LEADING THE JOURNEY:
CULTIVATING SUCCESS IN HEALTHCARE

CEO FORUM REPORT

Huron Healthcare
EMPOWERING POSSIBILITY℠

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Letter From Huron Consulting Group President and CEO James H. Roth

The value of great leadership is never higher than in times of change. Challenges during such times require instinct, vision, confidence, and a relentless commitment to forging a new path. All of those qualities were on full display at Huron Healthcare's CEO Forum, the fifth annual gathering of healthcare executives from across the country.

CEOs at the Forum brought their expertise and insights to some of the most significant and pressing issues of the day, discussing strategies to prepare for risk and reward, to build readiness for population health delivery models, and to thrive in a healthcare world increasingly shaped by the rise of consumerism.

This report reflects many of the questions, challenges, and opportunities that define the journey forward. I hope you find it a valuable tool in charting a course for your organization and, more broadly, for our shared mission of improving healthcare for all.

James H. Roth
President and CEO
Huron Consulting Group

Executive Summary

The fifth annual Huron Healthcare CEO Forum once again brought together executive leaders from hospitals and health systems across the country to address challenges, share experiences, and discuss strategies for success in the rapidly changing healthcare environment.

CEOs represented a diverse cross-section of organizations, including large multi-hospital systems, academic medical centers, and community hospitals. Each brought unique perspectives, but all shared two strategic imperatives: to increase quality while lowering costs, and to thrive in the current fee-for-service environment while preparing for value-based models of risk and reward.

To meet these imperatives, many CEOs are focused on significantly improving financial performance—by 20 percent to 40 percent in most cases, over the next three to five years—and on maximizing the human potential within their organizations to meet the challenges of change.

Risk and Reward

As the healthcare market continues to evolve, shifting payment models require the business model to likewise change. New relationships and partnerships will be needed to create better outcomes, both financially and for patients. And although the pace of change is geographically unique, most CEOs are actively focused on developing strategies for broad, transformational change.

Population Health

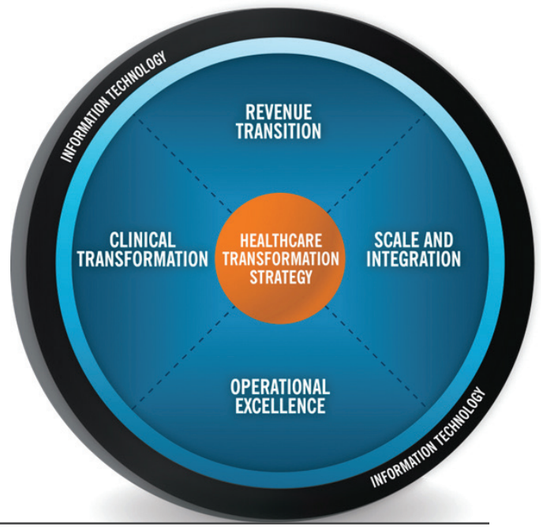
Timing the transition from volume to value remains a key concern. As the transition evolves, hospitals are forced to manage operating margin in the fee-for-service world while simultaneously charting a course for the prepayment models of population health. The imperative of quality, the complexity of data analytics, the importance of narrow networks, and the need for new partnerships must all be addressed to form a strategic path forward.

Consumerism

Thoughtful and strategic leadership will be essential to success in this changing landscape—but the power base will increasingly be shared with consumers as technology and transparency in a digital world give patients a significant role in defining the future.

Healthcare leaders at the Forum brought a sharp focus to these issues, finding opportunities in each challenge and sharing their optimism for the future. The details of the journey ahead are still evolving, but CEOs are shaping the path forward in an effort to bring quality healthcare at affordable prices to the communities they serve.

Huron Healthcare's Transformation Model
Huron's model leverages organizational strengths and local market dynamics, delivering measurable value across the four areas shown here, while implementing and integrating transformational change across the enterprise.



Source: Huron Healthcare

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Titles reflect positions held at the time this report was published.

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The Opportunity for Leadership in Times of Change

Governor Jeb Bush

Times of transition are also moments of opportunity. Delivering the keynote presentation at the Forum, Jeb Bush, Governor of Florida, 1999-2007, focused on the qualities needed to capture those opportunities. “In order to lead,” Bush said, “you must have a sense of optimism.”

Bush greeted CEOs and spoke about the imperatives of leadership in changing times, drawing on lessons learned from his terms as governor. In both government and large organizations, he told the Forum, it is critical to stay focused on long-term goals.

“If you just deal with what is happening today or respond to other people’s agendas, you cannot lead through change,” he said. “You have to stay focused on the bigger picture or the tyranny of the moment will overwhelm you.”

Bush, who is currently head of Jeb Bush and Associates, a consulting firm specializing in business development and strategic advice, offered CEOs five specific leadership principles developed during his time in the Florida statehouse.

1 **Be bold, big, and have a clear strategy.** Bush stressed the importance of being driven by aspirational goals that are audacious but not impossible. “Fix a few big things,” he said, “and your organizations will take off.”

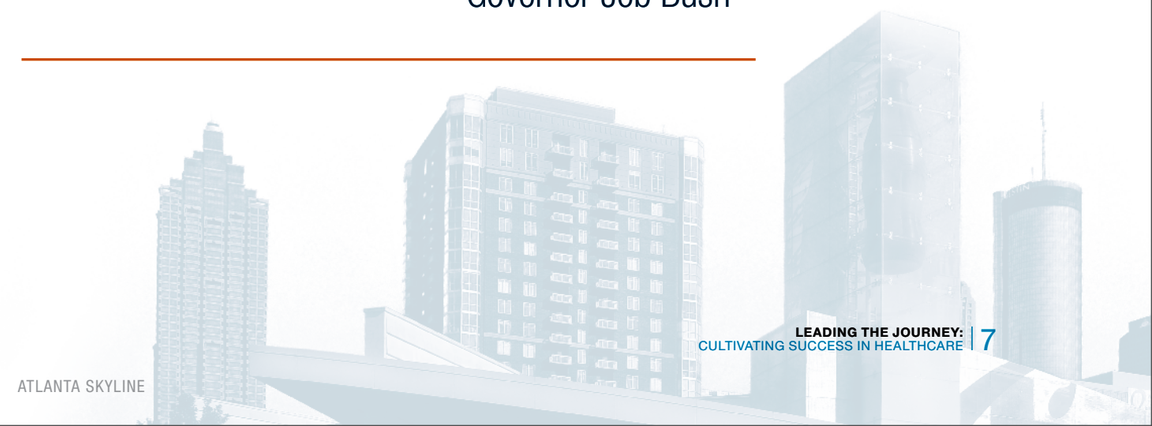
2 **Have a clear plan and stay true to the mission.** In order to turn words into action, people need a plan. The objectives need to be clear, and authenticity from the top down is critical. “Say what you are going to do, say it clearly, then do it.”

3 **Ask the ‘why not?’ question.** During his time as governor, Bush learned that asking why things were done a certain way could lead to defensive answers, which reinforced the status quo. Talking about the desired end-state and asking ‘why not?’ encouraged a different kind of thinking, opening up new possibilities.

4 **Pause and remind people of the mission.** “Not everyone listens the same way,” Bush said. “Do not assume people are clairvoyant. You have to communicate fiercely and continuously to help people realize that changing in the right way is better than maintaining the status quo.”

5 **Remember that the bigger the challenge, the more you have to stick with it.** “Making large changes takes dogged determination,” he said. “That is a leadership skill that is hugely underrated.” Even when things are difficult, he pointed out, the message can’t be negative. “The attitude is not ‘the end is near,’ but ‘what a great opportunity we have.’”

> “You have to stay focused on the bigger picture or the tyranny of the moment will overwhelm you.”
>
> – Governor Jeb Bush



ATLANTA SKYLINE

Building Readiness for Risk and Reward

As the healthcare market evolves, providers and payers are increasingly thinking about new relationships and new ways of doing business. In discussions throughout the Forum, participants focused on the changing business model and the need to find an appropriate balance between risk and reward. Three main themes emerged:

1 The Traditional Business Model is Increasingly Challenged.

Of the various causes for declining revenue per patient, none is greater than the payer-mix shift—away from large employer commercial rates toward historically lower government and individual-payer rates. The era of commercial revenue subsidizing low governmental payer margins is ending, the Forum participants agreed. In this new environment, lean and efficient health systems will support margin by decreasing the total cost of care in an increasingly fixed-revenue business model.

Joseph Swedish, president and CEO of Anthem, Inc. (formerly WellPoint), noted that small businesses are increasingly pushing their employees to the public exchange or to sponsored private exchanges. "We are seeing covered lives in small group plans decrease significantly as these employees move to individual plans or the exchanges."

Meanwhile, large employer groups are demanding more transparency regarding costs and outcomes, Swedish added, and are resisting cost escalation. Many are moving to plan-benefit models that put more financial responsibility on employees—through high-deductible health plans, for example. This trend, in turn, has raised concern that the growing prevalence of high-deductible plans may lead to increased bad debt.

What does this mean for payers and providers? On a fundamental level, it means the business model has to change, according to Keith Pitts, vice chairman of Tenet Healthcare Corporation.

"The large group business, which has traditionally paid most of the bills, is the fastest declining segment. Today's growth is in the government subsidized exchange and individual enrollees through employer-sponsored private exchanges. That is a very different model with very different challenges," said Pitts.

One of the biggest challenges, CEOs agreed, is the ongoing downward rate pressure in the government sector. In recent years, reimbursement rates for government-sponsored plans have been cut repeatedly.

Other challenges include declining inpatient volume, higher consumer expectations regarding cost, quality, and the care experience, as well as emerging service-line competitors. While the Affordable Care Act offers some hope of increasing coverage for the uninsured and reduction of bad debts, there are many other factors affecting payment for care. All are putting additional pressures on healthcare leaders, according to Curt Whelan, Huron Healthcare managing director.

Guest Speakers

Charles Evans
President
International Health Services Group

Parker "Pete" Petit
Chairman of the Board and CEO
MiMedx Group

Keith Pitts
Vice Chairman
Tenet Healthcare Corporation

Joseph Swedish
President and CEO
Anthem, Inc.

"Everyone is aware that the market is changing, but we are seeing that change intensify. The precise rate of change depends upon the specific market, but many hospital executives are focusing on building readiness for new business models. That means optimizing financial and operational performance and strengthening fundamentals, while developing a strategy and capability for broader, transformational change," said Whelan.

2 Challenges May Lead to New Alignment Between Providers and Payers.

Responding to these challenges, many speakers said, will require new models of collaboration among all members of the healthcare delivery chain, including payers and providers.

"The old model of healthcare leadership, which focused on maximizing command and control, is not likely to be effective in this new environment," said Pitts. "It is very unlikely that a single entity will be able to own and/or control 100 percent of the healthcare delivery system that their patients use. We are entering an era where new relationships and new partnerships will provide answers."

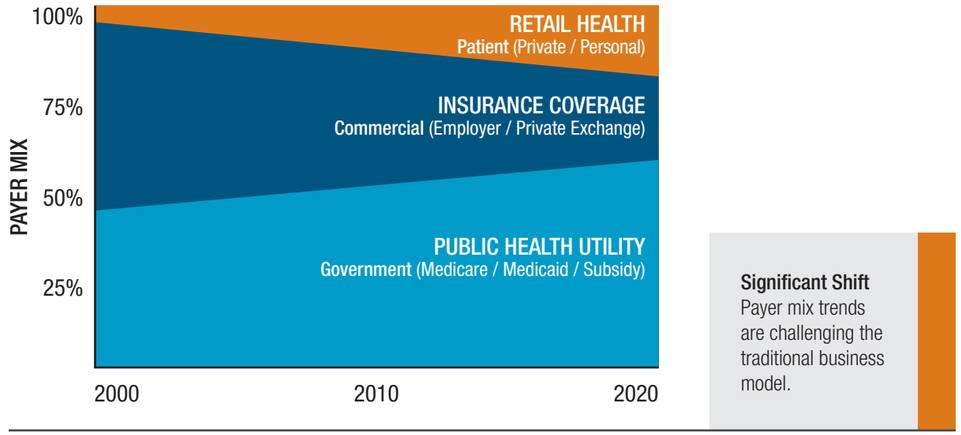
New partnerships will combine different skill sets, Pitts explained, creating better outcomes—both for the system (financial, operational, and branding) and for patients (care experience, clinical outcomes, and costs).

Swedish described one such partnership, Anthem's new joint venture in Southern California called Vivity, which brings together seven health systems in a joint venture. "Because the larger delivery system is fully integrated, the customer can go anywhere among the seven systems," Swedish said. David Feinberg, M.D., president of the UCLA Health System, has described the new joint venture as being "at the vanguard of healthcare delivery in the U.S." The UCLA Health System is part of the Vivity joint venture.

> "We are seeing covered lives in small group plans decrease significantly as these employees move to individual plans or the exchanges."
>
> **– Joseph Swedish**
> President and CEO, Anthem, Inc.

Most executives agreed that the evolving healthcare landscape creates the potential for further payer-provider partnerships—but much remains to be done to make such partnerships a reality.

Teri Fontenot, president and CEO of Woman's Hospital, said her organization is exploring new payment models with payers. "Our largest payer is Medicaid, which pays a per diem unadjusted for severity, so we've had the incentive for years to provide excellent care and high-quality outcomes on a fixed



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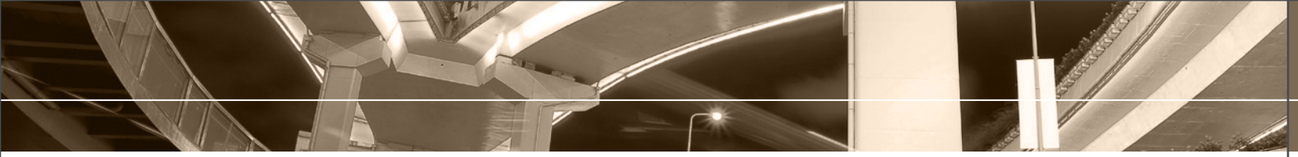

payment," she said. "We have told payers we are interested in experimenting with payment models that support population health. The key will be using data analytics to show that we can improve outcomes through this approach."

"CEOs are considering how new alliances and partnerships are shaping, or could shape, their markets. The lines between payers and providers have started to blur in some markets, but there is no one-size-fits-all strategy," said Gordon Mountford, executive vice president, Huron Healthcare.

"Fundamentally, hospital leaders are looking for the best strategies to provide high quality care while reducing costs," said Mountford. "The key to success is to combine a deep focus on operational excellence while optimizing human potential to provide the leadership needed for transformational change."

3 New Challenges Call for Bold Leadership.

Many speakers agreed that today's challenges and opportunities call for a new, proactive style of leadership.

"In innovative and emerging markets, waiting for stability is no longer a viable pathway," said Charles Evans, president of the International Health Services Group and senior advisor at Jackson Healthcare. "We have to create a culture and environment where people are comfortable moving quickly. There needs to be a sense of urgency and an entrepreneurial spirit."

Parker "Pete" Petit, chairman of the board and CEO of MiMedx Group, agreed. "In a disruptive environment, it is particularly important to take some extra risk. Being too cautious does not get results."

On the government side, the regulatory environment adds another level of complexity.

> "The lines between payers and providers have started to blur in some markets, but there is no one-size-fits-all strategy."
>
> **– Gordon Mountford**
> Executive Vice President, Huron Healthcare

"There's a tremendous opportunity in serving the dual-eligible Medicare and Medicaid population and managing care to benefit all stakeholders—patients and their families, providers, and the states," Swedish said. "But navigating federal and state policy can be challenging."

Indeed, the algebra involved in maintaining margins has grown increasingly complex, according to Jeff Jones, Huron Healthcare managing director. In the past, increased volume generally led to increased margin. Moving forward, the equation increasingly involves lowering the unit cost and total cost of care while increasing volume and quality.

"The payment model is growing more complex at the same time the payer mix is changing," Jones said. "We are in an environment where the collective actions that lead to improved cost and quality require strategic management and operational focus."

Another issue raised during the Forum concerned the future of subsidies in the health exchanges—and how leadership can prepare for possible changes in that area.

"My prediction is that there will have to be some subsidies for consumers at lower income levels," said Pitts. "But as more boomers move into Medicare, and with the expansion of Medicaid, relying on subsidies to make your delivery system work on a long-term basis is a dangerous path."

A better solution, he added, is to create more affordable healthcare opportunities for consumers. "Move to more efficient service models with lower cost access points that provide safe, high-quality care, while leveraging technology to take cost out of the system. That is a much more certain path to success and sustainability."

Other speakers agreed. "You have to build that infrastructure and be ready," said Swedish. "And then be bold."

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>
> **– Keith Pitts**
> Vice Chairman, Tenet Healthcare Corporation

The Changing Algebra
Payment models are changing in different ways, at different times, in different markets.

1ST GENERATION—PAST	(Volume ▲) = Margin
2ND GENERATION—PRESENT	(Per Unit Cost ▼) + (Volume ▲) = Margin
3RD GENERATION—FUTURE	((Per Unit Cost ▼) + (Total Cost of Care ▼)) + ((Volume FFS ▲) + (Volume FFV ▲)) x (Quality ▲) = Margin

Source: Huron Healthcare

Ten Questions to Guide Transformation Strategies

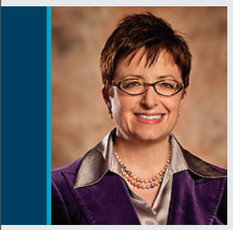
The Forum made it clear that executives are working to build readiness and optimize performance as they prepare for the changing healthcare environment. "That effort is most effective when it is guided by a strategic plan, attuned to the unique dynamics of each market," said Curt Whelan, Huron Healthcare managing director.

Huron suggests ten questions for healthcare systems to consider as they develop their strategic path forward:

1. How are costs aligned with revenue trajectory?
2. What changes in patient care revenue streams are forecast, and how quickly will these changes occur?
3. What increases, decreases, or shifts in utilization are occurring across the system?
4. What partnerships or alliances are shaping the market?
5. Where are the greatest opportunities to drive more value in the care delivery—improving outcomes, experiences, or efficiency?
6. Is there active engagement with physicians and patients?
7. Do current hard and soft assets align with the strategy, revenues, and delivery model, and will they scale effectively?
8. What changes in organization structure and incentives are needed to achieve desired future performance?
9. What are the greatest opportunities today to strengthen the business, optimize revenues, and align costs?
10. Are there clear, prioritized goals and the right governance and data-driven accountability to achieve them?

INSIGHTS: THE HOME DEPOT

Promoting Wellness and Optimizing Costs at The Home Depot



Carol Tomé
CFO
The Home Depot

In response to increasing healthcare costs, some large companies may indeed be rethinking their social contract with employees—but that is not the case with The Home Depot, according to the company's chief financial officer, Carol Tomé. "We are a values-based business, and one of our core values is taking care of our people," said Tomé.

The company, which has more than 350,000 associates, or employees, across North America, offers a cafeteria benefits plan that includes medical, dental, vision, disability, dependent care, a 401(k) plan, stock incentives, and other options.

Focusing on Root Causes

Wellness is a major focus. "We believe it is critically important for employers, large or small, to work on the root cause of healthcare costs by helping people with wellness," said Tomé.

The company offers health risk assessments, brings providers into the stores, shares success stories, and organizes health challenges, such as encouraging associates to walk more, drink more water, and eat more fruits and vegetables.

The programs have paid off financially for The Home Depot, helping keep the average annual increase in healthcare costs per associate to 0.3 percent over the past four years.

"We are proud of our wellness efforts, but we are not tapped out by any means. We are always looking for the best ideas to continue this effort," said Tomé.

Optimizing Costs

In addition to its wellness efforts, the company has pursued a portfolio of approaches to optimize the cost of care. In some markets, they have gone to high-performance networks; in other cases they have negotiated price caps on certain procedures. Other strategies include renegotiating prices with third-party administrators and moving employees to a single provider in geographic areas where that makes sense.

"One thing we have not done is to try to change our staffing model to reduce healthcare costs. We staff our stores to meet the needs of our customers," said Tomé. "We will not let healthcare costs wag the customer experience. That is simply not the right thing to do."

CENTENNIAL OLYMPIC PARK, ATLANTA

Challenges and Opportunities on the Journey to Population Health

As in the past, much of the attention at the Forum focused on the shift from managing episodes of care to taking responsibility for population health. Key questions included: when is the transition coming, what steps can be taken now to build readiness, what new partnerships might be needed, and how will the transition to population health affect revenue and operating margin?

"The momentum toward population health management continues to grow," said Christopher Drummond, Huron Healthcare managing director. "Organizations are responding to new quality and cost expectations by developing strategies for population health and building the necessary infrastructure, though persistence of fee-for-service still varies by market."

Joseph Zubretsky, senior executive vice president of Aetna, characterized the transition in terms of changing membership pools. "It is like a river with dams and levees that has always flowed a particular way for decades," he said. "Now, the Affordable Care Act and pure competitive forces have changed all the dams and levees, so the flow is different. Members are flowing to us in much different ways—which means that in the next 10 years, your patients are going to come to you in different ways."

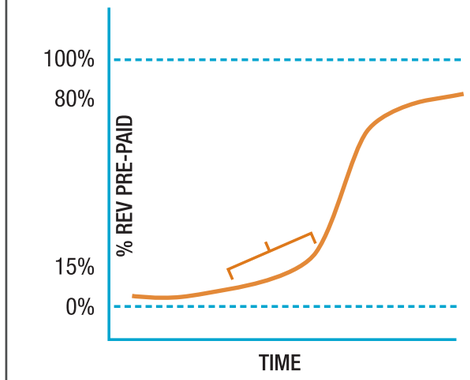
Zubretsky defined population health as a force "bringing together communities of providers and patients in a highly digitized, information-based community, all with the goal of meeting the Triple Aim of improving care, improving health, and reducing cost."

Timing the Transition

Building the infrastructure needed for population health will have significant revenue and capital implications. To successfully make the transition, CEOs must be careful not to act too soon or too late.

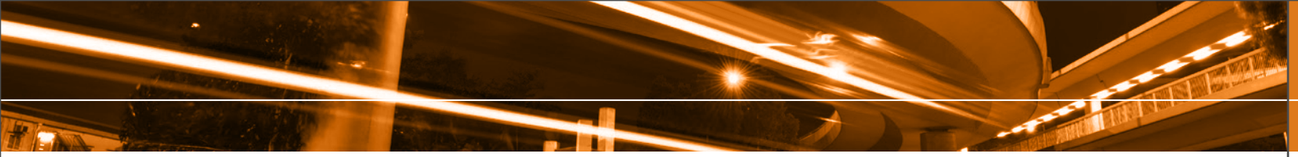
"There is no financial payoff for an institution to develop population health capabilities 10 years before their market transitions to prepayment," said Rob Schreiner, M.D., Huron Healthcare managing director. However, he added that there is a substantial amount of social and economic science that suggests the pace of the transition can accelerate under certain conditions.

"When the proportion of value-based revenue in a given market reaches approximately 15 percent, a tipping point is achieved that accelerates the tempo of that financing



Timing the Curve
When value-based revenue in a given market reaches approximately 15 percent, the transition can accelerate.

Source: Huron Healthcare



> "We've focused on population health because it is the right thing to do for our communities in terms of providing high quality care, and because it controls costs effectively."
>
> **– Mark Laney, M.D.**
> President and CEO, Mosaic Life Care

change," Dr. Schreiner said. "Most organizations are working to identify when that curve is going to break, so that they can go through a thoughtful assessment and planning process in plenty of time to be operationally prepared for a prepayment world."

Mark Laney, M.D., president and CEO of Mosaic Life Care, shared his organization's experience with population health. "We've focused on population health because it is the right thing to do for our communities in terms of providing high quality care, and because it controls costs effectively," he said. "We are an early adopter because we want to grow our market share and differentiate ourselves." Their ACO generated $8.53 million in savings in its first year of operations.

Building the foundation and timing the transition are crucial, he added. "It takes years to be ready for population health. You cannot underestimate the power of legacy relationships between payers and providers, particularly those who want to maintain the status quo."

It also takes time to align physicians, build trust, institute case management, get IT systems ready, and develop data analytics capabilities. "It takes three to five years to put those pieces in place. At the same time, you cannot turn all that on before you are ready to make the shift, because it is costly," said Dr. Laney.

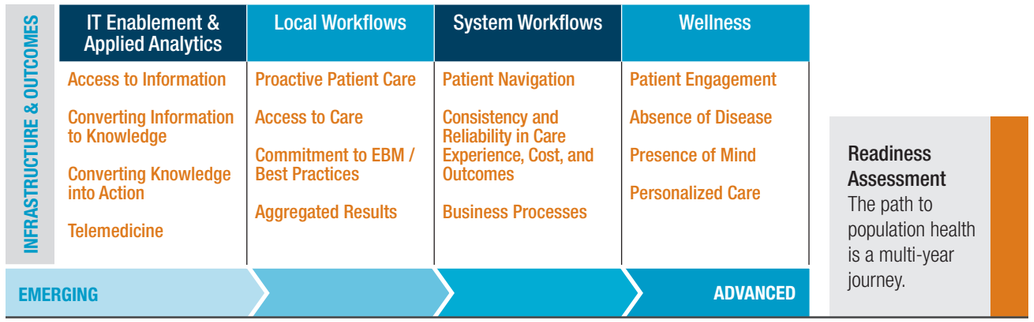
One approach to timing the curve involves assessing an organization's brand, market share, and competitors in a given market, Dr. Schreiner suggested. Organizations with medium market share and strong competitors might have the most to gain by being a first-mover. "The first-mover could suddenly become a stronger competitor by forming a payer partnership or a coalition with other providers. Of course, if one competitor makes a move, the others will react," he added.

The Challenges of Big Data

Executives agreed that robust data analytics will be essential to population health. Most said they are in the early stages of building the infrastructure.

"CEOs know they are going to have much more data in the future, and many are thinking about the capital, organizational, and cultural considerations that will allow them to put that data to use," said Rob Schreiner, M.D., Huron Healthcare managing director.

"We started out data rich and information poor," said Kevin Schoeplein, CEO of OSF Healthcare System. "You have to focus the effort. The amount of data is enormous, and trying to deal with all of it is like trying to boil the ocean. You have to create a single source of truth on the data, prioritize it, and then push the information out, rather than wait for people to ask for it."



Source: Huron Healthcare

"Leadership is key," said C. Wright Pinson, CEO, Vanderbilt Health System. There needs to be a commitment from the top to work through issues and capture the benefit of big data.

Considering New Partnerships

Zubretsky noted that many healthcare CEOs are looking at moving upstream and assuming more financial risk in order to have a sustainable business model. "The shift of risk from payer and plan sponsor to the provider is not for the faint of heart—but ultimately it has many advantages."

Payers know how to look at populations of risk and stratify that risk in a way that adds real meaning to population health, Zubretsky explained. "The beautiful partnership between payer and provider is that you (the providers) know how to take care of patients, and we (the payers) know how to manage risk. If we can bring those two activities together—we bring risk management resources and you bring the clinical resources—we think the partnership in managing population health can be remarkable."

The data that payers bring can empower providers to ensure clinicians operate at the top of their licenses, reduce variation in practice patterns, create proactive care management, and adhere to evidence-based care—all key components of successful population health management, he added.

"The whole business needs to change from payer- and plan sponsor-based care and disease management to a provider-based model. We think that is going to happen over the next decade," he told CEOs.

Andrew Ziskind, M.D., Huron Healthcare managing director, noted that perspectives on payer-provider partnerships vary considerably by market. "There is significant interest, as well as a constant tension." The cost transparency that helps make population health work can have a negative impact on

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> **– Joseph Zubretsky**
> Senior Executive Vice President, Aetna

> "The foundational building blocks needed for population health also deliver benefits in a fee-for-service setting, though the value is focused in the areas of quality, care experience, and asset turn."
>
> **– Rob Schreiner, M.D.**
> Managing Director, Huron Healthcare

margins under fee-for-service models, he explained. "That tension is one of the forces that is slowing the opportunity for payer-provider partnerships," said Dr. Ziskind.

Narrow Networks

Another concern on the minds of CEOs was the public's acceptance of narrow networks. CEOs noted that the concept is essential to population health, yet the patient/consumer reaction to narrow networks, while improving, is sometimes less than positive.

The answer to that concern, according to Zubretsky, is quality. "Our messages have to be about the clinical experience and the outcome. This is not the narrow network of the 1990s. This is not the bureaucratic gatekeeper saying 'go here because it is the lowest cost.' This is about providing access to the best clinical experience in the marketplace."

Higher Quality, Lower Costs

One of the biggest benefits to a population health approach, according to Dr. Schreiner, is the ability to reduce costs while increasing quality.

"Ample evidence exists that higher quality care decreases the total cost of care, not only longitudinally, but in-year. Now, the costs for cancer screening, vaccinations, and providing more office appointments will certainly increase, but when you factor in reductions in ED visits, hospitalizations, and complications that occur when care is delayed, the total cost of care declines," said Dr. Schreiner.

"The foundational building blocks needed for population health also deliver benefits in a fee-for-service setting, though the value is focused in the areas of quality, care

> "Hypothetically, potential readmission penalties might be a $3 million issue. But getting physicians to order only what they need for diagnosis and treatment could be an $80 million issue. In that situation, you have to be sure you are focusing on the $80 million problem."
>
> **– Reynold Jennings**
> CEO, WellStar Health System and Forum Chair

experience, and asset turn," he added. "The cost of capital for an organization can absolutely go down as a function of care efficiency."

The importance of focusing on utilization and quality was underscored by Reynold Jennings, CEO of WellStar Health System and CEO Forum Chair. "Hypothetically, potential readmission penalties might be a $3 million issue. But getting physicians to order only what they need for diagnosis and treatment could be an $80 million issue. In that situation, you have to be sure you are focusing on the $80 million problem."

Consolidation by Coalition

Markets that are dominated by a single institution may be the first to see providers go into the insurance market as they move toward managing population health, Zubretsky said. "In other geographies that are more fragmented, what is going on is consolidation by coalition. Typically these coalitions are hub-and-spoke networks, with community facilities referring patients to the hub. Consolidation by coalition is happening fast," he said, as systems attempt to gain control of the number of patient lives needed for population health.

As this trend occurs, it is important to know exactly how scale affects margin, according to Dr. Schreiner. "It is a common belief that consolidation leads to economies of scale that improve margin," he said. But margin improvement varies by business unit and services. "The aspect of achieving scale that delivers the greatest magnitude of margin improvement is clinical system integration."

David Blom, president and CEO of OhioHealth, shared an example of clinical integration in their organization, the OhioHealth Transfer Center, which directly connects referring hospitals with a single phone call.

"The Transfer Center facilitates patient transfers throughout our system and controls beds at most of our hospitals. With support from the system's eICU (telemedicine) program, the center manages volume and moves patients from one facility to another to ensure that they see the right providers at the right location and receive the highest quality care," Blom said.

From Health Plan to Health System

CEOs at the Forum were clearly engaged by the challenges and opportunities presented by population health. Many are in the early phases of a multi-year journey. The end-point could include a realignment of how healthcare is experienced throughout the country, according to Zubretsky.

"In our view, members and patients ought to belong to health systems, not health plans," he said. "I know this is a provocative statement, but our belief is that the insurance industry today is undermining the relationship between providers and patients." He discussed a hypothetical example of a large company employee who loses his job, goes into the exchange, goes into Medicaid, is hired by a small company, and then qualifies for Medicare.

"In five or six years, that person could have five different primary care physicians in five separate networks involving five different hospitals. All because the current system is designed around insurance contracts, not patients." Ultimately, in a population health world, the shop/buy/enroll experience and the care experience should all be tied to the health system, not the health plan, he added.

"Clearly, there are many issues and opportunities to explore on the population health journey," said John Tiscornia, Huron Healthcare managing director. "It is exciting to see CEOs so engaged and asking the right questions. There is no doubt that the answers they find and the solutions they create will benefit not just their communities, but the country's health system as a whole."

The Rise of Consumerism

Many of the forces reshaping healthcare bring new levels of uncertainty, but one thing is clear: No matter how the healthcare landscape evolves, it will be greatly shaped by the rise of consumerism. To succeed in this new environment, hospitals and health systems will need the ability to meet the needs of empowered consumers.

Many executives at the Forum spoke of the growing power of consumers. Keith Pitts, vice chairman of Tenet Healthcare Corporation, noted that transparency in price, cost, quality, and service will give potential patients new leverage. "For every strategy we have," Pitts said, "at some point in this decade, consumers will take charge."

Unlike some of the current disruptive forces, which add uncertainty to the path forward, the rise of consumerism can provide a guidepost, Pitts added.

"The increasing power of consumers is a really great filter for how we ought to behave and how we ought to move toward," he said. "Consumerism will be the new normal, and there will be nowhere to run and nowhere to hide."

This trend gives providers increased incentives to enhance their focus on patients as customers and to look strategically at issues of cost and quality, according to Daniel May, Huron Healthcare managing director. "We are still early in the shift toward provider-initiated transparency, but at some point—possibly within the next five years in many markets—consumer choice based on a transparent assessment of cost and quality will become a significant factor alongside referral patterns and plan steerage in determining volumes."

For payer organizations such as Anthem, the shift is already well underway. "We cover one in nine Americans through our affiliated health plans," said Joseph Swedish, president and CEO of Anthem, Inc. "As a payer, we are pivoting from the B2B world to B2C. The center of the universe has changed. The consumer is now at the center."

Providers that invest the resources to engage consumers also see benefits on the cost side, said Andrew Ziskind, M.D., Huron Healthcare managing director. "There is growing evidence that consumers who are engaged and active in their own care are less costly to serve and have better outcomes. This is a key component of delivering higher quality care and also benefits the organization financially, under both fee-for-service or value-based models."

Nurturing this type of engagement is not solely a clinical responsibility, Dr. Ziskind added. Rather, it begins with the way patients are greeted and continues in all communications across the care continuum with the patient and family.

Studies on consumer engagement and loyalty have shown that patients typically judge quality on three main factors: Access—meaning same-day appointments for primary care and three days for specialty care—basic manners and courtesy, and how they are treated on the phone.

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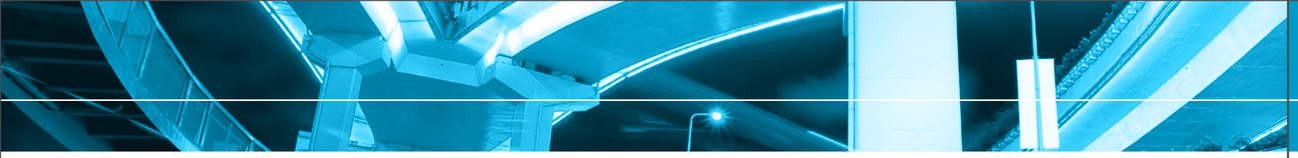
> Managing Director, Huron Healthcare



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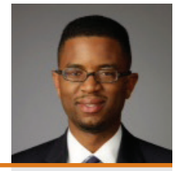
> Vice Chairman, Tenet Healthcare Corporation

In contrast, hospital awards and clinical outcomes are not particularly influential in perceptions of quality. "Consumers equate the patient experience with quality, because they are not always well-equipped to judge clinical quality," Dr. Ziskind said.

The details of how health systems, payers, and plan sponsors might work—together or separately—to encourage consumerism remain to be mapped out, but CEOs agreed the effort is crucial. As Swedish mentioned, "Our collective success depends on our ability to serve the needs of the customer."

INSIGHTS: TURNER BROADCASTING SYSTEM

Empowered Consumers Drive Change



Michael Quigley
Vice President of Business Development and Multi-Platform Distribution, Turner Broadcasting System

Changing distribution dynamics. New competitive forces. Disruptive innovation requiring a new business model. Transitioning revenue streams. Heightened expectations from newly empowered consumers.

Those phrases easily describe today's changing healthcare landscape. As CEOs at the Forum heard, they also apply to the challenges faced by Turner Broadcasting System (TBS) and CNN with each new breakthrough in digital technology.

According to Michael Quigley, vice president of Business Development and Multi-Platform Distribution for Turner Broadcasting System, the choice those forces posed for TBS was simple: innovation or irrelevance.

Speaking to CEOs during their visit to the CNN Center, Quigley described how many of the pressures healthcare leaders face have also affected TBS. "The way we deliver our product to consumers has dramatically changed," he said.

Traditionally, TBS provided content to retailers—cable companies—who had a license to sell their programming. TBS controlled the viewer experience, deciding when viewers could watch any given program. "The advent of the DVR and video-on-demand changed that, giving consumers the power to watch programming whenever they wanted. Then mobile technology changed it again."

The influence of mobile devices has been huge, Quigley said. As an example, this year saw an 80 percent increase in viewers watching the NCAA men's basketball tournament—March Madness—on mobile devices.

"Every consumer today is carrying some kind of mobile device," said Quigley. In addition, there are now 120 million "connected devices" in the U.S.—a category that includes gaming consoles, Roku streaming set-top boxes, Apple TV boxes, and other devices that bring internet content to television sets.

A Sea Change in Competitors and Technology

As in the healthcare world, all of this technology brought new competitors.

"When CNN was formed," he said, "the question was about how we could steal share from more traditional competitors, such as CBS Evening News or the NBC Nightly News. Now we compete not just with broadcasters and cable networks, but with every single digital outlet for news, entertainment, and sports. It is a huge sea change in the number of competitors we face."

There are other healthcare parallels in the areas of consumers and brand. "The feeling of empowerment consumers have is huge," Quigley said. "But even in this disaggregated world, brand loyalty still matters."

In fact, in a recent CNN survey about factors influencing viewing decisions, half of the respondents named brand as an important factor—more than those who cited friends' recommendations. Just as a health system brand can be important in gaining covered lives and discouraging patients from using out-of-network care, brand draws and retains viewers for TBS. "When the landscape is rapidly evolving, brand has a value and resonance that is definitely meaningful," said Quigley.

The Need for New Leadership Skills

To thrive in this changing world, CNN adopted a "TV Everywhere" strategy, simulcasting cable content on mobile devices. This year, they took the approach further by launching CNNgo, a service that allows viewers to personalize the content they see.

Delivering this successfully required forging new partnerships, another similarity to the healthcare world. For example, a partnership with Adobe allows CNNgo to identify and serve subscribers across a wide variety of platforms.

As in healthcare, the success of these strategies depends on the quality of leadership and human capital. Recruitment and development of leadership is crucial. "We want the best talent in and out of the industry," said Quigley. TBS has also changed the organizational structure to respond to today's challenges, creating a start-up like company inside the organization and acquiring other innovators.

In the end, successfully meeting the challenge of innovation or irrelevance in the world of news, entertainment, and sports involves focusing on the consumer, Quigley said, and responding with the right vision, people, and strategies. It is a lesson that applies equally to healthcare.

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INSIGHTS: COCA-COLA

Engaging Consumers in Real Time

Wendy Clark
President of Sparkling Brands and Strategic Marketing, Coca-Cola North America

With consumerism gaining increased importance in the healthcare world, CEOs at the Forum heard insights from one of the world leaders in connecting with customers: Coca-Cola.

Wendy Clark, president of Sparkling Brands and Strategic Marketing for Coca-Cola North America, shared the company's experience in real-time marketing, offering lessons learned from the failed introduction of New Coke in the 1980s to the success of its recent World Cup campaigns.

Silence Is Not An Option

Digital media and consumerism have created a new expectation for engagement, Clark told CEOs. "In today's socially networked world, customers expect you to be operating in real time. Silence is lethal. If you do not speak your truth, it will be filled in for you."

When New Coke was introduced in 1985, it was 79 days before the company responded to complaints. "Taking that long now would be disastrous," Clark said. "There is no safety in silence anymore. In today's world, you need to be active in order to control the message."

The reaction to New Coke was a powerful example of consumerism, Clark added. "We realized that it wasn't our brand. It was the consumers' brand. That experience has shaped our entire marketing approach."

Speed Trumps Perfection

The digital world moves in real time, putting a premium on timely communication. "It does not matter how good your content is if you miss the window of opportunity," she said. Real-world events, such as the power outage at a recent Super Bowl (Oreo's social media team tweeted "You can still dunk in the dark" within minutes) and the drama of the World Cup in Brazil provide marketers with opportunity—if they are ready to react quickly.

Do Work That Matters

Clark cautioned executives not to mistake the imperative for speed with permission to create meaningless content. "There are 500 million tweets every day," she said. "Four hundred hours of content are added to YouTube every minute. The world does not need more content. The world wants more interesting, useful, compelling, share-worthy content."

In this environment, Clark added, "You have to meet your consumers where they are. By partnering with consumers we can create outcomes far better than either of us could create on our own."

Learn More, Guess Less

In the digital environment, results are highly measurable, Clark noted, which provides the opportunity for continual improvement. Coke focuses most of its social and digital marketing on efforts they know will succeed. "Another 20 percent of our effort consists of things that have worked for others, but are new to us. And 10 percent are high-risk, high-reward marketing ideas that have never been done before." An example was the creation of the world's largest digital mosaic for the World Cup.

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> President of Sparkling Brands and Strategic Marketing, Coca-Cola North America

"Think big, start small, scale fast," Clark said. "Give your team permission to make mistakes. And always correct quickly. Simply say, 'We were wrong, we are sorry, and we have learned.'"

This approach requires fast decision-making. "We do not have time to go up and down the hierarchy in a real-time world. We have to make really good choices about who we hire and give them the power and responsibility to make decisions."

Over time, this enables the marketing to become more and more productive. And for those times when the path seems uncertain, Clark recommends following the advice of Walmart founder Sam Walton: "When you get lost, go to the store—the customer has all the answers."

"Think big, start small, scale fast. Give your team permission to make mistakes. And always correct quickly."

– Wendy Clark

Continuing the Journey

At each CEO Forum, the path toward healthcare transformation becomes seemingly more complex and, in some ways, more clear. At the fifth annual Forum, CEOs optimistically addressed the complexities of transitioning to—and thriving in—a value-based healthcare environment while staying focused on the fundamentals: delivering high-quality, lower-cost care across the care continuum to better serve their communities. In every case, leaders are committed to forging the strategic path forward that will allow their organizations to advance their missions and continue leading the journey.

Acknowledgments

Special thanks to Huron Healthcare CEO Forum Chairman Reynold Jennings, CEO of WellStar Health System, and his team for their partnership in inviting many of the guest speakers, and for their work and deep commitment to making the event and this report a valuable resource for healthcare leaders.

CEO Forum cabinet members were also instrumental in the development and execution of the program. Their input and guidance created a rich learning environment and report.

Huron Consulting Group President and CEO James Roth, Huron Healthcare Executive Vice President Gordon Mountford, and Huron Healthcare Managing Directors Christopher Drummond, Jeff Jones, Daniel May, Rob Schreiner, M.D., John Tiscornia, Curt Whelan, and Andrew Ziskind, M.D., also contributed to the Forum and to this report.

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Huron Healthcare is the premier provider of performance improvement and clinical transformation solutions for hospitals and health systems. By partnering with clients, Huron delivers strategy and solutions that improve quality, increase revenue, reduce expenses, and enhance physician, patient, and employee satisfaction across the healthcare enterprise. Clients include leading national and regional integrated healthcare systems, academic medical centers, community hospitals, and physician practices.

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