



5 Forces Leading Change in Healthcare

A new healthcare ecosystem is emerging in which tailored care experiences, digital engagement, and home as a care setting will be more prevalent. As companies like Amazon, UnitedHealth Group, and CVS made attention-grabbing headlines in 2022, some are speculating whether a new healthcare delivery model run by payers and large market cap companies is emerging—and if that new model will relegate hospitals to shells of their former selves.

As unlikely as this scenario may seem—given how central the physician-patient relationship is for determining where and how care is delivered, and the need for multidisciplinary care delivery for treating complex clinical conditions—one thing is clear: business as usual will no longer work.

Heading into 2023, the economy broadly and the healthcare sector specifically are facing increased inflation, cost pressures, workforce challenges, and topline revenue pressures. This is true for health systems, payers, private equity sponsors, venture-backed companies, and even large market cap companies in healthcare—as evidenced in recent layoff announcements.

Reflecting on the landscape for the year ahead, our panel of industry-leading experts discuss where the industry is heading, pressures to navigate, and opportunities to pursue.

In short:

- Digital is transforming how customers access care, and how and where they experience care. With new entrants seizing digital opportunities, traditional healthcare organizations will need to advance digital transformation efforts to compete in the new ecosystem.
- For hospitals, health systems, and medical groups, creating a sustainable workforce will require addressing nurse and physician burnout, innovating care and operating models to better leverage technology, and investing in leaders and management systems.
- With a sector outlook on the decline in a uniquely challenging time, the path forward cannot be to reduce costs by “muscling through” with conventional measures. Healthcare organizations will need to fundamentally reimagine how care can be delivered and administered.

- Creative payer-provider—or “payvider”—arrangements continue to evolve in a dynamic environment. Aligning incentives to jointly meet consumer needs will be key in order to deliver whole person care.
- Healthcare is moving in the right direction to address historical health inequities and societal health issues, but vigilance is key to addressing underlying health inequities that have persisted for decades.
- The future healthcare environment will require more collaboration and partnership across all segments of the healthcare industry.

5 Forces Leading Change in Healthcare

While the fully formed state of a new healthcare ecosystem is yet to be written, these are the 5 forces leading change:

1. [Digital is transforming access, experience, and business operations.](#)
2. [Workforce needs and expectations are evolving.](#)
3. [Persistent financial challenges require a transformative mindset.](#)
4. [Payer-provider partnerships will take new forms.](#)
5. [The complex intersections of societal and health issues are coming into sharper focus.](#)

1. Digital Is Transforming Access, Experience, and Business Operations

Consumers are yearning for seamless, digitally-enabled experiences in healthcare.

It starts with access. Some points along the journey have improved, like search and scheduling, but healthcare still has a long way to go. The technology is available to enable these functions. And demand exists, evidenced by consumers’ significant uptake with organizations like One Medical (now Amazon), despite an annual subscription fee.

Changing underlying operating models is hard for traditional providers, but signs of progress are beginning to emerge. Leading health systems are moving toward [advanced engagement centers](#) that bring together all aspects of consumer interaction, including search, scheduling, messaging, billing, marketing, and clinical advice lines to create an integrated, seamless experience for their consumers.

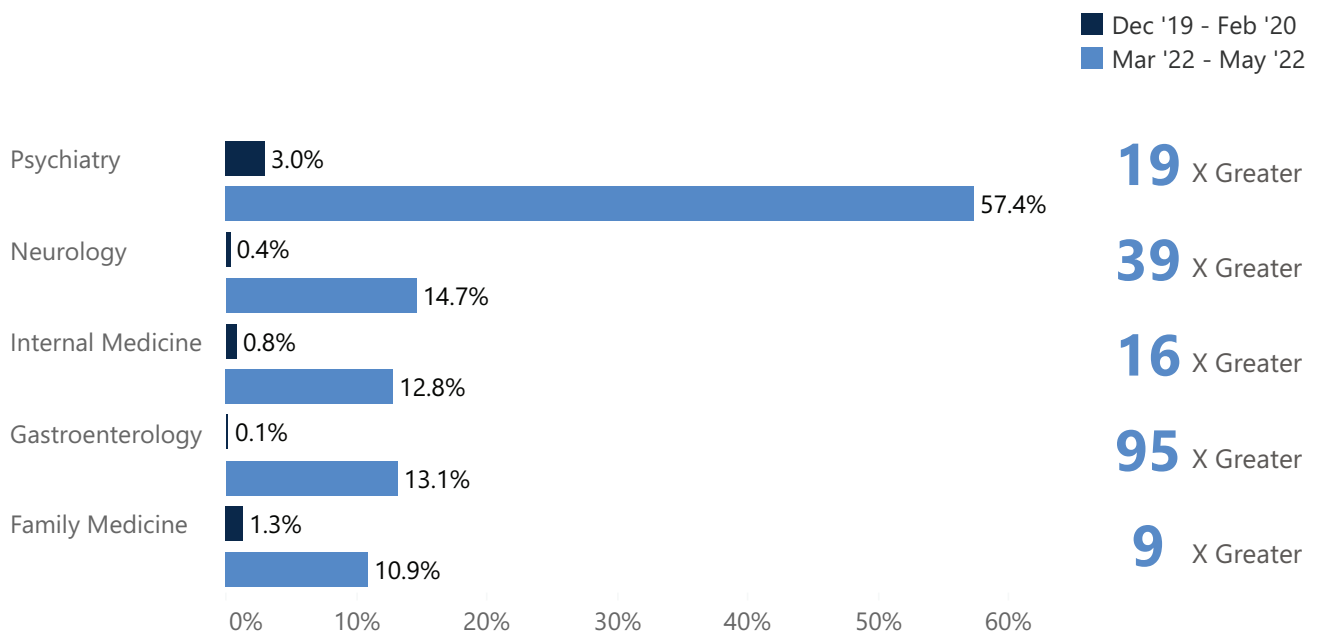
“New entrants are approaching access, consumer acquisition, patient retention, and care delivery in new ways. Digital transformation is required to address the industry’s foremost challenges and thrive in the new healthcare ecosystem.”

— Jody Cervenak, Director and Leader of Chartis’ Informatics & Technology Practice

Telehealth has also seen significant advancement in recent years, with a nationwide rate of roughly [10% of all outpatient visits](#) being delivered virtually. We expect this adoption rate to increase in the coming years as some providers actively push in this direction, given the benefits they have realized of being able to see more patients and offer more continuity of care. Patients also seem to prefer this convenient mode of care delivery for select care.

“Many top-tier, well-connected, and intensivist groups have demonstrated they can capably take care of critically ill patients at a distance,” says Roger Ray, Chartis Chief Physician Executive. “This alone should prompt every clinical discipline to stretch their thinking about what is possible virtually.”

Telehealth’s Staying Power: Top 5 Clinical Specialties



% of outpatient visits that were conducted via telehealth

Digital is also unlocking new sites of care. As advanced technologies are enabling innovative use of remote patient monitoring, anywhere the patient goes can become a clinical care setting. This expansion of care sites has considerable implications not only for consumer engagement and access but also for care team models and logistics.

While [hospital at home and at-home care](#) are newer modes of care, adoption hit an all-time high during the COVID-19 surges in 2020–2021, when the Centers for Medicare and Medicaid Services (CMS) granted waivers for payment parity for acute care delivered in home, and hospitals were facing extreme inpatient capacity constraints. Some leading health systems are investing in hospital at home as a means to address continued capacity constraints, mitigate capital spend for more inpatient beds, lower the total cost of care, and improve patient outcomes and satisfaction.

“The home as a site of care is increasingly an area of focus—but not just for health systems,” says Tom Kiesau, Chartis Chief Innovation Officer. “While the CMS proposal has provided a funding differential to health systems, other ecosystem players are looking at care in the home as a way to reduce health system utilization. The waiver has provided a near-term advantage, but other players will be in the home, and health systems will need to decide whether they want to compete or collaborate with these emerging entrants.”

2. Workforce Needs and Expectations Are Evolving

Healthcare workforce challenges continue to be a top concern across the industry. For hospitals, health systems, and medical groups, creating a sustainable path forward will require addressing nurse and physician burnout, innovating care and operating models to better leverage technology, and investing in leaders and management systems.

Understanding what is driving burnout and turnover among diverse groups is critical to developing actionable workforce solutions. Organizations will need to go beyond traditional human resources tactics such as compensation and benefits reconfiguration, career ladder changes, and work hour flexibility. Workforce wellness and engagement must be at the core. For instance, one of the most prevalent concerns impacting workforce wellness and engagement today is physical and psychological safety. If providers and staff are concerned for their safety and that of their patients, other strategies won't have a meaningful impact.

“An often-overlooked part of staff retention is equipping managers and other leaders with the skills to create an environment where staff feel valued, respected, and connected to the organization,” says Pam Damsky, Director and Co-Leader of Chartis' Performance practice. “These leaders need a vision of the possible, as well as important skills in listening, managing challenging conversations and situations, and creating psychologically safe cultures, while at the same time managing to ever-stricter budgets and fiscal requirements.”

Healthcare organizations also need to create a more fulfilling and efficient work experience for providers and staff. One of the critical areas will be developing new care models and operating models that leverage technology and optimize the electronic health record system for a frictionless caregiver experience. Virtual nurses and new monitoring technologies are paving the way to transform the role of the nurse in the inpatient unit. Healthcare organizations should seek to modernize healthcare delivery by leveraging digital modes of care and technology in new care models.

In addition, forward-looking organizations are developing purpose-built, equitable care models that address clinical cohorts differently (such as patients in a primary care panel with complex chronic conditions versus those who are generally well but need regular attention) and [deploy advanced practice providers \(APPs\)](#) for maximum impact. Deploying the care team differently can unlock opportunities to allow all team members to practice at the top of their licenses.

“Many organizations have demonstrated that optimizing care is a team endeavor, which relies heavily on segmenting our consumer populations effectively. Previously hidden care team members skills, capabilities, and contributions abound.”

— Dr. Roger Ray, MD, Chief Physician Executive at Chartis

In the near term, another approach for addressing the immediate healthcare workforce challenges would be to pursue more robust partnerships with educators. “Collaborative partnerships with nursing schools, allied health schools, and schools of medicine could widen the channels for sourcing healthcare talent,” says Cindy Lee, Chartis Chief Strategy Officer. In Boston, for instance, a collaboration among several major provider organizations, UMass Global, and dozens of other employer and community groups is focused on [training new workers](#) for much-needed healthcare roles. These additional pipeline sources for clinical staff are equally important to health plans looking to maintain or even expand access to healthcare for their members.

Workforce challenges are impacting health plans as well, requiring innovative new talent approaches. For example, similar to health systems, payers are also partnering with educational institutions to help funnel the talent pool, specifically for [IT professionals](#). In addition, the pandemic resulted in a significant shift in workplace expectations for payer employees, and efforts to attract and retain talent have required a transition to a “remote-first” environment. As a result, recruiting for many local and regional-based payers has become a national effort for administrative-type roles that can remain remote. With this workplace transition, payers are looking to shrink real estate footprints extensively and reduce expenses.

3. Persistent Financial Challenges Require a Transformative Mindset

Health systems have been hit hard during the last couple of years, with Fitch Ratings recently [revising its sector outlook](#) for U.S. not-for-profit hospitals and health systems to “deteriorating.” While this is not the first downturn in healthcare, what makes this time particularly challenging is the need to reduce costs in a time of unprecedented workforce challenges, increasing competition for consumer acquisition and retention, and increasing demands for investment in technology, assets, talent, and capabilities.

In this environment, the path forward cannot be to simply “muscle through” with measures such as increasing productivity standards, reducing span of control, and renegotiating supply contracts. While certainly essential, these tactics are likely insufficient and risk disengaging an already-at-risk workforce.

“Healthcare organizations will need to focus on fundamentally reimagining how healthcare can be delivered and administered in the future, and what role(s) they *aspire to play* and are *best positioned to play*.”

— Cindy Lee, Chartis' Chief Strategy Officer

With a core strategic direction clearly defined, healthcare organizations can then layer in tough decisions regarding what investments to make or not make; where to cut costs; where to divest or restructure assets; and where to seek partners for capital, capabilities, experience, or market position.

Organizations with access to capital or capital partners are investing in technologies that will ultimately enable care to be delivered at lower costs. Some of these investments include aforementioned digital health technologies, creating centralized clinical command centers to improve staff productivity, using predictive analytics and artificial intelligence to proactively identify

and respond to patient needs, and enabling patient self-service capabilities across the entire care continuum. These technology-enabled solutions will pave the way for organizations to have a more strategic operational approach driven by business intelligence and actionable analytics.

Other strategies health systems are pursuing reduce costs in business operations. For example, implementation of [cloud-based enterprise resource planning \(ERP\) solutions](#) can reduce costs, minimize waste, and increase efficiency. Assessing and strengthening the cybersecurity program can reduce risks and associated costs. And intelligent automation programs can be deployed to further reduce operating costs in “back office” functions, [such as revenue cycle](#).

Increasing financial tensions across the industry as well as rate transparency efforts have placed even more focus on contract negotiations between providers and payers, with many becoming rather contentious at the end of 2022. Providers are seeking significant rate increases to counter inflation while payers face pressures to control premiums, and aggressive negotiation measures on both sides could continue to be seen in 2023. Collaboration focused on common goals will be critical to avoid and move past the common stalemates that occur during these negotiations.

Lastly, it would be a missed opportunity to not consider the impact of progressing on the journey toward high reliability. There is a significant, provable, direct correlation between the delivery of high quality, consistent care and return on investment. “One of the reasons care delivery is so expensive is because we don’t adopt best practice and do it every time,” says Andrew Resnick, MD, Director and Chief Medical and Quality Officer at Chartis. “We have a lot of unnecessary steps, variations, or sometimes errors or defects in the care processes that impact quality and drive up cost. If you improve quality, costs go down. It’s a win-win for patients and providers.”

4. Payer-Provider Partnerships Will Take New Forms

The evolution of the healthcare ecosystem is most transparent in the evolving roles that payers and providers have taken on over the years. Payers have become more aggressive in building out care delivery capabilities through acquisitions of physician groups and others—hence the emergence of the term “payvider.” As financial challenges continue, some health systems are once again considering how to participate in risk, particularly in Medicare Advantage. Different from a decade ago, more of these payer–provider partnerships are seeking joint ventures around given geographies or sets of lives.

Some of the more creative payer–provider partnerships that have emerged over the last few years reflect states, Medicaid managed care organizations, and providers working together to advance equity and improve health outcomes for Medicaid enrollees. States are continuing to leverage the Medicaid Section 1115 demonstration waivers to introduce innovative Medicaid service offerings and programs. Recent Medicaid Section 1115 waiver expansions include additional coverage and investments for behavioral health needs of Medicaid enrollees (for example, in [Washington, D.C.](#)) and increased coverage and access for social determinant of health (SDOH) needs (for example, in [Massachusetts](#)).

As members’ needs continue to expand (e.g., real-time care management access, at-home testing, and remote patient monitoring), payers are collaborating with providers to develop and execute on strategies for “whole person care.” Payers and providers are creating integrated care programs to ensure primary and specialty care needs are coordinated appropriately through transition of care plans, especially for members moving between varying places of care. The values and outcomes

resulting from this approach include reduced emergency room visits, reduced readmissions, improved member experience, and reduced healthcare disparities.

Increased collaboration between payers and providers will continue to be critical as the industry recovers from the various impacts of the pandemic. As early as April 2023, states may restart the Medicaid redetermination process to reconfirm current enrollees' eligibility for Medicaid coverage. As a result, payers with Medicaid lines of business will likely see a decline in overall enrollment, will likely be forced to decline more claims, and will need to manage an influx of member and provider support needs. Payers and providers will need to collaborate on educating the impacted patients who will lose Medicaid coverage on the proactive measures that can be taken to identify other coverage options and to reduce any potential negative results to health outcomes.

“As payers and providers increasingly collaborate to navigate market dynamics, aligning incentives to jointly meet consumer needs will be key.”

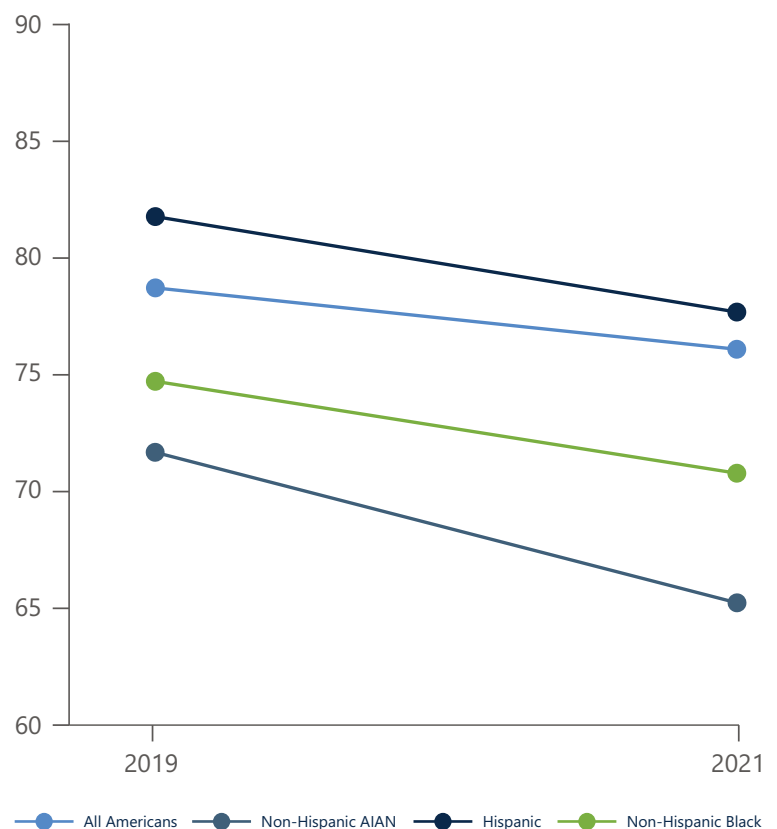
— Atul Pathiyal, Director and Leader of Chartis' Payer Advisory Practice

5. The Complex Intersections of Societal and Health Issues Are Coming into Sharper Focus

Funding to address health inequities has exceeded \$24 billion, including state, federal, private, and philanthropic dollars. The National Institute of Health has also formulated the National Institute on Minority Health and Health Disparities (NIMHD) to provide [focused funding opportunities](#) for addressing minority health and health disparities. At the same time, national standards are requiring progress on this front, with [recent regulations](#) by the Centers for Medicare and Medicaid Services, [requirements](#) by the National Committee for Quality Assurance, and [new accreditation standards](#) by The Joint Commission that just took effect January 1, 2023.

This dedication of funding, attention, and requirements gives a glimmer of hope that healthcare is moving in the right direction to address historical health inequities and societal health issues.

Life Expectancy at Birth: Years Lost, 2019 to 2021



Source: National Vital Statistics Reports, March 2022 and August 2022

The COVID-19 pandemic highlighted health inequities in many ways. The ultimate negative outcome of these inequities is a startling one, when comparing the average life expectancy loss of all Americans relative to specific minority populations from 2019 to 2021: The average life expectancy for all Americans dropped by 2.7 years, whereas the non-Hispanic American Indian and Alaska Native (AIAN) population lost 6.6 years, the Hispanic population lost 4.2 years, and the non-Hispanic Black population lost 4 years. These losses were driven primarily by the pandemic but also by factors such as substance abuse, [gun violence](#), and increased chronic disease rates which can be attributed to the impact of systemic racism in our society.

Enabling convenient, timely access—[and equity-informed high reliability care](#)—will be key to reversing this trend and addressing underlying health inequities that have persisted for decades. Having the right technologies and data in place, and addressing the [digital determinants of health](#) must undergird these efforts. For example, organizations can leverage clinical decision support tools that don't inherently promote racial biases. They can also use de-aggregated health-related social needs data to understand disparate clinical outcomes and the patient experience.

It's especially important that healthcare organizations not only undertake efforts to advance health equity but do so together with efforts to eliminate bias, advance anti-racism, and cultivate belonging (that is, the intersection of diversity, equity, and inclusion). Undertaking these people-centered strategies alone can drive improvements in workforce wellness and engagement and are essential to advancing health equity at a population level. For example, an organization seeking to reduce the incidence of diabetes among racial and ethnic minority groups in its community will be best positioned to do so if that organization's clinicians and leadership reflect the diversity, interests, and lived experience of that community.

[Strategic and creative partnerships](#) will become an increasingly vital component of ensuring the health of communities. When healthcare providers and payers collaborate to address social determinants of health, for instance, the outcome could be a mutually beneficial funding structure, aligned advocacy efforts to impact policy, and sustainable programs to address both the social and health needs of populations.

Partnership and Collaboration Across All Segments of the Industry Will Be Key to Success

The future healthcare environment will require more collaboration and partnership across all segments of the healthcare industry—including health systems and other traditional providers, community-based organizations, government payers, health plans, private equity sponsors, large retail care providers, and tech companies in healthcare—to enable highly accessible, equitable care. Organizations will need to determine what capabilities need to be core to them and where they should partner, avoiding having to own and operate everything themselves.

“Hospital-health system transactions are still a big part of the landscape as we move into 2023, but we are seeing a wider variety of joint venture and other partnership arrangements in areas such as ambulatory access, digital health, high reliability care, health equity, and payer products,” says Chris Regan, Director and Co-Leader of Chartis' Partnerships practice.

“Our clients are investing heavily in partnerships that fortify their presence across the ecosystem surrounding their hospitals and health systems. Partnership strategies going forward are focused on capturing the available lives in their market and integrating equitable care delivery and financing of those lives in the most effective and efficient way possible.”

— Rob York, Director and Co-Leader of Chartis' Partnerships Practice

Some creative partnerships we have been privileged to help formulate recently begin to define what this new healthcare ecosystem could look like. They include:

- [South Side Healthy Community Organization](#) in Chicago. Facing some of the worst health disparities in the nation, 5 safety net hospitals, 6 federally qualified health centers, and 2 health systems formed this coalition to transform health outcomes through innovative care models, new technology, public sector partnership, and a highly engaged community.
- Beacon Orthopaedics & Sports Medicine and TriHealth in Cincinnati. These 2 groups formed a unique partnership that shifted physician employment to address rising costs, labor challenges, site-of-care changes, and capacity constraints.
- A [Medicaid managed care organization \(MCO\) in Chicago](#). This MCO identified that members without housing experienced high utilization of costly medical services. Through a pilot program with housing programs, members were placed in housing and were provided hands-on care management and provider engagement intervention strategies to improve disparities in clinical outcomes.

Minimize Pressures and Open Possibilities by Proactively Planning for the New Healthcare Ecosystem

As many healthcare organizations focus on shoring up current operating losses, fundamentally rethinking an organization's business and operating model in the context of a new healthcare ecosystem that could emerge is likely a daunting prospect. But sustainability in the future requires pursuing solutions in a new and more collaborative way. Taking advantage of arising opportunities can not only open doors for the future but also address today's challenges.

“Healthcare leaders need to make time to plan for the future, stay focused on what is most important, and pursue the value at the core of who they are,” says Lee. “The good news is that these forces are making genuine healthcare transformation more viable than ever before. That means organizations can work toward a more sustainable financial future, foster an engaged and thriving workforce, and ensure consumers have care and support that is easily accessed, equitable, safe, and high-quality.”

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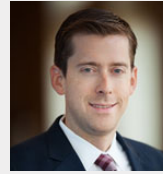
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