The New Reality for Healthcare Leaders:
What got you here, won’t get you there

Aaron Sorensen, Ph.D.
Partner, Axiom Consulting Partners
“Progressing from the first curve to the second curve is a vital transition for hospitals and ‘life in the gap’ is something most organizations are trying to figure out.”

— AHA Hospitals and Care Systems of the Future
What’s driving this change?

- Shifting demographics
- Overall increased healthcare spending
- Higher acuity patients
- Increased provider accountability for cost and quality of care
- Increased transparency of cost and quality data
- Projected provider shortages
- Difficulty in raising capital
- An aging workforce
- An emerging workforce burdened with high student loan debt
- High-cost advances in medical technology and pharmaceuticals
- Evolving legislation at the federal and state levels
- Projected reimbursement cuts
- Shift to value-based reimbursement
- Challenges to care variations
“Life in the gap” will challenge leaders as our business model shifts

Competing on PRODUCT differentiation for destination-based care

Volume-Based First Curve
- Fee-for-service reimbursement
- High quality not rewarded
- No shared financial risk
- Acute inpatient hospital focus
- IT investment incentives not seen by hospital
- Stand-alone care systems can thrive
- Regulatory actions impede hospital-physician collaboration

Value-Based Second Curve
- Payment rewards population value: quality and efficiency
- Quality impacts reimbursement
- Partnerships with shared risk
- Increased patient severity
- IT utilization essential for population health management
- Scale increases in importance
- Realignment incentives, encouraged coordination

Competing on PATIENT EXPERIENCE and EFFICIENCY as care is commoditized
We are in a “testing ground” for healthcare leaders

“Life in the Gap”

“Management is doing things right; leadership is doing the right things.”

—Peter Drucker

“Winners” are able to adapt

“Losers” cannot change
“Doing the Right Things Versus Doing Things Right”

The competencies associated with leadership success in healthcare must change as we respond to multiple interesting pressures.

1. System Thinking
   Recognizing and “connecting the dots” across the clinical enterprise in pursuit of “triple aim” goals.

2. Managing Ambiguity
   Simplifying complexity and making decisions in ambiguous or difficult situations that improve the value of care delivery.

3. Diplomacy
   Brokering win-win relationships with providers, payers and other stakeholders in the healthcare delivery ecosystem.

4. Resourcefulness
   Balancing strategic and operational demands by engaging in flexible problem-solving that creates workable solutions.

5. Change Leadership
   Aligning resources, teams and equipping individuals and the organization to execute and sustain change.

6. Emotional Intelligence
   Understanding and connecting with people to create relationships that combine trust, mutual respect, and shared goals.
Key changes that will challenge leaders to demonstrate new competencies

1. The Pace of Transition to New Payment Models
2. Integration Across the Continuum of Care
3. Increasing Patient Access & Productivity
1 The Pace of Transition to New Payment Models

Map adapted from the Sg2 report, *The Race to Risk—Tracking Markets’ Evolution Toward Value-Based Care*

Source: Vizient/SG2
As you master your System of CARE, the decisions you make must be built around your market's unique levels of readiness.

Source: Vizient
Increasing Patient Access & Productivity

Ambulatory Enterprise Contribution Margin and Breakeven Analysis

Source: 2015 University HealthSystem Consortium Ambulatory Enterprise Study of Academic Medical Centers.
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