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Rural Focus

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Rural Healthcare: A Vision for 2018

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The healthcare industry is going through unprecedented change and rural healthcare is an integral part of this change. The following represent global trends in the healthcare industry that will have an integral impact upon the transformation of rural healthcare into a 21st-century model:

- **Digitalization:** Everyone should have access to their cloud-based protected health-related information 24/7 from anywhere in the world. This is not only important to patients but to physicians, nurses, and healthcare organizations caring for patients. The infrastructure required to build such a system is incredibly expensive and something that smaller organizations cannot typically afford. Many rural healthcare organizations attempt to provide this infrastructure with low-cost vendors; however, pay-for-value contracts require the seamless integration of clinical and claims data to report both cost and quality outcomes and this is often beyond the capability of smaller vendors. In addition, most states are creating health information exchanges (HIEs) to link protected healthcare information so that it is cloud-based and transportable anywhere and every healthcare organization will be required to participate. Thus, rural healthcare organizations will need to align with larger systems that can afford the necessary health information management infrastructure to meet evolving legal/regulatory requirements and to participate in the seamless transmission of protected health information (PHI).
- **Standardization:** It wasn't that long ago that every physician was permitted to practice medicine his or her own way and every healthcare administrator could manage a healthcare organization their own idiosyncratic way. This resulted in a huge "bell curve," which Atul Gawande wrote about in his famous *New Yorker* article.[1] In this article, he describes the variation in care of children and adults with cystic fibrosis and demonstrates that the life expectancy of someone with this disease is as much as 30 years depending on which doctor you see and which healthcare facility you seek for care. It is known that clinical variation (or non-value-added variation) is the third-greatest cause of inadvertent death and injury in the U.S. healthcare system and must be eliminated. Thus, all physicians and healthcare executives will need to standardize their practices to ensure optimum outcomes at the least cost and this requires regional systems of care to ensure that low-volume/high-risk care be treated at regional hubs whereas local organizations manage high-volume/low-risk care in a more standardized way. It also requires clinical and business intelligence tools (analytics) that can provide real-time information about clinical and cost outcomes throughout a system. Almost 20 percent of healthcare organizations in the United States have these tools today and all rural healthcare facilities need access to them as well to participate in evidence-based management and medical care.
- **Commoditization:** Traditionally, rural healthcare organizations are paid based on volume, but Congress is working to put critical access hospitals into more value-based agreements and everyone expects that the days of cost-based reimbursement are numbered. Furthermore, healthcare is no longer affordable for the average American. In fact, healthcare is now the greatest cause of bankruptcy among working American families due to rising

[1] Atul Gawande, "The Bell Curve," *The New Yorker*, December 6, 2004.

out-of-pocket expenses.[2] For instance, if an individual has cancer, out-of-pocket expenses may exceed $50,000–$100,000/year. Healthcare must become less expensive, and the industry is going through what economist call “the race to the bottom” to see who can provide world-class care at a fraction of the cost. For example, e-health platforms (available on your smartphone) can provide primary care services at 95 percent lower costs and retail clinics can provide urgent care at 90 percent lower costs than an emergency department. Rural facilities need to be a part of these innovative, disruptive business models and they require capital, entrepreneurial know-how, and the willingness to take on financial risks. This is not something that most small, stand-alone hospitals with a small operating margin can afford to do; however, rural residents with their higher acuity and lack of immediate access to low-cost care will require these facilities and modalities to an even greater extent than those in more metropolitan areas. Thus, e-health and retail clinics should be an integral part of every rural healthcare organization’s strategic vision to provide lower-cost routine and acute-care services.

- **Globalization:** Every healthcare organization is in competition with the world. For instance, many people in rural areas leave their communities for significant, life-threatening illnesses and surgery to seek the best-possible outcomes. Last year 1.7 million Americans left the United States to seek healthcare abroad for both superior outcomes and significantly (80–90 percent) decreasing costs.[3] For instance, people suffering from cancer can travel to Frankfurt, Germany, where they can receive chemotherapy and radiation at 90 percent less than the cost in the U.S. and expect even better outcomes. Thus, there is no longer a “local standard of care.” Rural organizations must only do what they can do at a world-class level or no longer do it at all. Paradoxically, by aligning with larger healthcare systems and accessing e-health for e-ICU, e-ED, and e-specialty care, rural facilities may become hub-to-hub programs that can keep many of the patients traditionally referred to more complex acute-care services.

[2] Maurie Backman, “This Is the No. 1 Reason Americans File for Bankruptcy,” *USA Today*, May 5, 2017.

[3] See https://patientsbeyondborders.com.

Discussion Questions for the Board

- What is your organization doing to digitize your healthcare network so that all patients, consumers, managers, physicians, and stakeholders can access information 24/7 via a cloud-based HIE?
- In what ways is your executive team and medical staff working to eliminate non-value-added clinical, managerial, and business variation that adds waste, undermines safety, and inhibits the creation of value?
- How is your hospital exploiting the introduction of disruptive innovations that will sharply reduce the cost of care and enable the community to access affordable healthcare services 24/7 via their smartphones or retail outlets?
- What is your organization doing to facilitate the creation of hub–hub relationships with large tertiary and quaternary healthcare facilities that will enable you to provide world-class care in your communities and inhibit market leakage in search of better and more affordable services?

Most rural healthcare organizations will need to align with larger organizations and systems to survive in the 21st century to access critical information technology and analytics, value-based payer contracts, world-class standardized approaches for both physicians and management, and innovative entrepreneurial healthcare models of delivery in order to achieve top-decile performance and compete with the best almost anywhere for both quality and cost.

The final irony is this: by giving up some amount of local control, rural healthcare organizations can gain access to the tools and expertise they need to compete in the new global economy and continue to be a resource to their communities; by attempting to keep local control, it will be far more likely for them to fail, which would be the greater sacrifice and their community members will have to travel far greater distances to seek the everyday care they have come to rely upon as their own. Hopefully, most rural healthcare organizations will balance local control and autonomy with the ability to thrive in a more complex digitized, standardized, commoditized, and globalized world.

The Governance Institute thanks Jon Burroughs, M.D., M.B.A., FACHE, FAAPL, President and CEO, The Burroughs Healthcare Consulting Network, Inc., for contributing this article. He can be reached at jburroughs@burroughshealthcare.com.