The 2016 American Hospital Association Environmental Scan provides insight and information about market forces that have a high probability of affecting the health care field. It is designed to help hospital and health system leaders better understand the health care landscape and the critical issues and emerging trends their organizations likely will face in the foreseeable future. The 2016 Environmental Scan is compiled from nationally recognized sources with recommendations from select AHA governance committees. Notable this year is the pace of change health care markets are experiencing and is a common theme running throughout the topics presented in the Environmental Scan. Moreover, health care also is a local phenomenon, with the pace of change being relative and varying from market to market.

The scan is produced by Gene J. O’Dell, the AHA’s vice president for strategic planning and performance excellence, with assistance from Donna J. Aspy, planning and operations manager, leadership and business development. Lee Ann Jarousse, H&HN’s senior editor of custom publications, compiled the information.

■ Effectively managing the care of patients with chronic illnesses is critical to bending the curve of health care spending in the United States. Nearly half of all Americans have at least one chronic illness or more. For those age 65 or older, the figure is 85 percent. People with chronic illnesses cost the health care system $1.5 trillion, or about 75 percent of total health care expenditures. ¹

■ Individuals with mental illness are among the highest-need, costliest patients in the U.S. health care system, yet they receive inadequate behavioral health care. Researchers have proposed various models that integrate behavioral health with primary care. These approaches have the capacity to improve patient care and outcomes in terms of both physical and behavioral health. However, the limited availability of behavioral health providers has been a major implementation obstacle. ²

■ Depression is the leading cause of disability worldwide, and is a major contributor to the global burden of disease. Serious mental illness costs America $193.2 billion in lost earnings every year. Approximately 60 percent of adults with a mental illness received no mental health services in the previous year. ³

■ The health care sector will begin to look and feel like those of other industries, catering to customers who expect one-click service. A true consumer-driven market is slowly taking shape. Patients are leading the way, bearing more of the cost of their own care — and making more care decisions. Patients are no longer satisfied with just meeting with their doctors. Increasingly, they expect to access lab results on their phones soon after leaving the medical center. ⁴

■ High-cost patients will be the focus of a U.S. health care industry under pressure to contain costs. Among the most costly patients in America are the dual eligibles — approximately 9.6 million individuals who qualify for both Medicare and Medicaid. In 2010, the Medicare fee-for-service program spent an average of $19,418 on each of these patients, compared with $8,789 on other beneficiaries. ⁴
The Transformation of Health Care: A Vision for the Future

How can we powerfully re-modal the health care system to succeed? What is needed to bring health care closer to the consumer? What would it take to change the business model of health care delivery? The Transformation of Health Care: A Vision for the Future is a comprehensive, forward-looking statement on the future of health care that was adopted by the U.S. Health Care Value Coalition (U.S. HCVC).

The U.S. HCVC is an umbrella organization representing more than 100 health care, government, and business organizations across the U.S. The Coalition is dedicated to delivering a health care system that is more affordable, accessible, and accountable for every American. The Transformation of Health Care: A Vision for the Future presents a blueprint for the future of health care that is rooted in the shared vision and values of the U.S. HCVC.

The Transformation of Health Care: A Vision for the Future sets a vision for a health care system that is more affordable, accessible, and accountable for every American. The vision is grounded in the following principles:

- Health care is a human right
- Every American should have access to affordable, high-quality care
- Health care systems should be accountable for the health of the populations they serve
- Health care should be based on evidence and scientific knowledge
- Health care should be delivered in the community where patients live, work, and play
- Health care should be integrated across settings of care
- Health care should be delivered in a way that is patient-centered and collaborative
- Health care should be delivered in a way that is efficient and effective
- Health care should be delivered in a way that is transparent and accountable
- Health care should be delivered in a way that is sustainable and innovative

The Transformation of Health Care: A Vision for the Future outlines a path for achieving this vision, including a set of 10 actionable strategies to transform the health care system.

1. **Innovate to Ensure Access and Affordability**
   - Develop and implement innovative payment models that incentivize high-value care
   - Expand access to care through telehealth and virtual care
   - Increase the use of evidence-based, cost-effective treatments

2. **Improve the Quality and Safety of Care**
   - Invest in research and development to improve the safety and quality of care
   - Implement rigorous performance metrics and public reporting
   - Foster a culture of safety and continuous improvement

3. **Transform the Delivery System**
   - Expand access to care through integrated care networks
   - Develop and implement innovative models of care delivery
   - Foster collaboration between providers and payers

4. **Sustain the System**
   - Foster innovation and investment in new models of care delivery
   - Foster collaboration between public and private sectors
   - Foster a culture of innovation and continuous improvement

5. **Build a Culture of Health**
   - Foster a culture of health and well-being
   - Promote healthy behaviors and lifestyles
   - Invest in preventive care and public health initiatives

The Transformation of Health Care: A Vision for the Future is a call to action for all stakeholders in the health care system to work together to achieve a more affordable, accessible, and accountable health care system for all Americans. The Vision is rooted in a shared commitment to making health care better, more affordable, and more accessible for everyone. The Transformation of Health Care: A Vision for the Future is a blueprint for the future of health care that is rooted in the shared vision and values of the U.S. HCVC.
The transformation of health care has not been isolated to traditional medical settings. As mobile technologies and telemedicine become more widespread, providers and patients are finding new ways to connect and collaborate. These advances have the potential to revolutionize patient care, but also present significant challenges in terms of privacy and security.

The American Hospital Association argues that the federal government has not adequately prepared hospitals to respond to the changing demands of the medical profession. While increasing the number of primary care physicians has been a priority, the emphasis has been on volume-based payments that reward providers for seeing more patients, regardless of the quality of care. This has led to a system where physicians are not incentivized to keep patients healthy or to improve outcomes.

The transformation of health care is driven by a combination of factors, including technological advancements, changes in patient behavior, and shifts in the economy. As healthcare becomes more integrated and patient-centered, it is essential that healthcare providers adapt to these changes in order to remain relevant and competitive.

The transformation of health care is also driving changes in the payment models used by healthcare providers. The American Hospital Association has indicated that hospitals are interested in developing new payment strategies that align with these changes, and they are working with other organizations to identify best practices in this area.

In summary, the transformation of health care is a complex and multifaceted process that requires a coordinated effort across all stakeholders. As healthcare continues to evolve, it is essential that providers and policymakers work together to ensure that patients receive the highest quality care possible.
What the experts have to say...

**INSURANCE & COVERAGE**

- “The proliferation of high-deductible plans with a savings option has increased private insurance will grow by only 6 percent.”
- “One rationale for adding deductibles to health plans is that they will encourage patients to shop around for the best deal.”
- “PricewaterhouseCoopers estimates that 34 percent of firms are looking at this option. Private equity firms are interested in health care, especially if it includes a narrow network.”

**PHYSICIANS**

- “The transformation of health care toward more integrated and accountable care systems has applied or intend to apply for an insurance license. The transformation of health care toward more integrated and accountable care systems has applied or intend to apply for an insurance license.”
- “A critical value proposition is to differentiate and brand, especially if it includes a narrow network.”
- “If you don’t offer a differentiated value proposition and strong branding, you will struggle.”

**POLITICAL ISSUES**

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- “If you don’t offer a differentiated value proposition and strong branding, you will struggle.”
- “One rationale for adding deductibles to health plans is that they will encourage patients to shop around for the best deal.”

**THE PATIENT EXPERIENCE**

- “But they are reluctant to participate, preferring the status quo, and are not volunteering.”
- “Many nurses are starting to hire nurses and other support staff on the basis of advanced training or experience, and are starting to hire nurses and other support staff on the basis of advanced training or experience.”
- “All of these are significant changes that are necessary to provide a high-quality, patient-centered care.”

**QUALITY & PATIENT SAFETY**

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**TRANSFORMING CARE DELIVERY**

- “The Obama administration pledges to... to unnecessary side effects and can increase the prevalence of drug-resistant organisms.”
- “The openmodel Collaborative, now being utilized by more than 180 hospitals, is developed by the OpenNotes Collaborative.”
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Cooperation was previously grown from close to $1 billion in 2014 to more than $4 billion in 2015, a rise of 84 percent. This growth has been driven by several factors:

- Increased volume and revenue from the company’s core business,
- Expansion into new markets, and
- Acquisition of smaller companies.

The company’s strategy has been successful, and the management team is optimistic about the future.

In summary, B. E. Smith has a strong track record of growth and profitability, and the company’s management team is well-positioned to continue driving success in the healthcare vertical.

CEO Turnover is on the Rise:

While other industries have been recovering from the recession with record employment and improved margins, the healthcare sector continues to see a high level of CEO turnover. This trend is likely to continue as the industry faces ongoing cost pressures and regulatory challenges. As a result, healthcare organizations must be prepared to navigate the uncertainty of executive leadership changes.
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From the C-suite to the surgical suite, B. E. Smith can assist hospitals in recruiting healthcare executives.

The Source for

Executive Search | Advisory Services

■ INTERIM LEADERSHIP | EXECUTIVE SEARCH | ADVISORY SERVICES

With more than 20 years of healthcare experience, B. E. Smith's team is comprised of the top healthcare recruiters and consultants. Through the Power of 360° Industry Leadership, B. E. Smith can assist hospitals in recruiting healthcare executives. From the C-suite to the surgical suite, B. E. Smith can help hospitals find the right leaders for their organization.

B. E. Smith’s team is comprised of the top healthcare recruiters and consultants. More than 20 years of healthcare experience means the industry leaders are uniquely qualified to find the right leaders for your organization.

ECONOMY & FINANCE

Health care analysts report that the industry still faces value-based payment pressures. As a result, every dollar headed toward operating, capital, and strategic endeavors needs to be safeguarded. B. E. Smith consultants believe that, in order to return a profit on their investments, both clinicians and hospital administrators will need to reduce cost of care, increase quality, and improve patient outcomes.

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The relationship he or she has likely will be with a Samsung or an Apple, not a pacemaker.

Our research suggests that digital health technologies are rapidly proliferating. There are applications in health care markets where supply and demand are out of balance.

■ The charge for a day in the hospital in the United States averages more than $500. While technological innovation and new entrants into the market have reduced health care expenditures and improved health care delivery, the costs per diagnosis are rising.

■ Every major company from Google to Samsung to Apple is working on digital health technologies. Many of these firms are investing heavily in these technologies.

■ A large proportion of primary care is now received outside traditional health care facilities. In this on-demand environment, health care delivery is likely to become more complex. Improving health care delivery will likely result in reduced cost outside of hospital environments, such as medical and family physicians, and collaborative care at health care centers.

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■ Video consultations are projected to grow from 5.7 million in 2014 to 30.8 million by 2020. This growth rate is expected to be driven by increasing patient demand and reduced cost of his or her own home, a shift from in-hospital to at-home monitoring increasingly appears likely. Hospitals will need to restructure their physician practices to take advantage of the growth in consumer demand and generate new revenue.
The transformation of health care services over the past decade has been characterized by an increasing focus on outcomes. As a result, many hospitals, health systems, and health plans are exploring new models of care delivery that focus on improving health outcomes, while also reducing costs. One approach that has gained attention is the use of clinical data to better understand patient care and improve outcomes.

One benefit of using clinical data is that it can help hospitals and health systems identify areas where they can improve. For example, data from electronic health records (EHRs) can be used to track patient outcomes and identify factors that contribute to poor outcomes. This information can then be used to develop targeted interventions to improve care.

Another benefit of using clinical data is that it can help hospitals and health systems improve the efficiency of their operations. By analyzing data on patient flows, hospitals can identify bottlenecks and optimize their processes to reduce wait times and improve patient satisfaction.

Finally, using clinical data can help hospitals and health systems improve their financial performance. By better understanding patient needs and outcomes, hospitals can make more informed decisions about their services and the resources they allocate.

Although clinical data holds great promise for improving health care, there are also significant challenges to implementing this approach. For example, data from different sources may need to be integrated and standardized to make it easier to analyze.

In conclusion, using clinical data is an important step in the transformation of health care services. By better understanding patient care and improving outcomes, hospitals and health systems can improve the quality of care they provide and reduce costs.
RESOURCES


3 | “Mental Health By the Numbers,” National Alliance on Mental Illness, 2015.


10 | “Governance of Physician Organizations: An Essential Step to Care Integration,” monograph, AHA Center for Healthcare Governance, January 2015.


27 | “New Health Economy,” Health Research Institute, PricewaterhouseCoopers, April 2015.


33 | Spending Brief, “Health Sector Economic Indicators,” Center for Sustainable Health Spending, Altarum Institute, Feb. 12, 2015.


37 | “Docs say they’re wasting time on care coordination lapses,” Eric Wicklund, mHealth News, April 7, 2015.

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• 70% of healthcare leaders plan to retire within the next ten years.
• 66% of organizations have no succession plan in place.

70%  
66%  

From the E. Smith CEO placements are completed on the first panel.

100%  
94%  

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ECONOMY & FINANCE

Our research suggests that Technology-enabled care delivery in its various forms is projected to grow from 5.7 million in 2014 to 19.8 million by 2020. These projects that revenue growth for the industry will be slow, but steady, at a 2.7% rate of growth from 2014 to 2020. Although the health care industry is widely perceived as slow to adopt technology, we found that 40% of clinicians are satisfied with the technology used by their organizations.

WORKFORCE

The change I’ve seen in the last 15 years of practicing medicine is that we’ve become more data-driven. The electronic health record is used as a communications tool that allows the care team to stay informed of what’s happening with their patients...
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TOP 1000 HOSPITALS RANKED

The outlook for the U.S. nonprofit health care industry in 2015 will weaken further in 2015, as hospitals run out of ways to protect their bottom lines.

Growth in operating cash flow will be weak, operating margins will continue to narrow and revenue growth will remain limited. Moody’s Investors Service.

The rate has increased from 13.2% to 14.0% and the effects of this turnaround will be far-reaching. In a B. E. Smith executive survey respondents indicated which executives are likely to leave after 2015 departing.

INFORMATION TECHNOLOGY & HEALTHCARE

Digital healthcare technologies are rapidly proliferating. There are a number of companies that make some sort of technology that can improve health care communication and collaboration, and save or improve outcomes in various ways.

For this reason, the trend toward integration of platforms only 12 percent of the time. Connected health devices — those technologies that might not work well together or generate new insights has been around predictive analytics. These insights can be far-reaching. In a

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The charge for a day in the hospital in the United States averages more than $5,000. For this technology to work, it must be designed as an interoperable system that leverages and supports existing and emerging medical data that includes chronic conditions and office visits, and makes those data available to other parts of the medical record.

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That’s what our interim chief nursing officer accomplished at one hospital in just 10 months.

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