



NAVIGANT

On Healthcare

HEALTHCARE

NAVIGANT LOOKS AT 2019 HEALTHCARE INDUSTRY TRENDS

Announcer: Welcome to Navigant On Healthcare, offering insights for healthcare leaders striving for success in an evolving industry.

Host: Welcome to Navigant On Healthcare. I'm your host Alven Weil. Today, we are joined by Rulon Stacey, a managing director and leader of Navigant's healthcare strategy business unit. A former health system CEO and ACHE chairman, Rulon received ACHE's highest honor, the gold medal award, in 2017. He is also the immediate past chair of the board of overseers of a Malcolm Baldrige National Quality Award, chair of the International Hospital Federation CEO Circle, and an adjunct associate professor at the University of Minnesota School of Public Health. Rulon, welcome.

Rulon Stacey: Thanks, Alven. It's fun to be here.

Host: Today, we are going to discuss the trends that will significantly impact healthcare in 2019 and beyond, as well as the steps providers and payers should take to prepare for their futures. Now, these trends are based in part on Navigant's recently released 2019 Healthcare Outlook and insights from hospital and health system C-suite executives, who attended Navigant's 2018 CEO Forum at Texas Health Resources in Arlington, Texas.

Rulon, one of the trends that both Navigant's Outlook, and CEO Forum executives focused on is the idea of whether economies of scale truly exist through hospital consolidation. Can you provide us some insight on this please?

Rulon: I can, Alven. In the past year or so, my colleagues and I at Navigant have been following up on some research ideas that we had had over the past years, as we have looked at the consolidation trend in the industry to see if, in fact, we were reaping the benefits that we had anticipated we would as an industry. And the numbers started to look like, in fact, there was no advantage to the larger systems providing better care at a better cost. And so, we started to hone in on that last fall, published a paper on that and, in fact, just recently [inaudible 00:01:56] has concurred with that opinion when they openly stated that they also have no reason to believe that bigger is better, just for the purpose of being bigger.

SPEAKER



RULON STACEY

Managing Director
Navigant
+1.612.504.2981
rulon.stacey@navigant.com

navigant.com

About Navigant

Navigant Consulting, Inc. (NYSE: NCI) is a specialized, global professional services firm that helps clients take control of their future. Navigant's professionals apply deep industry knowledge, substantive technical expertise, and an enterprising approach to help clients build, manage, and/or protect their business interests. With a focus on markets and clients facing transformational change and significant regulatory or legal pressures, the firm primarily serves clients in the healthcare, energy, and financial services industries. Across a range of advisory, consulting, outsourcing, and technology/analytics services, Navigant's practitioners bring sharp insight that pinpoints opportunities and delivers powerful results. More information about Navigant can be found at navigant.com.

It doesn't necessarily result in better care at a lower cost and, as we discussed this with our colleagues at our CEO Forum just this fall, they concurred with that as well on an anecdotal level, that they weren't seeing it. They weren't seeing that — just because an organization was getting bigger — that it gave them the wherewithal to be successful. And, in fact, my friend Carrie Owen Plietz, who is the chief operating officer at WellStar in Atlanta, offered some thoughts to that too. She specifically told us that she was looking at some of those M&A activity and wondering if we're truly getting the benefit in some of those areas, and she was representative of many of the people in the organization in the meeting.

We're just not seeing that because we're getting bigger we're getting better. In some cases, it does result in that, but not in all cases, and what we're finding drives increased performance is discipline, just be disciplined. And you can be disciplined as a big organization and you can be disciplined as a smaller organization. You can be disciplined in a rural environment, or in an urban environment. The trick is finding that discipline, focus on that discipline, and that's what will make you highly productive.

Host: Rulon, another topic that was squarely on the minds of CEO Forum executives was the EHR. Can you just give us a quick one, two, three, on what the executives had to say about the benefits others are seeing with the EHRs, as well as the issues.

Rulon: I can. I don't want to understate the benefits of EHRs. They are our future. The CEOs in attendance and our research at Navigant has shown that EHRs are in our future and we need to learn to find ways to maximize them and to make sure that we get the benefit to the patients that arises from the potential of EHRs. Having said that, the collective of the CEO Forum, and again supported by our research at Navigant, shows that the return on EHRs is not meeting the needs that we initially thought that we would achieve.

In fact, we did some research that showed that 56 percent of the executives that we work with said their organizations literally can't keep up with EHR upgrades. It's almost impossible and that that leads to physician burnout. One of the things we're finding is that, as we try and adopt EHRs with the intent of making things easier for the clinical staff, we turn the clinical staff into note takers and into computer data entry clerks and it's kind of making them crazy. Our data suggests that it's increasing the tendency for physician burnout. There's many physicians who just think, "This is just not what I signed up for. I didn't go to medical school to spend my day pounding a computer keyboard," and so, what we think, what I think in 2019 and beyond, is that we'll have to find more of an emphasis to lessen the manual labor burden on our caregivers, find the right things to put in, find the right people to put those in, and then optimize the utilization of the EHRs as we go through.

My friend, Jack Lynch, at Main Line Health in Philadelphia, gave us some very specific information about their utilization of the EHR and how it's giving them the benefit that they'd hoped for, but the expense is pretty dramatic, millions of dollars of added expense, and we've got to find a way to minimize that expense, optimize the return, both clinically and financially, and find ways to get our providers to practice at the top of their license, so that they are not being data entry clerks, and it's frustrating them. We, at Navigant, are working hard to make sure that we find ways to do that, to optimize the utilization of the data and the best way to input the data.

Interestingly enough, Alven, another topic that we came up with and discussed at some length with the CEO Forum was how we target waste and unnecessary variation in the industry. We've been talking about this for at least a decade, about what we can do as organizations to target waste. And our host at the meeting was Barclay Berdan from Texas Health Resources, and he was kind enough to have us there and he made a point during that, that often times as healthcare organizations, we look at this as a program, that we're going to start a program to reduce variation, and Texas Health Resources is so good at looking at process and thinking as a system, and system-based level thinking, that it was meaningful coming from him that this is not a program, it's how we do business. It has to be how we do business. We have to think of ways to integrate our organizations and drive silos out and think across traditional organizational boundaries. It's the only way that we're going to be successful in identifying that waste and driving that out.

It kind of goes back to the earlier point I made about discipline and we have to be disciplined about forcing the topic. You mentioned in the intro here that I'm the immediate past chair of the Board of Overseers, the Malcolm Baldrige National Quality Award, and that process, more than any other I've ever seen, drives organizations to think on an organizational-wide basis. How do we make the organization from stem to stern think about the same things and

drive the same process, and that's where the success is. If we're able to do that, if we're able to work with our payers, and our providers, and our physicians, and our nurses, and our hospital administrators, and our accountants, and our clerks, then we're able to make a truly integrated system.

There are great financial opportunities available if we do that. There truly are. To me, that is so secondary that it's not even worth talking about. To me, there are clinical opportunities here and, honestly, I think if you're listening to this and you're not in this to make people better, find another industry. I don't have time for you, honestly. We're in a place to make people better, to change lives, to improve people's healthcare. I think we can do that, but we've got to drive that focus. One of my colleagues at Navigant is Jeff Goldsmith, and he made a great point on the serenity prayer relative to healthcare, which only Jeff Goldsmith could even make that connection.

He said that, instead of trying to imitate others and do 12 things kind of good, do two things really, really well. Find the two things, the three things you do in your market and have the discipline to do that. If you want to know what has made HCA successful, it's that they want to be number one or number two in the markets that they think are very, very important, and it's the kind of discipline that the rest of the industry can use. And, at Navigant, we have worked really hard to help organizations, and I think we've got a great process, ourself, in helping organizations identify the best things and then be really, really good at it, and have the discipline to make those decisions, or you will wander in the desert for the rest of your life and, truly, your organization will never reach its maximum potential. And I think that's disappointing on many different levels.

Host: Rulon, was there anything else that we haven't covered that you'd like to touch on?

Rulon: Actually, Alven, there is a couple of things that I'd love to talk about in conclusion here. First of all, thanks for having me. It's a great opportunity to be here and to be able to share some of my thoughts. The second thing is about a projection that I made for 2019 that I believe summarizes many of the things that we've talked about today and it's the introduction or the growth. Introduction is an understatement. The growth of private equity in our market, in our industry in general, and physician practices specifically. The influx of private equity is truly staggering and it's made me wonder as I've looked at that and as I've considered where we're going, as I go out and talk to many organizations, I hear organizations talk about the loss we have on physicians and we're trying to get to \$60,000 or \$80,000 dollars a year loss on a physician, but we're at \$250,000 and we can't get it down and just the nomenclature to me is confusing.

As I've seen the influx of private equity and I think, those investors believe they can make money off of physician practices and we've spent nearly a decade calculating our success by how inefficient we were at running physician practices. I just believe that 2019 is the year of discipline. Other organizations, private equities specifically, can come in and bring the discipline that we need to run good physician practices. Others have shown an ability to do that. I think as industry leaders, it's our turn. It's our time. We've got to find ways to do that as well, and I'm confident we can, that's what we talked about in our CEO Forum, finding ways to bring that discipline where we haven't had it in the past and take the industry at places where I don't think we've ever expected we can go. I'm looking forward to the ride.

Host: Rulon, enlightening and a very good time, as always. Thank you so much.

Rulon: Happy to be here. Thanks, Alven.

Announcer: That concludes today's episode. Be sure to check in with us for future installments on the Navigant On Healthcare podcast series on navigant.com/healthcarepodcast. Navigant On Healthcare is a podcast series produced by Navigant's healthcare practice. If you enjoyed this episode, please share with friends and colleagues on social media. Learn more at navigant.com.

 [linkedin.com/company/navigant-healthcare](https://www.linkedin.com/company/navigant-healthcare)

 twitter.com/naviganthealth