ASSOCIATION OF ACADEMIC HEALTH CENTERS

LEADERSHIP PERSPECTIVES

Optimizing Financial Health: Evolving Forces in the Healthcare Market

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PERSPECTIVE

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The U.S. healthcare market is one of the most complicated systems of its kind in the world, and the COVID-19 pandemic has underscored many of its complexities and intricacies. Academic health centers must navigate the challenges of this system while working within it to advance state-of-the-art patient care, conduct cutting-edge research, and implement high-quality education programs. Crucial to these endeavors is the ability of academic health center leaders to optimize the financial health of their institutions.

The themes of opportunity, resilience, and innovation appear throughout the 2020 series of *Leadership Perspectives*, focusing on "Optimizing Financial Health." This issue reveals those same themes and provides the perspectives of academic health center leaders who have first-hand experience optimizing financial health in an evolving healthcare market.

Andrew Filak, Jr., MD, senior vice president of health affairs and dean of the College of Medicine at the University of Cincinnati, outlines how his institution is facing the challenge of new players entering a healthcare market, such as Amazon and The Little Clinics. He notes the importance of anticipating and preparing for "how trends in consolidation might affect us on both the clinical side and the academic side."

Toni M. Ganzel, MD, MBA, FACS, vice president for academic medical affairs at the University of Louisville and dean of the University of Louisville School of Medicine, describes how her institution embarked on a journey of key structural change and reform in an experience that "involved our state, our university, and two foundations, which all came together to stand up a new health system in response to the potential closure of critical healthcare facilities in our region." The result was an impressive turnaround from fiscal deficit to a positive margin for the system.

These outstanding commentaries remind us that, every day, the leaders of academic health centers face daunting challenges and must strive continually not only to pursue optimal human health, but also to achieve optimal financial health.

Andrew Filak, Jr., MD

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Our region currently is characterized as one of the least consolidated healthcare markets in the country. We are one of four health systems that are roughly the same size, and our market is therefore quite competitive. Watching the horizon, we need to anticipate how trends in consolidation might affect us on both the clinical side and the academic side.

While we work hard to distinguish ourselves through the outstanding services that we provide, our biggest threats include other systems that compete with us in particular areas, such as the high-level specialized care that we provide. Future consolidation may make those competitive pressures more acute. We need to pay particular attention to our academic missions of research and education as the clinical enterprise evolves.

We are just starting to see some other players come into our market. We have a relationship somewhat with Kroger and The Little Clinics. Amazon just announced they are putting one of their clinics not far from our regional airport, which has become a major Amazon hub. Another example is ChenMed, with geriatric care. We need to assess the impact of such players. Will they take patients from our system? Will they take patients from other systems? Where will they direct Medicare patients for hospital care? How might other new developments, such as Amazon's foray into the prescription drug business, affect our viability as an academic health center?

Like others, we have been buffeted significantly by the coronavirus pandemic. One specific challenge has been meeting our staffing requirements. In terms of meeting those needs, we have learned to adapt in the pandemic. We are at the point where we really need to look beyond job titles and focus instead on what tasks need to be performed. Are there different ways to deploy people to serve certain functions? With critical care nurses in short supply, for example, are there models whereby a CRNA nurse anesthetist team might step in to help care for critical patients.

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Similarly, we are discussing options for primary care physicians who are normally office-based to provide some general care on the wards, perhaps freeing inpatient doctors to focus on work in the ICUs. Can we tap medical students to serve as scribes on the wards to help free valuable physician time? We have not yet implemented such changes, but that is the kind of thinking we are undertaking. And throughout all of this, we must pay attention to the care and well-being of our entire workforce.

The broader lesson is that our experiences with COVID-19 demonstrate that we need to think and act more nimbly and quickly. Our ability to rapidly ramp-up our capacity in telehealth is one case in point. Another is the ability of our basic science labs and clinical research groups to pivot quickly to focus on COVID-19 research. Applying lessons from experiences such as these will be critical to sustaining our competitive viability moving forward. Quick decision-making, adaptability, and the related skills we have developed during the pandemic will stand us in good stead in helping us adapt to changes as the dynamics of the healthcare marketplace continue to evolve.

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No one doubts that today's healthcare market is rapidly changing and can be very challenging. Critical healthcare providers can be affected greatly as market stakeholders come and go. Our powerful experience involved our state, our university, and two foundations, which all came together to stand up a new health system in response to the potential closure of critical healthcare facilities in our region.

As background, the University of Louisville has had a stand-alone university hospital with close clinical affiliation agreements with two other health systems that essentially are contiguous to campus. One system, Norton Healthcare, owns our primary teaching children's hospital. The other includes Jewish Hospital and Frazier Rehabilitation Institute. Our medical school had long enjoyed a deeply embedded but largely transactional relationship with Jewish and Frazier, which house our solid-organ transplant program as well as our cardiovascular and cardiothoracic surgery program and our neuroscience and spinal cord injury and research program.

Through a series of mergers, Jewish Hospital became owned by a national health system that subsequently decided to sell it. There were no takers, however, and in August 2019, we were informed by the governor's office that the system planned to close Jewish Hospital and the Frazier Rehabilitation Institute along with a number of related assets. The closure of these hospitals and facilities could have been catastrophic for the School of Medicine not only in terms of impact on programs, but also for the 60 residents training there.

Under strong leadership from our president, a highly skilled and experienced CEO was brought on and we worked with the state and two foundations to acquire the package of healthcare entities, including Jewish Hospital, Frazier Rehabilitation Institute, a physician group, and additional community hospitals and facilities, creating a new health system. The new system, branded UofL Health, was a wholly new enterprise for the university.

Under previous ownership, the system had been losing $30 to $40 million per year. In just a year, we have turned that fiscal deficit completely around. Since acquiring the assets in late 2019, we have posted a significant positive margin for the system and for each of the hospitals, far surpassing our expectations.

To achieve this turnaround, we made key structural changes to support the reforms we instituted, including increased academic reimbursements, improved revenue cycle management, and reduced administrative overhead. We also worked to create and nurture a system-wide culture that actively engaged many different people toward achieving common goals.

These results have been extremely gratifying in several ways. For the community, we preserved important patient-care providers and helped many individuals retain jobs that otherwise would have disappeared. Academically, a third of our medical school's research programs were embedded in Jewish Hospital, and maintaining and protecting our residency programs were essential. We also successfully transitioned a physician practice group with transactional relationships with clinical affiliates into a truly effective, integrated system in which physicians are genuinely engaged. Culturally, we have built a strong sense of pride of place and engagement in what we do.

Our experience demonstrates how, if done well, alignment of academic, research, and educational components can transform a collection of healthcare assets into an integrated and effective health system of distinction and make an academic health center a key destination for top-quality care, teaching, and research.

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