FINDING YOUR NORTH STAR: A PRESCRIPTION FOR TRANSFORMATION IN HEALTHCARE

M&T Commercial Bank examines the industry’s future.
Perhaps no other industry is being disrupted more dramatically than healthcare. Significant changes are announced almost daily, from policy proposals and technology breakthroughs to new drugs and innovative treatments. How can a healthcare organization transform itself to succeed in this volatile environment? As uncertain forces shape healthcare delivery today and in the future, how can you find and follow your North Star toward success?

Some of the nation’s top healthcare thought leaders recently gathered in Baltimore to discuss these questions and other critical issues facing healthcare leadership. Moderated by Christopher Callaghan, group vice president and head of healthcare banking at M&T Bank, the panel featured:

- **Dr. David Friend**, Chief Transformation Officer and Managing Director of BDO’s Center for Healthcare Excellence & Innovation
- **Dr. Josh Sharfstein**, Associate Dean for Public Health Practice and Training at the Johns Hopkins Bloomberg School of Public Health
- **Hon. Bart Stupak**, Partner, Legislative and Government Affairs, at Venable LLP and former member of the U.S. House of Representatives from Michigan

Read on for a summary of some of the most pressing questions on the minds of healthcare decision-makers and the views of our subject-matter experts.

**WHAT ARE SOME KEY WAYS THE HEALTHCARE BUSINESS MODEL IS CHANGING?**

The panelists agreed that in order to transform healthcare, decision-makers must break out of some traditional modes. The U.S. currently ranks 31st in life expectancy, according to the World Health Organization, and that number is expected to worsen. Improving life expectancy may or may not require more customary methods: building bigger hospitals, adding infrastructure and other traditional responses. But it will definitely involve innovative solutions that focus on improving outcomes and overall health. This will require many stakeholders to try new methods and take carefully calculated risks to drive transformation.

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Stakeholders should look to combine technology with talent to provide more humane and more efficient care, panelists recommended. Wearable devices may enable seniors to live at home longer, but also home health aides should perhaps be better compensated as demand for their services increases. As more power shifts to the individual patient, facilities owners need to be cognizant of providing environments that are more desirable for the patient/resident. Transforming traditional physical spaces into more diverse layouts and even creating mixed-use facilities may meet changing wants and needs and result in happier, healthier patients.

**HOW ARE PAYMENTS AND REVENUE STREAMS BEING DISRUPTED?**

The hospital of the future will look and provide treatment much differently than today’s hospital, the panel explained. In a traditional setting, a heart attack patient might remain inpatient for weeks. But that stay is being reduced to a handful of days. Hospitals are decreasing anterior hip replacement admissions from multiple days to as little as one night. Clearly this trend changes the game for hospital revenue streams, as care shifts to skilled nursing facilities (SNFs) and home healthcare paradigms.

Some panelists highlighted the need to think beyond the traditional fee-for-service (FFS) system to reduce overall healthcare costs. They noted the potential benefits of bundled payments, a scheme based on a lump-sum payment that covers all components of a patient’s care. For example, a bundled payment structure for that anterior hip replacement would cover the implant, the surgical procedure, the inpatient hospitalization, the patient’s stay in an SNF, home healthcare and all other costs. Moving away from FFS and toward a more equitable system that balances payments should create efficiencies that generate additional funding for new and meaningful healthcare solutions. Every healthcare executive should follow this trend closely.
HOW CAN A HEALTHCARE ORGANIZATION DRIVE INNOVATION AND TRANSFORMATION?

With so many friction points in today's healthcare ecosystem – literally thousands of problems – the key is to pinpoint a process that can clinically be done better than it is currently, the panelists explained. Then it's important to understand the regulatory environment and reimbursement parameters, and how to deploy analytics to show any innovations to improve health in a measurable way.

As an example, one panelist noted an SNF he visited where executives meet every week to review all cases of patients being readmitted to a hospital. Their goal is to determine what went wrong and foster innovative ideas for improving care to prevent similar readmissions.

Another panelist suggested applying the “four R’s” to innovation: The right care at the right place at the right time at the right cost. Healthcare executives charged with ultimately generating a return on capital need to keep in mind the importance of creating a product or service that solves a problem and drives true value. Value must be defined as outcomes divided by cost because a high-cost solution is less likely to be widely adopted.

WHAT PROPOSALS IN WASHINGTON MAY HAVE THE LARGEST IMPACT?

Congressional leaders have passed non-binding proposals to cut approximately $1 trillion from Medicaid over the next 10 years. While Senate and House versions of the proposals may need to be reconciled before a budget plan becomes final, the effect on the entire healthcare supply chain – patients, providers, insurers and others – could be massive.

The “four R's” to innovation:

The right care at the right place at the right time at the right cost.

The panelists cautioned all stakeholders that are reliant on Medicaid that there is “no easy way” to absorb the proposed cuts and “no smooth transition” to another set of taxpayers to make up the difference. With so much at stake, the panelists encouraged stakeholders to organize and join healthcare coalitions to voice their opinions on the importance of Medicaid not just as a social safety net, but as a core driver of the healthcare industry.

Another trend to watch is the potential end of the individual mandate of the Affordable Care Act. The administration has apparently decided not to enforce it by not collecting the penalty from those who choose not to enroll, panelists noted. Recently, Republican senators proposed repealing the individual mandate as part of their tax reform plans. The end of the individual mandate could have enormous ripple effects throughout the industry.

WHAT TECHNOLOGIES ARE EMERGING THAT MAY TRANSFORM HEALTHCARE?

The first paradigm shift is the emergence of mobile and wearable technology that promises to transform patient care. In the near future, patients will be able to wear digital devices that transmit important information to healthcare providers. A senior living at home, for example, will wear a digital watch that can monitor her vital signs and detect an impending arrhythmia before it happens.

Technology like this can not only improve outcomes, but can also change the entire healthcare value chain. With better monitoring, at-risk patients may be able to live at home longer. With faster intervention when an episode occurs, they may be able to avoid an intensive care unit (ICU) admission and instead receive treatment in a skilled-nursing facility (SNF), assisted-living facility (ALF) instead, or even at home. Breakthroughs such as this will transform healthcare infrastructure as we know it.
The second is the convergence of computing power with artificial intelligence and machine learning, and the impact this will have on molecular biology and genetics. One example is the use of computers and software to help genetic engineers “program” cells to specifically attack diseases such as cancer. This could lead to more targeted therapies and personalized healthcare by providing instructions to cells in our bodies to perform specific actions.

**HOW CAN POLICY AND PRACTICE REDUCE COSTS AND ALSO PRODUCE BETTER OUTCOMES?**

A key component of transforming healthcare requires applying new insights and triggering new behaviors to address persistent issues. Panelists discussed this using the example of end-of-life care as a prime example of a paradigm ripe for transformation.

In the traditional healthcare model, many patients in the latter stages of life often are admitted to ICUs. This tactic may produce added revenue for hospitals, but may not be the best strategy over the long term for facilities or patients.

Instead of trying to prolong life in ICUs via expensive procedures and treatments, hospitals may look to establish programs to transition more patients to end-of-life hospice or home care. This could involve judiciously and humanely removing some of the financial incentives to maintain patients in the ICU setting. It also may include creating interdisciplinary alliances of healthcare professionals, clergy, and social workers collaborating to counsel patients and their families.

The panelists pointed out that not only might this approach reduce the high costs of ICU care for hospitals, but it could likely result in better outcomes. A patient actually tends to live longer in hospice, they noted, and their quality of life tends to be better. One of the panelists explained the importance of enabling “people to tell their own story” in the end stages of life. By prioritizing quality of life over quantity of life, healthcare executives can create win-win scenarios for patients and their facilities.

But if and when this approach is adopted in the market, business models will have to adapt and adjust to the lowest-cost setting.

**WHAT IS THE NORTH STAR TO GUIDE THE INDUSTRY?**

In sum, the panelists agreed that uncertainty abounds in healthcare. But they also pointed out that the sector has always operated in an uncertain environment where changes occur rapidly. In response, executives need to double down on focusing a pragmatic eye on driving better outcomes and the four R’s.

They must drive innovation and transformation to meet changing consumer behaviors. As patients have become accustomed to one-click ordering from their favorite online retailers and ordering an on-demand ride with an app on a smartphone, healthcare must adapt by becoming more streamlined and user friendly.

Finally, amid all this transformation, relationships are even more important in following the North Star. Healthcare executives must strengthen their connections and hold discussions with peers, providers and business partners such as bankers and consultants. Successful transformation will require smart business strategy and innovative technology, but will rely on people to bring if to life. Ultimately, the core delivery in healthcare, as one participant reminded the panel, is delivered through the caring hands of a provider who has made the life choice to help those in need. With that mantra as a guiding principle, the future is unlimited for savvy healthcare executives.

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