Healthcare Trends 2014: Pressure Rises and Delivery Organizations Respond

A Market Point-of-View

September 2014
Introduction

To say that healthcare is experiencing its most profound change since the inception of Medicare in 1965 is no exaggeration. It would also be too easy and self-serving to say that spending more money on information technology (IT) is imperative. The reality is that many organizations don’t have the revenue to continue doing so. While it’s true that IT may hold the greatest promise for improving how we deliver care to an aging population experiencing a greater incidence of chronic disease, most delivery systems have already invested heavily in IT and now must aggressively deliver on the promise of better outcomes with fewer resources. Making smart decisions about how best to leverage shrinking capital and operating dollars is more important than ever.

In this market point-of-view document, Impact Advisors highlights not only the key trends we see impacting healthcare today but more importantly the IT implications delivery organizations need to address to ensure they stay relevant and successful.

Trend #1: Market Pressures Drive Mergers & Acquisitions

The Affordable Care Act along with payer and employer pressure to deliver better care less expensively will continue to drive industry consolidation. Larger national and regional delivery systems will dominate most major markets.

Corollary Trends:

• Hospital mergers and affiliations will continue at an aggressive pace; underperforming organizations will partner with larger and more stable entities for capital resources and payer leverage.

Supporting Evidence:

• There were a total of 98 hospital and health system mergers or acquisitions announced in 2013, a 3% increase from 2012 and a 51% increase from 2010.¹
• “Mega-mergers” of large multi-state hospital systems also were significant in 2013.²

IT Implications:

• Delivery organizations with a single, unified vendor platform will be better positioned to become acquirers of or outsourcers for those organizations without.
• For merging delivery organizations, each with their own core vendor platform, the winners will be those that demonstrate a more stable, advanced yet cost-effective infrastructure.
• Mergers not well executed will result in higher costs associated with redundant systems, excess staff and unhappy constituents.

¹ Kaufman Hall, April 10, 2014
² Becker’s Hospital Review, December 9, 2013
Trend #2: Quality Outcomes Will Matter More than Volume, but Not Overnight

Healthcare costs rising faster than the GDP, the aging Boomer population, physician shortages and a growing incidence of chronic disease will further pressure delivery organizations to improve care efficiencies, reduce costs and demonstrate improved outcomes.

Corollary Trends:

- Value-based reimbursement will become more prevalent in some markets but in many markets and still for significant patient populations, fee-for-service will remain the dominant reimbursement mechanism.
- Integrated, actionable data across the care continuum will be in high demand.
- Winning organizations will better manage population health, leveraging new care models that include: team-based care, remote monitoring, active disease management, outreach, shared decision-making and patient engagement.
- The ability to link costs with clinical quality and outcomes data across targeted populations of patients – even when those patients aren’t all treated within a controlled or owned network – will become the key differentiator for delivery organizations.

Supporting Evidence:

- According to a study by Irving Levin Associates, 62% of provider organizations believe, within five years, managing the health of a patient population will surpass fee-for-service as the standard mode of operation for their organization.
- KLAS Research found up to 75% of hospitals and integrated delivery networks (IDNs) plan to look to niche vendors, rather than their core EHR vendor for population health, business intelligence, and HIE capabilities.

IT Implications

New capabilities—within or outside of EHRs—will be required, including:

- Advanced analytics
- Clinical dashboards
- Disease registries
- Incorporation of claims data
- Patient engagement tools
- Personal health records
- Referral tracking and management
- Risk identification and stratification
- Telehealth / telemedicine and remote monitoring

---

3 “Accountable Care Timing 2013: Migration from Volume to Value Speeds Up,” KLAS Research, November 2013
Trend #3: Managing the Care Continuum Is Critical but Difficult

Delivery systems responsible for managing the full care continuum and seeking to become dominant market players will continue to aggressively acquire physician practices, expand into the post-acute arena, effectively leverage e-visits and telemedicine, and further solidify their brand.

Corollary Trends:

• Expanding delivery systems – particularly those at-risk for the full continuum of care – will seek targeted acquisitions and contractual partnerships with post-acute providers (rehabilitation, skilled nursing, long-term care and home care).
• Efficient EDs and easy-access retail clinics will be an important and convenient entry point for patients.
• Leading delivery organizations will implement home care, telemedicine and e-visits for targeted, at-risk patient populations to more effectively leverage clinical resources, increase patient engagement and reduce unnecessary readmissions.

Supporting Evidence:

• Modern Healthcare magazine reported Kindred Healthcare, the largest diversified provider of post-acute care services in the United States, established 12 integrated care markets, with plans to expand to 25 in several years.\(^4\)
• The percentage of independent private practice physicians dropped from 57% in 2000 to 39% in 2012 and was expected to fall to 36% by the end of 2013.\(^5\)

IT Implications:

• Given enterprise clinical systems today largely lack support for the post-acute setting, niche post-acute solutions, far-from-perfect data integration and missed care transitions will prevail until enterprise vendors develop or acquire the necessary capabilities.
• Electronic tools that increase ED throughput and improve the patient experience, including bedside handheld registration, electronic whiteboard tracking and personalized patient education systems, will become differentiators.

\(^4\) Modern Healthcare, January 13, 2014
\(^5\) Accenture Physician Alignment Survey 2012
Trend #4: Industry Mandates and Cost Pressures Challenge Future IT Spending

Increasing regulatory requirements amid cuts in government funding, shrinking inpatient volumes and decreasing margins will drive organizations to reduce operating expenses, seek new sources of revenue, and limit capital spending.

Corollary Trends:
• Recently completed, significant enterprise IT investments will increase the cost of borrowing for any additional IT capital spending.
• Necessary investment in Meaningful Use and ICD-10 will limit all but an elite few organizations’ ability to commit additional funds for significant IT overhauls.

Supporting Evidence:
• According to Healthcare Finance News magazine, “The outlook for not-for-profit hospital credit ratings remains poor for the foreseeable future.”

IT Implications:
• CIOs of organizations mid-way through or winding down major clinical implementations will be pressured to reduce resources while still rolling out additional modules and optimizing the system.
• Organizations with core vendors that fail to deliver market-driven requirements face the prospect of a significant multi-year IT spend, or they may be driven to pursue:
  – Merger, acquisition by or alignment with a health system with a more advanced IT platform; or
  – Remote-hosted applications.

Trend #5: Data Exchange Heats Up—but Still Only to Luke-Warm

With most large delivery systems completing their enterprise clinical implementations by 2014 or 2015, increased focus will be on exchanging data with clinical partners.

Corollary Trend:
• Public health information exchanges (HIEs) will continue to be challenged by the lack of a cost-effective business model; modest success will emerge in delivery-centric models.

Supporting Evidence:
• A recent Black Book survey found 83% of hospitals and 70% of physicians believe most public HIEs are “failing to provide meaningful connectivity.”

---

• 33% of provider networks and hospital systems are “considering private HIEs to better standardize sharing of data.”

IT Implications:
• Meaningful Use is driving many organizations to focus on the Direct approach for data exchange, thus falling short of true, discrete data exchange.
• CIOs will need to carefully evaluate the governance, funding and IT approaches associated with HIEs they’re considering joining. Clinical data exchange, clinical and financial data aggregation, and analytics will all be important capabilities for effective community-based population health management.

Trend #6: Analytics Become Critical, but Few Will Conquer
The allure of “big data” will be tempered by the reality that most organizations struggle to manage the quality and integrity of even basic clinical datasets.

Corollary Trends:
• Core vendors lack the necessary external data (including claims information) and predictive tools to create a comprehensive picture of the patient.
• Niche analytics vendors lack the ability to drive actionable information to the point-of-care.

Supporting Evidence:
• A joint eHealth Initiative (eHI) and CHIME report showed almost 80% of providers feel “leveraging big data and predictive analytics is important to their organization’s strategic plans and priorities”… but 84% consider the application of big data and predictive analytics a “significant challenge.”

IT Implications:
• Organizations must establish analytics governance with ownership outside of IT.
• Focusing on specific business goals and metrics will limit scope and help ensure early success.
• Analytics solutions will need to integrate structured clinical data from multiple sources, providing predictive and prescriptive capabilities that support new models of care.

---

8 “2013 CIO Survey on Data & Analytics,” eHI / CHIME, August 2013
Trend #7: Patients Are Engaging But Are We Ready?

Industry thought leaders know that patient engagement will be critical to increased patient compliance and improved health, but who will pay for it and can we fully integrate these interactions into our legacy enterprise systems remain to be seen.

Corollary Trends:

• Patient adoption of remote care management tools has been limited to certain situations and diseases and with limited efficacy.

• Payers have funded certain patient engagement tools, but only a few health delivery systems have leveraged these tools in a way that truly transforms care delivery; more widespread adoption will occur where ACOs and risk sharing prevail.

Supporting Evidence:

• The Consumer Electronics Association predicts sales of “connected health and wellness devices” will grow 142% over the next five years, from $3.3 billion in 2013 to over $8 billion by 2018.9

• A “systematic” review of 46 studies published over the last 20 years found “evidence that patient portals improve health outcomes, cost, or utilization is insufficient.”10

IT Implications:

• Organizations will deploy patient portals to meet MU requirements, but leading healthcare systems will go beyond just “checking the box” by deploying a broad range of solutions (including mobile apps, remote monitoring and e-visits) to empower patients and drive tangible changes in behavior.

• Innovation will come from non-traditional channels, such as social media, that seamlessly integrate patients’ daily activities.

Conclusion

Every healthcare organization need not urgently implement all the technologies described in this report. The specific challenges that organizations face vary by market and are driven by payer dynamics, competition, financial position and other factors. Some organizations will be successful simply by determining which technologies can be tracked for implementation at a later, more strategic date and thus deferring the associated costs. In some markets, on the other hand, certain technologies are fast becoming a baseline requirement,

without which organizations will quickly fall behind. Knowing the difference and strategically making the appropriate investment will become critically important as financial resources become tighter.

**Impact Advisors** provides Best in KLAS strategy, implementation and optimization services to drive clinical and operational performance excellence in healthcare through the use of information technology.

Impact Advisors is a recognized leader in the healthcare IT industry. We stay attuned to the latest technologies and trends impacting our clients through our involvement with advocacy organizations, including the Scottsdale Institute, HIMSS and CHIME.

**Our Mission:** Create a positive Impact!

**For more information visit:** [www.impact-advisors.com](http://www.impact-advisors.com)

**Follow us** on Facebook and LinkedIn