

# The transformative health system

*Five steps for health systems to stay relevant and responsive in today's rapidly changing environment*



Yen Nguyen, Pharm.D.,  
*Director of Clinical Analytics, McKesson RxO®*

Barbara Giacomelli, Pharm.D.,  
*VP, Strategy, McKesson RxO*

# The transformative health system

## *Five steps for health systems to stay relevant and responsive in today's rapidly changing environment*

As the healthcare industry has evolved, health systems have had to make ongoing adjustments to their cost structure, service strategies, operational tools and more to meet the needs — and demands — of the marketplace. Moreover, today's rapidly changing patient demographic and the introduction of niche drug therapies are making the need for proactive transformation on the part of hospitals, clinics, individual practices and pharmacies an unavoidable requirement.

Everything from service access to government funding is dynamic, putting pressure on health system leadership to take on the mantles of technology guru, political warrior, financial fortune teller, regulatory expert and community activist, as well as medical professional. It is possible, however, to apply effective “preventive medicine” to existing health systems and stay ahead of the curve by following these five steps.



### **Step 1:**

**Acknowledge the changing landscape of patient care**

---



### **Step 2:**

**Optimize your technology**

---



### **Step 3:**

**Become more consumer-centric**

---



### **Step 4:**

**Embrace transparency**

---



### **Step 5:**

**Stay on top of public policy**

---



### Step 1: Acknowledge the changing landscape of patient care

Recent research shows that 95% of acute-care patient visits now take place outside of a hospital, <sup>1</sup> and that's having an impact on health system services. More than patient care outcomes are at stake. [Supply chain management](#), regulatory compliance, data capture and security, workflow management, communication, productivity, and procurement are being impacted just as much as care delivery and patient satisfaction.

Acknowledging this shift in care locations — driven largely by patients and healthcare insurers — is key. Systems that insist on holding tight to a “this is the way we’ve always done it” paradigm are doomed to be left behind as consumers (especially millennial and Gen-Z patients) boldly assert their preferences and devote their dollars and loyalty to those who match those preferences.



### Step 2: Optimize your technology

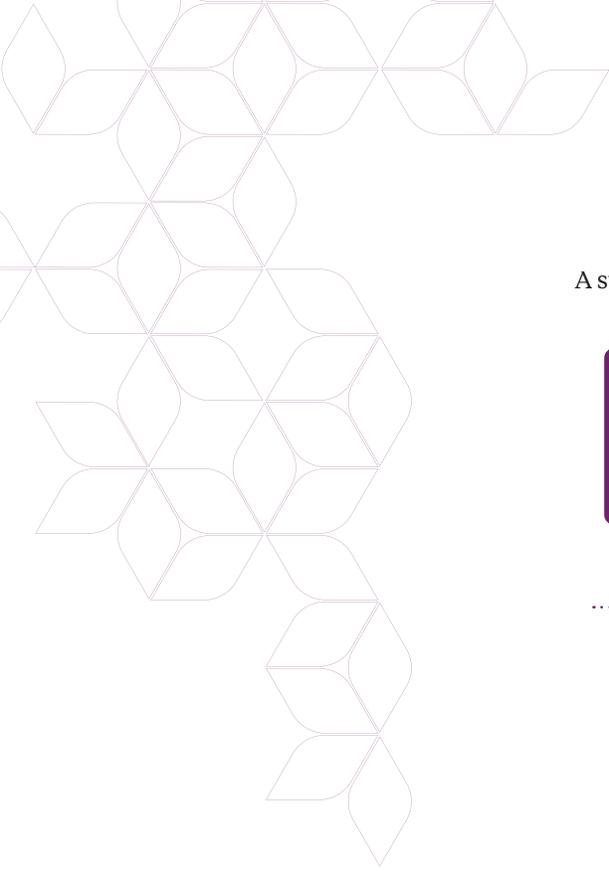
As care-delivery systems have become more complicated, so have the provision and management of tools and resources needed by providers. Now, the often-complex solutions required by physicians, labs and other providers must not only be implemented within individual healthcare facilities, but also extend to patients’ devices and, often, their homes. What that means to providers is entry into the world of “big data” where massive amounts of information are collected, analyzed and delivered in real or near-real time.

According to an International Data Corporation (IDC) report, the volume of big data is projected to grow faster in healthcare over the next seven years than in other sectors, including manufacturing, financial services or media.<sup>2</sup> The result will certainly be a challenge for healthcare organizations unprepared to manage — or even adopt — [advanced analytics](#), medical imaging, patient devices, chatbots (a computer program or artificial intelligence that conducts conversations via voice or text, simulating a human conversation), virtual assistants, and other cutting-edge diagnostic and communication tools. IT investment in healthcare is among the lowest of all industries, making it even more difficult to catch up with data management challenges, let alone implement innovative architectures, edge computing (computing done at or near the source of the data, instead of relying on the cloud), robotics, and other necessary technologies.

Cybersecurity, of course, should be among providers’ technology initiatives. As health organizations shift from a narrow focus on regulatory and HIPAA compliance to a more comprehensive, environment-wide security strategy, the number of potential cyberattack entry points continues to expand. That, plus hospital systems’ high level of exposure to third-party services and business partnerships, increases the risk of network breaches.



**95% of acute-care patient visits now take place outside of a hospital.**



A study conducted by HIMSS Analytics and Symantec<sup>3</sup> revealed that:



**82%**

*of participating healthcare organizations said that cybersecurity policies are discussed at the boardroom level,*

*yet only*

**40%**

*said cybersecurity is a regularly scheduled item.*

*The top three drivers for cybersecurity investment among healthcare organizations are risk assessments, HIPAA compliance, and security or financial audit findings.*

**75%**

*of healthcare organizations are still spending 6% or less of their IT budgets on cybersecurity — a lower number than more security-mature industries, such as banking and finance.*

*Budget, staffing and skill set were the three most significant barriers preventing healthcare firms from achieving a higher level of security.*

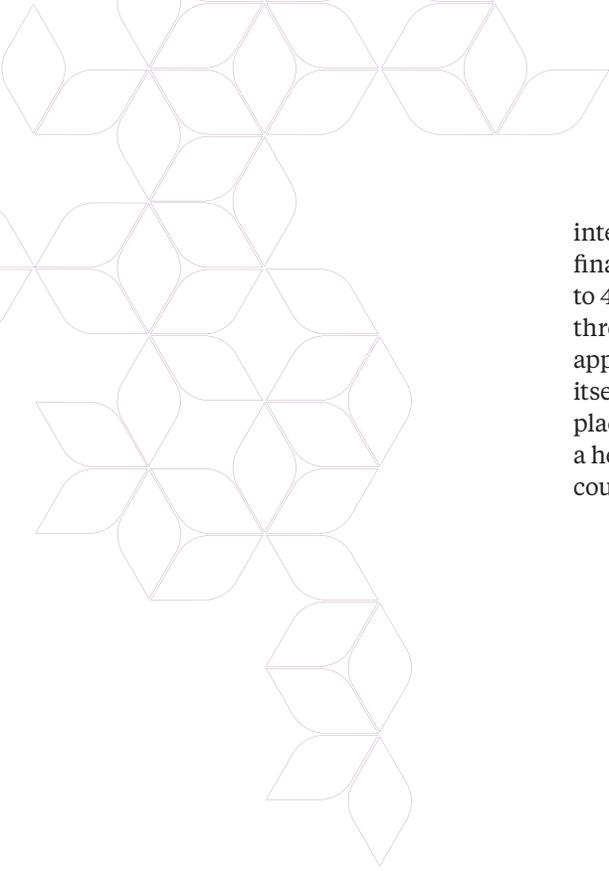


### **Step 3: Become more consumer-centric**

Physicians pledge to “first do no harm” — but health systems, as a whole, are called to “do more good” beyond simply connecting patients with medical services. In an attempt to address consumers’ desire for lower costs and easier access, a growing number of health systems, service providers and employers are answering that call.

Many clinics, labs and pharmacies are working to bring care closer to home and make it more easily accessible by consumers. Employers are exploring self-insurance options and implementing incentives to encourage the use of locally contracted providers integrated into retail locations or stand-alone medical clinics. In a truly innovative move, Emory Healthcare announced in 2018 a new Accountable Care Plan that will serve employees in the Atlanta area. The plan is value based, which means payment to the health system will be determined by patient outcomes.<sup>4</sup>

In addition, transforming an increasingly distributed care continuum into an



integrated “one-stop shop” is gaining momentum as systems recognize the financial value of better patient follow-up. Studies show that approximately 20 to 40% of patients who are referred to specialists or other providers never follow through for a number of possible reasons: they are directed to schedule the appointments themselves and choose not to; their medical situation resolves itself; a calendar conflict arises; or they disagree with the referral in the first place. Whatever the reasons, the impact can be profound. Studies show that if a healthcare system with just 200 providers could avert 25% of lost referrals, it could recover nearly \$1 million in lost revenue.<sup>5</sup>

- Implementing consumer-centric processes that streamline the patient experience can improve patient care and also boost reputation ratings.
- Offering same-day appointments to expedite care can minimize the chance of appointment cancellation.
- Implementing customizable automated outreach and patient follow-up processes, such as calls and texts, can go a long way toward strengthening patient-physician relationships.
- Online tools that allow a referring practice to view specialists’ calendars and make appointments for patients while they’re still in the office can help ensure their follow-through, improving both patient care and practice revenue.
- Using predictive modeling technologies to identify high-risk patients with multiple overlapping needs for care services can not only enhance medical outcomes, but also meet patients’ needs at a significantly lower cost than hospital emergency room services.



*Approximately 20 to 40% of patients who are referred to specialists or other providers never follow through for a number of possible reasons:*

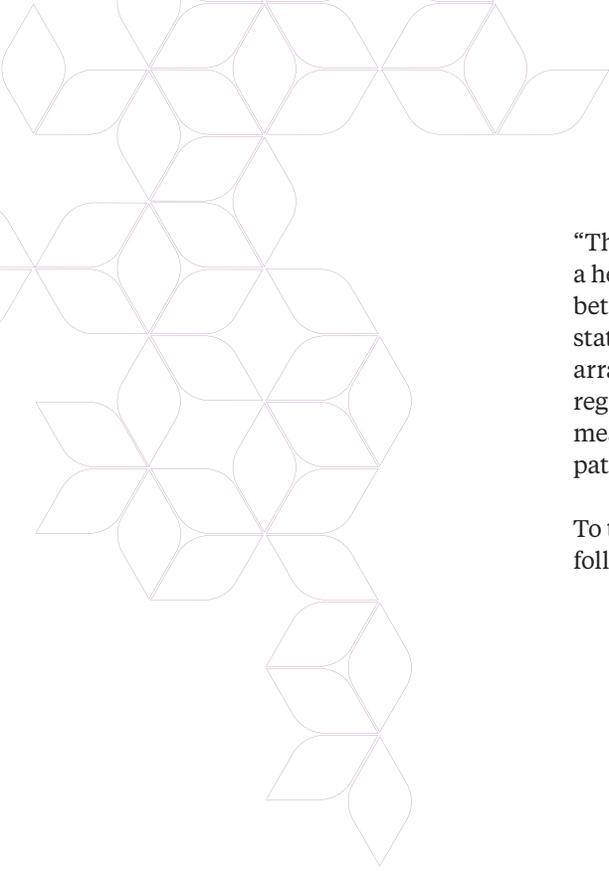
- ***They are directed to schedule the appointments themselves and choose not to***
- ***Their medical situation resolves itself***
- ***A calendar conflict arises***
- ***They disagree with the referral in the first place***



#### **Step 4: Embrace transparency**

Out-of-network medical bills are a top concern of Americans today. Pricing often varies based on where the service is performed, which can affect patients’ out-of-pocket costs. It’s often hard for insured patients to determine whether a physician or other provider is in-network because of outdated directories or confusion about multiple plan contracts.

As health systems become more consumer-centric, providing price transparency can actually benefit health system organizations as much as it benefits customers. The American Medical Association (AMA) has explicitly come out as being in favor of transparency as a means of spurring value-based decisions by consumers.<sup>6</sup>



“The lack of transparency in healthcare pricing and costs is primarily the result of a healthcare financing system that depends largely on the complex arrangements between and among employers, third-party payers, providers and patients,” stated AMA Executive Vice President and CEO James L. Madara, M.D. “These arrangements can make it difficult to identify accurate and relevant information regarding costs associated with specific medical services and procedures. Achieving meaningful price transparency can help lower healthcare costs and empower patients to make informed care decisions.”

To that end, the AMA has outlined eight ways to spur consumer trust and care follow-through:

- Address patient confusion and poor health literacy by developing resources that help patients understand the complexities of healthcare pricing and encourage them to seek information regarding the cost of healthcare services they receive or anticipate receiving.
- Require all health professionals and entities to make prices for common procedures or services readily available.
- Physicians should communicate information about the cost of their professional services to individual patients, taking into consideration the insurance status of the patient — such as self-pay, in-network insured, or out-of-network insured — when possible.
- Health plans should provide plan enrollees or their designees with complete information regarding plan benefits, along with real-time cost-sharing information associated with both in-network and out-of-network provider services or other plan designs that may affect the patient’s out-of-pocket costs.
- Health plans, public and private entities, and other stakeholder groups should work together to facilitate price and quality transparency for patients and physicians.
- Entities promoting price-transparency tools should have processes in place to ensure the accuracy and relevance of the information they provide.
- All-payer claims databases should be supported and strengthened.
- Electronic Health Record (EHR) vendors should include features that facilitate price transparency for physicians and patients.



***If a healthcare system with just 200 providers could avert 25% of lost referrals, it could recover nearly \$1 million in lost revenue.***

Value-based care decisions require more than just cost information. They also require information regarding quality. Combining cost and quality information into a format that is usable for consumers and providers is a significant task, and many healthcare services still lack relevant metrics of quality.

An example of the lack of quality metrics was communicated in an interview with Co-Founder and Senior Vice President of Analytics at Healthcare Bluebook, Bill Kampine. He shared this belief that there are noticeable differences between data on providers’ individual quality versus an organization’s quality — and that those differences may not accurately reflect whether patients are receiving the best possible care.<sup>7</sup>

“Selecting a high-quality hospital does not guarantee a high-quality physician,” Kampine said. “Patients must be able to independently evaluate both facility and physician quality.” He went on to assert that individual provider performance data is needed to improve clinical transparency and suggested that payers and employers consider hiring an objective third-party organization to conduct these types of evaluations to help payers promote clinical transparency.



### Step 5: Stay on top of public policy

If health systems want to understand more clearly what’s happening regarding emerging technologies, changes in healthcare regulations, new Medicaid and Medicare policies, and more, they need to make the commitment to stay informed. That means an ongoing review of industry and governmental newsletters and websites, as well as making attendance at conferences and webinars standard operating procedure — especially those providing the opportunity to pose questions and converse with policymakers.

For example, the ongoing debate in the U.S. Congress regarding the 340B Drug Pricing Program has increased the focus on pharmacy performance and compliance. The Health Resources and Services Administration (HRSA) continues to raise the bar on covered-entity compliance with tougher audits and revised guidance regarding self-disclosure and corrective action plans.

Andrew Wilson, Pharm.D., FASHP, vice president of [340B solutions](#) at McKesson, has developed the *340B Program Handbook*. The handbook, published in partnership with American Society of Health-System Pharmacists, is a practical guide for pharmacy leaders, hospital administrators, business managers and pharmacy supply chain professionals. It is available through the ASHP online store at [ashp.org](#).

“

“Selecting a high-quality hospital does not guarantee a high-quality physician.”

**Bill Kampine**

*Co-Founder and Senior Vice President of Analytics  
Healthcare Bluebook*



## Before steps 1 through 5: Ground Zero

We are in the midst of a dramatic healthcare revolution. As our national healthcare system grew during the 20th century, facilities grew larger and larger, services increased in both depth and breadth, and hospitals became the center for care in our communities.

But that was then. This is now.

A quick reflection on iconic shifts in other industries (hello Netflix, goodbye Blockbuster; hello Amazon, goodbye Sears; hello camera phones, goodbye Kodak) should make it clear that no industry is immune to disruption and reinvention.

The truth is, the business model for healthcare is changing as countless market shifts drive the need for new tools, improved processes, smarter strategies and different forms of care delivery.

While it's critically important for health systems to manage supply chain operations, financial performance and clinical infrastructure, perhaps the most important initiative is overcoming organizational inertia. By aligning leadership, stakeholders, resources and planning processes — and adopting a “future view” — health systems can succeed in implementing these five steps to stay relevant and responsive in today's rapidly changing healthcare environment.



## Authors

Yen Nguyen, Pharm.D., Director of Clinical Analytics, McKesson RxO

Barbara Giacomelli, Pharm.D., VP, Strategy, McKesson RxO



<sup>1</sup> The Advisory Board, Healthcare Advisory Board interviews and analysis (2017). The Advisory Board Company Health Care Industry Trends, 2017.

<sup>2</sup> Kent, Jessica. "Big Data to See Explosive Growth, Challenging Healthcare Organizations." *Health IT Analytics*. Accessed online 2/13/19: <https://healthitanalytics.com/news/big-data-to-see-explosive-growth-challenging-healthcare-organizations>

<sup>3</sup> Wirth, Axel. "Healthcare Cybersecurity: Emerging Threats to Healthcare Providers." *Health Tech Magazine*. Accessed online 2/13/19: <https://healthtechmagazine.net/article/2018/08/healthcare-cybersecurity-how-providers-can-catch>

<sup>4</sup> Kouk, Kristen. "McKesson's 2019 Health System Pharmacy Trends." Accessed online 2/13/19: <https://www.mckesson.com/about-mckesson/newsroom/press-releases/2018/health-system-pharmacy-trends-2019/>

<sup>5</sup> Healthcare Financial Management Association (HFMA) blog, "The Financial Impact of Losing Patient Referrals," July 8, 2016.

<sup>6</sup> Robeznieks, Andis. "Eight ways to improve health care price transparency." American Medical Association. September 20, 2018. Accessed online 2/13/19: <https://www.ama-assn.org/practice-management/economics/8-ways-improve-health-care-price-transparency>

<sup>7</sup> Beaton, Thomas. "Payers Play Crucial Role in Healthcare Quality Transparency." *Healthpayer Intelligence*. September 19, 2018. Xtelligent Healthcare Media. Accessed online 2/14/19: <https://healthpayerintelligence.com/news/payers-play-crucial-role-in-healthcare-quality-transparency>

**McKesson Corporation**

**U.S. Pharmaceutical**

6555 State Hwy 161

Irving, TX 75039

[healthsystems@mckesson.com](mailto:healthsystems@mckesson.com)

[mckesson.com/rxo](https://mckesson.com/rxo)

800.571.2889

---

©2019 McKesson Corporation and/or one of its subsidiaries. All rights reserved. McKesson and McKesson RxO® are registered trademarks of McKesson Corporation and/or one of its subsidiaries. All other products mentioned may be trademarks, service marks or registered trademarks of their respective owners. All Rights Reserved. MHS-406909-3-19.

---

**MCKESSON**