FUTURESCAN

Health Care Trends and Implications

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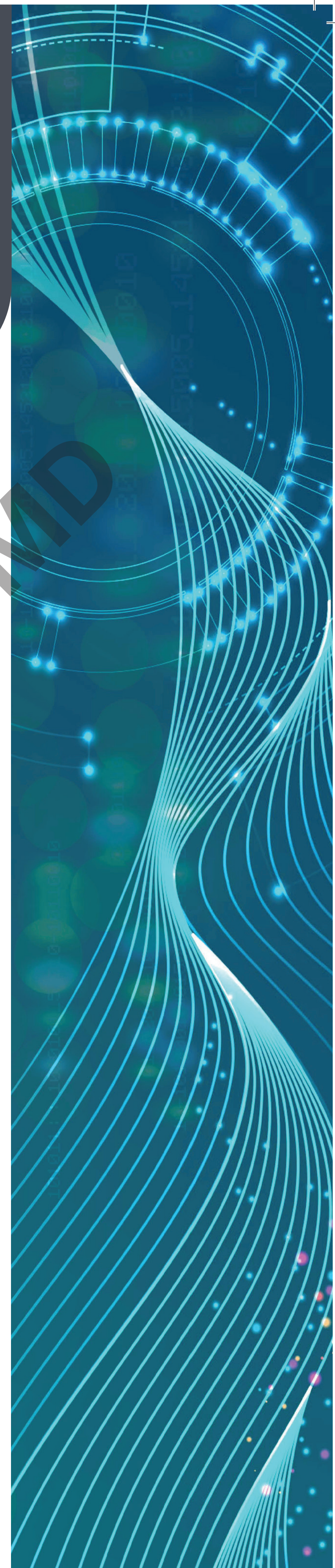

Leveraging Technology and Innovation to Advance Value-Based Care

Ian Morrison, PhD

As artificial intelligence (AI) continues to reshape society as we know it, health care leaders are presented with an ever-increasing array of possibilities for transforming the delivery and reimbursement of services. The ideas and strategies presented in this edition of *Futurescan* may cover a broad range of topics, but they all lead to a common set of goals: reducing health care costs, improving health outcomes, and enhancing the patient experience.

The eight subject matter experts in this publication explore value-based care financing models, new imperatives in strategic planning, community collaborations for improving social determinants of health, changing workforce expectations, sustainability for smaller hospitals, and advances in digital behavioral health and predictive technologies. Their insights will promote meaningful discussions among health care leaders who guide hospitals and health systems in meeting the needs of local stakeholders and of staff members on the front lines of delivering care.

While perusing these informative articles, readers will have the opportunity to take the pulse of their colleagues nationwide regarding these topics via the results of the annual *Futurescan* survey, which is administered as part of this publication. As health care becomes more complex, the wisdom of these thought leaders and the collective opinions of hospital and health system executives around the country should assist organizations in planning for the next five years.

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Behavioral Health's Digital Future

While the percentage of total health care expenditures devoted to behavioral health remains in the single digits, mental health conditions continue to affect the total cost of care in the United States. Behavioral health expenditures total $188 billion while driving four times the medical spend for patients suffering from co-occurring behavioral and chronic health conditions. Mike Rhoades, chief executive officer (CEO) of Alera Health, notes that while many hospitals and health systems experience this financial drain, organizations without behavioral health services are impacted the most by patients with mental health conditions.

About the Subject Matter Expert

Ian Morrison, PhD, is an author, consultant, and futurist. He received an undergraduate degree from the University of Edinburgh, Scotland; a graduate degree from the University of Newcastle upon Tyne, England; and an interdisciplinary doctorate in urban studies from the University of British Columbia, Canada. He is the author of several books, including the best-selling *The Second Curve: Managing the Velocity of Change*. Morrison is the former president of the Institute for the Future and a founding partner of Strategic Health Perspectives, a forecasting service for clients in the health care industry.

Notably, the highest utilization of telehealth is for accessing behavioral health services, with 37 percent of patients using it to connect to providers. However, digital health can also involve mobile apps, remote monitoring, avatars, and wearables. Patients with more severe mental health disorders are frequently the most difficult to engage in treatment. Hospitals and health systems that are committed to value-based care arrangements are finding that these technologies reduce the overall cost of care and improve patient outcomes. Digital health tools have been especially useful in operationalizing partnerships with specialty providers of behavioral health in areas where no therapists are physically located. Once the services are in place, these partnerships can result in downstream cost efficiencies by using digital tools to facilitate communication, care coordination, data sharing, and analytics so that patients have to tell their story only once to their primary care provider as they move through the system of care. Any organization can also benefit by strengthening the provider–patient connection through the use of these tools.

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The Use of Predictive Technologies

AI is rapidly transforming many facets of our daily existence, including commerce, social connections, and law enforcement. Health care is no exception, with a recent finding that AI—also known as predictive technologies—has the potential to deliver an astounding $1 trillion of improvements in the health care setting. The many applications of AI have made Roberta L. Schwartz, PhD, MHS, FACHE, chief innovation officer of the Houston Methodist hospital system, an enthusiastic proponent who is exploring how it can create the hospital of the future.

Schwartz believes that predictive technologies can support clinicians in streamlining care delivery, reducing their workload, and multiplying their surrogates to alleviate shortages of nurses, advanced practice providers, and physicians. Fixed digital cameras in rooms are allowing for centralized monitoring programs to supply a new level of patient oversight and facilitate staff communications. Rural hospitals especially will benefit from this technology. Remote patient monitoring is already saving the lives of patients—both inside and outside the hospital setting.

The ability to create personalized risk profiles based on huge numbers of Medicare patient records allows clinicians to identify which patients may need additional care and follow-up. Remote monitoring is moving beyond a fragmented, disease-specific use to a single common platform that broadens the range of data that can be viewed and analyzed remotely.

As with any level of change, staff resistance can pose problems, but Schwartz says that reminding all stakeholders of the benefits of the specific innovation can be powerful and persuasive.

Community Benefit

According to Len M. Nichols, PhD, nonresident fellow at the Urban Institute and professor emeritus of health policy at George Mason University, community benefit activities should advance the health and well-being of every individual in the country. A national discussion on how health care community-benefit dollars should be spent is occurring in tandem with the emergence of new models of how community partners can best collaborate to improve individuals' ability to achieve better health. These partnerships often focus on social determinants of health such as housing, food insecurity, and other social and economic needs. Their efforts build on hospitals' and health systems' long-standing commitment to serving the health needs of their communities.

Nichols says that engaging with local residents to learn what their health priorities are has been one of the biggest community benefit trends over the last 20 years. By taking the data and insights gained from the community health needs assessment process, hospitals and health systems are making strong commitments to address and improve social determinants of health. These initiatives often include input from community members on the design of interventions and their evaluation, leading to better relationships and outcomes. Through this process, hospitals and health systems are becoming powerful catalysts for change that uplift entire populations and invest in the health and well-being of all members of a community.

Disruption in the Era of Value Based Care

Value-based care, also known as accountable care, became the preferred payment model when the Centers for Medicare and Medicaid Services (CMS) established the CMS Innovation Center in 2010 to identify ways to improve

health care quality and reduce costs. Although some health care organizations have shifted their operations to work within a reimbursement model that pays for value rather than volume, the adoption of accountable care nationwide has been relatively slow. CMS and commercial payers continue to reimburse under the more lucrative fee-for-service arrangement that rewards the provision of more—not fewer—services.

MemorialCare began developing the infrastructure that supports accountable care in 2014. Barry Arbuckle, president and CEO, characterizes value-based care as performing procedures at the right site of care (both clinically and financially) for the patient, even when the reimbursement is lower. When a health system takes on full risk for the care of a defined population, it is essential to increase the number and kinds of access points along the continuum of care. MemorialCare has built an extensive portfolio of digital and virtual care assets that can link patients to the appropriate level of medical and behavioral health care services.

In 2017 the organization signed its first full-risk direct-to employer contract, which requires patients to select a MemorialCare provider. Early engagement with these patients is facilitated by a handheld device that enables remote physical exams from the home, leading to earlier diagnosis of any underlying health issues. The partnership has resulted in dramatic decreases in admissions, pharmacy costs, and total cost of care. MemorialCare has used the results from this first contractual relationship to attract 10 additional direct-to-employer contracts.

Arbuckle advises that health care leaders educate their boards of directors and leadership teams on what it means to be paid for outcomes and value rather than for volume. A different infrastructure is required. An essential component of successfully implementing a value-based model is data collection and analytics, which provides an accurate assessment of the organization's medical cost ratio. Equally important is an understanding of the criticality of patient engagement and access. In contractual relationships, insurance plan design matters because it drives consumer behavior.

Healthcare Employees' Changing Expectations

Recruitment and retention continue to be among the foremost issues of concern for health care leaders nationwide. America now has four very different generations within its workforce, all with unique expectations for their employment. Hanna Patterson—senior vice president of healthcare and applied learning at Guild, a company that partners with employers to offer education and upskilling—provides an overview of the emerging requirements of health care workers and how hospitals and health systems can retain and attract current and prospective employees. She says that most hospital leaders would be surprised to learn that the vast majority of workers would prefer to stay with their current employer if their needs were being met.

Many younger workers are looking for more flexibility to accommodate family demands or school schedules. Staff members also want their employers to take an actionable interest in their growth and development. To meet this need, some hospitals have introduced talent development channels that focus on educating entry-level workers to successfully graduate into higher level positions through tuition-free programs, clinical career pathways, and personalized coaching. Overall personnel shortages have motivated some health care organizations to reconsider populations they might have previously discounted—such as those without high school diplomas—who can be mentored and trained along a predefined pipeline of development.

Patterson is also seeing an organizational commitment to equity and inclusion in the workplace. She cites the example of one health system that created a program to develop a more equitable and representative nursing population to meet the needs of its multiethnic community. These initiatives have significant community benefit implications for entire populations because education, income, and job opportunities positively affect health access and quality of life. Some hospitals are including these initiatives in their community benefits reporting.

Overall, Patterson says it is critical for an organization to have a vision of where its workforce is headed and to consider the types of positions and care team models it will need in the future.

All-Payer Reimbursement Rate-Setting Models

Tori Bayless, CEO of Luminis Health in Annapolis, discusses the state of Maryland's various initiatives for managing the total cost of care (TCOC) for defined populations. These initiatives began with the 1971 mandate granting Maryland's Health Services Cost Review Commission the authority to set hospital- and service-specific rates statewide. Her insights are invaluable for any health system executives who are considering accepting fixed, lump-sum payments to cover the costs of all

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inpatient and outpatient care delivered to a predefined population of patients. These lessons are especially relevant for organizations that are considering participation in CMS's new payment initiative, the States Advancing All-Payer Health Equity Approaches and Development (AHEAD) model. AHEAD focuses on lowering overall health care expenditures, reducing health inequities, and improving patient outcomes. It would provide participating hospitals with a set rate to provide medical services to a predetermined population of Medicaid enrollees, certain Medicare beneficiaries, and people who are covered by one or more private payers.

Bayless has several suggestions for organizations that are considering the AHEAD model. Health care leaders should know that the model's focus is on primary care, health equity, care transformation, and TCOC for Medicare enrollees. These enrollees may have no control over the costs incurred outside their system yet may still be responsible for them. Growing volume and market share are not aligned with AHEAD, which prioritizes keeping patients out of the hospital. Hospital leaders should be prepared to accept a level of shared accountability and decision-making with a coalition consisting of payers, providers, representatives from the state department of health, and elected officials. Evaluation of these programs and processes will be ongoing.

Strategic Planning

Jim Cotelingam, chief strategy officer at Cleveland Clinic, provides salient advice for health care leaders who are creating or updating their organizations' five-year strategic plans. While these essential documents set the roadmap for growth and economic sustainability, the ever-changing health care environment requires that new realities be factored into strategic planning. Cotelingam believes that AI is a game changer with the potential to revolutionize both clinical and administrative operations. These include electronic health record documentation, the diagnosis of medical conditions, and many other use cases. Cybersecurity and the protection of digital information have also risen to the top of Cotelingam's priority list. Workforce planning is complicated by the emergence of private equity bidding for specialists and of payers such as United and Optum, who are pursuing vertical integration.

Cotelingam cautions that growth does not necessarily deliver the same results that it did in the past. Existing service lines and markets also require resources, and if they are reliable sources of revenue, it may be prudent to nurture them instead of new service lines. A strategic plan must also anticipate the effects of new financial and reimbursement models and payment reform, particularly in light of potential changes resulting from upcoming elections. Finally, it is essential to employ an approach that integrates strategic, financial, and capital planning based on data analysis. This will help create shared organizational visions and commitments rather than an isolated strategic plan.

The Survival of Small Organizations

Of the 1,649 community-based hospitals in the United States, 32 percent are unaffiliated with a health system, presenting unique challenges for sustainability. Dave Schreiner, president and CEO of Katherine Shaw Bethea, says that several key performance indicators can predict whether an organization can capitalize appropriately or not, with the most accurate being an organization's day's cash metric. Ongoing underperformance in this area could be the bellwether for considering a partnership or affiliation.

Variable costs provide the only opportunity to align expense structures with projected reimbursement. Schreiner believes that health care leaders in small organizations may need to make hard choices, such as scaling back or eliminating services if cash flow becomes a challenge. But before doing so, organizations must factor in the downstream cost of closing a service. The potential penalties for readmissions could exceed savings.

Other options include outsourcing to reduce personnel expenses and finding new lines of business. Schreiner has successfully recruited specialists to come to his campus and provide services that were previously unavailable in the community, which benefits patients as well as the provider, which may not have previously had access to those patients.

When an affiliation becomes a viable possibility, Schreiner says it is important to manage the expectations of both the board of directors and the community. The leaders of independent hospitals often live among the people they serve, and they know what their community needs. It is incumbent on them to provide it, whether as an independent organization or in an affiliation with a health system.

Conclusion

As CMS moves our nation ever closer to a reimbursement model focused on value-based care, C-suite executives have many considerations as they prepare for a payment system that rewards value and not volume. The accountable care experiences of the subject matter experts featured in this issue of *Futurescan* should prove instructive during these deliberations. The technological advances they highlight will also be essential considerations for future strategic planning. To add to the complexity, election results at the local, state, and federal levels have the potential to alter or add government mandates on reproductive services, care access, and health care funding.

In the current health care environment, hospital and health system leaders will find *Futurescan 2025* to be an invaluable resource that is grounded in the experience of thought leaders and in the opinions of their colleagues nationwide.

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Building Your Five-Year Growth Plan

with Jim Cotelingam, Chief Strategy Officer, Cleveland Clinic

Strategic planning in health care has traditionally involved a comprehensive analysis of an organization's strengths, weaknesses, opportunities, and threats, which is then used to identify areas of improvement and develop strategies to help the organization achieve its goals over the next several years. A good strategic plan helps the organization adapt to the ever-changing health care environment, align its resources with its goals, set priorities, and make difficult decisions. But given the current economic picture and trends in the health care industry, what is the value of a traditional five-year strategic plan?

Despite the rapid pace of change and the novel disruptors in today's health care industry, Cleveland Clinic's chief strategy officer, Jim Cotelingam, says that many of the factors that hospitals and health systems want to consider in their strategic planning are not all that different from what has shaped planning in the past.

"I reviewed sample health system strategic plans from five and 10 years ago, and it struck me that many of the topics were quite similar to those in plans today," he notes. "Most of the topics are not truly novel, although some of the specific issues or concerns may have changed. For example, workforce issues may have been in previous plans, but the issue of violence faced by the workforce might be newer. But there is one noteworthy exception: artificial intelligence (AI). AI is just a game changer. I've seen it characterized as having the potential to disrupt human society the way the printing press did. And it has not been a major piece of any enterprise strategy I've worked on in the past."

How should health systems be thinking about AI in their strategic planning? "Because it is so relatively new but so incredibly powerful, it causes you to dream about what could be," Cotelingam says. "But it is important for health systems to focus on a five-year strategic plan by thinking about concrete ways in which they can apply AI and then going after those use cases."

As two examples, Cotelingam cites documentation and diagnostics. "Your plan could focus on leveraging AI tools in taking the burden off of providers by assisting with electronic health record (EHR) documentation or claims," he explains. "Payers are already saying that they are employing AI in claims processing. What could we be doing around documentation to help streamline the process? On the clinical side, consider specific areas of need like sepsis. Are there AI tools that can improve our ability to diagnose a case of sepsis earlier than usual? That would

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About the Subject Matter Expert

As the chief strategy officer for Cleveland Clinic, **Jim Cotelingam** leads a team that is responsible for enterprise strategy development, major strategic initiative implementation, and strategic transactions such as mergers, acquisitions, and affiliations. Prior to joining Cleveland Clinic, he was the senior vice president of strategy for Trinity Health, one of the largest not-for-profit, faith-based health care systems in the nation. His career has given him unique insights into the forces that shape health system growth, and the strategic thinking necessary for success in an uncertain and constantly changing health care environment.