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**The Baldridge Foundation
Institute for Performance Excellence**

Presents:

INNOVATION: The New Transformation

September 13, 2022





Mac Baldrige Society Institute Trustees



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Opening Remarks/Agenda

Introduction **Jerry Rees, Chief Operating Officer, Baldrige Foundation**

Facilitator **Roger Spoelman, DBA, MBA**
Senior Advisor - Strategy, Leadership, and Innovation
Co-Host, Baldrige Foundation Leader Dialogue Program

Panelists

- **Angie Franks – CEO, ABOUT Healthcare**
- **Charles (Chuck) Peck MD, FACS – Co-Host, Baldrige Foundation Leader Dialogue Program**
- **Darin Vercillo, MD - Co-Founder and Chief Medical Officer ABOUT Healthcare**
- **Ben Sawyer, MBA, PT, OCS, LBB – Industry Expert, ABOUT Healthcare**

Audience Questions **Moderator – Ben Sawyer**

Closing **Jerry Rees, Remarks**

Tipping Point?

- Hospitals are experiencing the worst margins of the pandemic
 - Margins have plummeted
 - Labor expenses increased
 - Outpatient activity dropped
- Organizations lack the federal funds to offset the damage

Organizations must continue to think strategically, despite the urgency of day-to-day pressures

- Reassess leading and lagging indicators – what's changed?
- Reimagine operations, prioritizing innovation
- Optimize demand, capacity, and throughput to achieve improved performance
- Evaluate long-term capital planning options

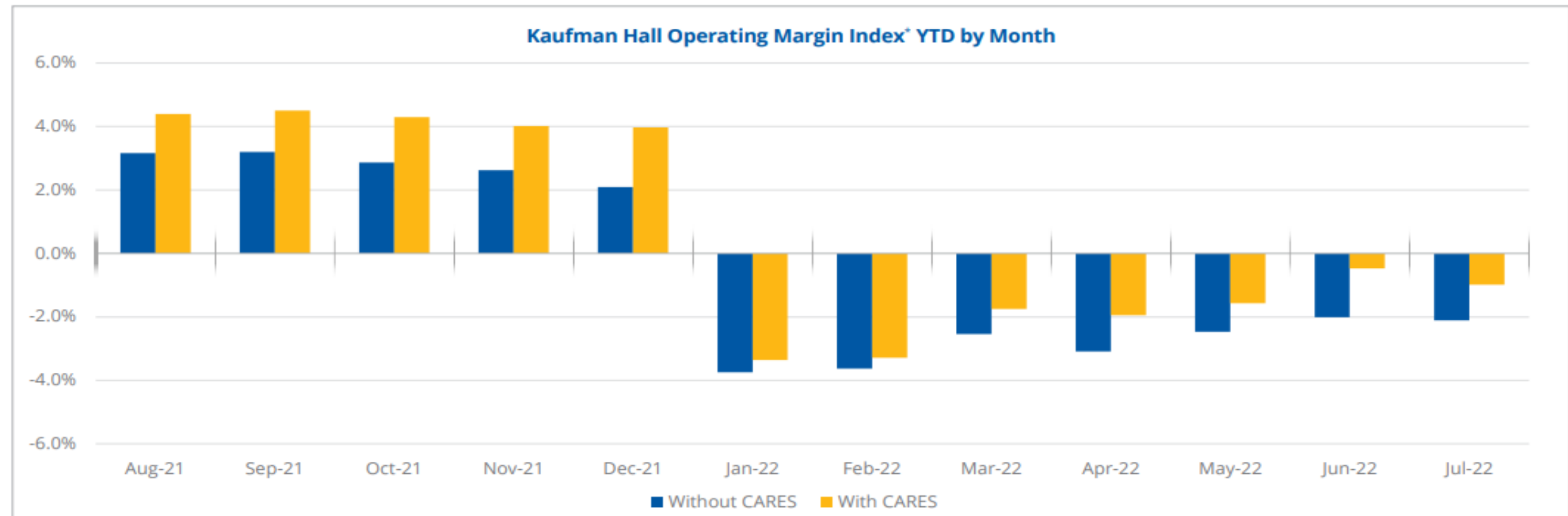
NATIONAL HOSPITAL FLASH REPORT AUGUST 2022

National Margin Results

MARGIN % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Operating EBITDA Margin Less CARES	-48.9%	-35.5%	-49.9%	-50.6%
Operating Margin Less CARES	-73.2%	-46.4%	-78.9%	-64.7%

Unless noted, figures are actuals and medians are expressed as percentage change

MARGIN ABSOLUTE CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Operating EBITDA Margin Less CARES	541.59	455.39	682.65	706.03 bps
Operating Margin Less CARES	539.02	528.37	757.96	786.15 bps



Source: National Hospital Flash Report (August 2022)

* Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.



Impact of Consumerism

During the August Webinar We Discussed What Consumers are Prioritizing

1. Taking proactive control of their health

- Reconsidering their health and wellness needs post-pandemic

2. Convenience, accessibility, and quality

- There is no going back to pre-COVID status or expectations. That's over.
- Questions are: 1) What is next, and 2) How do we get out in front of it?

3. Holistic wellness and mental health are rising in importance

- 35% of consumers report a negative impact from COVID-19 on their mental health, and want to improve their overall well-being and coping skills

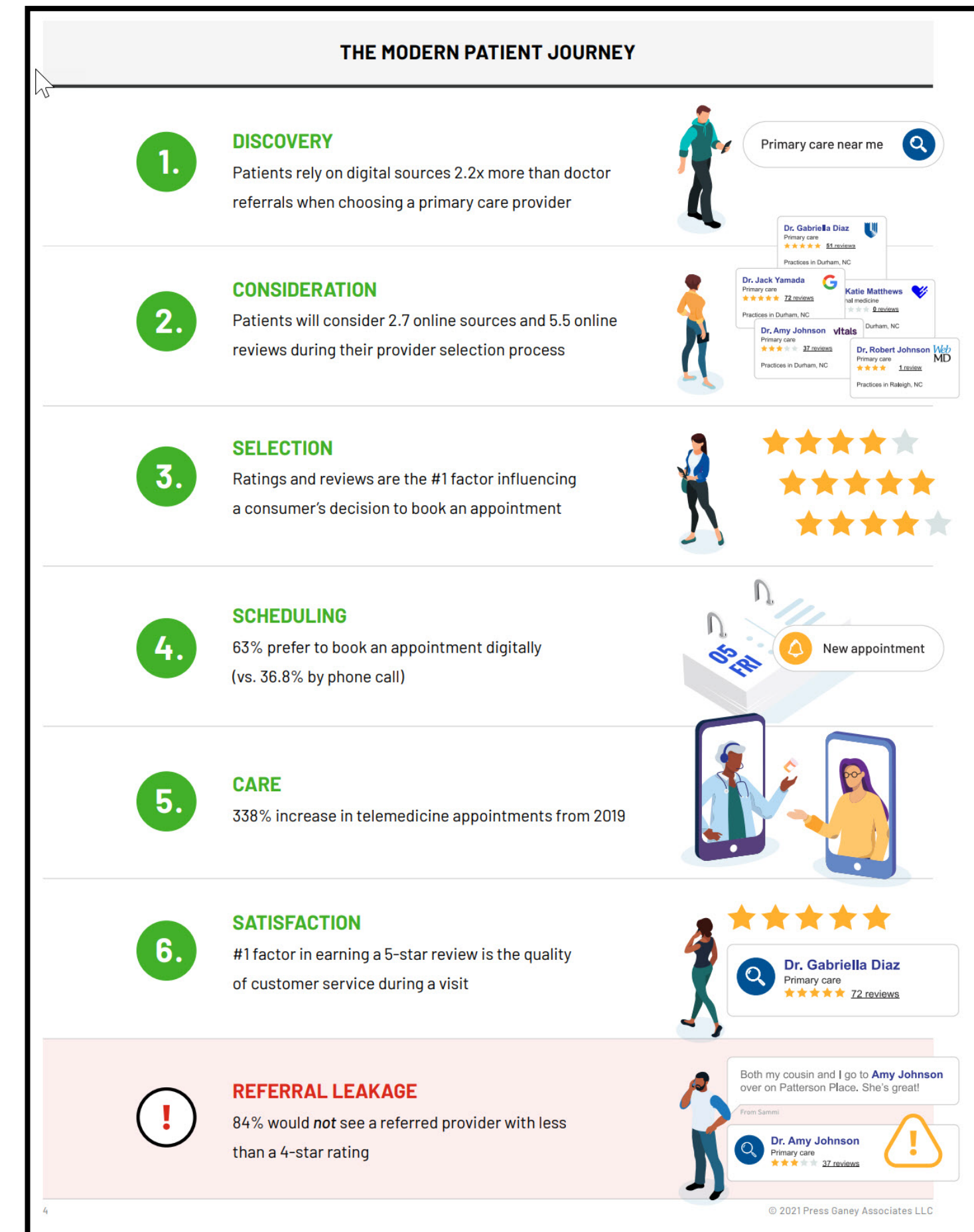
4. Digital access and technology are essential differentiators

- Digital front door capabilities, telemedicine, specialized services, wearables, etc.

5. Expanded choices and service options are expected

- Consumers expect a broad array of services and products available when and where they want them

Sources: Press Ganey & Clarkston Consulting

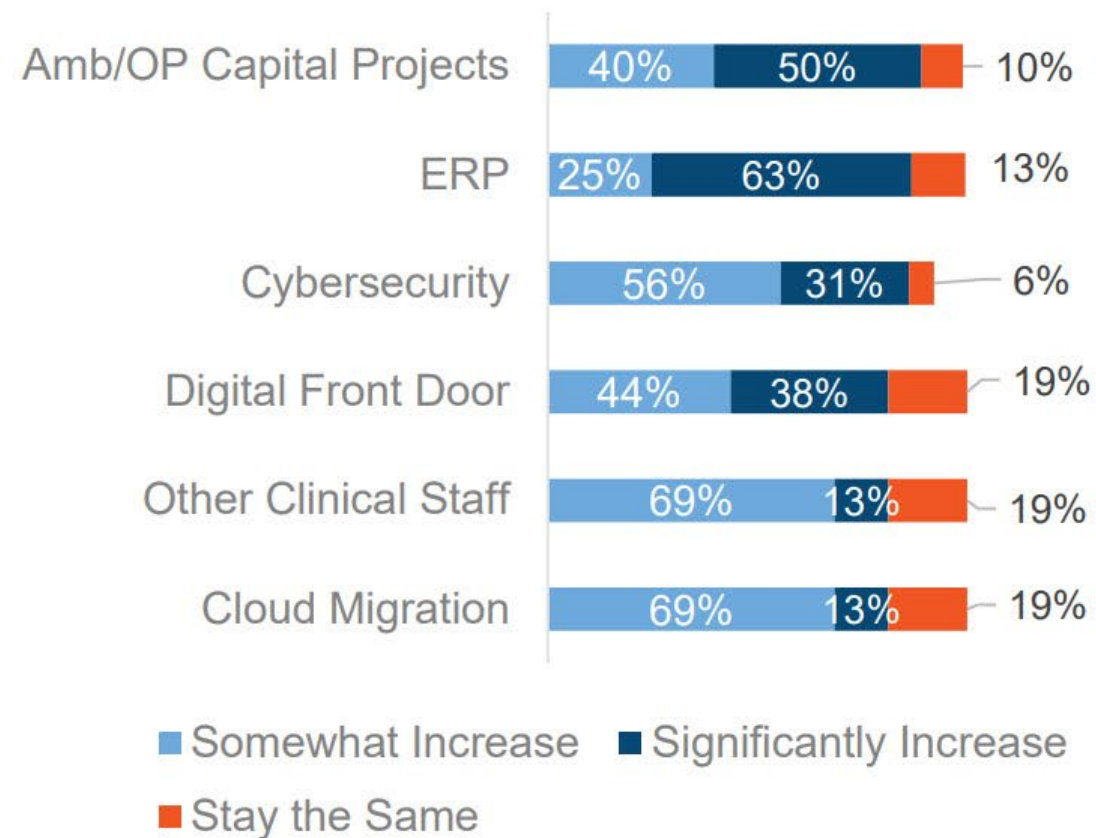


Prioritized Responses from Leading Health Systems

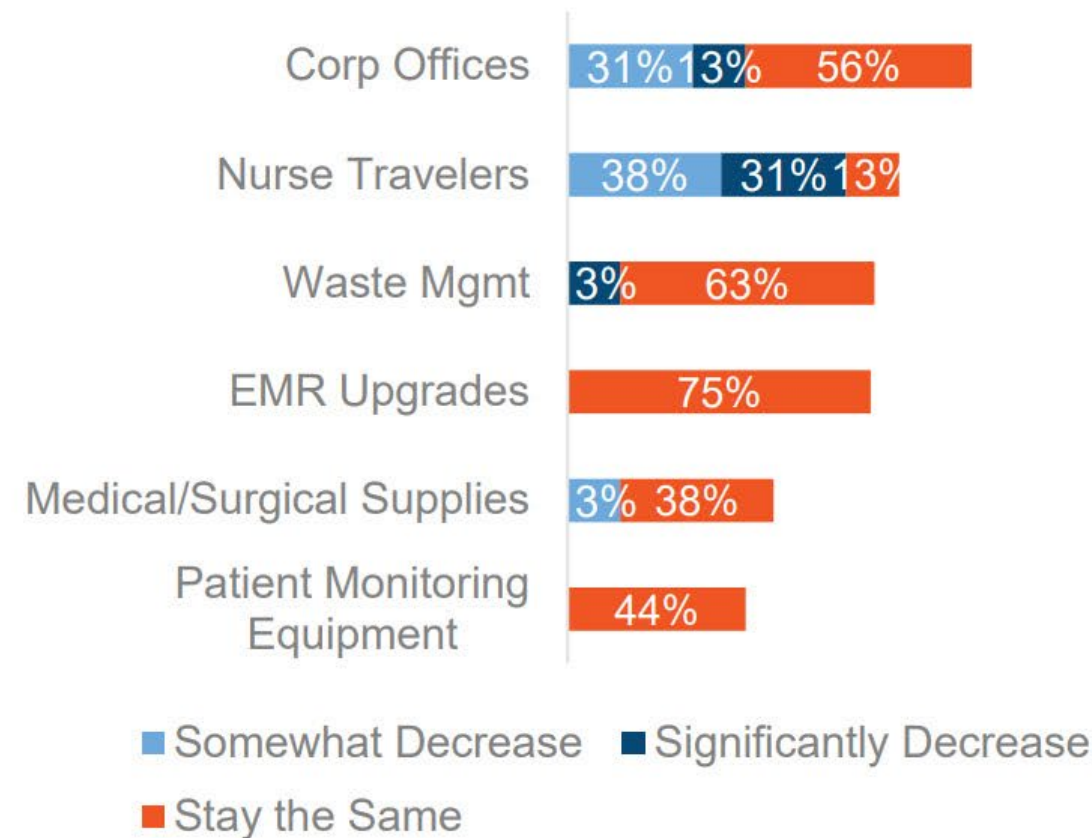
What Areas are Health Systems Planning to Increase or Decrease Spending?

Overall, the areas CFOs noted they are likely to increase or decrease spending are similar to past years. Despite margin pressure and an eye toward cost containment, on average, LHS report relatively modest plans to decrease spending (outside of nursing travelers and corporate office space) in the near-term.

Areas LHS Plan to Increase Spending

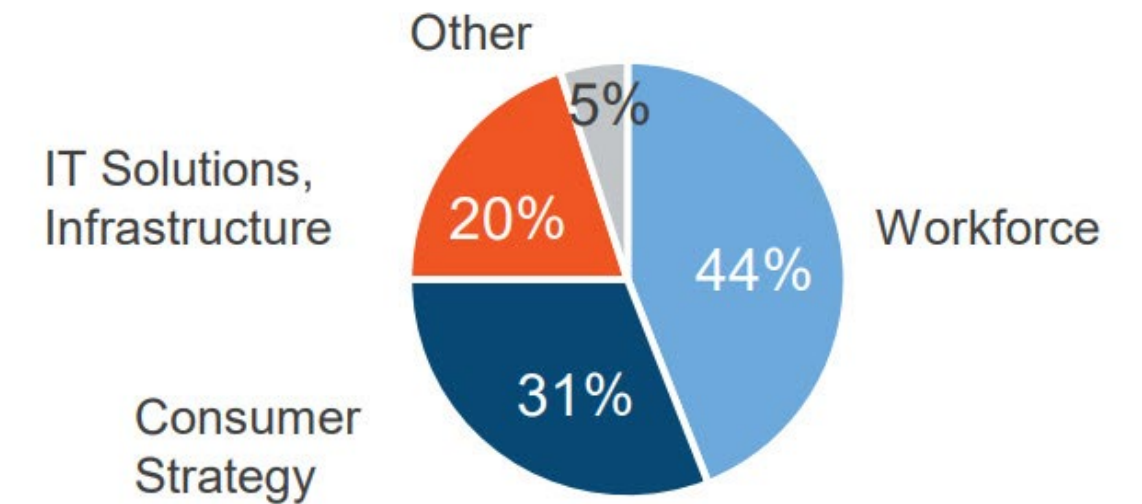


Areas LHS Plan to Decrease Spending



Overview of Priorities Breakdown

Workforce Is Every CXO's Priority
 Percent Share of Top 5 2022 Priorities Among CXOs



From Aug 16th Webinar Discussion:

- *Let's Unpack the Details...*



Prioritized LHS Responses: Four Themes

Theme 1: Workforce Transformation

- 1 From Stopgaps to Workforce Transformation**
Workforce challenges are today's rate-limiter for strategy execution; LHS have elevated workforce's strategic position as they make the shift from stopgap measures to lasting solutions that support a flexible, future-ready workforce.

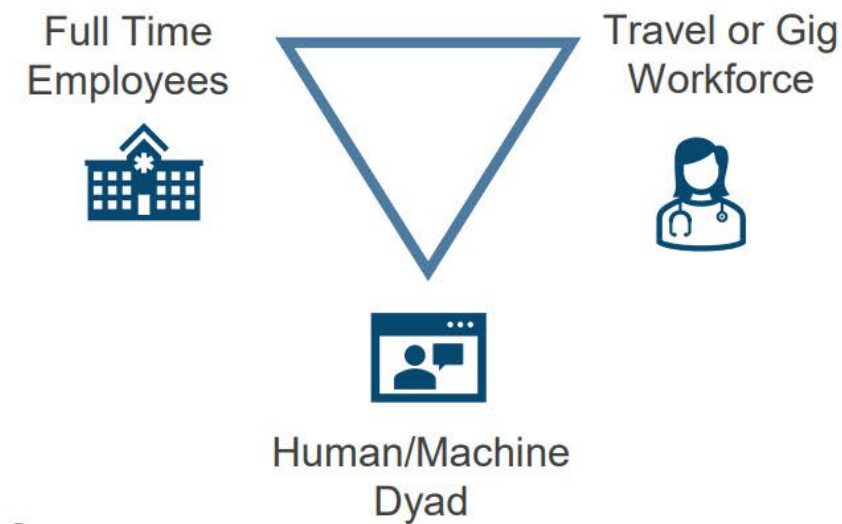
Workforce Costs Are Unsustainable

"Workforce is THE reason we can't meet our margin goal."
– Chief Strategy Officer, LHS

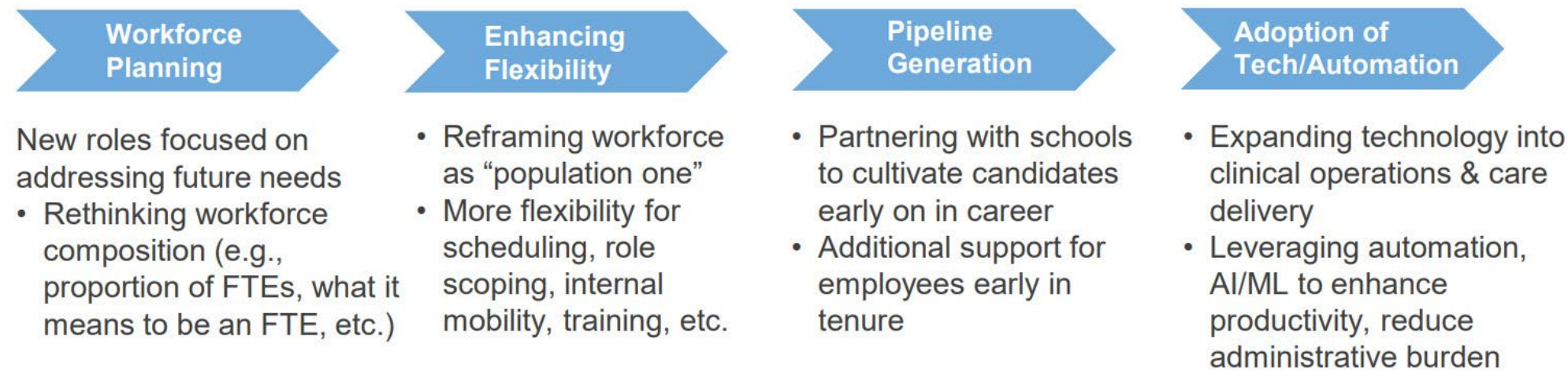
A New Level of Strategic Importance

91% Of **CSOs** and **CFOs** Agree/Strongly Agree that *"Achieving an agile, flexible & future-ready workforce is a top priority"*

The Future Workforce Will Be More Flexible and Multifaceted



Four Components to Building a Future-Ready Workforce



Prioritized LHS Response Themes

Theme 2: Omnichannel Consumer Engagement

2 Omnichannel Consumer Engagement

Rapid advancement of consumer expectations and enabling technologies present health systems with new opportunities to address the provider loyalty challenge—which is good for business and for patient care.

Building Consumer Loyalty Is the Top Strategic Priority

#1 CSO ranking: “*Better leverage data & analytics (e.g., CRM) to attract and retain consumers*”

But It’s Getting More Challenging

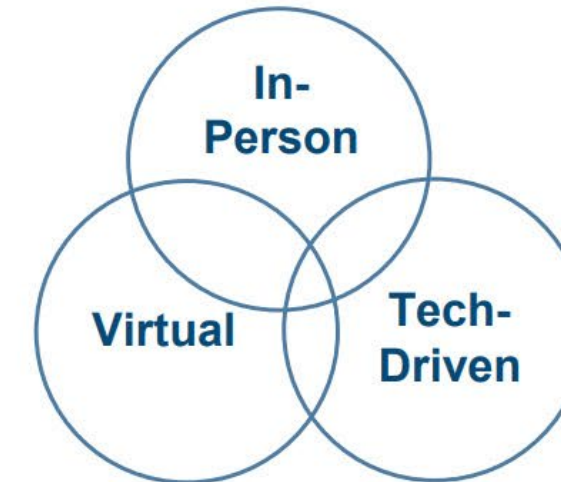
80% Patients that would switch providers for “convenience factors” alone

Success Elements for Leading Health Systems

- ✓ **Meeting consumers upstream** to compete with innovative disruptors
- ✓ **Omnichannel platform** delivering care when, where, and how consumers want
- ✓ **Digital infrastructure** support to create seamless patient-facing experience across products/services
- ✓ **Data & Analytics** to personalize approach at scale and reach all types of consumer populations

“*We have to **be where people are**; we can’t just be a sick provider, or we’ll be disintermediated by Amazon and others.*”
– Chief Medical Officer, LHS

Elements of an Omnichannel Health Care Network



Prioritized LHS Response Themes

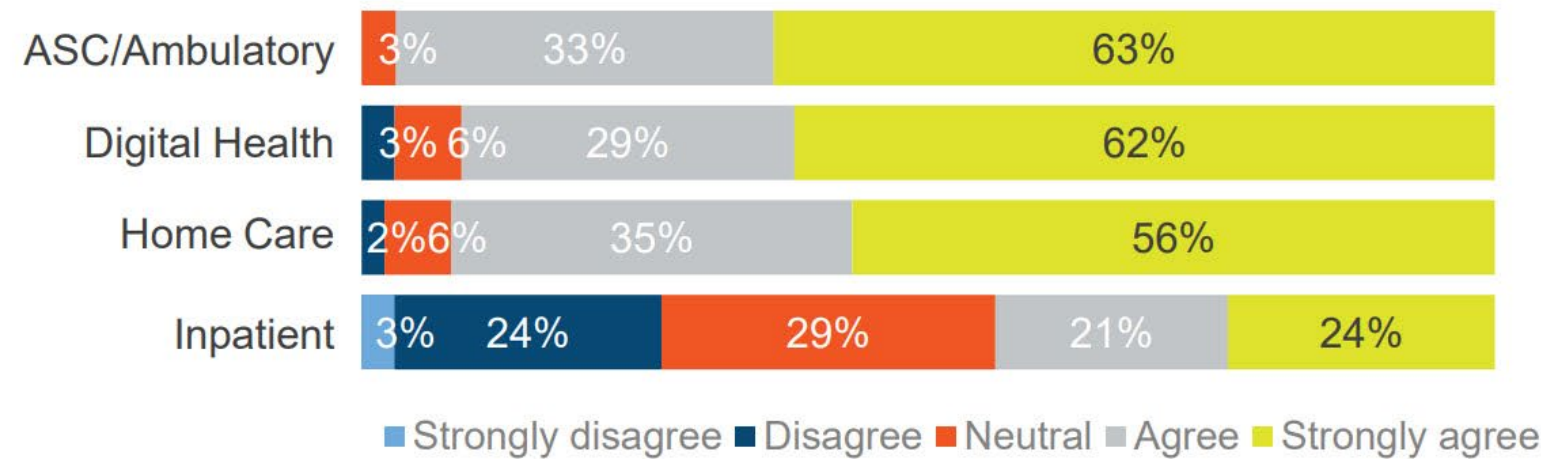
Theme 3: Hybrid Care Revolution

3 Hybrid Care Revolution

New hybrid models that seamlessly integrate online and offline care promise to support LHS' ambition for flexible, experience-centered care that serves their entire community.

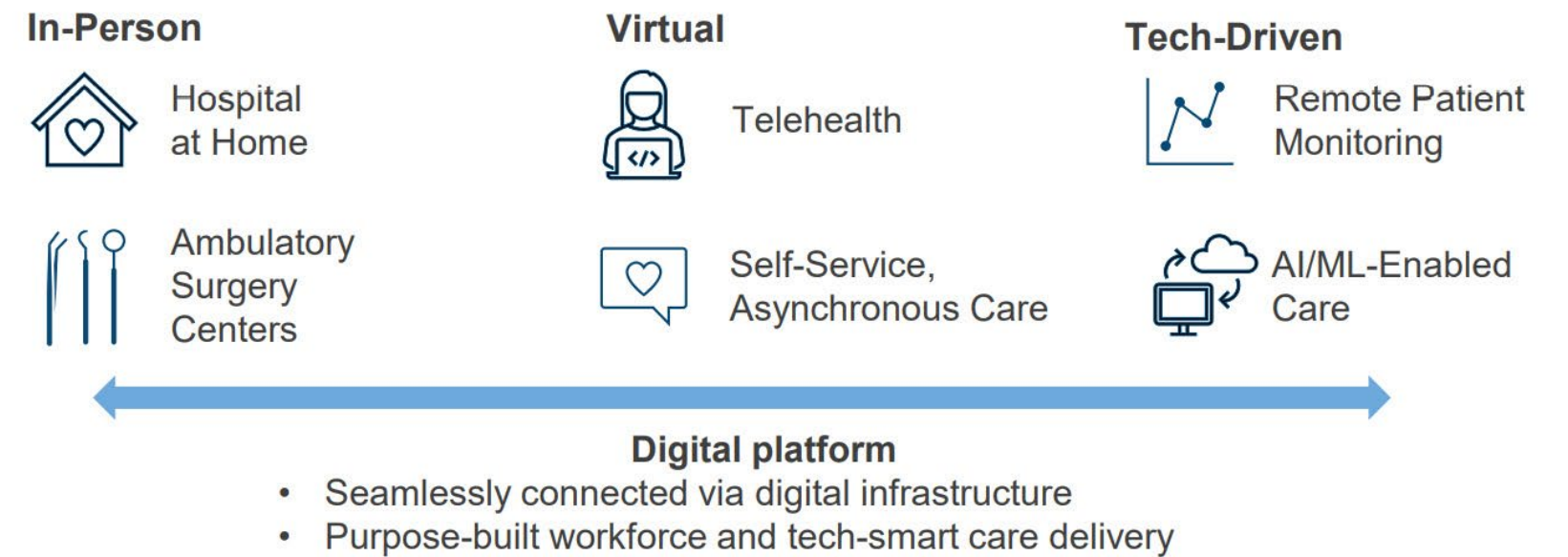
LHS Focused on Growth Outside Acute Care to Lower Cost & Meet Demand

2022 CFO and CSO Priority: *Invest in Ambulatory, Digital, Home Care, Inpatient Capacity*



! In a predominately fee-for-service market, shifting care from higher-paying settings to lower ones means that an LHS must make up lost revenue and potential margin hit through volume growth and cost savings.

Organizing & Scaling Promising Solutions to Support a Hybrid (Omnichannel) Care Model



*“Care model redesign will have to be the lynchpin – then it’s about how to **bring capabilities together** to support the evolution.”*
– Chief Strategy Officer, LHS

Prioritized LHS Response Themes

**Theme 4: Achieving the Right Scale*

4 Achieving the Right Scale
 Asset-light growth is key to achieving financially-sustainable and flexible scale; but optimizing the health system "platform" for a LHS' chosen future identity requires activation of the right enablers.

Feeling the Pressure to Grow & Diversify...

“We’ve got to get bigger – **we have to grow, and it feels more urgent than it did before.**”
 – Chief Strategy Officer, LHS



...But Must Make Difficult Decisions

“We are used to **managing every aspect of the continuum, but we have to be principled.**”
 – Chief Strategy Officer, LHS

LHS Focus on Asset-light Paths to Scale

- **Digital platform** to reach beyond geographic boundaries
- **Outpatient/ambulatory care** sites that are less capital intensive
- **Home care** to expand capacity and keep patients engaged
- **Data assets** to reach consumers and secure loyalty

Payment Dynamics a Complicating Factor, But LHS Still Committed to Shift to Risk

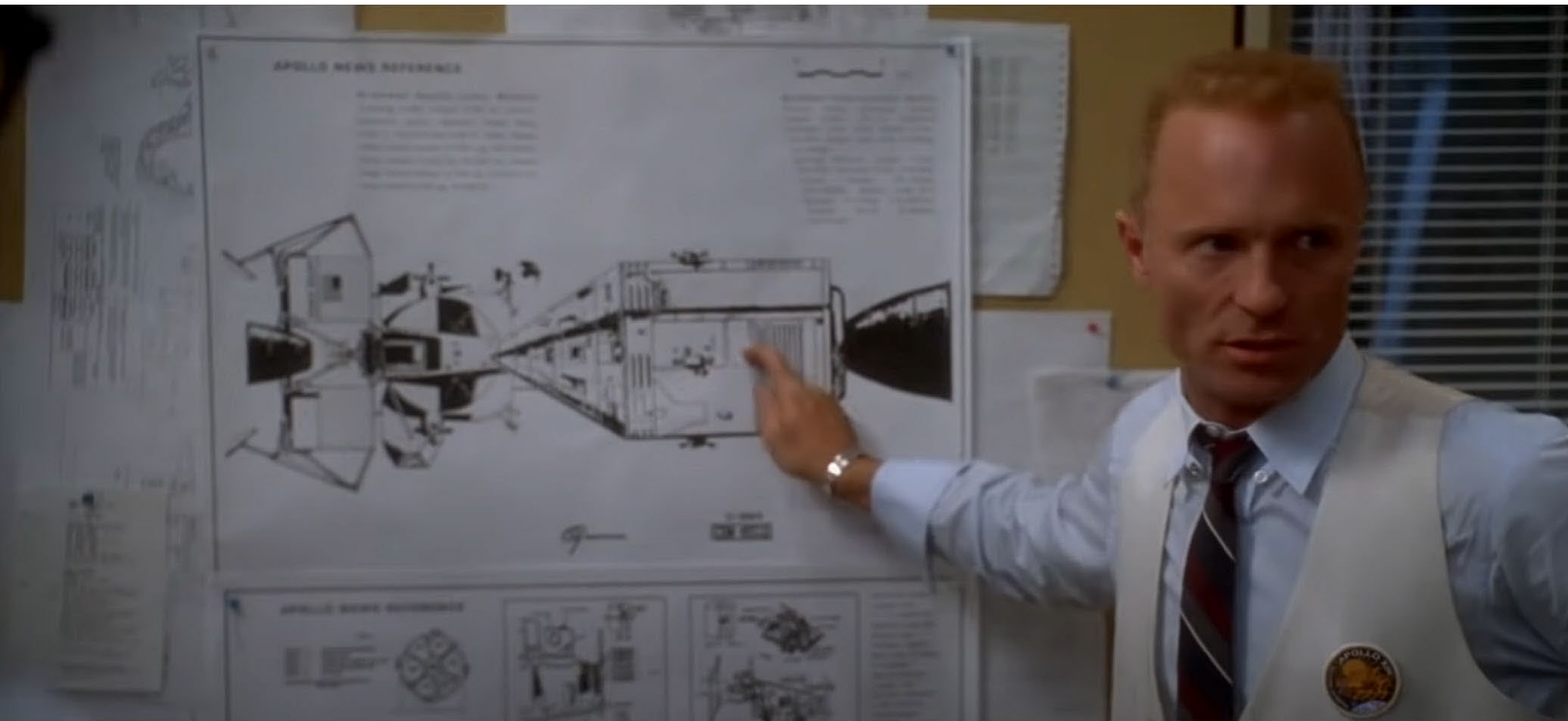


Engaging Change Enablers Will Determine Long-Term Success



Reimagine Operations: Prioritize Innovation

Healthcare's Apollo 13 Moment: Failure is Not an Option



"I don't care what it was designed to do, I care what it can do" - Gene Kranz, Apollo 13 Mission Director

Apollo 13. Dir. Ron Howard. Perf. Tom Hanks, Kevin Bacon, Bill Paxton, and Ed Harris. Universal, 1995.

Reimagine Operations: Prioritize Innovations

Optimize Demand, Capacity, and Throughput to Achieve Improved Performance

For health systems to succeed in the future requires transformation across **three** levers:

DEMAND

Advance adoption of tools and best practices to **DRIVE** referral **DEMAND** and enhance provider loyalty

CAPACITY

OPTIMIZE resource **CAPACITY** by driving pervasive situational awareness across the health system

THROUGHPUT

Collaborate across the enterprise to **ACCELERATE** patient **THROUGHPUT** with better performance results

Practical Considerations

INNOVATION: The New Transformation

Meet the future clinician: a partner for health.

Working in partnership with their patients, the clinician of the future is adept at utilizing health data and advanced clinical insights to make informed decisions. They communicate with patients in a variety of ways, from limited virtual check-ins to in-person consultations at patients' homes. Patients have much greater control over and access to their own medical records and health data. To keep up with the latest developments to ensure the best patient experience, the clinician of the future has more dedicated time set aside to learn and embrace new digital approaches.



Clinician of the Future Report 2022_ Elsevier Health

Today	Drivers of change	The future	Action
<p>Patients are more empowered: More than half of clinicians around the world (56%) agreed patients have become more empowered to manage their own conditions over the last decade.</p> <p>Empathy is important: 82% of clinicians agreed that soft skills like listening and being empathetic have become increasingly important among clinicians in the last decade.</p> <p>Time is in short supply: Only half (51%) of clinicians agreed the amount of time they are able to spend with patients is sufficient to give them good care.</p>	<p>More informed patients: 86% of clinicians feel the rise of patients informed about their health conditions is driving healthcare change.</p> <p>Patient-consumers: 90% of clinicians agreed that quality measures, including patient satisfaction, have driven change in healthcare in the last decade.</p>	<p>Partnership with the patient: 62% of clinicians agreed the role of the clinician will change to be more of a partnership with the patient in 10 years' time, but 51% of clinicians agreed telehealth will negatively impact their ability to demonstrate empathy with patients.</p> <p>Patients will become even more empowered: 56% agree patients will be more empowered to take care of their own health; 41% agreed they will be less valuable to patients than today.</p> <p>Personalized care: 77% of clinicians expect real-time patient analytics to be critical to personalized care in the future, and 43% expect every individual will have their genome sequenced to support illness prevention.</p>	<ul style="list-style-type: none"> ➤ Improve health literacy ➤ Focus on soft skills and hard data in the medical curriculum ➤ Support the move to digital with systems and infrastructure <p>Organizations must continue to think strategically, despite the urgency of day-to-day pressures</p> <ol style="list-style-type: none"> 1. Reassess leading and lagging indicators – what's changed? 2. Reimagine operations, prioritizing innovations 3. Optimize demand, capacity, and throughput to achieve improved performance 4. Evaluate long-term capital planning options

Unless otherwise stated, the figures in this summary table are key findings from the Clinician of the Future survey, conducted with n=2838 clinicians.



Panelist Questions and Discussion



Roger Spoelman, DBA, MBA
Co-Host, Baldrige Foundation
Leader Dialogue Program



Charles (Chuck) Peck MD, FACS
Co-Host, Baldrige Foundation
Leader Dialogue Program



Angie Franks
Chief Executive Officer
ABOUT Healthcare



Darin Vercillo, MD
Co-Founder & Chief Medical Officer
ABOUT Healthcare



Ben Sawyer, MBA, PT, OCS, LBB
Industry Expert
ABOUT Healthcare
(Moderator)





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Join LBL Strategies, in partnership with the Baldrige Foundation and the George Washington University Center for Excellence in Public Leadership, for a live, online Mastering Strategy Bootcamp focused specifically on the technology, trends, and problems affecting the healthcare industry.

Dates
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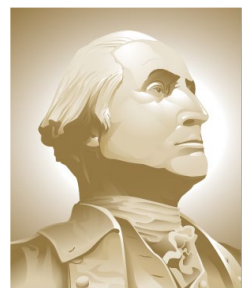
Construct organizational components and align the design with the strategy.

Strategic Foresight and Scenario-Based Planning

Provides a framework for planning in uncertain times by giving organizations a structured way to think about the future.

Strategic Thinking in the 21st Century

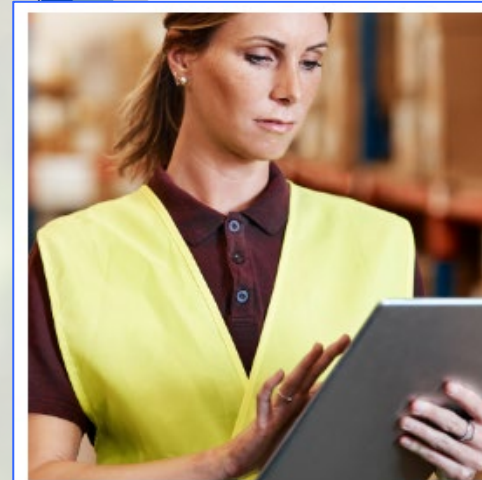
Align day-to-day decisions to your organization's strategic direction.



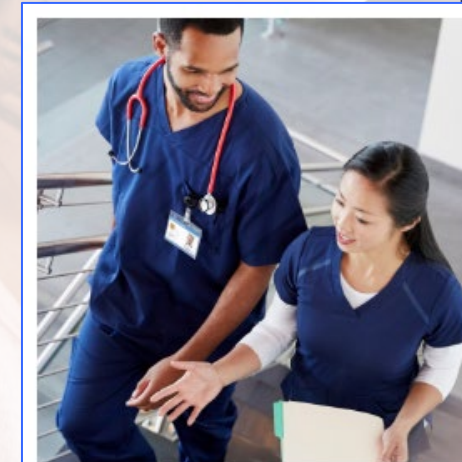
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