



## Healthcare Forecast 2024: 10 Trends for Board Members, Senior Leadership, and Physician Leaders

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**The headwinds** shaping financial success or detriment for health systems, hospitals, and physicians for the past three years include labor (travelers, registry, or temporary staff); salaries, wages (with some states and cities passing minimum wage requirements), and benefits (SWB); cybersecurity attacks; drugs (especially

specialty drugs, now exceeding 40 percent of dispensary revenue); supplies; lower volumes (for most not quite reaching pre-pandemic levels; and recently, inflation and interest rate increases (causing debt and operating costs to be more expensive). Many of these elements will persist in shaping the financial, operational, and outcomes for 2024.

This article presents our perspective of the top trends and implications for 2024 for health system and hospital governance, management teams, and physician leaders.

### 1. Workforce challenges and labor unrest will continue:

- 2023 saw a surprising increase in healthcare worker strikes in organizations across the country (*Becker's Hospital Review* reported 22 strikes January through October).<sup>1</sup>
- Expect further strikes in 2024 with demands for high wage increases, minimum wage rate guarantees (e.g., recent California State legislation), enhanced benefits, and other concessions.

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1 Kelly Gooch, "U.S. Healthcare Workers Walk off the Job: 22 Strikes in 2023," *Becker's Hospital Review*, October 27, 2023.

- We see continued shortages of physicians, nurses, and other clinical personnel into 2024; there is nothing on the horizon to positively impact workforce supply.

In the boardroom:

- Monitor financial reports and budget forecasts to assess the impact of changes in mandated staffing ratios, increases in salaries, wages, and benefits due to inflation, merit and cost-of-living increases, travelers, locums, bonuses, and potential union contract changes.
- Consider developing your own staffing pool or shared pool with other hospitals.

## **2. Cybersecurity threats will persist and worsen:**

- Hospitals and health systems of all sizes are increasingly plagued with successful breaches that can paralyze operations and expose organizations to ransom payments, and patients to criminal damage. A July 2023 Healthcare Data Breach Report indicated that there were 395 incidents exposing or stealing data in healthcare that impacted 60 million patients in the United States in the first seven months of the year.<sup>2</sup>
- 2024 will bring more cyber-attacks and greater ransoms demanded.

In the boardroom:

- Designate sufficient funds to IT to protect and prevent damaging cyber-attacks and data breaches.
- Update, implement, and keep current a robust cybersecurity plan. Monitor this periodically at the board level to maintain awareness and vigilance.
- Education is essential to train staff against threats, phishing emails, and other internal physician breaches of HIPAA, personal patient data, and other forms of theft.

## **3. Value-based care will evolve (slowly) and be refined—“follow the money”:**

- Value-based payment systems will continue to push more care into less-costly care delivery sites; economic incentives will impact patient choice and physician behaviors.
- CMS will continue to roll out more care models with associated payment systems that will reward improved quality and cost reduction.
- New payment systems will be developed by health plans in partnership with physician organizations to incentivize care models that result in lower-cost and better quality using economic rewards for the physicians.
- Payments will begin to level off or decline to impact overall spending.
- Hospital-at-home as a new delivery model will see very slow growth.

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2 “July 2023 Healthcare Data Breach Report,” *The HIPAA Journal*.

In the boardroom:

- Does your organization participate in full-risk reimbursement models? If so, has financial performance been positive or negative? How might this change in the future, and are plans in place that model anticipated (or unanticipated) changes?
- Are you tracking individual physician performance under the value-based payment/ risk models? Are there behaviors that need to be addressed (negative), or modeled and demonstrated for others (positive)?
- Monitor performance to ensure that financial and clinical incentives are specifically aligned among all participating parties.

#### **4. Efforts to improve diversity and address SDOH will push forward:**

- Recognizing a needed and appropriate cultural shift, many health systems and hospitals will continue to build on the momentum already created around efforts to proactively increase diversity within their organizations.
- Many have created senior positions to oversee efforts to expand diversity of board and committee members, as well as in clinical and staff/management areas.

In the boardroom:

- Periodically assess the status of diversity actions that have been implemented to date and if they have resulted in the intended outcomes.
- Is there a diversity plan in place? What are the goals, objectives, and metrics associated with the plan, and what accountability steps are being taken?
- Assess the competencies of current board members and identify future gaps and needs; correlate these with diversity-expanding opportunities reflective of the communities you serve.
- Ensure that the organization's community health needs assessment (CHNA) is current and fully addresses SDOH needs and potential solutions in cooperation with other appropriate mission-oriented partners and community resources.

#### **5. Artificial intelligence, ChatGPT, machine learning, predictive analytics, and precision medicine will disrupt healthcare:**

- Healthcare applications of AI, machine learning, genetic profiles, precision medicine, and predictive analytics are integrally interrelated in their application to improve care delivery and outcomes. In the near future, these technologies will be significant disruptors (as well as enhancers and competitive differentiators) in care delivery.
- Initially, AI tools will begin to increase provider throughput as certain tasks and data amalgamation assist in shorter time spans to diagnose and then develop treatment plans.

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- AI will result in more standardization of care and enhanced patient experience.
- AI will be used more frequently in mental health and substance abuse care settings.
- Most likely, AI will experience slow adoption or small investments by providers in 2024.

In the boardroom:

- Ensure that board members, executives, and physicians understand that precision medicine using AI and machine learning tools will be key for health systems to manage value-based (risk) contracts for the care of patients and populations of people over time.
- Explore uses of AI in non-clinical services (e.g., revenue cycle, imaging, and other service areas) to further standardize care, lower costs, and improve quality.
- Consider collaboratives/partnerships with larger healthcare systems to join their efforts to share data and leverage collective resources to accelerate the development and application of AI.

#### **6. Mergers, acquisitions, partnerships, and collaboratives will increase:**

- Many health systems and hospitals that struggle in the current environment (especially in rural areas) will be faced with finding an appropriate partner. Alliances, mergers, acquisitions, collaboratives, or other partnership arrangements may be necessary to consider as options if they struggle financially, can't borrow money for capital projects, can't invest in strategic initiatives, face tough competition, or if the market is moving in a different direction.
- Efforts to acquire major physician groups, urgent care centers, ambulatory surgery centers, virtual care, and post-acute companies will continue at a robust pace in 2024.
- Organizations like CVS Health and Walgreens Boots Alliance, while growing, will selectively retrench some in 2024 as a result of overreaching in 2023.
- Venture capital and private equity will continue to invest in healthcare.
- Anticipate more scrutiny of mergers by regulators.

In the boardroom:

- Is there a merger, alliance, partnership, collaboration, or acquisition in the organization's future? Are there economies of scale that could be created through relationships with other entities through joint efforts?
- Examine your marketplace to determine if there are benefits to approaching other entities that might need help, or could create a mutually beneficial relationship through a financial, clinical, operational, or other alliance?

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- Strategically, what opportunities and threats do you perceive? How does this impact your short- and long-term collaboration strategy?

### **7. Inpatient volumes will not reach pre-pandemic levels for most providers:**

- Lower inpatient utilization will continue, despite an aging population and increasing chronic disease.
- Further shifts from inpatient to outpatient/ambulatory settings will continue to be driven by technological advances, pharmaceuticals, virtual care, home care, and other disruptive modalities.
- While there is some pent-up demand from 2021–2023 manifesting, it is mostly being seen in physician offices and outpatient settings.
- There is potential growth of virtual care.
- Expect more use of wearables by the population, especially the millennials.

In the boardroom:

- Track reports and trend-line data that show shifts in volume/market share, revenues, and payer mix for key service lines with high contribution margins, and inpatient, ER, outpatient, and post-acute care services.
- Consistently monitor factors with potential to further reduce inpatient use.

### **8. Payer mix will continue to deteriorate:**

- As the population ages, the Medicare payer mix will increase as a percentage of patients. Medicare Advantage now accounts for 40–60 percent of the Medicare markets throughout the country.
- As people continue to reevaluate their work/life balance and stay home to work remotely (evidenced by the large number of job openings), people will use Medicaid programs or health insurance exchanges instead of employer health insurance. Some of this unemployed workforce may not have insurance and choose to self-insure (take a chance of not getting sick).
- Expect that HMO and PPO health plans will gain (vs. lose, as in 2023) members due to an improved employment situation, unless there is a recession.
- CMS will impose payment reductions for physicians in 2024, which may result in providers choosing to stop serving Medicare patients.

In the boardroom:

- Closely monitor financial and operations reports showing changes in payer mix for all categories (Medicare, Medicaid, HMO/PPO, commercial, self-pay, and others) and service line types. Contribution margin reports by service line are invaluable tools for making strategic and operations decisions that impact clinical quality and patient access.
- Track total cost of care and revenue per unit.

## 9. Hospital operating issues will persist:

- As previously mentioned, labor costs will exceed payments and inflation.
- Underlying inflation is negatively impacting hospitals through higher drug costs, growing use of expensive specialty drugs, labor shortages, and investment in new technologies.
- Lower volumes will also strain margins along with negative payer mix changes.

In the boardroom:

- Supply chain issues have been largely addressed due to lessons learned during the pandemic. Periodically assess that lessons learned are consistently applied and avoid having a false sense of security around these circumstances.
- Hold management accountable for reporting operational challenges, use benchmarking and horizontal per-unit trends.

## 10. Price transparency will still be a challenge—“How much does that procedure really cost?”:

- Price transparency will continue to be an issue with consumers, regulators, and the public. It is still difficult to easily and consistently obtain accurate pricing information.
- Expect more federal focus on enforcing rules and regulations for healthcare organizations to provide more accurate and useful pricing information to consumers and patients.

In the boardroom:

- Assess how “price transparent” your organization is currently. Is your pricing information accurate, helpful, easily accessed (on your Web site), and understandable?
- Put yourself in the position of an interested consumer looking for price information for a procedure at your hospital. Can you find what you are looking for? Can you comparison shop with competitors? Are you satisfied that your target audience will be comfortable with the experience you are providing?
- Pricing information may be a potential patient’s “first contact” and impression of your organization. Is it favorable, and does it represent who you hope you are in their experience?

## View to the Future

Health system and hospital governing boards, senior leadership teams, and physician leaders face a challenging 2024. There are dynamic industry, economic, competitive, social, cultural, and even global forces impacting healthcare organizations. A unified

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approach to these circumstances will be essential to navigate the times ahead. Be vigilant regarding the organization’s mission; embrace the strategic and other plans (e.g., fundraising, capital, and operations), and do not neglect the state of the organization’s culture. Set clear goals and high expectations, hold people accountable for performance, and move forward as a team focused on success.

## Key Board Takeaways

- Update and cross-correlate strategic, operations, financial, capital, and philanthropic plans. Make sure these plans create synergies and enhance interdependencies versus operating in silos.
- Take steps to avoid cybersecurity and data breaches and HIPAA violations. Reduce risk by raising the bar for vigilance at every level. This includes even simple steps such as employees not using weak and easily hackable passwords, better recognizing phishing traps, screen timeouts, and others.
- Engage in robust strategic and financial scenario modeling to look beyond simple three-to-five-year horizons. Envision future IT, physical facilities, technologies, alliances, acquisitions, major disruptions, and related potential needs and opportunities. Stimulate the board to “see” alternative potential pathways and futures for the organization.

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