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Overall Cross-Sector Survey



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Healthcare Leaders Reveal Uncertainty on Reform

OF
ALL LEADERS
SURVEYED:

35

PERCENT

Have a positive assessment of the Patient Protection and Affordable Care Act

55

PERCENT

Say their organization will develop or be part of an ACO within 5 years

76

PERCENT

Say uncompensated care will have a negative or strongly negative impact on their organization in the next 3 years

Despite pessimism about the industry overall, leaders assert optimism about their individual situations.

Concerns about healthcare reform legislation dominated the *2011 HealthLeaders Media Industry Survey*. In the annual survey, the top leaders of healthcare organizations nationwide shared their opinions about the challenges they face in the upcoming years in the era of healthcare reform.

One of the keys to understanding the mood of senior hospital leaders comes from examining a key disconnect that perhaps mirrors to some degree the lack of understanding from voters about what the Patient Protection and Affordable Care Act will and will not do. Leaders at the nation's hospitals and health systems certainly are a more sophisticated lot than rank-and-file voters who do not have a deep understanding of healthcare's challenges surrounding cost escalation, overutilization, and uneven quality. However, that does not mean healthcare leaders aren't susceptible to distorted views about the industry or their institution's role in it. In fact, the survey results suggest their opinions reflect a certain level of perception inflation.

What that means is that senior hospital leaders overwhelmingly think their organization is on the right track

toward achieving the goals that health reform sets out to achieve, but they are more than a little skeptical about where their peers are on the problem-solving continuum.

"I do think that's fascinating," says Deborah Zastocki, president and CEO of 245-staffed bed Chilton Hospital in Pompton Plains, NJ. "Their organization is okay, but they're not sure about the rest of the country."

Part of that disconnect could stem from familiarity, she says. "Perhaps it's saying, 'I have a strategic plan, and I'm maintaining a flexibility and adaptability to the changing healthcare landscape.'"

Similarly, top leaders in healthcare organizations seem ambivalent about the role accountable care organizations are going to play in the new environment as it evolves. For instance, 41% of CEOs and other top executives answered "neutral" when asked a question about how ACOs will affect these executives and their organizations over the next three years. Still, 45% said they thought ACOs would have a positive or strongly positive effect on their organization. However, much still needs to be made clear about how ACOs should best be constructed.



“Everyone thinks they know what a unicorn looks like but no one’s ever seen one,” Zastocki quips. With ACOs, “it’s hard to know if you’re on the right track.”

The message about doing more with less in the future is one that isn’t lost on the majority of CEOs who participated in the survey, however. That’s borne out in that cost reduction was the top focus of senior leaders, with quality and patient safety second, reimbursement third, and patient experience and satisfaction a close fourth.

“What is so clear to us is that no matter what happens with healthcare reform, there has been a fundamental change in the business model,” Zastocki says. “How we go about adapting will be the challenge going forward.”

TOMORROW’S PRIORITIES

QUALITY

Curiously, for healthcare leaders who specialize in quality improvement, initiatives focused on quality seem less of a priority than in the past. Quality and patient safety still are cited as the No. 1 priority, but this year just 58% of quality leaders ranked it among their top three priorities, down from 65% in the 2010 survey and 84% in the 2009 survey. However, other priorities like patient experience and satisfaction and developing an accountable care organization represent the second- and third-highest priorities, suggesting the pursuits don’t operate in isolation from one another. Perhaps that’s in part because of a better understanding of the Patient Protection and Affordable

“What is so clear to us is that no matter what happens with healthcare reform, there has been a fundamental change in the business model.”

Care Act. While the healthcare reform legislation’s language is geared to quality improvement, it also aggressively targets reduced spending, and that’s the impact that has every hospital executive’s full attention and is the No. 4 priority among quality leaders.

FINANCE

Speaking of costs and spending, top healthcare finance executives have decided that cost-cutting is their top priority for 2011 and beyond, thanks to the fact that 59% say the reform act will have a weakening effect on their financial position. Cost-cutting was the top priority for 39% of senior finance leaders, followed closely by quality initiatives and reimbursement. That makes sense, because of the law’s increasing focus on quality measures as an arbiter of reimbursement amounts. Even if only a small percentage of reimbursement is initially at risk based on quality measures, it has leaders’ full attention.

TECHNOLOGY

Meaningful use standards, despite the frustration healthcare technology leaders have with its deadlines, seem to be providing a strong impetus for laggards to finally get on with adopting



new technologies that have been around for a while, such as physician order entry systems or even a clinically and financially integrated electronic medical record system. IT staff and budgets, meanwhile, are two areas that seem unaffected by the recent poor economy; technology leaders project continued growth. Seventy-three percent say the number of employees will grow over the next five years, and leaders expecting staff reductions dropped sharply from last year's 7% to just 1% this year. There is a continued growth, too, in the IT budget as a share of the organization's overall operating revenue. Fourteen percent of tech leaders command 7% or more of that overall figure, up from 13% last year and from 5% the year before that.

NURSING

Nurse executives' top priorities are their organization's patient experience and satisfaction along with quality and patient safety, selected as a top-three priority by 47% and 43% of respondents, respectively. The third- and fourth-ranked priorities involve cost reduction (30%) and reimbursement (22%). One important way to improve patient care, according to nurse leaders, is through improved nurse-to-patient ratios. In other words, the closer to 1:1, the better the care, nurses contend. With patient rolls expected to mushroom as more previously uninsured get coverage, and with a nationwide nursing shortage that has only been contained, not solved, during the recession, it seems unlikely that nurse-patient ratios will improve.

COMMUNITY AND RURAL

Physician recruitment and retention continues to be a top-three priority for rural providers, though less so than last year when 44% cited it compared to 30% in the 2011 survey. Only 13% of nonrural leaders deemed that a top priority, which also is down from last year's 27%. ACOs are less of a priority for this cohort of leaders. While 34% of leaders in community and rural settings say ACOs will have a positive or strongly positive effect for their organization, that number is 53% among nonrural, noncommunity healthcare leaders. Only 17% of rural leaders say developing an ACO is a priority, compared with 28% of nonrural leaders.

PHYSICIANS

Physician leaders represent a mixed bag of opinions when it comes to healthcare reform. While they are excited about the provisions for insurance for the previously uninsured as well as efforts at quality improvement, as a group, they are concerned that the law does little or nothing to address the shortage of primary care physicians or malpractice concerns. Further, physicians are worried that continued downward pressure on reimbursements will not only hurt their standard of living, but exacerbate the physician shortage. They also expressed general enthusiasm about the ACO concept. In discussing healthcare issues that would impact their organizations over the next three years, 37% of survey respondents say that ACOs would have a positive impact, while more than 12%



were strongly positive. About 15% were negative or strongly negative; 35% were neutral. And 25% say that developing an ACO is a top priority for them, putting it fifth on a list behind cost reduction, quality/patient safety, patient experience/satisfaction, and reimbursement.

MARKETING

Most healthcare marketing leaders are involved in physician relations or sales, but their organizations are not devoting enough resources or aggressiveness to the task. Respondents indicated that they wanted to dedicate more FTEs to physician sales (47% say four or more FTEs is ideal, while only 24% have that many), while at the same time, 42% say their marketing to physicians strategy is neutral, not very aggressive, or not aggressive at all. “With the push to define and then build ACOs, everyone knows keeping your network tight and keeping

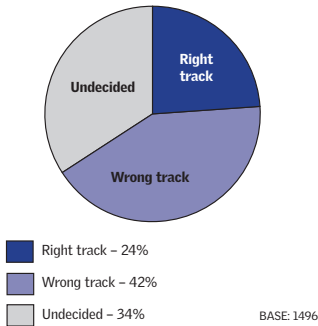
referrals in your network is going to be more important than ever,” says Brooke Tyson Hynes, vice president of public affairs and communications for Tufts Medical Center in Boston.

Marketing leaders continue to speak highly of social network marketing, but have yet to devote significant resources in that area. While 87% said they view consumers’ use of social media as very positive or positive for their organization, 18% have no social media component to their marketing efforts, and 43% commit less than 10% of their marketing efforts to social media elements. More than half (53%) are neutral on how effective social media is in their marketing efforts.

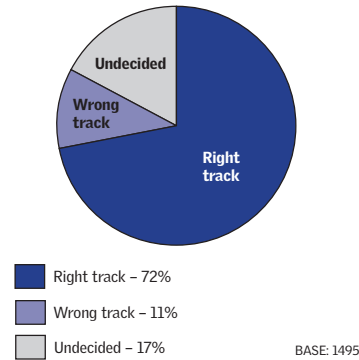
—PHILIP BETBEZE



1. Overall, how do you assess the current state of the healthcare industry?



2. Overall, how do you assess the current state of your own organization?



3. Rank your organization's top 3 priorities for the next 3 years.

	Priority 1	Priority 2	Priority 3	2011 Percent selected	2011 Rank	2010 Percent selected	2010 Rank	2009 Percent selected	2009 Rank
Quality/patient safety	17%	10%	10%	37%	1	40%	1	69%	1
Cost reduction	15%	11%	10%	36%	2	36%	3	21%	6
Patient experience/patient satisfaction ¹	10%	12%	11%	33%	3	38%	2	26%	3
Reimbursement	8%	9%	9%	26%	4	26%	5	23%	5
Developing an accountable care organization	8%	7%	7%	22%	5	NA	NA	NA	NA
Technology system/equipment	4%	7%	8%	19%	6	17%	7	13%	9
Care coordination	6%	7%	5%	18%	7	14%	8	NA	NA
Physician recruitment and retention	6%	7%	5%	18%	8	31%	4	35%	2
Construction/capital improvements	5%	4%	5%	14%	9	19%	6	24%	4
Uncompensated care	3%	3%	4%	11%	10	6%	15	NA	NA
Physician staff ventures/realignment	2%	4%	4%	10%	11	10%	10	10	11
Revenue cycle	4%	2%	3%	9%	12	10%	11	20%	7
Mergers & Acquisitions	3%	2%	3%	8%	13	6%	16	NA	
New clinical products/services	2%	3%	3%	7%	14	10%	9	11%	10
Leadership development	2%	2%	3%	7%	15	7%	13	7	13
Employee satisfaction	1%	3%	3%	7%	16	10%	12	8%	12
Physician employment	2%	3%	2%	6%	17	NA	NA	NA	NA
Nurse/staff recruitment and retention	1%	2%	1%	4%	18	6%	17	14%	8
RACs	1%	1%	2%	4%	19	7%	14	NA	NA
Episode of care/bundled payments	0%	2%	2%	4%	20	3%	19	NA	NA
Base				1458		1180		1148	

¹ In 2009, asked as Consumer satisfaction

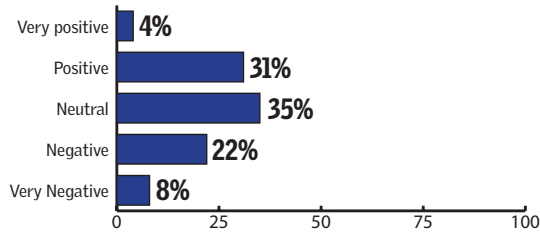


4. How will the following healthcare issues impact your organization in the next 3 years?

	Strongly Positive Impact	Positive Impact	Neutral	Negative Impact	Strongly Negative Impact	Base
EHR adoption	27%	42%	20%	9%	1%	1441
Patient experience, patient-centered care	26%	56%	15%	3%	0%	1444
Quality improvement initiatives	21%	57%	18%	4%	1%	1439
Increase of insured patients	15%	49%	23%	8%	5%	1445
Accountable care organizations	13%	36%	38%	11%	2%	1442
Medical home	11%	32%	48%	8%	1%	1432
Comparative effectiveness research	7%	37%	50%	5%	1%	1428
Episode of care/bundled payments	7%	20%	31%	37%	6%	1439
Meaningful use criteria	7%	39%	38%	15%	2%	1435
Physician supply, primary care	7%	23%	31%	34%	5%	1442
Medicare/Medicaid/Tricare reimbursement rates	6%	7%	15%	48%	24%	1441
Mergers and acquisitions	6%	21%	61%	10%	2%	1438
Physician supply, specialty care	6%	23%	33%	33%	5%	1432
Private payer reimbursement rates	6%	15%	25%	46%	9%	1437
ICD-10	5%	16%	51%	24%	4%	1421
Stimulus package	5%	26%	49%	15%	6%	1435
Increased regulatory scrutiny	4%	9%	26%	45%	16%	1450
72-hour payment window	4%	18%	46%	27%	5%	1425
RACs	3%	8%	41%	35%	13%	1429
Uncompensated care	3%	4%	18%	46%	30%	1432
Malpractice concerns	2%	4%	62%	26%	5%	1444
Nurse supply	2%	15%	51%	29%	3%	1444
Organized labor	1%	3%	52%	27%	17%	1440

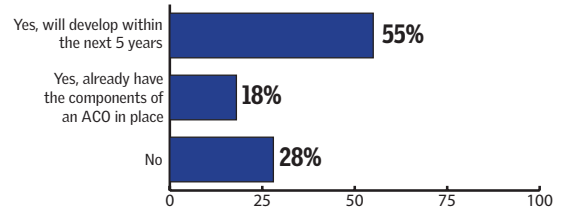


5. What is your assessment of the Patient Protection Act?



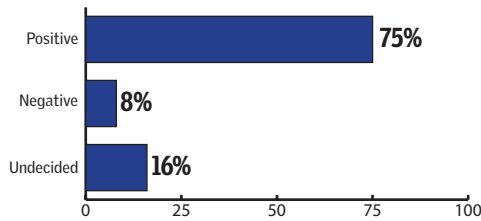
Base: 1479

6. Will your organization be part of an accountable care organization within the next 5 years?



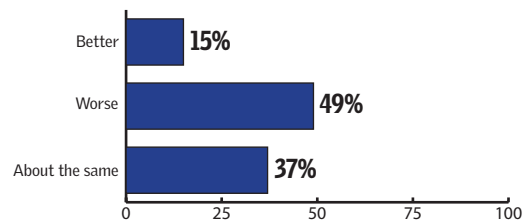
Base: 1444

7. How do you view the growing role of mid-level providers in primary care?



Base: 1485

8. What is your expectation for your payer-provider relationships in the coming year?



Base: 1482

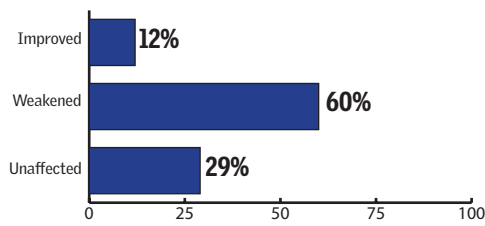


9. Rank your organization's top 3 drivers of healthcare costs.

	No. 1 Driver	No. 2 Driver	No. 3 Driver	2011 Percent	2011 Rank	2010 Percent selected	2010 Rank	2009 Percent selected	2009 Rank
Government laws and mandates	27%	18%	15%	61%	1	56%	1	58%	1
Labor costs	27%	14%	14%	55%	2	31%	4	40%	2
Clinical technology	14%	17%	14%	44%	3	22%	8	37%	3
Overutilization of service ¹	11%	11%	9%	31%	4	43%	2	19%	8
Patient lack of responsibility ²	6%	8%	11%	25%	5	35%	3	17%	9
Pharmaceuticals	3%	8%	10%	22%	6	28%	6	32%	4
Physician inefficiency	4%	7%	10%	20%	7	14%	9	15%	10
Health plan overhead	3%	8%	8%	19%	8	23%	7	23%	5
Medical devices	2%	4%	4%	11%	9	14%	10	20%	7
Malpractice litigation	2%	3%	3%	8%	10	31%	5	23%	6
Hospital errors	0%	2%	2%	4%	11	3%	11	4%	11
Base				1454		1146			1148

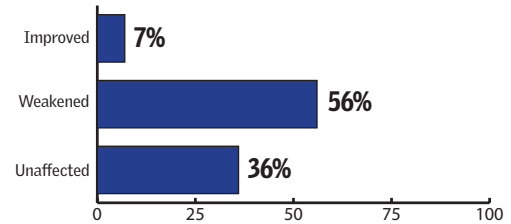
¹ In 2009, asked as Duplication of services
² In 2009, asked as Noncompliant patients

10. Describe the impact healthcare reform is having on your organization's financial position.



Base: 1478

11. Describe the impact healthcare reform is having on morale at your organization.



Base: 1484



12. How would you rate the current quality/status of these aspects of your organization?

	Very Strong	Strong	Neutral	Weak	Very Weak	Base
Dedication to mission	50%	38%	8%	3%	0%	1465
Medical quality	33%	50%	14%	3%	0%	1469
Fiscal management	31%	47%	14%	7%	1%	1462
Patient safety	31%	54%	13%	2%	0%	1462
Nursing staff	24%	50%	20%	5%	0%	1460
Physician staff	21%	54%	18%	7%	0%	1465
Prospects for growth	19%	42%	25%	12%	3%	1461
Patient experience	18%	45%	27%	9%	1%	1459
Construction/capital improvements	17%	37%	25%	16%	5%	1464
Care coordination	16%	49%	20%	14%	1%	1466
Physician recruitment and retention	12%	35%	33%	17%	3%	1458
Dealing with uncompensated care	5%	27%	40%	24%	4%	1464

	2011 Very Strong/Strong	2010 Very Strong/Strong	2009 Very Strong/Strong
Dedication to mission	88%	80%	79%
Patient safety	85%	N/A	N/A
Medical quality	83%	89%	87%
Fiscal management	78%	77%	71%
Patient experience	75%	82%	78%
Nursing staff	74%	72%	67%
Care coordination	65%	N/A	N/A
Physician staff	63%	73%	69%
Prospects for growth	61%	65%	67%
Construction/capital improvements	54%	N/A	N/A
Physician recruitment and retention	47%	N/A	N/A
Dealing with uncompensated care	32%	N/A	N/A



13. Describe your overall job satisfaction.

	2011 Percent	2010 Percent	2009 Percent
Very satisfied	32%	38%	42%
Satisfied	49%	48%	45%
Neutral	11%	8%	8%
Dissatisfied	6%	5%	4%
Very dissatisfied	1%	1%	1%
Base	1486	1184	1137

14. Would you encourage your child to enter a career in the healthcare industry?

	2011 Percent	2010 Percent	2009 Percent
Yes	77%	78%	80%
No	23%	22%	20%
Base	1484	1175	1144

15. Which best describes your healthcare organization?

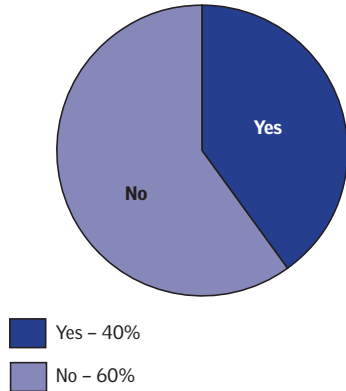
	Percent
Hospital or health system	64%
Critical access hospital	9%
Health insurance plan	6%
Single-specialty group practice	6%
Academic medical center	5%
Multispecialty group practice	4%
Ambulatory or outpatient center	3%
Physician-owned specialty hospital	1%
Disease management/wellness plan provider	1%
Base	1458

16. Which best describes your organization by number of beds?

	Percent
1 to 25 (critical access)	16%
26 to 50	6%
51 to 200	25%
201 to 500	29%
501 to 1,000	15%
1,001+	9%
Base	1185

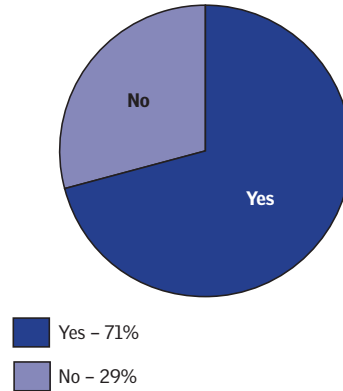


17. Is your healthcare organization in a rural area?



BASE: 1477

18. Is your hospital a community hospital?



BASE: 1194

19. What best describes your primary market area?

	Percent
Northeast	20%
Southeast	22%
Midwest	32%
Southwest	11%
Northwest	4%
West Coast	6%
Other	5%
Base	1480

20. Which best describes your type of organization?



BASE: 1475



21. Please indicate your age range.

	2011 Percent
35 or younger	5%
36-45	16%
46-55	40%
56-65	34%
66 or older	5%
Base	1481

22. What is your gender?

	2011 Percent
Male	53%
Female	47%
Base	1474