

STRATEGIC PERSPECTIVES ON HEALTHCARE

THE IMPACT OF THE NEXT FIVE YEARS

In January 2014, CannonDesign hosted three Peer Colloquium Panel Discussions as part of its inaugural Health Practice Executive Education Program. Panelists included leaders of renowned healthcare organizations from across the nation. During the panel discussions many topics were covered, including the impact of healthcare reform and associated financial challenges, 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 all three discussions in hopes that it will spur new ideas as we all look to develop solutions to the greatest challenges facing the healthcare industry.

How are the implementation of the Affordable Care Act and other reforms impacting your healthcare system?

The ACA and other reforms are impacting organizations in a variety of ways; however, all organizations are grappling with the best approach for making the transition from a fee-for-service model to one that is focused on risk, population health, and care coordination. Panelists indicated their organizations are at different stages in terms of transitioning to accountable care organizations (ACO) and improving care coordination. Some have already made significant progress toward the transition and are waiting for the market to catch-up. Others are still in the process of getting the proper infrastructure in place to manage populations differently – for example, experimenting with bundled payment strategies, implementing electronic health record (EHR) platforms that are tied across the system, or acquiring new partners to leverage economies of scale and to provide better coverage across the care spectrum. No matter where they fall on this continuum, all organizations are focused on assuring that care is delivered at the appropriate level and in the appropriate setting and at the lowest cost for entire populations.



Whether it be through a buy structure or a build structure – we’re having to go out and create partnerships that provide the services we need to coalesce around total management of patients and issues to drive costs down.

Tracy Williams, Norton Healthcare

Increasing scale – mostly through partnerships and acquisitions – was a key strategy that many panelists discussed as a way of providing services that can coalesce around total management of patients and help drive down costs. Major academic medical centers are seeing interest in partnerships from other regional players, while many independent hospitals are looking to partner with other hospitals and systems. Organizations are looking to become as clinically-integrated as possible and they see partnerships and growth as a major way to help them do that.

How do we fund the academic enterprise throughout the United States when you can't subsidize it anymore through clinical dollars? That's a big issue.

Dr. Glenn Braunstein, Cedars-Sinai Health System

Research and medical school funding cuts are another major source of stress for health systems, particularly academic medical centers (AMCs). Medical centers are increasingly being called upon to pay a larger subsidy to associated schools of medicine due to funding cuts from the National Institute of Health (NIH). This is particularly worrisome as they need to bring in more doctors to accommodate rising demand, which means they need to fund more medical students.



What financial challenges do you foresee these factors having on your healthcare system?

Several of the panelists indicated significant cost reduction programs are underway, with some health systems looking to cut hundreds of millions of dollars out of their operational costs. Many approaches for accomplishing this were discussed. Organizations are trying to identify clinical care solutions that are evidence-based and can be standardized across systems in order to improve both outcomes and efficiency. They are also trying to eliminate duplicative services. Consolidating administrative functions across systems and between partnering organizations was frequently mentioned. Additionally, many organizations are leveraging the size of their systems and/or contracting together with other systems to drive down and negotiate costs with payers. For stand-alone hospitals that may not have the size to negotiate costs down, optimizing operations is that much more important. For one organization, this was partially accomplished by emulating the positive aspects of the operating structures of some for-profit competitors, who tend to do a very good job of managing budget and labor.

The financial pressures many organizations are facing are forcing them to come up with effective ways to keep patients out of the hospital. To the extent possible, most systems are proactively identifying ways to tend to patients' needs in the ambulatory setting, in the community, or in their home as opposed to the more cost-intensive hospital setting. Strategies are in place to reduce avoidable inpatient admissions and readmissions; cut down on inappropriate use of the ED; provide care for more patients in urgent care or other less expensive settings; and to more closely and proactively manage high-risk, polychronic populations. At the same time, some AMCs are still looking to attract the higher case mix index patients to inpatient settings where they can still make a significant amount of money.

[To address financial challenges] it's a threepronged approach of changing reimbursements systems [in collaboration with payers], looking at attracting market to our region, and looking at cost control and savings through regionalization.

John Rudd, Cayuga Medical Center

Organizations are also finding that these financial challenges add layers of complexity to their relationships with payers. On the one hand, they need to collaborate with payers to develop fair, competitive payments that allow them to move to a pay-for-performance model; while on the other hand they are competing with payers through attempts to contract directly with large and mid-size employers. AMCs, in particular, which are often high-quality and high-cost, are challenged to work with payers to drive down costs in order to stay a part of payers' increasingly narrow networks.

How are you responding to ambulatory growth and new competitors from retail?

All of the panelists admitted retailers are infiltrating more and more into the business of providing healthcare and pose a real threat that needs to be acknowledged. In most cases these retailers have the opportunity to provide cheaper, more convenient care than has traditionally been provided through physician-based primary care. To address this, some organizations are looking for opportunities to partner with companies such as CVS, Walgreens, or local pharmacies. At the same time, many panelists acknowledged that they perhaps should not compete on some fronts and are instead focusing their attention on the specialized ambulatory services that they can differentiate. Some panelists mentioned co-locating multiple ambulatory service lines in convenient locations. Others mentioned providing care in more consumer-friendly locations (e.g., sports medicine services at the local gym).



Consumers are beginning to understand 'I've got skin in the game'...which is forcing us to think more along the lines of consumerism, retail, and value and how we take advantage of these rapidly evolving new technologies.

Richard Liekweg, BJC HealthCare

How are you repositioning your workforces to respond to the new models of care that are evolving in your health systems?

It is clear that the ACA and other reforms, along with pending physician shortages, are forcing organizations to reevaluate the way they have structured their workforces. They continue to try to attract physicians to their systems, and in the case of teaching hospitals and AMCs, are looking at how they can incentivize their own medical students to continue to work for them. However, at the same time, almost all panelists acknowledged their organizations must transition to a more team-based approach – especially in the ambulatory setting. This approach requires advanced practice registered nurses and physicians’ assistants to take on more patient care and follow-up in an effort to use the physicians’ time most efficiently. Additionally, some organizations are looking at how they can integrate other care providers – such as pharmacists – into these team-based settings.

We are paying a lot more attention to [residents] coming through our program and saying to them “Would like to stay with us and be employed by us?” And then trying to position graduates in our satellite facilities.

Steven Sonenreich, Mount Sinai Medical Center



This realignment of the care team requires a redesign of care models that is creating new roles in the healthcare setting. Organizations are experimenting with new roles such as coders, clinical documentation specialists, and scribes to streamline and facilitate increased communication and transparency between these newly formed provider teams. Additionally, several panelists indicated they are utilizing LEAN methodologies in attempt to streamline operations, eliminate duplicative tasks between different care provider roles, and allow teams to work together more effectively.

Care coordination and patient navigation continue to be big buzz words as organizations attempt to place the patient at the center of their care models. However, as systems become larger, more integrated, and more complex, coordinating care across multiple settings continues to be a challenge. To help address this, many organizations are looking for ways to streamline best clinical and operational practices across sites. Strategies include the successful implementation of electronic health records to help leverage big data; developing centers of excellence that focus on providing best-in-class service in a singular location for particular service lines; and decreasing variation in care by establishing best practices and clinical pathways through the use of committees and working groups.

How has capital investment at your organization evolved over time?

Many organizations have invested significant capital moving towards private bed models and inpatient hospitals additions over the last several years. However, as organizations are looking to move more services into a lower cost setting, focus has shifted to both investing in ambulatory services in convenient settings and converting existing inpatient space into space that can be utilized more effectively in the future. Highly efficient and functional buildings that can easily adapt to changes over time are at the top of mind for many of the panelists. Additionally, organizations are looking to make investments that enhance their ambulatory care models, especially those that enhance population health management and provide opportunities to keep the patient out of high-cost settings (e.g., providing more observation and urgent care space as an alternative to the ED). Generally speaking, most panelists anticipated much less investment in the inpatient setting in the future, but significant investment in ambulatory capacity.

The approach has to be to not only decrease the costs and figure out how to invest capital wisely, but to figure out, to the extent possible, how to get the patients that do need to be admitted to come to your health system.

Dr. Bobbi Daniels, University of Minnesota Physicians

Additionally, almost all panelists indicated that smart investment in technology would be very important over the next several years. Examples include implementing system-wide EHR platforms; investing in new, cutting edge technologies that can enhance care delivery (e.g., mobile technologies); and leveraging technology to improve communication between patients and providers and between providers in different physical locations.



What can CannonDesign do for you?

To be a good partner, CannonDesign will have to understand the clients' unique circumstances and help identify ways to address their challenges and optimize assets. Panelists felt CannonDesign will need to continue to infuse knowledge of the healthcare industry and knowledge of where it is heading into all solutions. In terms of facilities, CannonDesign will need to continue to help clients utilize spaces in highly efficient and effective manners. It will be important to continue to infuse LEAN and other methodologies that help streamline operations into more effective work processes. CannonDesign will need to continue to demonstrate understanding of technology and the implications it will have for physical space requirements in the future. Finally, CannonDesign will need to continue to listen to the users of the spaces and processes they are helping organizations design – especially the physicians and nurses that use these spaces day in and day out.

What will healthcare look like in the United States in the next 5-10 years?

Everyone acknowledged that there is not a definite answer to this question with so many factors at play. Several panelists speculated that a singlepayer system could be in the not-so-distant future; while others were less convinced that this was the way things were headed. There was more agreement that the trend of consolidation would continue, as no single health system can do it all, so it is advantageous to partner with organizations that can fill in some of the gaps. While local hospitals will still play an important role, several panelists indicated healthcare will become less localized with the rise of centers of excellence. Finally, there was consensus that developments in the industry will be rapid and it will be important for all organizations to change and adapt to these changes in real-time to set them up for continued success in the future.

I'm amazed at how quickly things are moving. We tend to overestimate change in the short run and underestimate it in the long run. Five years from now we're going to look back on today as the more peaceful time in this business.

David Fox, Advocate Good Samaritan Hospital

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The Panelists

Central Region

Bobbi Daniels, MD, CEO
University of Minnesota Physicians
David Fox, President
Advocate Good Samaritan Hospital
Richard Liekweg, President,
Barnes-Jewish Hospital
Group President, BJC HealthCare

East Region

Kevin Mahoney, Senior Vice President,
Chief Administrative Officer
University of Pennsylvania Health System
John Rudd, President, CEO
Cayuga Medical Center
Steven D. Sonenreich, President, CEO
Mount Sinai Medical Center

West Region

Glenn D. Braunstein, MD, Vice President,
Clinical Innovation
Cedars-Sinai Health System
Lisa Murphy, Chief Administrative Officer,
Clinical Programs
University of California San Diego Health System
Tracy Williams, DNP, Senior Vice President,
System Chief Nursing Officer
Norton Healthcare

Moderator

Manuel Hernandez, MD, Principal
CannonDesign

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Contact Information

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