Hospital and Health System Focus on Post Acute Care: National Survey Results on Current Status and Trajectory

Neal Peyser
Sr. Vice President of Consulting
nealp@hdgi1.com
Session Topics

Health Care’s Current Trajectory
Health Dimensions Group National Hospital/Health System Survey
  • Methodology and Demographics
  • 7 Key Findings and Implications
Disruptive Innovation From the Outside In
Near-Term Strategic Considerations
  • Hospital/Health System Top 10
  • Post Acute Providers Top 10
Concluding Thoughts
Health Care’s Current Trajectory
There Have Been More Changes in Health Care Delivery Over the Past 50 Years Than Over the Previous 5,000

- 500 B.C.
- 1900s: Leeches invented
- 1920s: Penicillin invented (1928)
- 1940s: First open heart surgery performed (1952)
- 1960s: World War II – Large scale, federally funded research efforts (1940s)
- 1980s: MRI invented (1973)
- 1990: Cardiovascular stents developed (1987)

Source: FTI
In Other Service Industries, Transformation Has Caught Incumbents by Surprise

<table>
<thead>
<tr>
<th>Industry</th>
<th>Then (1980)</th>
<th>Just a Few Years Ago</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td></td>
<td></td>
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<tr>
<td>Airline Tickets</td>
<td></td>
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<tr>
<td>Information</td>
<td></td>
<td></td>
<td>“There’s an app for that”</td>
</tr>
<tr>
<td>Entertainment</td>
<td></td>
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</tbody>
</table>
A Radical Thought?

“The new hospital will reach out into homes and residential communities…Hospitals will bring services out to patients as much as patients to the hospital.”

However, Tendency in Health Care Has Been to Adapt to Maintain Status Quo

Aggregated U.S. Hospitals Overall Operating Margins

*Estimated average

The Health Care “Tipping Point” Has Long Been Predicted; It Now Appears We Are There

**Transformational Drivers**

- Demographic changes
- Unsustainable economics
- Technological impacts
- Physician changes
- Patient safety and quality
- Health care reform
Health Dimensions Group National Hospital/Health System Survey
Methodology and Demographics
Methodology

Online survey to hospital and health system executives nationwide

Opinions represent 154 health care executives throughout the U.S.

Provide statistical reliability of +/-8.2% at 95% confidence level
Who Participated in This Study?

<table>
<thead>
<tr>
<th>Position</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>30%</td>
</tr>
<tr>
<td>Vice President</td>
<td>16%</td>
</tr>
<tr>
<td>Senior Vice President</td>
<td>9%</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>5%</td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td>4%</td>
</tr>
<tr>
<td>President</td>
<td>3%</td>
</tr>
<tr>
<td>Chief Information Officer</td>
<td>3%</td>
</tr>
<tr>
<td>Chief Medical Officer</td>
<td>3%</td>
</tr>
<tr>
<td>Chief Nursing Officer</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>26%</td>
</tr>
</tbody>
</table>
Organization Types Participating in Study

- **Multi-hospital health system**: 61%
- **Freestanding hospital**: 28%
- **Academic medical center**: 11%
7 Key Findings and Implications
Key Finding 1

• ACOs, at least in concept, are alive and well
Key Finding 1 (continued)

- Three in five health care executives say their organization will become part of an ACO within the next five years, with those of multi-hospital systems being the most likely to believe such

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Freestanding Hospital</th>
<th>Multi-Hospital System</th>
<th>Academic Medical Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>60%</td>
<td>42%</td>
<td>68%</td>
<td>59%</td>
</tr>
<tr>
<td>No</td>
<td>15%</td>
<td>26%</td>
<td>9%</td>
<td>24%</td>
</tr>
<tr>
<td>Undecided</td>
<td>25%</td>
<td>33%</td>
<td>23%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Number of Respondents
- 43
- 93
- 17
Key Finding 1 (continued)

- Of those, about two-thirds feel their own organization will lead the effort; multi-hospital systems are far more likely to believe their organization will be a leader than others surveyed.

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Freestanding Hospital</th>
<th>Multi-Hospital System</th>
<th>Academic Medical Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>65%</td>
<td>28%</td>
<td>78%</td>
<td>50%</td>
</tr>
<tr>
<td>No</td>
<td>18%</td>
<td>33%</td>
<td>13%</td>
<td>20%</td>
</tr>
<tr>
<td>Undecided</td>
<td>18%</td>
<td>39%</td>
<td>10%</td>
<td>30%</td>
</tr>
<tr>
<td>Number of</td>
<td>43</td>
<td>93</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>Respondents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Key Finding 1 Implications

Hospital/Health Systems

• Pre-/post acute continuum of care management becomes essential

• Important to identify your organization’s gaps in competencies and how will they be addressed

Post Acute Providers

• Know organizational competencies you can you bring to bear to address hospital/health system gaps

• Understand your competitors, your relative position, and your potential for differentiation

• Be ready with a robust communication approach that highlights your organizational value
Key Finding 2

• Hospital priorities are shifting towards two of the three “Triple Aim” objectives:
  – Enhanced patient experience/outcomes
  – Lower costs
Key Finding 2: Highest Priorities Over Next Three Years

- Highest priorities over the next three years for surveyed health care organizations are clinical quality/outcomes, clinical IT/EMR integration and meaningful use, as well as operating efficiency.
Key Finding 2: Mid-level Priorities Over Next Three Years

- Mid-level priorities are physician employment/alignment, ICD -10 preparation, value-based purchasing, and revenue cycle enhancement.
Key Finding 2: Lowest Priorities Over Next Three Years

- Lowest priorities are said to be facility renovation, replacement, or development; bundled payment pilots; and primary care medical home development.

![Bar chart showing priorities](chart)

- Primary care medical home development: 59%
- Bundled payment pilots: 52%
- Facility renovation/ replacement/development: 40%
Key Finding 2: Other Priorities Frequently Mentioned

• Employee recruitment/satisfaction/development
  – 17 responses

• Partnering capabilities
  – 9 responses
Key Finding 2 Implications

**Hospital/Health Systems**
- Population health focus elusive as in-network models remain the exception
- However, readmission management is now front-line

**Post Acute Providers**
- Ability to deliver programs and processes that result in preventing unnecessary readmissions will be fundamental
- Need to know your track record preventing readmits and have data to support your assertion
- As priorities for hospitals change, so will the decision makers; PAC providers need to recognize and effectively access those new connections
Key Finding 3

• Hospital executives prioritized the following when considering stemming the rise in health care expenditures while enhancing quality and outcomes:
  – Chronic disease management programs
  – Active clinical management of patients post-discharge
  – Management of patient care transitions
  – Patient-centered medical home
Key Finding 3: Initiatives That Will Have Most Significant Impact in Stemming the Rise of Health Care Expenditures

To what degree do you feel the following initiatives will serve to stem the rise in health care expenditures while enhancing quality/outcomes?

- Active management of patients post-hospital discharge to prevent/reduce readmissions... 86%
- Chronic disease management programs 85%
- Management of patient care transitions from hospital to home and/or to other venues... 75%
- Patient-centered medical home model that includes greater deployment of non-physician... 64%
Key Finding 3 Implications

**Hospital/Health Systems**
- Organizations assuming risk will need to have associated competencies in place
- Fee for service oriented providers will not be long-term sustainable

**Post Acute Providers**
- Clinical capabilities become paramount
- Demonstrated success in managing patients with multiple chronic illnesses will be a competitive differentiator
Key Finding 4

• Hospital ownership of PAC assets is ubiquitous and gaining new attention from those owners:
  – Particularly among multi-hospital systems
  – Home health agencies predominate, followed by IRF and hospice
  – More than 75% plan to significantly reposition their PAC services and more than two-thirds plan to invest to grow those assets
Key Finding 4: Post Acute Entity Ownership

- Hospitals/health systems surveyed are most likely to own a home health agency, an inpatient rehabilitation unit, and/or a hospice

Does your hospital/health system own, partially or wholly, any of the following post acute entities?

- Home health agency: 63%
- Inpatient rehabilitation unit or facility: 57%
- Hospice: 53%
- Skilled nursing facility: 42%
- Subacute unit in a hospital: 28%
- Long-term acute care hospital: 24%
- PACE: 9%
- Other post acute entities: 13%
- None of the above: 16%

Multiple responses allowed.
**Key Finding 4: Post Acute Entity Ownership (continued)**

- Multi-hospital systems claim ownership of the majority of post acute entities

<table>
<thead>
<tr>
<th>Entity</th>
<th>Freestanding Hospital</th>
<th>Multi-Hospital System</th>
<th>Academic Medical Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home health agency</td>
<td>42%</td>
<td>77%</td>
<td>29%</td>
</tr>
<tr>
<td>Inpatient rehabilitation unit or facility</td>
<td>30%</td>
<td>70%</td>
<td>53%</td>
</tr>
<tr>
<td>Hospice</td>
<td>40%</td>
<td>62%</td>
<td>29%</td>
</tr>
<tr>
<td>Skilled nursing facility</td>
<td>30%</td>
<td>51%</td>
<td>24%</td>
</tr>
<tr>
<td>Subacute unit in a hospital</td>
<td>19%</td>
<td>38%</td>
<td>0%</td>
</tr>
<tr>
<td>Long-term acute care hospital</td>
<td>12%</td>
<td>31%</td>
<td>18%</td>
</tr>
<tr>
<td>PACE</td>
<td>2%</td>
<td>10%</td>
<td>24%</td>
</tr>
<tr>
<td>Number of Respondents</td>
<td>43</td>
<td>93</td>
<td>17</td>
</tr>
</tbody>
</table>
Key Finding 4: Plans to Reposition Services

Of those with post acute facilities, three in four have plans to significantly reposition their services.

If your hospital/health system owns, partially or wholly, a post acute entities, do you have specific plans to …?

- Significantly reposition any or all services to facilitate hospital LOS reductions, reduce readmissions, better manage overall patient costs and/or improve patient experience and outcomes: 76%
- Grow any of the services in the near-term, either organically or via acquisition: 68%
- Joint venture any or all in the near-term: 40%
- Divest any or all in the near-term: 8%

Multiple responses allowed
### Key Finding 4 Implications

#### Hospital/Health Systems
- Overall investment priorities will impact ability to allocate needed capital
- Decisions around whether to invest, reposition, and/or shed PAC assets will become more complicated
- Collaboration options will gain validity

#### Post Acute Providers
- Relationship building will be important in the near term
- Continued competency enhancements will yield significant ROI while improving partnership potential
- Efficient providers that can deliver desired outcomes will be well positioned to complement, collaborate with, and/or acquire hospital/health system owned PAC assets
Key Finding 5

• When considering partnering or collaborating with an existing PAC provider, of most importance are:
  – Capability to assist in reducing readmissions
  – Capability to assist in care transitions
  – Availability of proven post acute pathways
  – Proven management expertise in post acute services
Key Finding 5: Most Important Factors for Partnering or Collaborating

If you were to consider partnering and/or collaborating with an accomplished post acute provider to develop new and/or grow existing services, please indicate the relative importance of the following partner characteristics:

- Capability to assist in reducing admissions: 86%
- Capability to assist in care transitions for patients discharged from your hospital: 81%
- Availability of proven post acute care pathways: 79%
- Proven management expertise in post acute services: 77%
Key Finding 5 Implications

Hospital/Health Systems

• Up-front effort in specifically identifying preferred partner attributes in addition to competencies noted in previous slides will advance decision making

Post Acute Providers

• Hospitals/health systems will be most interested in measureable, data-proven quality outcomes along the four dimensions of importance

• Be prepared for potential deal terms that would/would not be considered
Key Finding 6

• CEOs are most attuned to considering innovative pricing options and risk sharing with an accomplished PAC provider
Key Finding 6: Importance of Innovative Pricing Options

- CEOs are more likely than others to say innovative pricing options, including risk sharing, is important in considering a partnership or collaboration with an accomplished post acute provider.

![Bar chart showing importance of innovative pricing options by CEO and Other Position.]

- **CEOs**: 72% (n=46) say it's important, compared to 57% (n=108) of others.
Key Finding 6 Implications

Hospital/Health Systems

• Organizationally and culturally, hospitals/health systems have not yet made the leap to risk sharing for PAC services

• However, among executives, CEOs most likely to embrace concept

Post Acute Providers

• CEO access likely advantageous

• Payors, such as Medicare Advantage plans, likely more amenable to risk-based arrangements in short term
Key Finding 7

- Academic medical centers (AMCs) have a heightened relative interest in pursuing PAC initiatives
Key Finding 7: Affect of 30-Days Post-Discharge by Organization Type

- Patients’ status 30 days post-discharge considered of greater importance among AMCs

To what degree do you feel the health status of your patients’ 30 days post-discharge will impact your organization’s…?

<table>
<thead>
<tr>
<th></th>
<th>Freestanding Hospital</th>
<th>Multi-Hospital System</th>
<th>Academic Medical Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottom line</td>
<td>61%</td>
<td>67%</td>
<td>77%</td>
</tr>
<tr>
<td>Reputation and image</td>
<td>61%</td>
<td>66%</td>
<td>77%</td>
</tr>
</tbody>
</table>

Rated High or Very High Importance
Key Finding 7: Plans to Pursue PAC Initiatives

- Academic medical center executives are the most likely to say they plan to develop, joint venture, and/or purchase a post acute venue within the next three years.

![Bar chart showing the percentage of academic medical center executives planning to pursue PAC initiatives.

- Freestanding Hospital: 5%
- Multi-Hospital System: 4%
- Academic Medical Center: 18%]
### Key Finding 7: Importance of Partnering/Collaborating Varies by Organization Type

<table>
<thead>
<tr>
<th>Importance Factor</th>
<th>Freestanding Hospital</th>
<th>Multi-Hospital System</th>
<th>Academic Medical Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity to assist in reducing readmissions</td>
<td>72%</td>
<td>90%</td>
<td>94%</td>
</tr>
<tr>
<td>Capacity to assist in care transitions for patients discharged from your hospital</td>
<td>72%</td>
<td>84%</td>
<td>88%</td>
</tr>
<tr>
<td>Availability of proven post-acute care pathways</td>
<td>72%</td>
<td>82%</td>
<td>82%</td>
</tr>
<tr>
<td>Proven management expertise in post acute services</td>
<td>74%</td>
<td>77%</td>
<td>82%</td>
</tr>
<tr>
<td>Interoperability potential with your clinical IT systems</td>
<td>77%</td>
<td>68%</td>
<td>71%</td>
</tr>
<tr>
<td>Innovative pricing options, including risk sharing</td>
<td>63%</td>
<td>61%</td>
<td>65%</td>
</tr>
<tr>
<td>Willingness to incorporate your employed physicians into partner venues</td>
<td>51%</td>
<td>46%</td>
<td>59%</td>
</tr>
<tr>
<td>Capital availability</td>
<td>51%</td>
<td>44%</td>
<td>65%</td>
</tr>
</tbody>
</table>

*Rated High or Very High Importance*
Key Finding 7 Implications

**Hospital/Health Systems**

- Closed and/or faculty dominated medical staff limits community connections that are now recognized as important
- Confluence of various health related disciplines heightens value of the broader care continuum

**Post Acute Providers**

- Surprising channel among the many
- AMCs often draw beyond local market and, as such, broad geographic distribution may be an advantage
Disruptive Innovations from the Outside In
Are We There Yet?

“From experiments in the United States and from examples of other countries, it is now possible to describe feasible, evidence-based care system designs that achieve gains on all three aims at once: care, health, and cost.”


“When care is complex, expensive and inconvenient, many afflictions simply go untreated…Managers and technologies need to focus instead on enabling less-expensive professionals to do progressively more-sophisticated things in less-expensive settings.”

Disruptive Innovation from the Outside In
Introducing the $10 Million Qualcomm Tricorder X PRIZE
Near-Term Strategic Considerations
Health Care Reform Implications: Hospitals/Health Systems

1. Admission-to-discharge is no longer discreet and separable from a continuum of patient care
2. Traditional hospital inpatient utilization rates enter a new period of decline
3. Hospital-owned PAC assets achieve higher status within their organizations
4. IT investments expand to include functionality and interoperability beyond the hospital and affiliated physicians
5. Hospital/health system boards invest in health care continuum education
6. Inpatient Medicare margin is prioritized over Medicare volume
7. Hospitals/health systems seek strategic partners to fill PAC gaps
8. Medical home becomes virtual
9. Consolidations and closures continue as high-intensity procedural and medical care centralize regionally
10. End-of-life care undergoes a cultural change and moves to other venues
Post Acute/Long-Term Care Providers

1. Post acute provider consolidation via mergers and acquisitions increases as entities strive to accrue scale and associated economies

2. Large companies experience new competition from emerging strategic alliances that offer a full complement of post acute care characterized by broad regional geographic distribution and diversity of service options

3. Data-proving capabilities are a requirement

4. Care venues determined by cost, outcomes, and value—not current reimbursement rules

5. Subacute skilled nursing environments designed to replace traditional community hospital medical units at significantly lower cost; home care replaces low-intensity, short-term SNF

6. Assistive technologies, monitoring devices, and creative information dissemination become low-cost substitutes for high-cost labor

7. Pure-play venues must play

8. Patients are truly empowered

9. Baby boomers expect to return to pre-acute event functionality or better

10. Long-term care in traditional nursing home environment precipitously declines
Concluding Thoughts
The old sports analogies around anticipating changes in the game. . .

“I skate to where the puck is going to be, not where it has been.”

Wayne Gretzky, NHL Hall of Famer
... are being replaced with chronicles of those that took it upon themselves to transform the game itself

Track and Field: Dick Fosbury
- Inventor of back-to-bar “Fosbury Flop” technique
- Won Gold Medal at 1968 Mexico City Olympics

Basketball: Kenny Sailors
- Credited with inventing the “jump shot”
- Led University of Wyoming to 1943 NCAA Championship over Georgetown in Madison Square Garden

Boxing: Muhammad Ali
- Mastered boxing style predicated on speed, agility and footwork
- Changed boxing approach to training regimen
- Three-time World Heavyweight Champion

Football: Peyton Manning
- Perfected the “no huddle” offense
- Technique of changing plays at line of scrimmage turns game into “chess game” of player substitutions
- Four-time NFL MVP and Super Bowl XLI Champion
The best way to predict the future is to create it yourself!

– Peter Diamandis
HOSPITALITY
STEWARDSHIP
INTEGRITY
RESPECT
HUMOR