

# Kentucky Trustee

For Kentucky Hospital Governing Board Members

Summer 2015

## BOARDROOM BASICS

### Transformative Trends

Multiple forces are driving the need for knowledgeable, involved, adaptive, innovative and transformational governance leadership. The board of trustees' ability to understand and deal with the trends and forces that have the greatest relevance to and impact on their hospital or health system has a significant influence on governance and organizational success.

**T**he changes underway in the U.S. health care system demand leaders who can develop innovative leadership styles, structures and business models. As organizations transform and operate in new and different ways, their leaders will need different competencies in order to succeed. Many forward-thinking CEOs and governing boards have begun to think through opportunities for realigning the structure and practices of their governing boards to better respond to the requirements of the transformation imperative.

But before hospital leaders and their boards can consider ways in which their leadership should change, trustees must understand the most predominate transformative trends occurring in today's environment.

#### Continued Migration from Payment for Volume to Payment for Delivering Value

The traditional fee-for-service system will continue to evolve into payment for an entire bundle of services centered on a surgical experience or medical condition. In addition, compensation of health care providers will increasingly depend on

improving the health of populations and preventing the need for inpatient and outpatient care.

One of the primary objectives of the Affordable Care Act (ACA) is to shift the nation's health care delivery system from one that is paid based on volume (the services received/fee-for-service) to a payment system based on value (payment for high quality, cost-effective care). Accountable Care Organizations (ACOs), bundled payments, readmission penalties, and value-based purchasing (VBP) are among the payment methodologies being implemented and tested.

The shift requires a greater focus on population health, which, simply put, means improving the overall health of a population. This includes identifying individuals with the highest-risks (the most acute and complex conditions) and those with chronic conditions, and determining the best means for keeping them healthy. It also means determining and addressing the preventive and wellness needs of the rest of the population.

#### The Ascendancy of the Payer Will Keep Health Insurers and Employers in the Driver's Seat

Motivated by a desire to keep costs down in a globally competitive world and enabled by access to digital information on quality, payers will increasingly narrow the networks of medical centers and physicians they choose to pay based on "value," defined as a combination of cost and quality outcomes. Payers are acting on information compiled over years of study, tracking how much it costs for a patient to receive care from one set of physicians or health care system versus another.

In particular, large employers, both locally and nationally, are steering those they insure toward the greatest value. Behavioral economics - how consumers respond to monetary incentives or disincentives - will take effect as consumers find themselves having to cover larger and larger co-pays and deductibles.

#### Consumerism is On the Rise, and Will Rise Higher

Patients have become "shoppers," especially those with high deductible policies. Consumers are becoming smarter

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## PRESIDENT'S NOTEBOOK

**T**he Kentucky Hospital Association (KHA) strives to guide and educate trustees by providing timely articles and resources to help you discern what the transforming health care environment means for your facility. "Quality and Patient Safety: What the Board Needs to Know About Job One" speaks to what you need to know about oversight of quality and safety and how carrying out these responsibilities can contribute to saving lives and improving the health of the community.



**Michael T. Rust**  
**President**

Kentucky's 125 hospitals are committed to working together to share best practices and provide high-quality care to all patients. They are not only providing better patient care today, but they are sharing that knowledge and their skills with their peer hospitals which will benefit their communities for generations to come. For instance, it is remarkable to consider the outcomes that Kentucky hospitals achieved in the past three years through the Centers for Medicare and Medicaid Services (CMS) Partnership for Patients (PfP) initiative.

We are pleased that Kentucky, working with 31 other states in the Health Research and Education Trust (HRET) Hospital Engagement Network, prevented over 4,000 harms in participating hospitals, and surpassed the goal of 40 percent reduction in harm in early elective deliveries, hospital-acquired pressure ulcers, central line associated bloodstream infections and obstetric harm. This is an outstanding accomplishment.

Hospitals' patient safety work on PfP is testament that Kentucky hospitals are mission-driven organizations and they work tirelessly to provide patients with safe, compassionate, high-quality health care.

KHA will continue to represent hospitals, related health care organizations and integrated health care systems dedicated to sustaining and improving the health status of the citizens of Kentucky.

On behalf of the entire KHA staff, thank you for your support. We hope to see you at the KHA Health Care Leadership Conference on November 13 in Louisville.

Sincerely,

Michael T. Rust, FACHE  
President  
Kentucky Hospital Association

## Governance Notebook

**Learn more about how health care reform and other legislative issues will affect your hospital by attending the KHA Health Care Leadership Conference this fall**

Please join us at the Marriott Louisville East on Friday, November 13 for the annual **KHA Health Care Leadership Conference**. The Health Care Leadership Conference is a great way for hospital chief executive officers, board chairmen, trustees, other hospital administrators, government relations staff and medical staff members to stay informed of legislation that may affect their facilities.

The conference will present the latest in state and federal legislative issues and regulatory concerns from the Kentucky General Assembly. Please talk with your hospital CEO about attending.

### KHA 2015-2016 Work Plan

A copy of the 2015-2016 KHA Work Plan is now available online at <http://www.new-kyha.com/Portals/5/NewsDocs/work%20plan%202015.pdf>. Each year, KHA's Strategic Planning Committee meets to review the accomplishments of the previous year and discuss initiatives for the upcoming year. The Committee then prioritizes those activities and develops a list of recommendations to be presented to the KHA Board of Trustees. The list of initiatives included in this Work Plan was approved by the KHA Board at its June 2015 meeting. New state and federal issues may arise that take priority over those listed; however, this plan identifies the major initiatives the KHA staff will be undertaking before June 2016.

### Kentucky Hospitals' Circle of Friends Political Action Committee

KHA's political action committee, Kentucky Hospitals' Circle of Friends, is important to every hospital in the state because it provides an opportunity to educate officials about health care legislation that impacts hospitals. We ask all Kentucky hospitals' board members to make a personal contribution to help move Kentucky hospitals' legislative agenda forward. If your hospital does not have a Circle of Friends Campaign, please consider starting one. Every hospital has a fundraising goal and KHA will provide you with the forms you need to get started.

Hospital PACs are limited to soliciting contributions from the hospital "family." KHA and the American Hospital Association can only accept contributions from people associated with our members. Neither PAC can accept corporate contributions. This also means that all contributions must be made by personal check or personal credit card. Contributions of any amount are gratefully accepted. To learn more, please contact Sharon Perkins of KHA at 502-426-6220 or [sperkins@kyha.com](mailto:sperkins@kyha.com).

### Request a copy of your hospital's Economic Importance Report

KHA has again provided Kentucky's hospitals with a copy of their hospital-specific Economic Importance Report. We encourage you to talk with your hospital chief executive officer to request a copy. The positive details will arm you and assist you in being a stronger advocate for your hospital.

### Do you have ideas for future issues of the Kentucky Trustee?

Our goal is to provide you with the information and knowledge you need to lead your hospitals forward in today's rapidly changing environment. Tell us what you think, and what you would like to see in future issues of the *Kentucky Trustee*.

#### Write or call:

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## BOARDROOM BASICS

## Quality and Patient Safety: What the Board Needs to Know About Job One

Oversight of quality and safety, though complex, is one of the most rewarding and critical responsibilities for board members. By carrying out these responsibilities in a conscientious manner, trustees can contribute to saving lives and improving the health of friends, neighbors, and the community.

**T**he board's accountability for quality and safety cannot be delegated. It extends throughout the organization and encompasses all of the services that the organization provides, including those beyond the four walls of the hospital. The board is responsible for setting the organization's quality and safety goals, and holding the administration and medical staff accountable for achieving them.

Boards of trustees must take strong, organized action to establish and nurture an organizational culture of accountability and continual effort to improve quality and patient safety at every turn. Board members individually, and collectively, can make a big difference in quality and patient safety.

### The Board is Responsible

Too often boards of trustees make the mistake of assuming that quality and safety problems are not an issue unless they hear otherwise. It's incumbent on the board to be asking questions that will identify areas with the greatest need for improvement:

- How good is our quality? How do we know?
- What should we be measuring?
- What quality scores do we want to achieve and by when?
- What is our "culture" of quality and safety?

- Are errors reported, including by management to the board?
- What does the public expect from us?
- Do we publicly disclose our quality and safety performance, how, and to what degree?

Boards members should embrace their role in patient safety for moral, ethical, legal and financial reasons. Trustees need to understand that they are liable for the care provided; that medical errors significantly impact health care costs; and that patient safety is a key component of "staying on top" in a highly competitive environment.

### The Cost of Medical Errors

The costs of medical errors to the individual, health care system and society are significant. Quoting patient safety experts from Johns Hopkins published in *The Joint Commission Journal on Quality and Patient Safety*, *HealthLeaders Media* recently noted that lapses in patient safety cause "more than 200,000 deaths, 2.5 billion extra hospital days, and between \$17 billion and \$19 billion in excess hospital costs in the United States each year."

**The Cost to Patients and Health Care Professionals.** One of the most important factors in hospital or health system success is the trust that patients and families have

in the integrity and quality of their local health care system. That trust is difficult to attain, and almost impossible to regain once it's been broken.

According to the Institute of Medicine (IOM), medical errors and quality and safety lapses result in diminished patient and community satisfaction, in physical and psychological discomfort, and ultimately in lower overall health status of both individuals and communities.

The IOM also recognizes the effects of poor quality on health care professionals, which includes a loss of trust in the health care system, as well as decreased morale and increased frustration with the system they feel powerless to change. Health care professionals impacted by medical errors increasingly question whether to stay in the health care field and experience a resulting loss of productivity, which is costly both from a quality and safety perspective as well as a financial perspective.

Regardless of the nature or scope of medical errors, lapses in patient safety have a significant influence over patient satisfaction, medical staff morale, employee morale and overall quality of care, as well as an increasing impact on payment or reimbursement.

**In today's increasingly transparent environment, quality and patient safety has the potential to significantly impact a hospital or health system's competitive position.**

**Quality is Fundamental to Market Share and Competitiveness.** In today's environment, quality and patient safety has the potential to significantly impact a hospital or health system's competitive position. High

quality providers enjoy a positive reputation that attracts more patient and provider referrals, and reduces workforce recruitment and retention challenges. High quality and safety scores also impact Medicare reimbursement and can impact Accountable Care Organizations' gains or losses as well as insurance network contracts.

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## LEADERSHIP PERSPECTIVES

## Ensuring a Successful Intergenerational Workforce

Today's workforce is comprised of four distinct generations, and the distance from youngest employee to oldest may span as many as 50 or more years. Each generation has been shaped by specific events that have occurred in their lifetimes. These events significantly influence attitudes, behaviors, expectations and habits.

To discuss the implications of the intergenerational workforce, the American Society for Healthcare Resources Administration (ASHHRA), in collaboration with TIAA-CREF, convened a panel of 10 executives from the health care field or in roles with insight into health care and generational diversity. These individuals provided their perspectives, insights and experiences regarding managing an intergenerational workplace as well as their projections for the future.

### Generational Contrasts

**Change, Adaptability and the Definition of "Hard Work."** The business of health care has been highly successful and stable for many years, yet now confronts rapid and even daily changes and fluctuations. Hospitals and health systems must be agile and flexible as they staff patient volume, change hours of operation and tightly manage the business with shrinking margins. Employees accustomed to being hired for a specific shift in a specific department, and who have worked that way for the majority of their careers, often find today's frequent changes a challenge.

In addition, the different generations perceive hard work differently, which can create tension in the workplace. Traditionalists' and baby boomers' concept of "working" is represented by being on-site and visibly seen to be at work. In contrast, the perception of gen X-ers and millennials often includes a laptop and remote location. As hospitals and health systems employ standardization across their organizations, the challenge will be allowing the flexibility and customization needed to meet the different needs not only of patients, but also of employees.

**Work/Life Integration.** A millennial participating in the Forum observed that younger employees typically are not seeking work/life balance nor are they interested in fitting into a "nine-to-five" standard. Instead, they want work/life integration and prefer that work is something they are engaged in, appreciate and consider a part of the whole of their lives.

In the past, the first question human resource leaders were often asked when interviewing new hires related to compensation. The focus is now being replaced with inquiries from gen X-ers and millennial recruits about time off, how much and when. While time off inquiries from younger generations may be a reflection of their desire for a well-rounded and well-balanced life, it is also reflection of outside responsibilities and demands. With a prevalence of dual career couples and households headed by single adults, many employees, regardless of generation, are responsible for children, parents and other family

members who need their time, energy and support. Employees are increasingly challenging conventional thinking in efforts to find better and more efficient ways of working.

**"Retired in Place."** Traditionalists and baby boomers have long been known for their loyalty and commitment to an organization. Many can count on one hand the number of employers they have had in their careers. In terms of financial readiness for retirement, working 30 to 35 years for a single employer will mean some individuals can rely on a pension and Social Security benefits to fund their retirement.

### Defining the Generations

|                                 |                |
|---------------------------------|----------------|
| Traditionalists or World War II | Born 1922—1945 |
| Baby Boomers                    | Born 1946—1964 |
| Generation X                    | Born 1965—1980 |
| Generation Y or Millennials     | Born 1981—2000 |

On the other hand, many baby boomers never wanted to work as long as they have and are counting the years until they can afford to retire and pursue other interests. Many are frustrated by their financial predicament, which may have been negatively impacted by the recession. Thought leaders acknowledged that organizational loyalty was sacrificed when hospitals and health systems cut jobs and eliminated defined benefit plans.

Twenty five years ago it was predicted that employees would be unable to afford retirement on a 403(b) or 401(k) plan alone. Unfortunately, many employees are now finding that to be true. While some individuals may be physically present at work, employee engagement scores indicate that many baby boomers are not fully present mentally or emotionally, a situation often referred to as "presenteeism" or "retired in place."

**Aligning Values.** The Pew Research Center reports that millennials are the first



of at least two generations who will not have the same standard of living as their parents. Despite a greater percentage of college graduates than past generations, millennials lag behind on key economic indicators.<sup>1</sup> As a result, they're not interested in striving for the same material possessions their parents have sought.

According to the National Public Radio (NPR) series #newboom, few teens are interested in purchasing a home or a car, because affording the items would obligate them to a particular type of job. In addition, the majority are not interested in being married, but do see themselves having children.<sup>2</sup> In a small survey by Harris Poll for Eventbrite, 72 percent of millennial respondents said they want to increase their spending on experiences rather than physical things.<sup>3</sup> Millennials are hard working as a group, but if the mission, values and vision of the organization and their jobs are not congruent with their own, they are willing to walk away.

### Alignment Among the Generations

Managing different people from different generations requires leaders to thoughtfully consider how they will interact with individuals and how they should prepare for conversations that will inspire or engage employees. While different generations often work well together in teams, managing a team of individuals from different generations requires the leader to bring focus not only to commonalities, but also to the positive characteristics that each individual offers and how differences can complement one another. For example, how can a millennial leverage the knowledge and experience of a baby boomer? How can a baby boomer engage the millennial to help strengthen the boomer's technology skills? How can a team gain advantage from the strong planning skills of genX-ers?

**Millennials are hard working as a group, but if the mission, values and vision of the organization and their jobs are not congruent with their own, they are willing to walk away.**

Strong communication is at the heart of setting a common framework and foundation. It's the essence of collegiality and collaboration. Yet how one person hears a message will be different than

another person. Managing a diverse, multigenerational workforce requires that leaders stop trying to deliver the same message to all people. Managers instead must focus on individuals' unique motivational profiles and intentionally identify how to best communicate with them.

Establishing guiding principles creates a platform that allows individuals with different skill sets and backgrounds, from different departments, and with different roles to align as a team. When conflicts arise, they serve as a reminder of why everyone is present and the value each brings to the team.

There are also commonalities amongst the generations' sociological needs. If an

### Ensuring a Successful Intergenerational Workforce: Questions for Trustee Consideration

Recognizing the vital role of a highly engaged and collaborative health care workforce, boards of trustees should consider the following questions as opportunities for strengthening their workforce.

- Do we have a cultural value system that is well-ingrained in our organization? Are guiding principles established and used to help align teams behind our mission and purpose?
- How well do we bring younger employees into conversations to solicit their thinking about work-life integration vs. work-life balance, schedule flexibility, benefits, expectations and more?
- Are we focused on managing employee compliance, rather than seeking employee engagement?
- Do we benefit from teaming individuals from different generations together, encouraging cross-generational learning?
- What actions are we taking to build the workforce pipeline for the future? What is our organization doing to ensure that enough young people will be interested, enticed and prepared to work in health care and to pursue new and evolving health care roles?
- How well does our board engage in futuristic thinking? Just as Uber and Lyft have disrupted transportation, how might workforce paradigms and business models be disrupted to meet changing needs? Will disruption come from current competitors, or from outside the health care field? What are the implications to our organization? What should our role be and what actions might we pursue?
- Do we tailor our communication messages and channels to meet our various employee audiences?
- What financial wellness programs do we offer to help ensure employees of all generations are prepared to manage debt, balance daily living expenses and adjust lifestyles to achieve financial retirement needs?

organization clearly identifies its cultural value system and hires individuals aligned with those values, the similarities among individuals will span the generations and outweigh the differences. And regardless of generation, every employee wants to know that leadership is looking out for them and for their careers.

*To download a full copy of the white paper "Managing Multiple Generations in Your Workforce," which highlights thoughts and perspectives identified by executives working in health care or roles with insight into the field, go to [www.ashhra.org/about/governance/thoughtleaderforum.shtml](http://www.ashhra.org/about/governance/thoughtleaderforum.shtml).*

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Hospitals that do not put processes in place to reduce medical errors risk losing consumer confidence and market share. Increasingly, payers and large businesses expect their health care partners to demonstrate high quality, efficient care, and are more likely to exclude from their contracts providers who can't deliver high quality care in a cost-effective manner. Even further, applications for some insurance companies are linking the amount a patient will have to pay out-of-pocket with the quality scores of the hospital.

Quality and safety provided at an efficient cost is fundamental to a health care provider's survival; and although quality has traditionally been a matter of perception on the part of patients, many organizations routinely publish reports on the top-rated hospitals for quality performance.

**Board Liability.** It is ultimately the board's responsibility to ensure that the hospital is taking clear, appropriate measures to provide the safest health care in the most efficient and effective manner. As a result, trustees need to be aware of and proactive in addressing patient safety, and seek continuing education about current trends and implications. Boards should regularly review key quality indicators, and take corrective action when necessary.

### Transparency and Public Accountability

The public wants and deserves to know that they will be safe when their care is

provided. Hospitals and health systems can demonstrate a commitment to their communities by selecting leading quality and safety measures to publically display on their website. Research has shown that public transparency is valued by the public. Transparency also drives faster improvements.

Quality data about hospitals and health systems is widely available on public websites, including the CMS Compare websites on hospitals, physicians, nursing homes, dialysis facilities and home health; the Leapfrog Group; HealthGrades; and the Joint Commission's Quality Check websites.

In addition, new websites are emerging, like Nerd Wallet and ReferMe, that combine hospital quality and prices together to portray the best health care "value." They help patients synthesize information, recommending the best hospital for a particular procedure based on price combined with quality indicators such as patient satisfaction. Board members should be well-familiar with how their organization is reflected on all health care monitoring websites.

### "Aiming" for Quality and Safety

Health care leaders are working collectively to make a difference in health care quality by focusing on the "Triple Aim." The Institute for Healthcare Improvement's (IHI) Triple Aim was created to optimize the performance of the health system. It brings together three critical elements:

- Better health for the population being served;
- An improved experience of care (including quality); and
- Care provided at a reasonable cost.

Boards should review meaningful and understandable quality and safety data at every board meeting. Ideally, the information should be presented in graphs trended over time to help trustees quickly and easily identify improvement, or lack of progress. Data provided to the board should include benchmarks showing "best practice" data for comparisons, rather than

### Questions Trustees Should be Asking About Quality

To ensure the hospital or health system prevents errors and achieves or exceeds its quality goals, trustees must continually ask questions about quality and patient safety, including:

- Do we publicly disclose our quality and safety performance, and to what degree?
- What are the top safety issues at our facility?
- What is our organization's aim for safety improvements and how quickly will we reach our goals?
- Who scores the best on these measures and how do we compare?
- What should we hold the executive and medical staff responsible for in improving our patients' safety?
- Is it easy and safe to report adverse events at our hospital? What is the process?
- How much do medical errors cost our hospital annually?
- What steps are we taking to achieve the IHI's Triple Aim?

It is ultimately the board's responsibility to ensure that the hospital is taking clear, appropriate measures to provide the safest health care in the most efficient and effective manner; and trustees must be proactive in addressing quality and patient safety, and in seeking continued education about current trends and implications.

averages. The measures should include information on:

- Progress toward achieving quality and safety goals, including measures that impact payment;
- Adverse events;
- Performance on CMS Hospital Compare measures;
- Infection measures;
- Employee safety;
- The health of the community (such as diabetes, obesity, high blood pressure, mental and dental health data); and
- Issues unique which are important to the hospital or health system.



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about their health care, and are shopping for services, quality and price as they've not done before. This phenomenon will increase as the Internet facilitates transparency and further changes the way people evaluate their health care options.

Strengthening customer service, continually searching for new and better ways to meet patient needs, and price and quality transparency will be essential to long-term organizational success. Internal and external transparency have the potential to raise the bar for performance, increase employee morale, strengthen referrals, and build community trust and confidence.

### Transparency and Innovation Will Continue to Lead to Organizational Learning, Change and Improvement

Transparency comes with the digitization of the health care record and the ability to quickly and easily combine and analyze large amounts of information. As health care continues to "go digital," health care organizations and their partners will be able to more effectively transform data into information and knowledge by using analytics to focus on areas of concern and ways to improve and prevent health risk.

The use of "big data" and super computers is opening up the field of health care analytics, which is reshaping health care by providing information that has never been available in the past and which may significantly change perceptions and targeted health programs. For example, one data analysis identified that a spike in diabetic readmissions was not related to elderly people forgetting their medication, but rather young women trying to lose weight. Another analysis determined that the "young and healthy" covered by recent state and federal insurance exchanges may not balance out the less healthy patients

covered on the same plan because of the increased access to mental health care.<sup>2</sup>

The use of complex data analysis removes anecdotal information and replaces it with facts. And as data is increasingly "de-

**The use of "big data" and super computers is opening up a new field of health care analytics which is reshaping health care, providing information that has never been available in the past and may significantly change perceptions and targeted health programs.**

identified" to allow larger scale comparisons of data while maintaining confidentiality, the opportunities for impact on health care grows. At the same time, experts warn about the importance of personal review, experience, and compassion. When Eugene Kolker, chief data scientist at Seattle Children's Hospital spoke at the April 2015 Chief Data Officer Summit in San Jose, California, he argued that data and analytics should be considered a "core service,"

much like human resources, finance or information technology. But he also emphasized how essential the human factor is, ensuring that data is not just "data" when it comes to health care.<sup>1</sup>

When talking about the importance of compassion while also remaining unbiased, Kolker said "What's the worst that can happen if Amazon screws up (with analytics)? It's not life and death like in health care," where "it's about very complex issues about very complex people. ... The pressure for innovation is much, much higher."<sup>1</sup>

### Alignment Will Become Increasingly Important

Strong alignment will be even more essential among patients, physicians, insurers, health care systems and pre-and post-hospital care organizations. Pre-and post-hospital services include visiting home nurse services, skilled care facilities, assisted living, home rehabilitation, hospice and a myriad of other services delivered outside the hospital.

Strengthened alignment, communication and coordination of care will result in

better care for patients, as well as strengthened reimbursement for health care providers. While varying payment models are still being tested, there is no doubt that payment for value and outcomes will be a significant part of future health care payments. Hospitals and health systems cannot provide the comprehensive, quality, outcomes-driven care that patients seek and payers require without coordination across the spectrum of care.

Individual and community health will increasingly be addressed through unified "ecosystems" of patients and caregivers communicating seamlessly, with common goals and a focus on disease prevention and wellness.

### Hospitals Will Transition to More than Just Acute Care

Alignment with all care providers, including pre- and post-hospital care organizations, will mean more than just loose communication. Increasingly, health care is provided outside of the inpatient setting. In order to remain relevant and viable, hospitals and health systems must be involved in care outside of traditional acute, inpatient care.

Many hospitals are already making this shift. According to a 2014 report from the Medicare Payment Advisory Commission (MedPAC), since 2006 Medicare outpatient visits have increased by 33 percent and inpatient discharges have declined by 17 percent. While hospital construction spending continued at an estimated \$26 billion in 2014, MedPAC reports that outpatient capacity is the focus of the spending, along with urgent care centers and freestanding emergency departments.<sup>3</sup>

This trend has existed for many years, in large part due to new technology, but many speculate that it will accelerate with the changes in payment incentives (the shift from volume to value), the heightened emphasis on reducing readmissions, and the transition toward population health.

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Hospitals that are focused on keeping patients healthy, rather than treating isolated instances of acute illnesses, must provide care, follow-up, outreach and education in a variety of settings.

### Acquisitions, Mergers and Contractual Arrangements will Continue

Acquisitions, mergers and various contractual arrangements will continue as hospitals and health systems pursue greater efficiencies, cost reductions, geographic coverage, care coordination, access to capital and tertiary clinical care. Recent numbers from MedPAC confirm this trend, as mergers and acquisitions increased by 16 percent from 2012 to 2013 (283 hospitals), driven primarily by large acquisitions.<sup>3</sup>

A May 2015 report from PricewaterhouseCoopers (PwC) reported that the first quarter of 2015 was “off to a rapid start” with deal volume up 19 percent when compared to the first quarter of 2014. PwC reported the most notable growth was in managed care, as well as behavioral health, rehabilitation, and physician practices. At the same time, the report noted a continued shift in hospital agreements, moving away from traditional mergers and acquisitions to growth in non-traditional agreements such as affiliations, joint ventures and partnerships.<sup>4</sup>

Many experts predict that in the coming years big hospitals and health systems will prevail, while small hospitals will struggle or fail. But not all hospitals believe in or are prepared for that shift. In the

American Hospital Association’s Center for Healthcare Governance 2014 National Healthcare Governance Survey Report, 86 percent of hospital CEOs reported that they would be willing to give up some autonomy in order to ensure the survival of their organization. At the same time, 14 percent reported no willingness to give up autonomy for survival.<sup>5</sup> The recent growth in non-traditional agreements is indicative of the growing variety of options for improving efficiencies, shared services and collaboration outside of traditional mergers and acquisitions.

### Medical and Information Technology will Impact Care Delivery and Management

Becoming a more efficient organization means making better use of information and medical technology. While health care has historically lagged behind other sectors of the economy when it comes to technology, leading organizations are catching up. Changes in the landscape, including reimbursement, are encouraging hospitals and health systems to maximize the use of both medical and information technology.

The range of growth and opportunities are immense. Some are legislatively mandated, such as the implementation of electronic health records (EHRs), which, if done properly, offer better opportunity for care collaboration and coordination. Other opportunities are emerging in various stages, including telemedicine, mobile health, advanced gene therapies, new and superior pharmaceuticals, a new generation of non-invasive diagnostic tools, robotic surgery, custom-grown tissue and more.

### Globalization of Health Care Services Will Expand and Traditional Boundaries will be Ignored

Globalization of health care services will expand, with patients ignoring traditional geographic boundaries for

care. Retail providers, doctors on demand, “virtual care” and other innovations will continue to disrupt the traditional health care model.

Hospitals and health systems are no longer simply competing with the hospital or clinic down the road. While that competition still exists, globalization has significantly expanded the competitive landscape, but has also brought new opportunities for partnerships and expansion outside of the traditional hospital walls. Two of the retail clinic leaders, Walgreens and CVS Caremark, are affiliating with hospitals and health systems, including integrating electronic medical records and information systems.<sup>6</sup> Telehealth is also growing rapidly and expanding in its reach. Technology ranges from web chats with providers to robotic surgeries to a wide variety of monitoring and tracking that minimizes patient office visits and maximizes the use of patient data and time.

Some innovators are thinking even further outside the box. A new service called Heal is similar to Uber, the on-demand car service. The smartphone app allows users to request a family doctor or pediatrician, and the physician arrives 20-60 minutes later for a flat fee of \$99. Heal is already available in several major U.S. cities and is expanding. A variety of other similar services are also popping up across the U.S.<sup>7</sup> Hospitals and health systems willing to think outside the box may find great opportunities in new health care services that transcend traditional rules and boundaries.

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