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C E O R E P O R T

INDUSTRY SURVEY HEALTHLEADERS MEDIA 2013

Optimism on the Upswing

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Perspective

HEALTHCARE LEADERS KNOW THAT INDUSTRY SOLUTIONS ARE UP TO THEM

Throughout much of 2012, the healthcare industry had to operate in the dark. Our organizations faced challenges and had needs, but we didn't know how the election would turn out in November and what impact the results might have on the future of healthcare reform. So we made decisions as best we could and positioned ourselves for what we hoped would be clarity in 2013.

The new year has now arrived, but it appears the clarity we hoped for has not. Yes, the president's reelection has ruled out the repeal of the Patient Protection and Affordable Care Act, but we're still left to wonder whether the states will adopt health insurance exchanges or partner with the federal government. And regardless of how the states react, it seems that real, definite solutions on a broad basis are still some distance away. So what course will healthcare leaders follow now?

The results of the annual HealthLeaders Media Industry Survey give us some insight into the answer to that question. Although the survey was conducted before the election, it tells us the best healthcare executives will continue taking action themselves with or without direction from Washington, D.C. According to the survey, healthcare leaders have identified their priorities as developing and implementing plans to enhance the patient experience, increasing patient satisfaction, improving clinical quality, and reducing costs by improving processes—and they won't be waiting on the government or anyone else to fulfill these priorities for them.

In fact, while about half the survey respondents said they thought one political party or the other (33% Republicans, 22% Democrats) had the best chance of

helping the industry resolve the cost-of-care quandary, nearly half would not pick either party; 15% said they did not know which party would be best, and 30% were very clear that neither party was in a position to do so. We believe healthcare leaders know it's up to them and the teams they work with to solve their problems and address their challenges.

The survey reinforces the belief that strong healthcare executives know their priorities better than anyone else. They know outcomes are their responsibility and that it's up to them to act deliberately and courageously on behalf of their hospitals. They recognize it takes vision, passion, and a sense of urgency to fulfill their financial, clinical, and quality initiatives.

We hope you'll review the results of this survey to learn what other healthcare leaders are thinking and to confirm you're not alone in your quest for improved care coordination, better clinical quality, increased reimbursements, and more efficient operations. Together, we are making a difference in the quality of healthcare in America. Congratulations on your success, and best wishes.



Stephen Mooney
President & CEO
Conifer Health Solutions
Frisco, Texas

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Methodology

The 2013 Industry Survey was conducted by the HealthLeaders Media Intelligence Unit, powered by the HealthLeaders Media Council. The HealthLeaders Media Council comprises executives from healthcare provider organizations who collectively deliver the most unbiased industry intelligence available.

In October 2012, an online survey was sent to the HealthLeaders Media Council and select members of the HealthLeaders Media audience. A total of 823 completed surveys are included in the overall Industry Survey report; 101 CEO responses are excerpted from the overall report and are included in this special report. The margin of error for a sample size of 101 is +/-9.8% at the 95% confidence interval.

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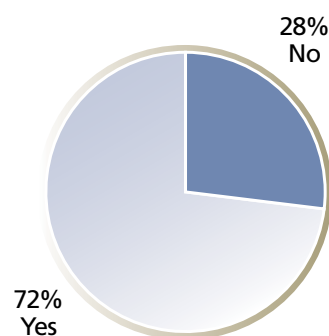
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Respondent Profile

Respondents represent CEO titles from across a variety of healthcare provider organizations, including hospitals, health systems, and physician organizations.

Community hospital



Base = 36 (Among hospitals)

Age

Base = 101

36–45	10%
46–55	31%
56–65	54%
66 or older	5%

Average age = 56 years

Type of organization

Base = 101

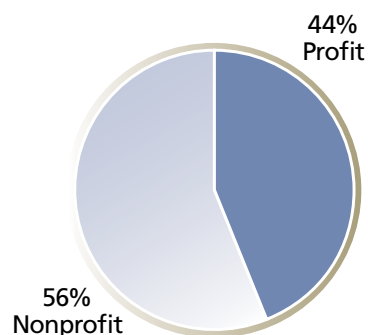
Hospital	36%
Health system	27%
Physician org.	18%
Long-term care/SNF	8%
Ancillary, allied provider	7%
Health plan/insurer	4%
Government, education/academic	1%

Number of beds

Base = 36 (Hospitals)

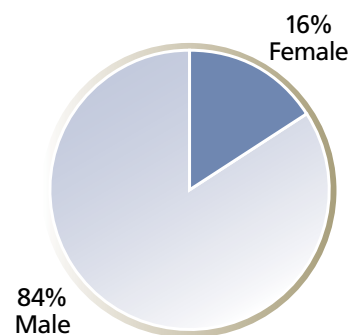
1–199	75%
200–499	17%
500+	8%

Profit/nonprofit



Base = 101

Gender



Base = 101

Number of sites

Base = 27 (Health systems)

1–5	19%
6–20	48%
21+	33%

Number of physicians

Base = 18 (Physician orgs)

1–9	33%
10–49	39%
50+	28%

CEO REPORT ANALYSIS

Optimism on the Upswing Among CEOs

BY PHILIP BETBEZE

Hospital and health system CEOs showed a renewed—through restrained—level of optimism about the future of the industry according to the more than 100 CEOs who responded to the annual HealthLeaders Media Industry Survey. In fact, only 44% of CEOs said healthcare is on the wrong track this year compared to 56% who felt that way last year. Also, 33% said healthcare is on the right track this year compared to only 19% who said it was on the right track last year. Of course, one in three hardly makes for a resounding endorsement of the state of the industry.

While the CEOs' opinions about the prospects for their own organizations are roughly the same (78% right track this year vs. 74% last year), the marked improvement in attitude about the industry in general could have a lot to do with the removal of uncertainty surrounding the implementation of the Patient Protection and Affordable Care Act, which the Supreme Court ruled on in June 2012.

"It's a realization that the ACA is the law of the land and here to stay," says Bruce M. Elegant, president and CEO of Rush Oak Park Hospital, a 176-licensed-bed hospital near Chicago that is part of the Rush health system.

WHAT HEALTHCARE LEADERS ARE SAYING

"Inner-city social/family support structures don't support healthy lifestyles, and neither do they support post-discharge compliance with care instructions. That's problematic for readmissions."

—CEO for a hospital

"Getting all the information technology in place (e.g., EHR) to properly extract, report, and obtain reimbursement per VBP will be a challenge."

—CEO for a health system

"Making headway instead of losing ground in reimbursement."

—CEO for a hospital

"Lack of trust relative to government's real desire, which is to cut costs. (Quality is not their main concern)."

—CEO for a health system

"The idea is in theory good, but the government and insurance companies are not to be trusted to keep the implementation of the idea clean or clear or fair in its implementation."

—CEO for a physician organization

"Our greatest concern is under the guise of VBP there is the potential for excessive revenue decreases that will not cover costs and will impact negatively both quality and access."

—CEO for a health system

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Analysis *(continued)*

Still, while there may be some comfort in PPACA becoming a largely settled matter, industry CEOs are nearly evenly divided on whether healthcare reform represents a threat (47%) or an opportunity (48%).

Indeed, Elegant says that the gain in optimism is tenuous because hospitals and other healthcare providers have yet to realize the transfer of risk that they're about to experience due not only to the implementation of the PPACA, but also from employer and health plan demands for better quality, safety, and other performance measures.

"The end result is that there will be greater risk shifted to providers at a time when providers are really not that good at accepting risk," he says. "That is generating a lot of anxiety and worry because we're being asked to do something that has traditionally been the role of insurance companies."

Elegant says increased scrutiny and penalties associated with satisfaction and readmissions may swing the optimism pendulum back toward the negative as hospitals dive deeper into areas they have previously not had to worry about.

The dominant threat identified by 93% of responding CEOs—reduced reimbursements—reinforces Elegant's prediction. Echoing many around

the country, he says that in the future hospitals will have to survive on rates of reimbursement that will not exceed what Medicare pays.

"Very few right now are break-even or profitable based on what Medicare reimburses," he says. "Some have estimated as much as 20%–30% of costs will have to come out."

How will they get there? The math is daunting. Elegant says much of the so-called low-hanging fruit has been harvested. "We joined GPOs, outsourced departments, and sat on travel expenses. Those are easy. The next step will be much more difficult because it will be savings related to care management."

That provides an easy segue into what the CEOs who took the survey see as the single most daunting challenge regarding clinical quality

"The end result is that there will be greater risk shifted to providers at a time when providers are really not that good at accepting risk. That is generating a lot of anxiety and worry because we're being asked to do something that has traditionally been the role of insurance companies."

—Bruce M. Elegant,
President and CEO
Rush Oak Park (Ill.) Hospital

Analysis (continued)

improvement: Care coordination and the continuum of care was first on the list with 27% of respondents. Similar care management challenges occupied the second- and third-place slots: Population health management received 21% of the response, and care episode payment bundling garnered 15%.

“Care coordination is certainly becoming the new buzzword,” says Elegant, who adds that performing that role is an entirely new concept not only for hospitals, but for almost all entities that provide healthcare services. However, hospitals are directly in the firing line for most penalties if care coordination is not done well.

Elegant says Rush Oak Park is working on a couple of methods to hew to the new landscape. The hospital has put together a medical home concept that assigns patients to a group practice at which care coordination is provided by a nurse practitioner, thus preventing readmissions. Further, on a pilot basis, the hospital has assigned nurse practitioners, at its own cost, to skilled nursing facilities in the area to which patients are most frequently discharged.

“Remember that beginning this fiscal year, hospitals will be penalized for readmissions, so it’s to our advantage to invest some resources to prevent that,” Elegant says. “This is an additional cost for the hospital

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right now to avoid a penalty. As we move forward under the ACA, and ACOs become more widespread, there will be a financial incentive to invest in these resources; but currently, it’s an added cost.”

Business intelligence and analysis is one way many hospitals hope to get better control of cost and quality, but it’s a function described as neutral, weak, or very weak by more than half of CEOs. Only 9% consider their organization very strong in this regard, with another 34% describing this function as strong. And yet, with considerable room for improvement, only 7% of CEOs described business IT as a top-three priority.

“There are software solutions and some are very good, but they require accurate and timely data to feed them,” Elegant says. “If you get results six months after you submit the data, they won’t do you a lot of good with decision-making.”

“Very few right now are break-even or profitable based on what Medicare reimburses. Some have estimated as much as 20%–30% of costs will have to come out.”

—Bruce M. Elegant,
President and CEO
Rush Oak Park (Ill.) Hospital

Analysis (continued)

With further development of the electronic medical record, however, Elegant says software solutions will improve and provide better business intelligence. In other words, business intelligence in healthcare is not quite ready for prime time, at least as CEOs see it.

“For that reason, we’re much more focused on how we’re going to reduce our costs, live with the playbook, and how we’re reimbursed,” he says.

“That’s probably why it’s a much lower priority. It’s something we could use, but in the grand scheme it’s not among the highest priorities.”

When choosing among options for cost-cutting, Elegant says CEOs must overcommunicate with employees on a consistent basis.

“It’s important from the CEO to senior management to the department manager to overcommunicate with employees regarding the state of the economy and healthcare and what is going on in our local marketplace so they feel vested in what we’re doing,” he says. “It’s worked to share with the employees that we are doing everything we can to be efficient; we value our employees and want to do things that are least disruptive, so we’re looking at cost-sharing and the benefit structure first.”

One such initiative involves employee health costs, which serves the dual

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purpose of educating employees on the same concerns employers outside healthcare have—skyrocketing costs. Employees who sign up with the hospital’s Choose Health program are screened for health risks and follow up with a physician. They get a cash reward for doing so, and a discount on premiums.

Right behind patient experience and satisfaction (48%), CEOs most often cited cost reduction and process improvement (46%)

as among their top three priorities. And when asked to cite specific cost control measures that will likely be implemented or continued at their organization in the next year, the top response, cited by 41% of CEOs, was a change in employee health insurance plans.

“We joined GPOs, outsourced departments, and sat on travel expenses. Those are easy. The next step will be much more difficult because it will be savings related to care management.”

—Bruce M. Elegant,
President and CEO
Rush Oak Park (Ill.) Hospital

Philip Betbeze is senior leadership editor for HealthLeaders Media.

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FIGURE 1 | Current State of the Healthcare Industry

Q | Overall, how do you assess the current state of the healthcare industry?

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FIGURE 2 | Current State of Your Organization

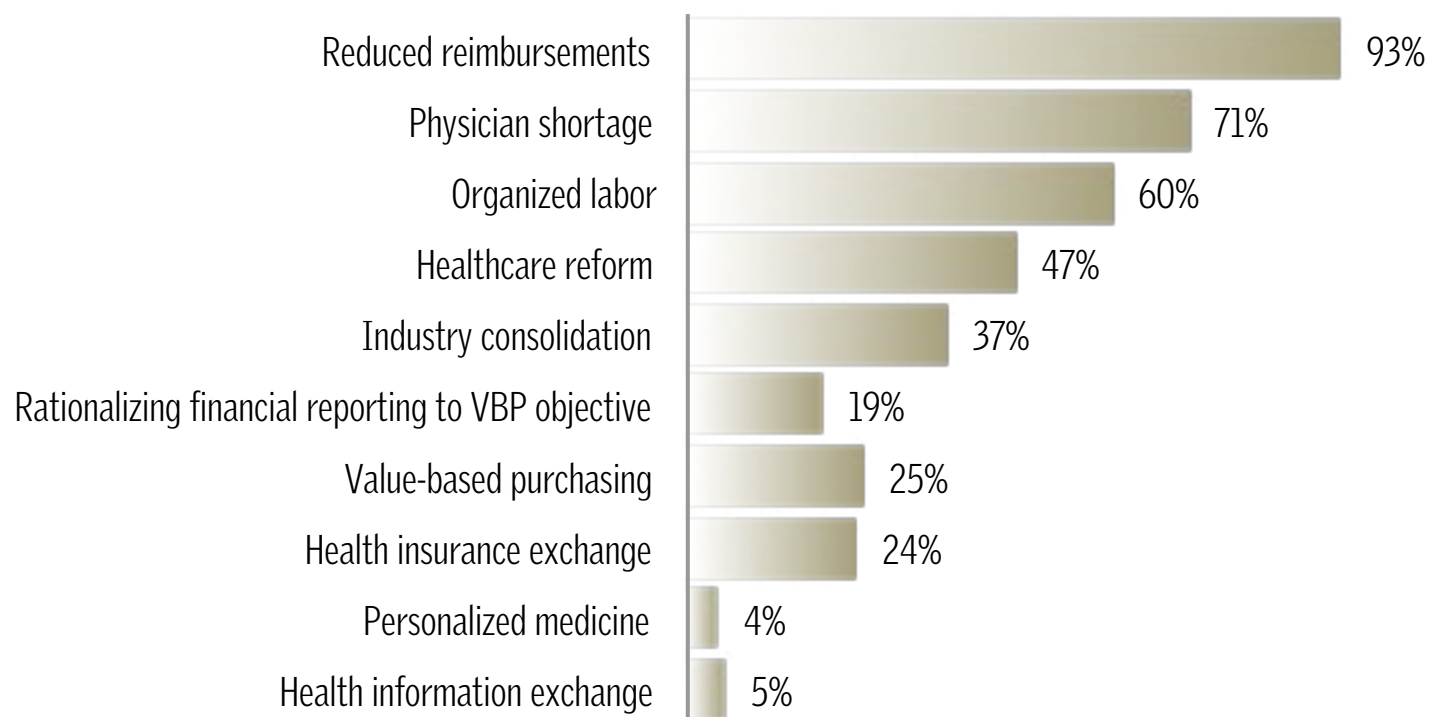
Q | Overall, how do you assess the current state of your own organization?

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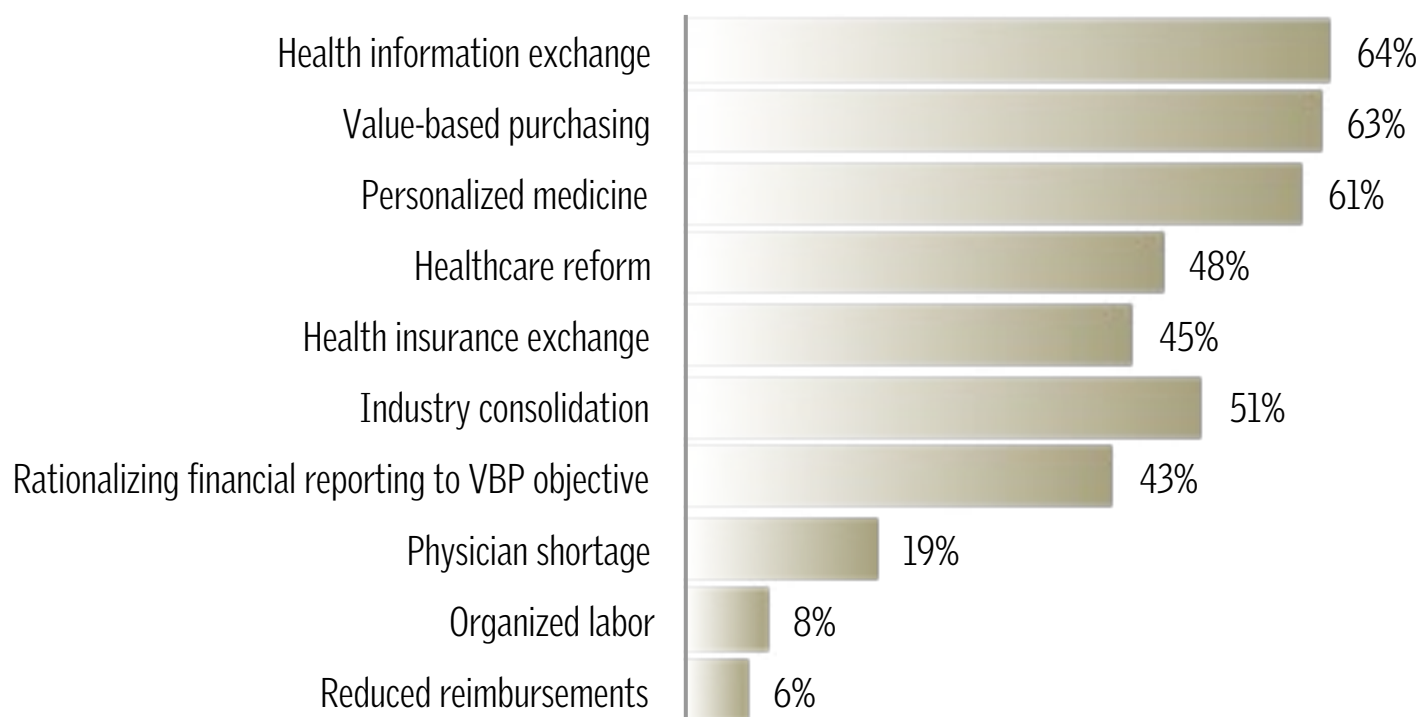
FIGURE 3 | Top Three Priorities for Next Three Years

Q | Please select your organization’s top three priorities for the next three years.

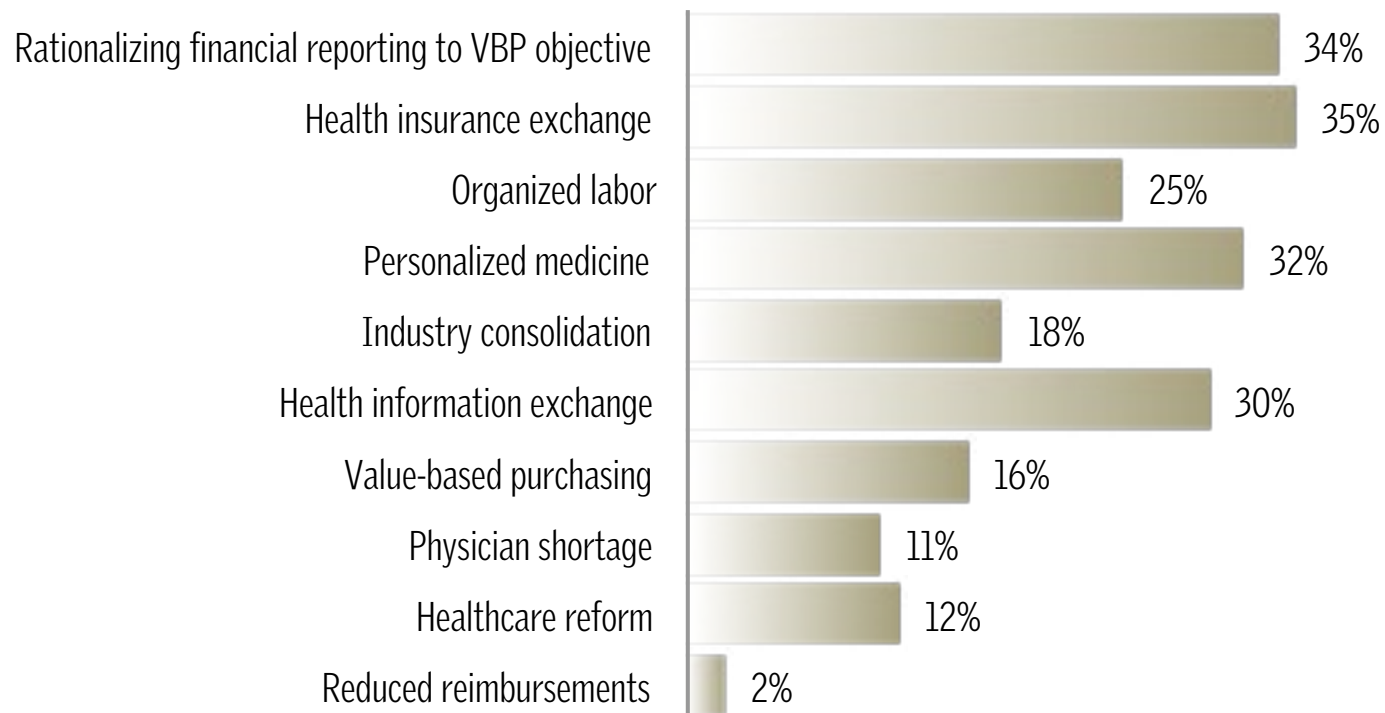
CEO responses	
	Percent
Patient experience and satisfaction	48%
Clinical quality	40%
Cost reduction, process improvement	46%
Care models (population health, medical home, etc.)	23%
Physician-hospital alignment	30%
Information technology (clinical)	20%
Strategic partnerships	42%
Reimbursement models, shared risk	24%
Information technology (business)	7%
Access to capital	12%
Care continuum	8%
Base=101, Multi-Response	

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Base=101, Multi-Response

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Base=101, Multi-Response

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Base=101, Multi-Response

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FIGURE 7 | Single Greatest Challenge for Clinical Quality Improvement

Q | Regarding clinical quality improvement, which of the following areas represents the single greatest challenge for your organization?

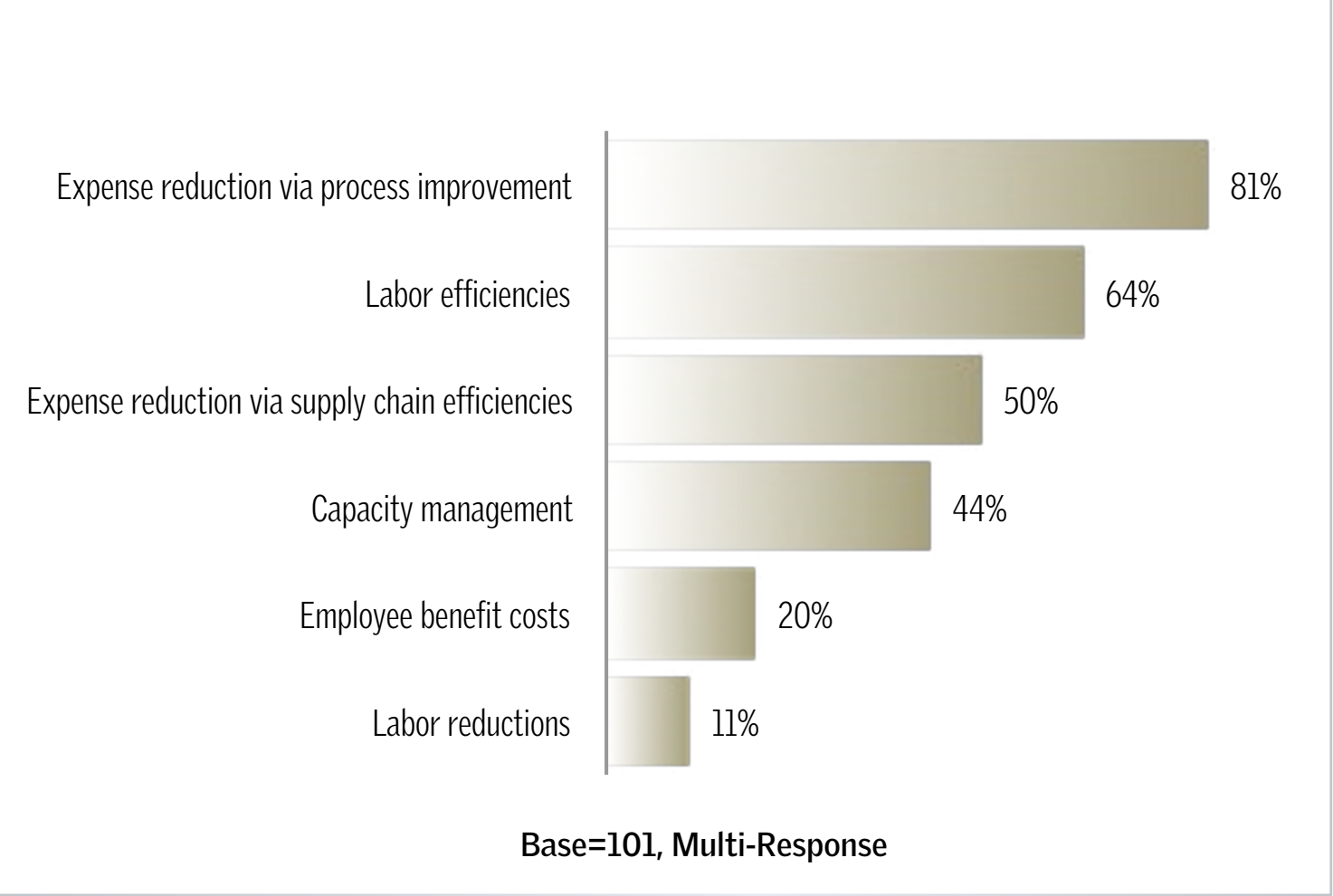
CEO responses	
	Percent
Care coordination, continuum of care	27%
Population health management	21%
Readmissions	4%
Care episode payment bundling	15%
Clinical quality metrics	15%
Staff buy-in	8%
Patient experience	4%
Medical home	2%
Patient safety	1%
Other	2%
Base=98, Among applicable	

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FIGURE 8 | Top Three Focus Areas Next Year to Control Costs

Q | What are the top three areas you will focus on next year to control costs?

CEO responses



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FIGURE 9 | Cost Control Measures

Q | Which of the following cost control measures will likely be implemented or continued at your organization in the next year?

CEO responses	
	Percent
Reduced travel	38%
Change in employee health insurance plans	41%
Hiring freeze	29%
Reduced hours	28%
Pay freeze	23%
Reduced employee benefits	24%
Reduced training	8%
Permanent layoffs	16%
Unpaid furlough	4%
Pay cuts	3%
None	23%

Base=101, Multi-Response

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FIGURE 10 | Current Overall Performance for Various Groups

Q | How would you rate the current overall performance of the following groups in your organization?

CEO responses					
	Very strong	Strong	Neutral	Weak	Very weak
Leadership team	30%	59%	9%	2%	0%
Board of trustees	19%	47%	24%	10%	1%
Finance staff	23%	52%	20%	5%	0%
Nursing staff	11%	58%	26%	4%	1%
Physician staff	19%	47%	30%	4%	1%
IT staff	19%	37%	33%	11%	1%
Mid-level managers	2%	49%	37%	11%	2%
Base=101					

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FIGURE 11 | Current Overall Performance for Various Functions

Q | How would you rate your organization’s current performance of the following functions?

CEO responses					
	Very strong	Strong	Neutral	Weak	Very weak
Dedication to mission	45%	32%	20%	4%	0%
Patient safety	31%	50%	18%	1%	0%
Clinical quality	33%	53%	13%	1%	0%
Patient experience	21%	46%	31%	3%	0%
HIT	19%	35%	30%	16%	1%
Care coordination	10%	40%	32%	19%	0%
Business intelligence, analysis	9%	34%	32%	20%	6%
Cost control, process improvement	7%	43%	32%	19%	0%
Base=101					

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FIGURE 12 | Current Overall Performance for Various Aspects

Q | How would you rate your organization's current performance of the following aspects of your organization?

CEO responses

	Very strong	Strong	Neutral	Weak	Very weak
Prospects for growth	18%	48%	22%	12%	1%
Fiscal management	19%	60%	14%	6%	1%
Strategic planning	22%	53%	20%	4%	1%
Construction/capital improvements	12%	37%	41%	8%	3%
Physician recruitment and retention	9%	44%	37%	9%	2%
Strategic marketing	9%	35%	35%	18%	4%
Physician-hospital alignment	7%	38%	44%	10%	2%
Capacity management	12%	50%	31%	7%	1%
Price transparency	9%	29%	36%	22%	5%
Dealing with uncompensated care	2%	21%	56%	17%	4%

Base=101

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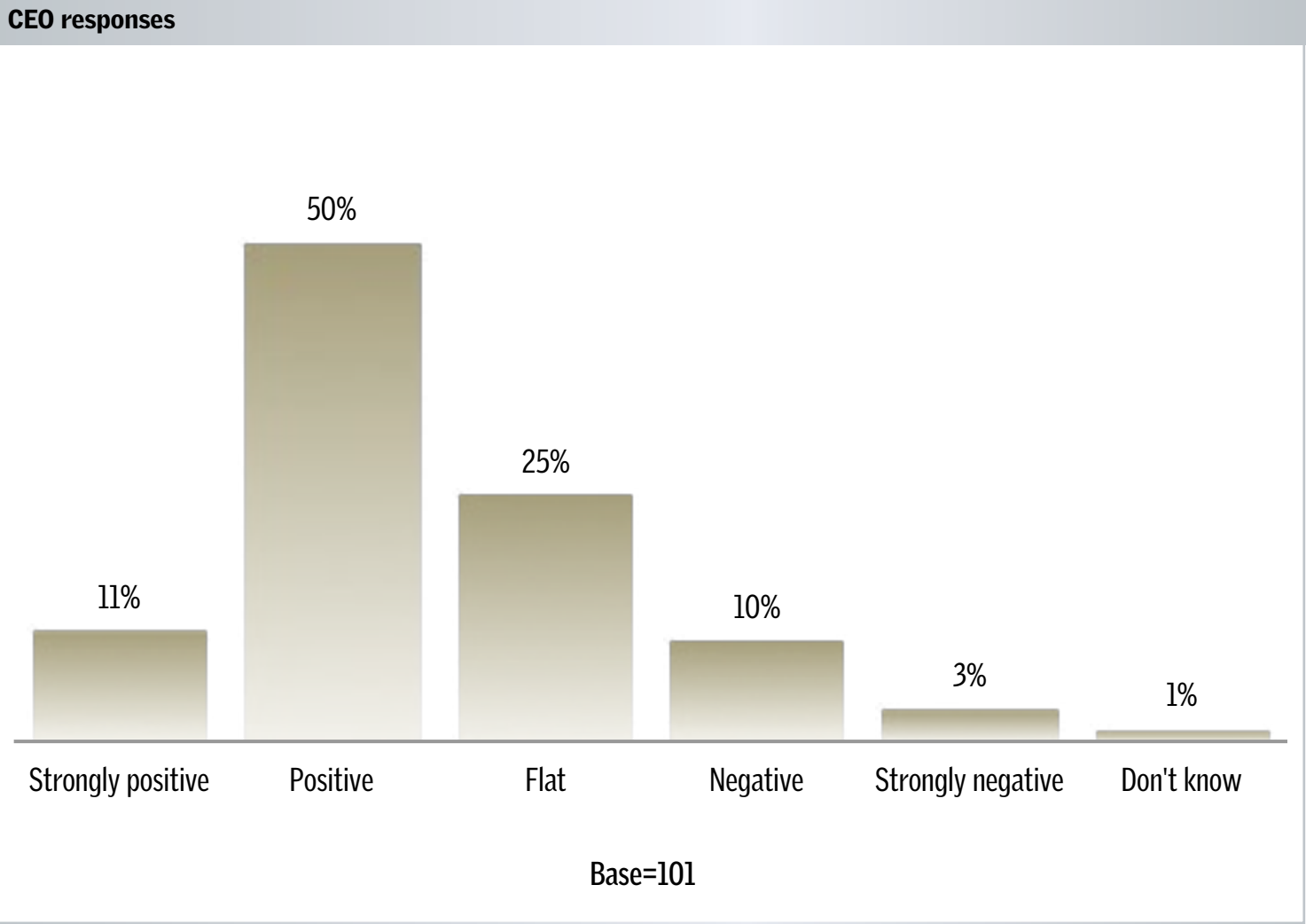
FIGURE 13 | Job Satisfaction

Q | Describe your overall job satisfaction.

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FIGURE 14 | Organization's Financial Forecast for 2013

Q | What is your organization's financial forecast for the 2013 fiscal year?



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FIGURE 15 | Areas Taking Up More Bandwidth Than They Should**Q | Which of the following areas are taking up more of your leadership bandwidth than they should?****CEO responses**

	Percent
Regulatory, compliance issues	59%
Physician relations	31%
Operations	26%
Payer-provider contracts	27%
Finance, accounting	22%
Political, lobbying matters	24%
Governance, board relations	20%
Strategic planning	9%
Clinical care	5%
Community outreach, public relations	16%
None of the above	5%

Base=101, Multi-Response

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FIGURE 16 | Fueling Financial Growth Over the Next Five Years**Q | How will your organization fuel financial growth over the next five years?****CEO responses**

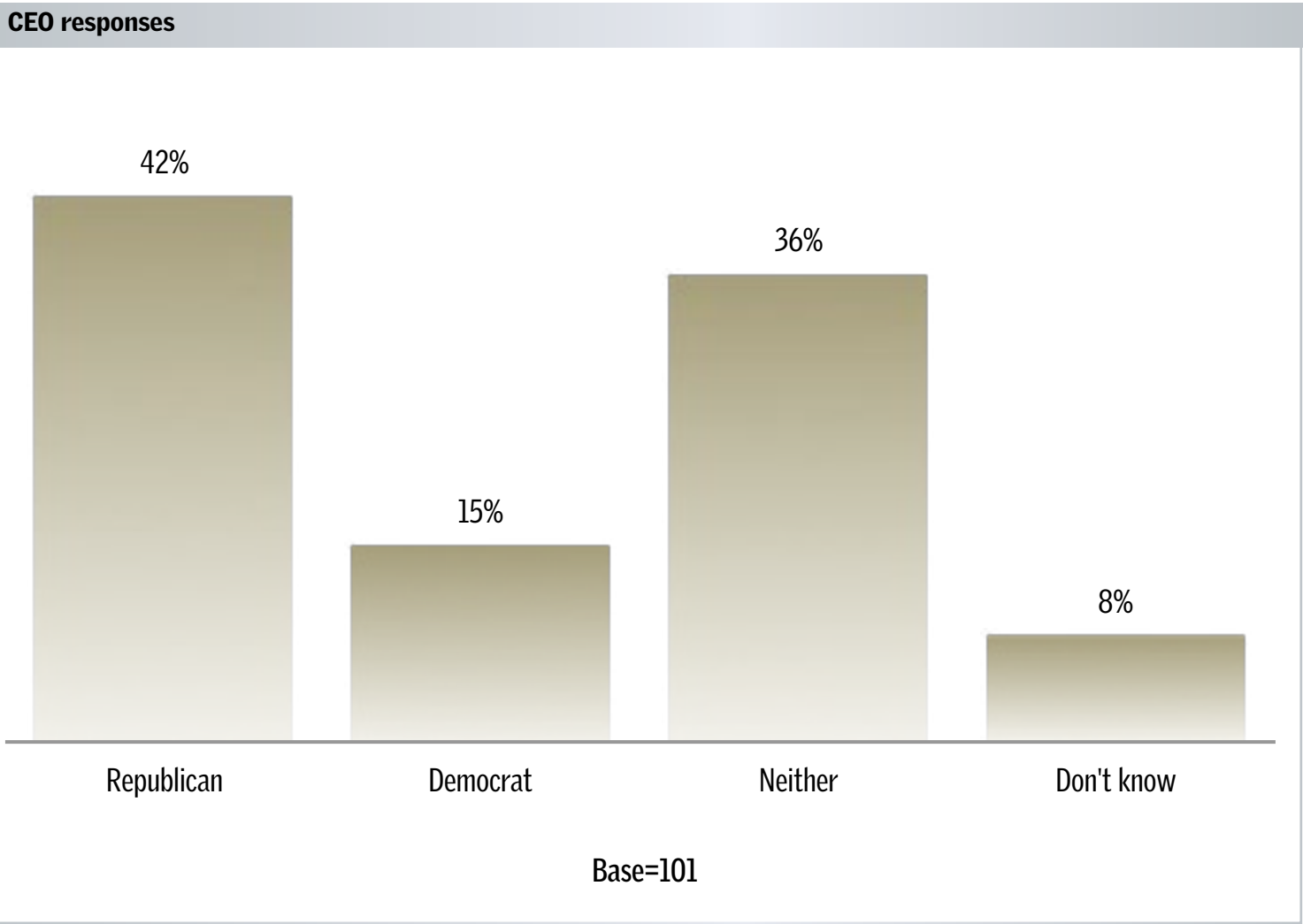
	Percent
Expand outpatient services	54%
Start or increase promising business or facilities	50%
Strategic marketing campaign for existing market	46%
Enter into joint ventures	46%
Acquire physician practices	36%
Develop or join an ACO or PCMH	38%
Strategic marketing campaign for new market	36%
Acquire or merge with competing or other hospitals	30%
Develop or partner with a convenient care facility	18%
Increase inpatient bed capacity	11%
Develop or grow non-healthcare-related business	16%

Base=101, Multi-Response

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FIGURE 17 | Political Party With the Best Chance of Helping Healthcare Industry Resolve Cost-of-Care Quandary

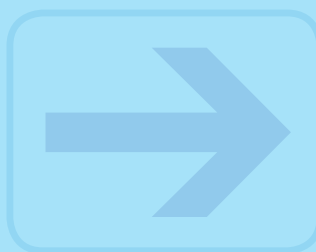
Q | Which political party has the best chance of helping the healthcare industry resolve the cost-of-care quandary?



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