



Academic Medical Centers: Transforming Cost, Care and the Consumer Experience

AN EVOLVING LANDSCAPE

Academic medical centers (AMCs) are charged with delivering the world's most complex, specialized healthcare while supporting critical medical education and research. As a result of these dynamic missions, AMCs grapple with unique challenges and opportunities, including some of the highest costs of all healthcare delivery systems.

Looking ahead, AMC leaders will continue to face shifting patient volumes, shrinking reimbursement and funding streams, increasing demands from consumers, and growing competition, all while trying to keep pace with the digital transformation occurring in every industry. Long-standing mandates to reduce costs, create new revenue streams and improve the quality of care will only accelerate.

Findings across Huron's research of the healthcare market detail how healthcare leaders and consumers are responding to an evolving healthcare landscape. The

findings include key market insights relevant to the future of academic medical centers.

Research Insights

- ▶ AMC leaders name value-based care, consumerism, revenue growth, and serving Medicare and Medicaid populations as chief trends impacting their organizations.
- ▶ Expansion outside traditional care settings into ambulatory and virtual services are the top growth priorities for leaders as they seek to re-balance their portfolios to drive margin improvement.
- ▶ AMCs expect to lean heavily on automation, with 79% reporting that the adoption of robotic process automation (RPA) and artificial intelligence (AI) tools will be central to supporting cost containment.
- ▶ Over the next three years, AMC leaders report improving care access and improving the consumer journey and experience as core organizational priorities.



TRENDS IMPACTING AMCS

Based on Huron’s previous research into the healthcare market, the priorities of healthcare executives are focused on navigating a dynamic regulatory environment, controlling costs, growing revenue, and utilizing technology and data. Today, those challenges are still important but are being re-prioritized by a healthcare industry that pivoted to react to

the immediacy of the pandemic. Moreover, leaders face fierce and growing competition from traditional providers and new entrants, particularly in the primary care space.

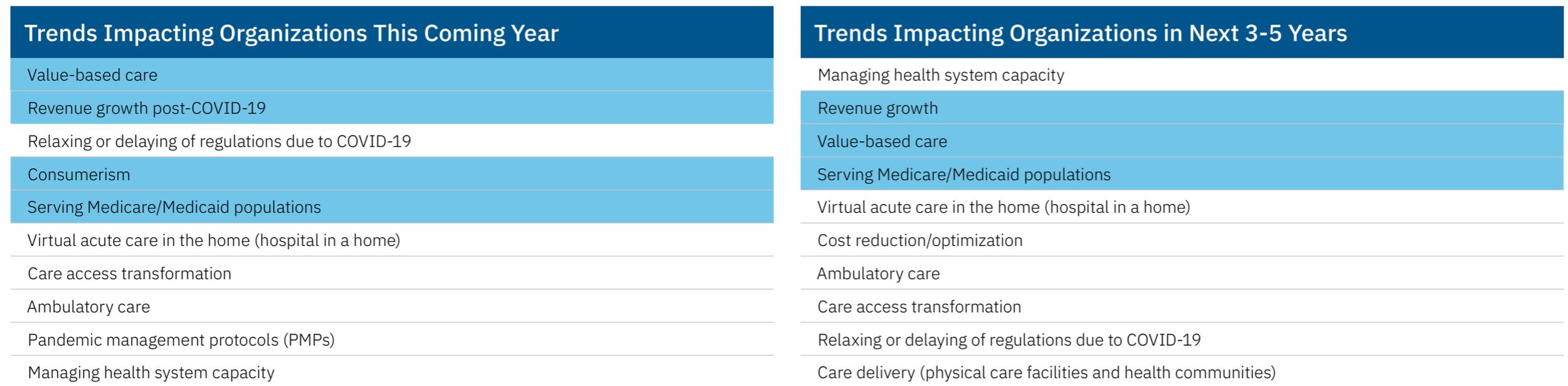
As the impacts of the COVID-19 pandemic continue to reverberate throughout the industry, AMC leaders are prioritizing financial optimization initiatives now to fund transformational initiatives of the future. In

the coming year, 44% of AMC leaders name value-based care as the top trend impacting their organizations, followed by consumerism (35%), revenue growth (33%), and serving Medicare and Medicaid populations (32%).

Given these trends, leaders will be looking for efficiencies to drive breakthrough improvement in cost and quality. Now is the time for AMC leaders to significantly rethink cost structures, care delivery models, reimbursement and financial strategies.

Figure 1. Trends impacting healthcare organizations; executive provider market research study (n=306) with academic medical center respondents (n=104)

■ Most Important



AMC LEADER PRIORITIES: TODAY AND TOMORROW

In Huron’s research, AMC leaders point to a mix of challenges and initiatives and indicate they will be grappling with a long list of competing priorities that include cost optimization, growth, care transformation and operational agility.

Interoperability and data management are noted individually; however, across all priorities, AMCs will have to address long-standing deficiencies in the [ability to access, share and apply data](#) across the care continuum and between stakeholders. AMC leaders note payor interoperability as their most important organizational priority, indicating a need for organizations to increase and streamline data-sharing between

payors and providers to improve patient experience and value-based care measures.

While leaders will continue to reorganize their priorities and goals in response to the financial and operational challenges spurred by the pandemic, most are urgently pushing ahead with transformation imperatives related to cost, growth, care and consumerism.

Figure 2. Priorities of AMC leaders; digital, technology and analytics market research study (n=211) with academic medical center respondents (n=68)

■ Most Important ■ 2nd most important

AMC Organizational Priorities: Immediate	AMC Organizational Priorities: Next 1-3 Years
Improved care access	Payor interoperability
Data sharing, management and security	Data sharing, management and security
Improved consumer journey and experience	Growth
Payor interoperability	Cost containment
Increased business efficiency and operational agility	Increased business efficiency and operational agility
Cost containment	Workforce optimization
Automation and advanced analytics	Improved care access
Workforce optimization	Automation and advanced analytics
Growth	Improved consumer journey and experience

Improving Digital, Technology and Analytics Execution

The need for digital transformation is woven into every aspect of healthcare today, and technology will underpin efforts to improve care, drive down costs, and enable growth through expansion and better care access. While leaders universally understand the urgency behind a well-defined digital, technology and analytics strategy, it is clear many are struggling to execute on a road map that incorporates these plans into broader organizational goals.

Nearly all (99%) of healthcare organizations surveyed by Huron have a one-to-three-year digital, technology and analytics strategy in place. However, AMCs note a high need for support in the execution of their strategies. Only 29% are executing on their existing digital strategies; 60% have a strategy in place but have not begun execution.

There is tremendous opportunity for organizations to close the gap between strategy and execution to drive breakthrough improvements in business and clinical



operations. To do so, leaders should be [building governance structures](#) and a sustainability model that links their strategic plans to their increasingly complex ecosystem of digital assets. For optimal results, leaders

need a thorough understanding of the current analytics footprint and capabilities that exist across their cloud technology platforms — and intentionally plan to integrate those with their data models.

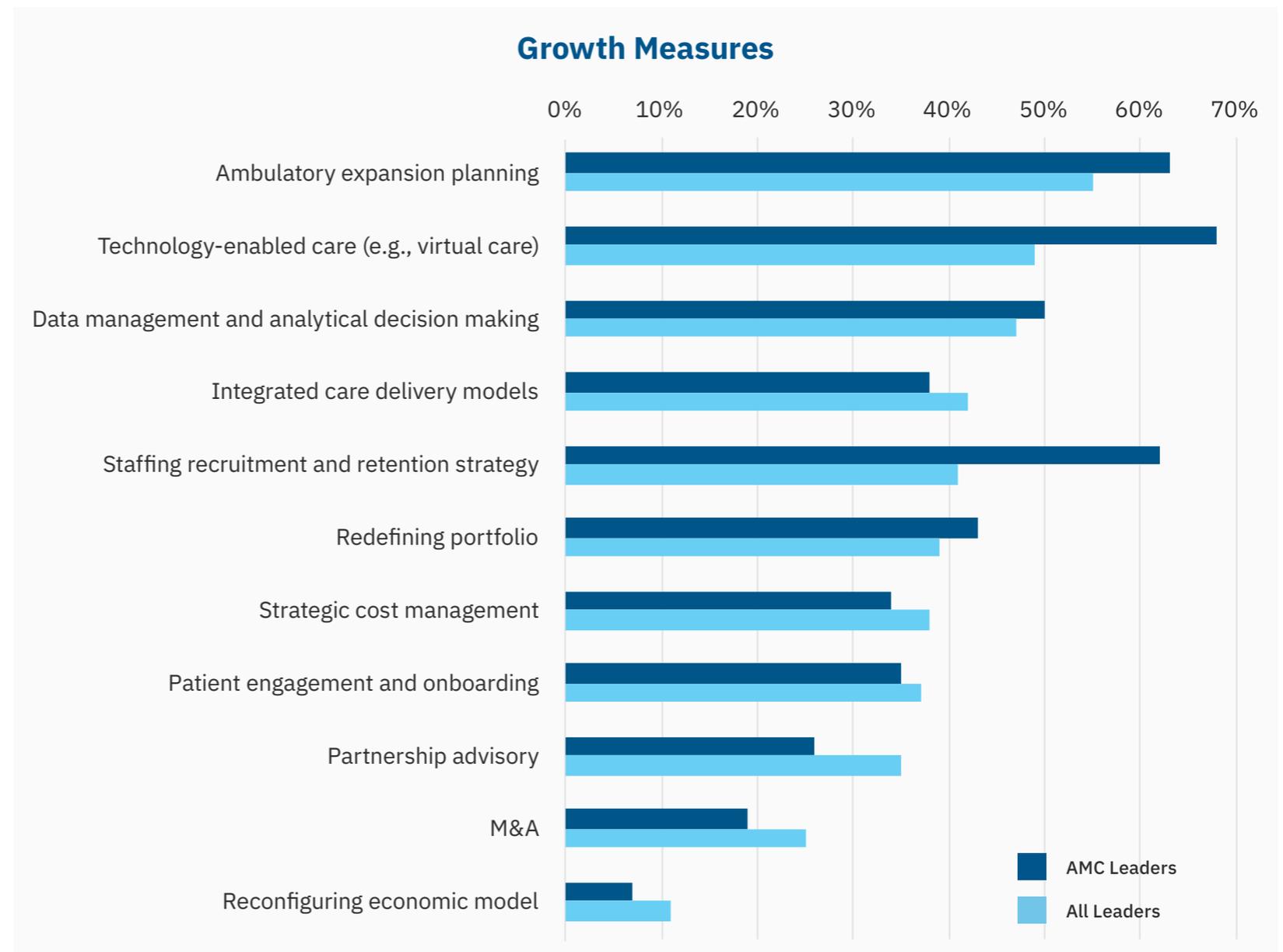
DESIGNING FOR GROWTH AND COST TRANSFORMATION

AMCs across the U.S. are ditching traditional, siloed operating models in favor of more integrated approaches that expand access to care. Growth, in large part, will be about changing how and where care is delivered by breaking away from traditional acute care services. More than 60% of AMC respondents report that ambulatory expansion is a main growth measure, followed closely by virtual care or care enabled by technology.

To drive top-line revenue growth and margin growth, leaders should be moving with urgency to evaluate their service lines as well as their asset portfolios to determine if they have the right infrastructure (e.g., real estate and technology) to serve their populations.

As AMCs plan for how and where they will deliver care in the future, reimbursement uncertainties will impact both growth opportunities and cost. Nearly 60% of

Figure 3. Growth measures of all leaders and AMC leaders; digital, technology and analytics market research study (n=211) with academic medical center respondents (n=68)

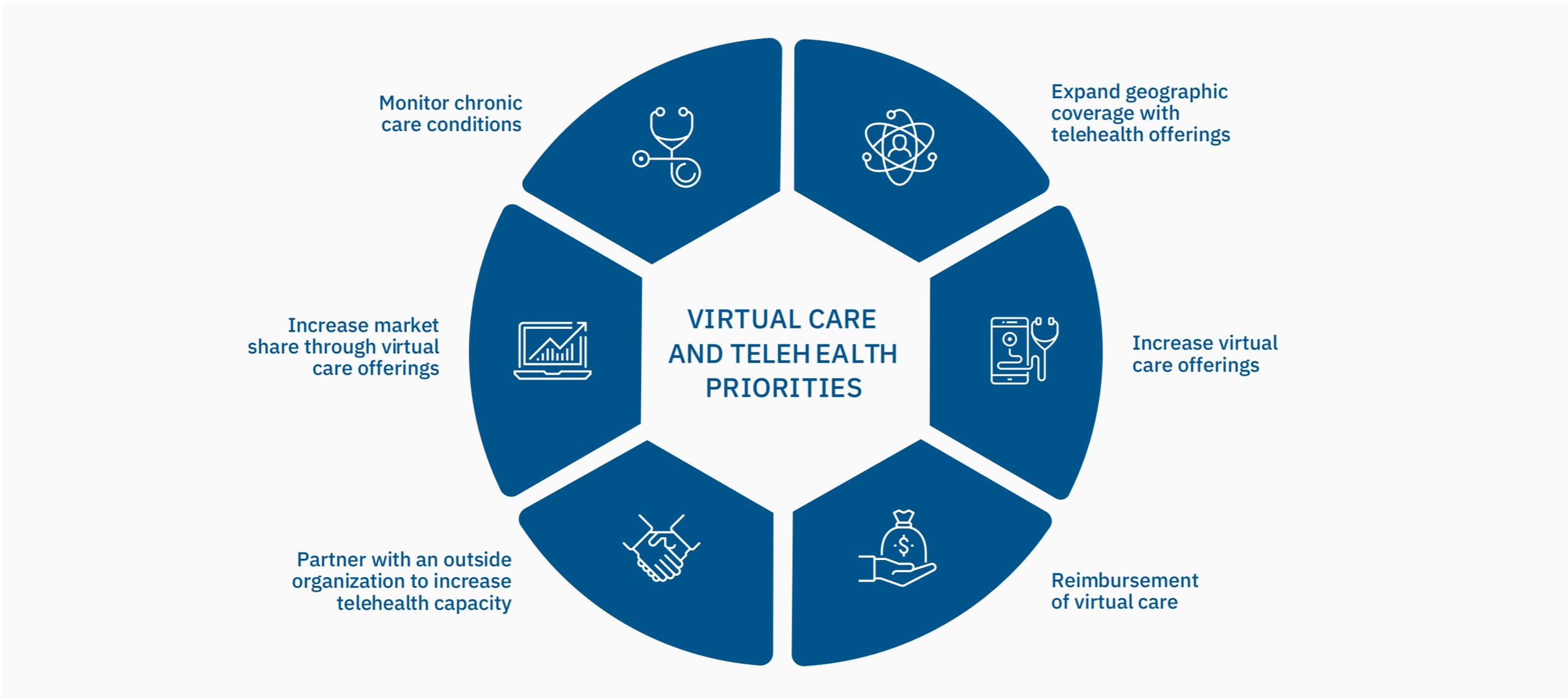


AMC respondents signal that telehealth reimbursement and payment models for telehealth are a core challenge. As leaders examine opportunities to redefine their portfolio – another challenge named by leaders – these dynamics will require more strategic growth plans tied to the balance of virtual and in-person care.

The pandemic mandated a surge in virtual healthcare, including telehealth services, nurse hotlines, video conferencing and remote patient monitoring. Huron’s research finds leaders view telehealth as a critical component of care delivery and are positioning their organizations now for the future of telehealth, which comes with its own list of priorities.

Additionally, healthcare at home for varying levels of acuity continues to provide tremendous opportunity for AMCs. As this trend accelerates, leaders will have to consider how shifts in where care is delivered will impact their margins.

Figure 4. Virtual and telehealth priorities of healthcare leaders



Combining Typical and Transformational Cost Strategies

AMCs are under pressure to deliver a higher quality of care at a lower cost. In Huron’s survey of the healthcare market, AMC leaders identified the cost-saving measures they expect to deploy in the next 12 months. More than half (57%) indicate revenue management, followed closely by accurate reimbursement (53%), will be critical.

A strong consensus of leaders surveyed anticipates cost optimization initiatives will be technology-led, with AMCs leaning more heavily on automation. Among AMC leaders, 79% report that the adoption of RPA and AI tools will be critical to supporting cost containment; more than half (54%) expect clinical documentation improvement (CDI) and accurate reimbursements to be a primary focus area.

As workforce shortages and skyrocketing labor costs add stress to the financial health of AMCs, leaders should be exploring viable plans for augmenting their workforces with technology and focusing on designing a workforce for the future.

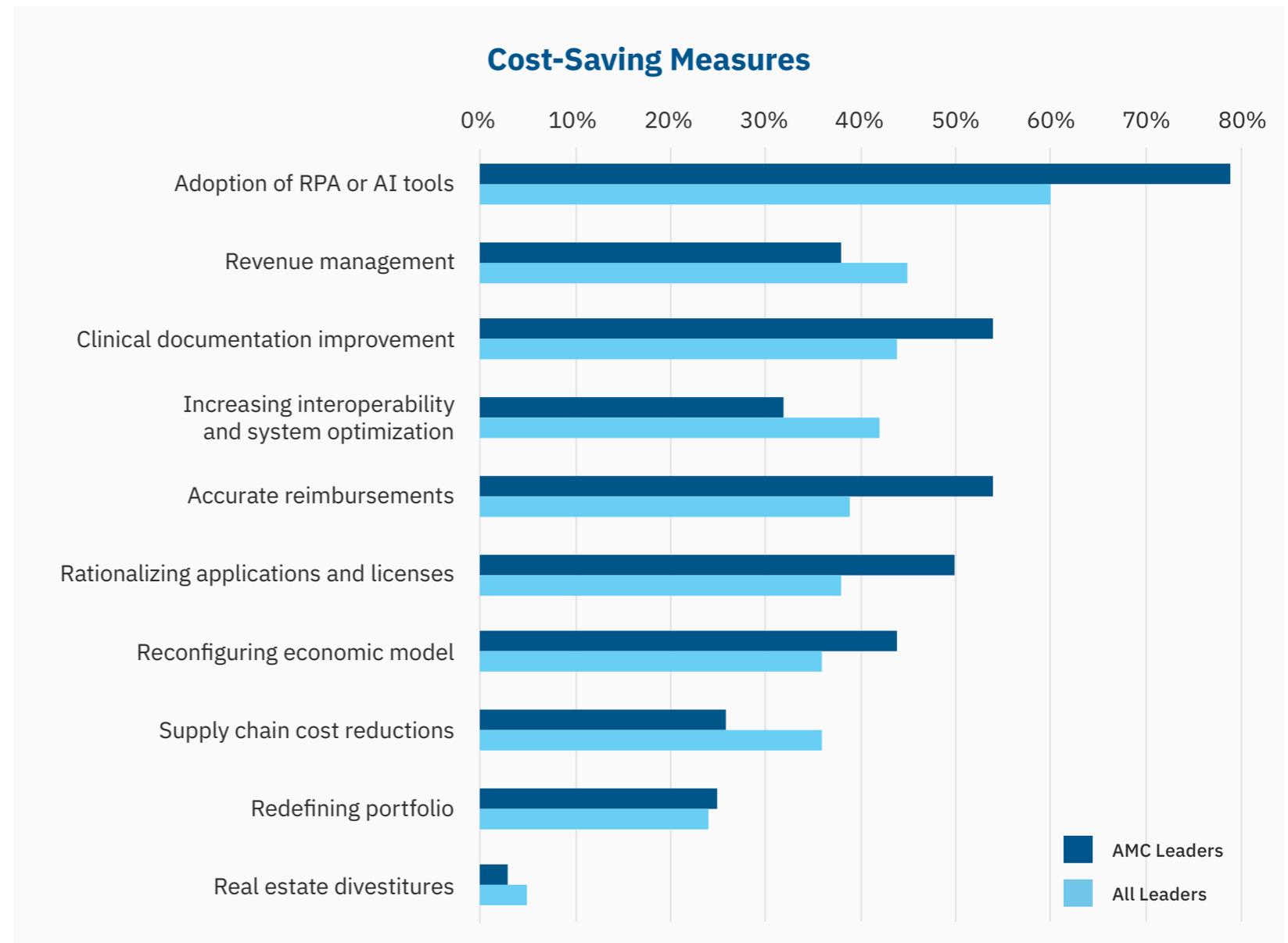
To make significant gains, technology-driven initiatives that optimize core functions such as

[revenue cycle](#) and [supply chain](#) are needed. This will include optimizing core technology to improve business systems and the use of RPA and [advanced analytics](#) to drive efficiency. Huron’s research also finds that 80% of AMC leaders see electronic health record (EHR)

investments as most important in the next 18 months to achieve, among other objectives, improved physician and clinician experience.

Additionally, building better, more secure data structures and advancing the use of

Figure 5. Cost-saving measures of all leaders and AMC leaders; digital, technology and analytics market research study (n=211) with AMC respondents (n=68)



data for decision making will be paramount to enabling organizations to tackle challenges that range from consumerism to cost management to care delivery.

Changing the Financial Future, Permanently

With the prioritization of financially focused measures, it is becoming increasingly clear that more are necessary to stay ahead of the competition and permanently improve margins. These transformational strategies are what will allow organizations to reinvest in areas that further the organization's vision and mission.

Healthcare organizations must evolve typical cost-reduction strategies into a data-driven cost transformation approach that significantly changes their operations and care delivery. True cost transformation is about permanently changing the economics of organizations, calling on leaders to re-imagine and redesign both clinical and operational delivery models for market, consumer and system needs.

Amid financial pressures and the push to continually innovate, AMC leaders who couple cost transformation with a clear, bold vision for what their organization can become are best positioned to succeed in the near term and in the future of healthcare.

Sustainable and truly transformational strategies will be those that optimize an organization's core while simultaneously repositioning for the future of healthcare. Organizations should consider the following framework:



PRIORITIZING CARE ACCESS AND THE CONSUMER EXPERIENCE

The competitive landscape of healthcare, driven in large part by consumer demands and the emergence of retail healthcare, is forcing AMCs to operate more like their nonacademic counterparts. AMCs can no longer rely on reputation and brand as a driver of patient loyalty and will have to focus more on consumer priorities such as convenience and cost.

In Huron's research, AMC leaders emphasize improved care access and an improved consumer journey and experience as their immediate and most important priorities. Moreover, strengthening patient engagement and experience is the No. 1 organizational initiative given greater priority due to COVID-19 response and management, according to survey respondents. As noted previously, ambulatory expansion inclusive of virtual services and healthcare at home will continue to play heavily into access strategies.

Embracing Consumerism

Beyond acknowledging consumerism as a trend, AMC leaders have an opportunity to bring consumer-driven transformation into their growth strategies. Prior to COVID-19, consumer-driven trends were already reshaping the healthcare market. Now, [Huron's consumer-focused research](#) finds that consumer preferences — from where and how they receive care to how they communicate with providers — are even more pointed.

Consumers will continue to be smarter shoppers, seeking more transparency into price and quality. AMCs will have to fully embrace consumerism in care delivery to attract new consumers, generate loyalty and provide better care.

Healthcare leaders can no longer afford to limit their knowledge and understanding of consumers to their financial or clinical information. Instead, AMCs need to understand the attitudes, values and preferences driving consumers' decisions about their healthcare.



With that data, organizations can build a road map to increase market share and [advance consumerism from concept to reality](#).

Consumer preferences continue to evolve as more people view virtual health as the first stop in their primary care. [Huron's research into the consumer healthcare market](#) found that the majority of respondents across all demographics report being digitally active and fluent, indicating a readiness for increased digital healthcare.

Creating a strategy begins with understanding the supply and demand of an organization and its market. The challenge now is for AMCs to find the [right balance of in-person and virtual care offerings](#).

Addressing Health Equity Gaps

Alleviating the disparities in healthcare highlighted amid the pandemic remains a concern for leaders, and most leaders report that they will prioritize social determinants of health (SDOH) and health disparity issues. In Huron's findings, 38% of AMC respondents expect to invest in solutions for SDOH and health equity issues within two to three years; 42% state they are doing due diligence and working on a plan. Despite healthcare industry and broader public attention to the matter, surprisingly, only



16% of those surveyed consider SDOH a high priority and will invest in the next year.

Leaders will have to consider how well they truly understand the needs of their patient populations and the role that [SDOH-related programs](#) will play in helping their organization close health equity gaps in their community. In Huron's research, leaders also report a varying list of initiatives ranging

from generating educational material to establishing transportation partnerships to providing housing for low-income patients. This range of activities indicates most organizations are still trying to determine how SDOH and health equity initiatives fit into their overall strategies. To refine their approaches, leaders will need a better understanding of the needs of their individual communities.

FINAL THOUGHTS

For months, leaders across AMCs put aside long-term transformation initiatives in favor of the short-term adjustments necessary for organizations to continue delivering care safely during the COVID-19 pandemic while stabilizing financially. Today, focus is returning to how AMCs will transform their entire organizations for the future of healthcare.

The complexity of AMCs continues to challenge leaders as they seek to thrive in an increasingly competitive healthcare landscape. Near-term financial recovery and overall financial health will remain key goals for AMC leaders. While typical cost-saving measures are ever

present, AMC leaders need a plan for true cost transformation to support initiatives that further their growth and foster their missions.

Leaders should be moving with urgency to build a road map that supports both top-line revenue growth and margin improvements. Expansion into the ambulatory setting, including virtual services, will underpin growth efforts, but leaders need to be highly strategic in evaluating their assets and service lines.

Strategically aligned organizations are better equipped to embrace change and innovate where needed. As AMCs seek to transform, the alignment of organizational and leader goals has never been more important. Leaders will have to refocus their teams and build the buy-in needed for initiatives to succeed.

Key Takeaways

As AMC leaders plan for the future of healthcare, they will have to:

Think differently.

Look beyond typical cost-saving measures to create a plan for true cost transformation that will be the differentiator in the months and years ahead.

Plan differently.

Move with urgency to evaluate how organizations can accelerate growth through ambulatory expansion and virtual services, including healthcare at home.

Act differently.

Stay focused on the investments that will allow organizations to stabilize financially without sacrificing focus on transformation imperatives.



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