Setting the post-COVID agenda for health systems

As the economic situation has worsened over the past few months, we've been working with several health systems to recalibrate strategy. For many, the anticipated "post-COVID recovery" period has turned into a struggle to reverse declining (often negative) margins, while still scrambling to address mounting workforce shortages. All this amid continued pressure from disruptive competitors and ever-rising consumer expectations. In the graphic below, we've pulled together some of the most important changes we believe health systems need to make. These range from *improvements to the operating model* (shifting to a *team-based approach* to staffing, greater use of *automation* where appropriate, and moving to *asset-light capital strategies*) to *transformations of the clinical model* (moving care into *lower-cost outpatient and community settings,* integrating *virtual care* into clinical delivery, and creating *tighter alignment with key physicians*). In general, the goal is to *deliver lower-cost care in less expensive settings, using less expensive staff.*

But those cost-saving strategies will need to be coupled with a *new go-to-market approach, including new payment models that reward systems for shifting away from high-cost (and highly reimbursed) care models.* Employers and consumers will expect more *solution-based offerings,* which integrate care across the continuum into coherent bundles of service. This will require a more deliberate focus on *service line strategies,* moving away from a fragmented, inpatient-centric model. Contracting approaches must align payment with this shift, *changing incentives to reward coordinated, cost-effective, outcomes-driven care.* A key insight from our discussions with health system leaders: short-term cost-cutting initiatives to "stop the bleed" won't suffice—instead, *more permanent solutions will be required that address not only the core operating model, but also the approach to revenue generation.* The post-COVID environment is turning out to be a lot tougher than many had expected, to say the least.

Reconfiguring for a Sustainable Care Delivery Model

Regulatory pressures
(Site and scope of practice ~ Price transparency ~ Antitrust concerns ~ Certificate of Need changes)

Retail pressures
(Accessible ~ Affordable ~ Reliable ~ Personalized)

The Post-COVID Delivery Model

Current state	Efficient operating model	Distributed clinical model	Current state
• Inpatient RN-heavy • GPO-reliant • Just-in-time inventory • Contract pharmacy-dependent • Facility-heavy	• Centralized, and team-based care • Top-of-license staffing • Direct supply sourcing • In-house specialty pharmacy • Asset-light	• Ambulatory-driven • Standardized care delivery • Employed physicians • Digital-first care • Coordinated care mgmt. • Data-driven	• Inpatient-driven • Pluralistic care delivery • Independent physician alignment • Facility-based • Physician-driven

Current state	Solution-based product model	Frontier payment model	Current state
• Fragmented, episodic care • Siloed service lines • Internally competitive	• Clinically-packaged solutions • System-wide service line management and rationalization • Centers of excellence	• Targeted downside risk • Bundled payments • Service and/or money back guarantees • Concierge and subscription-type services	• Primarily fee-for-service based • Alternative payment models on a smaller scale

Wholesale pressures
(Predictable ~ Packaged ~ Affordable)

Gist healthcare