

FUTURESCAN™

Healthcare Trends and Implications
2016-2021

Got Change? An Inside Look at Future Transformations in Healthcare

Society for Healthcare Strategy & Market Development
American College of Healthcare Executives

with support from Evariant

1 THE EVOLUTION OF THE PATIENT EXPERIENCE

Christy Dempsey

Chief Nursing Officer
Press Ganey Associates, Inc.



SOCIETY FOR
Healthcare Strategy & Market Development™
of the American Hospital Association

- A Personal Membership Group of the American Hospital Association
- 4,000+ members: largest organization serving healthcare strategy professionals
- SHSMD is committed to helping its members meet the future with greater knowledge and opportunity



American College of
Healthcare Executives
for leaders who care®

- Professional society of more than 40,000 healthcare executives—Leaders Who Care
- Can earn board certification in healthcare management as ACHE Fellows (FACHE™)
- Foremost provider of continuing education and publications for healthcare management and leadership



- SHSMD thanks Evariant for its sponsorship of the redesigned *Futurescan 2016-2021*
- Evariant sees a future where healthcare organizations deliver efficient care solutions
- The firm continuously innovates its healthcare CRM platform based on a centralized communications engine capable of identifying, executing, and measuring all types of engagement initiatives

THE ISSUE

1 THE PATIENT EXPERIENCE

Providers are shifting their focus from patient satisfaction to the totality of the patient experience

This encompasses all aspects of care and services provided across the continuum of care

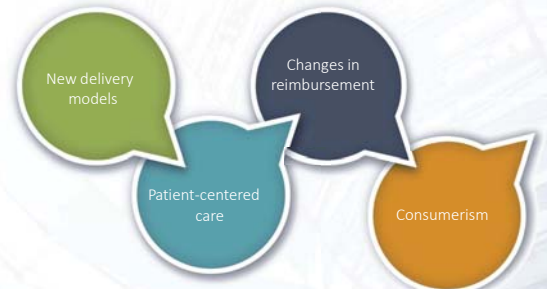
INTRODUCTION

Futurescan 2016-2021 focuses on:

- Engaging value-conscious patients and consumers
- Exploring capital models to finance the evolution of healthcare
- Identifying change management skills executives and strategists need for the future
- Accelerating innovations that improve value
- Re-engineering care at a massive scale
- Developing effective health promotion and wellness programs
- Assuming risk in caring for defined populations
- Integrating behavioral health and medical care

1 THE PATIENT EXPERIENCE

What's driving this trend?



84%

At least 10% of hospital reimbursement will depend on HCAHPS scores

68%

Hospitals will assess performance using patient experience metrics as the main measure

79%

The majority of patients will compare patient experience ratings with those of other hospitals before choosing where to receive care

New sources of capital are needed to fuel the future transformation of healthcare

- The financing vehicles hospitals and health systems have utilized in the past are becoming outdated (i.e., tax-exempt municipal bonds)
- Providers need to explore new ways to fund growth and expansion strategies, including taxable corporate debt

The evolving healthcare landscape means providers must focus on:

- Delivering the right resources at the right time
- Providing patient-centered care that's attentive to individual needs
- Engaging physicians, nurses, and staff in a team-based culture
- Involving patients and families in care and decision making
- Achieving high HCAHPS scores to maximize reimbursement
- Ensuring a culture of transparency, acknowledging that consumers are better informed than ever
- Collaborating with other providers (even competitors) to optimize patient care

28%

Most debt capital will come from taxable financing sources

2 THE COMING "KITTY HAWK MOMENT" IN HEALTHCARE STRATEGIC CAPITAL

Michael Irwin

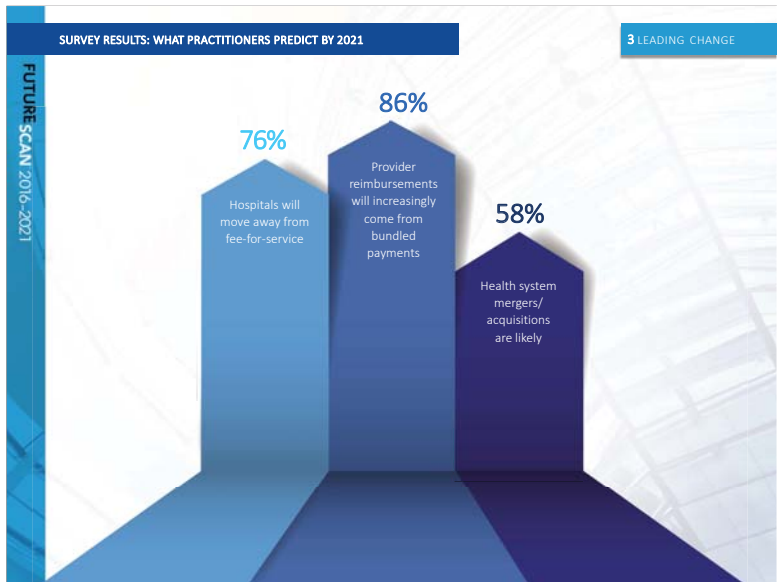
Director
Not-for-Profit Health Care Group at Citigroup

A checklist for exploring the benefits of taxable financing

- ✓ Understand investors
- ✓ Watch ratings implications
- ✓ Know the options
- ✓ Be aware of market sensitivities
- ✓ Help educate the market
- ✓ Learn from for-profits

3 LEADING CHANGE: A GUIDE FOR THE PERPLEXED

Todd D. Jick, PhD
Faculty Member
Columbia Business School



THE ISSUE

3 LEADING CHANGE

Leading healthcare organizations in a world of continuous change is challenging

- The pace of transformation continues to accelerate
- Executives already feel saturated and overwhelmed
- 70% of change management efforts fail

FUTURE SCAN 2016-2021

IMPLICATIONS FOR LEADERS

3 LEADING CHANGE

Executives need to adapt to the evolving healthcare landscape by:

- Managing new business models
- Upgrading leadership competencies
- Fostering organizational consolidations and partnerships

FUTURE SCAN 2016-2021

3 LEADING CHANGE

Success will be defined by the ability to:

- Chart a different course
- Adapt quickly
- Navigate turbulence
- Deal with opposition

FUTURE SCAN 2016-2021

4 RISE OF THE ACCELERATORS: THE GROWTH OF HEALTH SYSTEM-BASED INVESTMENT AND INNOVATION PROGRAMS

Ezra Mehlman
Vice President
Health Enterprise Partners

Healthcare is experiencing a 'perfect storm' of transformation that's driving providers to pursue growth through investment and innovation programs, or "accelerators"

44%

Will have a healthcare IT accelerator in place

33%

Will invest in a healthcare venture capital or private equity fund

31%

Will have direct investments in healthcare IT companies

4 goals of accelerator programs:



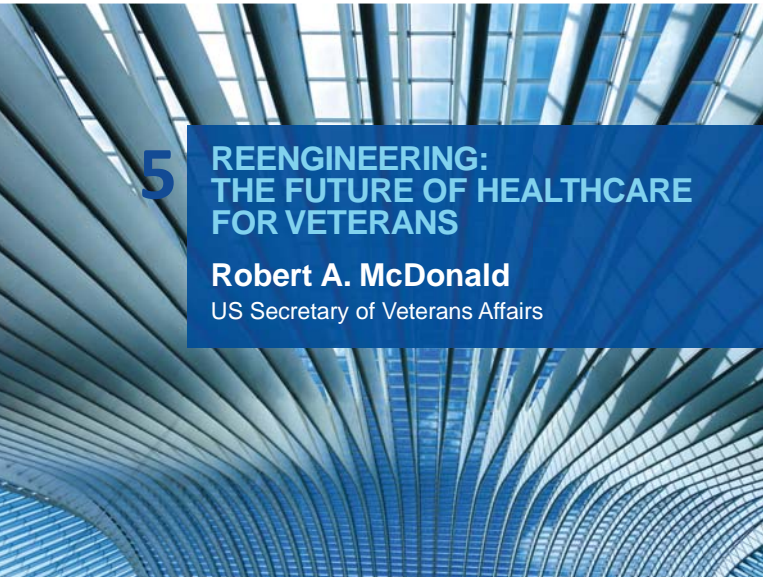
Healthcare organizations should determine the investment and innovation strategy that best aligns with their individual needs and risk appetite

Accelerator models include:

- Investment in early-stage companies
- In-house innovation centers
- Direct investments in healthcare IT
- Warrant deals
- And others

5 REENGINEERING: THE FUTURE OF HEALTHCARE FOR VETERANS

Robert A. McDonald
US Secretary of Veterans Affairs



Organizational transformation cannot occur at the edges; it has to be deep, wide reaching, and massive in scale

Lessons can be learned from giants on the journey, such as the US Department of Veterans Affairs (VA)



To meet the diverse healthcare needs of entire communities in the future, providers will need to partner with:



The VA's strategies for the future focus on the power of:

- **Partnerships**, to provide for the mental and physical health of veterans, and combat homelessness
- **Preparation**, in anticipating massive increases in the number of veterans with dementia
- **Prevention**, through an emphasis on wellness for veterans
- **Prediction**, in forecasting the needs of the future VA population through analytics and genetics

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PROMOTING HEALTH: THE ONE ALTERNATIVE TO HEALTHCARE RATIONING

Michael F. Roizen, MD

Chief Wellness Officer
Cleveland Clinic

Olivia Delia

Science Journalism Intern
Cleveland Clinic

96%

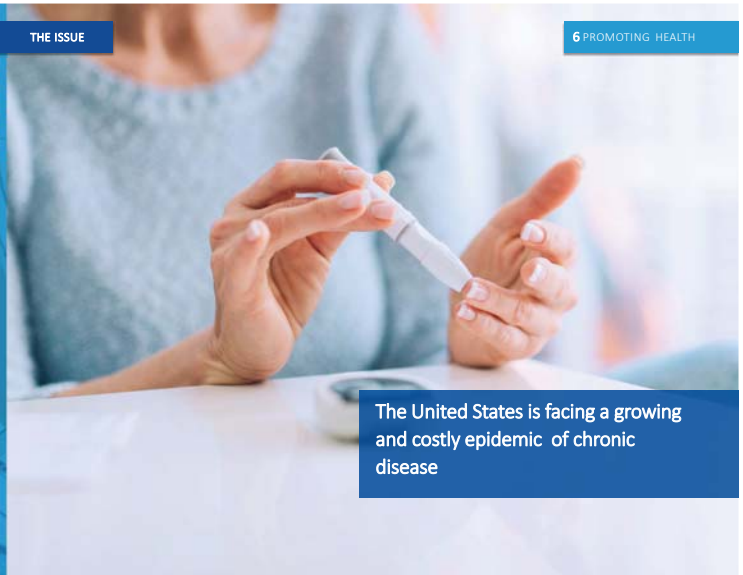
Hospitals will focus on population health metrics in collaboration with local public health agencies or non-profit organizations

95%

Hospitals will use software to track and project patients' resource utilization

99%

Patients will participate more in planning their treatment



The United States is facing a growing and costly epidemic of chronic disease

Cleveland Clinic has developed a promising health promotion model to help address the problem

It emphasizes supporting and incentivizing individuals to achieve normal ranges (“the six normals”) for:

- 1 LDL cholesterol
- 2 Blood pressure
- 3 Blood sugar
- 4 Waist-to-height ratio
- 5 Stress management
- 6 Tobacco toxins

Expanding the Cleveland Clinic model to all populations would be an important step in the right direction

- Research shows achieving normal ranges for the key health factors identified by the clinic reduces chronic disease by 80 to 90 percent
- If two-thirds of individuals reached “the six normals” the nation would save over \$600 billion in annual healthcare spending

89%

Most patients will belong to health plans that offer financial incentives for meeting health targets

77%

At least a quarter of the population will receive care from an ACO focused on population health

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SUCCESSING WITH NEW PAYMENT MODELS

Lee B. Sacks

Executive Vice President and Chief Medical Officer Advocate Health Care

Michael J. Randall, FACHE

Chief Administrator Officer Advocate Advocate Physician Partners

Providers need to shift the focus of the US healthcare system from treating illness to promoting health

As healthcare transitions from volume to value-based payment, providers are increasingly assuming more risk for the cost and quality of care

FUTURE SCAN 2016-2021

7 NEW PAYMENT MODELS

Forces driving the migration to global risk

- Growth in Medicare managed care
- Mounting pressure from commercial insurance and private health exchanges
- Introduction of bundled payments
- Consumerism
- Launch of the next generation ACO

FUTURE SCAN 2016-2021

7 NEW PAYMENT MODELS

IMPLICATIONS FOR LEADERS

In the rapidly changing healthcare environment, providers need to:

- Assess which opportunities to assume greater risk with new payment models are right for their organizations
- Decide whether to build their own network or participate in an established network as a contracted party
- Consider whether to develop their own health insurance product

FUTURE SCAN 2016-2021

7 NEW PAYMENT MODELS

Strategies for hospitals and health systems to manage risk

- Form their own networks**
Goal is to be the high performing network of choice in the region (exceptional quality, low-cost)
- Develop their own health plans**
Gives providers greater influence over caregiver and patient behavior

8 BEHAVIORAL HEALTH: THERE IS NO HEALTH(CARE) WITHOUT MENTAL HEALTH(CARE)

M. Justin Coffey, MD
Neuropsychiatrist, Medical Director and Director of Medical Informatics Center for Brain Stimulation, Menninger Clinic

C. Edward Coffey, MD
Neuropsychiatrist, President and CEO Menninger Clinic

FUTURE SCAN 2016-2021

7 NEW PAYMENT MODELS

SURVEY RESULTS: WHAT PRACTITIONERS PREDICT BY 2021

Percentage	Prediction
78%	Nearly half of Medicare-eligible patients will be covered by Medicare Advantage
47%	Believe their organization will be licensed to sell health insurance products
72%	Will have a co-branded product with an insurer

FUTURE SCAN 2016-2021

8 BEHAVIORAL HEALTH

THE ISSUE

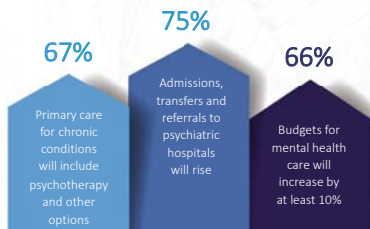
There is a growing need to integrate behavioral health and general medical care (One in five American adults suffers from one or more mental disorders)

Fortunately, models of integrated behavioral health and general medical care have proven effective in treating adult patients with these comorbidities, resulting in:



CONCLUSION

SURVEY RESULTS: WHAT PRACTITIONERS PREDICT BY 2021



In the new healthcare environment, leaders must stay abreast of the trends highlighted in *Futurescan* and help their organizations successfully navigate the change waters ahead



IMPLICATIONS FOR LEADERS

Hospitals and health systems need to determine the best way to integrate behavioral health services into their continuums of care

