

BOARDROOM BASICS

2024 Trends and Projections: What Boards Need to Know from the AHA Environmental Scan

Every year the American Hospital Association publishes its Environmental Scan, including wide-ranging data and trends to help health care leaders understand current issues in the health care environment.

The comprehensive scan is a valuable tool for strategic thinking, but the abundance of data can be overwhelming. This story provides high-level insights from the AHA scan, with questions for boards to consider as they prepare their own strategic plans

Financial Stability

2022 was the most financially challenging year for hospitals since the start of the COVID-19 pandemic. More than half of hospitals ended 2022 operating at a financial loss, and the first quarter of 2023 saw the highest number of bond defaults among hospitals in more than a decade. In 2023, hospitals began experiencing some improvements in financial health.

Moody's Predictions are Positive but Workforce is a Major Factor.

Moody's Investor Service recently revised its 2024 outlook for the health

care sector from negative to stable. Part of this shift is due to a decrease in labor costs as the reliance on contract nurses has declined. At the same time, the health care workforce shortage is far from over and continues to have massive implications for hospitals and health systems. Hospital chief financial officers report the top concerns they lose sleep over are employed labor, contract labor, inflation, and supply chain expenses.

Billing and Insurance is Resource-Consuming.

Administrative costs comprise almost one-third of total health care spending, and the vast majority of those expenses (82%) is attributed to billing and insurance.

Hospitals report increases in the cost of seeking prior authorization

approvals, complying with insurer policies, worsening experiences with commercial insurers, and denials that are ultimately overturned.

Reimbursement Costs Do Not Cover Expenses. Hospital expenses remain high, and reimbursement has not kept pace with rising costs. Hospital expenses increased more than two times what Medicare reimbursement increased from 2019—2022.

Care Redesign is Happening. The AHA predicts that care will continue to shift to alternative settings, including virtual visits. The increased complexity and acuity of patients combined with changing care settings will require care redesign.

Rural Hospitals Face Unique Financial Pressures. Rural hospitals and health systems face a combination of pressures, including low

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Our Perspective

Advocacy Insights Shed Light on State of Healthcare

The mission of the South Dakota Association of Healthcare Organizations (SDAHO) is to “advance healthy communities through a unified voice across the health care continuum.” An important aspect of meeting the mission is through advocating for our members in Pierre and Washington, D.C.

The 2024 South Dakota Legislative Session runs January through March. Each year after the session has concluded, it’s important our members understand legislation that became law and the impact that may have on the healthcare community. SDAHO can do this through the *Legislative Impacts Brief*. Jacob Parsons, SDAHO’s Director of Advocacy and Reimbursement, is responsible for the brief. “Each year we provide a legislative impact brief, which gives a description of bills that became law that have an operational impact on our members. The brief provides an anticipated impact it may have to health care providers.”

SDAHO’s role as the only association in South Dakota that provides advocacy for members for both hospitals and long-term care facilities understand the wide-ranging legislative issues that may impact healthcare each year. “This year, several of the bills were a result from the 2023 Long-Term Care Summer study. The brief takes a deeper dive into legislation focusing on a variety of issues, including medical cannabis, licensure and scope of practice, emergency medical services, healthcare workforce, prescription drugs, and financial increases for Medicaid providers including targeted increases in long-term care.” *Jacob Parsons - Dir. Advocacy & Reimbursement, SDAHO*

Member Hospital and Long-Term Care Administrators can examine the yearly legislative impact brief to better understand changes that may be coming to the healthcare community. “Throughout the entire run of session, we are working with our Public Policy Council, which consists of SDAHO members that provide direction on whether to support, oppose, monitor or remain neutral on bills.” *Jacob Parsons - Dir. Advocacy & Reimbursement, SDAHO*

Recently, SDAHO traveled to Washington, D.C. to take part in the Patient Quality of Life Coalition Lobby Day. The reason for the visit was to show support for Senate Bill 2243, the Palliative Care and Hospice Education and Training ACT (PCHETA). South Dakota Senator Mike Rounds is a co-sponsor of this bill.

In addition, SDAHO took part in Hill visits, that included Senator Mike Rounds and Rep. Dusty Johnson. The team was able to lift the voices of members while bringing back valuable information regarding the landscape of the healthcare industry across the country and in rural America.

To learn more about SDAHO’s state and federal advocacy efforts, visit www.sdaho.org/advocacy/

SDAHO members can view the 2024 Legislative Impact Brief at: <https://portal.sdaho.org/SignIn?returnUrl=/member-resources/>

To learn more about SB 2243 visit: <https://www.congress.gov/bill/118th-congress/senate-bill/2243>

Upcoming Education

Visit sdaho.org/calendar/ to learn more.

LTC Survey Series:

May 1st - Strategies For Successful IDR/IIDR & Administrative Law Hearings

May 8th - Enforcement Remedies

Workplace Violence Series:

May 7th - Escalation Awareness

Hospital Financial Series:

May 9th - Revenue Drivers or Hospitals (Part 1)

May 21st - Finance Fundamentals for Hospitals (Part 2)

Do you have ideas for future issues of *The Trustee Quarterly*?

Our goal is to provide you with the information and knowledge you need to lead your hospitals forward in today’s rapidly changing environment. Tell us what you think, and what you’d like to see in future issues of *The Trustee Quarterly*.

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SDAHO Enterprise was developed to pursue valued services and increase non-dues revenue. Overall goals and objectives of providing revenue to supplement SDAHO strategies and providing support and benefit to members.

Financial Stability: Questions to Consider

- ✓ What is our organization's financial outlook for the next two years?
- ✓ Does our board understand the major financial factors at play? How does that influence our mission and strategic thinking?
- ✓ What does our CFO "lose sleep over"?
- ✓ How is care redesign happening in our local area? Are we proactive or reactive in the changes taking place as consumer preferences change?

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reimbursement, staffing shortages, low volumes, a sicker patient population, and regulatory barriers.

More than three times as many rural hospitals closed in 2022 compared with 2021. When a rural hospital closes, the impact on community health and the local economy is significant. Some rural organizations are exploring other designations, including rural health clinics and rural emergency hospital or critical access hospital designation.

The Health Care Workforce

A strong and steady workforce is critical for hospitals and health systems to thrive. The pandemic exacerbated existing challenges, including provider burnout, administrative burdens, and workforce shortages.

Workforce Shortages Continue to Grow. 100,000 registered nurses (RNs) left the workforce during the pandemic, and one-fifth of RNs

nationally are projected to leave the health care workforce by 2027. It takes more than three months to recruit an experienced RN, and the turnover cost is significant.

While the nursing shortage often garners the most attention, professions most common to leave the health care workforce are physical therapists, nurse practitioners, licensed clinical social workers, physician assistants, and physicians.

The Work Environment Matters. The top factors influencing RNs to stay in their current positions include:

- Doing meaningful work
- Positive interactions
- Having caring and trusting teammates
- Good health
- Safe environment

Conversely, the top factors influencing RNs that left their jobs are not being valued by their organization, inadequate compensation, no work-life balance, an unmanageable workload, or a better job offer.

Provider burnout is not unique to nurses. In fact, pharmacy professionals are the most likely to report burnout among all health professions. Physicians also report a big shift in "happiness at work," with 75% reporting they were very/somewhat happy before the pandemic and only 48% reporting that they are very/somewhat happy today.

Technology Has the Potential to Alleviate Some Challenges.

Technology could provide relief for some of the workforce challenges faced. The AHA Environmental Scan predicts that as much as 30% of nurse tasks can be shifted to automation. The increase in virtual nursing programs also has potential, with one pilot program resulting in a significant decrease in first-year turnover rates.

Mental Health Shortages are Substantial. More than six thousand areas in the U.S. face mental health professional shortages, impacting 163 million people. This gap isn't expected to change, as more than 60% of all psychiatrists in the U.S. are 55 or older.

The shortage of mental health providers has far-reaching implications. Studies increasingly demonstrate stronger patient outcomes when patients receive integrated primary care behavioral health services. In addition, integrated models demonstrate cost savings and reduced emergency visits.

Workforce Shortages are the Top Concern for Rural Hospitals. More than 60% of all health professional



The Workforce: Questions to Consider

- ✓ What are our greatest workforce challenges and what long-term strategies do we have in place to address them?
- ✓ How does the board set the tone for a positive workplace environment and minimize provider burnout?
- ✓ How do employees view our organizational culture?
- ✓ Where is our organization in the process of implementing technology that could provide administrative relief for providers?
- ✓ What would greater integration of behavioral health services look like at our organization? What steps do we need to take to make it happen?

shortage areas are in rural areas, including mental health shortages. The top two challenges rural organizations reported in 2023 were the cost of labor and labor shortages/employee turnover.

Quality and Value

Value-based payment models influence how care is delivered with the goal of paying for quality rather than the volume of services provided. The increase in value-based payment models has leveled off. Delivery transformation models also play a role in improving quality and value, such as team-based care, telehealth, and alternative care sites.

Hospital Infection Rates are Steady. COVID-19 patients experienced significantly higher rates of health care

-acquired infections (HAIs) than non-COVID patients between 2020-2022. That means that overall HAI rates increased during that time, but infections for non-COVID patients remained about the same as they were before the pandemic.

Patient Safety Culture Measures Show Opportunities for Improvement.

In a survey conducted by the Agency for Healthcare Research and Quality (AHRQ), the highest reported measurements of patient safety culture in hospitals include:

- Teamwork
- Supervisor, manager, or clinical leader support for patient safety
- Communication openness (staff speaking up)

The lowest measures of patient safety culture in hospitals are:

- Response to errors and learning from mistakes
- Handoffs and information exchange between hospital units and during shift changes
- Staffing and work pace (not enough staff for the workload)

Care Will Increasingly Shift to the Home. Hospital-at-Home (HaH) programs have existed since the mid-1990s, and have been shown to reduce costs, improve outcomes, and enhance the patient experience. HaH waivers continue to provide flexibilities for remote care, and experts predict that as much as one-quarter of all Medicare beneficiary care could shift from traditional facilities to the home by 2025.

Health Equity and Social Factors that Influence Health. Health equity and addressing social determinants of health is a big part of improving population health. The majority of hospitals report collecting data on patients' health-related social needs and receiving social needs data from external sources. CMS has added two social determinants of health measures to the Inpatient Quality Reporting program. While these measures were voluntary in 2023, they are mandatory in 2024.

Consumerism

Patients want care that is trustworthy, meets their unique needs, increases patient engagement, and provides them with the tools and resources to manage their own health.

Quality and Value: Questions to Consider

- ✓ Do we as a board understand delivery transformation models and how care is changing? Does our strategic thinking reflect that?
- ✓ What are infection rates like at our hospital or health system compared to national trends?
- ✓ How does our board set the tone for a culture of patient safety and how is that measured?
- ✓ As care increasingly shifts to the home, how does that impact our organization?
- ✓ Are we measuring and taking active steps to address social determinants of health in our community?

Technology Allows Care to be More

Individualized. Continued advancements in medicine and technology has expanded the potential of “individualized” care or “precision medicine.” The most advanced applications are in genomics, using patient DNA to diagnose and custom-treat diseases.

EHRs Provide Opportunities for

Increased Patient Involvement. More than nine in ten hospitals provide their patients with an electronic health record (EHR) that allows patients to view their information online in a portal. Hospital EHRs also increasingly allow patients to download information from their medical record, transmit medical information to a third party, and submit patient-generated data (such as blood glucose). Most hospitals also provide patients with access to their health information using apps.

Where Patients Access Primary Care is

Changing. Between 2017 and 2022, claims grew 200% for retail clinics and 70% for urgent care centers. During that same time, claims declined by 1% for emergency departments and 13% for primary care physician offices. Experts predict that while traditional primary care will still exist in the future, there will be a shift by many toward non-traditional providers such as retailers (CVS Minute Clinics, Kroger Health, Amazon), virtual care, payers, and payer-owned services.

Coverage Impacts Whether Patients

Access Needed Care. More than 40% of working-age adults were inadequately insured in 2022. Four out of ten insured adults report skipping or delaying care due to cost, and another one in six

insured adults say they had problems paying their medical bills.

When patients delay care they report more use of emergency departments and urgent care centers, and less routine preventive care. Some challenges could be addressed by improving the transparency of health care costs, helping customers understand their options and helping patients navigate the care they need.

Trust in Public Health Must Be Re-Established Due to Misinformation

During the Pandemic. The pandemic resulted in information overload and a prevalence of misinformation, including confusion about vaccines, COVID-19, pandemics and emerging infectious diseases. There is a need for health leaders to strengthen information management strategies to build trust and better prepare for future emergencies.

Telehealth Utilization is Predominantly for Mental Health.

Nearly seventy percent of telehealth claims among privately insured patients are for mental health conditions. New mental health apps are being created for specific populations, such as people of color and Indigenous people, LGBTQI+ individuals, and people with serious mental illness. These shifts have the potential to impact rural behavioral health needs, but one-third of rural patients currently do not have access to consistent or affordable internet.

Key Health Care Trends

Hospital and health system boards should regularly engage in education about the trends and shifts occurring in both national and local environments.

Consumerism: Questions to Consider

- ✓ Is our organization providing “individualized” care?
- ✓ How are we utilizing EHRs and other forms of technology to better engage with patients?
- ✓ What is our organizational strategy to be a part of the transition in how care is accessed? For example, have we considered partnerships with retail-based clinics or adopted retail-like strategies?
- ✓ How can we better help uninsured and underinsured patients navigate the health care system to increase access to care when it is needed?
- ✓ Are we leveraging telehealth?

While not an inclusive list, the trends outlined below are highlighted in the AHA Environmental Scan.

Public Trust: Trust in Hospitals and

Doctors is Positive. Although the pandemic resulted in significant erosions of public trust in the health care system, there are indications that trust may be strong with individual hospitals and providers. More than eight out of ten voters surveyed report they trust their preferred hospital either a “great deal” or a “fair amount” for information about critical health issues. In addition, more than three-quarters of individuals surveyed say they trust their doctor or clinician. Reported trust is much lower for digital health apps, websites, and social media groups.



Uninsured Rates are Low but Some May Lose Coverage or be Underinsured.

The uninsured rate improved from 9.2% in 2019 to 8% in 2022. In August 2023, HHS reported that the national uninsured rate reached an all-time low of 7.7%. While the low rates are good news, some reports indicate that about a quarter of those covered are underinsured and continue to face affordability challenges that impact access to care.

In addition, Medicaid enrollment may be experiencing a shift. Legislation passed during the pandemic prevented state Medicaid programs from disenrolling people, but that ended in March 2023. Late in 2023, more than nine million Medicaid enrollees had been disenrolled, many for procedural reasons. Children accounted for 40% of all disenrollments.

Artificial Intelligence Has the Potential to Reduce Costs and Streamline Care.

Artificial intelligence (AI) is already being used in varying degrees by health care organizations. Many are using AI for chatbots and personal assistants, to streamline patient documentation and charting, and to predict readmissions or

individual risks for certain medical conditions.

There are concerns about how AI can best be used to its full potential without introducing new risks and potential for errors. Still, one study predicts that wider adoption of AI could lead to savings of 5-10% in U.S. health care spending without sacrificing quality or access. Other studies predict AI could lessen workforce shortages.

Mental Health Concerns are Growing Among Young People.

Mental health cases in children's hospital emergency departments were 20% higher in 2022 than in 2019. Young adults are more likely than older adults to experience anxiety or depression, with half of all young adults (ages 18-24) reporting anxiety or depression symptoms in 2023. Social media can negatively impact mental health, and LGBTQI+ youth are at higher risk.

In addition, firearms are the leading cause of death for children in the U.S., and are the most used weapon in interpersonal violence against women.

Heart Disease is Still the Leading Cause of Death.

The leading cause of death in 2022 was heart disease, followed by cancer, unintentional injury and COVID-19. COVID-related deaths declined by nearly 50% compared to the previous year. At the same time, deaths by suicide reached a record high in 2022.

Climate Change is Impacting Health.

There were 24 weather-related disasters in the U.S. with damage of at least \$1 billion in 2023. In addition, one in three Americans live in unhealthy levels of air pollution, and the summer of 2023 was

Health Care Trends: Questions to Consider

- ✓ Does our board receive regular education about current trends and how they impact our organization and community served?
- ✓ How would we describe our community's trust in health care?
- ✓ Are rates of uninsured and underinsured shifting in our community? How is it impacting our organization?
- ✓ Is our organization already using AI? What steps can we as a board take now to better understand AI and start using it in small ways?
- ✓ What are our local community's mental health challenges and how are we helping meet those needs?
- ✓ How do our mission and vision inspire our organization to respond to ongoing public health challenges and climate change?

the hottest summer on record. Some hospitals are making changes to impact climate change by moving toward plant-based meals, updating HVAC systems, implementing building automation and controls, and updating electrical to be more efficient.

Sources and More Information

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GOVERNANCE INSIGHTS

Navigating the Future: The Imperative of Effective Trustee Succession Planning

The governance and leadership provided by hospital boards of trustees is the cornerstone of institutional resilience and strategic direction. Effectively planning for future board members is not only a practical necessity, but a strategic imperative to ensure long-term hospital success.

Hospital and health system boards are responsible for steering their organizations through the challenges of health care transformation, medical and technological advancements, regulatory changes, and shifting patient needs. Because the board sets the tone that impacts the community for years to come, future trustee leadership should not be left to chance.

Strategic Continuity and Resilience

One of the primary goals of succession planning is to maintain strategic continuity and build resilience within the organization. Effective succession planning ensures that the board remains equipped with the skills, knowledge, and perspectives necessary to navigate the unique challenges faced by hospitals and health systems. By anticipating and preparing for board member transitions, hospitals can avoid governance gaps that might impede their strategic operations or dilute their vision.

Enhancing Board Diversity

A diverse board of trustees is a strong catalyst for innovation and strategic dialogue and decision-making. For hospital boards, diversity should span expertise, gender, race, age, background, and community representation. Part of trustee succession planning includes comparing the board's composition to the community at-large, and identifying gaps that may be missing on the board.

Cultivating Leadership and Expertise

The process of trustee succession planning is tied to the cultivation of leadership within the hospital's broader community. By identifying and nurturing potential trustees, the board invests in the development of

future leaders who are aligned with the hospital's mission and values.

This approach not only enriches the pool of candidates ready to step into governance roles, but also strengthens the hospital's ties to its community. In addition, the connection between seasoned hospital leaders and emerging community leaders allows outgoing members to pass on valuable insights and experiences to future successors.

Practical ways boards may build future leaders include:

- Seek out existing hospital volunteers
- Reach out to individuals in the community with experience in governance or leadership through local community and business organizations
- Offer opportunities for potential leaders to serve in other capacities, such as on the hospital's foundation board or in ad hoc committees or task forces

Defining Trustee Roles

Too often, boards fill vacancies through an informal process of



candidate suggestions from other trustees. Existing board members may have connections to individuals who make excellent board members, but internal recommendations may also result in the recruitment of friends and acquaintances that mirror existing board members rather than bringing in varied perspectives and backgrounds.

Potential candidates should be selected based on the individual's fit with the organization's mission, the current board team, and the unique skills and perspectives the candidate brings to the board.

Before identifying specific candidates, boards should create:

1. An up-to-date trustee job description defining typical trustee responsibilities and expectations.
2. A "candidate profile" that articulates the qualities, skills, and characteristics the board seeks in a new trustee.

The criteria for board membership should focus on the best thinkers and leaders rather than filling a requirement for a specific constituency or occupation. An exception is if the board needs expertise in a specific area that is lacking.

Assessing Current Board Traits and Identifying Gaps

Hospital and health systems can determine "gaps" in current governance expertise and perspectives

by comparing current board composition to the skills and perspectives the board believes will be most important to ensure future success. Some gaps can be addressed through board education, while others must be filled through future board succession planning. Areas boards may consider when conducting a gap analysis include experience or expertise in the following areas:

- Quality and patient safety
- Clinical expertise
- Technology (medical, information, artificial intelligence)
- Community building and community connections

- Collaboration with stakeholders and organizations committed to building a healthier community
- Health equity and social determinants of health and their implications for building healthier communities
- Population health
- Diversity, equity and inclusion
- Advocacy
- Strategic planning
- Governance or leadership experience
- Innovative thinking
- Finance
- Legal
- Philanthropy
- Passion for health care and serving the community

Key Considerations for Effective Succession Planning

Identification of Skills and Expertise: Boards should regularly assess their composition against the strategic needs of the hospital, identifying both current strengths and future requirements. This assessment should guide the identification and recruitment of new members, ensuring the board remains well-equipped to address emerging challenges.

Structured Onboarding and Mentorship: Integrating new trustees is a critical phase in the succession planning process. A structured onboarding program, coupled with mentorship arrangements with experienced board members, can facilitate a smoother transition, accelerate learning curves, and promote cohesion within the board.

Ongoing Evaluation and Adaptation: Effective succession planning is an iterative process. Boards should continually evaluate the effectiveness of their succession strategies and be prepared to adapt their approaches in response to new information, changing needs, and evolving best practices in health care governance.

Engagement with Stakeholders: Succession planning should involve engagement with a broad set of stakeholders, including the hospital or health system's senior management, medical staff, and the community it serves. This engagement ensures that the board's composition and succession planning efforts are responsive to the needs and expectations of those it seeks to serve.