

# Healthcare Reform 2015

## Where Are We At Two Years In?



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May 8, 2015



# YORK CHAN, CHFM, CHSP, SASHE



- Administrator of Facilities  Advocate Health Care
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Current Faculty  **ASHE**  
American Society for Healthcare Engineering  
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- Environment of Care Advisory Board  **The Joint Commission** 2005-2012
-  **Joint Commission Resources** Faculty - Environment of Care & Life Safety Code Classes, 2005-2012
- Board of Directors  **HESNI** Healthcare Engineers Society of Northern Illinois Current
- Editorial Advisory Board  **Environment of Care News** 2005 - 2012
- City of Chicago Solar Advisory Board  **Solar Chicago** Current

# Where Are We At In Health Care?



# The Need For Health Care

- 78 Million baby boomers expected to live longer
  - 65 Year old can expect to live, on average, to 84
    - Highest life expectancy in American History <sup>1</sup>
  - Providing chronic care is pressuring the US health system
- 10 -15% of an individual's health status is attributable to health care
  - Genetics, social economics, living conditions, education, access to food
  - Trillions of dollars the U. S. spends on health care services contribute to only one-tenth of the nation's health <sup>2</sup>



<sup>1</sup> Healthline News, March 13, 2014; <sup>2</sup> Health Affairs, February, 2014

# Healthcare Market Trends

## Higher Deductibles

Price Sensitive Consumer

Bad Debt

## Value Based Payment Models

ACO's

Medicare Advantage

## New Market Entrants

Walgreens

American Well

## Exchanges

Private

Public

# Affordability

- Cost shifting to end user
  - The percentage of workers with high deductible plans increased from 4% in 2006 to 20% in 2013
  - The average deductible has doubled since 2006
  - The typical plan deductible now exceeds the typical family's available savings
- Rise in bad debt
  - Due to higher out of pocket expenses and deductibles

# Pressures from Reimbursements

- Medicare - Medicaid
  - Pays 60% of actual costs to provide care
- Employers
  - Pressure insurance companies to hold down premiums
- Individuals
  - Contributing more out of pocket costs

# Increase in Consumerism

- With higher “out of pocket” costs, patients are shopping for healthcare services
- Patients are also choosing service providers that have better outcomes
  - Outcomes are transparent
    - [www.hospitalcompare.hhs.gov](http://www.hospitalcompare.hhs.gov)
- Patients in the country’s top rated hospitals are 34% less likely to die following surgery than in some lowered ranked hospitals <sup>1</sup>

<sup>1</sup> Consumer Reports, March 27, 2014



# Increase in Competition

- Walgreens, CVS
  - 75% of the U.S. population lives within 5 miles of a Walgreen's
- Walmart
- Online Doctoring - Telehealth
  - American Well
    - On demand consults with a doctor 24/7/365 for \$49
  - Fastest growing segment of health care



# Population Health Management

- Historic “Fee for Service” going away
  - The more you do, the more you get paid! – Gone
- “Value Base Purchasing”
  - Payment per “Episode” (Bundling of Payments)
  - Reimbursements based on clinical outcomes and patient satisfaction
- Drastic decline in readmissions
  - Not paid if a patient is readmitted within 30 days
    - 130,000 fewer readmissions between January 2012 and August 2013

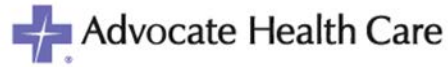
# Pressures to Control Costs

- Hospitals are under tremendous pressures due to lowered reimbursement rates, expanding Medicaid rolls, and increased volume from health insurance exchanges
  - Health systems are trying to lower costs by 20% to 30%

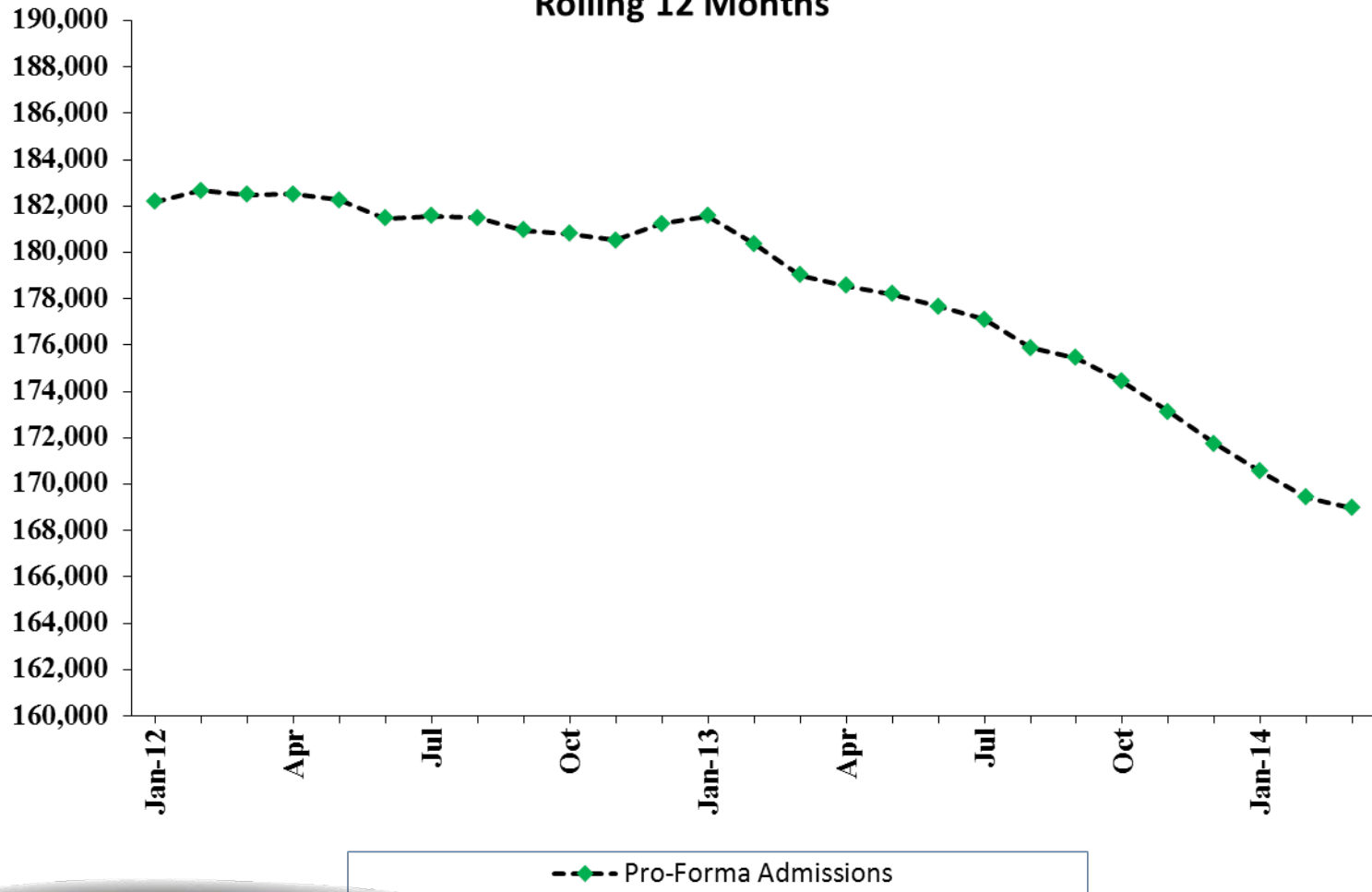
# ACO's

- Rise in “Accountable Care Organizations”
  - Healthcare organizations are paid to maintain the health of their patients
  - Incentivized to keep patients out of the hospital
  - More doctors are becoming hospital employed
    - 75% by 2020 <sup>1</sup>
- Medicare Advantage
- Advocate Accountable Care

# Downward Trend in Hospital Admissions



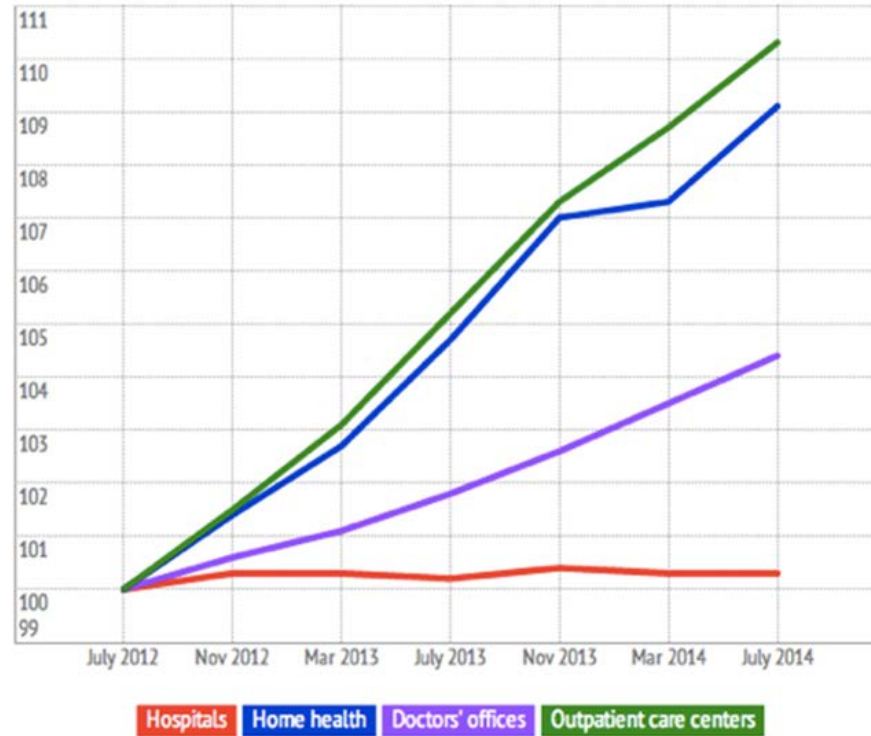
Rolling 12 Months



# Upward Trend in Outpatient Centers

## Outpatient care centers, home health jobs growing quickly

Indexed employment (July 2012 = 100)



Source: BLS data. Analysis by @ddiamond.

Dan Diamond  
Forbes Advisory Board Article  
8/1/14

# Mergers and Acquisitions

- Days of stand-alone hospitals are numbered
- Hospitals buying hospitals have moved to systems buying systems
  - Increased purchasing power
  - Consolidate services
  - Prioritize programs
- Healthcare systems are also buying
  - Physician practices
  - Ambulatory centers
  - Home care services
  - Wellness companies

# Illinois Cuts to Hospitals

- Bruce Rauner's proposed 2016 State budget to include \$750,000,000 in cuts to Illinois Hospitals
  - 4 House districts (5<sup>th</sup>, 9<sup>th</sup>, 13<sup>th</sup>, 26<sup>th</sup>) in Chicago will received a total of \$260 million less in Medicaid reimbursements
- State wide, 40% of Illinois hospitals are already operating at a loss



# Trends Resulting From the Patient Protection & Affordable Care Act

- ♥ **Movement from “Fee for Service” to “Population Health Management”**
- ♥ **Reimbursements based on clinical quality and the patient experience**
  - ▲ Hospital Value-Based Purchasing began in Fiscal 2013
- ♥ **Rise in Accountable Care Organizations (ACO’s)**
- ♥ **75% of all elective surgical procedures will be performed at ambulatory facilities by the end of the decade\***
- ♥ **Most healthcare construction center around outpatient facilities and critical care beds**

\* Becker’s Hospital Review, 3/29/13

# Trends in Healthcare Construction

## ♥ Building Information Modeling (BIM)

- ▲ Highly utilized in design and construction
- ▲ Beginning to interface with Facilities Operation

## ♥ Integrated Projected Delivery

- ▲ Early collaboration between owner, designer, contractor and major sub-contractors

## ♥ Lean Construction Process

- ▲ Eliminating waste in materials and labor

## ♥ Modular Construction

- ▲ Improving quality over conventional field fabrication
- ▲ Increasing safety
- ▲ Shortens the “Time to Market”

# MOVING FORWARD

- Huge pressures on cost control will continue
- We are seeing a slow down in medical inflation – historical lows in 2013
  - Just 1.5% increase from December 2012 to December 2013
- Technology, connectivity and data will play a much bigger role
  - Interoperability across electronic health records

# Contributing to Clinical Outcomes

- ♥ **The Institute of Medicine estimates that 98,000 people die from Hospital Acquired Conditions each year**
  - ▲ Medication Errors; Wrong Site Surgeries; Hospital Acquired Infections; etc.
- ♥ **The Center for Disease Control estimates that 2 million people suffer Hospital Acquired Infections each year**
- ♥ **The average cost to treat a case of Surgical Site Infection is \$21,000.00 in 2011**
- ♥ **Healthcare organizations spend billions every year on fire prevention**
  - ▲ Fire resistive construction (compartments), Fire alarm testing, Sprinklering, etc.
- ♥ **LESS THAN 1 FIRE DEATH IN A HOSPITAL PER YEAR IN THE ENTIRE U.S.**
- ♥ **NEED TO PUT THE SAME EFFORT INTO INFECTION PREVENTION**

# Questions

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