Strategy Catalyst 2024 in Review

A collection of research highlights and insights

In 2024, Strategy Catalyst…

- Grew to a **53-** member health system community
- Published **22** *Strategist* issues, plus quick audio versions
- Delivered **5** Rapid Reviews (brief market backgrounders)
- Hosted **3** webinars and **3** member panels
- Released our **1st** audio podcast

Our Research at-a-Glance

Month-by-month look at our research, insights and links to the work

January

Current State of Medicare Advantage (MA)

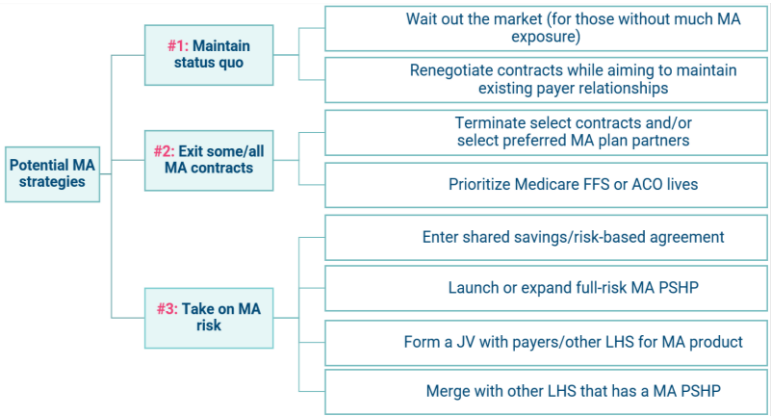
- **Enrollment landscape:** MA enrollment is highly variable across the U.S. (from <10% to >80% at a county-level. The average senior has 43 available MA plans– most with no premiums.
- **Payer landscape:** MA regulatory changes are tightening margins and lowering enrollment projections. This is leading them to increase prior auths and denials to increase friction.
- **Regulatory landscape**: CMS is limiting MA profitability by changing Star ratings, introducing the Version 28 HCC Model, RADV audits, 2025 Final Rule, and the Prior Authorization Final Rule.

Read the 2-pager

February

MA: How is the Market Changing and How Should You Respond?

- **MA is here to stay**, but as enrollment slows, LHS should expect that most markets will be capped at 70% penetration.
- **The MA "gold rush" is ending.** MA will not have the same profitability it once did for payers, which will intensify future provider-payer contracting battles.
- **The days of passively contracting with every MA plan are over**. Health systems need to have an intentional MA strategy in place, as proactive engagement will be crucial for safeguarding the systems' bottom line.
- As provider-payer contracting becomes more aggressive, more health systems will seek to get **closer to the MA premium dollar**. Some will assume downside risk or share risk, but all should aim to better margins for the MA population.



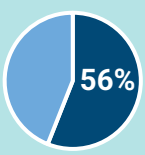
See the slides/recording

Read 'What to Expect in the Next 2-3 Years'

April

Customer Relationship Management (CRM) Program Snapshots

- CRMs are **critical infrastructure to stay market competitive**. They can enable strategic goals in value-based care, right-size and steer utilization, increase market share, and enhance payer mix through patient engagement.
- **However, CRM isn't strategy in and of itself.** Rather, health systems should lead with their use cases. CRMs are a large investment, and systems cannot afford the time and resources without having a clear vision as to how they will advance strategy.
- Regardless of long-term goals, **prioritize early wins** with CRMs. Integration of CRM with existing protocols will affect all levels of health systems, take years of education and restructuring, and be resource intensive. Therefore, systems should focus on low-hanging fruit first to demonstrate early ROI.



of health systems are expecting to increase spend on their CRM over the next 3 years

See the Program Snapshots

May

Health System GLP-1 Strategy and Disruption of Weight Management Services

Strategy Catalyst hosted a panel of three weight management program leaders to understand how GLP-1 drugs are transforming obesity care, impacting competition for patients, and transforming service lines like bariatric surgery. Panelists described how their systems are incorporating GLP-1s into weight loss programs and driving outcomes.

- **Vanderbilt University Medical Center has launched an 18-month MyWeightLossHealth bundle** which uses restrictive eligibility criteria for GLP-1 prescribing (e.g., BMI 35+ patients) and emphasizes planned transitions to primary care.
- **Virtua Health takes a comprehensive team approach** across multiple locations for its weight loss programs. Teams include surgeons, bariatricians, and psychologists, all guided by dedicated patient navigators. Of medical track patients, ~40% are on GLP-1s.
- **WVU Medicine's integrated program supports employees**–crucial given West Virginia's 41% obesity rate which is the highest in the nation–through combined medical and surgical approaches to strengthen a healthy workforce.

See the slides/recording

July

Ambulatory Workplace Violence Prevention: A Panel Discussion

- **There's been an increase in workplace violence in ambulatory settings post-pandemic.** The rise in both individual incidents (5% YOY) and widespread exposure to workplace violence (82% of workers) requires a strategy specific to ambulatory settings.
- **Four root causes exacerbate the challenge.** Addressing ambulatory violence prevention requires overcoming four key barriers: dispersed and numerous locations making blanket enhancements cost-prohibitive, limited reporting protocols, third-party real estate constraints, and minimal security infrastructure compared to inpatient settings.
- **Health systems should use data from system-wide risk reporting systems to inform targeted security strategies**, including exploring the need for site-specific or system-wide investments. Reporting protocols necessarily need to extend to all ambulatory sites to make this possible.

See the slides/recording

Medicare Advantage: 5 Updates on Payers and Policy

- Despite setbacks in MA, **payers are still finding some profit with MA.** Winners will emerge, widening the gap between the "haves" and "have-nots."
- CMS recalculation of star ratings after legal losses provides a windfall for plans.
- A bombshell report finds CMS paid $50B for "questionable diagnoses." While upcoding scrutiny is nothing new, this could **shift Congressional favor against payers**.
- The ***Chevron* reversal will slow down future regulatory changes** and hamper CMS' supervisory efforts of the past year—a huge challenge for health system desires to rein in payers.
- Trump's potential return has boosted MA share prices, suggesting a more favorable regulatory environment for MA payers with his re-election.

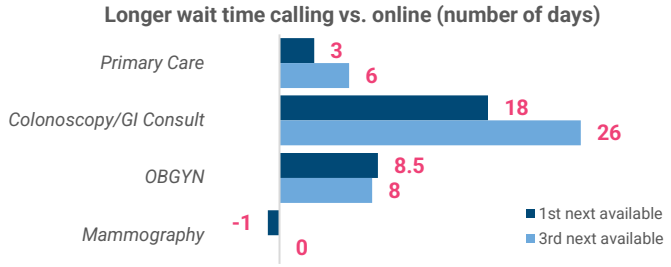
Read the 2-pager

June

The State of Access: Strategy Catalyst's Patient Access Evaluation

A continuation of our primary care access evaluation, Strategy Catalyst "secret shopped" 52 member health systems to evaluate patient access via access centers and digital self-scheduling for primary and three types of preventative specialty care.

- Digital self-scheduling offered access **twice as fast** as calling. Compared to calling systems, digital self-scheduling consistently got patients to care in half the time as calling an access center.



- On average, the first available appointments at primary care disruptors were **~12x** sooner than health systems. Disruptors didn't offer more after-hours times, but did have more weekend flexibility.
- Health systems are likely losing downstream revenue from fragmented specialty scheduling. **Systems that don't enable digital scheduling for preventative services are creating access barriers**. Sometimes restrictions are justified, but there is a high degree of variability across systems around referral requirements, order requirements and more which is confusing patients.

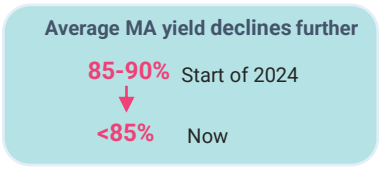
See the slides/recording

August

Medicare Advantage: 5 Insights from the C-Suite

We collected insights from discussions with Chief Strategy Officers, Chief Financial Officers, Vice Presidents of Finance, Chief Physician Executives, and Chief Revenue Cycle Officers on how they are evaluating or rethinking MA strategies across THMA Spring 2024 forums.

- There's near-universal agreement amongst health systems that MA **contract portfolio management must be more proactive**.



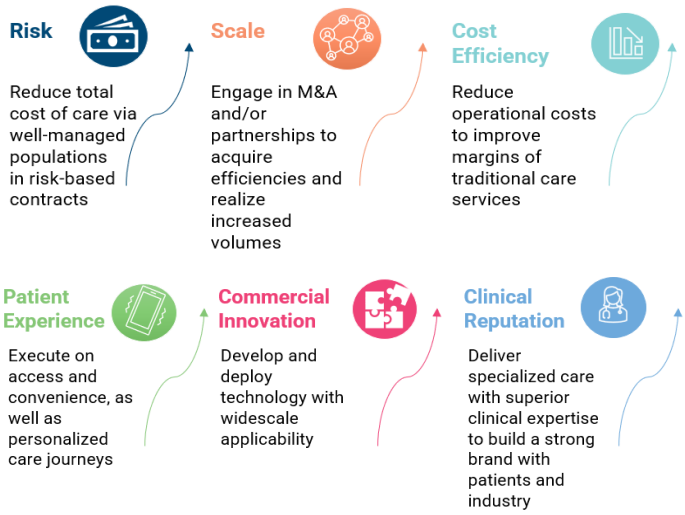
- MA provider-sponsored health plans are **a growing liability** with very few profitable **yet are often a key lever** in payer negotiations.
- A lack of awareness and patient education is leaving patients in the dark about the realities of MA.
- Emerging fears about AI as an exacerbator of administrative waste usually outweigh excitement about its potential to streamline revenue cycle operations.
- **Prior auth and supplemental benefits are the top areas to find solutions with payers** although there is often skepticism that large BUCAs will want to come to the table.

Explore more in the 2-pager

August cont.

Health System Growth Paths: Strategic Framework and Facilitation Guide

- Most health system strategy leaders realize that **trying to "be all things for all people" in the market is too challenging** as disruptors, payers, and PE pick off the most profitable parts of care delivery. Rather, many are selecting specific growth paths beyond the standard IDN playbook to maximize financial sustainability.
- The strategic framework was developed in conversation with leaders around **six possible system growth paths**. We provide an overview of path's key area of focus, short case studies of health systems that are currently pursuing this approach, potential barriers, and board activities to help guide your health system toward the right path.



View the Slides | Facilitation Guide | Quick Reference Guide

Heard Around the C-Suite: CEO

In this inaugural podcast, we interviewed those who were in the room with CEOs at THMA's CEO Forum and Horizon 2030 CEO Summit to get a look at their top priorities.

- CEOs discussed many topics, but top-of-mind were AI, the (slow) shift to value and lessons from other industries.
  - CEOs voiced **frustration over the slow pace of updates to Epic**, which often limits agility. Many expressed that their staff is exhausted by Epic implementation or the adoption of new tools, so many are willing to wait out Epic's strategic roadmap rather than pushing for faster innovation.
  - There was **excitement about AI tools increasingly being used in clinical settings and freeing up more clinician time**. Still, there's recognition that the human touch remains important.
  - While some health systems are advancing in value-based care, others remain heavily tied to fee-for-service. Leaders are continuing to discuss how to **realign physician incentives** in either model to drive meaningful change.
  - CEOs voiced increasing **need to look out-of-industry** for lessons about the consumer experience.

Listen to the Podcast

October

GLP-1 and Weight Management Program Snapshots

- **Short-term, GLP-1s won't necessarily reduce service line volumes** as they expand the pool of surgery-eligible patients across specialties. This positions weight management programs as key enablers for orthopedics, transplant, and other service lines needing patients at healthy BMIs.

> **70M patients in the US could take GLP-1s by 2028.**

- With GLP-1s costing **~$15K** annually per patient and limited insurance coverage**, health systems are developing targeted programs for high-BMI patients** where potential reductions in cardiac and diabetes care costs can offset medication expenses.
- **Low adherence rates (only 1 in 3 patients maintain GLP-1s long-term) demonstrate that medication access alone isn't enough.** Success requires comprehensive programs with nutrition, behavioral health, and ongoing clinical support. Health systems can differentiate their programs from online "pill mills" and digital programs by providing clear wraparound support.

See the Program Snapshots

November

Ambulatory Disruption: Where is the Market Today?

- **In the past year, the "disruptor" threat has been minimized as many companies reconfigure their strategies.**
  - Payers are seeing tightening margins on MA and this is driving contractions in their payvider strategy.
  - The retail primary care model is not working–disruptors need risk or specialty pharmacy to make it work/
  - With virtual urgent care fully commodified, D2C digital offerings offering ease of access (e.g., Hims & Hers) are finally making headwinds.
- **We believe strategists should watch three "disruptors":**
  - Amazon has been focusing on improving margins in One Medical and achieving **ruthless efficiency** by cutting consumer acquisition costs via Prime (with limited success), increasing APP use, and reducing financial reliance on large employers.
  - **Optum is scaling back (somewhat)**, divesting in some SCA and MedExpress locations, slowing acquisitions, and facing regulatory scrutiny over UHC ties, competition impact, and billing practices.
  - CVS Health pushes forward despite governance issues, betting on a **3-4x** consumer LTV through **integrated services** and seeking an equity partner for Oak Street.

See the slides/recording | View the disruptor cheat sheets

December

Heard Around the C-Suite: CPE

What's top of mind for CPEs at the Fall 2024 Forum?

- CPEs emphasized the importance of **engaging clinical leaders early in technology solutions.** Solutions are more likely to succeed when clinicians are treated as collaborators, not just end-users.
- Ambient listening and other AI solutions are saving time, improving retention, and **helping clinicians practice at the top of their licenses with greater flexibility**.
- Treating **cyberattacks as operational disasters**, not just IT issues, is critical for maintaining care continuity. Building resilience must be a strategic priority for health systems.
- **Balancing clinical practice with strategic responsibilities helps CPEs maintain trust** and credibility.

Listen to the Podcast

Top 3 *Strategist* Deep Dives

1

Anesthesiology Shortages: A Strategist's Guide

- Anesthesiologist shortages have reached a critical point at many systems. To address shortages, many systems are standing up **CRNA training programs**, shifting CRNA staff ratios to stretch care teams, and (perhaps ironically) broadening anesthesiologists' role scope to improve engagement.
- **Partnerships with outside staffing firms are often necessary** for many systems, given that employment strategies are often harder than expected to execute. However, these relationships are often tense; we've seen eight system-staffing group "breakups" in the first three months of the year.
- Systems are often having to make tough decisions about the **appropriate level of subsidization** for anesthesiology care, how to approach blended MD-CRNA teams (which often face resistance from key stakeholders), and whether to employ large groups in the market.

So what? Anesthesiology shortages are a thorny challenge—and are poised to grow worse in the next few years, leading some to wonder if surgeons will be able to stay on productivity-based models. Regardless, since surgical services account for roughly half of revenue, systems need to have a dedicated pipeline strategy. Keep a close eye on the market: with continued low reimbursement and the fallout from the No Suprises Act, many independent groups will likely fold.

Read more

2

How are Health System Boards Changing?

- **Health system boards are increasingly starting to look more like the boards of S&P 500 companies** as demands for care transformation grow.
- System boards are **shrinking in size** (although still five members larger than public companies on average) and are seeking to professionalize by recruiting members with more specific expertise.
- Boards **increasingly rely on external tools** to evaluate their performance, and a growing minority of boards are now compensating members (which surprised many CSOs at a recent forum).
- Health system boards have made **strides with racial and gender diversity**, and these efforts are key to building trust with the communities they serve. However, age diversity has gotten worse.

So what? CSOs and their deputies are often leaders who engage the most with the board. To maximize their effectiveness, strategy executives need to understand how the experience of being a board member has changed as the demands on health system boards grow. In particular, as board members generally have more expertise, systems can ask the boards to take a more nuanced look at strategic plans.

Read more

3

The "Commercial Navigators": The Crop of Growing Transparency Players

- In response to rising employer benefits costs, there's been a growth in the number of employers using a new wave of employer health benefit plans like Surest, Garner, Transcarent, and Sidecar Health. The massive trove of price transparency data has allowed them to build much better algorithms than past market attempts.
- Surest is the market leader and has seen tremendous growth. In 2021, 1 in 25 of UHC's employer customers offered it as a plan. Now it's 1 in 5—an over **15 percentage point growth** across the past three years alone.
- These tools are different than the previous wave as they incorporate quality data more seamlessly. Health systems that have traditionally relied on their "brand halo" to attract quality-sensitive patients may need to adapt to **new approaches that measure provider quality at the individual provider level**.
- Partnerships with these companies might give health systems more insight into the algorithms these companies are building. However, there are concerns about how much employers truly care about quality versus just trying to achieve lower cost given high churn.

So what? From the perspective of health systems, these shifts threaten to change "how the pie is sliced" and redistribute commercial volumes to whichever providers are either contracting at a lower rate or best able to adapt to the incentives and quality measures these companies have developed. While they represent a smaller share of the market for now, they're rapidly growing and could one day become a more dominant paradigm for employer-sponsored plans.

Read more

If you have questions regarding the content, please contact the Strategy Catalyst team at strategycatalyst@hmacademy.com.