
HOSPITAL REVIEW

The No. 1 takeaway from the 2019 JP Morgan Healthcare Conference: It's the platform, stupid

By Dan Michelson, CEO, Strata Decision Technology

If you want to understand the shifting sands of healthcare, you'll find no better place than the nonprofit provider track during the infamous JP Morgan Healthcare Conference that took place this week in San Francisco.

Over 40,000 players were in town from every corner of the healthcare ecosystem. However, if you want to hear the heartbeat of what's happening at ground level, you needed to literally squeeze into the standing room only nonprofit provider track where the CEOs and CFOs of 25 of the most prominent hospitals and healthcare delivery systems in the country shared their perspectives in rapid-fire 25 minute presentations.

This year those presenters represented over \$300 billion, or close to 10 percent of the annual healthcare spend in U.S. healthcare. These organizations play a truly unique role in this country as they are integrated into the very fabric of the communities that they serve and are often the single largest employer in their respective regions. In other words, if you work in or care about healthcare, understanding their perspective is a must.

Every year I take a shot at condensing all of these presentations into a set of takeaways so healthcare providers who aren't in the room can share something with

their teams to help inform their strategy. So what do you need to know? Glad you asked, here you go.

Shift Happens – Moving from Being a Healthcare Provider to Creating a Platform for Health and Healthcare in Your Community

Trying to synthesize 25 presentations into a single punch line is pretty stressful. I listened to every presentation, debriefed with other healthcare providers in the audience afterwards and then spent the next 48 hours trying to process what I heard. I was stumped.

But then, finally, it hit me. To take a new spin on an old phrase, "It's the platform, stupid." To be clear, even though I've been in healthcare for close to 30 years, "stupid" in that sentence is absolutely referring to me.

So the No. 1 takeaway from the 2019 JP Healthcare Conference is this – for healthcare providers, there is a major shift taking place. They are moving from a traditional strategy of buying and building hospitals and simply providing care into a new and more dynamic strategy that focuses on leveraging the platform they have in place to create more value and growth via new and often more profitable streams of revenue. Simply stated, the healthcare delivery systems of

today will increasingly leverage the platform and resources that they have in place to become a hub for both health and healthcare in the future. There is a level of urgency to move quickly. Many feel that if they don't expand the role that they play in both health and healthcare in their community, someone else will step in.

Folks in tech would think of this as the difference between a "product" strategy (old school) and a "platform" strategy (new school). Think of this as the difference from cell phones (Blackberry) to smartphones (iPhone and Android devices). One was a product, the other was a platform. Common platforms that we're all familiar with such as Facebook, Amazon, Google, Apple and even Starbucks have always 1) started with a very small niche, 2) built an audience, 3) built trust and 4) then added other offerings on top of that platform. By now there is no need for a "spoiler alert." We all know that this strategy works and these companies have created a breathtaking amount of value. The comforting news for hospitals and healthcare delivery systems is that many have already completed the first three steps and have many of the building blocks they need to leverage a "platform" as a business strategy. The presentations at the JP Morgan Healthcare Conference made it clear that most are now

actually taking that fourth step to separate themselves from the pack.

There is enormous upside to those who understand this pivot and take advantage of this change in the market. Dennis Dahlen, CFO of Mayo Clinic, shared his perspective on this: "Thinking differently in the future is essential. In many ways, at Mayo, we are already operating as a platform today, but we have to continue to leverage this approach to uncover additional ways that we can be a hub for both health and healthcare in our community." Mayo's platform includes leveraging research, big data, expert clinic insights and artificial intelligence to create new value for Mayo's clinical practice as well as new opportunities for Mayo's partners.

To be clear, the mental shift here is massive. It's the difference of being on defense (where most healthcare providers are) to being on offense (which is where they know they need to be). Executive teams have focused their time, energy and resources on driving and supporting inpatient admissions via a traditional bricks and mortar presence coupled with the acquisition of physician practices. The difficulty of thinking through what it means to truly be "asset light" and taking a different approach shouldn't be underestimated. The good news is that the recent financial results of many health systems have improved, providing a little breathing room for investments to enable this shift in strategy. Those who don't may fall way behind.

A New Way of Thinking – What it Means to be a Hub

Being a hub is essentially bringing together people with common interests to spark innovation and

facilitate work getting done more efficiently. Examples include Silicon Valley as a "tech hub," Los Angeles as an "entertainment hub," New York as a "financial hub," Washington, D.C. as a "hub for politics" and how essentially every college town is or can become a "research hub."

Given that hospitals and health systems are the largest employers in their community, they are already set up to become a hub. In the past, they leveraged that position to simply care for the sick. Increasingly in the future, these organizations will be health and healthcare hubs for innovation and building new companies, for bringing the community together to tackle issues like hunger and homelessness, for education and training, for research and development partnerships, for coordinated, compassionate and longitudinal care delivery for treatment, for support groups for specific chronic conditions, for digital and virtual care, and for thoughtful and effective support for mental and behavioral health. Changes in the care delivery market over the last 10 years have put the right building blocks in place to make this happen.

Hiding in Plain Sight – The Single Biggest Change in Healthcare We May Ever See Has Already Happened

Taking advantage of becoming a hub and leveraging the strategic concept of being a platform requires new thinking, new structures and new skill sets. The great news for healthcare providers is they have already made the toughest move of all in order to set this in motion.

Over the last decade, there has been a massive level of consolidation with hundreds of hospitals and thousands

of physician practices being acquired every year. While more mergers and acquisitions will still happen, this stunning and fundamental restructuring of healthcare delivery has taken place and there is no turning back. This is likely the single biggest shift relative to how healthcare is structured in this country that will take place during our lifetime, and it barely gets mentioned. The strategy many were chasing was primarily being driven by a "heads in beds" pay-off that was both based on offense ("an easier way to grow") and defense ("we better buy them before someone else does"). That said, as this consolidation happened most healthcare delivery systems were really just an amalgamation of stand-alone hospitals set up as a holding company that provided no real leverage other than more top-line revenue.

During the JP Morgan Healthcare Conference, it was clear that most have made the shift from a holding company into a single operating entity. Chicago-based Northwestern Medicine shared a very refined playbook for quickly bringing acquisitions onto their "platform," and the results are pretty stunning as they have transformed from a \$1 billion academic medical center into a \$5 billion regional healthcare hub in a handful of years.

And over the last few years, these organizations have gotten super serious about making the toughest decisions right away. The mega-merger of Advocate Health and Aurora Health, the largest healthcare delivery systems in Illinois and Wisconsin respectively, was accompanied by a gutsy decision to fast-track the implementation of Epic at Advocate to get the leverage of a single EHR platform across the system. While many focus

on the cost of the transition and the shortcomings of some of the applications, what gets missed is the enormous long-term leverage this provides regarding communication, integration, continuity of care and, of course, access to data and the potential to improve clinical and financial performance. This creates a “platform-like” experience for both employees and customers.

So, the twist in the story is that the pay-off for consolidation will likely be very different and perhaps much better than many had originally intended. They have the building blocks in place to be a health and healthcare platform for their community. But now they need to figure out how to truly take advantage of it.

Your Action Plan – 6 Ideas from 25 Healthcare Delivery Systems on How to Leverage Your “Platform”

During their presentations the 25 non-profit provider organizations opened up their playbooks on how others can leverage their platforms and the idea of becoming the hub for health and healthcare in their respective communities. Here is what they shared.

1. Create the Digital Front Door – or Someone Else Will

The big shift in play right now is the moving away from traditional reliance on transactional face-to-face interactions with individual providers. Building relationships and trust is something that has been a core competency and core strategic asset for hospitals in the past. In the future, this simply won't be possible without leveraging digital platforms as we do in every other aspect of our lives today. As Stephen Klasko, MD, CEO of Philadelphia-based Jefferson Health, shared, the real

strategy will be to deliver “health and healthcare with no address.”

Many provider organizations are moving aggressively to create digital front doors. Kaiser Permanente delivered 77 million virtual visits last year. Intermountain introduced a virtual hospital that provides over 40 services and has delivered over 500,000 interactions. Nearly every health system leverages MyChart or a similar personal health record platform. There is an enormous amount of risk for hospitals and health systems that don't take action here, as traditional healthcare providers will be competing with more mainstream and polished consumer brands for the relationships and trust of the folks in their community.

As the team from Spectrum Health shared, “87 percent of Americans measure all brands against a select few – think Amazon, Netflix and Starbucks.” Google, Apple and Facebook as well as Walgreens or CVS are all going after this “digital handshake,” and are big threats to healthcare providers. There is no question that some of these organizations will be “frenemies,” where they are both competing and collaborating. Healthcare organizations will need to approach any partnerships mindful of that risk.

2. Drive Affordability and Reduce Cost – or Risk Being the Problem

As the burden of the cost of care increasingly shifts to the patient's wallet, healthcare providers will need to play in driving affordability. Coupled with the recent federal requirement to post prices online, there is a great deal of visibility around the price of care, even if the numbers are way off the mark. Understanding and reducing the total cost of care is now viewed as a requirement.

As legacy cost accounting applications relied on charges as a proxy for cost and were limited to the acute care setting, most provider organizations have or are now in the process of deploying advanced cost accounting applications with time-driven and activity-based costing capabilities including a number that presented during the conference, such as Advocate Aurora Health, Bon Secours Mercy, Boston Children's Hospital, Hospital for Special Surgery, Intermountain Healthcare, Northwestern Medicine, Novant Health, Spectrum Health and Wellforce.

This was one of the hottest topics during the conference, and there was significant buzz regarding having a single source of truth for the cost of care across the continuum. Vinny Tammara, CFO of Yale New Haven Health, commented, “We need to align with the evolution of consumerism and help drive affordability in healthcare. How we leverage data is mission critical to making this concept a reality. Bringing clinical and financial data together provides us with a source of truth to help both reduce the cost of care as well as reallocate our finite resources to high impact initiatives in our community.” Organizations like Intermountain Healthcare, which implemented a 2.7 percent price reduction in exchange pricing, are taking the next step in translating cost reduction into lower prices for consumers. And now healthcare systems are starting to work together to create additional leverage via Civica Rx, which now includes 750 hospitals joining forces to help lower the cost of generic drugs.

3. Tackle Social Determinants of Health – or You Won't Be the Hub for Health in Your Community

It is always less expensive to prevent a problem than it is to fix it. The good news is that the economic incentives for hospitals and healthcare delivery systems to both think and act that way are beginning to line up. They are certainly there already for providers that are also health plans such as Intermountain, Kaiser Permanente, Providence St. Joseph Health, Spectrum Health and UPMC. They are also in place for providers that have aggressively taken on population-based risk contracts such as Advocate Aurora Health. With that said, it feels like every health system is starting to lean in here – and they should.

Being the central community hub for these issues makes a ton of sense. The way that Kaiser framed it is that while they have 12 million members, there are 68 million people in the communities they serve. Taking that broader lens both allows them to make a bigger impact but also broaden their market. Many organizations, such as Henry Ford Health System, are taking on hunger via fresh food pharmacies. Geisinger shared how a 2.0 reduction in Hemoglobin A1c reduction leads to a \$24,000 cost reduction per participant in their fresh food “farmacy.” So while hospitals are perfectly positioned, have the resources and know it’s the right thing to do, they are now also beginning to understand the business model tied to targeting the social determinants of health. There is also strong strategic rationale associated with taking on a broader role of driving health versus only providing healthcare.

4. Create Partnerships for Healthcare Innovation – or Lose the Upside

Spectrum Health has a \$100 million venture fund. Providence St. Joseph’s Health announced a second \$150 million venture

capital and growth equity fund. Mayo Clinic Ventures has returned over \$700 million to their organization. Jefferson Health has a 120-person innovation team focused on digital innovation and the consumer experience, partnering with companies to build solutions. These are all variations on a theme as virtually every organization that presented is leveraging their resources to make a bigger impact and drive additional upside from their platform. “We have close to 900 agreements with over 500 partners,” stated Sanda Fenwick, CEO of Boston Children’s Hospital. “Our strategy is to be a hub for research, innovation and education in order to help evolve how care is delivered. This can only be done by collaborating with others.”

5. Become the Hub for Targeted Services and Chronic Conditions – or They Will Go Elsewhere

Perhaps the best example here is the work of Hospital for Special Surgery, the largest orthopedics shop in the world. It has become a destination for good reason – fewer complications, fewer infections, a higher discharge rate to home and fewer readmissions. The most compelling data point is that when patients come to HSS for a second opinion, one-third of the time they receive a non-surgical recommendation. The same type of shopping is increasingly going to happen for chronic conditions.

Healthcare delivery systems that take a more holistic yet targeted approach have significant potential. They will need to think more deeply about the end-to-end experience and become immersed within the community outside of the four walls of the hospital. Other players in the community, such as CVS Health and Walgreens, would say they have a platform – and they

would be right. The platform that healthcare providers have built and are building will absolutely be competing against other care delivery platforms.

6. Leverage Applied Analytics – or You’ll Lose Your Way

In order to enable everything listed above, the lifeline for every health and healthcare hub will be actionable data. Applied analytics is a boring term that is actually gaining traction and starting to dislodge buzzwords like big data, machine learning and artificial intelligence relative to its importance to healthcare providers.

Similar to how analytics are being used in a practical way in baseball to determine where to throw a pitch to a batter or position players in the field, healthcare providers are pushing for practical data sets presented in a simple, actionable framework. That may seem obvious, but it is simply not present in many healthcare organizations that have been focused on building data warehouse empires without doors to let anyone in. Many organizations, such as Advocate Aurora Health, Bon Secours Mercy and Spectrum Health, have deployed more dynamic business decision support solutions to access better insight into performance and care variation. This allows them to assess opportunities to reallocate resources to invest in more productive ways to leverage their platform.

While leveraging a platform as a business strategy is new to healthcare providers, the good news is that building blocks are already in place. It’s time to leverage that platform to drive better outcomes and more affordable care in the community. And now is the time to get started.