

From our experts: What you need to know about health care in 2016

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In part one of a two-part series, **The Advisory Board Company's** experts weigh in on what health care leaders need to know about service line strategy, nursing, medical groups, post-acute care, and health plans in 2016.

Service line strategy



Madhavi Kasinadhuni, Service Line Strategy Advisor

Providers should track how three major trends will impact specific service lines in 2016:

1. **Impact of consumer choice.** Consumers will continue to play a larger role in health care decisions, particularly as more individuals shift to insurance exchanges—either through expanded Affordable Care Act (ACA) coverage or employers engaging with private insurance exchanges. We've seen that when given the choice, consumers are opting for plans with high deductibles with 68% of public exchange enrollees choosing deductibles above \$3500. Service lines with elective procedures and higher patient obligations like orthopedics, bariatrics, and women's services will need to

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watch out for price competition and higher bad debt from unpaid patient obligations. Monitor employer benefits activity in your market to keep a pulse on price sensitivity and explore ways to incorporate price transparency into their marketing strategy.

2. **Impact of new payment models.** The introduction of more new payment models focused on reducing episodic cost of care for major procedures will continue to hit key service lines including cardiovascular, orthopedics, oncology, and general surgery. These payment innovations reward price-competitive programs with demonstrable quality outcomes with reimbursement incentives and threaten low performers with network exclusion.
3. **Impact of virtual care.** Virtual care, from video visits to mobile apps to advanced specialty networks, is on the rise. Primary care, neurosciences, and women's services are ripe opportunities for strengthening patient loyalty and expanding geographic reach with telehealth, while remote monitoring and education apps can reduce readmissions and improve treatment adherence.

More from Service Line Strategy Advisor:

- **Infographic: Predicting threats to service line growth**
- **What do consumers want from health care?**
- **Market Shock Report: Private Insurance Exchanges**
- **Market Shock Report: Virtual Visits for Primary Care**

Nursing



Jennifer Stewart, Nursing Executive Center

What's at the top of nurse leaders' priority lists in 2016? Nationally, we identified six things nurse executives are focusing on in the coming year:

1. **Ensure every patient receives the known standard of care in every setting, every time.** Payers are demanding that health systems provide more efficient and exceptionally high quality care. To do so, nurse leaders are making significant

investments to deliver highly reliable care in which ensure every patient receives the known standard of care, every time, in very setting.

2. **Prepare for a potential nursing shortage.** We've seen the RN vacancy rate tick upward across the past three years—from 4.4% in 2012, to 4.6% in 2013, to 5.9% in 2014—and in the past year we've seen a re-emergence in signing bonuses, local shortages, and other early warnings of a national nursing shortage.
3. **Make early bets about reshaping their clinical workforce.** The nurse your system hires today will most likely be with your system for a very long time. It will take more than 10 years for a hospital with an average turnover rate to replace the staff you hire in 2016. One of nurse leaders' top priorities in 2016 is making early decisions about what their future clinical workforce should look like. And with those decisions in mind, to begin recruiting staff with new degrees and skills, into new roles.
4. **Seek greater consensus on the "right" way to staff a clinic.** In the last few years we've seen an explosion in the number of pilot projects that are increasing top-of-license practice for RNs, often by increasing top-of-license practice (or creating new roles) for medical assistants and licensed practical nurses. While these pilots are being closely watched, they are still new—and there's still no national consensus on the right type, scope, and mix of staff in clinics.
5. **Continue to control costs—but not by cutting labor.** Even though labor represents a sizeable portion of hospital operating costs, it represents only about 15% of the cost-savings opportunity. In 2016, nurse leaders will be focused on three often overlooked opportunities for saving millions: outdated care protocols, supply waste, and unfavorable contract terms.
6. **Expand frontline nurses' focus from discharge to care continuity.** To successfully transition from a fee-for-service system to one that rewards value, nurse leaders are building a clinical workforce that has moved past the older idea of "discharging" responsibility for a patient to a colleague in another unit or care setting. The goal is to shift clinicians' perspective and provide continuous, coordinated care across multiple sites and settings.

Learn more:

- [Join us at our national meeting](#)

- **Annual turnover, vacancy, and premium labor benchmarks**
- **Study: Untapped opportunities for saving millions**
- **Best practices: Achieving care continuity**

Medical groups



Rivka Friedman, Medical Group Strategy Council

Here are three key trends our medical group members should be watching:

1. **Consolidation.** 2015 laid the groundwork for a more heavily consolidated health care industry, and medical groups were no exception, both growing and diversifying their businesses. In 2016, I'll be watching to see whether consolidation efforts taper or continue apace, as well as how they evolve beyond traditional physician acquisition to other areas, like health plan ownership or managed service offerings.
2. **Consumerism.** With consumerism at an all-time high, providers need a consumer strategy. I'll be tracking how medical groups respond to consumer demands for a better experience, and how they adjust their internal operations to deliver that experience.
3. **Fee-for-service transition.** Finally, medical groups continue to grapple with the question of how quickly to move away from fee-for-service. In 2016, I'll be watching to see how medical groups evaluate the payment landscape and whether they opt to move more of their business toward value-based payment models.

More from the Medical Group Strategy Council:

- **The best four targets for improving medical group margin**
- **How are medical groups preparing for access expansion?**
- **Ready-to-use slides for your board presentations**

Post-acute care



Jared Landis, Post-Acute Care Collaborative

In 2016, the key areas of focus for post-acute care providers—both from the perspective of independent providers and hospital systems—are clinical quality and patient management. Three primary drivers of this renewed focus on clinical performance in the post-acute environment are:

1. **Changing patient demographics.** The population continues to age and the prevalence of chronic disease continues to grow, which means a more complex patient population across the entire health care landscape. However, post-acute providers must also deal with the reality that hospitals and payers are placing patients (who used to present in higher-cost settings) into lower-cost environments when clinically appropriate. This means each post-acute setting must evaluate their current patient population and adjust their clinical capabilities accordingly.
2. **Narrowing referral networks.** Hospitals, physician groups, and payers are paying increased attention to the clinical performance of their downstream post-acute partners—and that trend will only continue with mandatory bundled payments and other accountable payment models. As part of that process, health systems and other referral sources are developing clinical scorecards to measure the quality of post-acute providers and building preferred provider networks based on those metrics. Skilled nursing facilities (SNF) and home health agencies (HHAs) must "measure up" to receive inclusion in narrowed networks, while long-term acute care hospitals and inpatient rehabilitation facilities must perform at a high level clinically to justify their higher costs.
3. **Forthcoming risk-based payment models.** While post-acute providers are not directly subject to many risk-based payment models right now, they will be in the future. The IMPACT Act, SNF value-based purchasing (VBP), and HHA VBP all moved forward in 2015, and the Comprehensive Care for Joint Replacement Model created additional opportunities for gainsharing arrangements with hospitals. And managed care plans continue to experiment with risk-based contracting. Post-acute provider reimbursement will increasingly be tied to clinical performance—and 2016 is the time to prepare for that coming reality.

More from the Post-Acute Care Collaborative:

- **Join us at our national meeting**
- **What your frontline staff really need to know about value-based post-acute care**
- **The playbook for hospital/post-acute care collaboration**

Health plans



Rachel Sokol, Health Plan Advisory Council

2016 will continue to bring new changes to the health plan market—new carriers entering and exiting, mega-mergers on the horizon, and the continued implementation of the ACA all will challenge traditional health plan growth strategies. For existing plans or those considering entering the payer market, organizations will need to focus on influencing their members' care as well as innovations in provider contracting:

1. **Help consumers make informed decisions.** Over the past several years, we've seen individual and employers select plans with a high degree of consumer participation. Higher deductibles, co-insurance, and narrower networks are now becoming standard as a way to manage spending. But just because individuals have the incentive to make more informed decisions, that doesn't mean action immediately follows. Smart health plans are seeing this lag in consumer activity and planning ahead through innovative incentive structures and preferred access points to give consumers the care they need.
2. **Plot the next phase of provider strategy.** Many plans have made big promises about the dollars they'll have at risk, though implementation still lags in many markets. Plans are experimenting with number of models for risk but it's not yet clear what sustainably lowers costs. New joint ventures, community affiliations, and integration strategies all show promise and will be a key trend to watch as the market develops.

More from the Health Plan Advisory Council:

- **Three differentiators health plans need in the retail market**

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