



Huron 2021 Healthcare Executive Research

THRIVING IN A CHANGED HEALTHCARE MARKET

A RETURN TO TRANSFORMATION

From the beginning of the COVID-19 pandemic, healthcare providers responded to the crisis with agility. Long-term transformation initiatives were put aside in favor of the short-term financial and digital adjustments necessary for organizations to continue delivering care safely while stabilizing financially.

Today, healthcare organizations **continue to grapple with the human health and economic fallout of COVID-19** — while keeping transformation imperatives intact.

To better understand how healthcare **leaders will guide their organizations into the future**, Huron surveyed 306 healthcare executives from various types of provider organizations.

According to Huron's research, the pandemic will continue to impact how leaders make decisions and see the future, yet they are **moving forward with long-term plans**.

Dual focus will be on **building up financial health** while repositioning all aspects of their organizations for the future of healthcare.

How will leaders proceed in a changed world? What will leaders prioritize for their organizations, patients, physicians, employees and communities? How can healthcare stabilize and return to growth?

KEY FINDINGS:

- ▶ Leaders' decisions will remain centered on building the financial health of their organizations **to get long-term transformation back on track**.
- ▶ Over 50% of leaders plan to implement cost-saving measures such as revenue optimization and clinical documentation improvement (CDI); however, more **transformational cost strategies are needed** to stay ahead of competition and permanently improve margins.

- ▶ Initially serving as a COVID-19 response tactic and now a growth strategy, investments in telehealth provide leaders with an opportunity to **improve care access and increase patient volume**.
- ▶ As organizations grapple with mitigating **the financial impact caused by COVID-19**, leaders consider partnership advisory and technology-enabled care as critical to strategic growth and financial stability.
- ▶ **Care transformation trends, challenges and initiatives** are a top concern for leaders and will be at the center of strategic growth and cost-reduction strategies.

TRENDS EXPECTED TO IMPACT HEALTHCARE

As predicted in Huron's prior annual research, the priorities of healthcare executives have remained focused on navigating a dynamic regulatory environment, controlling costs and growing revenue, and utilizing technology and data.

Today, those challenges are still important, but are being re-prioritized by a healthcare industry that pivoted to react to the

immediacy of the pandemic. Moreover, leaders face fierce and growing competition from traditional providers and new entrants, particularly in the primary care space.

In the coming year, value-based care and revenue growth emerge as the highest-impact trends; consumerism and serving Medicare/Medicaid populations round out the top five along with relaxing COVID-19 regulations.

In the next three to five years, executives perceive managing system capacity as having the highest organizational impact, while revenue growth, value-based care, and serving Medicare and Medicaid populations remain at the top. To create the efficiencies needed for breakthrough improvement in cost and quality, leaders will significantly reconsider cost structures, care delivery models, reimbursement and financial strategies.

Figure 1. Trends impacting healthcare organizations

Top Trends Impacting Organizations This Coming Year		Top Trends Impacting Organizations in Next 3-5 Years	
1	Value-based care	1	Managing health system capacity
2	Revenue growth post-COVID-19	2	Revenue growth
3	Relaxing or delaying of regulations due to COVID-19	3	Value-based care
4	Consumerism	4	Serving Medicare/Medicaid population
5	Serving Medicare/Medicaid population	5	Virtual acute care in the home
6	Virtual acute care in the home	6	Cost reduction/optimization
7	Care access transformation	7	Ambulatory care
8	Ambulatory care	8	Care access transformation
9	Pandemic management protocols (PMPs)	9	Relaxing or delaying of regulations due to COVID-19
10	Managing health system capacity	10	Care delivery (physical care facilities and health communities)

*Significant increases from 2020 noted in blue

FINANCIAL HEALTH FUELS TRANSFORMATION

In Huron's research, survey respondents point to a mix of challenges and initiatives that indicate leaders will continue to manage a long list of priorities that include cost optimization, care transformation, growth, and the technology and digital tools that enable each of these areas.

The balance of cost reduction, capacity management and growth priorities indicate that already-shrinking health system margins have been further stressed by the financial impact of the pandemic. In the coming months, taking steps to recover healthy margins will allow leaders to reinvest in their businesses and support transformation efforts to further their organizational missions.

The increasingly complex and competitive healthcare environment remains an impeding force on healthcare organizations as leaders evaluate how they will reduce costs, increase revenue, and improve quality and care delivery. Additional economic pressures have intensified with shifts in payor mix, regulatory uncertainty, and the dynamic of rising costs and shrinking reimbursements.

Figure 2. Greatest challenges and organizational initiatives for healthcare leaders

Current Challenges			Current Initiatives to Address Challenges		
1	Managing health system capacity	31%	1	Responding to COVID-19	42%
2	Cost reduction/optimization	31%	2	Investing in digital tools	37%
3	Supply chain transformation	27%	3	Cost management	35%
4	Value-based care	26%	4	Stabilizing our operations	35%
5	Addressing consumerism	25%	5	Investing in artificial intelligence (AI)/machine learning	34%
6	Operational efficiency using advanced analytics	25%	6	Optimizing supply chain	34%
7	Redefining portfolio/changing healthcare business model	25%	7	Improving care access	34%
8	Pandemic management protocols	24%	8	Revenue growth	31%
9	Changing our care delivery model	23%	9	Building data structures for better decision making	30%
10	Building data structures for better decision making	22%	10	Expanding virtual care	30%

To make significant gains, organizations need to implement technology-driven initiatives that optimize core functions such as revenue cycle and [supply chain](#). This will include [optimizing core technology](#) to improve business systems and the [use of advanced analytics](#) to drive efficiency and decision making.

Additionally, building better, more secure data structures and advancing the [use of data for decision making](#) will be paramount

to enabling organizations to tackle challenges that range from consumerism to cost management to care delivery.

Expanding ROI to Support Transformation

Over the last three years, Huron's annual survey of healthcare executives found that leaders vacillated between standard financial key performance indicators (KPIs) and nonfinancial metrics that align to larger transformation initiatives. In this year's

research, financial return on investment (ROI) takes priority as executives seek to address critical challenges that require a strong financial footing. However, executives report they will again place high importance on quality metrics tied to patient outcomes, patient experience and long-term impact to the community to evaluate organizational performance.



FOCUS ON COST AND CARE TRANSFORMATION INTENSIFIES

Huron's research reveals a significant prioritization of cost and care transformation initiatives, signaling that leaders understand the urgency to change how their organizations operate.

Leaders surveyed by Huron were aligned on the leading cost-saving measures over the next 12 months, including the optimization of revenue management, redefining their portfolios and clinical documentation improvement. In terms of growth, leaders consider partnership advisory and technology-enabled care to be critical aspects of strategic growth and financial stability.

Cost-Saving Measures	
1	Revenue management
2	Redefining portfolio
3	Clinical documentation improvement
4	Adoption of robotic process automation (RPA) or AI tools
5	Accurate reimbursements
6	Reconfiguring economic model
7	Increasing interoperability and system optimization
8	Rationalizing applications and licenses
9	Supply chain cost reductions
10	Real estate divestitures

Figure 3. Healthcare leaders anticipated cost-saving measures over the next 12 months

Growth Priorities	
1	Partnership advisory
2	Technology-enabled care (e.g., virtual care)
3	Staffing recruitment and retention strategy
4	Reconfiguring economic model
5	Redefining portfolio
6	Strategic cost management
7	Data management and analytical decision making
8	Integrated care delivery models
9	Patient engagement and onboarding
10	Mergers and acquisitions (M&A)

Figure 4. Healthcare leaders' growth priorities

Investing in People

Leaders name staffing recruitment and retention as a top-three growth priority, signaling that investments in people are still important. Building a culture of learning can be a differentiator for organizational and employee performance. To make up skills gaps and to improve overall performance, focus is needed on developing employees, especially for skills related to technology adoption and the use of data. To [drive continual improvement](#), organizations will have to take a deeper look at their overall approach to training and learning.

Unlocking the Value of Cost Transformation

With the prioritization of financially focused measures such as revenue management, reconfiguring financial models and strategic cost management, it is becoming increasingly clear that more [holistic approaches to cost transformation](#) are necessary to stay ahead of the competition and permanently improve margins. These transformational strategies are what will allow organizations to reinvest in areas that further the organization's vision and mission.

Healthcare organizations must evolve typical cost-reduction strategies into a data-driven cost transformation approach that re-imagines its operations and care delivery. True cost transformation is about permanently changing the economics of organizations, calling on leaders to re-imagine and redesign both clinical and operational delivery models for market, consumer and system needs. Ultimately, leaders have a powerful opportunity to reshape the entire footprint of an organization to be nimbler, leaner, consumer-driven and change-ready.

Along with other core cost-saving measures, [partnerships and collaboration](#) — including outsourcing and managed services — will be important cost levers for organizations to gain efficiencies.

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Evolving Care Delivery

Over the last year, the pandemic accelerated shifts in consumer volume and care delivery models, pushing leaders to deepen their focus on care transformation. Across Huron's findings, care delivery changes take top priority. In **figure 1**, among other care-related trends listed, virtual care in the home is seen as important now and in the next three to five years. Leaders' challenges and initiatives (**figure 2**) point specifically to managing system capacity, changing care delivery models, expanding virtual care and improving care access. Growth strategies (**figure 4**) will focus on technology-enabled care and building integrated care delivery models.

Every healthcare organization will evolve differently, but the data is clear that change is needed. Improving care delivery will be about more than tweaking existing service lines; forward-thinking leaders are preparing their organizations to provide care along a continuum from wellness to episodic care to chronic care management via a seamless delivery system.

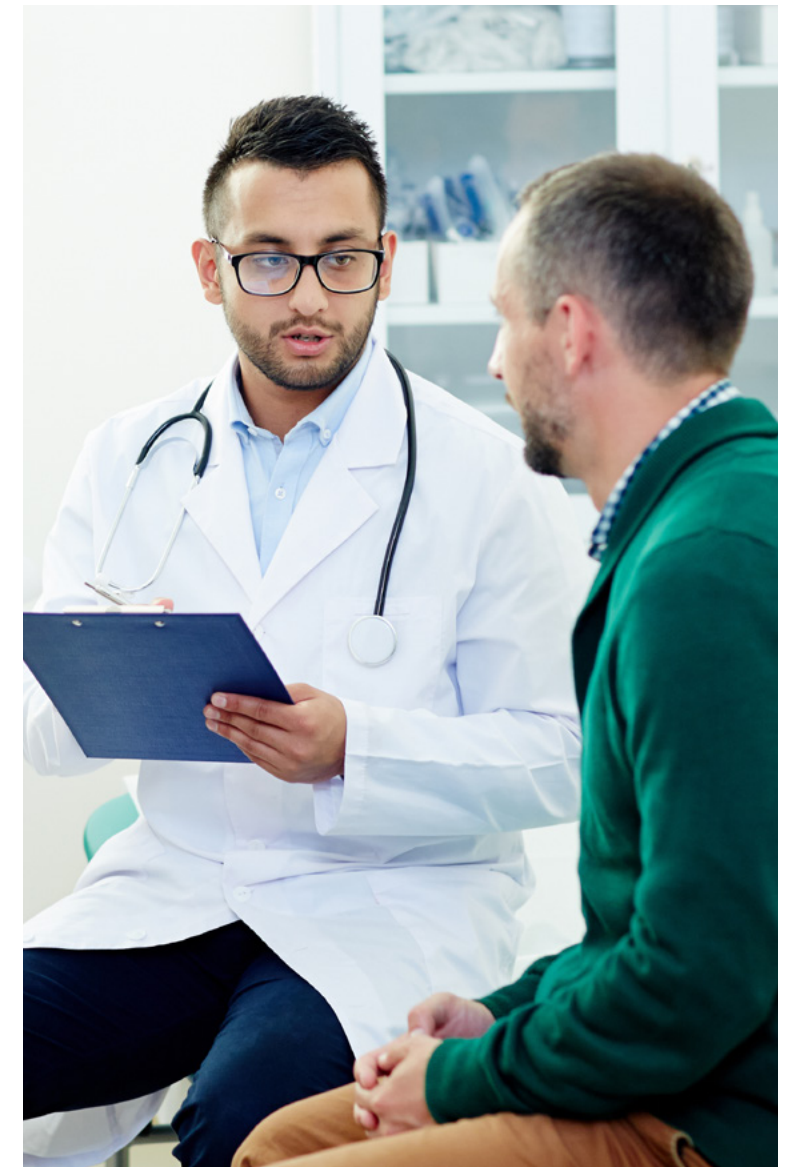
Embracing Consumerism Through Care Delivery

Along with care transformation growth priorities, leaders report that addressing consumerism (**figure 1 and figure 2**) will impact their organizations. This trend has persisted year over year in Huron's research. Beyond acknowledging consumerism as a trend, leaders have an opportunity to bring consumer-driven transformation into their growth strategies.

Prior to COVID-19, consumer-driven trends were already reshaping the healthcare market. Now, consumer preferences — from where and how they receive care to how they communicate with providers — are even more pointed. Consumers will continue to be smarter shoppers, seeking more transparency around price and quality. Organizations will have to fully embrace consumerism in care delivery to attract new consumers, generate loyalty and provide better care.

Healthcare organizations can no longer afford to limit their knowledge and understanding of their consumers to financial or clinical information.

Instead, organizations need to understand the attitudes, values and preferences driving consumers' decisions about their healthcare. With that data, organizations can build a road map to increase market share and [advance consumerism from concept to reality](#).

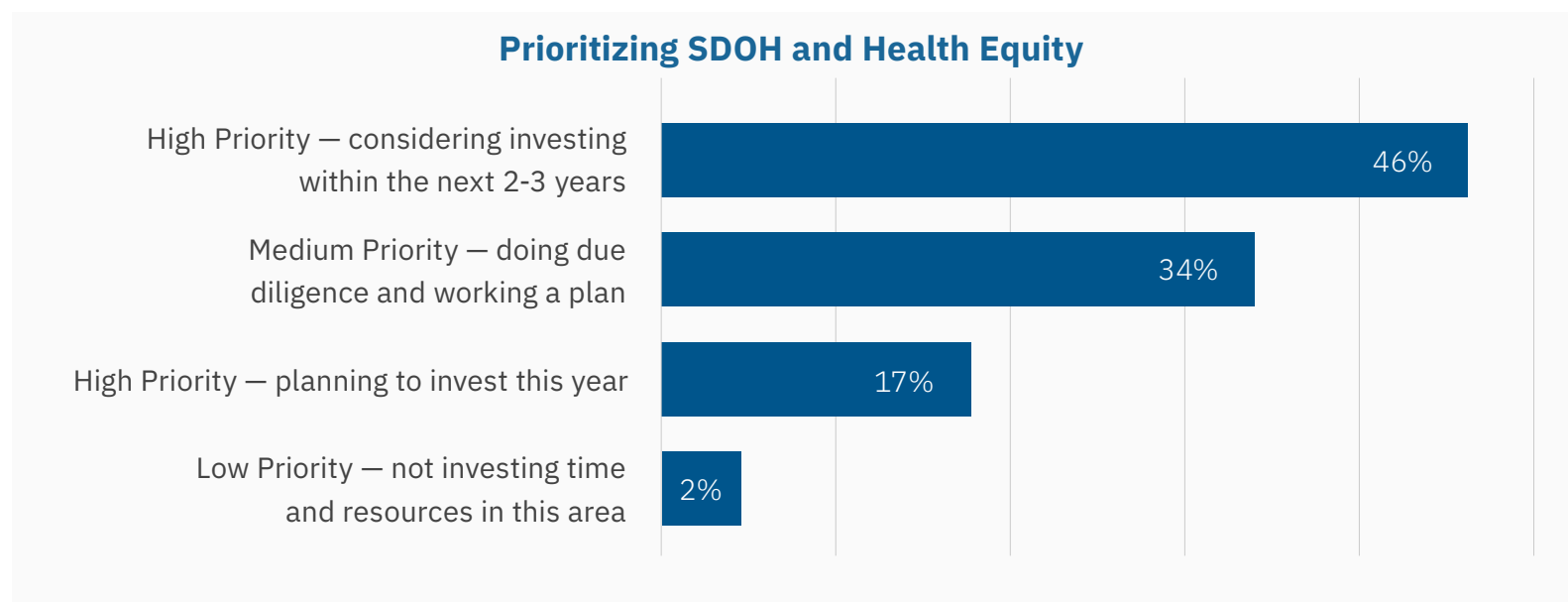


Addressing Health Equity Gaps

Alleviating the disparities in healthcare highlighted amid the pandemic remains a concern for leaders, and most leaders report that they will highly prioritize social determinants of health (SDOH) and health disparity issues. In Huron's findings, 46% of respondents expect to invest in solutions around SDOH and health equity issues within two to three years; 17% will invest in the next year. Leaders will have to consider how well they truly understand the needs of their patient populations and the role that [SDOH-related programs](#) will play in helping their organization close health equity gaps in their community.

Leaders also report a varying list of initiatives ranging from generating educational material to establishing transportation partnerships to providing housing for low-income patients. This range of activities indicates most organizations are still trying to determine how SDOH and health equity initiatives fit into their overall strategies. To refine their approaches, leaders will need a better understanding of the needs of their individual communities.

Figure 5. Healthcare leaders prioritize SDOH and health equity plans



Leveraging the Permanence of Virtual Care

The pandemic mandated a surge in virtual healthcare, including telehealth services, nurse hotlines, video conferencing and remote patient monitoring.

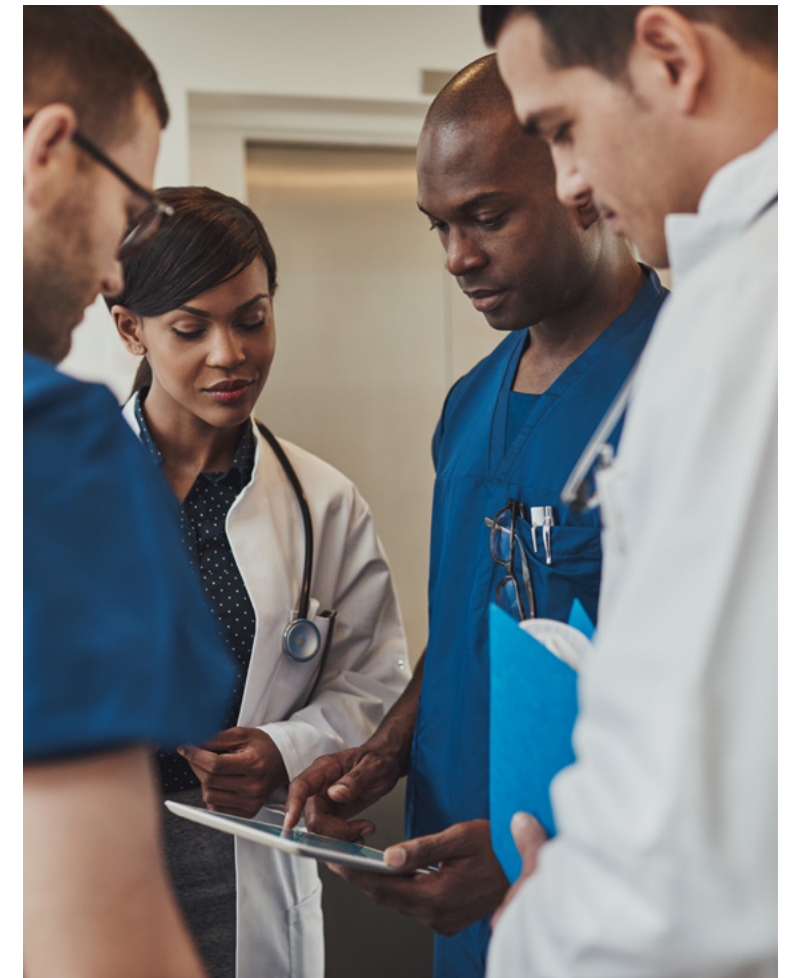
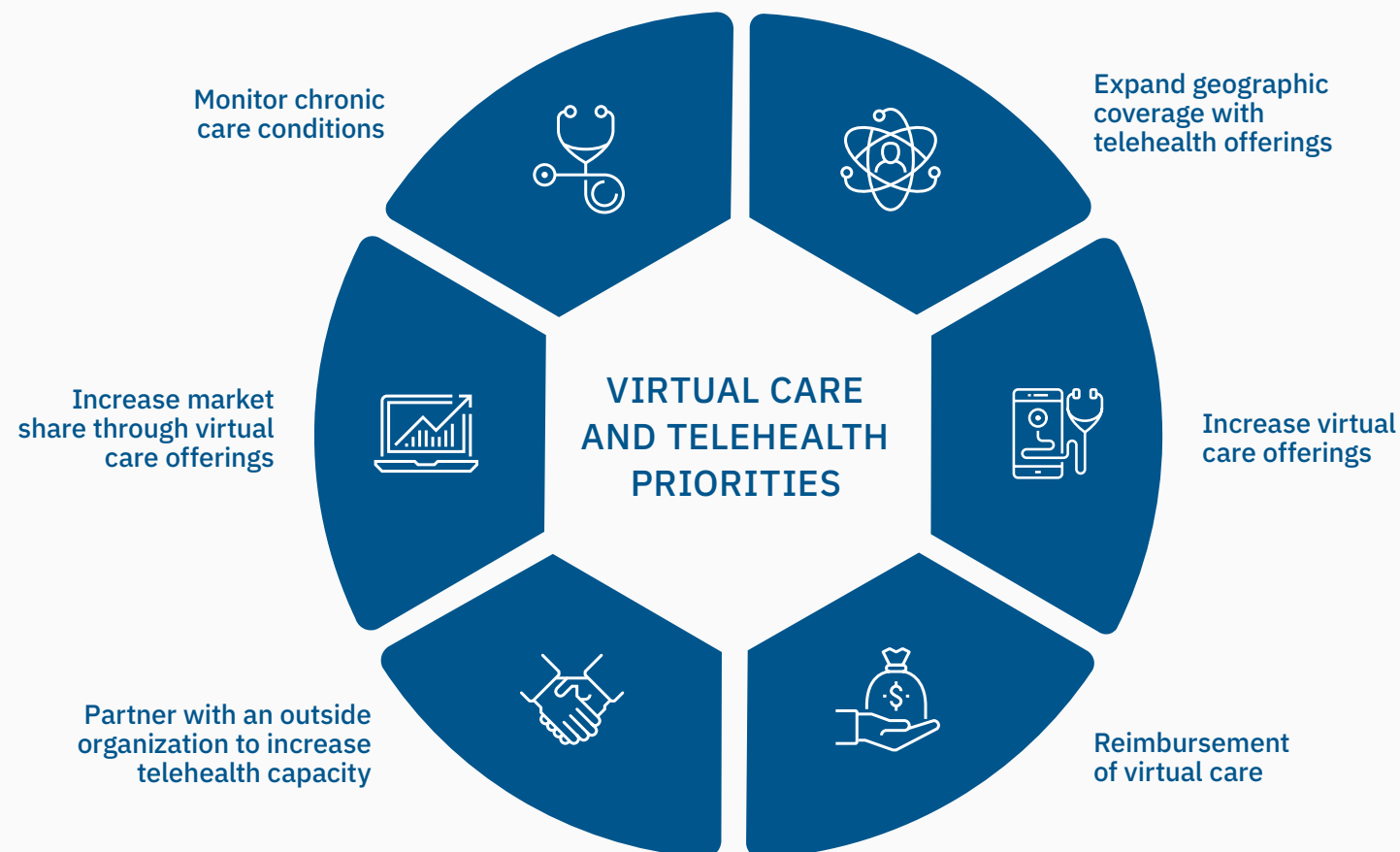
Huron's research finds leaders view telehealth as a critical component of care delivery and are positioning their organizations now for the future of

telehealth, which comes with its own list of priorities. Among the biggest areas of focus — expanding geographic coverage and services as well as reimbursement.

Virtual care is no longer a stopgap measure to alleviate lost volume; instead, it is part of long-term growth strategies. Consumer preferences have evolved as more people view virtual health as the first stop in their primary care.

Huron's research into the consumer healthcare market found that the majority of respondents across all demographics report being digitally active and fluent, indicating a readiness for increased digital healthcare. The challenge now is for healthcare organizations to find the right balance of in-person and virtual care offerings. Creating a strategy begins with understanding the supply and demand of an organization and its market.

Figure 6. Virtual and telehealth priorities for healthcare leaders



FINAL THOUGHTS

In recent months, the COVID-19 pandemic reset healthcare's priorities as organizations battled the multifaceted impact of the crisis. Today, while leaders continue to grapple with the pandemic, attention is returning to how their organizations will transform for the future of healthcare.

Focus on near-term financial recovery and overall financial health will remain important goals for leaders. Healthier margins will allow organizations to invest in transformation efforts to redesign care models, address consumerism trends and build a better technology infrastructure for data-driven decision making. While typical cost-saving measures are ever-present, leaders need a plan for true cost transformation to support initiatives that further their growth and foster their missions.

As healthcare organizations reach an inflection point in their transformation journeys, alignment of organizational and leader goals has never been more important. Leaders will have to refocus their teams and build the buy-in needed for initiatives to succeed. Strategically aligned organizations are [better equipped to embrace change](#) and innovate where needed. Leaders need intentional plans to change, grow and align their operating models, talent and culture to short-term and long-term growth plans.

Methodology

Huron commissioned an online survey of 306 healthcare leaders across functions, roles and organization types. Research was conducted from April to May 2021. The purpose of the research was to understand the most critical external and internal healthcare trends that are impacting healthcare organizations.

Key Takeaways

As healthcare organizations get transformation initiatives back on track, leaders will have to:

Think differently.

Evaluate how investments made during the pandemic can be leveraged to drive financial stability in the next 12 months and beyond.

Plan differently.

Look beyond typical cost-saving measures to create a plan for true cost transformation that will be the differentiator for healthcare organizations in the months and years ahead.

Act differently.

Stay focused on the investments that will allow the organization to stabilize financially without sacrificing focus on the transformation imperatives.



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