Healthcare Consumerism, Value-based Care and Innovation: Is Your Organization Poised for Success?
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Introduction
Governmental and financial forces have significantly transformed the healthcare landscape in recent years. As we head to the third decade of the 21st century, the turbulence promises to continue to be driven by three key trends: the growth of patient consumerism, the shift to value-based care and the need for transformative innovation.

The Healthcare Financial Management Association (HFMA) released a series of reports under the heading Health Care 2020 addressing these broad topics “examining how to prepare for major healthcare market trends over the coming years.” As you reflect on coming changes in your own organization in relation to these issues, you should be asking the question: Where do I stand? More importantly, it’s time to consider what you should be doing to address these fundamental developments in an ever-changing healthcare environment.

While most organizations have a high-level of understanding of these three key concepts, some struggle to determine how they truly measure up. Organizational leaders are doing the best they can to keep pace but they may be unaware of options that are available to help address the challenges these issues present.

This paper will discuss the HFMA reports and provide the guidance and awareness of the tools you might leverage as you begin to develop your plans for surviving and thriving in the future.

I. Consumerism

It’s logical to assume that when asked to pay for something there’s an additional level of scrutiny around cost and value. The rise of the internet has taken this concept to new levels as people can now scour the web for the best deal on everything from accountants to zoo passes.
For the most part, healthcare has not been a part of this revolution in consumerism because care delivery has not been regarded as a commodity. The choices of where you go for medical care has largely been determined by your primary care physician or at the direction of your health insurance plan. The actual cost was irrelevant since individuals simply paid their insurance premiums and the actual care pricing was handled between the providers and the insurance companies.

That is no longer the case. The rise of value-based care, high deductible health plans and greater patient payment responsibility has changed that mindset. Individuals who must now pay increasing co-pays and deductibles have begun to question their care options and what their care actually costs. And if they are not happy with the service and value they are getting, they will shop around until they are satisfied.

**Healthcare, meet consumerism.**

Consumerism goes hand-in-hand with patient engagement, another growing trend in healthcare. Increasingly, organizations are leveraging IT and other resources to make sure they are connecting effectively with their patients. They are focusing on issues like patient portals, patient payments, benefits and eligibility verification, upfront collection activities and financial clearance and counseling.

To stay competitive, organizations must adapt their strategies to embrace the concept of patient choice. That means moving toward tactics that have been widely adopted in the retail world like listening to the voice of the customer, providing pricing transparency, offering new innovative services and technologies and competing for patients/customers.

The HFMA report points out that there are 95 percent fewer department store chains in the country than there were in 1962. That is the year WalMart opened its first store promising low prices and good service. Healthcare organizations would be wise to heed this lesson as patients begin to wield more power in the marketplace.

There are several things healthcare organizations can be doing to meet the new consumerism demands.

**Listen to patients**

Organizations can't provide what patients want unless they know what it is. This means conducting in-depth research. Organizations across the country are doing just that.
• MetroHealth System in Cleveland requests informal patient comments during every patient encounter.
• Mount Sinai Health System in New York City conducted focus groups with patients who had joint replacement surgery to get input on their struggles and successes with the experience.
• Patients in the U.K. who have undergone surgery for hip or knee replacement, groin hernia repair or varicose vein treatment are surveyed on their functional health following the procedure.

Improve information sharing
For patients to act like consumers, they must have the right information at the right time. Research from Healthgrades reported in the HFMA report revealed that when patients were asked to select a specialist, half selected the lowest-value option. After they were provided with minimal information on physician experience, hospital quality and patient satisfaction, 98 percent of patients who made the wrong choice the first time, made the right call the second time.

Patients are reaching out in greater numbers to get the information they need to help manage their own care. A 2013 Pew Research survey revealed that eight of 10 healthcare inquiries start at a search engine and more than half of U.S. adults had looked online for health information in the past year.¹

To meet this demand, organizations need to improve their websites and portals to make basic information more readily accessible. They must also be more transparent when it comes to pricing. Without clear pricing information, patients can’t compare providers or decide whether a recommended procedure provides enough value for the cost.

Help with decision-making
Patients making choices based simply on cost is not always the best option. It’s important for you to provide a process in which clinicians and patients confer to help make the best decisions regarding treatment plans. Developing trust with your patient base is critical to effectiveness in these conversations.

Optimize systems and workflows
As in most cases, successfully meeting the challenges of consumerism will depend in large part on IT systems. Most organizations have a hybrid IT infrastructure made up of vendor products for patient portals, eligibility checks, scheduling, customer service and patient statements. It’s important to know which products are best at delivering on these requirements when it comes to your patient engagement strategy.
Conducting an end to end assessment of your system capabilities and process workflows – either internally or with the help of a third-party consultant – is a good first step. You must determine what is the most effective and efficient way to engage the patient within the revenue cycle at key touchpoints.²

II. Transition to Value-based Care

The move away from fee-for-service to value-based care (VBC) is inevitable. MACRA is in the process of being implemented and healthcare leaders have already begun moving their organization into an environment built on improving care outcomes while reducing costs. It is a difficult transition for many, but one which must be made.

The HFMA report notes that the best way to meet the demands of VBC is through collaboration and cooperation. Clinical information and patient financial data must be able to flow seamlessly both internally and externally to reach the stated goals of VBC.³

Healthcare consolidation

The HFMA points out that the “transition from volume to value and a corresponding move to population health management will require sophisticated management expertise and significant capital investments.”⁴ The rollout of MACRA adds new requirements and regulations. Hospitals and physician practices are increasingly coming to the realization that they cannot meet the needs of VBC on their own.

The result is a growing trend of healthcare organization toward consolidation. Since 2010, there have been over 500 mergers and acquisitions involving almost 1300 hospitals.⁵ The percentage of physicians in groups of nine or fewer dropped from 40.1 to 35.3 percent in 2015 while the proportion of doctors in groups of 100 or more increased from 29.6 to 35.1 percent.⁶
For a more detailed discussion of the impact of the industry consolidation and things to consider if you head down that path, read the Hayes white paper, Successfully Consolidating Your Business Office: 3 Areas to Focus On.

Organizational assessment
If you haven’t already begun, now is the time to assess your readiness for VBC and to evaluate what you need to be doing to prepare. This requires examining your revenue cycle, technology and clinical care infrastructure.

Ensure your organization’s revenue integrity
VBC promises to have the most significant impact on your revenue stream. Evaluate your processes and tools to ensure optimum revenue integrity now before moving to VBC. Compare your revenue cycle metrics to regional and national norms. Assess all three revenue streams – front end, mid-cycle and back office - for the types and scope of current revenue leakage. Look for potential waste in staffing or overhead.

An important component of revenue integrity is to have processes in place to provide thorough reimbursement analysis and cost of delivery for new services before they are offered to patients. Hospitals who do not complete this analysis often find they cannot recoup the cost of new services based on the initial analysis provided by vendors.

It’s important to share with staff the impact of VBC and how they affect key cost drivers. With their input and help, look to implement initiatives to streamline operations to reduce costs. Be prepared to identify and document services patients are receiving and establish processes to track your financial performance for each defined patient population.

To meet the demand of better care outcomes at reduced costs, develop an ongoing efficiency and cost reduction program if you don’t already have one in place. You must understand your cost to deliver a unit of care and have the ability to evaluate the cost implications of moving to a VBC model. This requires a working knowledge of the various cost savings models that support VBC such as shared risk, shared savings and capitation. Your entire organization including billing and revenue cycle staff will need to be educated on the concepts and impact of VBC.

Review your technology infrastructure
Technology plays a key role in successfully making the switch to VBC. The new models require capturing, processing, analyzing and reporting data on a wide range of clinical measurements. In many cases, tracking incentive-based payments will mean a significant upgrade in your IT systems to ensure you collect and report the right data at the right time.
Many organizations are hamstrung with legacy systems and EHR’s that don’t easily communicate with each other. VBC models require aggregating data from all care settings, including third party providers. You will also need to have a data warehouse to enable reporting on outcomes, costs, quality and patient experiences.

Most EHR’s were developed in a fee-for-service environment and act more as documentation tools focused on workflows organized around providers, not patients – a key difference in a VBC model. Review your systems to determine what upgrades and new systems you will need to meet the demands of VBC.

Ensure that the appropriate resources are in place within the revenue cycle to make sure claims can be processed and billed accurately and in a timely manner. The current trend in healthcare is to reduce back-end resources who perform these functions as new EHR’s are implemented, only to be forced to add them back when the health of the revenue cycle declines. If you are going to staff at best practice guidelines, ensure you have a best practice billing and follow-up operation in place.

**Focus on clinical care**

At the heart of the shift to VBC is the goal of providing higher levels of care to patients. You will need to develop a series of protocols that all physicians must follow to reduce variance in the delivery of care.

Determine whether you have the correct number of primary care, specialists and network physicians. Evaluate your network, emergency department and contracted services such as lab and radiology. It’s also important to have an ongoing education program to bring all providers up to speed on the requirements of VBC.

Managing population health is also key to VBC. You need to be able to track patient groups, protocols for managing high risk and chronic condition populations and identifying which groups would most benefit from preventative measures and education.

Measuring quality of care is a key element in a VBC model. This requires extensive data collection and analysis and the ability to provide evidence that each of your quality indicators is related to improved health outcomes. Determining the appropriate scope, method and frequency of the data collection is critical to providing that evidence.
Focus your improvement activities on areas that are high risk, high volume or problem prone. VBC requires proof that you are conducting distinct performance improvement projects and that those projects are proportional to the scope and complexity of your organization’s services and operations.

III. Transformative Innovation

Healthcare is in the midst of monumental change that will dramatically affect both healthcare organizations and patients alike. It will not be possible to address the challenges that lie ahead with the same tools and processes that have been used in the past. Bold new thinking is required. Incremental change must be replaced by transformative innovation to vault the industry into the decades to come.

The HFMA report identifies three trends that are reshaping the healthcare landscape and driving innovation: rapidly advancing technological capabilities, the increasing demand by purchasers for improved value from industry participants and an influx of venture capital funding. The report goes on to say that “health plans, health systems and physician groups who fail to evolve their business and clinical care models to leverage innovations that improve value for purchasers…will lose market share to those that do.”

Shift to risk-based auditing

A key transformative trend is the shift from periodic to risk-based auditing by compliance leaders. Six out of ten Chief Audit Executives identified an increased focus on risk management as their top initiative in a recently conducted survey.

But compliance risk is not the only concern. Maintaining revenue integrity by focusing on risk areas in the revenue cycle has also made its way to the
top of the list of key issues for CFO's and other finance leaders. Improper billing and claims submittal, incorrect coding and insufficient charge capture can result in missing or under billing for services performed and can negatively impact cash flow and the bottom line.

As a result, more organizations are shifting from scheduled, reactive audits to a proactive, risk-based audit program. With only so much time available for auditing, it’s critical for organizations to target specific areas of interest and not devote time to areas with little or no significant impact. Moving from an annual risk assessment program to a risk-based audit plan could be one of the most important innovations you can implement.

True risk-based auditing focuses on specific practices and codes that display potential negative issues. Risk-based audits are performed on an ad-hoc, unscheduled basis and zero in on trouble areas regardless of location or provider. This differs from traditional audit plans that have an overall goal of reviewing all providers and areas over a one or two-year period.

Effectively transitioning to a risk-based approach requires leveraging the appropriate technology and resources to manage them. You need a solution with an automated auditing workflow that enables continuous monitoring of billing data and remits. It should also allow the compliance and finance teams to drill down, identify, explore and respond to both risks and outliers.

Increased reliance on analytics
Big Data and data analytics have taken on prominent roles in all industries in the last few years. The growth of social media and digital business has dramatically increased the volume, velocity and complexity of data flowing into organizations of all types and sizes.

Data analytics is a key component of the shift to value-based care, population health and minimizing compliance risk. Healthcare leaders understand that analytics provides a platform to monitor multiple areas of risks or interest, support continuous risk assessment and monitoring and complement limited compliance resources.

Finding and leveraging the data that exists within your organization is key to effectively using analytics. Looking at your own organization’s data allows you to assess trends, compare providers and discover risk areas.

However, developing true innovations to transform your organization requires mining data outside your organization as well. Normative data that
you get from a cohort that reasonably compares to your organization can be powerful. Using peer group data allows you to keep up with the myriad areas of concern that are out there and that are nearly impossible to track on your own. It takes the collective knowledge, intelligence, and interpretation of the larger industry group as a whole to get the most out of an analytics effort.

Steps to innovation
Futurist Robert M. Wachter, MD, of the University of California, San Francisco (UCSF) offers a three-step approach when implementing an innovation strategy:

1. **Walk before you run** – Ensure you have a solid foundation of a well-functioning healthcare IT system before moving into the innovation space. Everyone in the organization needs to be comfortable with healthcare as a digital business. Your IT infrastructure must be able to capture and analyze data and adjust workflows to leverage the data to effectively enable necessary change.

2. **Don’t assume your innovation experts are the same people who led your EHR implementation** – You will likely need IT expertise from other fields like design and engineering. Consider hiring a Chief Innovation Officer from outside the healthcare industry.

3. **Connect innovation with day-to-day operations** – The Chief Innovation Officer must oversee your clinical units to implement successful change. Establish a structure that allows great ideas to be incorporated in the workflow.

Cultivate a change management environment
Transformative innovation will likely result in significant change—an uncomfortable situation for many people. That’s why successfully initiating change can be so difficult. According to a 2013 Towers Watson study, only 25 percent of change management initiatives are successful over the long term. To beat those odds and manage change effectively you need a structured change management process.

Consider starting with a “pulse” check on your organization’s adaptability to change and subsequently implementing change management coaching sessions for the management team. Many managers in the healthcare industry lack formal training in this area but having skills they can leverage is crucial when an organization is undergoing significant change.
The key to effective change is education and communication. Clearly communicate timelines and milestones and report progress on a regular basis. Successful change initiatives educate all stakeholders on what to expect and when to expect it and how the desired end state will benefit them. Defining expectations will help reduce anxiety. Change management, properly implemented and aligned with technology and strategic initiatives can enable true transformative innovation.

Summary
The healthcare industry faces an uncertain and challenging future. Evolving governmental policies, technological and scientific advances, financial pressures and rapidly changing patient expectations promise to make the next decade in healthcare a daunting one. However, some trends are emerging that can add stability to the current unsettled environment.

Consumerism, value-based care and transformative innovation are clearly near term realities. To survive and thrive in the decade to come, you need to be prepared to address all three. Now is the time to assess where you stand and determine how you will incorporate them into your strategic and tactical plans.

About Hayes
Hayes Management Consulting is a leading, national healthcare technology enabled solutions firm that partners with healthcare organizations to improve revenue, mitigate risk and reduce operating costs to drive success in an evolving healthcare landscape. MDaudit Enterprise is the industry leading compliance software that provides workflow automation, continuous monitoring and anomaly detection in a single, integrated cloud-based platform. To learn how Hayes Management Consulting can help support your initiatives, call 617-559-0404 or requestconsultant@hayesmanagement.com.

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