



# Looking Ahead to 2019

## 10 Predictions for Hospitals and Health Systems

This Market Insights report from the AHA Center for Health Innovation identifies 10 events, forces and trends that could have the most impact on hospitals and health systems in 2019.





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and health systems. This report from the Ameri-  
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## What's Ahead for Hospitals and Health Systems in 2019?

New health care market entrants and vertical integrators are challenging the traditional business models and operational tactics of hospitals and health systems.

In response, The American Hospital Association's (AHA) Center for Health Innovation has released a set of tools that track the disruptive activity in the field and suggest the moves hospitals and health systems can make to convert that challenge into an opportunity to serve the health needs of their patients and communities. View them at: [www.aha.org/center/emerging-issues/market-insights/year-in-review](http://www.aha.org/center/emerging-issues/market-insights/year-in-review).

But change is coming fast, and not all hospitals and health systems are in a position to gradually respond to that change over the next five to 10 years. Some may need to respond tomorrow — if not yesterday — to remain relevant to their patients and to their communities.

With that growing sense of urgency in mind, the AHA Center for Health Innovation assembled a list of 10 predictions for 2019 that hospitals and health systems should consider as they prepare for another year of transformative change.

Each of these predictions represents one or more focus areas of the AHA Center for Health Innovation, including:

Affordability  
and value

Innovation  
capacity

New  
payment  
and delivery  
models

Performance  
improvement

Population  
health

Emerging  
issues

This list of events, forces and trends represents the collective insights from a variety of sources. This report addresses each prediction in alphabetical order, not in order of priority. An expert panel of hospital and health system leaders and other health care experts, including representatives from advisory firms, helped to inform these predictions. A complete list of sources appears on Page 7.



## DATA



54%

Percentage of health care executives who said they expect widespread adoption of artificial intelligence in health care by 2023

Source: Intel, July 2018

## DATA



\$109.7 billion

Projected national health expenditures on home-health care services in 2019, up 53.2% from 2010

Source: Centers for Medicare & Medicaid Services, August 2018

## 10 Predictions for Hospitals and Health Systems for 2019

The following 10 events, forces and trends — based on the collective insights from leading health care experts — should be on the radar of hospitals and health systems in 2019 as they prepare for a full and robust year of disruptive innovations from new market entrants and vertical integrators.

### 1 **AMBULATORY CARE COMPETITION** increasingly will come from health plans and other payers.

**ISSUES:** *New payment and delivery models*

Health plans, big-box stores, pharmacy chains, employers and other payers are taking ambulatory care delivery into their own hands — and potentially out of the hands of hospitals, health systems and their affiliated physician practices. This group of vertical integrators is buying up physician practices, opening on-demand clinics in their stores and launching on-site workplace clinics for their employees. As a result, expect to see many hospitals and health systems step up their ambulatory care game by expanding their outpatient presence in more neighborhoods through renovation of former retail space and via expanded telemedicine programs.

### 2 **Hospitals and health systems will embrace ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING.**

**ISSUES:** *Performance improvement, emerging issues*

Hospitals and health systems will integrate artificial-intelligence (AI) and machine-learning capabilities into their workflows and change the nature of work for almost all clinical and administrative staff members. Doctors, nurses and other clinicians will use AI and machine learning as clinical-support tools to improve their diagnostic accuracy and to customize treatment plans for individual patients. Administrative staff will use AI and machine learning to automate manual tasks and improve the accuracy, predictability and speed of such core functions as managing compliance risks, insurance claims and the supply chain.

### 3 **Hospitals and health systems will adopt formal DIGITAL HEALTH STRATEGIES** alone or with partners.

**ISSUES:** *Innovation capacity, population health*

New market entrants from the consumer-technology and retail-business sectors consider the hospital and health system sector of the health care field ready for end-to-end digital disruption; so do patients who experience the convenience of digital technologies in other areas of their lives. To meet those expectations and offer patients a true omnichannel experience, hospitals and health systems will adopt robust digital strategies led by chief digital officers, many of whom will come from fields other than health care. Those with more time and resources will develop their own tech. Those with less will partner with new market entrants eager to penetrate the market and prove their innovations worthy of patients.

### 4 **More hospitals and health systems will offer HOSPITAL-AT-HOME SERVICES** to patients.

**ISSUES:** *New payment and delivery models, population health*

A confluence of trends will move all but the most complex, high-acuity medical care from inpatient floors at hospitals and health systems into patients' homes. Patients prefer to be at home and advances in medical technology are making that possible. Remote monitoring can replace in-person monitoring, and hospitals are seeking alternatives to skilled-nursing facilities as the next stop along a discharged patient's continuum of care. Together, those trends will increase the number of hospitals and health systems offering hospital-at-home services to patients as a low-cost, safe and high-quality alternative to traditional inpatient care.



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## DATA



38%

Percentage of U.S. employers that said they are going to start managing “health care waste” in medical imaging procedures by 2020 in addition to the 29 percent that said they are doing that now

Source: National Alliance of Healthcare Purchaser Coalitions, October 2018

## 5 Health plans and other payers will stop paying for unnecessary and **LOW-VALUE PATIENT CARE**.

**ISSUES:** *Affordability and value, performance improvement*

In an aggressive effort to cut their own health care costs, health plans and other payers will extend their “never-event” payment rules to what they determine is unnecessary or low-value care by hospitals and health systems. Instead of carrots to incent hospitals and health systems to provide appropriate levels of care, health plans and other payers will use sticks. They will refuse to reimburse providers for care that payers determine is inappropriate, similar to those that have stopped paying providers for nonemergent care provided in emergency departments. Think no-value reimbursement models. Hospitals and health systems will need better diagnostic and clinical-decision support tools as well as documentation to cope.

## 6 Hospital and health system **REALIGNMENT ACTIVITY WILL COOL**, but expect a few blockbuster deals.

**ISSUES:** *Affordability and value, performance improvement*

Hospitals and health systems announced a record 115 proposed hospital and health system mergers and acquisitions in 2017. The pace showed signs of slowing this year, a trend that may continue in 2019 as deal participants focus on integrating with their new partners. However, a handful of interstate or cross-state partnerships that promise substantial opportunities to drive value for patients and communities could occur.

## 7 **SOCIAL DETERMINANTS OF HEALTH** will become the focus of population health management.

**ISSUES:** *Population health, new payment and delivery models*

Research continues to show a strong correlation between social determinants of health (SDOH) like food security, housing, education and transportation. As hospitals and health systems assume more clinical and financial risk for the health of patient populations, their population health-management programs in turn will incorporate

more aggressive strategies and tactics to address SDOH. Such strategies and tactics will be designed to keep healthy patients healthy and patients with chronic medical illnesses as healthy as possible. The goal is to reduce costly and avoidable return visits to the hospital or medical specialists.

## 8 **TWO-SIDED RISK** in value-based reimbursement models will become the norm in payer contracts.

**ISSUES:** *Affordability and value, emerging issues*

The transition to value-based reimbursement models from fee-for-service models will continue in 2019 but at a much slower pace as detected in a number of surveys and reports released this year. The models that will continue to advance in 2019 will offer two-sided risk arrangements for hospitals and health systems. That means reimbursement contracts will reward hospitals and health systems for meeting clinical and financial targets, but they will penalize them if they fall short. Expect to see more hospital and health system investment in analytics to track their performance in real time and make it possible to course-correct to hit their targets and earn bonuses for optimizing patient care.

## 9 **VERTICAL INTEGRATION** will continue to blur the lines between traditional health care sectors.

**ISSUES:** *Innovation capacity, new payment and delivery models*

Vertical integration between two traditional health care business sectors made headlines in 2018 with Cigna, one of the country’s largest health insurers, buying Express Scripts, a dominant pharmacy benefit manager (PBM); and CVS Health, one of the country’s largest retail pharmacy and PBMs, buying Aetna, another of the country’s largest health insurers. Hospitals and health systems should expect to see more of the same in 2019 and perhaps be involved in a major strange-bedfellow deal themselves. All eyes will be on these deals to see if they drive more value for patients or the new business partners.





## DATA



44%

Percentage of hospital and health system finance executives who cited labor expenses as their top target for reducing operating expenses in 2019

Source: Healthcare Financial Management Association, Navigant, August 2018

## 10 **WORKFORCE OPTIMIZATION** will become an imperative to reduce costs and improve performance.

**ISSUES:** *Innovation capacity, performance improvement*

Traditional methods of managing hospital and health system labor costs and productivity will run up against the need to simultaneously reduce operating expenses, improve patient outcomes and deal with personnel shortages. Hospitals and health systems will seek creative ways to optimize their workforces. They will be re-examining their staff skill mix and how — and where — they will deploy

their staff as well as looking at redesigned workflows and processes. Hospitals and health systems also will devote more resources to change management to help their workforces cope with the new technologies that fundamentally will change how they interact with patients.

Collectively, the 10 predictions for 2019 from leading health care experts and other knowledgeable sources portend a full year of accelerating and dramatic change for the nation's hospitals and health systems as they seek to fulfill their mission of advancing health in America.

### Expert Reactor Panel

The AHA Center for Health Innovation thanks the following people, organizations and sources for their time and insights that contributed to this Market Insights report, "Looking Ahead: 10 Predictions for Hospitals and Health Systems for 2019."



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