

## STRATEGIC PERSPECTIVES ON HEALTHCARE

# RESPONDING TO A CHANGING LANDSCAPE

In June 2014, CannonDesign hosted a Peer Colloquium Panel Discussion as part of the closing to its inaugural Health Practice Executive Education Program. Three panelists representing three different regions of the United States took part in the virtual panel. During the discussions many topics were covered, including the impact of a shifting payor mix, aligning workforces around operational initiatives, trends in the industry over the next five to ten years, and the ways in which CannonDesign leaders can help develop solutions to the challenges ahead. This Executive Summary highlights the major themes from the discussion in hopes that it will spur new ideas as we all look to develop solutions to the greatest challenges facing the healthcare industry.

## Due to healthcare reform, many health systems are seeing a shift in their payor mix. How has this affected your organization?

Although all panelists acknowledged that their payor mix is shifting, they indicated that rates were probably as good as they were going to be and were all making plans in anticipation of lower reimbursements in the future. Panelists indicated that today's payor mix was impacting their organizations to different degrees. Some were seeing a decrease in inpatient volume, while others were seeing continued growth and were at bed capacity. They were also challenged to identify what exactly is driving the change in volume – as it could be due to factors ranging from delayed impact from the recession to the high deductible under the insurance plans offered in the healthcare exchanges. Panelists identified an increase in charity care as another trend impacting their bottom line.



## What types of relationships between health systems, providers, and payers are you seeing in your markets?

Panelists stressed the importance of partnering both inside and outside of their health systems – acknowledging that hospitals within a single system can no longer afford to function independently from each other. Panelists indicated that they have seen the benefits of the partnerships they have leveraged over the past two decades, which have helped them continue to build capacity. They also continue to seek other partners that can help them maintain a full continuum of care for their patients. Physician alignment was an important imperative of new partnerships, though regulatory restrictions in different markets related to acquiring physicians was something to take into account. Key areas of focus for future partnerships and investment included population health and technology-driven models of care such as tele-health.

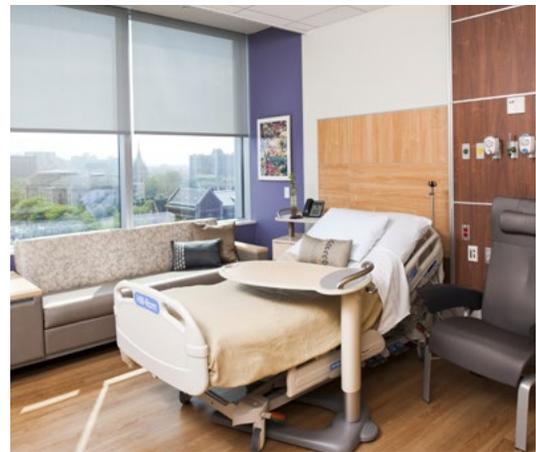
**As you look at your market, would you say it is over-bedded, under-bedded, or sized right? And where do you see that going in the future?**

There were varied responses to this question and all panelists felt that bed capacity was dependent on facility type and was changing quite frequently. Over-bedded markets were challenged to prepare for inpatient census spikes and surges while identifying ways to consolidate internally. Under-bedded markets or markets that were sized right were focused on identifying ways to improve utilization and absorb any future volumes that may arise if a competitor leaves the market.



**Based on forecasts, how will your organization respond to low-performing service lines?**

All panelists indicated that it was important that their systems continue to provide a full spectrum of service lines to effectively support the continuum of care. However, they also agreed there is a continued focus on identifying those service lines with high-cost procedures that can be consolidated into one facility to create centers of excellence. Additionally, while some service lines may be considered “low-performing,” there may be a high demand for them, creating a need to balance profitability of a service line with the need for that service line in the community. In one example, an up-tick in ED visits has been influenced by the lack of behavioral health services in the area. While behavioral health is typically not considered a very profitable service line, it is an essential service to providing patientcentered, holistic care to the community; thus, balancing service line offerings based on both demand and profitability becomes extremely important.



Health systems are trying to decide “Does each facility need to be all things to everybody?”... and “What services are patients willing to drive further distances for versus what needs to be a core competency of each facility?”

Doug Black, Barnes-Jewish West County Hospital



### How does the willingness of patients to travel for care impact your strategy related to distribution and site of services, particularly on the ambulatory side?

Several different challenges and opportunities related to service line strategy were discussed. In one example, telemedicine was utilized to allow certain services, such as cardiovascular consultations, to happen from the comfort of home. For other services, such as oncology infusion care, physical spaces that are closer to home and more accessible than big medical campuses were important. However, there was also acknowledgement that some of these preferences are very individualized – some people will be willing to travel quite a long ways to receive care that they perceive is “best-in-class” while others are more comfortable staying closer to home. Providing high quality care while leveraging consolidation to drive a lower cost of care was a goal of all health systems represented.

### Within each of your systems, what initiatives are your organizations under-taking to contain costs in face of declining reimbursements? Have you engaged your workforces in these initiatives? How have they reacted?

Efficient space utilization, supply chain management, and strong revenue cycles were all strategies that panelists mentioned as being integral to the overall success of their organizations. Identifying opportunities to increase throughput and streamline the levels of care supported in the inpatient setting has helped some organizations improve utilization. Supply chain management techniques included honing in on best practices by consulting with staff, front line managers, and clinical expert councils and leveraging purchasing power across the system through the likeness of products that are purchased. Understanding the current and future impact of statewide healthcare exchanges was one strategy suggested for informing a strong revenue cycle.

Although all panelists acknowledged that effective change management and staff buy-in and engagement were essential to the success of cost savings initiatives, they also acknowledged that implementing change across an organization can be difficult. Creating opportunities for staff to participate and give input in the decisions that are being made was seen as essential to effectively managing change. This includes giving them opportunities to provide ideas on initiatives that will reduce costs, improve quality, and increase engagement and utilizing effective communication strategies to make sure everyone is well-informed about change as it happens.

An engaged workforce is going to save more money than you can ever imagine, because everyone is going to have their eye on the ball.

Randolph Howard Jr., Huntington Hospital

## Where do you think healthcare will be in the next 5 to 10 years?

There were varying perspectives on this question and no one was confident that they had the “crystal ball” to see the future. There was agreement that centers of excellence will continue to be prevalent. Less clear was the role home health will play in the future. While all panelists agreed that it will be one strategy for dealing with the prevalence of chronic illness, the panelists commented on the impact of nursing shortages and speculated that this may impact the ability to effectively implement robust home health solutions. Continued focused on technology was also stressed – with the ability for different brands of electronic medical records (EMRs) to talk to each other being critical to future innovation and success.

At the close of the discussion, panelists reflected on how CannonDesign can help them develop solutions to their greatest challenges. They emphasized their need for creative strategies that are flexible, adaptable and allow for rapid re-design that will help them react quickly to the dynamic nature of healthcare today.

We are going to have to come up with innovative models of care. We cannot hang onto traditional models of the past...We need to get the cost out of healthcare to drive quality...This calls for rapid redesign and rapid innovation.

Dale Beatty, RN, AONE

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### About CannonDesign

CannonDesign is an integrated, global design firm that unites a dynamic team of strategists, futurists, researchers, architects, engineers and industry specialists, driven by a singular goal — to help solve our client's and society's greatest challenges.

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