

Ten High-Impact Initiatives for 2024

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Leaders of hospitals and health systems continue to face several challenges from 2023 as well as an array of difficult new challenges as they move into 2024.

Briefly, the challenges lying ahead include:

- Margins and cash position remain “weak” with slow volume recovery, constraining investment in new initiatives
- Clinical workforce shortages continue
- More competition from ASCs, primary care aggregators, retailers, payviders and investor-backed entities
- Big decisions about Artificial Intelligence (“AI”) and its promise to improve clinical, operational, and administrative effectiveness and efficiency
- Worsening payer mix due to Medicaid redeterminations, baby boomers entering Medicare, and Medicare Advantage growth



To address these and other challenges, the Veralon Brain Trust has identified 10 high-impact initiatives for 2024 to strengthen performance and what the board’s role is in relation to these operational strategies:

Improve workforce effectiveness. Expand beyond traditional retention efforts by including AI in the redesign of both clinical and administrative processes. Apply AI-based automated clinical documentation to decrease the burden on clinicians and enable staff to practice at the top of their license. Use AI to streamline operations in areas like revenue cycle management, supply chain, vendor contract management, and patient throughput.

Board’s role: Bring outside perspective (outside of health care) on addressing workforce issues, and stay up to date on legal and ethical considerations related to use of AI.

Enhance access. As shortages of physicians extend wait times, access to care is critical to retain market share. To improve access, adopt a combination of: PCP e-consults and focusing specialist visits on the right patients; partnering with virtual providers to extend

clinician availability; on-line scheduling and registration; expanded use of APPs; and partnering with a PCP aggregator to grow your physician base.

Board's role: Review metrics related to increasing access and support strategies to become a more consumer-centered organization.

Optimize the physician enterprise. Improve retention and performance of employed physician networks (and medical foundations) by reducing clinical administrative burdens, lowering practice costs, and engaging physicians to design solutions. Empower physicians to apply AI, and benefit from value-based contracting success. These changes may require redesigning physician compensation models, governance, and organizational culture.

Board's role: Ensure that physicians have leadership development opportunities and are equipped to manage cultural change. Ensure the board is aware of physician views, but work closely with management to avoid undermining management efforts to achieve physician enterprise success.

Avoid back-sliding on operational savings.

After major cost-cutting efforts, costs can creep back in. Hold the line on hard-won savings.

Board's role: Establish strong reporting mechanisms and dashboards to monitor progress.

Make bold decisions on service lines. Apply a service line portfolio assessment based on market trends, competitive position, contribution margin and mission. Invest proactively and aggressively in selected service lines to **grow** market share and revenue. In systems that operate resource-intensive service lines at multiple locations within the same service area, **consolidate** locations to gain efficiency. There are some services it's important to **maintain**, even if they do not offer much opportunity, but it's time to make the tough decision to **exit** others.

Board's role: Collaborate with management to objectively evaluate service line profitability and potential. Stand behind tough decisions and support management to handle community concerns appropriately.

Elevate ambulatory care. Determine the optimal community-based "footprint" to achieve a competitive advantage in patient access and to complement service line objectives. Utilize joint ventures and strategic partnerships, potentially with third-party management companies, to gain expertise, speed to market, access to capital, and brand value. Implement a "back-fill" strategy to replace hospital surgical volume lost to community-based ASCs.

Board's role: Consider the needs of your market, understand emerging opportunities, and be open to partnership opportunities.

Focus on system integration. Many systems have operated as a confederation more than a coordinated, integrated operating company. Consolidate to right-size clinical, operational, and administrative capacity in optimal locations. At a system service line level, align the care sites and clinical staff by implementing a single set of dyad leaders, a physician advisory council, common clinical protocols, and a unified strategic plan and budgeting process. Capitalize on those enhancements to retain patients within the network. Adjust performance metrics and incentives to emphasize system performance.

Board's role: Focus on global (system) metrics rather than individual site metrics. Ensure that the governance structure helps facilitate operational "systemness" and keeps decision-making authority at the appropriate level of board.

Drive payer strategy. Take a hard stand with payers – be prepared to threaten contract termination – to ensure fee-for-service rates catch up with inflation. Select preferred health plans for certain payer products like Medicare Advantage. Providers that operate their own health plan should reassess the plan's competitiveness in a highly competitive market, and if it can achieve targeted results or should be sold.

Board's role: Understand the payer environment and rates. Be prepared to back management in making bold decisions regarding payer contracts or your own health plan.

Refocus the journey to value. Focus most on government payers so you can achieve a margin through value-based contracts where fee-for-service typically falls short. Eliminate avoidable specialist visits and medical admissions, freeing-up clinical capacity for better-reimbursed patients and services. Focus commercial value-based contracting on opportunities that expand market share. Consider partnering with a value-based care enabler that contributes new expertise, speeds the process, and provides a source of capital.

Board's role: Consistent with the organization's mission, monitor value-based care initiatives to ensure they improve quality, the health of the community, as well as cost effectiveness.

Improve board effectiveness. Today's complex environment requires boards to make timely and informed decisions. Proactively manage board composition so you have the right perspective and expertise in the room. Invest in educating both new and tenured board members with individualized education so they are ready to partner with management to make the right decisions.

Board's role: Individually and collectively take responsibility for staying educated on the key issues you will need to address. Evaluate the performance of the board as a whole to identify opportunities for improvement.

IN SUMMARY:

While boards face many challenges in the year ahead, they can tackle these challenges head-on by focusing on the fundamentals: asking good questions, looking at the right metrics, staying educated on the issues, and maintaining a clear understanding of the roles of the board and management.

For additional insight on the catalysts for and approaches to implement the high impact initiatives for 2024, contact Veralon at info@veralon.com (877) 676-3600. ●