Toxic Individualism and Its Impact on Our Healthcare System

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COVID-19 exposed competing forces within the missions of many standalone hospital systems. These forces include a rugged American individualism on one hand and the desire to efficiently meet the healthcare demands of their communities on the other. Both are valid considerations, but they are often in conflict. By definition, individual entities stand outside the safety of the collective, forging their own distinct paths to their own unique destinations. Efficiency, however, is most often associated with uniformity, consistency, scale, and centralized decision making. This article explores that tension and considerations for hospital boards as they work to best position their organizations in an evolving industry.

Headwinds and Industry Backdrop

Hospitals faced strong headwinds before the pandemic. COVID made matters worse, filling some hospitals with desperately sick, highly contagious patients, exhausting frontline staff, and overwhelming limited ICU and respirator capacity, while other hospitals sat empty with government-mandated elective surgery prohibitions that left beds vacant in anticipation of a surge that would not come for months, if at all. COVID also exacerbated existing hospital staffing issues, accelerated a shift to virtual care, and boosted new, private equity-backed competitors seeking to undercut hospital pricing by focusing on services that require minimal fixed capital.

The CARES Act sought to alleviate some of this pain and was remarkable in its swiftness and scope. That said, those funds have largely been exhausted and COVID's financial impact on the hospital industry continues. The American Hospital Association,[1] McKinsey,[2] Deloitte,[3] and others have all projected that the financial ramifications of COVID will linger for healthcare providers well after the pandemic is finally under control. While there is broad agreement that hospitals will bear a disproportionate share of this cost, there does not appear to be any meaningful federal support, further stressing an already stressed industry.

Implications and Costs of Individualism

A uniquely American refrain for facing such adversity is "when the going gets tough, the tough get going." This implies that the individual relies on him or herself and makes no mention of the collective or the help of neighbors. While bravery and perseverance are valuable traits that help us make our way in life, we should not idealize autonomy, instilling unrealistic expectations of attaining our goals solo, overlooking the fact that we benefit enormously from the help of others.

Individualism, which we define as focusing inward in the face of adversity, is understandable. However, we believe that this individualism has gotten so severe that it is becoming toxic to our well-being as a society and to our healthcare institutions. Hospital boards and management teams often list independence, in and of itself, as central to their missions. In response, the American Hospital Association added a section to their Web site titled "Preserving your hospital's independence" where they acknowledge this trend and gently point members towards its inherent risks.[4] While independence presents distinct pros and cons, independence itself is not necessarily a risk. The problem is that too often independence or individualism becomes the institution's goal, allowing the board to make compromises to patient care and their not-for-profit mission.

This tension most often occurs behind closed doors, but it occasionally makes it into the public eye. In 2010, Kaiser Health News reported on Boston's storied Quincy Medical Center stating, "Despite the financial strains, Quincy's executives say they're determined to preserve the hospital's independence. 'Healthcare is a local issue,' says [CEO] Kastanis. 'When physicians have a local hospital that they have a long-term relationship with, and they have some control as to how their patients are treated, that goes a long way in creating confidence among patients that they'll get good care.'"[5] Instead of joining one of Boston's strong systems, Quincy doubled down on independence, cutting services in the misguided belief that offering less care to the community as a standalone allowed it to serve its patients better than a system like Partners or Tufts could. Eventually the over 120-year-old institution filed for bankruptcy. By that time, few partners were interested in Quincy's hollowed out shell. While it was acquired by a for-profit system out of bankruptcy, toxic individualism had already taken its toll and it was too late to turn the facility around and it was closed soon after the sale.

While there are many anecdotes like Quincy's showing the risks of placing independence above patient care and access, the "cost" of individualism can also be measured at the industry level. In a June 2020 white paper, Juniper used statistical analyses to find that independent hospitals have lower acuity and fewer ICU beds than comparable system hospitals.[6] In other words, for two similarly sized and positioned hospitals, the hospital, on average that is part of a healthcare system, will offer higher level care and have more ICU beds. This was particularly striking because standalone hospitals nearly always list "becoming a Band-Aid station" among

Key Board Takeaways

- While standalone hospital boards often focus on the perceived benefits of independence including local control, streamlined governance, and rapid decision making, they should not minimize the costs.
- Successful organizations understand the pros and cons of their structure and periodically revisit the inherent trade-offs.
- In the same way that strong standalones should only choose mergers that advance their missions relative to independence, hospitals that maintain independence are making a choice and should only do so with a full understanding of how their standalone status improves patient care over a partnership.

1 American Hospital Association, "Hospitals and Health Systems Face Unprecedented Financial Pressures Due to COVID-19," May 2020.
2 Erica Hutchins et al., "Understanding the Hidden Costs of COVID-19's Potential Impact on U.S. Healthcare," McKinsey & Company, September 4, 2020.
3 Deloitte, "What Will Be the Impact of the COVID-19 Pandemic on Healthcare Systems?," June 2020.
4 American Hospital Association, "Preserving Your Hospital's Independence."
5 Arlene Weintraub, "In an Age of Consolidation, Some Community Hospitals Struggle to Remain Independent," Kaiser Health News, September 9, 2010.
6 Jordan Shields et al., *Assessing Hospital Preparedness for COVID-19 by Affiliation Status*, Juniper Advisory, June 2020.

their top concerns when considering partnerships and the analysis found that by pursuing individualism those facilities were depriving their communities of higher acuity services and facility investments.

A recent study by Charles River Associates and the AHA correlated the quality of care, cost, and accessibility with scale.[7] That is, systems with higher volume and the ability to institute system-wide standards and protocols can produce better outcomes—access improves, costs come down, and quality rises. While it is just one study showing positive results of hospital consolidation and may be in contrast to prior studies and news reports, we believe it should not be ignored.

Perhaps the largest cost of individualism is its impact on the industry as a whole. The country's thousands upon thousands of standalone hospital companies dilutes the talent pool for executives and board leadership. Small facilities compete in the marketplace for executives with large systems. When a standalone is successful in developing or recruiting a topflight CEO, the impact of that individual is severely limited by the scope of that small organization. The same is true for board members, other executives, and clinical leadership. The small organizations either have a talent deficit or they are hording talent that could impact more lives at a larger organization. Similarly, a fragmented industry results in the lessons from inevitable mistakes and hard-fought victories not being broadly shared to develop best practices. Each hospital and small system is forced to learn on its own.

Looking Forward

A positive outcome of COVID is that it forced many health systems to evaluate the hub-and-spoke model. When those models were instituted, many in the 1990s, the spokes fed the higher acuity, higher margin hubs. Today, there is an inverse trend. The hubs are incentivized to keep patients in the spokes—close to home, in lower-cost settings, and without clogging up quaternary centers. This bodes well for the future of hospitals that are part of multi-facility systems that want to grow their business, prominence, and place in the world—not through the outdated, ruggedly independent Marlboro Man model, but part of a network that is stronger than the individual parts.

As we stated above, individualism can be a worthy goal, but only if it is secondary to the healthcare mission of the organization. We will continue to have thriving standalone facilities for decades, outperforming their peers on cost, quality, and patient satisfaction. That said, it is incumbent on standalone boards to periodically revisit the question of what benefit they are providing communities in return for the measurable cost of individualism. Those boards that decide to pursue partnerships, which is different than being forced to sell as we described in the Quincy example above, have a heavy burden. They need to do the hard work of vetting potential partners and pursuing relationships and structures that ensure lower cost, higher quality, and integrated healthcare for their communities for the decades to come.

While it is a near certainty that we will continue to see consolidation in the notably fragmented hospital industry, what that consolidation means to local communities is far from certain. Holding on to independence at all costs results in cut services, quality problems, and closed hospitals. At the same time, mergers are not a panacea, and it is the responsibility of board members and executives to ensure that the transactions they may choose to pursue leave their organizations stronger for the generations that follow.

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7 Sean May, Monica Noether, and Ben Stearns, *Hospital Merger Benefits: An Econometric Analysis Revisited,* American Hospital Association, August 2021.