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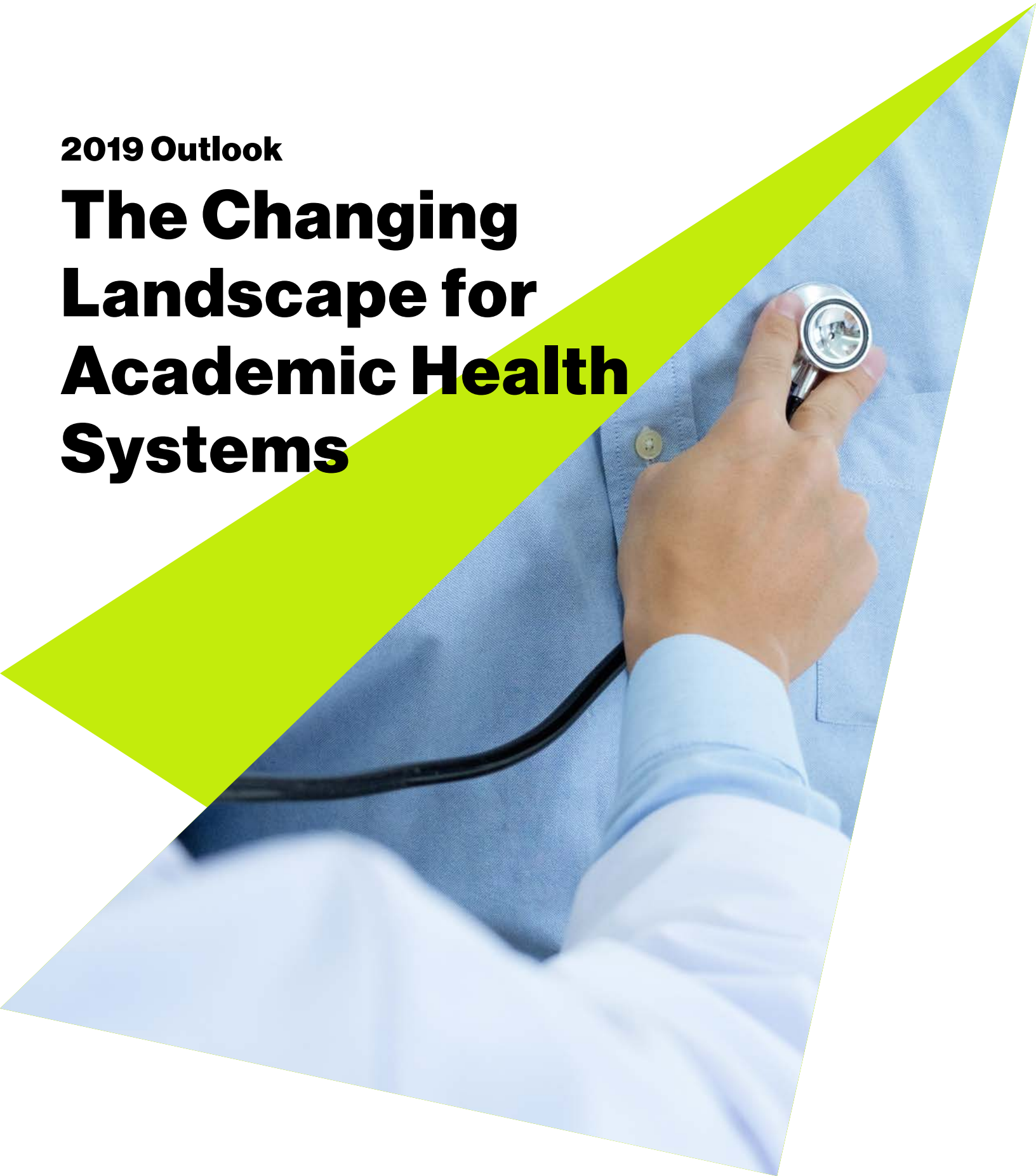
2019 Outlook

The Changing Landscape for Academic Health Systems



2019 Outlook

The Changing Landscape for Academic Health Systems

Daniel DeBehnke, MD, MBA

Academic health systems (AHS) are a vital component of the U.S. healthcare delivery network. Among their various missions, AHS promise the delivery of extraordinary clinical care, innovation, and discovery while educating the next generation of providers. Often, AHS serve as a community's safety net provider, offering clinical care that other local and regional systems cannot provide.

But AHS are facing increasing challenges to their traditional business model. Site of service trade-offs (e.g., the movement to ambulatory care), erosion of the "academic premium" in contract negotiations, and an increasing proportion of Medicare reimbursement due to the aging population has resulted in slowed revenue growth. Couple that with expense growth that exceeds revenue growth and many AHS are coping with significant margin erosion as well.

On the value side, recent analysis[1] suggests AHS have shown improvement in quality metrics but still lag non-AHS counterparts in overall cost and quality. There is also an increasing desire by patients for a consumer-friendly, technology-enabled experience — including improved access, online appointments, and virtual visits — that challenges the historical academic delivery model. All these factors require AHS to look critically at their business model moving forward.

As a former CEO of an academic health system, I believe AHS will need to focus on several key areas in the next year and beyond.

1. **Enterprise strategic and economic alignment**

   Many academic institutions lack strategic and economic alignment between missions. Often, we see separate research, education, and clinical strategic plans without synergy. Clinical funds supporting the institution's missions have historically been negotiated independently by departments or entities without connection to enterprise strategy or performance metrics.

   Moving forward, AHS must address this lack of alignment with redesigned funds flow models that support investment in a shared strategy and reward enterprise — not individual — performance on agreed-upon metrics.

1. Guidehouse, "A Quality and Cost Comparison of Academic and Non-Academic Hospitals," August 2018, http://media.navigantconsulting.com/WebsiteGated/Healthcare/NavigantAMCWhitePaper8.8.2018.PDF.

2. **Cost and quality**

   Despite some improvements, AHS continue to lag their nonacademic counterparts with respect to overall cost and quality. This puts AHS at significant risk from a payer and governmental penalty perspective and has resulted in some AHS being marginalized by payers and clinically integrated networks.

   Continued focus on clinical quality improvement, along with a laser focus on cost structure, is necessary. In addition to the customary cost-structure optimization (e.g., length of stay reduction, revenue cycle and supply chain optimization, and labor expense reduction), clinical variability reduction will be essential to continue to move the cost needle while engaging providers in the process.

3. **Faculty workforce optimization**

   Faculty compensation and benefits are the most significant component of a faculty practice plan's expenses. There is often a lack of alignment between benchmarked clinical compensation and clinical productivity.

   Full-time employee expense tracking by mission (and concomitant revenue/support by mission) is necessary to address this issue. To this end, many AHS are re-evaluating their faculty compensation plans. The goal should be a plan that provides market-competitive compensation that rewards not only clinical productivity but also other important areas of performance, such as person and family experience, access, quality, safety, and contribution to academic missions. The components of these performance metrics and how they are valued in any compensation plan should be driven by the aligned strategic goals of the AHS.

4. **Experience package**

   Given the move toward consumerism, increased focus on the patient experience is essential. Brand and reputation no longer trump experience in the delivery of care. Continued efforts in improving access (template management, scheduling optimization, session maximization) and focus on consumer-friendly, technology-enabled options is extremely important for network integrity and future growth.

This is a challenging time for academic health systems. However, those that embrace these challenges and welcome transformation will not only survive...they will thrive.

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