IS SOMEWHAT TO VERY LIKELY THAT PATIENT VOLUMES IN THEIR HOSPITAL-BASED EMERGENCY DEPARTMENT WILL INCREASE BY MORE THAN 10 PERCENT.

### **Succeeding in emergency care in the age of consumerism, heightened cost pressures, and increased competition will require leaders to:**

- Proactively explore new models for offering and enhancing the quality, cost, and timeliness of emergency care.
  - Is the best strategy to compete, collaborate, or innovate?
- Determine how best to structure hospital-based emergency departments to address changing market forces and projected increases in volume.
  - What changes need to be made in services, processes, facilities, and the delivery of care to adapt to the new environment?

# A GLIMPSE INTO THE FUTURE OF HEALTHCARE FACILITIES

**Don King**

President, Donald King Consulting

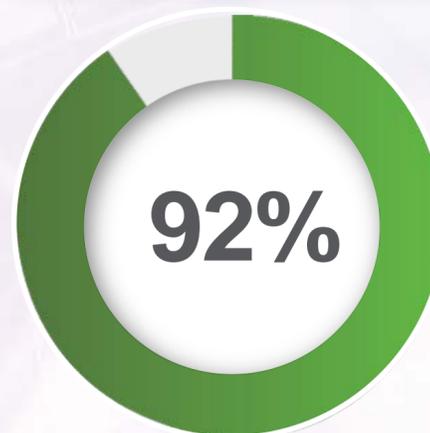
## THE ISSUE

The transformation of healthcare is requiring providers to reengineer and reimagine medical facilities in ways that will profoundly affect where care is delivered in the future.

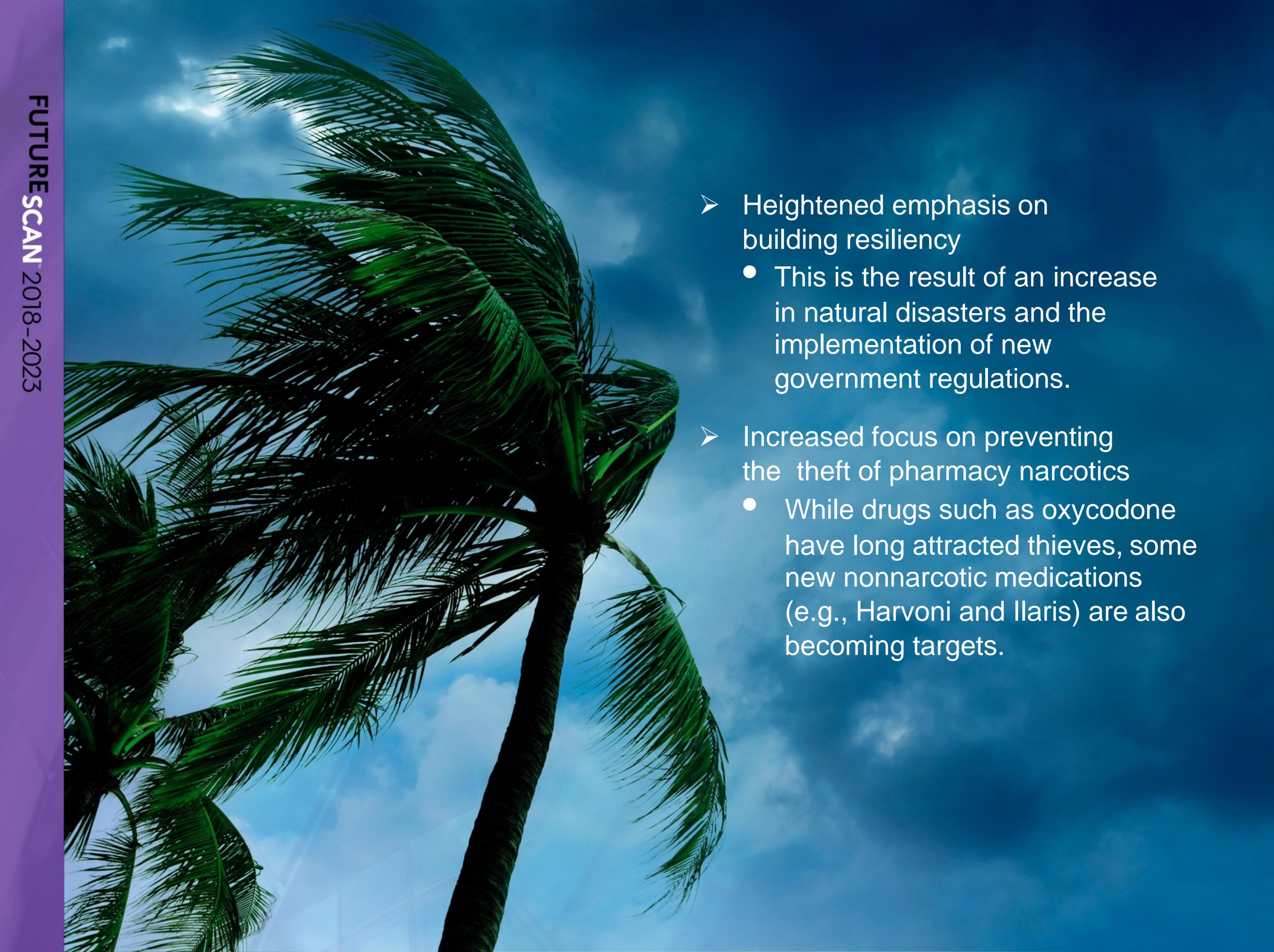
## Trends in healthcare facilities and facilities management:

- Movement away from the hospital-centric model of care delivery
  - More health systems are acquiring or renting off-site locations and repurposing existing hospitals.
- Greater attention to patient and caregiver safety and security
  - Providers are increasing efforts to address these critical issues.

### WHAT HOSPITAL EXECUTIVES ANTICIPATE BY 2023

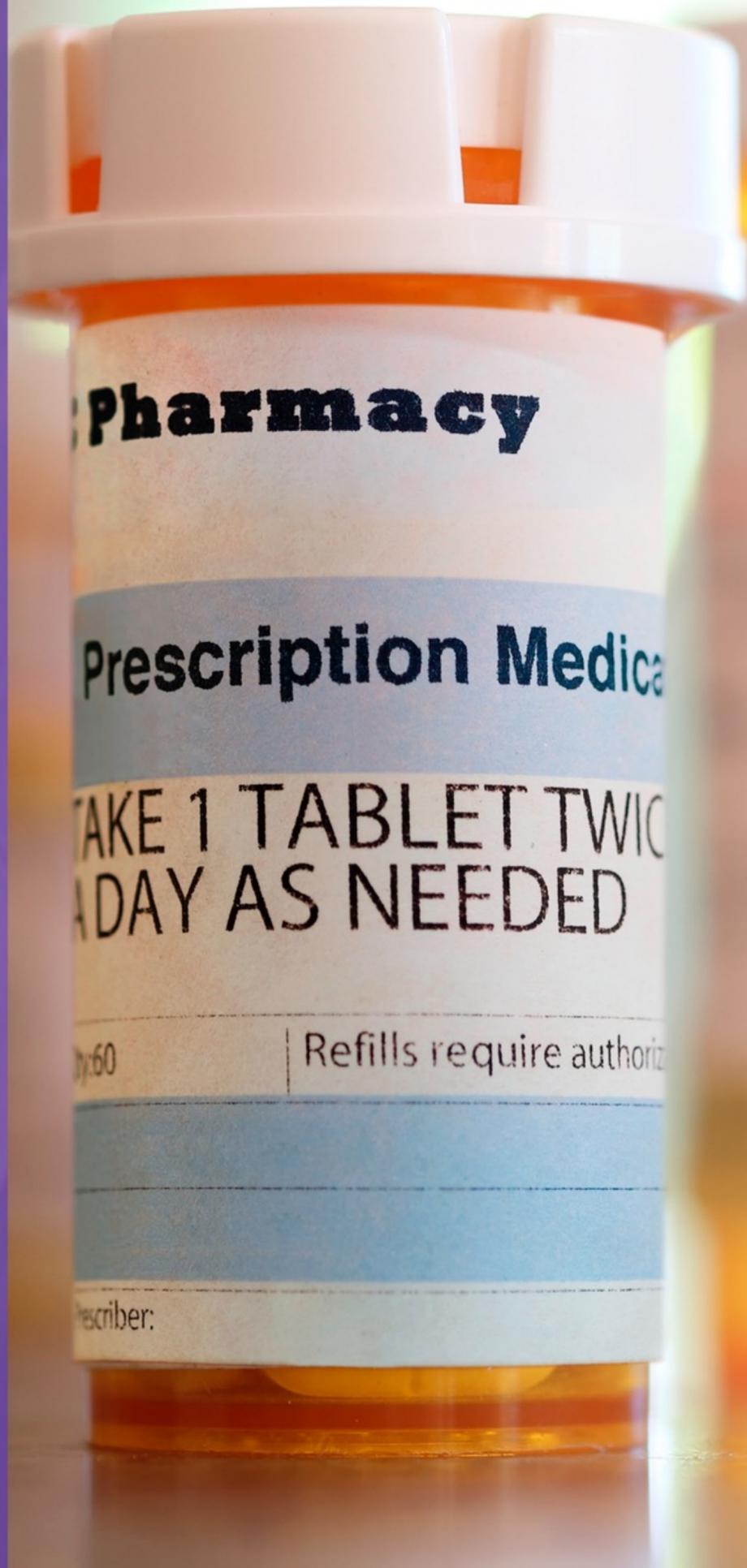


SAY IT IS SOMEWHAT TO VERY LIKELY THEY WILL MAKE CAPITAL INVESTMENTS TO REDESIGN OR EQUIP EXISTING FACILITIES IN WAYS THAT IMPROVE PATIENT AND STAFF SAFETY.

- 
- Heightened emphasis on building resiliency
    - This is the result of an increase in natural disasters and the implementation of new government regulations.
  - Increased focus on preventing the theft of pharmacy narcotics
    - While drugs such as oxycodone have long attracted thieves, some new nonnarcotic medications (e.g., Harvoni and Ilaris) are also becoming targets.

### To address these trends, healthcare executives should take the following action steps:

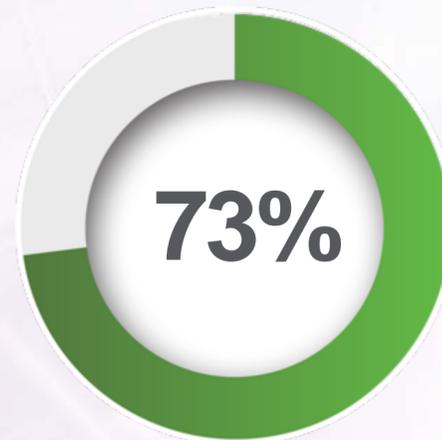
- Consider whether renting or acquiring former commercial space to house off-site outpatient services makes sense for your organization.
  - But be aware that renovating former retail stores is not necessarily less expensive than new construction.
- Health systems closing or relocating hospitals should consider repurposing vacated buildings and open land to house clinical services that are better suited to the area.
  - These spaces could also be transformed by third-party developers into retail-based healthcare complexes.



- Hospital-based and off-site pharmacies need to take greater precautions to avoid the theft of valuable drugs.
  - This means increasing investment in security cameras and alarms, and updating or upgrading IT systems.
- Providers should be proactive in protecting the safety and security of patients and caregivers.
  - Injury and violence prevention are at the top of the priority list.

- Hospitals in areas at risk for hurricanes, storm flooding, and wildfires need to improve the resiliency of their facilities to prepare for these disasters.
  - This includes examining structural designs, having adequate backup emergency generators, installing storm-resistant roofs and windows, and safeguarding IT systems.

WHAT HOSPITAL EXECUTIVES ANTICIPATE BY 2023



BELIEVE IT IS SOMEWHAT TO VERY LIKELY THEIR ORGANIZATION WILL HAVE MADE CAPITAL INVESTMENTS TO ENHANCE THE RESILIENCY OF THEIR FACILITIES.

# PURCHASER PRESSURE: THE EMERGING ROLE OF EMPLOYERS IN DRIVING VALUE IN HEALTHCARE

**David Lansky, PhD**

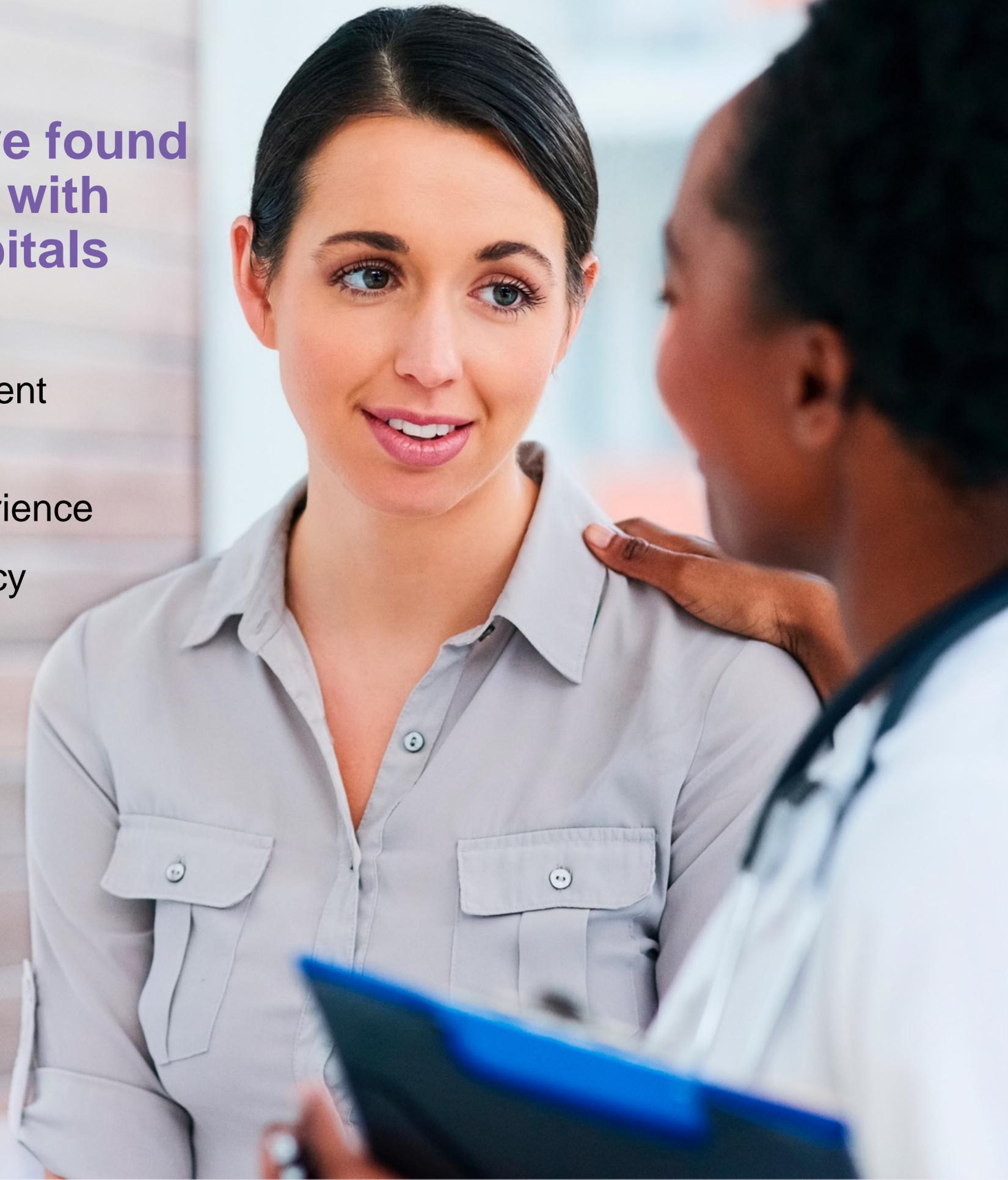
President and Chief Executive Officer,  
Pacific Business Group on Health

## THE ISSUE

**As medical costs consume a larger share of businesses' profits, self-funded employers and public purchasers of health insurance are becoming more aggressive in direct contracting with providers.**

## Many employers have found that working directly with physicians and hospitals allows them to:

- Improve the quality of patient care and outcomes
- Enhance the patient experience
- Increase price transparency
- Steer employees to narrow provider networks
- Manage costs more predictably



## What's the forecast?

- The trend toward direct contracting will continue to gain traction, but growth is likely to be slow and inconsistent across the country.
- There will likely continue to be strong interest in direct arrangements with ACOs, as well as increased use of episode-based payments and direct contracts for certain types of specialty care.

### WHAT HOSPITAL EXECUTIVES ANTICIPATE BY 2023



INDICATE IT IS SOMEWHAT TO VERY LIKELY THAT AT LEAST A TENTH OF THEIR TOTAL REVENUE WILL COME FROM DIRECT CONTRACTS WITH SELF-FUNDED EMPLOYERS.

**Over the next five years,  
employer-driven contracts  
are likely to have several  
common features:**

Companies are looking for providers that can help them promote the overall well-being of employees.

Businesses will increasingly select hospitals and health systems on the basis of quality, outcome, cost, and utilization data.

Employers' direct contracts with healthcare organizations will be built on new reimbursement models and new approaches to consumer incentives.

### As businesses assume a larger role in healthcare, providers must prepare by:

- Determining their readiness to take on risk and/or offer bundled pricing.
- Engaging with employers to identify their healthcare needs and the incentives they're willing to offer employees to enroll in new networks.
- Demonstrating their commitment to value using economist Michael Porter's formula for healthcare:

$$\text{Value} = \frac{\text{patient health outcomes}}{\text{total cost of care}}$$

- Collaborating with other organizations to support accountable care and promote community health.

PROVIDER-SPONSORED PLANS:  
CURRENT TRENDS AND  
STRATEGIC IMPLICATIONS FOR  
HOSPITALS AND HEALTH SYSTEMS

**Paul H. Keckley, PhD**

Managing Editor, The Keckley Report

## THE ISSUE

As healthcare reform continues to push providers to adopt new models of care and reimbursement, a growing number are sponsoring their own health insurance plans.



## Consider the following:

- The number of provider-sponsored plans (PSPs) increased 5 percent from 2015 to 2016, and enrollment grew nearly 11 percent.
- More organizations that operate PSPs are offering management and other support services to hospitals and health systems launching plans via joint operating agreements.
- Private insurers have created numerous partnerships with hospitals through joint ventures and joint operating agreements to establish PSPs.

## Research on PSPs

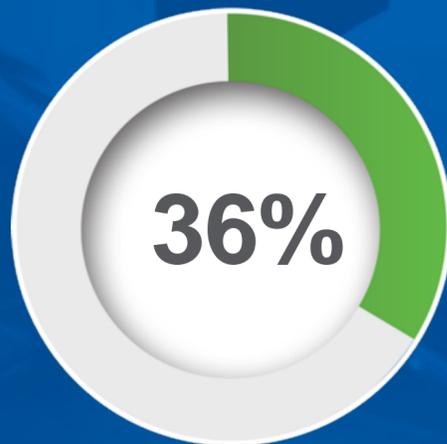
- Recent studies have probed the effectiveness of PSPs, with the majority showing mixed results at a substantial cost to their organizations.
- Successful PSPs have large enrollments, low administrative costs, and aggressive utilization controls, but fewer than one in ten have achieved these advantages.



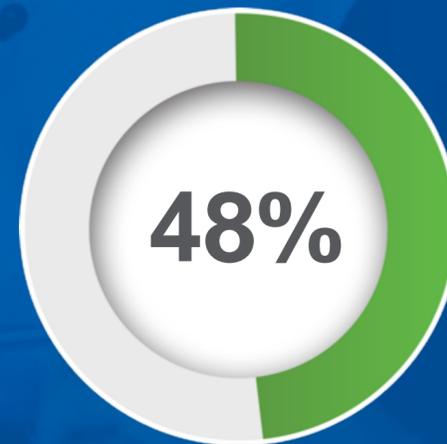


WHAT HOSPITAL EXECUTIVES ANTICIPATE BY 2023

Although the number of PSPs is on the rise, the majority of hospital and health system leaders remain skeptical due to strategic risks and regulatory questions.



SAY THEY ARE SOMEWHAT TO VERY LIKELY TO BE LICENSED TO SELL THEIR OWN INSURANCE PRODUCT.



SAY THEY ARE SOMEWHAT TO VERY UNLIKELY TO DO SO.

### What strategy makes sense for your organization?

- Providers that already sponsor plans should focus on enrollment growth and benefit design innovation, while paying special attention to contracting opportunities with Medicaid and Medicare.
- Providers in markets with the following conditions should explore options for launching a PSP strategy:
  - Unnecessary utilization and avoidable costs are high.
  - The scale and scope of hospital services are adequate to support large-scale population health management.
  - The likelihood of retaliation by private insurers is low.

- For those in markets where it does not make sense to sponsor a PSP, participation in shared-risk arrangements with payers will be increasingly important.

Optimal performance requires:

- Investments in care coordination
- Tightening of physician and post-acute care networks
- Surveillance of insurer actions that might enhance or destabilize long-term viability

# CONCLUSION



An aerial photograph of a winding asphalt road that snakes through a dense forest. The trees are in full autumn foliage, displaying a rich palette of yellows, oranges, and browns. The road has white dashed lines and a solid white edge. A few vehicles, including a car and a motorcycle, are visible on the road. The overall scene is serene and scenic.

**In the new environment,  
leaders must stay abreast of  
the trends highlighted in *Futurescan*  
to successfully move ahead on  
the long road toward value-based healthcare.**

## QUESTIONS FOR DISCUSSION

- What issues or trends identified in this year's Futurescan are most likely to affect our organization?
- How are we addressing them?
- Are there any additional issues or trends that we should be strategically monitoring or addressing?
- Of all the issues identified, which should be the top three to five priorities we focus on over the next several years?
- How should we address these priorities in our organizational strategic plan?
- What should we as a board do to stay abreast of key healthcare issues and trends moving forward?



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