

Accelerating and Sustaining Change

Leading Health System 2021 Priorities

Briefing for Academy Industry Members

March 10, 2021

Pushing Forward on Transformation Amid Uncertainties

Leading Health Systems Aim to Optimize System Assets and Deliver Consumer-Oriented Services

Roadmap for Discussion: 2021 Leading Health System Strategic Priorities



Balance care team wellbeing and workforce transformation with labor cost pressures



Invest in tech to enable operating model and clinical transformation



Address health inequity as a systemic risk and board-level imperative



Invest in digital health as a core care delivery and consumer engagement capability



Optimize the capital asset plan to achieve market agility and economic sustainability



Embrace Self-Disruption to Make the Pivot to Consumer-Centric Care

LHS¹ Foundational Goals



Flexible & resilient operations



Greater impact per unit of input



Improved access & affordability



Consumer-centric care



Sustainable & differentiated growth

1. Leading Health System (LHS).

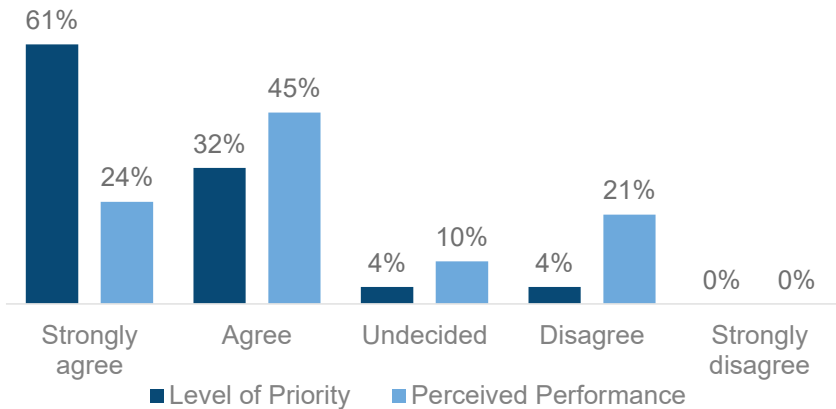
Sources: Academy research and analysis.

Optimize the Capital Asset Plan to Achieve Market Agility and Economic Sustainability

LHS Looking to Build on Pandemic “Systemness” Gains in 2021

Helping to Move the Dial on Efficiency, Care Delivery, and Engagement Goals

2021 CFO, COO, CSO Priority:
Improve “Systemness” to Drive Clinical, Operational, Financial Improvements



Driving decisions on what to buy and how to optimize the system's asset portfolio

Key Components of “Systemness”

-  Functioning as operating model versus a holding company
-  Executive alignment around health system priorities
-  Governance model right-sizes system, regional, and local decision-making
-  Unified and integrated technology platform
-  Capital asset plan, sites of service, care model support integration
-  Clearly defined, differentiated culture that informs workforce strategy

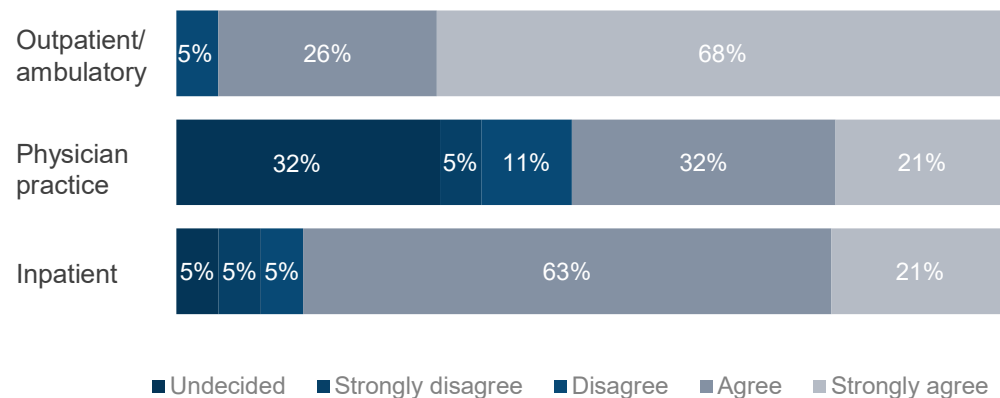
Sources: Academy research and analysis.

Pursuing M&A to Expand Access, Create Market Essentiality

Pandemic Has Disrupted Some Transactions and Accelerated Others

2021 CFO and CSO Priority:

Invest in Provider Capacity, M&A or New Construction



Health System M&A Just One Facet of Robust Investment Activity

- **Total health system M&A** down in 2020, but activity picked up in summer; more “mega-mergers” announced in 2020 vs 2019 (transactions in which smaller entity has >\$1B in revenue)
- **Home care** deals gained traction in 2020 (with valuation multiples 2-3 times greater than hospitals)
- **Physician platform** transactions increasing, building on several-year trend (e.g., acquisitions by health plans and private equity)
- **Digital health platform & behavioral health** activity hit at all-time high in 2020 and remains hot

Investing for Flexibility and Market Transformation

“We’ve shifted to 70% of capital dollars uncommitted to be more flexible and agile.” –COO

“2030 is now. We can’t use yesterday’s framework for gauging the value of M&A.” –COO

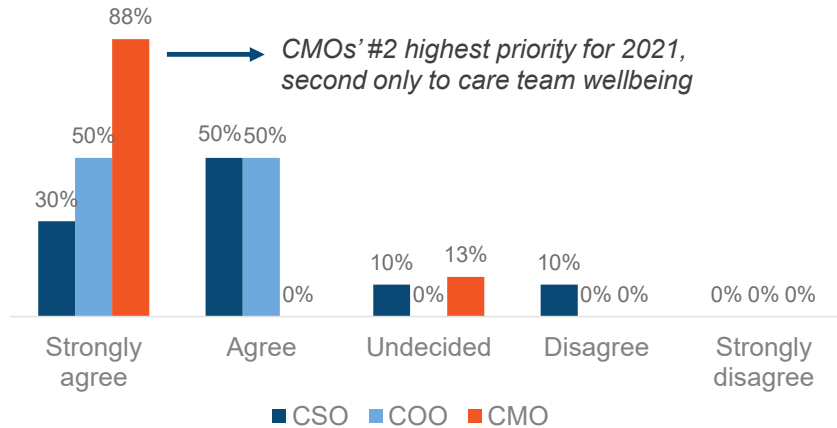
“We’re not just looking to grow, but to create an integrated, rationalized, consumer-focused delivery system.” –CSO

Sources: Academy research and analysis.

Site of Care Optimization Needed to Lower Cost, Meet Consumer Demand

LHS Rethinking the Traditional Capital-Heavy Asset Portfolio

2021 CSO, COO, CMO Priority:
Optimize Use of Sites of Service to Improve Access and Affordability (e.g., Inpatient, Outpatient, Virtual)



Composite Response	54%	36%	7%	4%	0%
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Greater Shift on the Horizon

- CMS 2021 final rule eliminates “inpatient only” list over 3-year period, opening door to more outpatient procedures
- Begins by removing 300 musculoskeletal-related procedures
- Expands reimbursable ASC procedures (e.g., total hip arthroplasty)

Higher Return on Capital

3x Magnitude of higher return on invested capital for ASC versus traditional hospital investment

Getting Surgery Patients Home Same-Day

“We used to do less than 3% of joints as same-day; a month into our electives reboot and we were doing 100%; we settled at about 65% of patients going home for dinner.” –SVP

Sources: Academy research and analysis.

Disclosure

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