

FORVIS



MINDSETS: FORVIS Executive Leadership Survey Results

November 2021

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“The right mindset is at the heart of the focus, effort and determination behind any significant achievement, today, tomorrow and beyond.”

Welcome to MINDSETS 2021

Earlier this year, **FORVIS**, previously DHG, conducted our second annual Senior Leadership Survey, MINDSETS. The survey included a cross-section of the nation's C-Suite executives from across the provider landscape. MINDSETS was designed to gather the collective insights of industry insiders, identify key challenges driving the post-COVID market, and surface strategic themes that leaders employed to meet those challenges – with the specific objective of ultimately sharing those perspectives with our clients and friends.

What emerged from the survey were four distinct themes centered around strategy, growth, value-based care, and organizational health. As you will see in our analysis, COVID-19 infection rates and sequential variants are still challenging healthcare organizations and the communities they serve. But amid these challenges, innovation and growth have begun to re-emerge.

In the following pages, we will dive deeper into each of these themes and identify potential strategies healthcare executives can implement to address the challenges raised by COVID-19 and our industry's continued progress post-pandemic.

As always, our commitment is to bring passion and innovation to our clients and the communities they serve. We hope you see MINDSETS 2021 as just our most recent expression of this commitment.

Please feel free to reach out to me directly with any comments or questions about MINDSETS - or if there's anything any of us at FORVIS can do for you or your organization.

Sincerely,

Kevin Locke



Kevin Locke

Managing Principal, FORVIS

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Earlier this year, we conducted the annual Healthcare Executive Leadership Survey, MINDSETS, with responses from more than 80 healthcare leaders, representing organizations across the nation and ranging in size from \$250 Million to more than \$10 Billion. Through this survey, we sought a deeper understanding of the key issues facing the industry to better serve our clients' most pressing needs.

In this year's survey, four mega-themes emerged around **Strategy, People, Growth, and Value.**



STRATEGY



As readers may expect, the COVID-19 pandemic forced more than half of respondents to pause strategic initiatives and, instead, focus scarce resources on patient care in their communities. However, 80 percent of those same leaders plan to refresh their enterprise strategies within the next twelve months in reaction to the financial pressures and consumer preferences brought about by the pandemic. The dominant strategic issue both in the near-term as well as the long-term is the Workforce of the Future, just ahead of financial stability.

PEOPLE



With unprecedented levels of workforce fatigue and burnout, the threat of turnover and need for agility moving forward demands insightful, proactive, cost responsible action today. More than 70 percent of MINDSETS respondents believe significant change agility will be required for success in the "new normal." Approximately the same population indicates their organizations are experiencing significant change fatigue. Additionally, more than half think workforce turnover will rise well beyond historic averages and respondents are concerned about retaining team members long-term. To emphasize the impact of these issues, the majority plan to review and enhance their employee benefit plans to address well-being.



GROWTH



Consolidation within the healthcare industry has accelerated in recent years and, notably, is taking place across the entire provider continuum, leading to greater vertical integration and efficiencies. Additionally, the consolidation trend is no longer dominated by M&A activity of traditional providers. Private equity and payer-market alignment are investing in and influencing the realignment of programs. Our survey respondents believe industry growth will be fueled by these types of consolidations via affiliations and innovative population health programs. As consolidation continues to accelerate, providers should expect more government oversight and regulations, so even if a merger makes business sense, the compliance aspect of the proposal may prove too daunting. Policy navigation will remain a critical facet of a provider's business model moving forward, especially considering President Biden's recent signing of the Executive Order on Promoting Competition in the American Economy. This order will result in significant impacts to the healthcare industry and M&A activity.

VALUE



While value-based care and the acceleration of risk had considerable momentum prior to the pandemic, more than half of survey respondents believe the pandemic negatively impacted their value-based arrangements. Interestingly, in the face of that recognition, 85 percent of the respondents say that a "strategic need" for value-based arrangements is imperative for their organizations, likely recognizing the importance of alternative revenue streams tied to value. That awareness combined with Washington D.C.'s continued willingness to provide options for value and risk-based models allows healthcare organizations to evolve their readiness to adopt risk. This trend should continue as providers adopt some of the lessons learned from 2020.



STRATEGY

COVID forced a pause in strategic initiatives but left a desire to refresh enterprise strategy early and the imperative to heal a wounded workforce.

While our economy, society and industry have absorbed the events of COVID-19, strategic initiatives and future planning have taken a backseat. MINDSETS showed that 53 percent of respondents were forced to pause strategic initiatives that were imperative to advancing their organizations. While this isn't unexpected in the throes of a global pandemic, the impact these pauses will have may be considerable. Organizations will need to determine how to best jumpstart their strategic initiatives to regain their pre-pandemic momentum.

MINDSETS participants made it clear that a serious revision of their enterprise strategic plan would be required in order to address the impact of COVID-19. 49 percent said that they planned on a revision before their current plan runs past its current timing. Of the 49 percent respondents that plan on an early revision, 82 percent plan on doing so within the next year. Altering a strategic plan, especially ahead of schedule, will require a great deal of focus and resources. Addressing the changing dynamics that have been exacerbated by COVID-19 within a 12-month timeframe allows organizations to maintain their agility in the midst of an ever-changing environment. Enterprise strategic planning completed every three to five years is no longer best practice, suggesting that annual business planning with a refined and ever-evolving strategy is the way of the future.

Despite the desire and need for a change in strategy, 65 percent of MINDSETS respondents said that their current operating model and organizational design are not aligned to the changing needs of their strategic vision. As a further complication, the primary long term issue healthcare executives identified was the workforce of the future, followed closely by financial stability. Increasingly, organizations have found that the challenge of managing and maintaining their workforce to support execution has become an important long-term issue, and without a targeted plan and approach, execution of that their strategy could be jeopardized. Balancing these two primary challenges within a strategic planning process will be difficult. But yet again, it provides organizations the opportunity to get ahead of these two challenging issues that, if left on their own, will cause much more significant long-term problems.

An organization's strength lies in its adaptability to changing conditions. It should be leveraged to not only set but also execute established strategies. Additionally, opportunities may arise that drive an organization's ability to be innovative pioneers. Even unrecognized strategies, with sufficient finetuning, hold the potential to become tomorrow's best practices. With potentially limited resources and growing clinical shortages, the prioritization of strategies is crucial to maintain continuity over the long-term. Emerging from the pandemic with a clear vision, defined goals and a strategic plan of execution is essential to achieve long-term sustainability.



53%

Paused their strategic initiatives



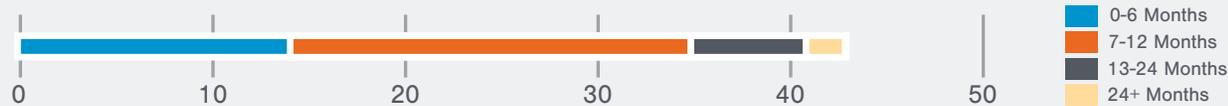
65%

Say that their operating model is **not aligned** to the needs of their strategic vision



49%

Plan on revising their enterprise strategic plan. Of the **49%**, **82%** plan to do so within the year





GROWTH

Health Systems and provider organizations are prioritizing growth through mergers, acquisitions, affiliations, and partnerships in an effort to regionalize care, create scalability and improve financial performance.

Regardless of the size of the organization, Health Systems are putting a priority on revisiting and reevaluating their strategic plans after COVID-19. Respondents to the MINDSETS survey said that a clear focus for these systems is evolving their strategies for developing and executing upon strategic mergers, affiliations, acquisitions, and partnerships (MAAP) as a prime driver for growth and financial stability.



45%

Foresee consolidations **continuing with strength**, with Affiliations being the most dominant option

MINDSETS also indicated that 45 percent of health system executives believe consolidation of services will accelerate within their markets, with over 79 percent believing the ability to increase financial stability through regionalization and comprehensive network design are the primary drivers behind the consolidations and affiliations.

Two primary themes were the predominant focus of C-Suite executives. First was a recognition of their need to enhance their system through regionalization, growth, consolidation, and affiliations, with over 56% responding that financial sustainability is the key factor behind consolidation. The other significant pressure was the need to develop and evolve their continuum of care focusing on population health and value-based services, with a focus on primary care, virtual health, and ambulatory models of care to complement their acute care operations. There is a deep understanding within the executives that responded around the importance of shifting to value and the impact on their need to have a clear strategy for execution and a plan to close the gap for services and capabilities.





Primary Care

66%



Behavioral Health

51%



Population Health Programs

53%

Of respondents identified these as these focuses drivers of growth in the next year



In light of COVID-19, do you plan to revise your enterprise strategic plan before it runs past its current timing?

OUT OF 87

49.43%

43 CHOSE

28.74%

25 CHOSE

18.39%

16 CHOSE

3.45%

3 CHOSE

Yes

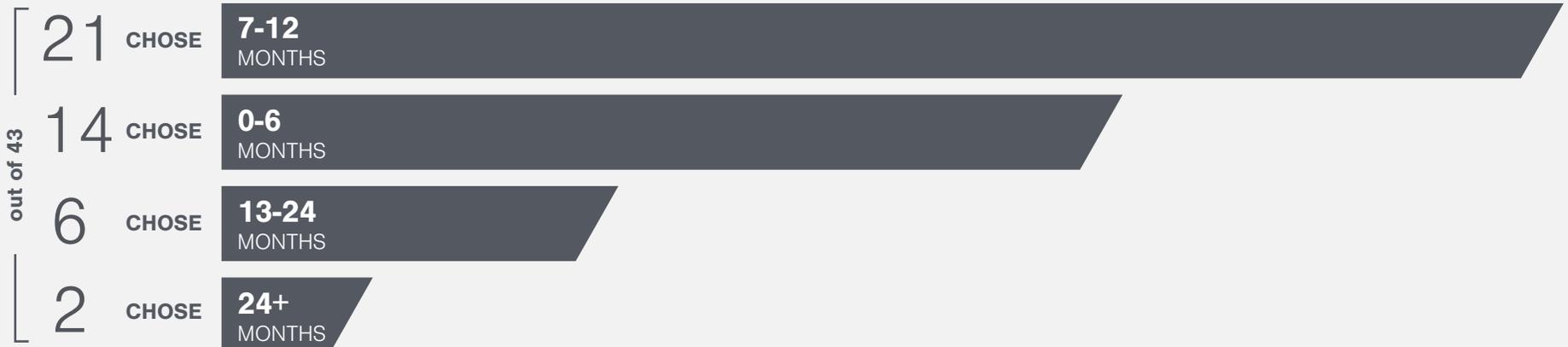
To be determined

No

Unsure / Cannot discuss



If so, within what timeframe?





PEOPLE

The workforce is fatigued and burned out, but the threat of unprecedented turnover and need for agility moving forward demand insightful, proactive, cost responsible action today.

There has likely never been a more challenging time for the people who power the healthcare industry – and our 2021 MINDSETS respondents echoed that sentiment. Burnout emerged as a critical and strategic issue this year. 44 percent of respondents identified burnout as their dominant near-term human capital concern. Respondents also indicate that they believe their people are running on empty – with more than 70 percent indicating a belief that their organizations are experiencing significant change fatigue.

These MINDSETS results profoundly impact the industry in three primary ways. First, while burnout rapidly emerged as a strategic issue, measurement is limited – only 2 of 3 respondents reported measurement to understand burnout in their clinical community and only 1 out of 4 measure burnout for non-clinicians. Our recent work shows that, even if measurement is taken, it’s typically relegated to a few glancing questions on an engagement survey.

Second, turnover and scarcity of resources to backfill turnover present significant operational issues challenging patient experience, clinical quality, and employee engagement. Nearly 50% of MINDSETS respondents believe turnover will reach well beyond historic levels. The best tactic in fighting turnover is retention. But in the age of the “Great Resignation”, historic retention tactics may not suffice. Organizations must lean in and determine the root causes behind change fatigue – motivation, morale, conflict, and burnout to name a few.

Finally, while MINDSETS respondents are clear on the human capital challenges their organizations face, they were equally clear on what the future will require. More than 70% believe success in the new normal requires significant change agility. As the strategic importance of issues like value-based contracting, non-traditional affiliations, and direct employer contracting escalate, people within healthcare must enhance their ability to adapt and drive concurrent and converging change initiatives. Change agility will no longer be enough – transformational agility will be the new requirement.

To support their employees and undoubtedly driven by the state of the workforce in healthcare, MINDSETS respondents signaled their intentions to take near-term action. Sixty-eight percent stated they plan to review their own employee benefit plans in the next twelve months with a focus on improving the employee experience and addressing well-being. No longer add-ons or nice-to-haves, our work demonstrates these focus areas are true table stakes for organizations looking to become destination employers.

75% Say that there is significant change fatigue within their organization.
This fatigue is no doubt driving the industry’s biggest near term concern-burnout.

69% Say that a high to significant level of change is required to achieve the rate of success they desire.

70% Of respondents believe that significant change agility will be needed for success in the new normal.

66% Of employers test for burnout within their clinician population.

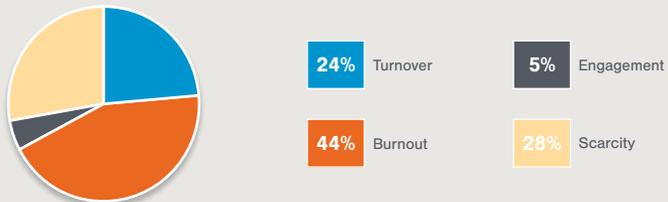
These additions lead employers to an all-important dilemma: funding these additions. **More than 70 percent of MINDSETS respondents ranked reducing overall employee benefit cost as a significant imperative.** In an environment where talent scarcity increases by the moment, finding these savings while maintaining an attractive benefit package is challenging but doable. Employers can realize the savings they need with reliable data, creative solutions, and focus.

This year's survey presents a challenging human capital picture. In an industry so reliant on its people, efficiently, effectively, and holistically addressing these challenges emerged as a strategic issue. The results of MINDSETS made clear that human capital – employee burnout and turnover especially – may be the year's most pressing strategic issue.

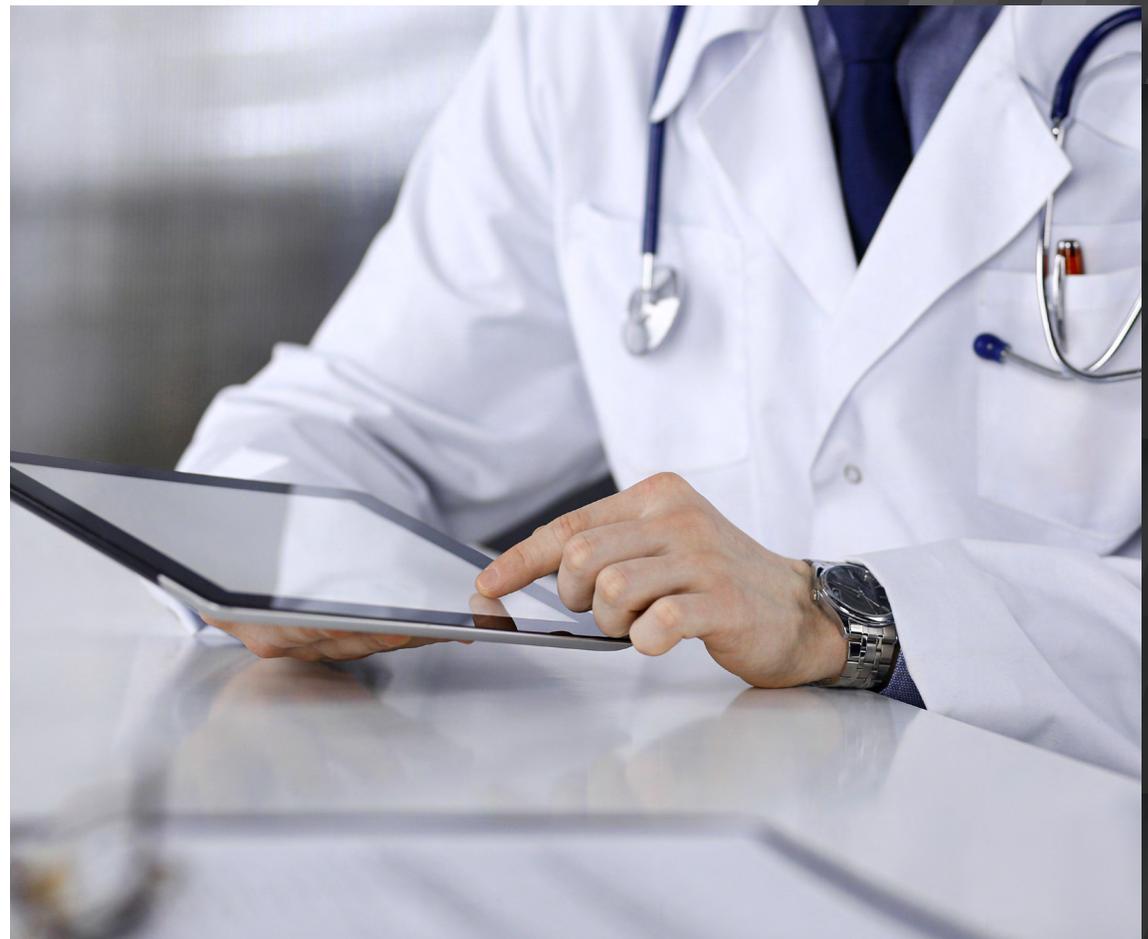
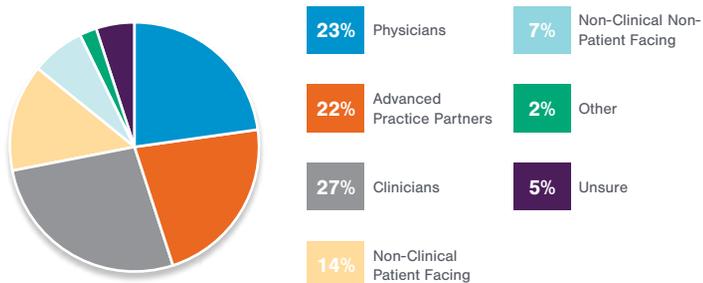
 44%

Say burnout is their primary near-term concern

Workforce Concerns



Who is Impacted by Burnout





VALUE

While COVID negatively impacted value-based arrangements, their strategic importance has never been clearer – nor the gaps organizations have in their capabilities to execute on those arrangements

Make Haste, Not Waste: Intentional Alignment of APM Goals and Capabilities

Beginning with – and in some instances pre-dating – the adoption of the Affordable Care Act in 2010, healthcare providers have tested and adopted countless iterations of alternative payment models (“APMs.”) Each and all of these APMs seek to achieve the “Triple Aim” of improved health of populations, lower cost of care, and better care experiences.

By many accounts, American healthcare providers have made progress toward these goals. According to an industry-wide study conducted by the Healthcare Payment Learning and Action Network, “35.8% of total U.S. health care payments were tied to APMs in 2018, a steady increase from 23% three years ago.”

Despite industry progress, persistent fundamental challenges remain. 87 senior healthcare executives across the United States, 89% of respondents agreed that engaging in more APMs is a “strategic need” for their organization, yet fewer than half (48%) of respondents agreed that their organization was “capable” of meeting this strategic need. In short, many providers’ fundamental capabilities fall short of their goals and needs.

Matching Capabilities with Strategic Needs

The results of the survey are at once both unsurprising and solvable. Our experiences advising provider clients suggest that interest has outpaced capability for several years. Common themes in this mismatch include:

- **Limited downside prevents meaningful change.** Providers that are engaged in (a) upside-only financial risk models, (b) APMs with predictable financial arbitrage, and (c) APMs whose financial risk is subsidized by third parties have limited rationale to invest in implementing changes of any sort. Too often, the results from inconsequential participation in APMs are few and fleeting.
- **Over-reliance on technology platforms.** From robust EMRs to the latest predictive analytics tools, healthcare providers have been looking for an elusive, turnkey solution for years. Despite these developments, informed behavioral change remains the most effective strategy.
- **Focus first on net-accretive capabilities.** Many capabilities that support APM success also benefit providers’ traditional FFS businesses; there are pockets of mutual benefit. The most common example is clinical documentation improvement (“CDI”) initiatives that improve the depiction of patient acuity while also generating incremental FFS revenue for the provider.
- **Understand current risk arrangements.** Every provider in the U.S. is involved in alternative payment models. Even at its most basic, programs like the Merit Based Incentive Payment (“MIPS”) program, the Value-Based Purchasing (“VBP”) model, the Readmission Reduction Program (“RRP”), and Hospital Acquired Condition (“HAC”) penalties are all mandatory risk-bearing arrangements that impact all physician and acute hospital providers. Even more significantly, provider

organizations that self-insure their employee health plan bears even more significant financial risk. Identifying all types of current risk arrangements and the corresponding capabilities to support their success is an important first step.

- **Move with haste but don't rush.** Few organizations rush into critical decisions which alter their core business models. Rather, most organizations move without haste, deferring what Stephen Covey called Quadrant II activities that are "important and not urgent" for another point in the future.² A hybrid approach to the two aforementioned extremes is recommended; create a long-term APM capability development plan and make regular, demonstrable progress toward achieving the capabilities that support APM goals.

53%

of value based arrangements impacted by COVID-19 were **negatively impacted**

48%

say their current organizational capabilities **do not match** their strategic needs

89%

believe that their organization **needs to engage** in more value-based arrangements

94%

say that their operational risk tolerance is **not in line** with their organizations value-based aspirations

The type of mindset an organization adopts can be the difference between growth and success, or stagnation and regression. **The goal of our annual MINDSETS survey is to provide insight into the predominant trends within the healthcare industry** and share deeper perspective into how leaders across the industry plan to leverage those trends to effectively address the challenges of today. This year was unique due to the impact of the COVID-19 pandemic on the workforce, strategic goals and areas of focus. If there is anything the current industry landscape has shown us, it is that a mindset focused on growth, innovation and change has never been more important. MINDSETS is designed to be our contribution to the growth conversation.



Survey Methodology

These survey results were collected by Gerson Lehrman Group (GLG) between August 13, 2021 and August 20, 2021 through email. The 87 participants were all executive leaders in the healthcare industry. Participants were selected from GLG's database through a number of questions regarding their role and organization to achieve a balance of responses between levels, organization size, and region.

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