How hospitals and health systems can strategically use healthcare IT to achieve success

Managing the challenges affecting clinical and business performance

Abstract
Top priorities facing hospitals and health systems today include cost reduction, demonstrating meaningful use and navigating increased regulatory complexity. At the same time, organizations like yours need a path to the future as you begin to coordinate patient care beyond your boundaries and adjust for new payment models. This paper provides an overview of how information technology can address healthcare’s four critical success factors:

- Maximize the value of technology
- Improve financial performance and quality
- Connect and coordinate care
- Manage advanced payment models

With customers in virtually every healthcare segment, McKesson has an unmatched 360° view of healthcare. We have a unique perspective on what it takes to solve the complex issues facing its customers and all healthcare providers, now and throughout this decade. With our Better Health 2020™ initiative, we are committed to help healthcare systems use IT strategically to enable better business, better care and better connectivity.

An industry at an extraordinary crossroads
From regulatory requirements to economic conditions, external forces affecting healthcare organizations continue to be moving targets — and conventional wisdom says they are here to stay. See Figure 1. On top of these external factors, healthcare organizations are constantly striving to improve healthcare quality, service and operations through a variety of internal, market-driven initiatives.

Whether it’s an internal initiative to address medication reconciliation or an outward-focused program to establish a patient-centered medical home, it is imperative for healthcare organizations to make fundamental changes to service delivery. The goal is to improve care quality and to create a sustainable advantage in

Key issues affecting the healthcare industry

1. New regulatory requirements (HIPAA, 5010, ICD-10, etc.)
2. Decreasing Medicare and Medicaid reimbursement
3. Sustained economic downturn
4. Ongoing clinician shortages
5. Meaningful use
6. Increasing patient volume and acuity
7. Increasing cost of care
8. New models focused on care coordination
9. Interoperability and information exchange
10. Physician alignment
11. Engaged patients
12. New and evolving payment models

figure 1
As information-sharing needs expand beyond the hospital’s four walls, CIOs are continually evaluating which capabilities should be part of an integrated platform as well as which IT needs are best served through interoperability.

<table>
<thead>
<tr>
<th>Critical success factors and the capabilities to support them for hospitals and health systems</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maximize value of technology</strong></td>
</tr>
<tr>
<td><strong>Improve financial performance &amp; quality</strong></td>
</tr>
<tr>
<td><strong>Connect &amp; coordinate care</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Manage advanced payment models</strong></td>
</tr>
</tbody>
</table>

The market. Taking into consideration today’s overarching market forces and these market-driven initiatives, it’s never been more crucial to operate as efficiently and effectively as possible.

**Critical factors to successfully evolve with healthcare reform**

In light of prevailing market conditions and future changes, four critical success factors for healthcare have emerged. See Figure 2. Collectively, these success factors represent the underlying tenets of Better Health 2020.

**Critical success factor #1 — Maximize value of technology**

Federal mandates set a baseline for functionality of core information technology systems, including electronic order and integrated patient data.1 As information-sharing needs expand beyond the hospital’s four walls, CIOs are continually evaluating which capabilities should be part of an integrated platform as well as which IT needs are best served through interoperability.

Healthcare organizations must also find better ways to manage the discharge-to-care-transition process and keep readmissions in check. The answer will require the expansion of IT capabilities to connect not only with physician practices, home health agencies and pharmacies but also outpatient settings, such as skilled nursing facilities and rehabilitation centers.

Given the added challenge of merger and acquisition activity and the desire to manage healthcare IT investments, CIOs are consolidating their IT needs with a single vendor, and most are focusing on the value of an integrated core system as a way to manage costs. An integrated platform also enables organizations to seamlessly connect administrative/financial operations with the clinical workstream, providing a single database and single source of truth for patient information. To get to a lower total cost of ownership (TCO), core systems that are built on a contemporary architecture afford a smaller technology footprint and typically require less IT staff to support.

In order to make better use of scarce resources and to sustain a business in an increasingly competitive environment, healthcare providers must continue to enforce core system rationalization. At the same time, they also must put strategic plans in place to best streamline technology resources, share information across patient episodes of care and gain economies of scale.

**Critical success factor #2 — Improve financial performance & quality**

With new Medicare reimbursement rates, insurance exchanges coming online and an expected influx of 30+ million Medicaid patients, the pressure is on. Top-level executives are questioning how to best manage patient volume while continuing to run a viable – let alone profitable – business.

Historically, when faced with financial challenges, health systems turn to unit cost decreases through departmental budget cuts and process improvements. Business management strategies, such as Six Sigma and LEAN, help identify areas for greater efficiency and cost-cutting. These essential operational improvements yield 3-5% annual savings on average, yet they are simply not enough.

System optimization is essential to achieve the new levels of savings required to stay competitive. Technology can help organizations reduce dollar cost while optimizing the effective use of every dollar spent. See Figure 3. Health systems have unprecedented access and ability to learn from their data, predict based on anticipated trends and hardware process change for ongoing improvement. For some organizations, taking action in key areas can yield 10% to 20% in annual savings.

- Predicting and optimizing patient flow across the entire health system
- Flexing staff to meet demand
- Deploying clinicians to activities that match their skill level
- Eliminating redundancies across the health system
- Controlling and/or eliminating overutilization of services across settings

1. It's important to note that the specific mention of 'IT needs' in the context of core information technology systems highlights the critical role of technology in healthcare. The integration of IT with core systems is essential to ensure effective patient care and efficient operations. This integration must be planned and implemented with consideration for scalability and sustainability, ensuring that the technology evolves with the healthcare system's needs. This reference to IT needs underscores the ongoing importance of technology in healthcare, emphasizing the need for continuous evaluation and adaptation to support evolving patient care requirements and market demands.
Health systems have unprecedented access and ability to learn from their data, predict based on anticipated trends and hardwire process change for ongoing improvement.

**Critical success factor #3 — Connect & coordinate care**

Accessing healthcare services across the care continuum presents significant challenges to patients. According to the 2011 Commonwealth Fund Survey of Public Views of the U.S. Health Care System, more than two-thirds of patients report difficulty getting timely access to their doctor. Thirty percent of the time, test results or medical records are not available at the time of a scheduled appointment when a patient is seeing three or more physicians, based on the same report.²

To achieve the government’s Triple Aim of better care, lower cost and better health, it’s essential to quickly evolve from a fragmented healthcare system to a more connected, patient-centered ecosystem. Such an ecosystem requires hospital-to-physician connectivity, provider-patient interaction and ultimately a full continuum of care that’s both clinically and financially connected.

From a health system perspective, the future of connected and coordinated care means greater access, communication and interoperability. It will bring physician practices, community labs, retail pharmacies, payers and nearby health systems together via local and state health information exchanges (HIEs). The premise of connected and coordinated care also goes a step further, with access to nationally recognized databases, federal registries, consumer personal health records (PHRs) and even health systems in others parts of the country.

While preparing for these new information-sharing conduits, healthcare leaders must also ready their organizations for reimbursement models structured on quality outcomes. To deliver and demonstrate those outcomes, health systems and others in the care delivery continuum must improve the care coordination process, which today largely involves manual and redundant processes across settings.

Truly coordinating care from the health system perspective will involve restructuring the discharge management workflow to transition patients to the appropriate care setting. It involves communicating care plans and electronically sharing appropriate information to ensure patients remain engaged in their follow-up treatment.
Managing eligibility and medical necessity, as well as instituting strong reimbursement and cash collections, are mandates in today’s financial environment.

**Critical success factor #4 — Manage advanced payment models**

It’s clear that the lines between payer and provider are blurring. The Patient Protection and Affordable Care Act sets the foundation for drastic shifts in reimbursement models. (Even as the Supreme Court considers the constitutionality of this law, healthcare organizations are preparing for what will be drastic shifts in their payment models.) It remains to be seen how quickly the healthcare industry can transition from traditional fee-for-service to fee-for-performance. The expectation is that healthcare organizations must exist in a world of multiple payment scenarios.

Many of today’s health systems are still struggling to account for care and receive proper reimbursement in today’s fee-for-service environment. Managing eligibility and medical necessity, as well as instituting strong reimbursement and cash collections, are mandates in today’s financial environment.

Preparing for payment reform – value-based purchasing, bundled payments and going at-risk – will be more complex and requires the right financial tools to manage payer contracts and payment distribution across a diverse set of provider stakeholders. As complex payment models emerge, healthcare organizations must leverage the expertise and information tools payers have used in order to take on financial risk and achieve success.

Healthcare organizations must use analytics to stratify patient populations and identify opportunities to further manage cost and quality. Analytics and other forms of enterprise intelligence are also essential to reporting and understanding the gaps in quality care and outcomes within their health system.

**Summary**

Hospitals and health systems continue to face unprecedented demands. To meet the challenges of today and tomorrow, it will take willingness to adapt and commit. It will take the right partners, continuous planning and a high degree of involvement from chief executives. It will take the right healthcare IT solutions and process improvements. With the right pieces and people in place, success is attainable. You can achieve your priorities and truly thrive in the face of today’s evolving economic and regulatory pressures.

With Better Health 2020, McKesson is committed to leveraging its assets and expertise across the healthcare continuum to support our customer partners. Together we are forging a path to the future that enables better business, better connectivity and better care for all.

**Endnotes:**