



**GROWING THREATS TO HOSPITAL  
MARGINS LEAD TO STRATEGIC  
PARTNERSHIPS AND A DIGITAL OVERHAUL**

SPONSORED BY

**CONIFER**  
HEALTH SOLUTIONS®



# Growing Threats to Hospital Margins Lead to Strategic Partnerships and a Digital Overhaul

Despite what seems like a constant tumultuous healthcare operating environment, the last two decades have actually been high-revenue years for providers, thanks to the fee-for-service payment model. Even this year, things are looking up for nonprofit hospitals. Ratings agencies upgraded U.S. nonprofit health system outlooks from negative to stable, based on favorable payment rates, volumes, and better balance sheet ratios.<sup>1</sup>

The coming decade, however, is going to be stormy for hospitals and health systems. National healthcare expenditures have grown steadily since 1999, and this trend will continue.<sup>2</sup> Centers for Medicare and Medicaid Services (CMS) projects expenditures will increase from \$3.8 trillion in 2019 to almost \$6 trillion by 2027.<sup>3</sup> Providers are tipped in the wrong direction and are going to feel even more of a clampdown from the government, payers, employers, and consumers who want more cost containment and higher-value care.

In the *HealthLeaders Buzz Survey: Facing Margin Pressure*, 113 senior-level industry leaders reveal that the pressure is on and that major shifts are chipping away at their bottom lines. Some of the shifts include consumerism, less favorable payer mixes, increasingly burdensome regulations, and new competition. Forward-focused leaders must understand that now is the time to act and change this trajectory. Organizations must go all-in by engaging strategic partners and investing in digital transformations to hold onto margin and market share as they work to help create a stronger future.

## Pressure points

*HealthLeaders Buzz Survey* respondents from nonprofit and for-profit hospitals, health systems, medical groups, skilled nursing facilities, and other organizations said they have recently experienced change in the following areas:

- Consumers wanting more convenient/on-demand care (64%)
- A push to improve data and price transparency (59%)
- A less favorable shift in payer mix (59%)
- New competitive care models that offer services at lower price points (49%)

These numbers illustrate the multiple forces at play, which have been building for years to reach this current peak. Consumers have become more selective when it comes to convenient, high-quality care and price sensitivity after shouldering an increasingly higher percentage of health-care costs. According to Centers for Disease Control (CDC) estimates, 47% of Americans with private health insurance are now enrolled in high-deductible health plans.<sup>4</sup>

## GROWING THREATS TO HOSPITAL MARGINS LEAD TO STRATEGIC PARTNERSHIPS AND A DIGITAL OVERHAUL

**Areas of change** | Has your organization seen a recent change in the following areas?

	Yes, a lot	Yes, somewhat	Neutral	No, not really	No, not at all
Consumers wanting more convenient/ on-demand care	22%	42%	22%	13%	1%
A push to improve data and price transparency	22%	37%	16%	22%	3%
A less favorable shift in payer mix	19%	40%	17%	20%	4%
New competitive care models that offer services at lower price points	14%	35%	20%	25%	6%
Losing share due to purchaser contracting strategies	4%	21%	32%	35%	8%

**Base = 113**

\* Ranked by responses for “Yes, a lot”

As consumers make healthcare purchasing decisions, they expect transparency and an “Amazon-like” customer experience. This resolve will only strengthen as new players like Walmart, Google, and Amazon itself continue to disrupt the healthcare landscape by providing 24/7 access to care, along with new technologies and apps that allow quicker, convenient access to providers, information, and healthcare services.

Payer dynamics are also shifting in critical ways that place greater financial pressure on respondents’ organizations. To start, commercial and government payers, along with self-insured companies, are holding providers more accountable for performance and outcomes as the industry inches closer to value-based care. For example, employers and government payers are entering into full-risk and bundled contracts with providers to reduce costs and improve outcomes. These buying practices force providers to be more transparent and efficient.

Providers are also experiencing payer-mix shifts as more baby boomers age out of commercial insurance and into traditional Medicare. Additionally, as more Medicare beneficiaries enroll in Medicare Advantage, providers are faced with taking on additional risk, which leaves the potential for lower revenues.

Respondents clearly feel the effects of the proliferation of retail healthcare clinics, as well as a surge in tech-savvy venture and private equity-backed companies with plenty of funding and lean operational models that allow them to offer efficient, routine care at a lower cost compared to acute care hospitals.

## GROWING THREATS TO HOSPITAL MARGINS LEAD TO STRATEGIC PARTNERSHIPS AND A DIGITAL OVERHAUL

### Areas of pressure | Does your organization feel pressure to...?

	Yes, a lot	Yes, somewhat	Neutral	No, not really	No, not at all
Increase productivity through understanding cost, eliminating waste, and managing supplies more efficiently	28%	50%	12%	8%	3%
Explore new payment models (upside risk, downside risk, capitation, direct contracting, etc.)	21%	44%	14%	14%	6%
Engage strategic partners across the care continuum	19%	56%	14%	9%	3%
Engage strategic partners for digital health	18%	41%	20%	13%	8%

Base = 113

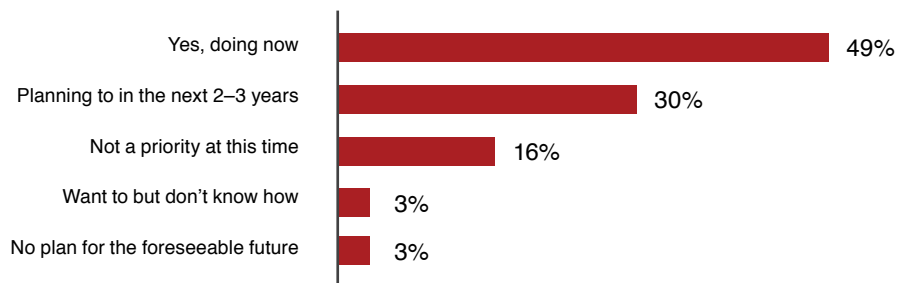
\* Ranked by responses for "Yes, a lot"

### A call to action

As these pressures mount, respondents acknowledge that it's time for across-the-board changes. Respondents said they feel somewhat to a lot of pressure to:

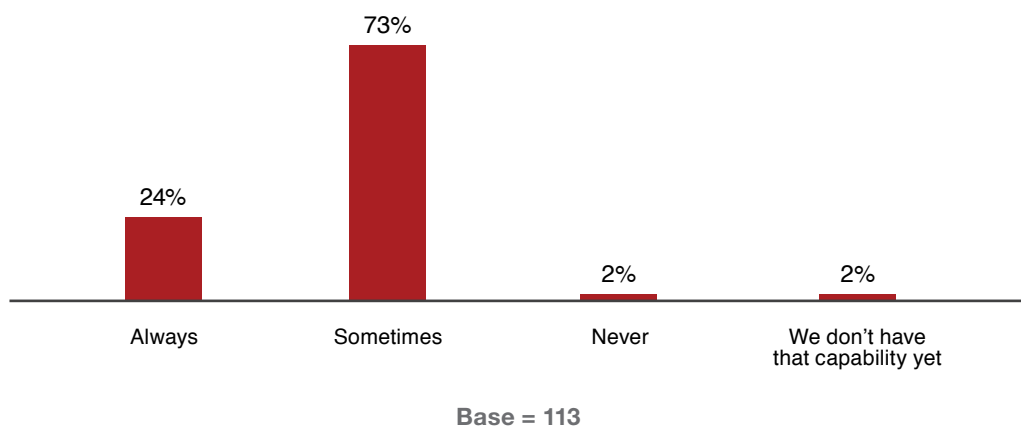
- Increase productivity by understanding costs and eliminating waste (78%)
- Explore new payment models, including taking on more risk (65%)
- Engage strategic partners across the care continuum (75%)
- Engage strategic partners for digital health (59%)

**Digital transformation** | Is your health system in the process of a digital transformation (a shift in which organizations integrate digital technology into all areas of business to leverage data to improve the way an organization operates and delivers value to customers)?



Base = 113

**Data-driven insights** | Does your organization make strategic decisions from data-driven insights?



Most leaders understand that an integrated digital technology platform delivering data-driven insights is necessary to improve all aspects of business and clinical operations. So it's no surprise that most respondents are moving toward a complete digital transformation. Forty-nine percent are currently undertaking a digital transformation, and 30% plan to do so in the next two to three years.

While digital transformation is top of mind for respondents, the same cannot be said about data access. In fact, leveraging data continues to be a challenge. Most organizations do not take full advantage of data-driven insights to make decisions. According to the survey, only 24% of respondents always use data-driven insights to make strategic decisions.

The results underscore the fact that the majority of organizations still lack confidence in their data analytics systems, which can have a dramatic impact on how they understand the true costs of care, risk, and clinical outcomes, to name just a few hotspots. With so many organizations operating on low margins, it is imperative to have a strong data infrastructure delivering actionable insights to the right person at the right time.

### **Focus on these essential steps**

Ready or not, the new healthcare economy is here, and it threatens to undermine hospital and health system margins. Payer dynamics are shifting, healthcare consumers are making demands that are more sophisticated, cost pressures are increasing, and market share is threatened. Healthcare organizations that want to keep their competitive edge need to start laying the groundwork for a leaner, more efficient, consumer-focused delivery model.

## GROWING THREATS TO HOSPITAL MARGINS LEAD TO STRATEGIC PARTNERSHIPS AND A DIGITAL OVERHAUL

---

Digital transformation is happening now. It starts by forming strategic industry partnerships and creating a digital platform along with a strategic data analytics program.

As providers shift to new payment structures and risk-based agreements, they will need to fully transition from manual processes to a digital platform that automates redundant tasks, supports population health programs, engages consumers, delivers data-driven insights across the healthcare continuum, and more. Strategic partnerships will become even more important in the coming decade. As healthcare organizations adopt new digital platforms, improve data processes, and rethink care and payment models, a strong partner can be the critical link to providing key knowledge and expertise as well as helping manage processes and even relationships with other partners as organizations enter into new lines of business.

**Consumers are demanding greater transparency on cost and quality, and healthcare organizations and self-insured employers are focusing more on wellness and prevention. Achieving market leadership requires excelling at reimbursement competencies and risk-based capabilities. Aligning with a proven partner with deep expertise in health system reimbursement and risk-based administration can accelerate success and improve your patient, operational and financial outcomes.**



**LET'S TALK** about how to achieve better outcomes, visit [ConiferHealth.com/Lets\\_Talk](https://ConiferHealth.com/Lets_Talk)

- 
1. <https://www.healthcaredive.com/news/nonprofit-hospitals-get-bump-in-moodys-ratings-for-2020/568739>
  2. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical>
  3. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/ForecastSummary.pdf>
  4. <https://www.cdc.gov/nchs/data/nhis/earlyrelease/Insur201808.pdf>