C-suite check-in: Building a modern, sustainable health system

Research report on the priorities and challenges for achieving stability and growth amid uncertainty

Consumerism, the workforce crisis, digital initiatives and the demand for health equity are shaping the health care landscape in 2023. The associated challenges are many and often interrelated, creating a complex web of risk and ramifications.

To get a pulse on how organizations are responding, we gathered insight from 150 health care leaders across health plans, providers, employers, life science organizations and government agencies.

Of the respondents:

- 85% of respondents came from the C-suite
- 23% were senior vice presidents
- 12% came from the vice-president level

We wanted to learn how health care leaders are approaching these challenges and what they see as being crucial to the development of a modern, sustainable health system.
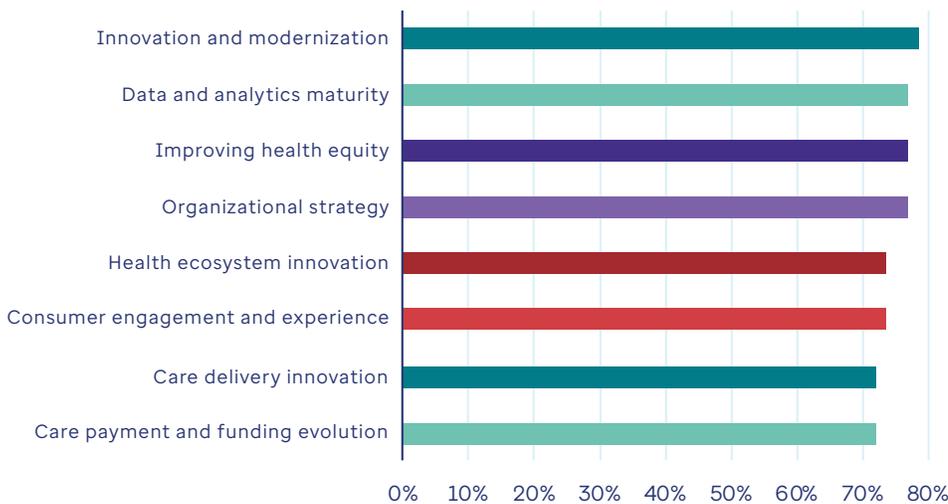
Key findings:

- Where the industry has made progress
- The industry's greatest challenges
- Priorities for a modern, equitable health system
- How leaders are advancing on the path to value
- Leadership decision-making and investment priorities
- The imperative of partnership

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Year-over-year perspective: What progress has been achieved

Last year's report revealed a focus on consumerism — a trend that continues today. This year, leaders are reporting tension between investing in consumer-centric services while they contend with the workforce crisis, changing regulations and industry consolidation. They agree that these challenges cannot be solved in isolation and link today's greatest challenges with a need for partnership.
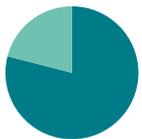
Leaders indicated agreement that the health care industry has made progress in 2022 for the following categories:

Health industry progress

Category	Value
Innovation and modernization	~78%
Data and analytics maturity	~77%
Improving health equity	~77%
Organizational strategy	~77%
Health ecosystem innovation	~73%
Consumer engagement and experience	~73%
Care delivery innovation	~72%
Care payment and funding evolution	~72%

0% 10% 20% 30% 40% 50% 60% 70% 80%

Where leaders see the most progress

Innovation and modernization

Seventy-nine percent of leaders agree or completely agree that progress has been made in innovation and modernization. This includes advancing interoperability and administrative simplification.

Providers have been investing heavily in their electronic medical record (EMR) integration efforts so they have a sole source of truth across their network. This has afforded better analytics and improved their ability to share insights with business leaders, clinicians and individuals who can use it to guide their decisions.

Health systems have spent the last several years pursuing centralization and consolidation of their systems so they can achieve more efficiencies of scale. This centralization has made it possible to add on virtual care and workforce management tools that extend the capacity and reach of their services. Mid- to large-size payers have invested in technologies, data, integration, artificial intelligence (AI) and cloud computing.

Over the past 2 years, infrastructure innovation and modernization have been where leaders saw the most progress.

Organizations have also made progress by automating routine, less complex, repetitive processes with limited degrees of variation. These are most often found in the revenue cycle, supply chain management and claims processing. And progressive leaders are starting to use automation to decompress administrative burdens from clinical teams. These advancements are being seen in pre-visit planning, prior authorization and medication reconciliation.

An ongoing challenge to progress in this category is the continually changing regulatory requirements occurring at both the federal and state levels.

Payers and providers want unique plans and services. But the customization needed to differentiate makes integration more complicated. Achieving more progress will, in many ways, depend on the industry's ability to standardize wherever possible. Claim and clinical data does not need to be distinctive. The way we diagnose a disease, understand how care is delivered, and pay a bill could be standardized, which would speed integration. AI also has the potential to automate claims processing, prior authorization, and other tasks that could make integration less burdensome.

Where leaders see some progress

Data and analytics
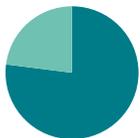
Seventy-seven percent of leaders agree or completely agree that progress has been made in maturing data and analytics. This includes data and analytics usage around predictive population health, consumer outreach, data security and cost-analysis.

Data and analytics maturity increases the ability to identify risk, spot trends in patient populations, devise earlier interventions, create more personalized programs and support value-based care.

> **Health organizations have spent the past few years getting their core infrastructure in place and are now able to pursue new types of automation and predictive capabilities with artificial intelligence, machine learning and natural language processing. "**
>
> **— Rob Linnander**
> Vice President and Practice Lead, Optum Advisory

Increased normalization, integration and sharing means that the value of data is now in flux. Leaders continually assess their ability to share data and anticipate the new value that any new exchange will bring. It's an open-ended question on how the value of data will be determined in the future — and that could fundamentally change some business models.

A growing barrier to progress is data security. Ransomware attacks continue. Mobile medical apps, IoT devices and remote monitors often lack proper security protocols. And in this economic climate, it can be challenging to find the resources to invest in adequate cybersecurity.

Health organizations will continue to feel pressure to improve their data security, limit unnecessary data variability, and send and receive effectively with all partners in their ecosystem.

Organizations that have been able to advance their infrastructure are now able to pull insight from big data and layer on machine learning, natural language processing (NLP) and AI.

Health equity
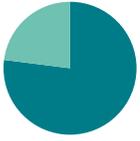
Seventy-seven percent of leaders agree or completely agree that progress has been made around health equity. This includes removing system bias, diversity, equity and inclusion training, addressing social determinants of health and community outreach.

This is the first year leaders have recognized progress around health equity. Providers have been working to ensure they can offer culturally competent, unbiased care. Payers are making investments to address social drivers of health, increase access and offer more affordable options. Health equity offers an opportunity for all to demonstrate any unique ability to serve local communities.

Payers also have more data to connect social drivers of health with outcomes. But holistic data collection is still an issue. Claims and medical health records often lack information on ethnicity, gender identity, income, education, housing and transportation security, and access to care. Advancing progress in health equity and determining how to refine products and services in a meaningful way will depend on a deeper understanding of underserved populations.

New data structures will also be required to measure success. Solutions to health equity are as diverse and far-reaching as the communities that seek it. Success metrics will include data on coverage levels, access, workforce diversity, equity in research, health behaviors, utilization, patient satisfaction and outcomes. It will also include feedback from those being served.

Organizational strategy
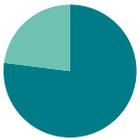
Seventy-seven percent of leaders agree or completely agree that progress has been made around organizational strategy. This includes leadership alignment, market intelligence, growth goals, workforce stability and staffing strategies.

Advancements in technology continue to push transformation in organizational strategy. While historically health care has been slow to transition, more organizations are shifting into a "fast follower" mode. Building on lessons learned from the pandemic and motivated by current market pressures, organizations have found ways to drive progress in leadership alignment, data-driven decision-making, cross-enterprise insight, speed and agility.

Adapting to the current state and speed at which AI is transforming the industry requires effort and resources. Leaders need to make sure they aren't simply making progress on yesterday's requirements but also are agile and responsive toward the future. This will demand an evolved governance structure to guide the use of AI and machine learning (ML).

Providers and health systems can see that an intentional health equity strategy can lead to growth in market share and increased loyalty and engagement.
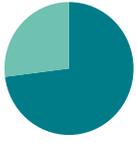
Extraordinary economic pressure, new competition, regulatory changes and workforce challenges are demanding swift decision-making.

Where leaders see less progress
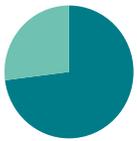
Health ecosystem innovation

Seventy-three percent of leaders agree or completely agree that progress has been made in health ecosystem innovation. This includes new partnerships, new value creation, new ways to serve consumers and service personalization.

While there has been a virtual explosion of data-driven point solutions and adoption of ML and AI, the life of a digital innovation can be short. If there is a web of automation and one vendor defaults or a process breaks, it can have ripple effects throughout workflows. It is crucial for organizations to implement a clear governance and overall digital automation strategy at the onset.

The variation in payment models is also impacting health ecosystem innovation. Fee-for-service incentives are based on volume in the system, while value-based incentives reward providers for keeping patients healthy and at home. Fee-for-service models may focus on clinical workflow efficiencies and increased access, but value-based models require the innovative technologies and care pathways that put the consumer at the center of care.

Another challenge is the pressure and pain on the workforce. Without an inspired, energized workforce, it is impossible for innovation to reach levels required to transform a system or industry. Leaders are already looking for ways tools, training and cultural practices can bring joy back to the practice of medicine and better serve the patient/practitioner relationship.

Advancements have been made through digital portals, virtual health tools and site-of-care shifts that expand access, improve the consumer experience and reduce costs.

Consumer engagement and experience

Seventy-three percent of leaders agree or completely agree that progress has been made in consumer engagement and experience. This includes reducing friction, increasing ease of use, remote monitoring and price transparency.

Compared to previous years' surveys, progress in consumer engagement and experience has been dropping year over year. Progress is hindered in part because health care organizations have been slow to adopt consumer insights to the same degree that other industries have. There has been growth in customer relationship management (CRM) technologies for targeted marketing purposes and for general health and wellness outreach. But health organizations still need to establish trust with each consumer so that when they get a message from their health plan or provider, it's something they will act on.

Entities wrapped around the consumer are better positioned to use technology to personalize their care experience and have more success working with that individual over the life of their health journey.

Health plans and providers who fall short on personalization, access and outcomes will continue to see market share erode. The principles of health equity — to match the experience to the needs and reality of everyone — is the north star of health care.

Employers are a rising driver of progress in this area. New competition is showing they can shape the health experience and choices on behalf of the consumer, and employers want that level of experience for their employees.


Emerging competition and tech innovators are addressing consumer dissatisfaction and finding ways to bring consumers a simpler, more convenient, better coordinated experience.

Regardless of their financial incentives, the populations served or size of the organization, leaders will look for more ways to make the experience easier for the consumer by:

- Guiding them through their care needs

- Helping them find care services

- Automating scheduling

- Providing transportation and translation services

- Offering upfront estimates and payment options

Organizations that focus on the overall consumer experience will be able to develop a higher degree of loyalty and trust.

Care delivery innovation
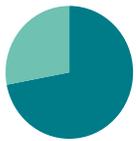
Seventy-two percent of leaders agree or completely agree that progress has been made in care delivery innovation. This includes virtual health, care at home, senior care, behavioral health and new staffing models.

The pressure to improve outcomes and engage consumers will continue to drive care delivery innovation. The fragmentation that exists frustrates providers, impedes outcomes and motivates consumers to look elsewhere. There is clinical and financial risk associated with a disconnected system. Integration requires a level of financial resources and human capital not available to all organizations.

We have an aging baby boomer population with more complex and comorbid health needs, a behavioral and maternal health crisis, and reproductive access challenges. Quality and safety metrics are down, too. So while part of care delivery innovation is to make the experience easier, it's mandatory to stabilize quality and safety in today's environment.

One area that has seen progress is the expansion of digital front doors where consumers can schedule appointments, view charts, message their care team and check on upcoming preventive care. However, real evolution is limited when physicians are not involved at the onset. For example, if the portal functionality does not match the way practitioners manage their schedules and day-to-day workloads, the tool is not in sync, causing frustration for both consumers and the workforce.

A good example of virtual tools expanding access centers around the category of behavioral health. Connected care communities are starting to evolve — shifting from a fragmented, episode-based approach to more proactive, preventive care. But this is dependent on the ability to collect and share data from disparate sources and manage the intake, structuring and sharing securely. Data variability is a challenge to overcome. Systems that have made investments in their technology infrastructure are now able to apply ML and AI to a rich blend of inputs and streamline evidence-based care recommendations.

Quality outcomes are a key performance metric for care delivery innovation. But maternal mortality is up, opioid overdose deaths are up, cancer screenings are down and suicide rates are up. These are urgent priorities that will need to be addressed through strategizing outside-the-box ideas.

Much of the industry is still operating in a fragmented manner and this obstructs innovation in care delivery.

Care payment and funding
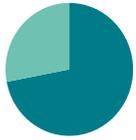
Seventy-two percent of leaders agree or completely agree that progress has been made in care payment and funding. This includes the transition to value-based care and price transparency.

Providers face growing complexity in their payment structures as they cope with increased pressure on their margins. Complexity subdues the timely and reliable income and cashflow that organizations need to stay healthy. Payers and providers must partner to contend with necessary requirements in ways that are mutually beneficial to limit increased costs and ramp up progress in care payment.

The market's demand for price-based costing and the ever-growing challenges associated with controlling costs within a given price also constrain innovation. Some progress has been achieved through standardization of reimbursement and compliance around virtual care services. Standardization is the key to progress in this area.

Government agencies have been leading payment innovation through value-based models, pay-for-performance initiatives, and reimbursement for telehealth and remote monitoring. Medicare payment models encourage wellness, early diagnosis, intervention and treatments. And there are pockets of innovation that exist state by state — but it is still a patchworked landscape of organizations that have embraced these payment models, and the federal government's mandates are important for their growth.
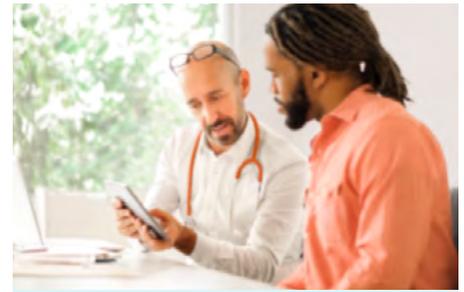
Contract variability, competing incentives, government rate adjustments and evolving fee schedules create complexity.
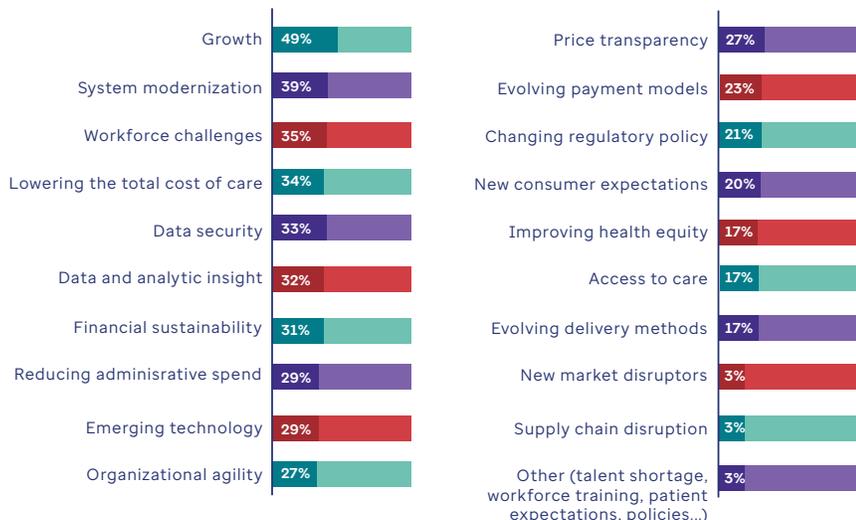
The industry's greatest challenges
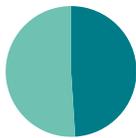
Forty-nine percent of leaders surveyed ranked growth as the top challenge facing the industry. Growth opportunities depend on each market, the size and type of the organization, and how ripe the market is for new competition. Recession concerns, government rate adjustments, rising labor costs and a growing aging, chronic population create a landscape of risk and uncertainty.

It is within these turbulent circumstances that leaders are considering how to launch new lines of business, add new services and find ways to differentiate.

Growth stands out as today's most significant challenge for health care leaders. The current economic environment is forcing many organizations into a defensive financial posture.

Top challenges facing the industry ranked by health care leaders

Challenge	%
Growth	49%
System modernization	39%
Workforce challenges	35%
Lowering the total cost of care	34%
Data security	33%
Data and analytic insight	32%
Financial sustainability	31%
Reducing adminisrative spend	29%
Emerging technology	29%
Organizational agility	27%

| Challenge	%
Price transparency	27%
Evolving payment models	23%
Changing regulatory policy	21%
New consumer expectations	20%
Improving health equity	17%
Access to care	17%
Evolving delivery methods	17%
New market disruptors	3%
Supply chain disruption	3%
Other (talent shortage, workforce training, patient expectations, policies...)	3%

While some organizations have the market share and financial stability to think 5 years ahead and make investments, many are running a marathon just trying to survive. The key is understanding which investments can yield multiple benefits. For example, even organizations in a fragile market posture can use AI to offload administrative tasks and ease workforce pressure.

Only a few percentage points separate the remaining top 10 challenges:

- System modernization is another challenge that benefits from cross-team, bottom-up collaboration. It is crucial to protect these investments by bringing the right perspectives and a human-centered design approach to the entire process.

- Workforce challenges are often related to frustrating administrative activities and the deflated feeling employees have of "just being a cog in the wheel." Yet, technology has the potential to relieve that burden and to extend the reach and capacity of each person in the workforce. Now is the time to consider how we use our existing technologies to improve the lives of health care workers across the industry.

- Financial sustainability is a challenge when the numbers keep changing. Cost variability across different populations is increasing, causing more pressure to manage across the business mix. Increasing regulations and payment uncertainty add pressure to those managing Medicaid and Medicare populations. And employers expect payers and providers to meet or exceed consumer expectations. These difficulties give rise to innovation, but the pressure is intense.

- Data is now coming from multiple sources, in multiple formats, and amended with AI and ML to be applied to a widening range of issues. To stay competitive, organizations need this rich data and insight to be more predictive and agile. The challenge is to be able to trust the data, apply new data and extract the valuable insights that can be safely and effectively shared across the health ecosystem.

- Another concern is data security. Health organizations need security solutions that don't overwhelm their balance sheet. As virtual health, remote work and remote monitoring continue to expand, data security and data integration become more mandatory and complex.

The demand for new investment in system modernization, workforce empowerment, data security and new technology is forcing leaders to find new ways to do more with less. The positive aspect is that while economics is adding pressure to everyone, it is also forcing rapid innovative activity.

Building a modern, sustainable system
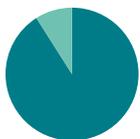
Ninety-one percent of respondents recognized health equity as being important to building a modern, sustainable system. A strategic redesign or redeployment of existing services can expand access to and engagement with underserved populations. When products and services are designed or refined with consumers in mind, more equitable results can be achieved. It means that products and services are developed that people want to engage with. In this way, organizations are solving the health equity issue _and_ the growth issue.

Health equity is a challenge ripe for innovation that can also lead to sustainable growth.

Areas of importance for health care leaders in building a modern, sustainable health system

| Area	Percentage
Improving health equity	~91%
Data and analytics maturity	~88%
Organizational strategy	~87%
Care delivery innovation	~86%
Care payment and funding evolution	~86%
Innovation and modernization	~86%
Consumer engagement and experience	~84%
Health ecosystem innovation	~84%
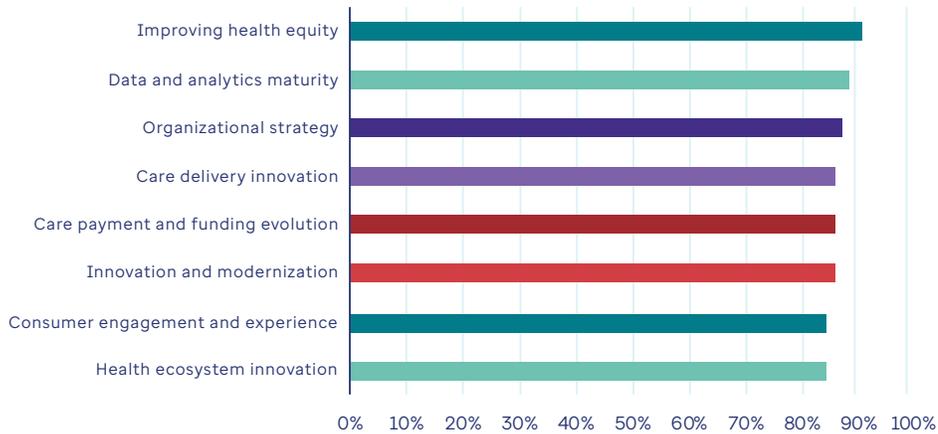
Continuing to confirm the breadth of issues health care leaders are focusing on, the remaining areas of importance also were deemed important by a high majority of respondents:

- Data and analytics help leaders maneuver through economic pressures, competitive threats, workforce challenges and shifts in consumer behaviors. With a structured process, leadership can trust the insight, deploy an initiative and see the return — good or bad — in the data. It's important to get the data right so that it can guide investment decisions in this economic environment.

- Leadership alignment, organizational agility, strong partnerships and a culture that welcomes ideas from all levels are winning qualities for addressing challenges at speed. When organizational sinew exists between leadership, managers and the workforce, then challenges can be addressed before a costlier crisis arises. To be sustainable, health organizations need to anticipate and keep pace with changes in their community, competitive set and workforce.

- Artificial intelligence, machine learning and natural language processing will bring continual innovation as the market continues to develop more cost-effective, personalized care. Sustaining new models will depend on evolved provider networks and aligned reimbursement.

All this evolution points toward a consumer-centric system, one with deepened understanding of the individuals, populations and communities it serves. But even the most modern system is not sustainable until everyone has access to affordable coverage.
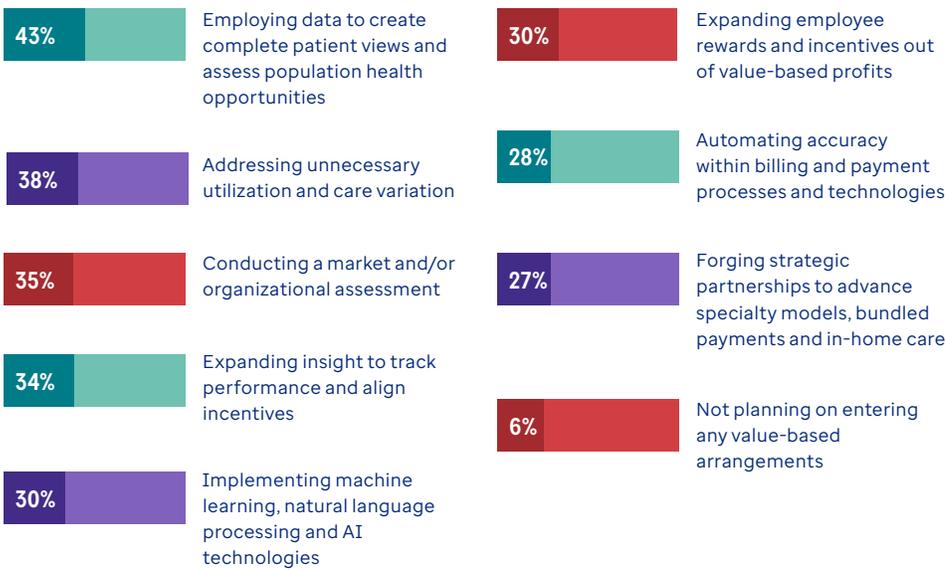
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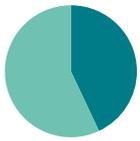
Forty-three percent of respondents report "employing data to create complete patient views and assess population health opportunities" as the activity they are engaged in most to advance on the path to value. Whole-person views that consider physical, mental and behavioral health make preventive care possible and help ensure consumers avoid developing or progressing more costly chronic conditions.

With continued momentum from the government, more payment models are rewarding and encouraging early diagnosis, intervention and preventive care services. There is also now less financial risk for implementing innovations that reduce unnecessary care and care variation.

Activities organizations are engaging in to advance on the path to value

43% Employing data to create complete patient views and assess population health opportunities

38% Addressing unnecessary utilization and care variation

35% Conducting a market and/or organizational assessment

34% Expanding insight to track performance and align incentives

30% Implementing machine learning, natural language processing and AI technologies

30% Expanding employee rewards and incentives out of value-based profits

28% Automating accuracy within billing and payment processes and technologies

27% Forging strategic partnerships to advance specialty models, bundled payments and in-home care

6% Not planning on entering any value-based arrangements

More buyers are advancing value-based arrangements and seeking a more personalized consumer experience.

Payers and employers are also driving progress as they feel greater pressure to contain costs, improve outcomes and satisfy consumers.

While a full value-based strategy is all about managing people to better outcomes, leadership conversations still center around financials. Putting people in the center of the discussion — driving toward the satisfaction of the workforce and the consumers — will naturally bring stakeholders together to eliminate the financial and procedural barriers to preventive, personalized population health.

Consumer loyalty, as well as clinical and financial success, depend on an interconnected system capable of manifesting whole-person views and staying connected to the consumer throughout their entire health journey. As data integration improves, organizations can use population-level data and insight to inform individual-level care decisions and interventions. This shifts organizations to a more human-centered approach.

Leadership decisions

Forty-two percent of respondents are focused on urgent and important goals, confirming many leaders are finding themselves in a reactive mode. To get ahead of the change curve, leaders need to be more predictive, efficiently allocate resources, encourage more innovation and effectively communicate.

Decision-making over the next few years will be shaped by inflation, high labor costs and challenges that follow the pandemic, such as social inequality, mental health and overall well-being. Legislators are driving forward on new care modalities and payment mechanisms, adding pressure to the industry to develop effective, efficient and innovative solutions.

Activities leadership teams engage in to achieve alignment, set priorities and drive decision-making

42% Identify urgent and important goals

41% Prioritize challenges that address multiple categories such as financial, quality, experience and growth

33% Evaluate how the demands of regulatory compliance impact priorities

31% Continually review and assess to be realistic about what's achievable

29% Measure how health trends impact our populations

29% Ask a strategic partner for guidance when necessary

25% Use a governance structure to guide leadership discussions and decision-making

25% Reserve leadership time for goals that are important but not urgent

21% Combine insight from across the organization — financial, operational, clinical and human resources

17% Distinguish between near-term achievable goals and long-term stretch goals and apply resources to each

The timeframes for organizations to respond and adapt to market threats and opportunities are speeding up.
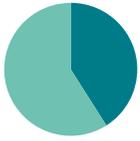
> **Leaders are looking at the forces coming into the market and accepting the reality that they need to act now. We're seeing them move into the fast-follower category asking 'What's my next move?' "**
>
> **— Rae Woods**
> Vice President and National Spokesperson, Radio Advisory Podcast

As organizations anticipate how they may pivot to pursue their growth strategy, it's imperative to bring along leaders from across the enterprise. Data and analytics can advance predictive capabilities and help prioritize challenges that impact financial, quality and satisfaction goals. The use of good data during wise, rational and early dialogues helps everyone understand the why and how of any new approach.

Even when leaders agree, team alignment and a phased-change management approach are required to protect present-day revenue streams while building the path for the long term. Organizations need to be able to manifest this process while staying resilient to new, unforeseen emerging pressures. Leading through this level of industry transformation requires sustained attention and organizational flexibility.

2023 investment priorities

Last year's report saw new products and services as a top investment priority for over 60% of respondents. That shifted significantly this year, with only 41% prioritizing a spend in that category. This year, data and analytics was reported as the highest priority.

Investment priorities ranked by health care leaders
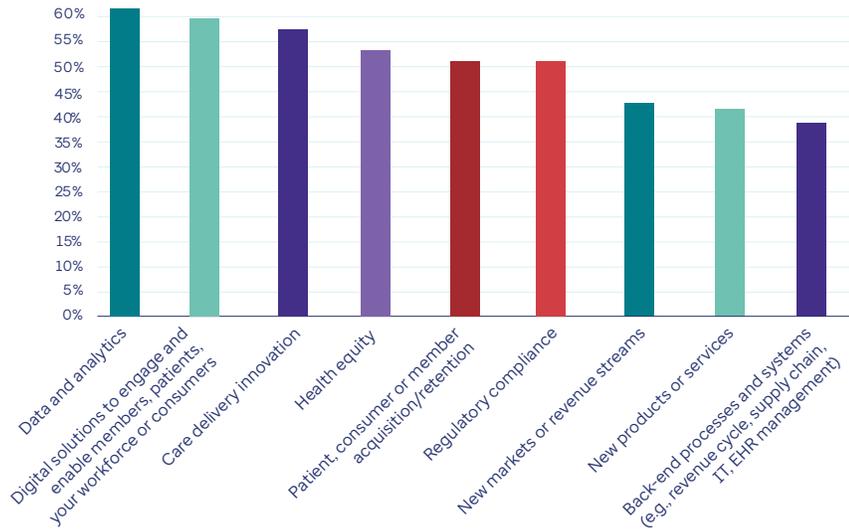
Margins are too thin now to merit investment in new products or services, but these responses indicate that leaders believe the guidance offered by data and analytics, and the intelligence of digital solutions, can impact outcomes, workflows and margin growth. Population health analytics help ensure that services are provided to the right patients at the right time and can guide care delivery innovation decisions.

Health equity investment may be stimulated by government incentives in Medicaid-managed care arrangements. When approached as a growth strategy, health equity investments support not only the Medicaid business but also a wider range of underserved populations.

Partnership priorities

Respondents identified 4 out of 5 of the "greatest challenges facing the industry today" as areas that also require partnership. These are:

- Growth
- System modernization
- Workforce challenges
- Data security

Ninety-nine percent of health care leaders ranked data and analytics, digital solutions, health equity and care delivery as either high or medium-high investment priorities.

"

We need to stop thinking about health equity as an altruistic curiosity and start laying the foundation for systemic change by re-thinking how our products and services meet the specific needs of the people we serve. When we bring consumer analytics together with a human-centered design approach we not only have the opportunity to generate more sustainable results against our equity goals, but we also lay the path toward growth by creating products and services people actually want to buy. "

— Matthew Kinney
Senior Vice President, Strategy, Growth and Innovation, Optum Advisory

Partners accelerate the path to growth by bringing new expertise, new technology and new labor to the equation. Partners can also bring new ways of looking at old problems.

Challenges leaders expect to need partnership to address

Partners help organizations fill workforce gaps, offer unique capabilities and drive growth in their market.

Data security and system modernization top the list of partnership priorities. Because the rate of change is occurring so quickly within the world of data science — accelerated by growth in AI, ML and NLP — organizations see that demands may outpace their internal teams or native capabilities. They need to access new data sets or use data in more powerful ways to ensure they can stay competitive.

Expanding health equity, engaging value-based care models, supporting whole-person care, and virtual and retail health environments all require reliance on shared, modern systems that are securely pulling and sending information across more locations than ever. Data security needs to be managed at every touch point with every partner across the ecosystem — and it needs to be affordable.

Conclusion

The economic environment is shaping today's decision-making. With so much disruption in the health care landscape and the progress that leaders desire, it's not surprising that they are thinking more expansively than ever before.

Most health care leaders agree progress has been made on innovation and modernization, while nearly half see growth as the industry's greatest challenge. However, many leaders remain in reactive mode without clear governance structures to guide rapid decision-making.

Health equity is deemed by leaders as most important for building a sustainable system. The most common activity to advance efforts in value-based care is employing data to holistically assess patients and population health opportunities. Data and analytics rose to the top of overall investment priorities, while partnership is expected to be necessary across a variety of domains, chief among them data security, modernization and growth.

Health care leaders today have an ambitious agenda amid uncertainty. Accomplishing year-over-year progress will be fundamental to near-term stability and long-term growth, requiring:

- Addressing core challenges through strong partnerships

- Acceleration of data-driven insight strengthened by ML and AI

- Prioritizing a human-centered approach for the workforce and consumers

- More agile decision making and governance

- Cross ecosystem connectivity

Leaders are looking more holistically at their challenges and finding ways to gain multiple benefits from every investment. They see the risk and opportunities associated with their ecosystem and the imperative for more holistic, predictive views and reliable relationships. Facing a breadth of industry headwinds, leaders acknowledge that financial sustainability and growth depends on insights they can obtain, their internal capacity for proactive decision-making, and the partnerships they can rely on.

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