

The Health System of the Future: Millennial Impact, New Revenue Streams, and Trends in Value-Based Care

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As healthcare moves further into the value-based business model, stand-alone hospitals will be increasingly challenged to be profitable. The strategic imperative to join a larger network (whether through merger, partnership, or affiliation) and focus on value-based care initiatives is growing, largely due to the fact that hospitals are the largest expense in the delivery model.

As a long-time hospital CEO, let me be the first to share that myself and my Generation X colleagues might just be passed over for the next wave of health system leadership roles, as millennials are chosen as the new leaders. In fact, physicians' willingness to transform healthcare is largely generational—older generations are not as nimble, while younger physicians emerging from medical school are eager to be employed and work in a team.

I am proud to be Gen X, but as Gen Xers began assuming more C-suite positions within the healthcare delivery system in recent years, the likelihood of those leaders being exposed to and thus poisoned by the fee-for-service era increased significantly. Fee-for-service was about one simple strategy: put heads in beds to drive hospital and health system revenues—and it worked. In fact, it worked so well, that the bank accounts of insurers bled dry—the most notable being the federal government's Medicare program.

In this new era, millennials will become leaders in hospitals as long-time seasoned executives (of the baby boomer generation) retire or are driven out because they are unable to adapt to the new model.¹ The transition to value-based care in hospitals has been slow at best, as these long-time leaders saw little incentive to begin the transformation process until recently, when financial penalties were developed for not providing patient-

focused, cost-effective care. Five years after Obamacare passed, midway through 2015, the slow crawl to transformation finally began in most hospitals and health systems (with the exception of a handful of visionary hospitals nationwide that had started the transformation shortly after the law passed in 2010).

Providers will now need to begin looking for new ways to generate revenue or increase margins. It's often the millennials who are first to identify these opportunities as they are tech-savvy and not impeded by fee-for-service influences.

Too many healthcare executives assume that hospitals and health systems are not allowed to partner and share revenue with post-acute providers. The healthcare lawyers of the past were quick to cite Stark and anti-kickback regulations when these discussions arose. Then Cleveland Clinic, Kaiser, St. Joseph Health, and Cedars-Sinai, among others, made aggressive pushes into post-acute care and in most cases took an ownership stake in the new entity. Whether it's owning acute rehab or skilled nursing facilities outright, white-labeling a non-medical home care product line, or simply purchasing franchises of non-medical home care as St. Joseph Health did, these are all signs that reputable health systems understand that the success of the delivery model of the future depends largely on identifying new revenue streams. And these opportunities may lie outside the traditional healthcare delivery model, as non-medical home care historically has been viewed.

But what about the Gen X leader who put in the time to climb the corporate ladder? In large part it will be up to the individual to demonstrate that they grasp and understand that a head in a bed is no longer the business model. In fact, it's quite the opposite. When fully evolved, the new model will reward empty beds at all levels of care and emphasize technology-based solutions, home-based care solutions, self-management, and healthy lifestyles.

¹ Josh Luke, *Ex-Acute: A Former Hospital CEO Tells All on What's Wrong with American Healthcare: What Every American Needs to Know*, 2016.

This is all made possible through communication and technology—two things that millennials grew up with in their hands. In October 2016, I had the privilege of presenting to residents and interns at Oklahoma State University Medical Center in Tulsa. Of the 100 doctors-in-training in the room, it appeared that almost across the board they were millennials. These soon-to-be doctors now entering the workforce grew up in the iPhone and iPad era. Yet when you look at physician leadership at leading hospitals and health systems around the country, it's almost always the aging physician who has gained clout within the organization based on experience and success that is calling the shots. But in many cases these physicians resist change and technology adaptation.

The question now remains, will Gen X leaders be willing to learn the new model and cast aside the habits, traits, and skills they learned from fee-for-service mentors? Only time will tell. Millennials grew up in an era of self-commitment to healthy lifestyles, in-hand technology, and a mindset of healthcare being delivered in the home, which has given them a firmer grasp and clearer path to visualizing patient-centered care. The biggest question for millennial health system leaders then becomes, can you prove that this delivery model can be profitable for the health system?

Companies like Santa Monica, California-based HomeHero, one of the fastest-growing non-medical home care providers in the country, was founded by two millennials whose entire platform is to use technology to benefit the patient, improve quality, and provide relevant data on each patients' home-

based care and self-management efforts to the health system managing the care. When Kyle Hill and Mike Townsend created the company, they had little idea that leading national health systems would not only create formal partnerships with them, but that one would even become an investor. In the last year, HomeHero and competitors have signed exclusive white-label partnerships with hospitals and skilled nursing facilities that now have a new revenue stream as a result, as well as an enhanced care continuum with improved communication and quality—it's the Triple Aim of healthcare!

The latest trends and discussions I am hearing from hospitals and health systems calling for insight are: transforming case managers to a home-first mentality, development of "SNF avoidance" strategies, avoiding the low utilization payment adjustment (LUPA) bulk payment after five home health visits, implementing programs adhering to the waiver program for the Comprehensive Care for Joint Replacement mandated bundles (including using non-medical home care, assisted living, Abbott's nutritional programs, or simply sending an iPad home with the patient to improve self-management and communication), and aggressive discharging to alternative locations from the emergency department.

Ultimately, if you are looking to shorten the curve on transforming to a value-based model, start looking at some of these tactics and including millennial leaders in the conversation. If you don't, you may miss out on the opportunity to ensure your organization succeeds in these challenging times.

The Governance Institute thanks Josh Luke, Ph.D., FACHE, Adjunct Faculty, University of Southern California, Sol Price School of Public Policy, and Chief Strategy Officer and Senior Health Policy Consultant, Nelson Hardiman Law & Compliant, for contributing this article. He can be reached at lukej@usc.edu.

