Trustee Insights

INNOVATION

Recalibrating 'Systemness' in a New Technology Era of Health Care

How health systems can cultivate ecosystem strategy as a gateway to growth

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As the health care industry progresses into the new era of innovation and advancements in artificial intelligence (AI), many hospitals and health systems are choosing to invest past early stages of ideation and use case development to the execution of new models and applications of AI. Whether the motivation to invest is an offensive growth strategy to compete or a defensive cost measure to survive, hospitals and health systems are rapidly committing to and adopting system-wide changes. According to a recent Guidehouse report on technology readiness and adoption, 89% of health care organizations will be ready to invest in GenAI in the next twelve months. At the same time, other organizations — including some of those ready to invest — are still grappling with the pervasive challenges of stabilizing costs and workforce pressures, pushing plans for growth into the background. These efforts to balance stabilization and growth can create a break in "systemness" for a hospital or health system.

What Is Systemness?

Traditionally, systemness in the health care setting refers to integrated operations, service delivery, and experience across an organization's network, often localized to that specific organization or market. These collaborative structures enhance access, improve quality, and reduce costs. However, with health systems focused on addressing near-term organizational pressures and capitalizing on the promise of generative artificial intelligence (GenAI) value, these coordinated networks of service and care delivery are radically changing. Silos are emerging across health systems, posing a significant risk of altering organizational identities. Now, more than ever, systemness in health care is in conflict with the shifting dynamics between human and technology systems.

From Systemness to Ecosystem-ness

As a measure of organizational strength and successful care delivery, systemness can no longer be perceived as only the integrated and coordinated network of care within a hospital or health system. Rather, health system leaders must expand the concept of systemness outside of the four walls of their organization and into their broader ecosystem. Traditionally, a health care ecosystem is comprised of multiple integrated entities, including but not limited to providers, insurance companies, pharmaceutical companies, research institutions, digital health care startups, and community enterprises, that collaborate to improve access to

and delivery of care. The concept of ecosystem strategy in health care is not new, with conventional approaches based on partnership arrangements or acquisitions that expand the footprint and reach of the system in the market. However, today's evolving landscape means hospitals and health systems must now reevaluate the composition of their ecosystem and begin to incorporate it as more of the leading indicator of the true systemness of their organizations — thereby shifting the notion from a singular focus on internal connectivity to greater external connectedness.

As industry relationships evolve along with the spectrum of quality care and outcomes, the characteristics across the components of systemness must evolve too. Three overarching elements of systemness exist that health system leaders must consider recalibrating to broader ecosystem dimensions:

Element 1: Structure

The coordinated network model of systemness must transition from an inward focus on the health system and facility to an outward focus on external relationships and constituent groups, both within and beyond existing markets. This pivot is critical to ensure new relationships — inside and outside the industry — can be capitalized on to drive competitive growth. Such outward-focused models can provide a more sustainable solution for costly operational constraints that impact margins while expanding the range of access channels for delivering timely care to patients. For example, health systems are forming strategic partnerships with health tech entrepreneurs, holding companies, and venture firms to create new entities and solutions that can achieve clinical excellence, workforce stability, and operational scalability.

Element 2: Workforce

Although some health systems have not transitioned from ideation to execution of GenAI applications, they must now consider AI agents (or AI-powered assistants) part of the workforce. For example, those that have moved past ideation are collaborating with organizations such as Google Cloud, Microsoft Azure, Oracle Cloud, and other technology-enabled platforms to help their frontline leaders access and analyze information on clinical pathways at the sites and points of care. Whether the objective is to automate administrative tasks or augment care delivery, the interplay between humans and technology is not just real, it is becoming a necessity as hospitals and health systems recognize that the industry at large demands it. Health system leaders should advance growth plans with the mindset that while AI can create operational efficiencies, it can also reframe and enhance the value of human-owned roles.

Element 3: Technology and Data

The application of data is shifting from how hospitals and health systems can optimize performance and improve outcomes to how they can establish scalable data exchange across different health care organizations, partners, and vendors. Insights from a recent study by Guidehouse and the Healthcare Financial Management Association reveal that fewer than 20% of health care executives say their data sources seamlessly connect and offer real-time visibility in their organizations. Health systems that do not have the infrastructure or interoperable capabilities in place to achieve a seamless data exchange — and one further augmented by GenAI as an accelerator of insights — will not be able to overcome current stresses associated with margin pressures and workforce challenges. A Guidehouse analysis of digital and information technology investment priorities at U.S. hospitals and health systems revealed that 70% of providers cited changes to their digital and IT decision-making structure, processes, or capabilities since 2019, with one-third referencing digital/IT department restructuring as top shifts.

For hospitals and health systems, the systemness paradigm is evolving to place a greater emphasis on broader ecosystem strategies and relationships based on the value and scalability of AI solutions. If universally leveraged, AI/GenAI could accelerate hospital and health system shifts in structure, workforce, and technology architecture from systemness to ecosystem-ness.

What Trustees Can Do to Embrace Ecosystem-ness

Investing in ecosystem-ness and leveraging the power of AI/GenAI will help create stronger networks that foster greater accessibility, cost effectiveness, and collaborative

care. Health system leaders and trustees should consider these four actions to pivot from inward-focused systemness to the more holistic ecosystem-ness as the new norm.

1. Anchor on the Strategic Identity of the Health System. When shaping ecosystem strategies, many health care organizations stumble even before they execute due to a disconnect between the volume of ecosystem initiatives and the overarching identity of the enterprise. Hospitals and health systems cannot be all things to all stakeholder groups — rather, in addition to maintaining the core competencies that originally fueled the systemness of the organization, the key is starting with the target identity of the organization in the development of ecosystem plans.

2. Strive for Ecosystem-Wide Financial Visibility. Transparency and system-wide visibility into operational spending across the health system is necessary for organizations to successfully move from stabilization mode to growth mode. Many hospitals and health systems, for example, are investing in GenAI solutions to create a more comprehensive view into system-wide savings opportunities. Other organizations are also leveraging the technology to improve provider-payer dynamics, thereby enhancing patient access and supporting transitions to more value-based case models. Hospitals and health systems that continue to lack clarity around costs and outlays will remain laggards in the journey to achieve ecosystem-ness. However, the organizations that seek visibility into the efficiency and savings opportunities provided by ecosystem strategies can leapfrog to growth mode.

3. Activate GenAI as an Ecosystem Partner. Health system leaders must begin to acknowledge GenAI as more than a new technology capability or tool. Instead of assigning it to the technology or analytics teams in health care organizations, health system leaders need to consider GenAI — and specifically the responsible use of it — as an ecosystem partner. By doing so, GenAI will become part of the workforce solution for hospitals and health systems looking to grow, while accelerating cost savings that can be repurposed for ecosystem strategy development.

4. Maintain Patient-centricity. Ecosystem strategy can bring the distraction of new partnerships, stakeholder groups and vendors. Quality and patient safety must remain the top priorities for hospitals and health systems. Maintaining a focus on patients and members is essential. More importantly, prioritizing patient engagement and empowerment through the development and execution of ecosystem strategy can heighten the competitiveness and sustainability of the ecosystem-ness.

Some of the fundamental questions hospitals and health systems should be asking are:

- How do you perceive and measure the strength of your interoperability and connectivity as a health system — is it strictly within your system or broadly across your ecosystem?
- What is the composition of your ecosystem model? Is your organization and workforce cultivating the relationship between humans and technology?
- How well do data, AI, and technology systems support that model?

Now more than ever, transformation and innovation at the ecosystem level can create the biggest opportunities for value-accretive change. Not taking action is a risk. As such, ecosystem strategy and leaning into ecosystem-ness as a measure of organizational strength in today's industry environment can serve as a gateway for hospitals and health systems to move past stabilization mode to sustainable growth.

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