



Healthcare Forecast 2022: 10 Trends for Board Members and Senior Leaders

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In 2022, continued COVID-19 variants will keep the healthcare industry in flux, making it stressful and difficult to manage during these times. The pandemic has accelerated innovation, experimentation, and disruption, and exposed weaknesses in our country's supply chain. Payment, utilization, and human resource shortages will be on top of the list for management and board issues. Also, biting at their feet will be cybersecurity, supply chain, and inflation issues. 2022 will bring surprises that force the board and management to remain vigilant and resilient. Boards and management will continue to laser in on cost management, ensuring adequate staffing, and seeking to rebuild lost client confidence as patients reduce their reliance on the hospital (especially the emergency department). This article provides our list of the top trends and implications for governance in 2022.



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What's Inside:

- **Healthcare Forecast 2022: 10 Trends for Board Members and Senior Leaders**
- **The Board's Role in Diversity, Equity, and Inclusion: A New Year, Renewed Energy, and Drive for Change**
- **To Manage Volatility, Sharpen Your Enterprise Risk Management Strategy**

1. Enhancing and Expanding New Care Models

As the pandemic caused healthcare providers to explore new ways to deliver care, management had to pivot to non-inpatient-focused care models. Management began or expanded the use of telehealth, digital/virtual health, remote patient monitoring,

hospital-at-home services,¹ and more delivery points outside the hospital like ambulatory surgery centers, urgent care, retail care, and/or imaging. Medicare, Medicaid, and insurers all responded by starting or expanding payment for telehealth. This trend should continue in 2022. Providers have also started to offer prevention visits, screenings, and vaccinations (offering to keep a digital record for the patient). Private equity sees an opportunity here and has made large investments in digital technologies designed to easily connect patients to providers and expand primary care access by offering more site locations and digital applications. Lastly, expect insurance companies/health plans to integrate into the “delivery of care” space in efforts to improve access, reduce costs, and meet patient expectations.

In the boardroom:

- Engage with physician partners to cooperatively embrace and proactively manage value-based care models and payment structures.

→ Key Board Takeaways

Governance effectiveness and excellence in 2022 will be more essential than ever before:

- Ensure that the right board structure is in place (streamlined, well-functioning, focused) with the optimal number of members, reasonable meeting frequency and cadence, highly effective and trusted committees, clear and specific board goals, and high standards of performance.
- Reevaluate if the board is made up of the right members with the highest caliber of needed competencies, including members who are mission-focused, low drama, high energy, diverse, and have a passion for results.
- Consistently monitor that the board is doing the “right” work: governance, not operations. Also, establish an aggressive strategic plan that balances short-term and long-range strategies; hold management stringently accountable for effective execution and reward good performance.
- Show leadership and be analytical, patient, and deliberate with decision making. No rash decisions.

1 As of December 15, 2021, there are 84 health systems and 188 hospitals in 34 states participating in the CMS hospital-at-home initiative (see <https://qualitynet.cms.gov/acute-hospital-care-at-home/resources#tab1>).

- Ensure that all participants in value-based care arrangements have strictly aligned clinical and financial incentives.
- Provide the tools, processes, and structure essential to successfully take on financial risk.

2. Increased Use of Artificial Intelligence and Machine Learning

Artificial intelligence (AI) and machine learning (ML) will continue to advance. While early applications began in non-patient care areas, new care delivery advancements are improving and enhancing patient diagnostic services and treatment protocols. Growth will be slow, however, as management and boards think about staying ahead of the competition and improving patient care and experience. Leading health systems will be early adopters of these capabilities in their centers of excellence or major service lines. Additionally, AI and ML will increase their use in the “remote care” model development.

In the boardroom:

- Ensure that management develops and executes a plan to appropriately integrate the use of AI and ML in centers of excellence, service lines, and diagnostic and imaging services.
- Monitor uses of AI and ML to ensure optimal return on investment and performance improvement.

3. Labor Unrest and Workforce Challenges

The pandemic has caused a massive issue for human resource management. Nurses and physicians are burning out, leading to increases in hospital vacancies as they leave their profession or join the travelers or registry use ranks. Some nurses have quit their jobs, joined a registry, and been contracted back by the same hospital at two to three times their prior salary. This may not be sustainable over the long run, leading some hospitals to reduce capacity and services to survive. Some unions have been cooperative and worked with management while others have not, causing an increase in union organizing activity. Management has scrambled to increase wages and benefits, provide on-site daycare, express support for employees, offer mental health support and services, and add staff. This is a critical challenge for all hospital and ambulatory providers and is the top issue on management’s mind. There is no quick solution; nurses that have left the profession are most likely not coming back to the hospital. Even with increases in the number of medical school residencies and nursing

school students, it will be a few years before we see positive results. All this activity and the shortages have dramatically driven up the cost of care at hospitals.

In the boardroom:

- Ensure that management is creative and balanced in its approach to tailoring compensation packages (wages, bonuses, incentives, support, and recognition) that attract and retain a high caliber/mission-aligned workforce; monitor other organizations' efforts to remain competitive.
- Explore collaborative relationships with nursing schools and fund new positions to identify and attract top talent.
- Consider developing a "reserve corps" of healthcare providers/clinicians to join the fight when another pandemic or crisis occurs.

4. Physician Shortages Leading to More Competition

Physician shortages have plagued the industry for years, and are getting worse. Doctors are exhausted from overworking and the stress of treating COVID-19 patients. Additionally, baby boomer-aged physicians are tired and ready to slow down or retire. The Biden Administration increased funding to pay for an additional 4,000 residents, which is on top of former President Trump's additional funding of 1,000. The problem is that it will take years before hospitals see the benefit. To alleviate the shortage there is greater use of physician assistants, nurse practitioners, and telemetry/virtual care. For example, CVS announced that they will close 900 stores and expand their HealthHUBs (primary care, diagnostics, pharmacy, etc.) through their remaining 9,000 stores and 1,200 MinuteClinics. Additionally, examples of more competition include Cigna buying MDLive, United acquiring Change, and Optum buying Atrius Health. Big-box stores are expanding their healthcare space in stores, adding more in-store sites and breadth of services. Lastly, expect private equity to continue to expand into telehealth and primary care delivery platforms (physical and virtual) with services that leverage technology.

In the boardroom:

- Closely monitor management's efforts to recruit and retain appropriate physicians and other clinicians to ensure adequate resources and supply based on patient and community needs.
- Ensure that the organization's medical staff needs assessment plan is up-to-date and reasonably projects physician surpluses and needs by specialty and timeframe.

- Be extra vigilant to minimize surprises from unexpected retirements or departures of key providers due to burnout, dissatisfaction, or other factors by staying close to medical staff members and maintaining open lines of communication and association.

5. Focus on Social Determinants of Health and Improving Equitable Access to Care

Healthcare organizations are responding to the rapidly increasing industry acknowledgment that there is not equal access to care. The pandemic put a spotlight on this issue when it became apparent that vulnerable populations had difficulty accessing vaccinations for COVID-19. Initial efforts to book appointments were available online, yet many providers did not understand that some communities had no Internet, residents had no computers, and there were barriers due to language challenges. Further, many low-income people could not leave work during the day, when the majority of vaccine appointments were available. Hospitals have broadened the participation of low-income, minorities, and special agencies to coordinate and expand access through new locations, hours, Internet hubs, mobile services, etc. Hospitals are getting better at coordinating grants and fundraising to address social determinants of health. Hospitals have also realized that they can't do it all nor fund it all. Therefore, hospitals have cooperated with community and government agencies to address these issues. The focus of hospitals has been healthcare access, food insecurity, transportation, and housing.

In the boardroom:

- Proactively explore collaborative relationships with a broad base of traditional and non-traditional community organizations to identify and address social determinants of health needs in appropriate ways.
- Ensure that your organization's efforts meet patients' unique and varied needs (e.g., making services available evenings and weekends, addressing transportation limitations, and others).

6. Price Transparency: No More Surprises

Much has been written lately about hospitals not posting prices, information being difficult to understand (e.g., too many footnotes with exceptions to the pricing) and challenging to find on the hospital's Web site, or that it is not very accurate. Expect more government oversight and enforcement through fines and penalties.

In the boardroom:

- Ensure that management has compliant policies and procedures to meet regulatory requirements.
- Test to make sure that your organization's access points are accessible, easy-to-use, informative, and accurate.
- Monitor what other hospitals and health systems are doing and learn from those examples.

7. Utilization Trends Are Changing: Inpatient, Outpatient, Home, and Post-Acute

Most hospitals experienced reductions in utilization in 2020 and 2021. Emergency medical services suffered the most with declines approaching 30–50 percent. Additionally, hospitals experienced declines in elective procedures to create capacity for COVID patients. Physician offices pivoted to telehealth/virtual visits with some success. Telehealth visits have declined since the COVID peak; however, the volume has permanently established a new standard that is now expected from patients. While it began years ago, inpatient admits are moving to outpatient visits, and outpatient visits continue to move to in-home visits. Home care has picked up steam and a new hospital-at-home model is beginning to gain traction, albeit slowly. Birth rates in the U.S. continue to decline, dropping further during the pandemic—although there was a small uptick in births in late 2021, which should continue into 2022. The fact that 10,000 people become Medicare-eligible every day will put pressure on a changing payer mix in the hospital, and growth in a payer base that uses healthcare services more frequently.

In the boardroom:

- Monitor financial and operational reports to track utilization trends and their impacts by service category and payer mix.
- Get feedback from clinicians and senior leaders regarding changes in utilization in centers of excellence and service lines.
- Track per capita data regarding birth rates, inpatient and outpatient use rates, telehealth, and others to project potential impacts on financial performance.

8. Changing Payment and Delivery Models, and Improving Care

Value-based care models and how they are paid for will continue to evolve during 2022. Management will explore and analyze different care models to understand

if their health system is ready and capable of handling these new models and types of payment. There is continued movement to put physicians and hospitals at financial risk both together and separately. There will be a continued effort to reduce admissions, readmissions, length of stay, and movement of more procedures to an outpatient setting. Payment models will keep evolving to reward hospitals and physicians who reduce the cost of care and improve quality. Organizations will remain focused on improving outcomes through increased use of AI, clinical protocols, and dedicated staff to monitor and improve care processes. Public quality scores continue to be used by the public, albeit by a small number. However, employers do get and look at quality ratings, as do physicians looking to determine which hospital they wish to align with. Many organizations, through management and their medical staff, with active participation from caregivers, will strive to be a high-reliability organization. Lastly, more organizations will include mental health in their service offerings, most likely through partnerships or collaboration with mental health organizations.

In the boardroom:

- Ensure that negotiations of value-based care payment rates and risk arrangements consider inflation and increased costs due to the pandemic and other economic factors.
- Ensure that effective infrastructure is in place to address and comply with the contractual parameters, thresholds, performance metrics, and risk corridors to be successful under each value-based care arrangement.
- Explore the payment model as a potential arrangement for providers and payers willing to strategically align.

9. Continued Emphasis on Cost Management

Hospitals have experienced significant cost increases during 2020 and 2021 in the areas of staffing, personal protective equipment (PPE), supply chain, and fixed expenses increasing as a percentage of the total operating cost as volume dropped and payer mix declined. Medicare and Medicaid volumes were up, while PPO and HMO were down; therefore, revenue experienced a decline per patient. Hospitals were fortunate that the federal government provided significant funding toward covering these costs. Management instituted a variety of actions to reduce costs and move funds into different areas to support caregivers. Going forward, management will be focused on the human resource issue as they try to attract staff, especially nurses, to keep the hospital open and offer all of its services. Costs will continue to climb, and

inflation will impact hospital operating expenses as well as increases in food, utilities, wages, benefits, maintenance, and purchased services.

In the boardroom:

- Support management in looking at new ways of reducing costs and improving productivity (e.g., explore use of AI and ML to reduce labor costs and increase automation).
- Closely monitor supply chain and labor costs; try to reduce registry and traveler staff (currently not easy!).
- Continue efforts to reduce the total cost of care by monitoring and measuring resource use, implementing measures focused on reducing duplication and eliminating waste.

10. Impact of the Biden Administration's Build Back Better Act (BBBA)

Due to pushback, the Senate removed the cuts in disproportionate share hospital (DSH) payments to hospitals in the 12 states that did not expand Medicaid. The BBBA provides enhanced cost sharing by the government for people below the federal poverty level buying insurance through the insurance exchanges. It also continues Children Health Insurance Program (CHIP) funding. The government can negotiate prices on behalf of Medicare-eligible participants for a few pharmaceuticals, which should result in lower costs. Lastly, the Biden Administration will be tougher on antitrust enforcement impacting healthcare mergers and acquisitions.

In the boardroom:

- Monitor the evolution of Medicaid policies and activities, including hospital volumes and payments (especially if your hospital is in one of the 12 non-expansion states).
- If you're anticipating a merger with another hospital or health system, expect stricter scrutiny by regulators; look carefully at antitrust implications prior to incurring the costs in time, effort, and money, and determine the likelihood of the arrangement being challenged or opposed.

Sustaining Governance Effectiveness in 2022

Boards and management will have their hands full in 2022. The healthcare industry is in flux with the pandemic and the variants, inflation, private equity investing heavily in this space, labor costs, and severe nurse and physician shortages. Board meetings

will take on a more operating focus and strategic thinking will be more difficult given the uncertainty. Some board members may decide that it is time for them to leave, allowing more appropriately skilled people to take their seats. Management and the board will seek to expand the number of board seats or fill empty seats with a target of diversifying their membership and obtaining needed competencies to enable the board to function at its highest level.

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The Board's Role in Diversity, Equity, and Inclusion: A New Year, Renewed Energy, and Drive for Change

By **Laura Orr**, Owner, *Forward Governance Consulting*

A new year brings new goals, new performance metrics, and a renewed focus on mission and strategy. While healthcare organizations continue to fight the COVID-19 pandemic and navigate the resulting workforce shortages, supply chain disruption, and financial constraints, 2022 also brings the opportunity to broaden strategic focus beyond the health crisis that defined the previous two years.

Despite a nearly all-consuming COVID-19 agenda, many healthcare organizations across the nation have been able to simultaneously elevate diversity, equity, and inclusion (DEI) as a strategic priority. Healthcare leaders and boards have spent many hours engaged in sensitive and challenging conversations, aligning on positions, and charting a DEI path forward. In 2022, healthcare leaders and boards will increase investments of time, attention, and dollars to drive DEI efforts forward and demonstrate measurable progress.

While hospitals and health systems vary in where they are in the DEI journey, the commitment to improve is resounding and governing bodies have a fundamental role to play in this work. Directors have fiduciary obligations to oversee quality and strategy and within that context, they must also ensure board composition and culture support the organization's DEI goals.

Strategic Oversight

Hospitals and health systems are investing in the development of DEI strategies, support infrastructures, and DEI-specific performance metrics. Many have created a stand-alone DEI strategy and others consider DEI a lens through which to view and achieve each component of the overall organizational strategy. Regardless of the institution's approach, directors should have a clear understanding of the current state, desired future state, and how progress will be measured. Ongoing dialogue between the management team and the board is needed to build awareness, continually refine the plan, and align messaging and priorities. The board should adopt metrics to monitor DEI progress and hold the management team accountable

to outcomes by incorporating these measures into annual balanced scorecards and incentive compensation plans. Finally, with DEI as a strategic imperative, the board must prioritize and protect those investments irrespective of changing economic conditions and other operational challenges.

Board questions:

- Does the organization have a DEI strategy in place or in development?
- Is the DEI strategy aligned with the overall organizational strategy?
- What investments are being made to implement the DEI strategy?
- What performance measures will be used to monitor progress of the DEI priorities?

Quality Oversight

Hospital and health system boards are charged with overseeing the quality-of-care delivery including health equity, identified as one of six key quality healthcare aims by the Institute of Medicine in 2001. The COVID-19 pandemic highlighted health inequities across the country in new and alarming ways. Boards have an obligation to understand disparities in health outcomes and to support improvement within the organizations they serve. While this area of data collection and reporting may be new

→ Key Board Takeaways

Healthcare boards have a critical role to play in improving diversity, equity, and inclusion across the industry. Going forward, it is imperative for boards to:

- View all decision making and core fiduciary duties through a lens of diversity, equity, and inclusion.
- Provide strategic oversight for DEI priorities and monitor key performance measures.
- Ensure health equity is a focus area within the organization's quality and safety program.
- Continually evaluate and enhance the composition and culture of the board to align with DEI goals.
- Serve as internal champions and external advocates for the organization's DEI efforts.

to many, boards should expect leadership teams to invest in this analysis and report on existing disparities, interventions, and improvement measures.

As community assets, not-for-profit healthcare organizations are obligated to address community needs. The community health needs assessment (CHNA) process provides an important opportunity to understand health inequities impacting the community and to create interventions as part of the community health improvement plan (CHIP). The quality committee and the board should have oversight for this process and plan.

Hospital and health system boards are skilled in making decisions with quality and safety at the forefront. Moving forward, boards must ensure that their quality and safety lens incorporates health equity. This will likely require new dialogue and learning until it becomes a reflexive consideration in the boardroom as policies are developed and investments are allocated. For example, COVID-19 brought a rapid rise in telehealth solutions, outpacing digital growth plans for most organizations. As digital strategies are now revisited and fast-tracked, an equity lens must be applied to ensure underrepresented populations have access to these solutions and are not disadvantaged in the realm of digital care delivery.

Equity is a key element of quality. Organizations and boards alike must become increasingly sophisticated in understanding where health inequities exist and develop interventions and measurement systems to drive improvement.

Board questions:

- Are the quality committee and the board reviewing health equity data regularly?
- What investments are being made to impact health inequities?
- How can the board foster more dialogue around health equity in policy making, strategy development, and investment decisions?

Board Composition and Culture

As healthcare governing bodies assess their role in advancing DEI, they must reflect on their own board composition and culture. Implementing a multi-year cultivation plan allows a board to strategically diversify its makeup, including race, ethnicity, gender, professional experience, and key skills and attributes. Increasing the diversity of a governing body to reflect its many constituencies requires intentionality and full board involvement.

An inclusive board culture is necessary to maximize board effectiveness and to fully engage directors. All board members, regardless of tenure or background, must feel their voice is valued and be comfortable sharing their unique perspective. Board leadership plays a critical role in ensuring an inclusive board culture and must be willing to address any existing barriers. Questions regarding the board's DEI efforts and culture should be included in annual board effectiveness surveys as one measure of accountability.

Board questions:

- What is the current composition of the board across multiple dimensions of diversity (race, ethnicity, gender, sexual orientation, professional experience, skillsets, etc.)?
- Does the organization have a multi-year cultivation plan, and does it aim to increase diversity?
- How will board-level diversity and inclusion efforts be measured?

Championship and Advocacy

Board members serve as both internal champions and external advocates for the organizations they govern. Internally, board support for DEI efforts should be evident to employees and providers throughout the hospital or health system. Directors can share their voices through existing employee communication channels, participate as guests in DEI committee or resource group meetings, and share best practices from their own professional experiences. Visible support from the board will help foster DEI within the organizational culture and help build momentum for achieving results.

Just as board members advocate on behalf of the organization's mission and vision, they should also work externally to create community awareness of its DEI efforts and outcomes. Sharing this work externally builds credibility and trust with patients, families, and corporate partners.

Board questions:

- How can directors best demonstrate support for staff?
- How can directors best share the organization's DEI journey in the community?

Leadership and investment are essential to improving diversity, equity, and inclusion in healthcare. Boards have a critical role in this work and can be catalysts for meaningful change. Much like quality and safety, governing bodies must

incorporate diversity, equity, and inclusion considerations as they carry out fiduciary responsibilities, continually evolve board representation and culture, and advocate on behalf of the organization.

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To Manage Volatility, Sharpen Your Enterprise Risk Management Strategy

By David Burik and Danielle A. Dyer, Partners, Guidehouse

Nearly every U.S. state had at least 70 percent of their hospital and intensive care unit beds occupied in early December, a daunting situation with the advent of the new omicron variant.¹ But new COVID-19 variants aren't the only culprits. It's also the increasing number of bedside nurses who are leaving hospital-based care for less stressful nursing positions—and stressed hospitals are struggling to close gaps in staffing.²

Across the industry, digital investment and enablement have become a table-stakes essential for providers as demand for virtual connections to care—including remote patient monitoring, a market projected to reach \$4.1 billion by 2028—rises.³ Yet, a HIMSS 2021 survey found that 52 percent of healthcare executives say their organization has not progressed beyond the pilot stage for digital innovation.⁴ Many struggle to prioritize investments and measuring ROI remains a challenge.

Meanwhile, vulnerabilities associated with remote staffing and new digital entry points for care exposed not-for-profit hospitals to heightened risk of cybersecurity attack, with the volume and severity of cyber-attacks reaching historic levels.⁵

Make no mistake, while this volatility has been exacerbated by the pandemic, it's a thread that's now woven into the industry's new normal. Managing these conditions demands a measured response from hospital and health system boards, not patience and rationalization.

- 1 Kimberlee Speakman, [“Nearly All States Have At Least 70% of Hospital and ICU Beds Occupied,”](#) *Forbes*, December 5, 2021.
- 2 Andrew Jacobs, [“‘Nursing Is in Crisis’: Staff Shortages Put Patients at Risk,”](#) *The New York Times*, August 21, 2021.
- 3 [Remote Patient Monitoring System Market Size, Share, and Trends Analysis Report by Product, by Application, by End-use, and Segment Forecasts, 2021–2028](#), Grand View Research, January 2021.
- 4 Susan Morse, [“The Digital Revolution Has Begun but 52% of Executives Have Not Progressed Beyond the Pilot Stage,”](#) *Healthcare Finance*, August 11, 2021.
- 5 Nick Hut, [“Fitch Describes the Heightened Risk Posed by Cyber-attacks on Not-for-Profit Hospitals,”](#) HFMA, July 27, 2021.

A Systemic Approach to Enterprise Risk Management Will Be Essential to Provider Success in 2022 and Beyond

Traditionally, enterprise risk management within hospitals and health systems has primarily focused on compliance and efforts to improve margins. However, today's enterprise risk management strategy demands the nimbleness of leadership to respond to the "next normal" by predicting, identifying, and monitoring risks such as worker shortages, cybersecurity, digital disruptors, and price transparency—and then ensuring responses are aligned and coordinated.

This is an approach that has long been deployed by organizations in the high-tech, manufacturing, and energy industries. Doing so will help leaders combat economic and operational uncertainty while strengthening stability in this era of transformative change.

→ Key Board Takeaways:

1. Lead through the staffing crisis:
 - Assess caregiver turnover rates across specialties.
 - Benchmark rates with local and national averages.
 - Work with leadership to create sustainable staffing roles, practices, and models.
2. Establish a philosophy for growth:
 - Evaluate the potential for M&A.
 - Ensure there is capacity for a successful integration—operationally and culturally.
 - Determine the organization's level of maturity around enterprise risk management.
3. Tie IT investments to business goals:
 - Build new metrics to evaluate performance more effectively.
 - Monitor engagement with new technologies.
 - Develop a business plan that reduces the potential for friction in the digital experience.

Disrupting Traditional Thinking Around Risk

A recent Guidehouse analysis found that health systems have diversified their risk-based payment strategies with a broader array of business lines, and nearly 60 percent of health systems plan to advance into risk-based Medicare Advantage models in 2022.⁶ Leaders are increasingly viewing risk models as a lever for revenue growth—critical given decreased demand for inpatient care.

Pre-COVID, leaders demonstrated an emphasis on growth, seeking opportunities not just to shore up market share, but also to expand key capabilities and gain access to scale. Growth was considered strategic, so there was minor focus on measuring the ROI of these pursuits beyond revenue. Merger and acquisition (M&A) deal volume reached historic proportions in 2017, and a rise in megadeals captured headlines from 2017–2018. Deals weren't limited to hospitals and systems. Physician practices also drew strong interest, with hospitals *acquiring 3,200 physician practices* from 2019–2020 alone.

But as hospitals and systems paid high prices for assets, leaders often had little experience in—or the stomach for—integration and margin creation. Without a clear vision for what an integrated system would look like and a path forward for achieving this vision, organizations often struggled to meet post-transaction goals two years after a merger.⁷

Further, as organizations accelerate digital investments to appeal to consumers' increased desire⁸ for digitally enabled care experiences—and as they work to strengthen resilience of existing infrastructure⁹ to protect organizations from new threats and risks—some expensive infrastructure improvements have missed their mark. According to a consumer survey, more than a quarter of consumers have changed providers due to a poor digital health experience and 53 percent would make the switch if it meant gaining access to touchless patient intake and registration tools.¹⁰

6 [2021 Risk-Based Healthcare Market Trends](#), Guidehouse, November 8, 2021.

7 Christopher Cheney, [“M&A Study: Acquired Hospitals Often Struggle to Meet Financial Goals,”](#) HealthLeaders, October 12, 2017.

8 Jackie Drees, [“Digital Health Adoption in 2020: 5 Tools Consumers Increased or Stopped Using,”](#) Becker's Health IT, March 4, 2021.

9 [“OECD Policy Responses to Coronavirus \(COVID-19\): COVID-19 and a New Resilient Infrastructure Landscape,”](#) February 22, 2021.

10 Sara Heath, [“Poor Digital Health Experience May Push Patients to Change Docs,”](#) *Patient Engagement HIT*, December 8, 2020.

At a time when revenue pressures are tightening for not-for-profit hospitals, with credit downgrades outpacing upgrades in 2020, health plans have made moves to systematically market-adjust prices for outpatient services and more aggressively use artificial intelligence to deny inpatient care.¹¹ By the end of 2020, the average claim denial rate for hospital claims rose 23 percent over 2016.¹²

Healthcare boards need a process for systematically structuring their organization's best strategic thinking around enterprise risk management. This begins by identifying organization-specific rules around risk management, taking into account the organization's capacity for risk and the internal and external challenges that could affect performance. It also involves determining key metrics that will give boards clear insight into the risk pressures their organizations face.

Developing a More Strategic Approach

In a post-COVID risk environment, healthcare boards can more effectively keep a pulse on risk by keeping these three questions top of mind.

1. What Is Our Caregiver Turnover Rate?

Staffing shortages—especially nursing shortages—threaten a hospital's ability to provide evidence-based care. They also strangle patient throughput, leading to scenarios where patients are intubated in hallways or—even worse—die waiting for care. Further, they impact the quality of patient discharge and the level of support staff can provide when patients or their families have questions related to their condition.

The impact of staffing shortages extends beyond the quality of care provided during the pandemic. It also leaves a lasting impression among consumers in the community the organization serves. Board members must keep a careful eye on metrics such as turnover rates across specialties compared with market and national averages. They also should proactively work with senior leaders and key stakeholders to determine: "How can we retain care talent?" Evaluating the extent to which organizations can ensure staff roles, practices, and models can support the staffing crisis more effectively is critical.

11 Alia Paavola, "[22 Non-Profit Hospitals Hit with Credit Downgrades Last Year, Fitch Says](#)," Becker's Hospital CFO Report, January 12, 2021.

12 Jacqueline LaPointe, "[Hospital Claim Denials Steadily Rising, Increasing 23% in 2020](#)," *RevCycle Intelligence*, February 2, 2021.

2. What Is Our Philosophy for Growth?

It's important to establish a philosophy for growth—and stick to it. “Thou shalt not extend beyond your primary service area” is a tongue-in-cheek principle, but it's rooted in the need to devise a thoughtful, highly strategic approach to healthcare M&A. Certainly, the pandemic magnified the difference between “haves” and “have-nots” in healthcare. Leading providers gained the opportunity to leverage their strong balance sheets to shape their local markets, while smaller players that struggled to maintain cash flow through the crisis found themselves on the lookout for organizations to acquire them. Board members whose organizations are financially well-positioned to acquire a healthcare asset must evaluate the potential for M&A based on their ability to extend their winning formula. This includes the capacity of leaders to ensure a successful integration, operationally and culturally. It also includes the organization's level of maturity around enterprise risk management. We have seen a long list of M&A deals that failed to close because the logic behind their execution ultimately did not make sense to boards in a rising-risk environment.

3. What Is Our Business Plan for Technology Investment?

A clear business plan for generating ROI is key. As large systems bet big on the power of data analytics to finetune operations, quality of care, and revenue,¹³ and as hospitals and systems clamor to develop their digital front door, boards need to ensure that these investments are tied to business goals, with metrics for evaluating performance. Such metrics could include the number of new appointments scheduled through a hospital's mobile app, reductions in no-shows or wait times, increased patient financial engagement (e.g., billing notices are sent via secure text, the patient portal, or an app), and patient satisfaction. They might also include the degree to which appointments are scheduled electronically versus with live support. As new technologies for consumer engagement proliferate, developing a clear business plan for investment not only ensures organizations obtain value from their investment, but also reduces the potential for friction in the digital experience—an emerging area of concern.¹⁴

13 Jessica Kim Cohen, “Why 17 Systems Invested \$95M in Data After a Tough Year,” *Modern Healthcare*, July 14, 2021.

14 Dave Muoio, “HIMSS21: Hospitals, Payers, and Startups Clamoring to be ‘Digital Front Door,’ and It's Overwhelming Patients,” *Fierce Healthcare*, August 10, 2021.

Maintaining a Future-Focused View

Across the industry, healthcare leaders are pondering what care delivery will look like once the pandemic is over. One thing is certain: this future state will not include a return to the pre-pandemic status quo—not with the level of disruption and change that has already occurred. By hardwiring a measured response for enterprise risk management, healthcare boards can strengthen resilience and better position their organization to successfully manage volatility in a COVID-transformed environment.

The Governance Institute thanks David Burik, a Partner for Guidehouse and leader of the Guidehouse Center for Health Insights, and Danielle A. Dyer, a Partner in the Health segment of Guidehouse, for contributing this article. They can be reached at dburik@guidehouse.com and danielle.dyer@guidehouse.com.

