

# Is the US Health System Status Quo Sustainable?

Rob Moss | Principal, SullivanCotter



This provocative byline from the January 15th edition of [The Keckley Report](#) and updates from [J.P. Morgan's 2024 Healthcare Conference](#) underscore the importance of financial sustainability for not-for-profit health systems. While health financial performance seems to have stabilized in recent months for many hospitals and health systems, ongoing sustainability is still an issue that looms large.

Financial recovery efforts have been underway since 2022 with most health care systems stabilizing the core of their enterprises by focusing primarily on surgical and procedural services. Many are also addressing staffing shortages and escalating costs, dealing with unionization in some markets, managing decreased volume in certain specialties, optimizing operational performance, and negotiating improved reimbursement where possible. As these efforts continue, right-sizing service portfolios, sites of care, and workforce composition will better enable organizations to define and focus on their core services while exiting unnecessary or underperforming ones.

- 1. Stabilize the Core**
- 2. Right-Size Service Portfolio**
- 3. Improve Retained Services, Assets and Workforce**
- 4. Strategic Growth**

Mid-way through 2024, multiple industry reports indicate that surgical and procedural volumes have increased back to pre-pandemic levels – placing additional pressure on staffing supply, costs, and the need to increase revenue to keep pace with expenses. With greater stabilization and markets and service portfolios being rationalized, efforts can be focused on improving retained services, assets, and the workforce required to support patient access. In parallel, organizations can then consider opportunities for select programmatic growth within their core business and in new areas to diversify revenue.

A key factor in health system sustainability is the investment in its clinician ecosystem – including employed physicians and APPs and various forms of clinician affiliations and relationships with independent clinicians.

Health systems are eager to understand and optimize the appropriate level of investment more broadly across their physician enterprise, medical group, specific service lines, and the clinical workforce.

## **Integral to this effort is continuous performance improvement in three critical areas:**

- Aligned enterprise performance metrics and incentives
- Effective relationships with a critical mass of aligned clinicians
- Enhanced performance management

## Aligned Metrics and Incentives

Designing organizational performance metrics and incentives that are aligned across the enterprise is critical to achieving and sustaining desired results. The entire enterprise must be interconnected to drive greater performance. This includes shared accountability as it relates to the most impactful measures with a greater understanding of how individual, team and departmental contributions support organization-wide success.

Objectives set at the system level may not translate to the medical group, which can potentially lead to disparate and isolated priorities during the goal-setting process. Vertical alignment in KPIs across both employed and affiliated clinicians will help improve service line delivery and achieve pay-for-performance metrics in payer contracts. In addition, unified scorecards create an opportunity to align performance with the executive level, medical group leadership, practices, and clinicians.

## Effective Relationships with Clinicians

As health systems continue to rationalize their core services and drive select programmatic growth, defining the critical mass of clinicians needed within the organization is critical to ensuring success. This includes understanding the workforce requirements of employed and/or affiliated physicians and APPs by specialty and geographic location.

Next, understanding how to align and engage these clinicians is critical to developing effective relationships and ensuring the clinical workforce is working to identify areas for continuous improvement and achieve strategic objectives.

These efforts can be supported in several ways:

- Optimizing staffing models to drive greater patient access, improve clinician satisfaction, and address burnout and turnover
- Developing the right physician-hospital affiliation relationships to accommodate various evolving workforce requirements and needs
- Empowering clinicians through leadership positions or other decision-making roles
- Structuring compensation arrangements to include measurable incentives that drive clinician behaviors and performance in a way that aligns with organizational goals

## Optimized Performance Management

Several key factors impact the financial sustainability of hospitals and health systems. These include patient access, utilization, reimbursement, providers and staff composition, effective models of care, and efficient use of resources. Understanding and measuring current performance levels within each of these areas is essential. A close evaluation of productivity, referral and out-migration patterns, compensation, staffing ratios, and investment per provider full-time equivalent can help organizations leverage their strengths more effectively as well as identify opportunities for improvement. Health systems should continually monitor their medical group's performance and periodically reassess to consider evolving goals and circumstances. Optimizing the overall performance of affiliated clinicians is equally important and can be achieved by assessing each affiliate agreement to ensure incentives are aligned.

## Bringing it all together...

As hospitals and health systems continue to address dynamic market, workforce, and operational challenges, ensuring financial sustainability is necessary. For many organizations, this will likely be found in the orchestrated confluence of strategically aligned and rationalized service portfolios, performance metric and incentive alignment, clinical workforce design, and performance optimization.

Continuous performance improvement in these areas will help yield year-over-year financial improvements that will meaningfully influence health system sustainability in these critical years to come.

Looking for additional insight?

[Learn more](#)

[Contact us](#)