

3 Opportunities for Children's Hospitals

Children's hospitals have historically been less affected by market disruption than adult healthcare organizations. Much of that has changed in recent months as providers across the industry navigate shrinking margins and increased competition in a rapidly changing healthcare landscape.

In the next 12 months and beyond, children's hospital leaders can expect to confront challenges — and opportunities — that require a comprehensive rethinking of how they operate and deliver care.

The State of Transformation

While crisis response may have sidelined long-term initiatives temporarily, most organizations' transformation imperatives are back in full swing.

Shrinking reimbursements and rising wages and salaries due in large part to nursing shortages are fueling the ever-present urgency to reduce costs in all areas of operations. In addition, increased pressure and administrative burden from payors in recent months are exacerbating financial strain.

Leaders are reacting with a new sense of urgency to address suboptimal operational processes neglected while responding to the crisis. However, to

thrive in a new era, organizations must continue to optimize their core operations while simultaneously positioning to permanently change cost structures.

These **three high-impact opportunities** for children's health systems will drive short-term improvement and set the stage for long-term transformation:

1. Focus on health system capacity constraints to minimize demand.

After navigating months of deferred processes, many children's systems are struggling to respond to the uptick in care demand. Among the biggest concerns are staffing challenges and their related costs.

The nursing shortages in hospitals are driving an increase in length of stay (LOS) and patient throughput inefficiencies, both of which have been compounded by high emergency department (ED) volumes and have negative implications for both cost and quality of care.

Strengthening core operations with a focus on continuous, measured performance improvement builds the foundation for more significant transformation. Leaders should refocus on leading practices and tactics such as interdisciplinary rounds, patient placement and effective care management approaches. Reinforcing effectiveness in these areas will help decrease LOS, open more beds and diminish ED backlogs —ultimately improving patient care and reducing costs as reliance on supplemental labor sources wanes.

2. Address costs and talent strategy comprehensively.

Workforce concerns related to nurse shortages, rising wages and increased burnout are placing an extraordinary burden on children's health systems. High rates of attrition and low engagement put care quality and patient satisfaction at risk.

To offset these challenges, which will likely persist through 2022, organizations should look to standard cost optimization levers, such as minimizing revenue cycle inefficiencies and wasted costs, revisiting vendor relationships and physician preference items, and reducing pharmacy spend — all of which will serve to offset labor costs.

However, the ultimate “job to be done” is determining how to get by with less through continual process improvement and [permanent margin reduction](#).

While workforce planning and financial rewards will always be part of the formula to solve workforce woes, the strategy cannot end there. To position themselves as an employer of choice, leaders will need to change how talent is recruited, managed and retained, focusing on solutions that foster a people-driven culture and build a workforce for the future.

A comprehensive approach to talent strategy that addresses recruitment, engagement and performance management — supported by a culture and approach to change management that creates an environment where people want to work — is crucial.

Strategies that bolster recruiting, succession planning, diversity, equity and inclusion principles, and employee growth will be imperative to creating a pipeline of top talent and retaining current employees. Virtual care and virtual business operations provide opportunities to recruit outside of an organization's geographic location, further expanding its talent pool and possibly lessening costs in competitive markets.

Additionally, organizations that prioritize continuous learning can create a culture that drives employee and organizational performance, engagement, and retention. The [tenets of adult learning](#) help elevate and streamline learning programs to support the goals of individuals and the organization.

3. Improve access and drive growth amid rising digital interest.

Improving consumer access to non-urgent care, supported by virtual care and digital tools, will continue to define the future of children's health systems. Serving a more digital-first consumer market provides children's health systems with significant opportunities for growth, patient loyalty and consumer satisfaction.

Huron's [healthcare consumer research](#) finds that digital tools and virtual care are increasingly important to consumer satisfaction and loyalty, a trend largely driven by younger consumers, which could include new parents.

According to Huron's research, half of consumers ages 18-44 report being digitally fluent and nearly 70% indicate they would switch providers for better virtual care offerings.

Overall, the percentage of consumers listing the availability of digital tools as critical to their healthcare convenience jumped from 18% to 30% in eight months. Similarly, the percentage of consumers listing a lack of digital tools as a detractor of convenience has doubled since 2019, indicating that people want more digital options to aid their healthcare decisions and care experiences.

Healthcare outside the hospital is another area where consumers are focusing their attention. Huron's research shows a 33% increase in interest in healthcare at home, with the highest interest from those ages 18-44.

In response to these preferences, leading health systems should be exploring care transformation initiatives inclusive of alternative care models to treat patients at home in addition to enabling

patients to access the system more easily and effectively for care in the clinic setting.

Providers should consider using their brand strength for specialties to grow beyond their immediate geographies, expanding initial consults and care needs that may be better managed remotely or in a hybrid approach. For example, areas of high demand such as behavioral health and low acuity primary care offer market growth opportunities for reasonable costs.

Data, Tech and Analytics Underpin Opportunities

Threaded through each of these opportunities is a need to better utilize technology to improve both the business and clinical sides of healthcare.

Strategy and growth should be enabled by market data as organizations seek to be more agile and efficient to build long-term solutions that target specific patient populations and drive better outcomes and ultimately financial health.

New benchmarks and metrics are essential to understanding an organization's post-pandemic business and making progress toward key organizational priorities, such as adopting virtual care delivery methods or breakthrough cost improvement.

Yet data-driven initiatives in healthcare continue to be thwarted by disjointed approaches to analytics. To make progress, healthcare organizations will need to focus on shoring up their digital infrastructure and building an [enterprisewide data management](#) strategy that will enable progress across all aspects of the digital ecosystem.

Key Takeaways

Looking ahead 12 months and beyond, children's hospitals' leaders will need to focus on the key transformative initiatives that will boost their ability to compete in a new healthcare landscape.

Think differently.

Consider how strengthening core operations will lead to a stronger foundation to drive sustainable transformation.

Plan differently.

Focus on a holistic talent approach to manage rising workforce costs, burnout and engagement concerns.

Act differently.

Approach growth with an understanding of how to leverage the rapidly rising consumer interest in digital tools and virtual health.



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