

12 Takeaways from the 2018 JP Morgan Healthcare Conference — While the Destination is Uncertain, the Direction is Clear

Written by Dan Michelson, CEO, Strata Decision Technology | January 10, 2018

The recent breathtaking flurry of mega-mergers coupled with increasingly challenging market forces and an ever shifting political landscape has cast a cloud of confusion regarding where the U.S. healthcare delivery system is heading.

So, where do you go to find the map?

Every year, the JP Morgan Healthcare Conference provides an incredibly efficient snapshot of the strategies for large healthcare delivery systems, the hub for healthcare in the U.S. Most of these organizations are also the largest employers in their respective states. The conference took place this week in San Francisco with over 20 healthcare systems presenting, including Advocate Health Care, Aurora Health Care, Baylor Scott & White Health, Catholic Health Initiatives, Cleveland Clinic, Geisinger Health System, Hospital for Special Surgery, Intermountain Healthcare, Mercy Health in Ohio, Northwell Health, Northwestern Medicine, Partners HealthCare System, WakeMed Health & Hospitals and many of the other big name brands in the market. Each provided their strategic roadmap in a series of 25-minute presentations from their “C” suite. If you’re looking for the GPS on strategy and a gauge on the health of healthcare, this is it.

How do their strategies differ? What direction are they heading in? There is a great line from Alice in Wonderland that goes, “If you don’t know where you’re going, any road will take you there.” You would think that line applies perfectly to the U.S. healthcare system, but the good news is it actually doesn’t.

While the exact destination for everyone is TBD, the direction they are heading in is actually pretty clear and consistent. It turns out that they are all using a very similar compass, which is sending them down a similar path.

So, what are the roadside stops health systems consider absolutely necessary to be part of their journey to creating a more viable and sustainable value-based business model?

Based on the travel plans for over 20 of the largest and most prestigious healthcare delivery systems in the country, here’s your GPS and list of 12 things you “must do” on your journey.

1. You Must Scale

Clearly the headline at #JPM18 was the flurry of major announcements regarding major mergers. With that said, two of the mergers were front and center: teams were there to present from Downers Grove, Ill.-based Advocate and Milwaukee-based Aurora, which will be a \$10 billion organization with 70,000 employees, as well as San Francisco-based Dignity Health and Englewood, Colo.-based Catholic Health Initiatives, which will be a \$28 billion organization with 160,000 employees. The size and scale of these mergers is pretty stunning. While the announcement of these and the other recent mega-mergers has forced many into their board room to determine what the deals mean to them, the consensus at the conference was this: There are a number of different paths forward to achieve scale. Some, like Baylor Scott & White in Texas, have aggressive regional expansion plans. Others are betting on partnerships to provide the same or even more value. Taking a pulse of the room, two things were clear. The first is there is no definition of scale any more in this market. The second is that, despite this flurry of mergers, “getting really big” is not the only destination.

2. You Must Pursue “Smart Growth” and Find New Revenue Streams

Running counter to the merger narrative in the market, Salt Lake City-based Intermountain provided a good overview of the movement to what is called an “asset light” strategy of “smart growth.” This is a radically contrarian approach to the industry norm, which is the capital intensive bricks and mortar playbook of buying and building. As part of their strategy, Intermountain will open a “virtual hospital” delivering provider consultations and remote patient monitoring via telehealth.

The system will also launch a number of healthcare companies every year, leveraging their considerable resources in a manner they believe will produce a higher yield. Other health systems outlined a similar stream of initiatives they have in motion to diversify their revenue streams and expand their business model into higher margin, higher growth businesses. One example is Cincinnati-based Mercy Health, which achieved strong growth and leverage via their investment in a revenue cycle management company. Advocate in Illinois formed a partnership with Walgreens. Together, they now operating 56 retail clinics and Advocate has made a significant impact on driving new patients and downstream revenue to their system. The bottom line is all now recognize that they must think and act differently to be able to continue to fund their clinical mission and serve their community.

3. You Must Measure and Manage Cost and Margins

While some are moving aggressively to get scale, everyone is looking to more effectively use the resources they have and get more operating leverage. Margin compression was a consistent theme, with many systems now moving into consistent, stable operating models around managing margins versus launching reactionary initiatives when they find a budget gap. What is emerging is a new discipline and continuous process around managing cost and margins that is starting to look similar to the level of sophistication we have seen in the past for revenue cycle management. To that end, there has been major movement in the market to implement advanced cost accounting systems, often referred to as financial decision support, which provide accurate and actionable information on cost and help organizations understand their true margins as they take on risk-based, capitated contracts. Some during the conference referred to it as the “killer app” for the financial side of driving value. Regardless of what you call it, all are moving aggressively to understand the denominator of their value equation.

4. You Must Become a Brand

Investing in and better leveraging their brand has become a strategic must for health systems. The level of sophistication is growing here as providers shift their mental model to viewing patients as “consumers.” Aurorain Wisconsin cited their dedicated Consumer Insights Group and outlined their “best people, best brand, best value” approach that has been incredibly effective both internally and externally. At the same time, the bigger investments for many health systems relative to brand are more on brand experience than brand image, with a focus on understanding and radically rethinking the consumer experience. As an example, at Danville, Pa.-based Geisinger, close to 50 percent of ambulatory appointments are scheduled and seen on the same day. And every health system is making meaningful investments in their “digital handshake” with consumer, creating and leveraging it via telehealth as well as mobile applications to enhance the customer experience.

5. You Must Operate as a System, Not Just Call Yourself One

One clear theme at #JPM18 is different organizations were at different points along the continuum of truly operating as a system vs. merely sharing a name and a logo. There are a number of reasons for this, but you are increasingly seeing tough decisions actually being made vs. just kicking the can down the road. There has been a great deal of acquisitions over the last few years coupled with a new wave of thinking relative to integration that is more aggressive and more forward-looking. This mental shift is actually a very big deal and perhaps the most important new trend. Many health systems are heavily investing in leadership development deep into their organization to drive changes much faster.

6. You Must Act Small

The word “agile” is quickly becoming part of everyone’s narrative with health systems looking to adopt the principles and processes leveraged in high tech. Chicago-based Northwestern Medicine is an example of an organization that has grown dramatically in the last five years, now approaching \$5 billion in revenue. At the same time, they have still found a way to operate small, leveraging daily huddles across the organization to drive their results. The team at Raleigh, N.C.-based WakeMed has achieved a dramatic financial turnaround over the last few years, applying a similar level of rigor yielding major operational improvements in surgical, pharmacy and emergency services that have translated into better bottom line results.

7. You Must Engage Your Physicians

Employee engagement was a major theme in many of the presentations. With the level of change required both now and in the future, a true focus on culture is now clearly top of mind and a strategic must for high-performing health systems. That said, only a handful articulated a focus on monitoring and measuring physician engagement. This appears to be a major miss, given that physicians make roughly 80 percent of the decisions on care that take place and, therefore, control 80 percent of the spend. One data point that stood out was a 117 percent improvement in physician engagement at Northwestern. Major improvements will require clinical leadership and a true partnership with physicians.

8. You Must Leverage Analytics

Many have reached their initial destination of deploying a single clinical record, only to find that their journey isn’t over. While health systems have made major investments big data, machine learning and artificial intelligence, there was a consistent theme regarding the need to bring clinical and financial data together to truly understand value. Part of this path is the consolidation of systems that is now needed on the financial side of the house with a focus on deploying a single platform for financial planning, analytics and performance. The

primary focus is to translate analytics not just into insights, but action.

9. You Must Protect Yourself

As organizations move deeper into data, there is increased recognition that cybersecurity is a major risk. Over 40 percent of all data breaches that occur happen in healthcare. During the keynote, JP Morgan Chase CEO Jamie Dimon shared that his organization will spend \$700 million protecting itself and their customers this year. Investments in cybersecurity will continue to ramp up due to both the operational and reputational risk involved. Cybersecurity has become a board room issue and a top-of-mind initiative for executive teams at every health delivery system.

10. You Must Manage Social Determinants of Health in the Communities You Serve

Perhaps the most encouraging theme for healthcare provider organizations was the need to engage the community they serve and focus on social determinants of health. As Intermountain shared: "Zip code is more important than genetic code." To that end, Geisinger refers to their focus on "ZNA." They have deployed community health assistants, non-licensed workers who work on social determinants of health and have implemented a "Fresh Food Pharmacy," yielding a 20 percent decrease in hemoglobin A1c levels along with a 78 percent decrease in cost. Organizations like ProMedica Health System in Ohio have seen similar results with their focus on hunger in Toledo. WakeMed has an initiative focused on vulnerable populations in underserved communities that has resulted in a significant decrease in ER visits and admissions and over \$6 million in savings.

11. You Must Help Solve the Opioid Epidemic

The opioid issue is one that healthcare professionals take very personally and feel responsible for solving. It came up in virtually in every presentation, and it's an emotional issue for the leaders of each organization. This is good news, but the better news is that they are taking action. As an example, Geisinger invested in a CleanState Medicaid member pilot that resulted in a 23 percent decrease in ER visits and 35 percent decrease in medical spending, breaking even on their investment in less than 10 months. While many would rightly argue that the economic rationalization isn't needed for something this important, the fact that it's there should eliminate any excuse for anyone not taking action.

12. You Must Deliver Value

The Hospital for Special Surgery in New York is the largest orthopedics shop in the U.S. and a great example of how value-based care delivery is taking shape. Perhaps the most revealing stat they shared is that 36 percent of the time, patients receive a non-surgical recommendation when they are referred to one of their providers for a second opinion. This is exactly the type of value-based counseling and decision-making that will help flip the model of healthcare. Some systems are farther along than others. Northwestern currently has 25 percent of its patients in value-based agreements, but other systems have less. As the team from Intermountain re-stated to this audience this year, "You can't time the market on value, you should always do the right thing, right now." Well said.

It's time to get started or get moving even faster.

As the saying goes, "It's the journey, not the destination."

Happy trails.

Dan Michelson is the CEO of Chicago-based Strata Decision Technology. Mr. Michelson has authored recaps of JP Morgan Healthcare conferences for the past several years for Becker's. Read his account of the 2017 event and its takeaways here.