



Executive Summary

2018 Strategic Healthcare Landscape Review

Although the Department of Health and Human Services under the Trump administration has slowed the Centers for Medicare & Medicaid Services' (CMS) impetus toward mandatory episodic payment models (i.e., bundles), hospital executives indicate that progress toward more accountability and value-based contracting is continuing apace.

Decisions such as CMS' move to step back on mandatory bundled payment models — for instance, the Comprehensive Care for Joint Replacement Model (CJR) for Medicare and Medicaid patients — are having only a limited impact on the industry.

L.E.K. Consulting's 2018 Strategic Healthcare Landscape Review shows that hospitals are deliberately and strategically growing their footprint in nonacute-care facilities such as urgent care centers, outpatient surgery centers and doctors' offices in order

to touch and influence total population care and cost across the continuum.

In addition, hospitals want suppliers to partner with them to help respond to a new era of "value-based care" and cost reduction. Suppliers ranging from healthcare IT (HCIT) companies to medical device manufacturers are being asked to help reduce barriers between care settings (e.g., telehealth), provide consultative solutions, share risk and find ways to deliver care more effectively and efficiently.

Hospitals want suppliers to partner with them. Health system decision-makers are twice as likely as they were two years ago to indicate a strong interest in working with outside service providers — 54% in 2018, up from 26% in 2016.

Figure 1
Key trends and market developments for 2018





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Among the study's other major findings:

- Hospitals expect to increase spending the most in areas such as physician labor (66%), HCIT (identified as a priority by 60% of respondents) and facilities (56%). Medtech categories, such as therapeutic devices, are the least likely to experience spending increases.
- Large "progressive" hospital systems that are actively taking on accountability and integrating with nonacute care are far more receptive to partnering with their preferred suppliers. They seek more insightful data to inform/identify best practices and help in standardizing products and protocols. They also want risk-sharing agreements and lower total cost of ownership.
- Hospital systems are turning to outside partners for enabling technologies such as patient engagement tools, telehealth, predictive analytics and clinical decision-support tools that allow them to more efficiently move patients to lower-acuity settings and/or reduce variability in care delivery.

About the study

L.E.K.'s ninth annual U.S. hospital study combines responses from hospital decision-makers with economic data and other insights. For the first time this year, the study was conducted in collaboration with the American Hospital Association via a survey of its members.

To learn more about the study, please contact medtech@lek.com.