Trustee Insights

TOP 10 TRENDS
to Watch (and Act Upon) in
2020

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Beyond election-year dialogue, which will continue to place health care front and center, what should health care system trustees be watching in 2020? In some cases, what may seem routine trends will require more innovative and bold solutions, and some ground-breaking trends may indicate "watchful waiting."

The Fundamentals

Don't be fooled if these seem "ordinary." Solving the challenges that some of these ongoing trends present may require bold thinking and creative solutions to achieve the kind of impactful and sustainable results that this environment requires.

① Economic Pressures

For many, the continual financial pressures created by expenses rising faster than revenues will be all-consuming. A slowing economy, or worse, a recession, could pose new challenges, including shifting payer mix to increased Medicaid or uninsured patients as well as deferred elective care. The continued growth of high-deductible health plans will require an attentive point-of-service collections process and a thoughtful pricing strategy. With relentless capital needs for IT infrastructure and replacing/expanding facilities, a focus on margin improvement will be critical. Pharmacy cost management will

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💬 TRUSTEE TALKING POINTS

- Routine trends present challenges that may require more creative solutions to effect sustainable change.

- Fundamental trends include ongoing economic pressures, rising consumer expectations, an evolving workforce and continued movement toward value-based payment.

- Acceleration of telemedicine, virtual care and advances in biotechnology, diagnostic equipment and analytic and digital tools have the potential for dramatic impact.

American Hospital Association™
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www.aha.org | January 2020

be top of nmind, as the volatility of drug costs can create surprises in managing expenses. Taking a new look at ways to optimize human and capital resources through re-engineering care delivery and leveraging technology effectively will be necessary, as "the low-hanging fruit" of prior cost-reduction efforts has likely been plucked. A renewed focus on ways to reduce waste and unwarranted care variation through integrating data and analytics with lean processes and team engagement will require strong leadership. The call to make health care more affordable will be loud and continuous, as will the need to challenge traditional approaches and solutions to yield sustainable cost reduction that maintains or improves patient outcomes.

Trustees Should Discuss: Does current operating performance match the expectations built into your long-term financial plans and target bond ratings? That is, does your current cash flow generate the cash required to fund current and anticipated capital needs? If not, what actions are being taken to address costs and revenue growth? Have previous improvement efforts been sustained? How does the organization foster an environment that encourages new thinking and bold solutions that position it for future success?

2 Consumer Expectations

Rising consumer expectations of a multicultural/multigenerational demographic coupled with an aging population will continue to create both opportunities and threats to traditional health systems. Health care consumers seeking accessible, affordable and Amazon-like experiences will be attracted to the many new entrants that seek to fill that void. These will include technology-based companies, new primary care models, national providers of outpatient surgery and imaging, and hospital-at-home providers, all leveraging an ability to test new models of care, unencumbered by the politics and complex decision-making (and fixed costs) of a large hospital or health system.

As the population ages, keeping a watchful eye on Medicare payment policies as well as continuing to improve the coordination of care across the continuum for patients with complex, chronic conditions must be a priority for all health systems. Implementing strategies and working with other community organizations to address mental health and health issues caused by poverty and hunger or malnutrition also must receive attention from health system leaders; the overuse of emergency departments and overlong hospital stays are often due to these issues and can best be addressed through influencing social determinants of health.

Trustees Should Discuss: Who are the nontraditional competitors in your market and how is your organization addressing consumer expectations? How is the organization poised to succeed under Medicare payment models? How are care delivery models adapting to address patients with multiple chronic conditions? What community needs beyond medical care does your community health needs assessment identify – e.g., housing, poverty, hunger, mental health — which your health system can address either directly or through community partners?

3 An Evolving Workforce

As a field that is primarily dependent on human resources to deliver services, attention must be paid to an evolving workforce. With high demand for physicians of many specialties, especially primary care, to serve in various roles across the health care sector beyond direct patient care, health systems will have to refresh recruitment approaches and evaluate retention strategies. This also holds true for most clinical and technology roles: Health systems must provide a workplace that is appealing to a multigenerational and multicultural workforce seeking flexible work hours, multiple venues for learning, competitive wages and benefits, and opportunities for advancement.

Union activity will continue to put pressure on organizations to engage employees in effective ways. This will put additional economic pressure on hospitals, so going beyond productivity monitoring will be required to assure individuals are working "at the top of their license" in efficient ways. Stress over concern that artificial intelligence (AI) will replace jobs must be replaced with strategies to effectively use AI to reduce the stress of boring, repetitive tasks. Effective change management leadership also will be paramount as "change fatigue" can impact morale, not to mention patient care, across the enterprise.

Trustees Should Discuss: Does your organization have a well-defined human resources strategy that incorporates all elements of the human capital value chain and their interrelationships: recruitment, performance management, compensation and benefits, learning systems, productivity management, leadership development? Does the strategy anticipate more changes in the future to the roles of care team members across the continuum — serving patients in their homes, through virtual technology, as well as in traditional settings? In what areas are vacancies (or overuse of agency or overtime pay) most severe, and what recruitment or retention strategies are being deployed to address the challenge? Has the health system played an active role in working with academic institutions and educational resources to promote the training of individuals at all skill levels in creative ways? What is your organization's leadership development and succession plan?

Shifting Sands

Market movement in the following areas is highly variable, depending on your state, region or town. But they remain highly impactful and require constant observation to avoid missing signs of rapid change.

4 **Value-Based Payment**

Despite some fits and starts, the ongoing march to value-based payment will continue through 2020 and beyond. While no payment mechanism has yet to become a panacea, most payers continue to move away from "vanilla" fee-for-service to an expectation that value be demonstrated by cost savings and improved quality. Medicare Advantage plans already cover 35 percent of individuals eligible for Medicare across the country, and enrollment continues to grow at a steady pace year over year. Many Medicaid plans are organized around HMO-like structures with defined provider networks and, in some cases, at-risk payment models.

Watch for increasing activity of employers in your market to contract directly with providers for certain specialty services (e.g., Amazon with City of Hope for cancer care) or to take risk for total cost of care. Payers such as UnitedHealth (through Optum) and many Blue Cross Blue Shield plans are developing their own provider networks. Health systems with a blind eye to changes in payer strategies run the risk of being marginalized.

All of these trends require increased collaboration and data sharing between physician organizations (either employed or affiliated groups) and hospitals — and physician leadership to drive the necessary changes in care models to effect value-based care delivery.

Trustees Should Discuss: What is the health system's payer strategy to address commercial, Medicare and Medicaid trends in your region? How is the organization fairing under the current value-based payment structures? How "healthy" are hospital-physician relationships to drive improvements in care across the continuum? What opportunities exist to work directly with employers both within and outside your community?

5 **Regulatory Changes**

Health care is one of the most highly regulated fields in the U.S., so keeping a pulse on federal and state regulatory changes is crucial. Current "hot buttons" revolve around price transparency (beyond just posting your charge master), site-neutral payments and drug costs. Nationwide shifts to single-payer or public options will receive a lot of talk but no action this election year. Site-neutral payments go beyond CMS policies: Many health plans (e.g., Anthem, United) have instituted payment policies requiring pre-authorization and potentially disallowing payment for certain surgical or imaging procedures in hospital-based settings.

Whether mandated or not, being ready for retail medicine by enabling technology and simplified pricing structures to provide consumers accurate information about their potential out-of-pocket costs will be a competitive advantage. Be alert to changes in state-specific Medicaid policies; shifts in coverage, payment models and rates can be severe depending on stresses on state budgets and the political climate.

Trustees Should Discuss: How is your organization prepared for pricing transparency? What is its strategy to respond to site-neutral payments for outpatient care? Does it have a competitive outpatient network — inclusive of outpatient surgery and imaging services? What do you anticipate at the state level in terms of regulatory changes or shifts in Medicaid policies?

6 Growth of Outpatient and Post-Acute Care

The growth of outpatient and post-acute care is not new, but it is receiving greater attention as competition heats up and financial performance is scrutinized. Virtually all health systems continue to grow their physician enterprise, either through acquisition of physician practices or through contracting in clinically integrated networks. But there is also a plethora of primary care and specialty care models that are either privately funded (e.g., Oak Street Health, One Medical) or sponsored by large public companies (CVS, Walmart) that are expanding rapidly across the country. This will put pressure on health systems to assure that their outpatient strategy is competitive in terms of patient service, affordability and care coordination, and provides facilities and other resources attractive to physicians and other clinicians.

Likewise, the high demand for post-acute care, given the aging of the population and push for "right care/right place" has fostered the expansion of a variety of post-acute providers and venues of care, including hospital care at home. Many health systems are finding that partnering with organizations that specialize in rehab, skilled nursing and home care is more feasible than operating their own post-acute services. But setting up service-level agreements and assuring smooth transitions of care still require the constant attention of health system leaders.

Trustees Should Discuss: How is your outpatient network poised to compete with the likes of CVS and Walmart? Is its financial performance sustainable, and how easy is it for prospective patients to access your services? Do you have a post-acute strategy that assures patients can move seamlessly across the continuum of care and receive care consistent with your health system's standards?

7 Health System Complexity

Health system complexity will continue to increase. Whether your organization is a single community hospital or a multihospital, multidimensional system serving multiple states, external trends demand that health systems operate effectively across the care continuum and across multiple functions. Your organization could play a role as a payer, technology/innovation accelerator, clinical research resource, educator and professional training site as well as a care provider in acute, post-acute, outpatient, virtual and retail care.

The sheer complexity of running the information technology or analytics function for many health systems is daunting, let alone the revenue cycle process for so many different care venues and payment models. This level of complexity demands new types of leaders and approaches to leadership. It also requires organizations to determine what they can and should do alone and where partners can bring expertise and focus. Even more importantly, hospitals and health systems must articulate a clear vision of the organization they aspire to be, and what they will (and will not) do to achieve that goal.

Trustees Should Discuss: Do our strategies and actions match our stated vision? What degree of transformation is required to get us there? Do we have the right leaders or leadership approach to get us there? Has organizational structure and function matured consistent with the size and scope of the health system? Is our governance structure and function geared to lead the current and future health care enterprise?

Revolutionary Potential

While not new, many of these trends are gaining traction quickly — how dramatic will the change be in your environment? Close monitoring and, in some cases, advancing the application of these disruptive elements warrant attention for organizations to remain relevant as the future unfolds.

8 Telemedicine and Virtual Care

Telemedicine and virtual care have come of age. They have moved from the pilot stage and use in select areas to being a key consideration for virtually every service — from primary care to intensive care. For many health systems, telemedicine and virtual care are still viewed as a care model in its infancy, but many of the new entrants leverage the convenience of telemedicine and virtual care to attract consumers and create loyalty. They also provide a critical linkage with many specialty services for rural providers.

For example, voice recognition in the hospital and home setting is growing and assisting patients with everything from adjusting the temperature in their hospital room to contacting their care manager from home. Wearables (think Apple watch) that track key health indicators (EKG) as well as using cell phone apps to manage chronic care and leverage behavior modification tools have been and will be widely promoted. The only holdup will be the pace at which payment models keep up with these digital and virtual advances.

Trustees Should Discuss: What is your health system's plan to adopt and scale the use of virtual technology? Has it gone beyond the pilot stage to being a routine way that care is delivered for appropriate services? How are wearable technologies or cell phone apps being incorporated into chronic care pathways — or when is the timing right for that?

9 Biotechnology and Clinical Advances

Biotechnology and clinical advances continue to incorporate precision health concepts. Many of the most advanced are primarily provided in academic medical centers (e.g., CAR T-cell therapy), but genomics is being applied in many settings to take population health to a new level. Diagnostic equipment is becoming more portable (hand-held devices) and increasingly incorporates AI (imaging equipment), which changes both the venue and role of clinicians in using the equipment.

With organizations like Apple and Google increasing their role in medical research, leveraging their powerful analytic engines, traditional clinical research organizations may either be challenged or will need to find new partners to accelerate research efforts.

Trustees Should Discuss: How do our medical staff approval processes and care pathways consider new therapies or diagnostic approaches? Do we have a strategy to work with academic medical centers to extend the reach of research and/or new therapies into the community setting? How are we considering genomics in our care delivery approaches? Have we set priorities to focus philanthropy on the most critical research efforts?

10 Advanced Analytic and Digital Tools

Blockchain, AI and other analytic and digital power have the potential to create new levels of efficiency in traditionally cumbersome processes — for example, in revenue cycle. But in many cases, these applications are just

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TRUSTEE TAKEAWAYS

Board discussions in the year ahead should address both routine and disruptive trends.

- How does our organization foster an environment that encourages new thinking and bold solutions that position it for future success?
- What needs beyond medical care does our community health needs assessment identify — housing, poverty, hunger, mental health — which our health system can address either directly or through community partners?
- Does our organization have a well-defined human resources strategy that incorporates all elements of the human capital value chain and their interrelationships: recruitment, performance management, compensation and benefits, learning systems, productivity management, leadership development?
- How is our organization faring under current value-based payment structures?
- Is our organization prepared for pricing transparency?
- How is our outpatient network posed to compete with nontraditional competitors such as CVS and Walmart?
- In what ways are wearable technologies or cell phone apps being incorporated into chronic care pathways?
- Do our medical staff approval processes and care pathways consider new therapies or diagnostic approaches?
- How are we leveraging technology and analytics to make business decisions, drive clinical decisions and improve efficiencies?
- Is our governance structure and function geared to lead the current and future health care enterprise?

emerging and are still waiting to be unleashed in significant ways. At the same time, organizations that seize the power of some of these advanced digital tools could be the game changers in both reducing administrative costs and driving out waste.

Partnering with technology companies that are working on these applications could be an opportunity or a distraction for hospitals and health systems. Determining the organization's readiness to radically transform key functions will be critical, but in any case, leveraging the potential of advanced analytics in your organization is a first step. Most leaders acknowledge their current dilemma: being data rich and insight poor. Improving basic business intelligence across the organization is fundamental to understanding both current performance and shedding light on opportunities for redesign.

Trustees Should Discuss: How are we leveraging technology and analytics to (1) make business decisions; (2) drive clinical decisions; and (3) improve efficiencies? What are our plans to embrace AI within the organization? Should we be partnering with others to see how we could transform key functions like revenue cycle or population health management?

Conclusion

Health care remains a tornado of change due to the many demands from all stakeholders: Consumers demand change to make our services more accessible, less fragmented, more affordable; payers demand more efficiency, less waste, lower cost; our workforce demands greater flexibility, less stress, competitive pay…the list goes on. We can be daunted by the complexity and often conflicting changes expected of health care systems, or we can embrace many of the opportunities that will make health care better for consumers and providers of care. As the saying goes, "running away from the problem only increases the distance to the solution." 2020 will be another year to seize the challenge and embrace change to improve health care.

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