STATE OF THE STATE Reflections and a Vision for the Future

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Principal, Sg2
Solutions Architect, Vizient





A Look in the Mirror: Ask Yourself Tough Questions

SYSTEM OF CARE

What's the next step in your transformation?

HEALTH EQUITY

How specific can you make real commitments?

YOUR JOURNEY

What is the one thing as a leader you can do differently today to help your workforce be better prepared for the future?"

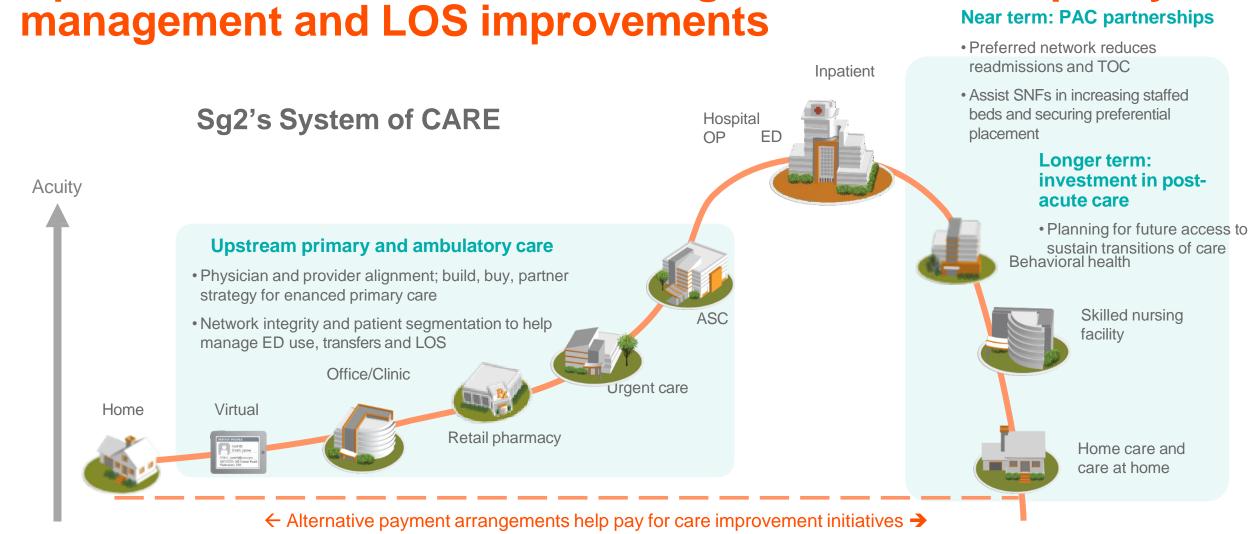
What's the Next Step in Your System of CARE Transformation?



Upstream and downstream strategies to sustain capacity

management and LOS improvements

Near term: PAC partnerships



Abbreviations: ASC = ambulatory surgery center; CARE = Clinical Alignment and Resource Effectiveness; ED = emergency department; IP = inpatient; LOS = length of stay; OP = outpatient; TOC = transitions of care.

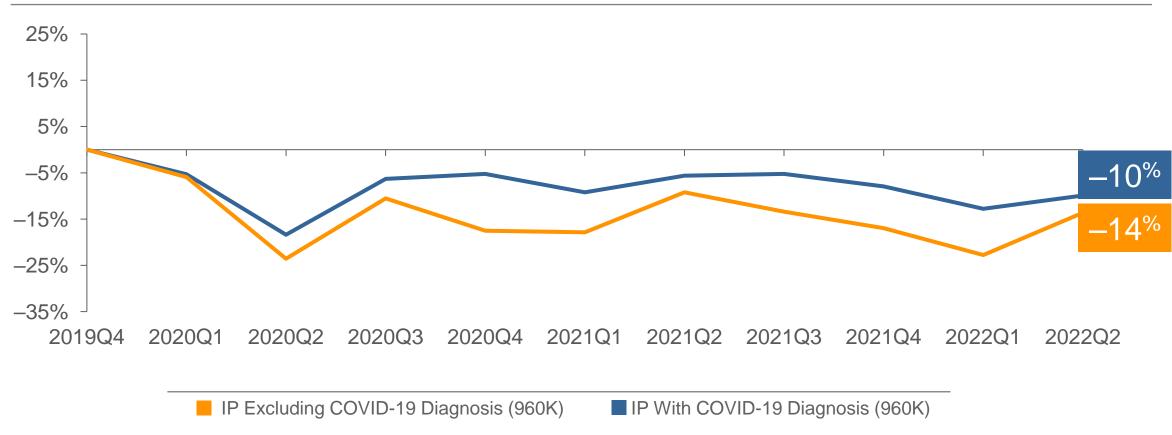




Nationally, IP Utilization Has Remained Well Below Pre-Pandemic Levels Through Q2 2022



Adult Quarterly Comparison of Volumes, 2019 vs 2020–2022 Strata Decision Technology



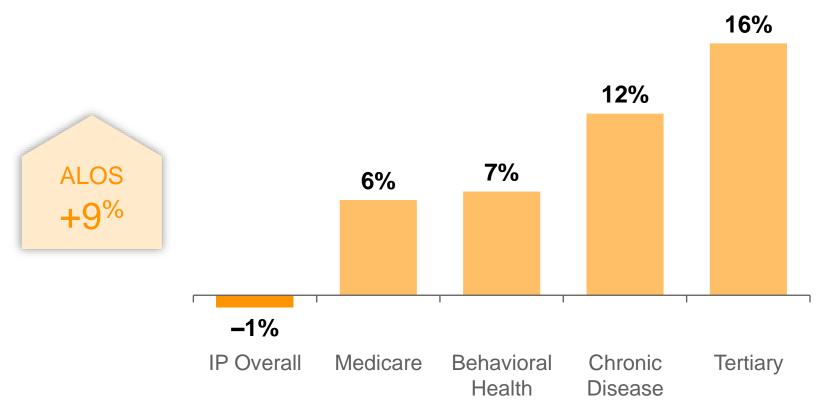


Rising Acuity Will Continue to Place Length of Stay Strain on Hospital Beds and Financials



Adult Inpatient Forecast

Impact of Change® 2021, 2019–2029



System of CARE Impact

- Higher-acuity inpatient leads to increases in demand for post-acute levels of care
- Lower-acuity patients shift to ambulatory alternatives including home care

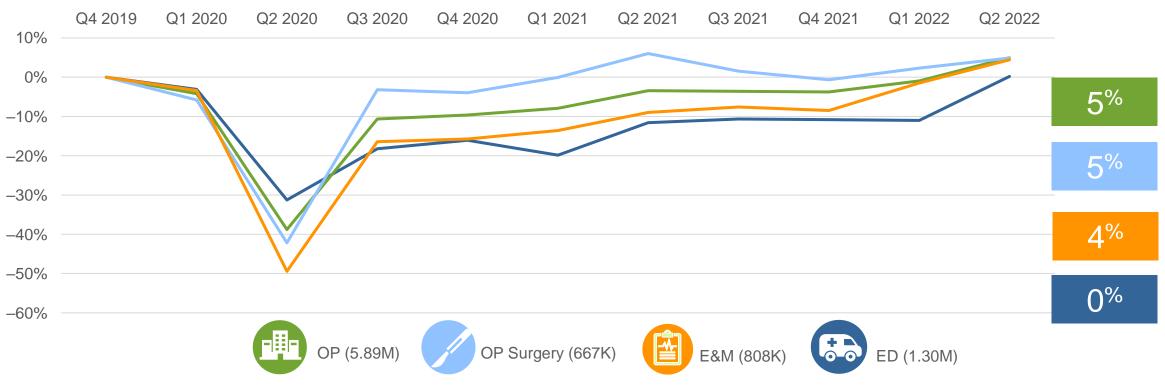
Note: Forecast excludes 0–17 age group. Sources: Impact of Change®, 2021; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2018. Agency for Healthcare Research and Quality, Rockville, MD; Claritas Pop-Facts®, 2021; Sg2 Analysis, 2021.



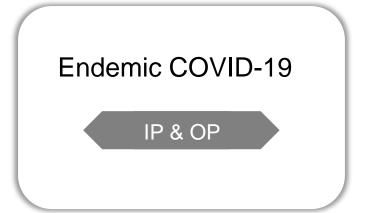
Outpatient Volume Demonstrate Recovery and Growth Beyond Pre-Pandemic Levels



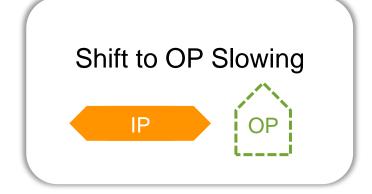
Adult Quarterly Comparison of Volumes Including COVID-19, 2019 vs 2020–2022 Strata Decision Technology



Key 2023 Forecast Considerations













SITE OF CARE SHIFTS

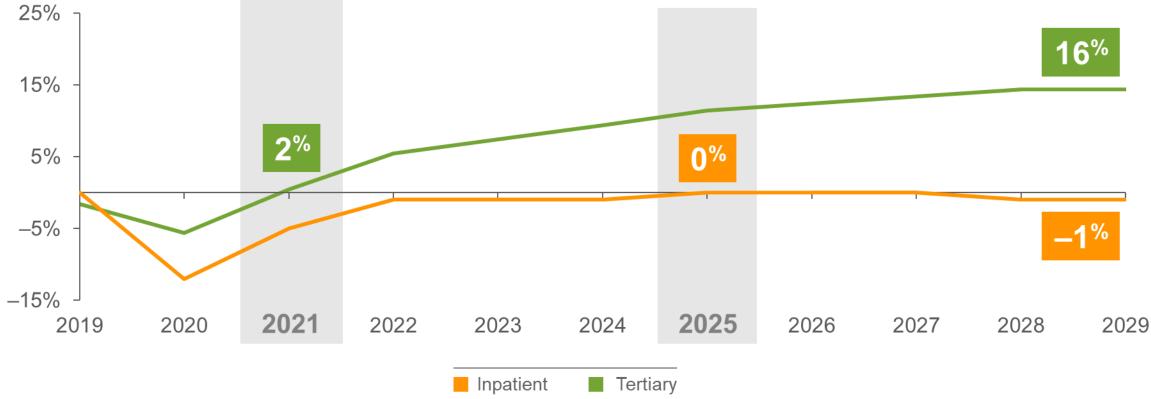


Inpatient Volumes Rebound Rapidly, but Demand Unlikely to Surpass 2019 Levels



Adult Inpatient Forecast

Impact of Change® 2021



Note: Analysis excludes volumes for ICD-10 diagnosis code U07.1, COVID-19 infection. Sources: Impact of Change®, 2021; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2018. Agency for Healthcare Research and Quality, Rockville, MD; Claritas Pop-Facts®, 2021; Sg2 Analysis, 2021.

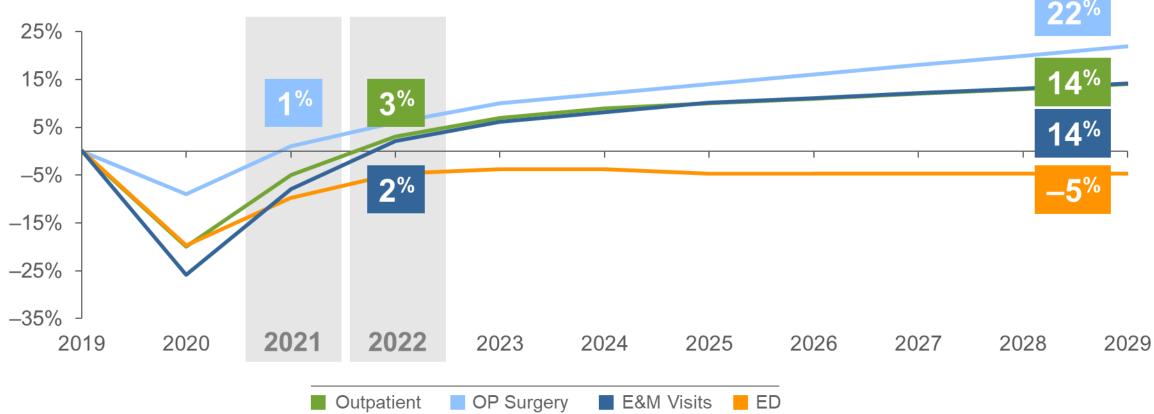


Rapid, Robust Outpatient Recovery and Exceeds Pre-Pandemic Levels



Adult Outpatient Forecast

Impact of Change® 2021



Note: Analysis excludes volumes for ICD-10 diagnosis code U07.1, COVID-19 infection. OP surgery defined as outpatient procedures—major. E&M = evaluation and management. Sources: Impact of Change®, 2021; Proprietary Sg2 All-Payer Claims Data Set, 2018; The following 2018 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2021; Sg2 Analysis, 2021.

Inpatient Volumes Decline as Patient Acuity Continues to Rise

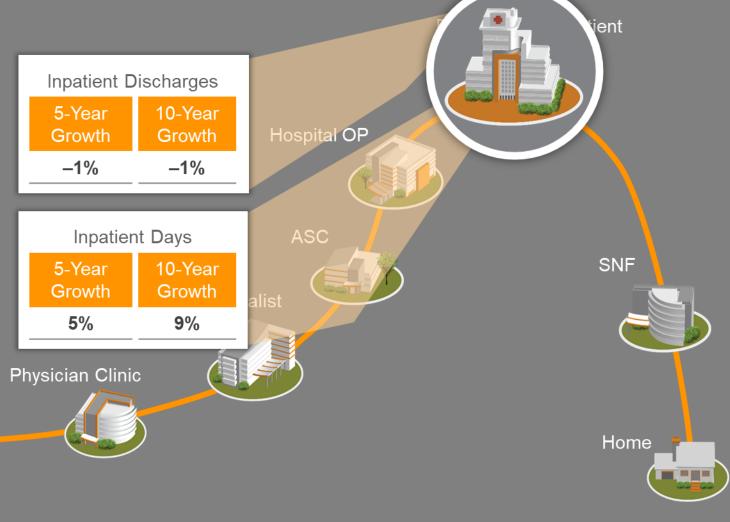




Inpatient Volumes Decline as Patient Acuity Continues to Rise

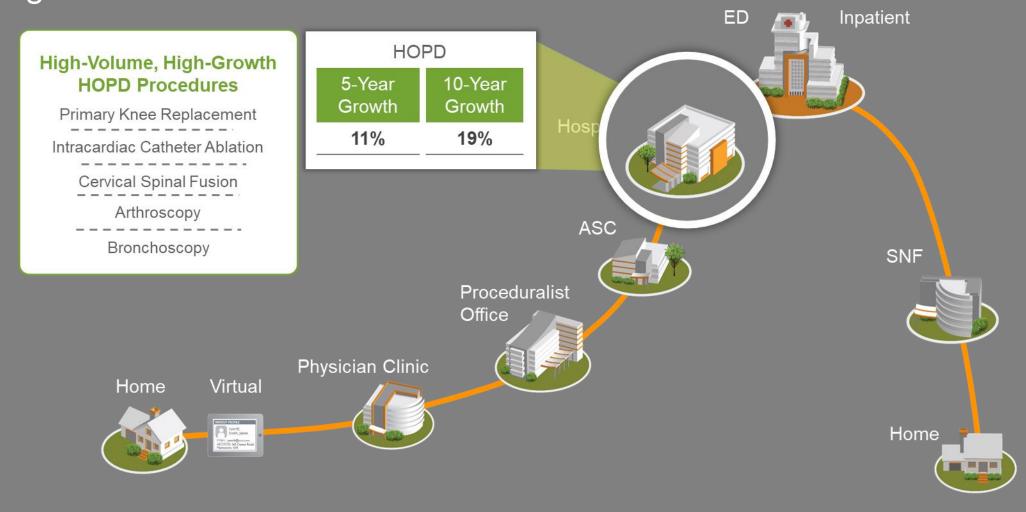
Virtual

Home



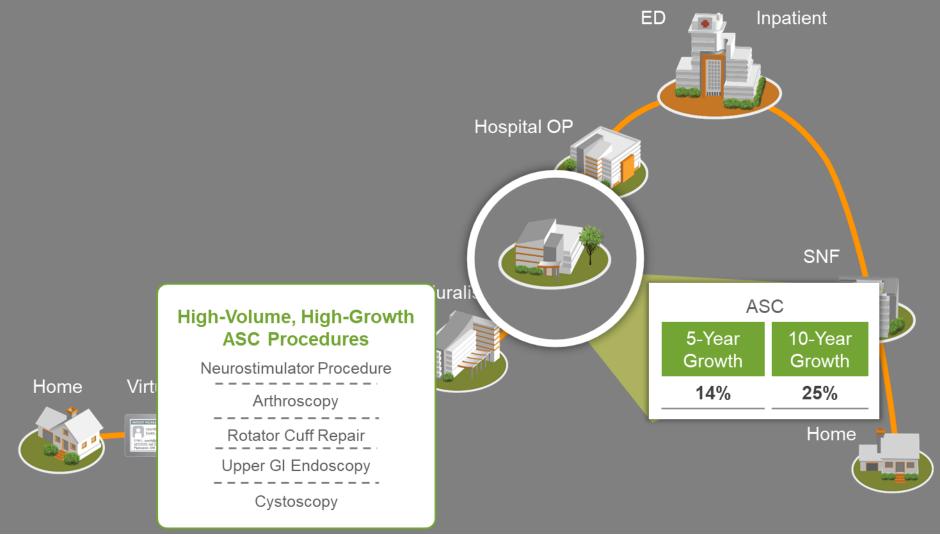


Surgical Volumes Shift to Lower-Cost Care Sites





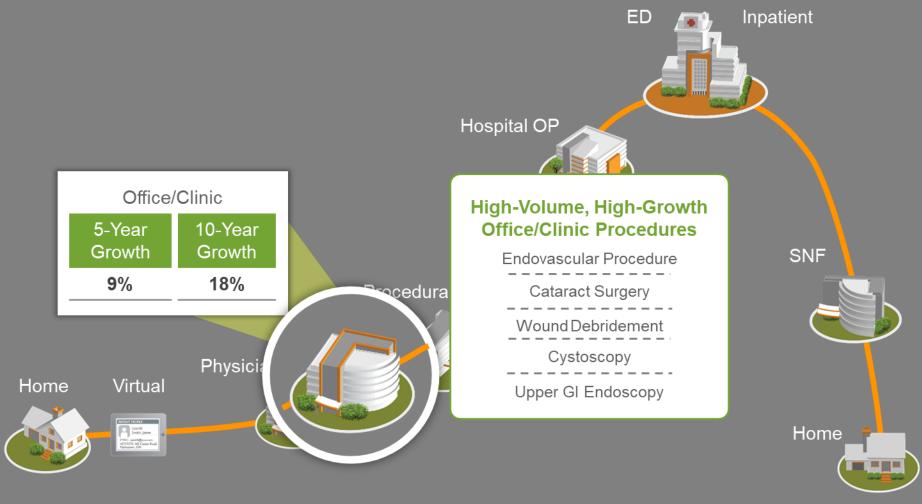
Surgical Volumes Shift to Lower-Cost Care Sites



Note: Analysis excludes 0–17 age group. Forecast pulled for procedures—major and endoscopy volumes only. GI = gastrointestinal. **Sources:** Impact of Change®, 2021; Proprietary Sg2 All-Payer Claims Data Set, 2018; The following 2018 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2021; Sg2 Analysis, 2021.

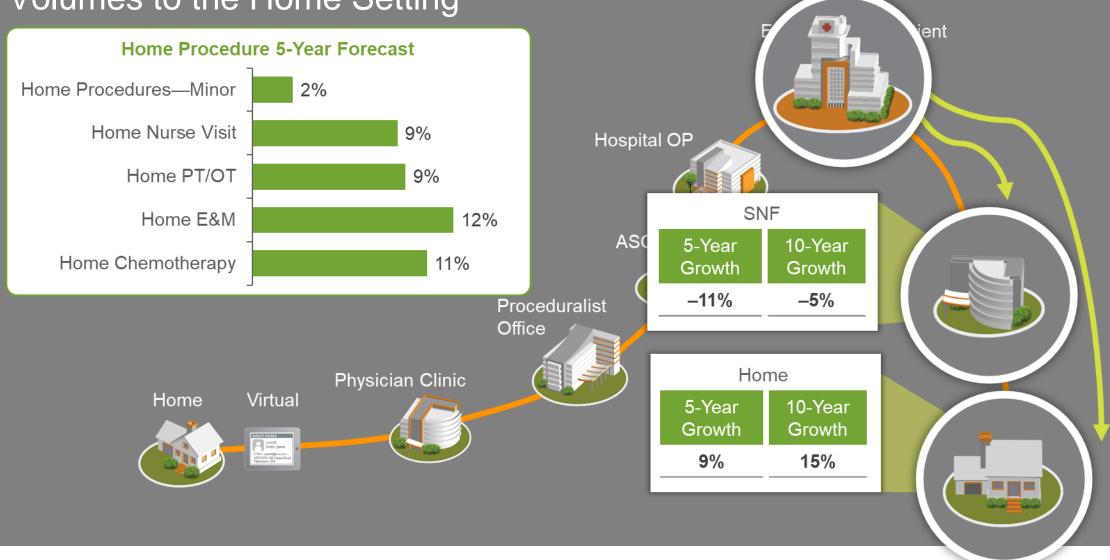


Surgical Volumes Shift to Lower-Cost Care Sites





Reimagining Senior Care Pushes Medical Volumes to the Home Setting







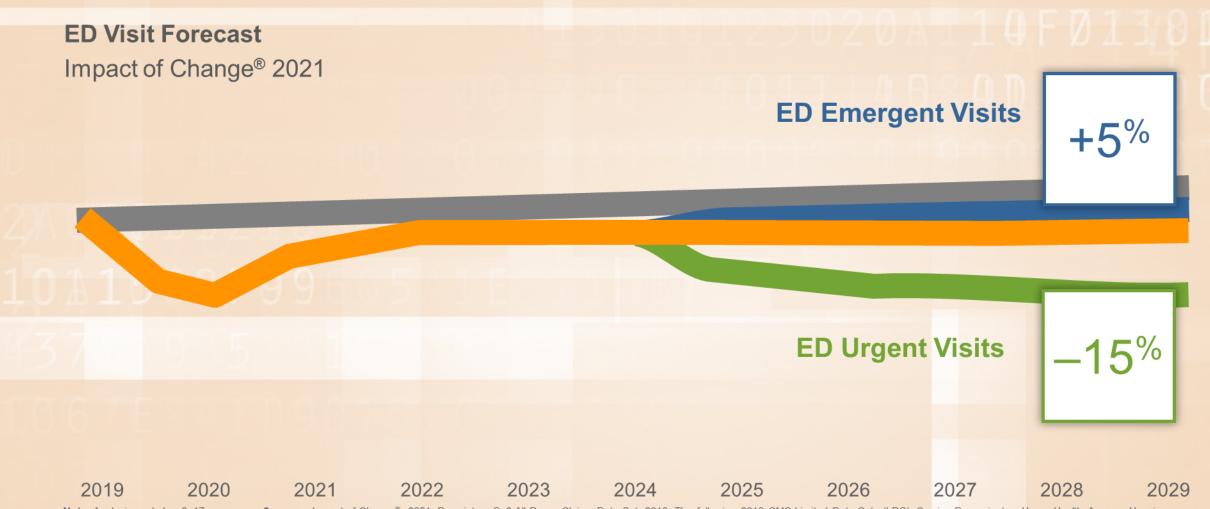
ED Demand Declines as Patients Shift to Alternate Sites of Care

Home



Note: Analysis excludes 0–17 age group. Sources: Impact of Change®, 2021; Proprietary Sg2 All-Payer Claims Data Set, 2018; The following 2018 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2021; Sg2 Analysis, 2021.

ED Demand Declines as Patients Shift to Alternate Sites of Care



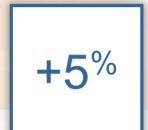
Note: Analysis excludes 0–17 age group. Sources: Impact of Change®, 2021; Proprietary Sg2 All-Payer Claims Data Set, 2018; The following 2018 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2021; Sg2 Analysis, 2021.

ED Demand Declines as Patients Shift to Alternate Sites of Care

ED Visit Forecast

Impact of Change® 2021

ED Emergent Visits



TOP FIVE SERVICE LINES FOR EMERGENT VISIT GROWTH

Behavioral Health (24%)

Endocrine (23%)

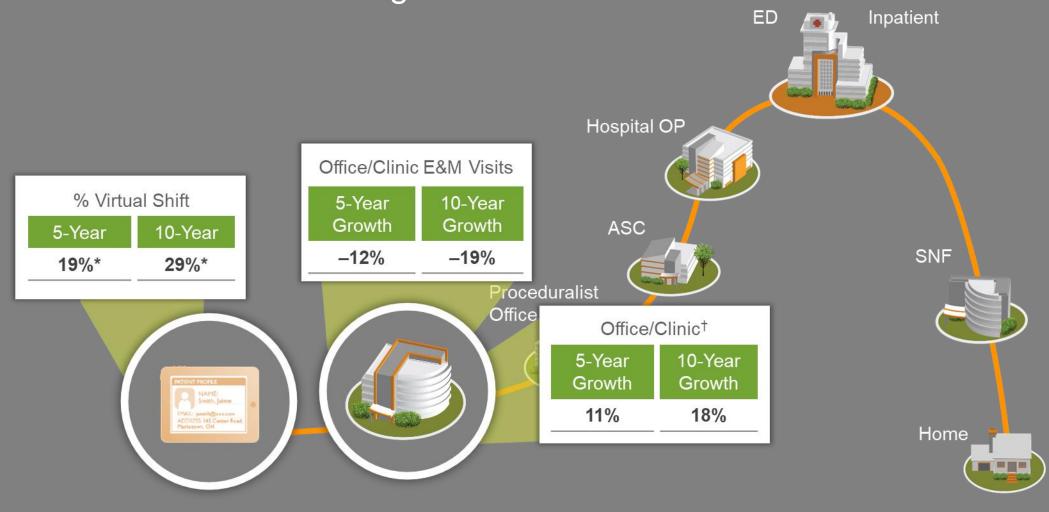
Nephrology (18%)

Vascular (11%)

Hepatology (11%)

2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029

Visits Shift Virtual While Diagnostic and Procedural Volumes Grow Within Office/Clinic Setting

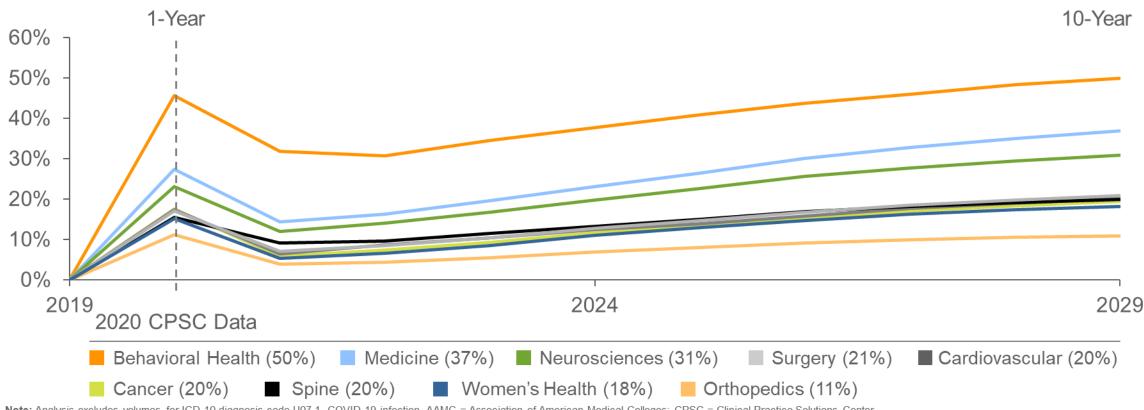




^{*}Indicates percentage of E&M visits performed virtually. †Excludes rehab and E&M visits. **Sources:** Impact of Change®, 2021; Proprietary Sg2 All-Payer Claims Data Set, 2018; The following 2018 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2021; Sg2 Analysis, 2021.

One in Three Visits to Occur Virtually by 2029; Shift to Virtual Is Variable Across Service Line Groups

Virtual Visit Shift by Service Line Group Impact of Change® 2021



Note: Analysis excludes volumes for ICD-10 diagnosis code U07.1, COVID-19 infection. AAMC = Association of American Medical Colleges; CPSC = Clinical Practice Solutions Center.

Sources: Impact of Change®, 2021; Proprietary Sg2 All-Payer Claims Data Set, 2018; The following 2018 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2021; AAMC-Vizient Clinical Practice Solutions Center®, 2021; Sg2 Analysis, 2021.

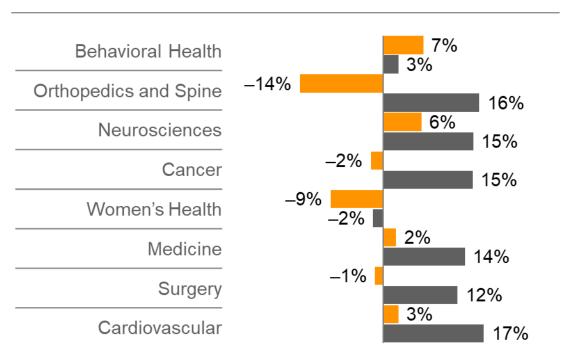




Utilization Trends Vary Across Service Lines

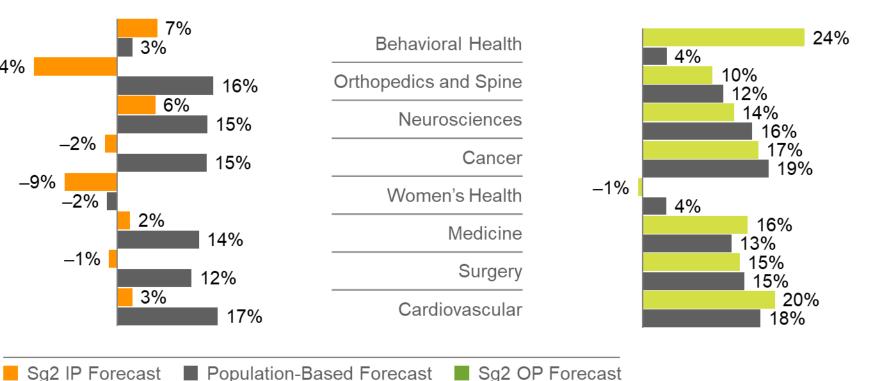
Inpatient Service Line Growth

Impact of Change[®] 2021, 2019–2029



Outpatient Service Line Growth

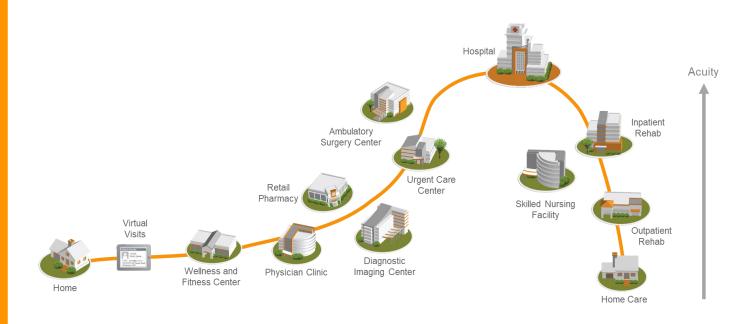
Impact of Change[®] 2021, 2019–2029

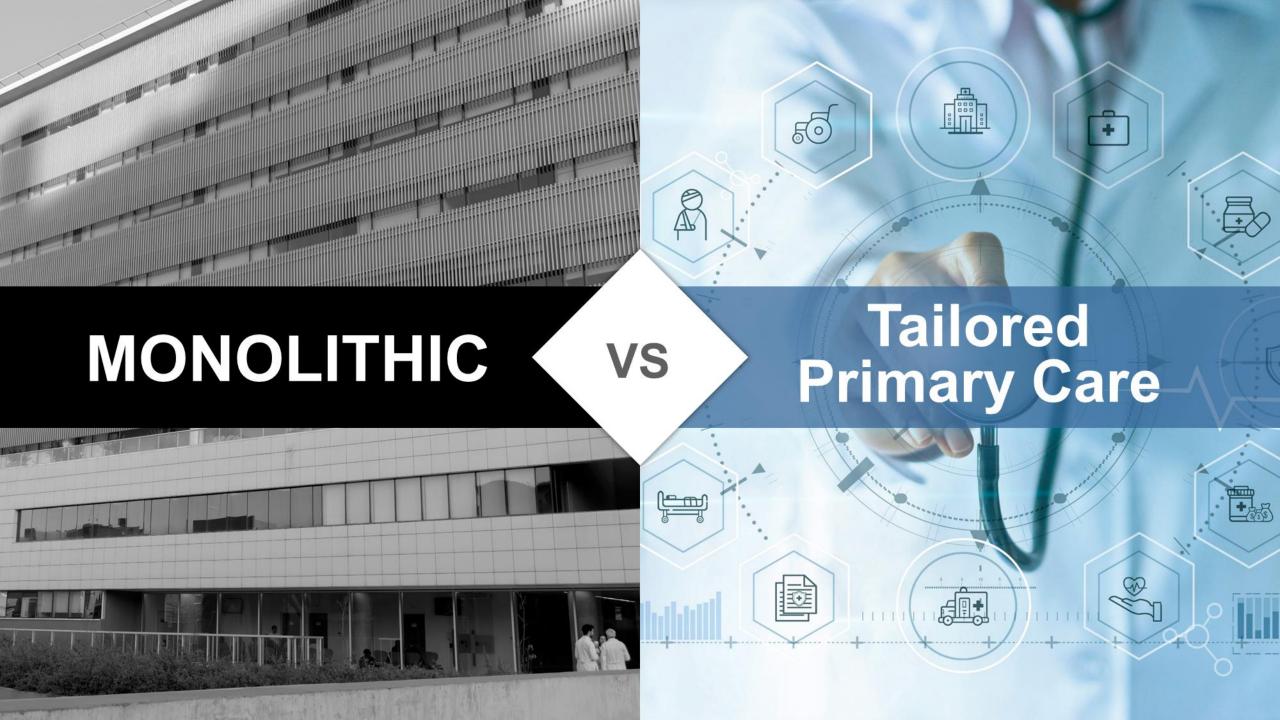


Note: All service lines exclude 0-17 age group. Cardiovascular includes cardiology, and vascular includes allergy and immunology, dermatology, genetics, hematology, hepatology, infectious diseases, nephrology, pulmonology, and rheumatology. Surgery includes burns and wounds, otolaryngology, general surgery, ophthalmology, and urology. Sources: Impact of Change[®], 2021; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2018. Agency for Healthcare Research and Quality, Rockville, MD; Proprietary Sg2 All-Payer Claims Data Set, 2018; The following 2018 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2021; Sq2 Analysis, 2021.

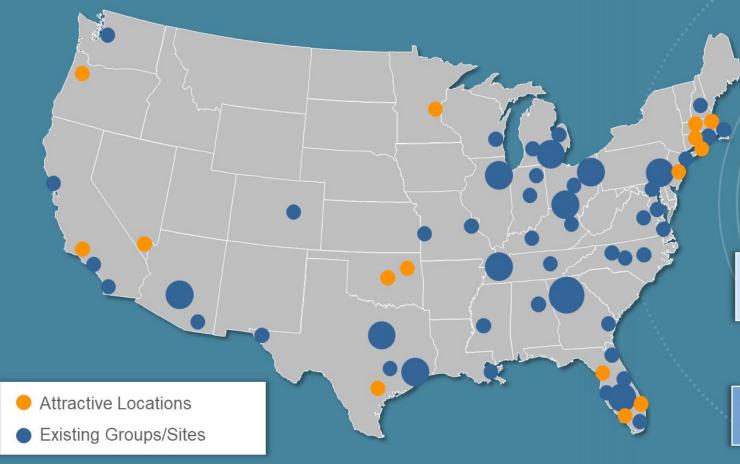
What's the Next Step in Your System of CARE Transformation?

Ambulatory Site Optimization





New Primary Care Models Have Arrived; What Can We Learn About Their Appeal?



Oak Street

- 60+ clinics across 9 markets
- Walmart partnership

VillageMD

- 1,000+ locations in 9 markets
- Walgreens partnership

One Medical + Iora

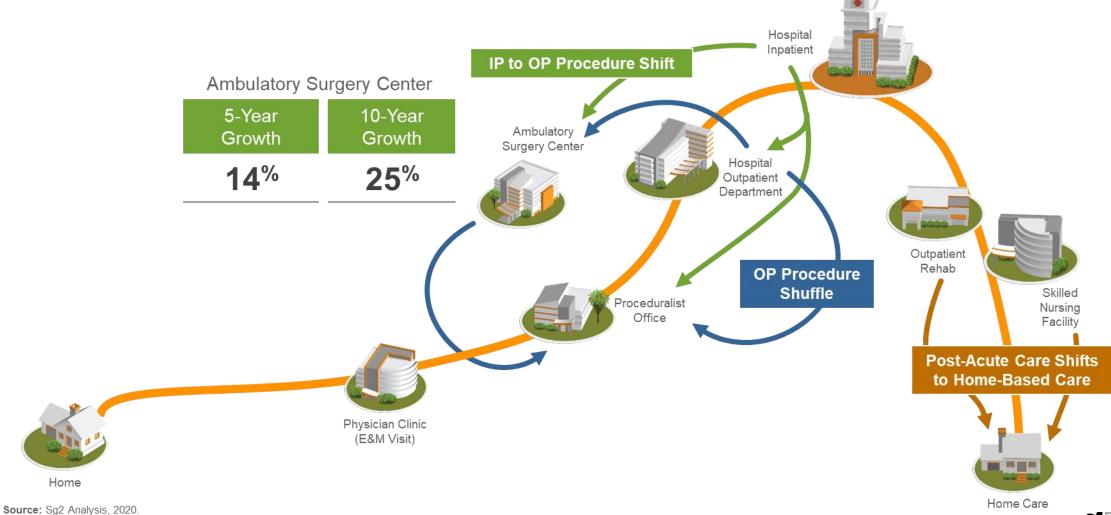
- Fee-for-service concierge
- Seniors enrolled in MA

ChenMed

- 80+ clinics in 19 markets/10 states
- BCBSMI partnership

Note: Large dots indicate multiple groups. BCBSMI = Blue Cross Blue Shield of Michigan; MA = Medicare Advantage. Sources: VillageMD, ChenMed, Iora Health and Oak Street
Health websites; Coutré L. Primary-care provider ChenMed to enter five new markets. Mod Healthc. December 5, 2019; Goldberg S. VillageMD raises \$100M. Crain's Chicago
Business. September 4, 2019; Reuter E. Walgreens resets retail clinics with VillageMD partnership but faces tough competition ahead. MedCity News. July 8, 2020. All websites
accessed January 2021.

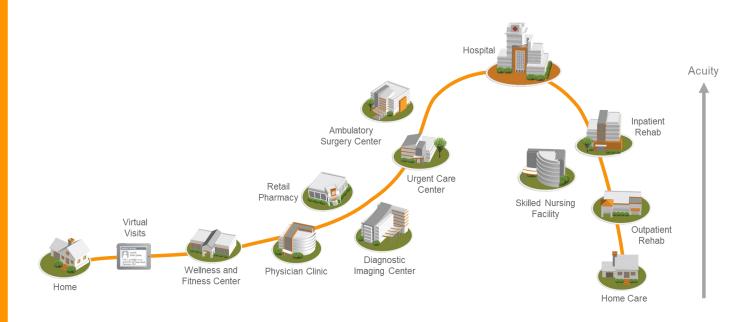
What Levers Can You Control as Care Shifts to Lower-Acuity Sites?



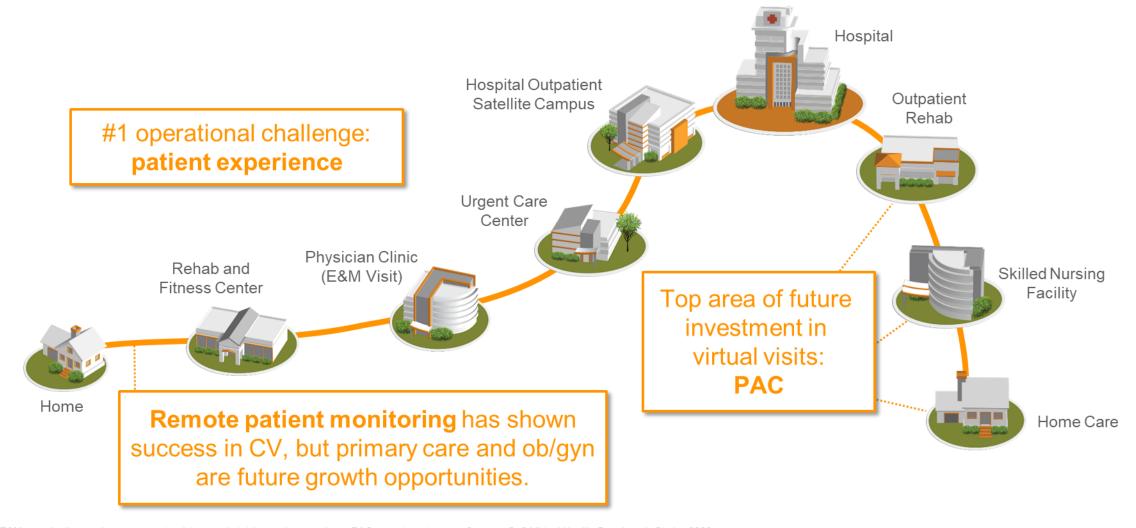
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What's the Next Step in Your System of CARE Transformation?

Digital and Virtual Health



Successful Virtual Health Is All About Patient Experience



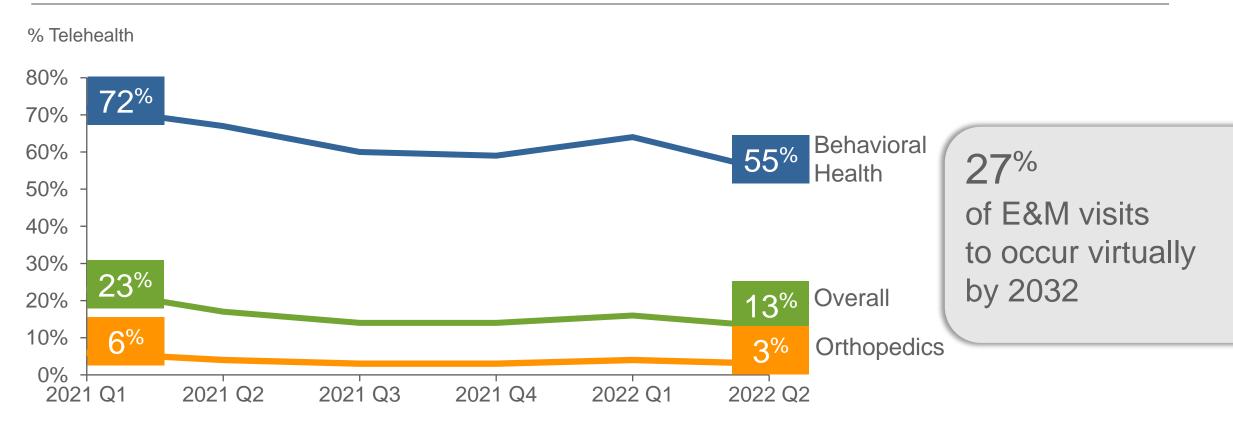


Strong Path Forward for the Shift Virtual Despite Recent Reversion to In-Person Visits



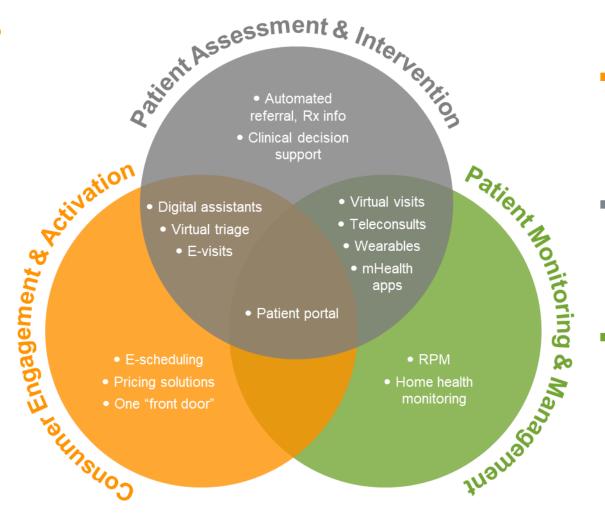
Percentage of Visits Conducted via Telehealth

Vizient CPSC, January 2021–March 2022



Note: Analysis excludes 0–19 age group. CPSC = Clinical Practice Solutions Center. Sources: Association of American Medical Colleges-Vizient Clinical Practice Solutions Center[®], 2022; Impact of Change[®], 2022; Proprietary Sg2 All-Payer Claims Data Set, 2019; The following 2019 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts[®], 2022; Sg2 Analysis, 2022.

Virtual Health Is Just a Piece of the Broader Digital Health Transformation



STRATEGIC IMPERATIVES

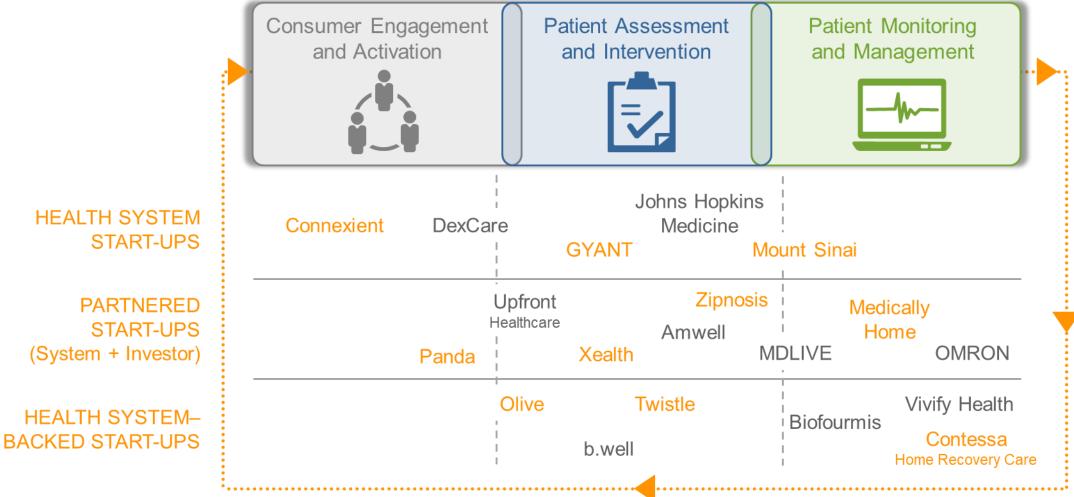
- Improve access to care.
- Increase transparency for patients.
- Grow share of care.
- Streamline care delivery.
- Expand access channels.
- Drive cost reduction, efficiency and increased provider capacity.
- Support ongoing condition management.
- Optimize postdischarge outcomes.
- Manage overall cost of care.

The pandemic forced a lot of digital innovation. But it also brought a lot of fragmentation, disconnected experiences.

—Sean O'Connor, DexCare



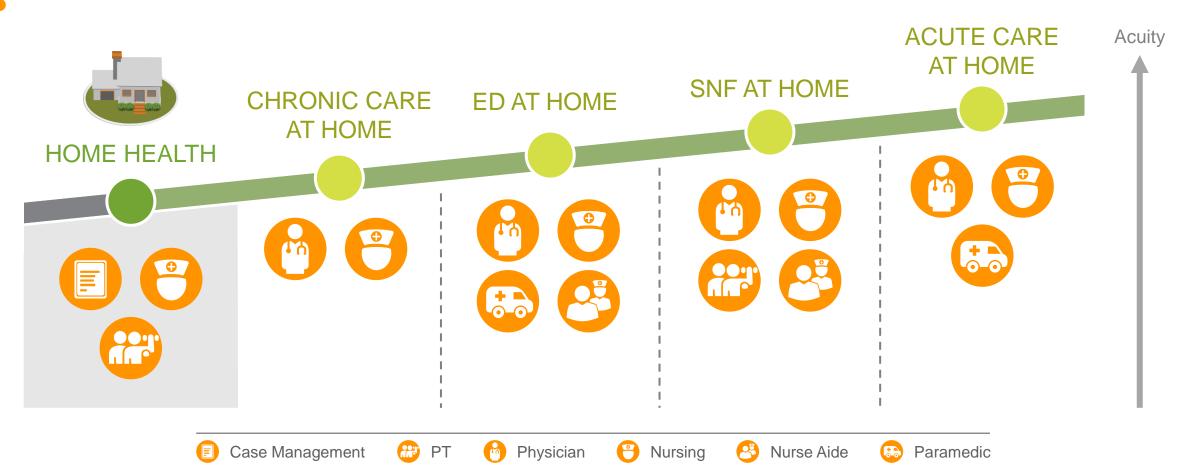
Start-up Momentum Across the Digital Health Continuum





Workforce Needed to Support Care at Home Varies by Model



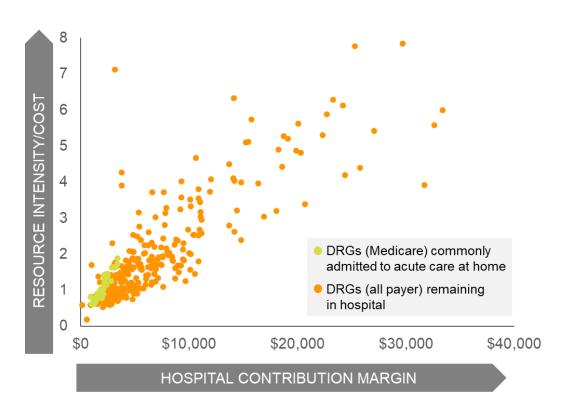


Note: Acute care at home workforce based on CMS requirements. Sources: CMS QualityNet. Acute Hospital Care at Home Individual Waiver Only (not a blanket waiver). Accessed September 2021; Mass General Brigham Home Care. Partners HealthCare at Home (PHH) mobile observation unit program aims to keep patients at home. Accessed September 2021; Sg2 Analysis, 2021.

Home Hospital Programs Can Turn Access Constraints Into Margin Potential With Higher-Acuity Backfill



IP 10-Year Volume Growth = -1%
IP 10-Year Days Growth = +15%



Potential backfill contribution margin (hospital patients)



Inpatient contribution margin (hospital at home patients)



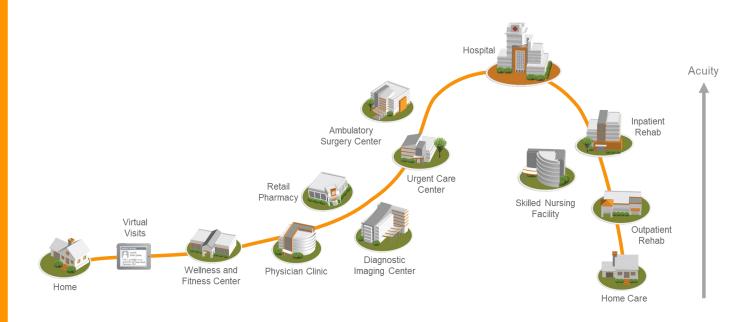
Note: Low-volume DRGs removed. *Combining the backfill opportunity (\$5,015) with the savings realized each time a patient is treated in the home as opposed to the hospital (\$203), the total opportunity is \$5,218 for each case.

Sources: CMS. MS-DRG Relative Weight Factors. Accessed February 2021; Data from The Vizient Navigator Data Base used by permission of Vizient, Inc. All rights reserved; Vizient Clinical Data Base/Resource ManagerTM. Irving, TX:

VIZIENT; 2019. https://www.vizientinc.com; Sq2 Analysis, 2021.

What's the Next Step in Your System of CARE Transformation?

The New Growth Formula



Demand is High, Supply is Limited, Margins have Shrunk Funding Growth Must May Require New Perspectives

New Growth Formula





DIVERSIFICATION



SCALABILITY

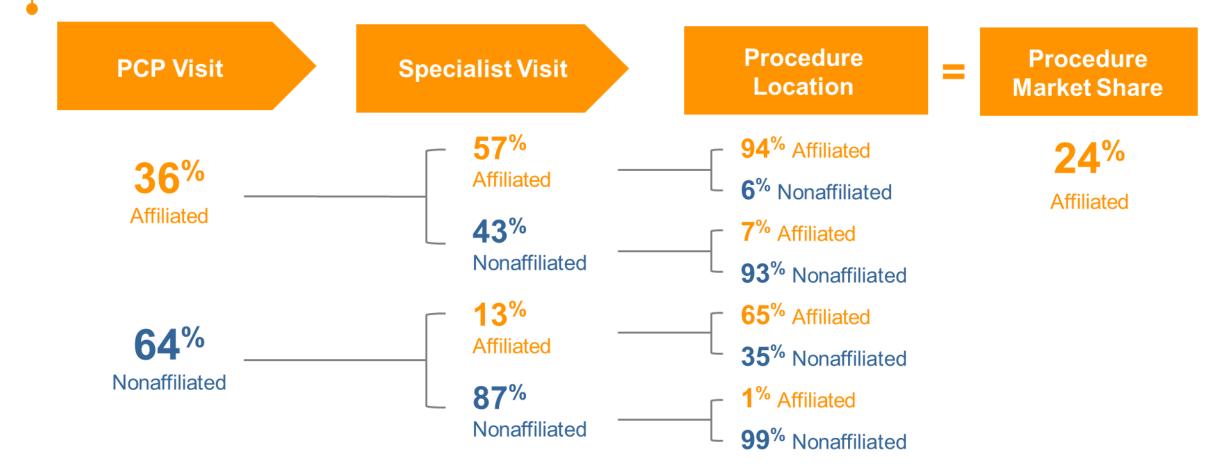
Consumer Influence
Payer Positioning

Product
Differentiation
Adjacent Services

Reach
Strategy Activation

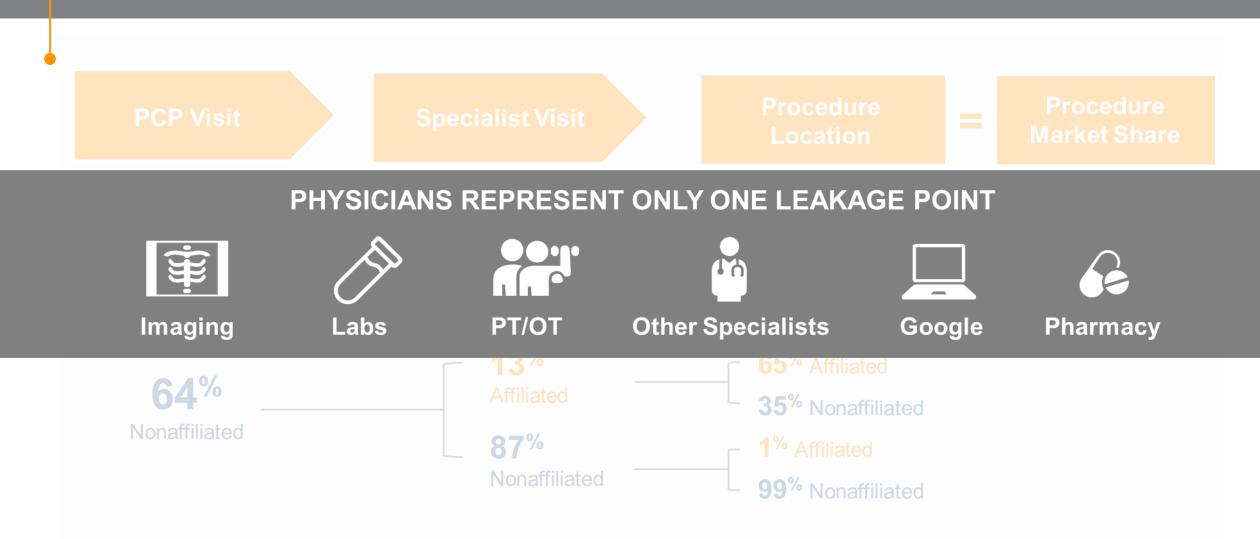


We Built Impressive Systems of CARE That Don't Always Perform



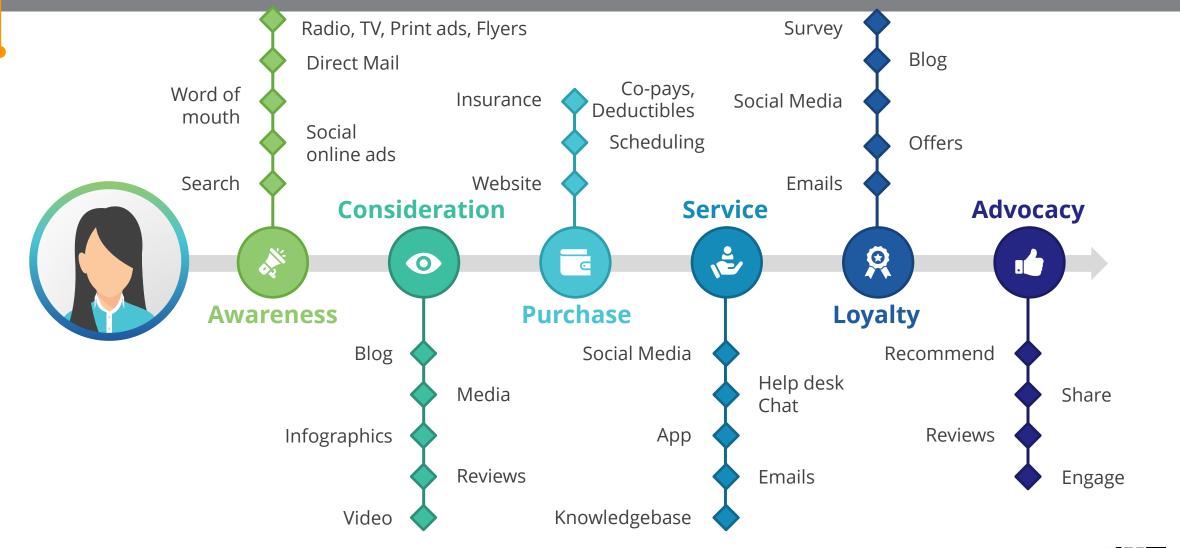


We Built Impressive Systems of CARE That Don't Always Perform





New Growth Formula: Understanding Customer Journeys



New Growth Formula: Measuring Your Ability to Impact the Journey

Market Share

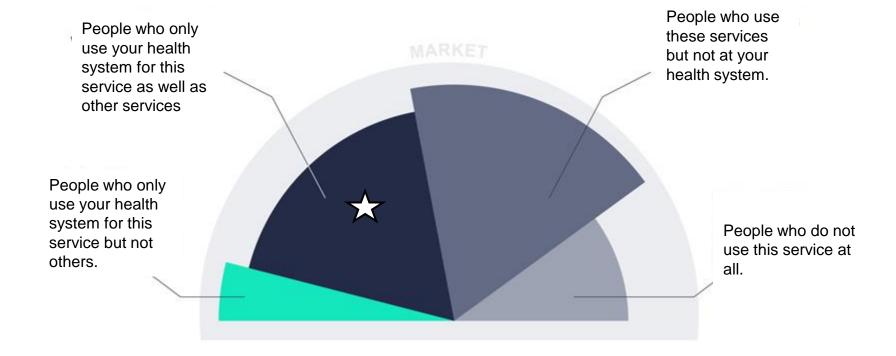
- Percentage of health care encounters made at a hospital, physician practice or health system
- Provides insight into growth trends and comparison to competitors
- Long-standing and valid measure but measurement complexity is increasing as care is delivered in new ways

Share of Wallet

- Percentage of expenditures on services a specific individual makes with a health care entity
- Provides insight into individuals' health care choices, customer journeys and competitor comparisons
- Requires access to claims and ability to manage large, complex data sets

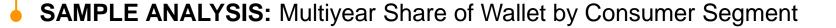


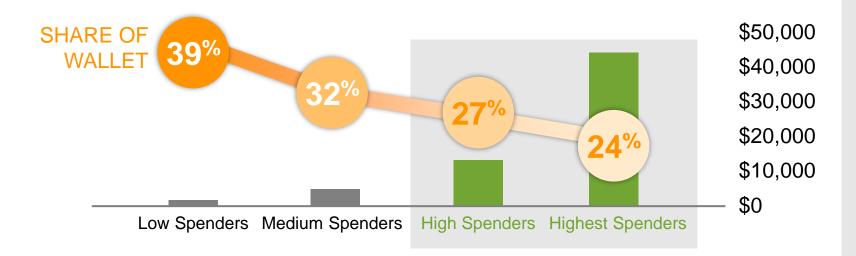
Share of Wallet is a Performance Metric not a Perception Metric





New Growth Formula: Targeting Consumers Though Different Measures





EXAMPLE: Regional Health Systems SOW Capture, By Service Line

Success Stories to Leverage

Cardiovascular 94%

Ortho/Spine 87%

Cancer 80%

Women's Health 79%

Opportunities to Improve

Neurosciences 61%

Surgery 56%

Medicine 48%

Knowing variation in share of wallet by service line enables targeted strategies

The New Growth Formula: Combine Metrics to Identify Opportunities

MARKET SHARE

Generic Services

Increase Differentiation

Short-Lived Brand

Increase Customer Centricity

Strong Brand Loyalty

Expand Scope of Services

Niche Services

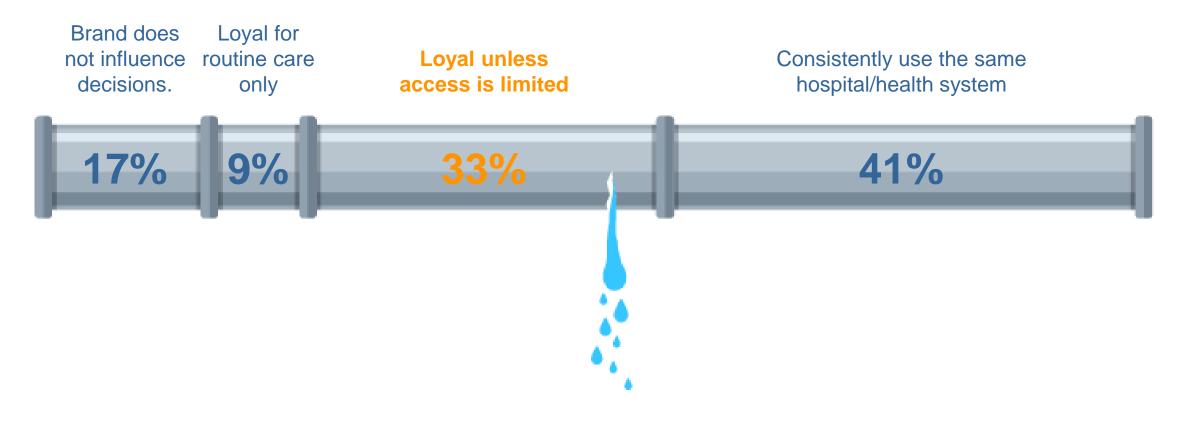
Cascade success more broadly

SHARE OF WALLET



Limited Access Places a Third of Your Business at Risk

Which of the following best describes your degree of loyalty to a health system?

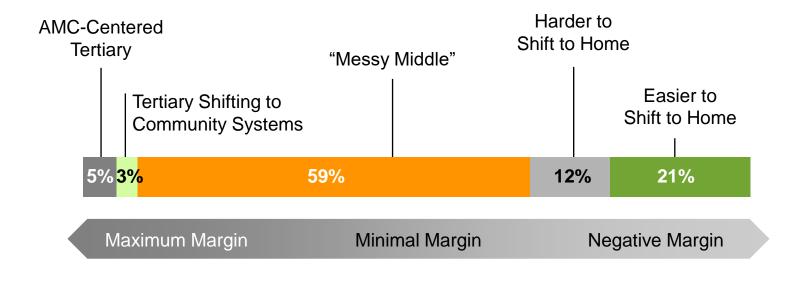




CASE

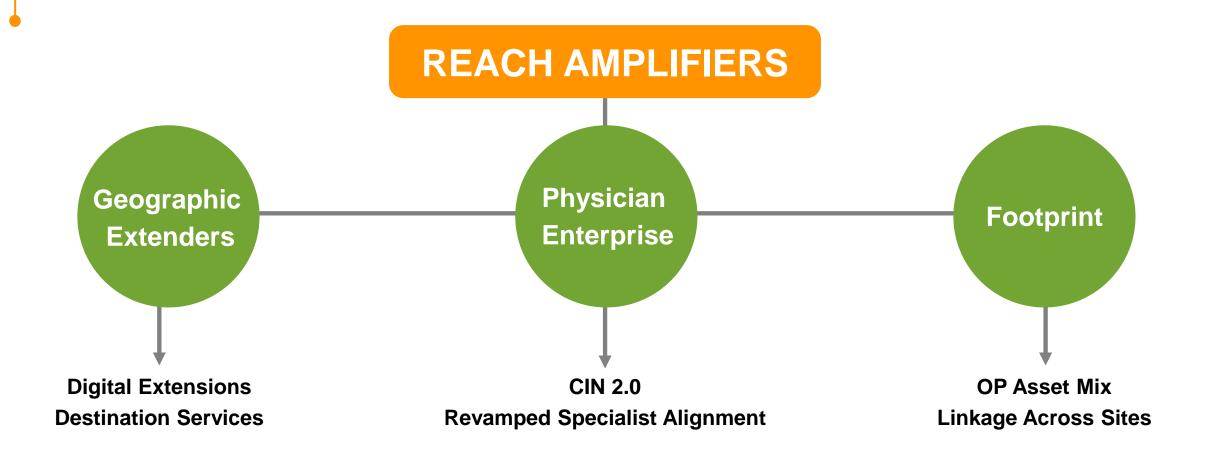
Case Study: An Organization Recognizes the Need to Shift IP Volumes to Maximize Revenue

This IDN evaluated volumes across acute care assets and decided to address capability gaps at community hospital sites to keep more care local. A cost/benefit analysis at the service level provided input to local leaders on ROI expectations and volume capture.



TERTIARY	SHIFTING TERTIARY	"MESSY MIDDLE"
\$34,075	\$16,430	\$10,240

Bolster Reach by Redefining Limits



Consider Multiple Opportunities When Expanding the Front-Door





A Menu of Retention Options Exist for Those Willing to Hit Re-Set

Retention Strategies



In-Clinic Navigation

Clinic and care hub navigators / schedulers



Contact Centers

Clinical Contact Centers, Enterprise-Wide Command Centers



Virtual Connections

Virtual navigation, and health information aggregator



Care Monitoring

Al-empowered highrisk patient identification, active and passive care monitoring

BASIC

ADVANCED

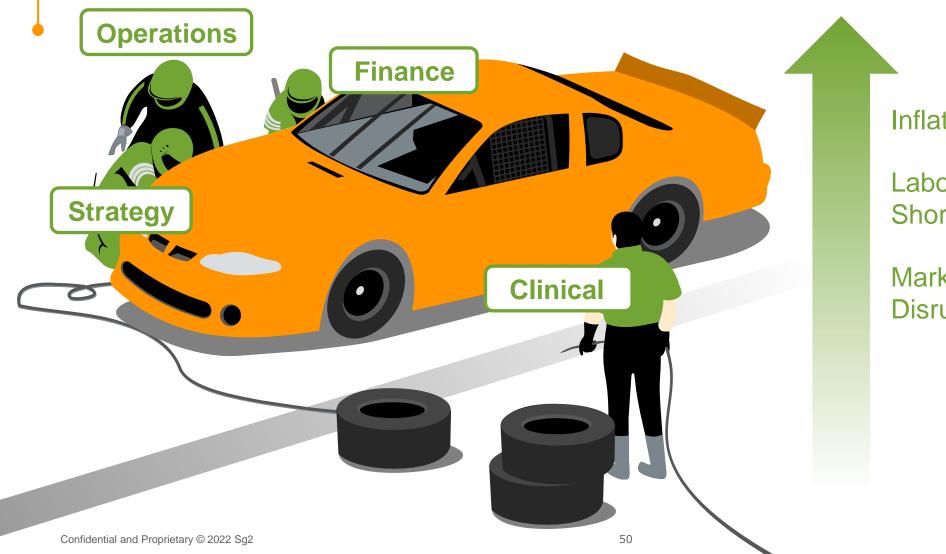


What Does the Next Step in the System of CARE Transformation Look Like?





Cross Team Collaboration



Inflation

Labor **Shortages**

Market **Disrupters**



Looking ahead—AP-led, disease-based care teams are increasing revenue and driving results

McLeod Health (SC)—IDN, Restricted Practice State

Driver: Solving access issues, safeguarding productivity

Challenge

- Volume plateau
- EP clinic capacity strained

Solution

Enhanced use of advanced practitioners increases efficiency in the EP clinic

- Five new patient visits per week
- Reduced wait time
- Additional follow-up visits

Growth



- Clinic revenues:
 - +28% for physicians
 - **+85%** for APs
- EP lab volumes:
 - +20% year over year



Midwest AMC and Trauma Hospital

CHALLENGE

The health system sought top decile LOS performance against peers.

RESULTS

Improvement in capacity and throughput led to a 0.49-day reduction in length of stay.

AMC LOS Index improved from 1.05 to 0.90.

Solution

Vizient partnered with three-hospital system and leaders to improve operational processes including multidisciplinary care coordination:

- Optimization of multidisciplinary rounds
- Managing to a target discharge date (TDD)
- Implementation of LOS visual management boards on nursing units
- Defining and tracking of process metrics (leading indicators)
- Implementation of visual daily management systems for long-term sustainability
- Execution and coaching of Gemba walks and Leader Standard Work

Benefits realized

- Reduced LOS for patients in inpatient units
- Leadership Accountability System for sustainment and continuous improvement

Critical success factors

- Partnership and collaboration with hospital physicians and clinical leaders
- Support from case management and utilization review leaders
- Commitment to facilitate long-lasting change through cross-channel collaboration
- Standard Work to guide discussions around patients' discharge

Results

0.49-day

Reduction in LOS for three-hospital system Total savings for system

UAB Medicine at Home

CHALLENGE

Capacity constrained AMC in need of shifting low acuity admissions to hospital-at-home and implementing a remote patient monitoring (RPM) system and SNF at home.

RESULTS

CMS approval of a hospital-athome waiver. Development of a SNF-at-home program. Expansion of RPM. Proforma strategic financial plan approved with a three-year budget for the program

Solution

- Reorganized UAB care coordination and home health team through interdisciplinary collaboration and care coordination to support hospital-at-home and SNF-at-home
- Implemented a service line approach to health care at home services
- Identified accessible market of target populations and clinical conditions for a range of health careat-home services programs
- Engaged executives, physicians, nurses, care management, social workers, pharmacists and paramedics as an interdisciplinary team to design new care models and logistics capabilities

94% Medicare patients preferring SNF-at-home versus facility

61% Prefer hospital-level care at home

Impact

21%

Percent of hospital admission at UAB that met criteria for hospital-at-home

\$2.4M-\$3.0M

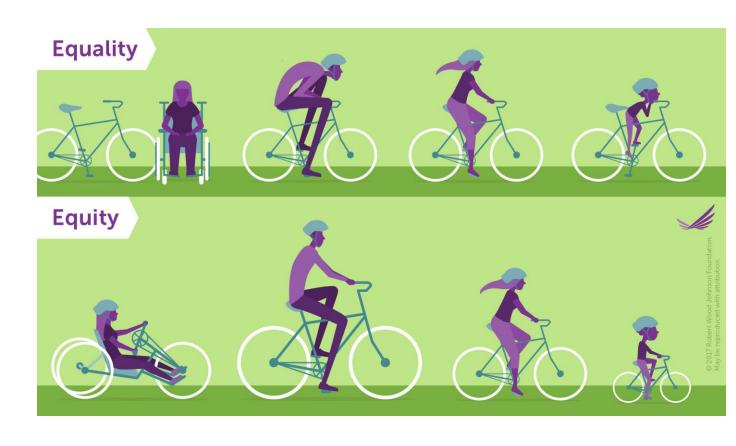
Annual margin improvement by shifting 800 annual UAB Medicare Advantage admissions from hospital facility to hospital-at-home and revising transfer protocols to improve back-fill acuity



Key Strategic Questions at the Organizational Level

- 1. What's your new formula for growth that will enable you to accelerate out of the pandemic?
- 2. What strategies are in place to ensure access to key services over the next 5 years?
- 3. What are the best opportunities to retain your most loyal consumers?

How Specific Can You Make Your Commitment to Health Equity?

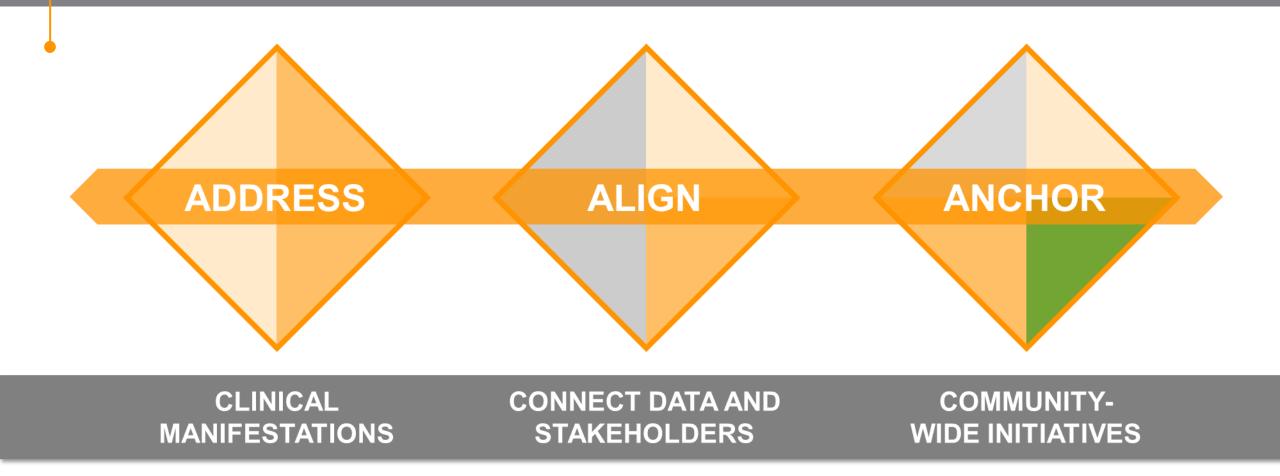


When We Say Health Equity, What Do We Mean?





Sg2 Framework: The Role of the Health System in Addressing the Social Determinants of Health







Keep Transforming Your System of CARE



The Health Equity
Journey Is Not Optional



Pay Attention to the Front Door

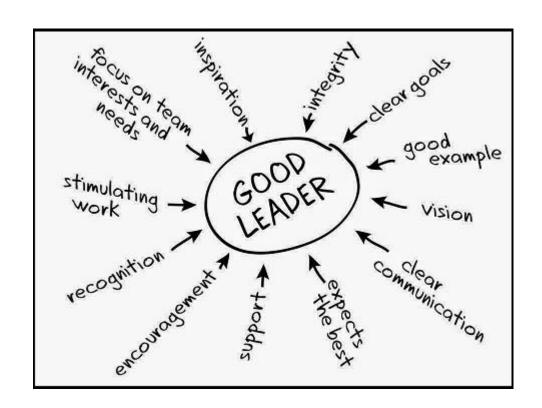


Scale Matters in Digital



Execute and Activate Strategy

What is the one thing as a leader you can do differently today to help your workforce be better prepared for the future?"



Workforce optimization

Today's workforce optimization efforts go beyond reducing expenditures and creating resilience. Your workforce decisions impact efficiencies throughout your organization.

With data, technology and advisory services, Vizient helps your workforce move from being a transactional service to an enterprisewide strategic asset.



A multifaceted workforce strategy is needed to address both shortand long-term workforce challenges.

Driving the opportunity across the organization

FOCUS AREAS	POTENTIAL INITATIVE COMPONENTS
Staffing to demand	 Adjust staffing plan to better match workload while maintaining minimal coverage requirements Level utilization between days and shifts
Premium pay	Increase proportion of flexible staffUtilize hourly and agency staff appropriatelyAdjust staffing plan to reduce overtime and callback
Skill mix	• Increase utilization in top-of-license activities
Productivity tracking	 Implement operational vision Enable department leaders with timely and interactive productivity reporting and with specifics to explore variances Use artificial intelligence to identify patterns that drive variances
Span of control	 Reorganize and streamline management structure Consolidate potential leadership with integration of overlapping or redundant services
Process improvement with labor savings	Reduce non-value-added workBegin monitoring and control of incremental overtime

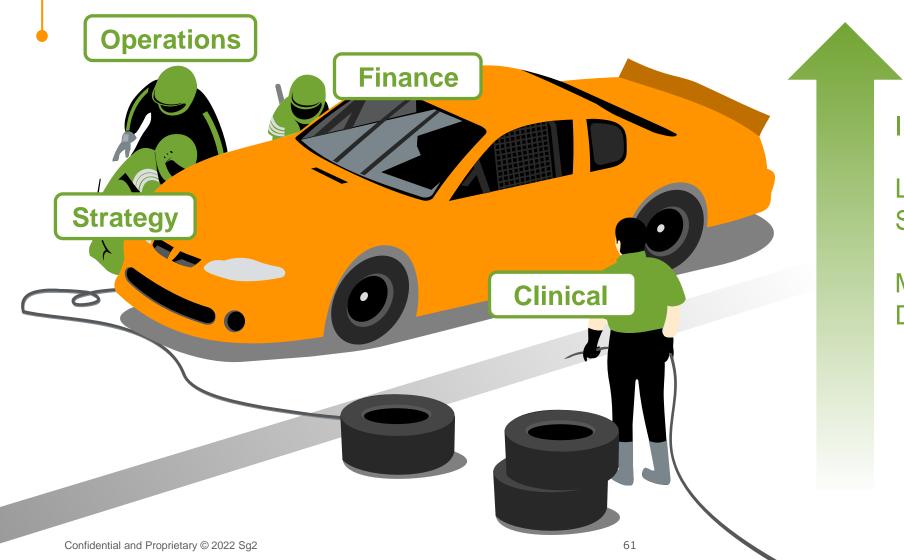
Turnover expense per clinician

NURSE	APP	PHYSICIAN
\$88,000	\$250,000	\$500,000-\$1,500,000





Cross Team Collaboration



Inflation

Labor Shortages

Market Disrupters



Sg2, a Vizient company, is the health care industry's premier authority on health care trends, insights and market analytics.

Our analytics and expertise help hospitals and health systems achieve sustainable growth and ensure ongoing market relevance through the development of an effective System of CARE.



Sg2.com 847.779.5300