

The growth mindset for 2023

5 key drivers every healthcare system leader should prioritize



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Introduction

Health system leaders have faced unprecedented challenges over the past three years. The pandemic caused a sharp decline in inpatient volumes and a temporary loss of elective procedures, which both recovered. Inpatient volume is projected to increase just 2% in the next 10 years, with a shift toward higher acuity patients.¹ Hospital supply chain has also faced major disruptions, from COVID-19-related problems and major weather events to effects from the war in Ukraine.²

Add to that the issues of inflation, a labor shortage and an influx of new, nontraditional entrants competing with health systems in the industry, and hospitals across the country are facing thinner margins than ever. Margins are

down by a median of 5 percentage points from 2021, and as of October 2022, they remained negative.³

Responding to these challenges is critical to achieving smart growth in the future. Though it may seem like an uphill climb, leaders who try new tactics and keep a growth mindset can succeed in 2023.

This report highlights how to do so, based on insights gained from working with leading hospital organizations in today's ever-changing healthcare landscape.

To achieve growth in 2023, healthcare leaders should take a holistic approach, prioritizing these five interconnected areas:

- 1** Patient loyalty in a more competitive environment
- 2** Workforce strategy and adaption
- 3** Short-, mid- and long-term growth strategies
- 4** Operational effectiveness and patient care
- 5** Spend management beyond the supply chain

1

Patients are consumers who have more options. Develop plans and operations that convert them to loyal customers.

The pandemic accelerated the move toward consumerism in healthcare. New, nontraditional healthcare providers—venture capitalists, digital platforms, payer-providers and retail clinics—quickly entered the market or gained traction in 2020, leading to increased adoption of consumer-focused tactics to attract patients and win loyalty.

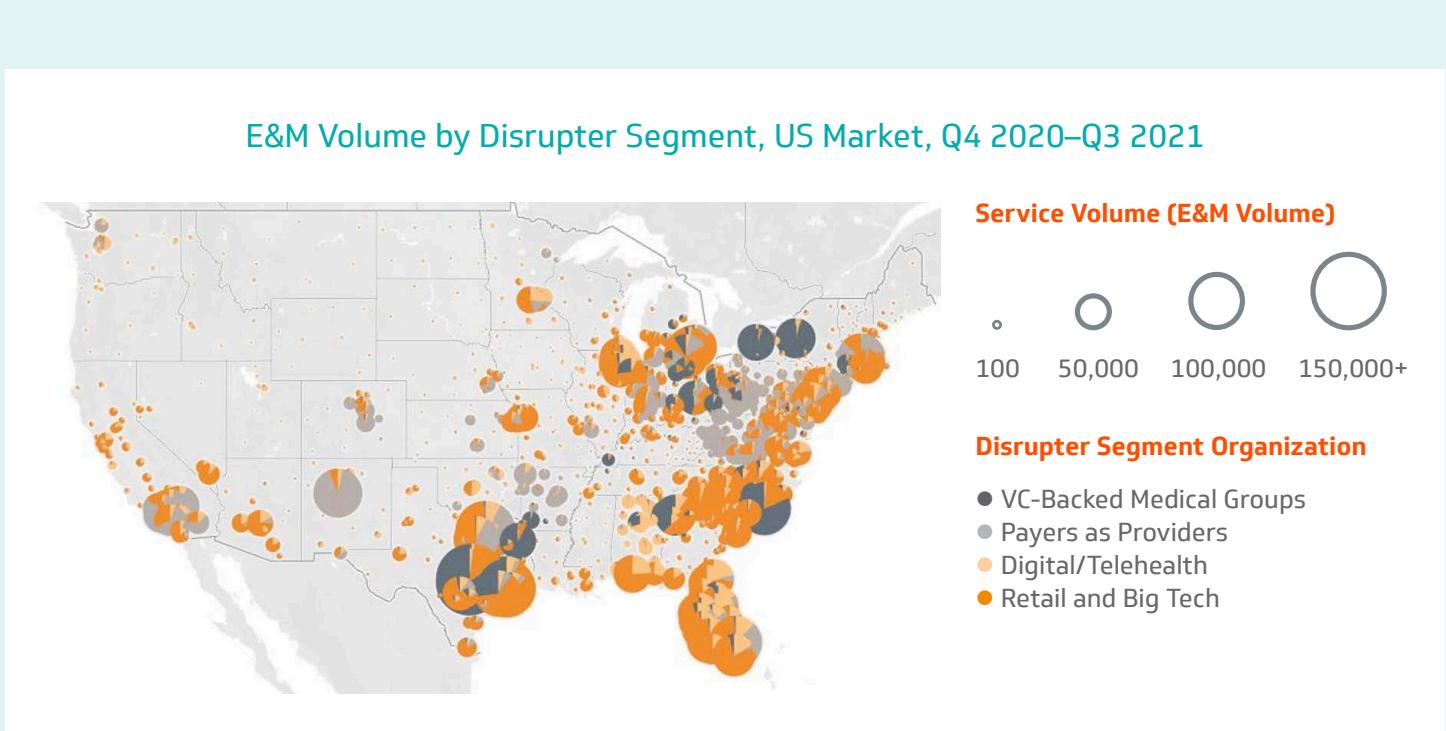


Figure 1

E&M = evaluation and management.

Sources: Proprietary Sg2 Disrupters National Provider Identifier Listing; Sg2 All-Payer Claims Data Set; IQVIA; Sg2 Analysis, 2022.

Patients shop for 3 factors



Access

The average wait time for a physician appointment was 26 days in 2022, up 24% from a 2004 survey.⁴ When patients face high wait times for traditional providers, they're more likely to look elsewhere for care. Access to both primary care, which acts as a connector, and timely specialty care is key. Expanded access to urgent care modalities beyond the emergency department is essential.

Price

High-deductible health plans (HDHPs) are on the rise, with 28% of covered workers enrolled in one in 2021, compared to 17% in 2011.⁵ HDHPs leave patients responsible for a larger portion of the bill—meaning many are thinking carefully about cost when looking for care.

Convenience

Facing barriers like limited time off from work or fewer transportation options leads patients who are shopping for a provider to look for convenient locations, digital enablement and flexible office hours.

High-performing health systems need to think differently about those three key areas to stay competitive with new market disruptors. Luckily, they don't have to go far for inspiration: Look at what the new entrants are doing well—and attempt to emulate it. These haven't been traditional strengths for many health systems, but changing times require them to adapt.

Leading hospitals will also use the *build, buy or partner* framework to move quickly, win loyalty and regain market

share. Partnering with or acquiring digital platforms, expanding office hours for existing clinics and bringing care functions into the community in a more consumer-friendly way are all strong approaches to consider.

Change can be challenging, but listening to the consumer and adapting to their needs will ultimately lead to a more coordinated care experience and a more responsive healthcare system as a whole.

“Nontraditional competitors are cashing in on consumer convenience. Traditional health systems will have to provide the same level of convenience where it makes sense.”

David Levine, MD, FACEP

Group Senior Vice President Advanced Analytics and Product Management

2

Renew your workforce strategy to adapt to a new reality.

Healthcare workers across the country faced long hours and a lack of resources during the early days of the pandemic, and ripple effects from 2020 are still being felt today. High levels of burnout are driving health workers to leave the profession altogether.

Nurse turnover has more than doubled since 2019, resulting in challenging labor shortages. Those shortages have led to higher use of expensive travel nursing services and increased spending on recruitment and retainment. Nurse unit labor expenses are up about 55% compared to 2019.⁶

These challenges have made staff recruitment and retention a top priority for health system leaders, and top health systems recognize that old staffing strategies are no longer effective in this new environment.

Health systems can take several approaches to adjust to the new health labor landscape, including:

Move away from the one-size-fits-all staffing model.

Instead, aim to find the right staffing level for the patient mix. We already know that intensive care units require a different labor mix than a medical/surgical floor. Now, it's time to look at the patient mix data from floor to floor to find ways to optimize staffing rates while achieving positive patient outcomes.

Empower providers to work at the top of license.

Every provider at a hospital or clinic has unique skills and education levels. Smart leaders will ensure each employee is working at the top scope of their licensure. That can mean investing in technology and automated tools to alleviate administrative burden, or examining the roles and responsibilities of each member of the care team, paying special attention to fully integrating advance practice providers like nurse practitioners or physician assistants.

Develop strategic relationships with contract labor vendors.

Hospitals will continue to rely on travel nurses to fill staffing shortages (travel nurse demand is projected to remain at least 20% higher through 2023 compared pre-pandemic levels). Strategically partnering with vendors can help systems achieve a cost-effective balance.

Focus on culture setting.

Healthcare executives need to instill a shared sense of purpose beyond the CEO and the leadership team. Leaders should celebrate staff wins frequently and ensure their messages are communicated effectively at every level of the organization. Alignment of purpose across the organization enables true teamwork, which is as important for staff retention as it is for patient care quality. Executives need to be visible and the entire leadership team needs to show alignment.

“ Long-anticipated labor shortages were accelerated by the pandemic and hospitals and health systems nationwide continue to face critical short- and long-term workforce challenges. ”

Simrit Sandhu

Executive Vice President, Strategic Transformation and Clinical-Supply Solutions



3

Manage financial pressures through smart short-, mid- and long-term growth strategies.

As hospitals face a stark reality of higher labor and supply costs paired with tighter reimbursement, it can be tempting to think only of cutting costs. However, leaders at top-performing health systems are thinking from an abundance—not scarcity—mindset when making investment decisions for 2023.

For sustainable growth, health systems should use a tiered approach of short-, mid- and long-term strategies.



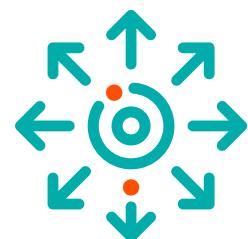
In the short term:

Use the existing contracts and physical footprint to identify opportunities to gain share in your local market and optimize patient access channels. Leverage modern direct-to-consumer marketing practices to offer faster, more convenient care to compete with new entrants and focus on activating patients within your own systems. Available data should be used to pinpoint patient leakage and identify any and all opportunities to keep patients within the system. If there is patient leakage, work with system providers to identify why it's happening and address it. It may be because of long wait times to see in-network specialists or another access issue.



In the midterm:

Health systems should evaluate new payer contracts to increase revenue and margin capture. Direct-to-employer contracting, which is growing in popularity, gives systems direct access to a new patient population. Value-based contracting and bundled payment contracts, whether with government payers or commercial health plans, can also offer new sources of revenue and reward systems for high-quality care.



In the long term:

Leaders should continue thinking about evolving and expanding the system's footprint to access new patients and meet their care expectations. Sg2 data forecasts outpatient care volumes will grow by 16% over the next decade, requiring off-campus investments—brick and virtual—to meet patient demand. These large-scale investments require strategic planning and should be the focus every step of the way to succeed in the long term.

Surgical shift from inpatient setting slows in latter half of the decade



Figure 2

Note: Analysis excludes 0–17 age group. Forecast pulled for procedures—major and endoscopy volumes only. HOPD = hospital outpatient department.

Sources: Impact of Change®, 2022; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2019. Agency for Healthcare Research and Quality, Rockville, MD; Proprietary Sg2 All-Payer Claims Data Set, 2019; The following 2019 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2022; Sg2 Analysis, 2022.

“It’s not just about saving money, but about maximizing the impact of every dollar spent.”

John Becker

Group Senior Vice President, Strategic Growth Solutions

4

Build operational effectiveness and improve patient care to drive total quality transformation.

The structure and operations of healthcare organizations must drastically change to stay competitive in today's market landscape, examining everything from how patients access care to how care is delivered. While working to streamline operations and improve efficiency, leaders need to constantly focus on improving the quality of patient care.

Optimizing use of care sites throughout the health system is the most effective way to improve performance, care quality and patient experiences.

Appropriate use of care sites can maximize the value of the available workforce and make care access easier for patients. For instance, it doesn't make sense to do elective knee surgeries in the highest acuity setting available. Instead, concentrating certain procedures at specific locations can improve quality and lower costs while allowing other sites to grow new patient volumes.

It's also imperative to ensure patients are in the optimal care environment for their condition. Proper use of skilled nursing facilities or hospital at home services can decrease lengths of stay in acute care facilities, provide the appropriate level of care for the condition and open capacity for sicker patients who need hospital beds.

Analyzing data to determine where to centralize services to maximize systemness will generate value by lowering costs while optimizing patient outcomes.

In addition, telemedicine and remote monitoring are vital tools for optimizing care delivery in key service lines such as behavioral health and chronic disease management. Telehealth visits are convenient for patients and increase efficiency by freeing up exam rooms and allowing providers to see more patients on a regular basis.

Overall quality of care improves when health systems maximize systemness. Not only will patients receive the right level of care at the right place, systemness also encourages the pooling of patient data, revealing new opportunities for quality improvement. Access to patient data also makes it easier to create, implement and track a systemwide quality plan for all care sites.

“Our goal—and where providers will see the most value—is the intersection of improved, sustainable performance that positively impacts the patient experience.”

Simrit Sandhu

Executive Vice President, Strategic Transformation and Clinical-Supply Solutions



5

Develop a spend management strategy that moves beyond supply chain management and focuses on total resource stewardship.

When facing greater financial pressure, it's important for health systems to examine every dollar of spend in every category, not just supply spend. In addition, top-performing health systems will also need to develop a holistic resource stewardship strategy that intelligently allocates every resource the hospital owns or influences for maximum impact. Resource stewardship should involve every team, from supply chain to service line to clinical quality.

Under the umbrella of resource stewardship, health system resources fall into four main categories: **organization resources**, **patient resources**, **supplier resources** and **community resources**.

“ We are driving strategies to help gain visibility and implement strategies around spending areas that are important to an organization but are sometimes managed outside of the typical supply chain. ”

Simrit Sandhu

Executive Vice President, Strategic Transformation and Clinical-Supply Solutions

4 categories of resource stewardship



Organization resources include the money that is used to procure products and services to provide care to the patient population. Traditional supply chain would fall here, and most hospitals are looking to reduce the amount of money spent in this way. However, the most successful organizations are not stopping at the traditional med-surg and pharma supply chains. They are also taking a hard look at how they spend on purchased services and other products that have an indirect impact on patient care.

Better stewardship of these financial resources can be achieved by analyzing supply and services utilization, as well as reducing unnecessary variation that drives up costs without impacting patient care. The key is looking at quality outcomes and utilization against peer organizations, with an eye on reducing unnecessary treatment variation. The best providers use transparent benchmarked data to balance best quality with the best cost of care.

Organization resources also include the hospital's human resources. Successful organizations will examine the direct human resources costs of their procurement practices by monitoring the efficiency of their procurement, distribution and materials management teams. But those organizations will also look closely at the less tangible impacts that their sourcing decisions have on the broader team—including the stress of managing multiple vendors, change and decision fatigue.



Patient resources must also be stewarded well. This includes money spent on care, drugs and transportation, but also stress, fatigue and the patient's knowledge of their own healthcare. Sourcing practices that drive down the cost of a patient's healthcare but increase the nonfinancial burden of getting that care may make the most profitable patients seek more convenient options.



More progressive health systems are also concerned with **supplier resources**. Leading hospitals are investigating how to better partner with suppliers to reduce supplier drain and, therefore, their own costs. Top-performing systems will be cognizant of the limited resources of suppliers and will seek to fully understand their own value to the supplier in order to achieve maximum price impact.



Community resources go beyond the four walls of the organization and include environmental resources like landfill space or social determinants of health that affect the patient population. Health systems must be aware of how the decisions that they make in regards to their own resources will affect those of their surrounding communities.

Conclusion

Every stakeholder in healthcare has had to adapt to the changing market of a post-pandemic world. Healthcare leaders can position themselves to take advantage of changing consumer habits and fuel growth by focusing

on the priorities in this report. Hospitals that embrace consumerism, renew workforce strategies, drive quality improvement and manage spend are poised for growth in the short, mid and long terms.

Key next steps:

- 1 Examine where new entrants in your market are succeeding in terms of access, cost and convenience—and attempt to adapt and apply it to your own system.
- 2 Evaluate opportunities to incorporate new technology that can alleviate administrative burdens and help ensure providers are working at the top of their license. This helps improve staff engagement and patient experience.
- 3 Overhaul how you attract and retain new patients. Embrace direct-to-consumer marketing practices that people are used to seeing, and identify reasons for exorbitant patient leakage and work with providers to address the root causes.
- 4 Analyze data to determine where services can be centralized to maximize systemness.
- 5 Take a holistic resource stewardship approach in order to manage overall spend and inform short-, mid- and long-term financial and operational strategies.

Let's work together.



For more information on Vizient capabilities,
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