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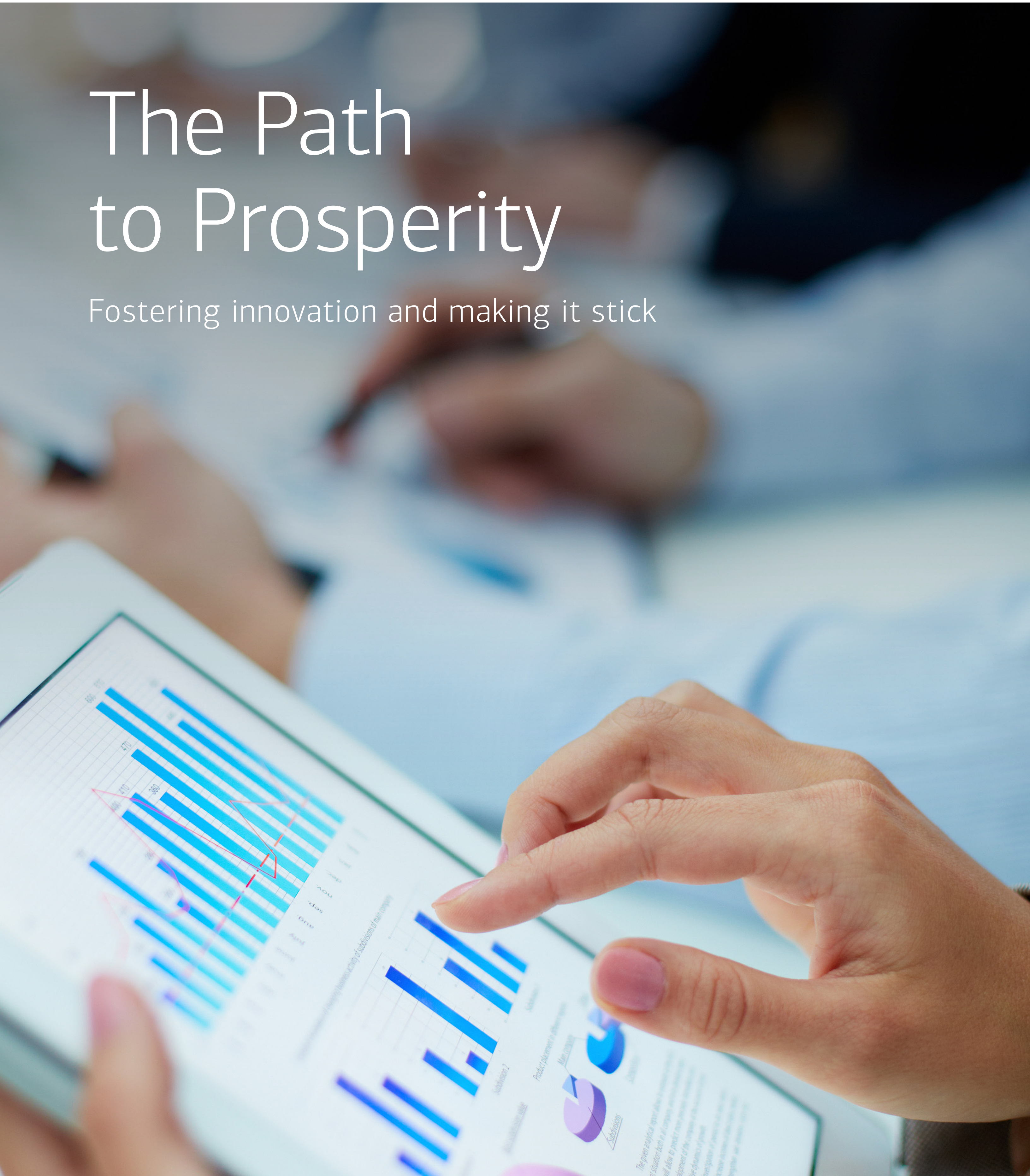
The Path to Prosperity

Fostering innovation and making it stick



PARTICIPANTS INCLUDED:

Tim Heinrich
CFO of Thorek Memorial Hospital in Chicago

Rob McMurray
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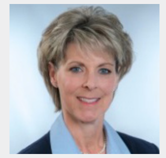
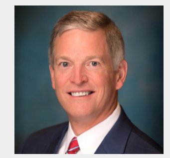


Michelle Stansbury
Vice President of Innovation with Houston Methodist



John Hesselmann
Global Commercial Banking, National Head-Healthcare with Bank of America

The Path to Prosperity

Fostering innovation and making it stick

By Brian Zimmerman, Custom Content Editor, Becker's Healthcare

Emerging technologies such as artificial intelligence and robotic automation are transforming businesses and economies worldwide — consumer interactions are becoming more personalized, manufacturing and distribution more streamlined, and operational planning more predictive. While these technologies have broad implications for all industries, perhaps no other is more likely to experience revolutionary change as the result of technological advancement than healthcare.

The challenges facing the healthcare industry — rising costs, increasing rates of chronic illness and an intensifying clinician shortage — mandate that America's health systems leverage innovative technologies to improve care quality, access and affordability. Despite health system leaders' clear imperative and desire to innovate, the integration of new technologies and processes is hardly occurring at breakneck speed. A report published by the Pittsburgh-based Center for Connected Medicine in June suggests most health systems are innovating at a slow pace. For the report, CCM researchers surveyed executives from 28 health systems. More than half of respondents said their organizations were either implementing and scaling innovation "somewhat slowly" or "very slowly." Zero respondents characterized their organizations as innovating "very quickly."

Before hospitals and health systems can innovate effectively and expeditiously, leaders must guide their organizations around numerous barriers. Financial constraints and inherent institutional rigidity can make it difficult for even the most ambitious health systems to innovate. Results from a Becker's Healthcare and Bank of America survey of more than six dozen hospital executives conducted in May suggest the most prominent barriers to innovation are budgetary constraints and difficulties generating buy-in from C-level leaders and individual providers.

This e-book examines barriers to innovation, offers insights into balancing cost savings efforts with investment in new technology, and details how leading health systems are preparing for the future amid various industry uncertainties.

The content is based on results from the Becker's-Bank of America survey and a roundtable discussion among industry experts.

Discussion participants included:

- **Tim Heinrich**
  CFO of Thorek Memorial Hospital in Chicago
- **Rob McMurray**
  CFO of Newark, Del.-based Christiana Care Health System
- **Michelle Stansbury**
  Vice President of Innovation with Houston Methodist
- **John Hesselmann**
  Global Commercial Banking, National Head-Healthcare with Bank of America

We can't cost-cut our way to prosperity — balancing budgetary efficiency and cost reduction with innovation

In concept, hospital executives are on board with innovation. In a 2017 survey involving more than 300 hospital executives conducted by the American Hospital Association, three in four respondents said digital innovation was an important component of their organization's long-term strategy. Still, according to Harvard Business Review, hospitals are "notoriously slow to adopt digital innovations." Such hesitancy to innovate in practice is at least partially driven by the traditional approaches most hospitals apply to resource allocation and budgeting. More than 70 percent of Becker's-Bank of America survey respondents cited budgetary constraints as one of the primary barriers to innovation at their organization, making it the most-cited barrier in the survey.

While judicious resource management is essential to successful innovation and financial well-being, fiscal pragmatism alone is not enough to ensure hospitals and health systems thrive (or survive) in the long term. The varied pressures facing hospitals, such as the rise of outcomes-based medicine, mean these organizations need to revamp their operational models and approaches to care to remain relevant.

The most-cited budgetary barrier named by participants in the Bank of America-Becker's survey? Rigid budget structures. Traditional annual budgets offer little room for adjustment as the fiscal year unfolds. To innovate effectively, organizations often need to be able to recalibrate in a hurry.

One way to avoid budgetary barriers is to create a separate, central budget for innovation investment. Many health systems today are creating separate innovation programs that operate on independent budgets.

At Houston Methodist's Center for Innovation — which is the research-and-development engine of the eight-hospital, 2,300-plus-bed health system — Ms. Stansbury said her team isn't hampered by budgetary rigidity. "We've been fortunate that our overall budget has been set aside just for innovation initiatives instead of it being collectively combined with traditional capital and operating budgets," she said.

A rigorous approach to budgeting that eliminates excess costs will always be an important part of managing any enterprise. However, it's crucial for health system leaders to realize that cost reduction efforts have to be a part of a broader strategy of advancement designed to meet the challenges of healthcare today and tomorrow. At Christiana Care — a two-hospital health

"It's important [for leaders] to understand that we can't cost-cut our way to prosperity. There's always going to be a need to look for ways to drive down unit costs through efficiencies, but we have to strike a balance with investments in innovation developed as part of an overarching strategy with clear goals set for what constitutes a return."

Rob McMurray
CFO of Newark,
Del.-based Christiana Care Health System

system comprising more than 1,200 beds — innovation is a vital component of the system's long-term strategy, according to Mr. McMurray.

"It's important [for leaders] to understand that we can't cost-cut our way to prosperity," he said. "There's always going to be a need to look for ways to drive down unit costs through efficiencies, but we have to strike a balance with investments in innovation developed as part of an overarching strategy with clear goals set for what constitutes a return."

Innovating with unstoppable force

Managing resources more efficiently and adopting nimble, unilateral budgeting models can mitigate the effect of external financial pressures. However, some fiscal constraints are simply intractable and symptomatic of broad market pressures. Health system leaders looking to make innovation a priority can't rely on improved resource management alone — they must make innovation itself a core tenet within their organization's culture.

Houston Methodist applies a dual top-down, bottom-up approach to internal communication to ensure innovation is ingrained in day-to-day behaviors and thinking. Ms. Stansbury said her CEO communicates that innovation should be prioritized for all employees, and mechanisms have been put in place to allow front-line staff to offer feedback where they see opportunity for process improvement.

"We've got 24,000 employees and our belief is innovation is everyone's responsibility," Ms. Stansbury said. "We truly believe our best innovators are the ones who are actually doing the work, the ones who can actually see where there's potential to do things better."

Mr. McMurray said Christiana Care also takes steps to ensure innovation is well-integrated into the system's culture by creating conduits for communication between staff and leadership.

"A culture of trust is critical to foster innovation," Mr. McMurray said. "We listen actively to our caregivers and seek to understand, and we assume good intentions when folks come to us ... we're curious and continuously looking for ways to innovate."

During the roundtable discussion, executives also mentioned the importance of balance in resource allocation and innovation project selection. Health systems should only launch innovation initiatives if there's a reasonable expectation that the effort will yield measurable benefits. Mr. Heinrich said one of most prominent barriers to innovation at Thorek Memorial — a 218-bed hospital that's been serving the North Side of Chicago for more than 100 years — is cutting through the healthcare industry's hype and groupthink to prioritize the integration of solutions that matter most to the hospital's clinicians and patients.

"Everybody thinks they have to have the shiniest, newest thing," Mr. Heinrich said. "You only have so many hours in the day and so many dollars to spend. We really try to ask, 'What do we need?' Do we just need this because it's shiny and it's new, or do we need it because it actually will provide a benefit?"

Ms. Stansbury also noted the importance of strategically deploying resources in a non-wasteful manner, arguing that the most precious resource of all is employees' time. "Almost everyone is 100 percent busy as it is," she said. "We try to quickly determine whether a [pilot initiative] is a successful project or not. And then, move on."

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Tim Heinrich
CFO
Thorek Memorial Hospital in Chicago

One way to get around the employee time crunch problem and simultaneously foster a culture of collaboration and communication is to ask for volunteers to head innovation efforts. Mr. Hesselmann said he's seen this tactic applied effectively firsthand.

"We're pretty aggressive about asking for volunteers," Mr. Hesselmann said. "You go out and ask for volunteers to get involved, and you'll be surprised at how many people you get from all levels of the organization."

Rewriting the healthcare playbook

In addition to leveraging technology and new protocols to improve care quality and achieve successful reimbursement under value-based care models, hospital executives must also prepare for other emerging trends that are poised to reshape the industry. One such trend is the rise of outpatient care as more and more procedures are being performed outside the four walls of a hospital. This is partly evidenced by the growing ambulatory surgery center market. The ASC market is projected to increase $40 billion by 2020, up from $36 billion in 2018, according to data compiled by the Health Industry Distributors Association. Additionally, the gap between hospitals' inpatient revenue and outpatient revenue has narrowed in recent years. In 2017, hospitals' outpatient revenue reached $472 billion, nearing the net inpatient revenue total of nearly $498 billion, according to the AHA.

Ms. Stansbury said Houston Methodist is working to stay out in front of this trend. "We are really looking at how we can still provide the best quality and safety to our patients without necessarily providing it in our four walls," she said. "And we're focusing on how we can partner with the right vendors to help us do that."

Another trend poised to reshape the industry is the rise of healthcare consumerism. As competition between hospitals increases, it will become even more important for executives to help their organizations meet consumer demands. Both providers and payers are now partly evaluated by customer experience. People want their healthcare experience to be comparable to the convenient and transparent consumer experiences they've become accustomed to in their interactions with other industries. The results of McKinsey's 2018 Consumer Health Insights Survey suggest that patients not only want healthcare to be more affordable, but they also want increased access to care and more personalized care experiences. Digital solutions like mobile appointment reminders and online communication tools that allow patients to interact with clinicians remotely can help providers meet emerging consumer expectations.

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>
> **Michelle Stansbury**
> Vice President of Innovation
> Houston Methodist

Leading healthcare executives are looking to outside industries for models of how to effectively use digital tools to enhance the consumer experience. Ms. Stansbury said that in addition to keeping apprised of regulatory changes, her team is preparing the health system for the future of healthcare by looking at industries such as online retail and retail pharmacy as models for how to deliver a better patient experience.

"I think everyone is trying to make the patient experience better than what it's been," Ms. Stansbury said. "We're moving toward mobile and thinking about how we can make the patient experience more seamless."

Mr. Heinrich had been hesitant about looking at outside industries as potential models for innovation initiatives, but changed his thinking in recent years as he saw competition for patients increase as nationwide hospital utilization declined. Mr. Heinrich said there will be fewer hospitals in the future, which means hospital leaders of today need to be open to change in order to achieve sustainability.

"I think being flexible and being open and honest with yourself as an organization is crucial now," Mr. Heinrich said. "Looking at other industries is going to be important ... good customer service is good customer service. There are things we can learn from other industries that I think we need to open our mind to in order to sustain ourselves."

Beyond investing in outpatient care and ushering in new digital solutions to help meet patients' consumer-driven expectations, Mr. Hesselmann said the most successful hospitals he works with are those that double down on what they already do best and leverage their core competencies to drive success. "They're not straying from their values, they're playing to their strengths," Mr. Hesselmann said, adding that this approach will be a winning strategy in the future.

Innovation in the revenue cycle

Revenue cycle management is perhaps the area of health system operations where the application of new technologies and processes can yield the most immediate benefit to the bottom line.

Today's hospital finance teams are tasked with achieving adequate payment from payers in an increasingly complex reimbursement environment. At the same time, patients are paying for a larger share of their medical bills due to the rise in high-deductible health plans, meaning patient payments now make up a larger share of hospital revenue than ever before. Healthcare finance leaders are increasingly leveraging new technology solutions to help navigate these changes.

More than 60 percent of respondents in the Bank of America -Becker's survey said their organizations were investing in new health IT for revenue cycle management, making it the most-cited area of health IT investment. This trend bore out during the roundtable discussion as participants detailed their organizations' integration of new technology into the revenue cycle.

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Ms. Stansbury said Houston Methodist has integrated robotic process automation into the revenue cycle to automate mundane tasks such as insurance verification and claim status inquiry, which has allowed members of the finance team to redirect their time and attention toward more difficult endeavors. Mr. McMurray said Christiana Care is also leveraging the latest financial software to streamline revenue cycle management, and Mr. Heinrich said his team is working on integrating solutions that make it easier for patients to pay for their care.

Mr. Hesselmann said his teams work directly with hospitals to eliminate paper-intensive processes and streamline the revenue cycle.

"We put a heavy emphasis in investing in products and solutions where we can reduce the reliance on paper and manual intervention, both on our side and on the healthcare providers side," Mr. Hesselmann said. "We're trying to automate as much as possible and use AI where it makes sense."

AI, automation and data analytics are already revolutionizing

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hospitals' approaches to revenue cycle management, and this technology will only become more sophisticated in the future. When it comes time to allocate funds for innovation, hospital and health system leaders should give special consideration to equipping revenue cycle management teams with new tools.

The path forward

Hospitals and health systems face numerous uncertainties in the form of regulatory changes, shifting patient demographics, clinician shortages and the rise of consumer-driven healthcare. But uncertainty is not necessarily the defining theme of this moment in healthcare — healthcare could just as easily be described as occupying an age of opportunity. Emerging technologies and value-based incentives have shed light on a new path forward, one that leads to a more equitable future where care is personalized, patients are healthier and clinicians happier. Innovation is the path; it's up to today's health system leaders to guide their teams down it. ■