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Healthcare Strategy: 3 Growth Imperatives in a Dynamic Market

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Following years of dynamic merger and acquisition (M&A) activity, industry consolidation, and big-budget growth initiatives, the healthcare industry is shifting how it thinks about growth. Typical growth strategies in healthcare have been grounded in the incremental bolting on of facilities, service lines, and other assets in an attempt to assert market ownership over a geographic region or clinical specialty.

Summary

- Healthcare leaders are reevaluating traditional growth tactics in favor of more strategic and asset-light plans.
- Focusing on improving core capabilities generates necessary margin improvements, but bolder moves are needed to thrive in a market crowded with traditional competition and new entrant disrupters.
- Growth road maps will include a varied list of non-brick-and-mortar investments, including digital innovations, community partnerships, and the scaling back or removal of underperforming legacy services.

The financial fallout of COVID-19 is reshaping this thinking as organizations face lost revenue, rising costs, and lowered credit ratings, closing off the capital needed to push major projects forward.

Despite this, growth remains core to healthcare's agenda. Huron's healthcare market research finds that leaders have a long and varied list of priorities focused on driving growth that cuts across all aspects of healthcare.

CORE GROWTH	TRANSFORMATIONAL GROWTH
Focuses on being better at what you do today	Answers the question of who you want to be tomorrow

The challenge will be balancing the strategies intended to shore up current capabilities with those that have the potential to evolve the organization for the long term. Moreover, the dynamics are pushing organizations to reconsider legacy strategies, often favoring a more asset-light and system-oriented approach to growth.

As organizations plan beyond the next 12 months, the following imperatives will help chart a growth path forward.

0: Build the foundation with a defined and aligned strategy.

Scaling certain parts of the organization will continue to be necessary to offset risk, reduce costs, and improve revenue, but growth in today's market is taking on more nuanced forms. It is driven by identifying the unmet needs of consumers and patient populations, creating better access for everyone, and delivering a higher quality of care.

As the nature of growth changes, a strategy must be tangible and defined by a clear road map of activities — big and small — to get organizations where they want to be. More rigor will be needed in how strategic objectives move from the boardroom to daily tactics executed on the front lines.

Talent and culture play a crucial role in advancing growth. Workforce shortages pose a significant threat to the success of growth plans. Organizations also need a different type of leader today than they did five years ago. Today's best leaders are data-driven problem solvers with the technical skills to innovate in ways that drive an organization forward. "Soft" skills are equally valuable, especially in managers, as leaders attempt to help their teams weather the trauma of recent years.

1. Drive toward affordability to unlock growth and innovation.

As consumers take on more of the costs of their care, they will continue to demand greater affordability — and research shows they are more willing than ever to change providers for several factors. Simultaneously, risk-based models place additional pressure on providers for better outcomes at a lower cost.

Lower-cost care for consumers and improved margins for providers are imperative in a market that demands more efficiency. Organizations should continue to invest in tactics that maximize current assets, expand existing services, and improve performance in areas such as revenue cycle, talent strategy, and other business functions.

While not enough to "bend the cost curve" permanently, optimizing these core capabilities yields the margin improvements needed to accelerate top priorities and fuel transformational growth that will allow organizations to compete in a changing healthcare landscape.

2. Prioritize tech and asset-light strategies.

Organizations should carefully plot their investments and build the proper infrastructure to guide them into a future less constrained by location. Even with the uncertainty of regulatory constraints related to virtual care, healthcare will not remain as fragmented as before the pandemic.

New entrants, such as care model innovators and digital and virtual health companies disrupting healthcare, now have a more permanent seat at the table. Healthcare leaders across the industry are making bold moves that push their organizations to re-imagine and evolve their current structures. This type of growth will be characterized by new care models, innovation in digital, retail and strategic partnerships, and diversified revenue streams — all stemming from strategies matched to consumers' needs and healthcare preferences.

Organizations are pulling back on the purchase of expensive hospital beds; instead, leaders will continue to look for investment outside the hospital to provide care that is more nimble and less expensive and improves the overall health of defined populations. In other efforts, acute-level care in the home continues to gain traction as major health systems look to implement the model. Additionally, there are other non-brick-and-mortar tactics that can help health systems create value that attracts both physicians and consumers, from medical second opinion platforms to investing in your corporate brand.

3. Prune to grow.

The long-standing principle of cutting back aspects of a business — and saying no to some new opportunities — is as vital as ever in a fast-paced world that rewards those that are agile, efficient, and forward-looking.

Avoiding hard decisions about divestitures of nonstrategic or nonprofitable services can negatively impact an organization's future, more so than many leaders realize. Beyond allocating finite resources responsibly, there are cultural aspects to consider when organizations continue to support areas that do not align with a new vision or serve a strategic purpose.

Leaders need to be able to think differently to find and manage strategic relationships outside of the organization. This could mean finding the right technology platform, developing new business relationships, or cultivating community-based partnerships that bolster new ventures and close care gaps when legacy services are shuttered.

In healthcare's dynamic and competitive market, traditional approaches to growth alone won't yield the outcomes organizations need to evolve care and thrive amid disruption. As organizations redefine growth and chart a course forward, they will need to reassess how their strategic goals are prioritized, what resources and barriers exist, and what types of traditional or innovative partnerships could support their vision. Additionally, clear answers to questions such as "do we have the internal and external analytics necessary to drive growth?" and "does our portfolio of services match our long-term goals?" will help define future growth paths that are digital- and data-driven, less reliant on brick-and-mortar assets, and supported by a new era of talent.

Bring outside data in — and trust it.

Leaders tend to over-rely on internal performance data to inform decisions about the future of their organizations. While internal data is essential to understand and optimize financial, clinical, and operational performance, it can lead to misguided decisions about growth.

External data and market- and-consumer-related intelligence is essential to augment growth plans and forecast demand in a highly competitive and increasingly consumer-focused market. Remember that external data is often most effective when brought forward by a trusted partner who can analyze the information and bring unbiased insights to the organization's leadership.

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