

AMERICA'S HEALTHCARE CRISIS

Health Systems Are Being
Tested Like Never Before

2022 C-SUITE REPORT

As the staffing shortage intensifies and the health of Americans worsens, health systems face unprecedented challenges. Is the healthcare C-suite ready?

Introduction

The pandemic has been more influential in changing how healthcare is delivered in the United States than any other driver, including the move toward value-based care. Its impact will continue to be felt for years, possibly decades. It has exacerbated clinician staffing shortages, led to an overall decline in the health of Americans, and accelerated the demand for remote or alternate care delivery. To survive, healthcare systems must respond quickly and adapt by embracing new ways of thinking and emerging technologies to alleviate staffing challenges and meet the rising demand for access to care.

This report, based on a survey of 100 hospital leaders by healthcare consultancy Sage Growth Partners, examines how the C-suite views these challenges and how they are responding.

The survey reveals a significant shift in the C-suite's strategic priorities over the past two years. Hospital leaders say that staff recruitment and retention is now their top strategic priority (61%), far ahead of growing revenue (42%) and reducing costs (38%). When this study was last published in 2020, the top strategic priority was increasing efficiencies and reducing costs.

The survey uncovers alarming new data about the state of overall health in America, with 67% of the C-suite believing that the health of Americans is worse now than it was before the pandemic. This report explores these issues further, as well as other notable trends related to technology and care delivery.

Key Findings



61% identify staff recruitment and retention as their **top strategic priority** for the next two years.



Nearly **80%** say workforce resilience is the **greatest challenge** facing their organization over the next two years.



67% of respondents believe the current state of patient health is **worse now than before** the pandemic, likely because of delayed care.



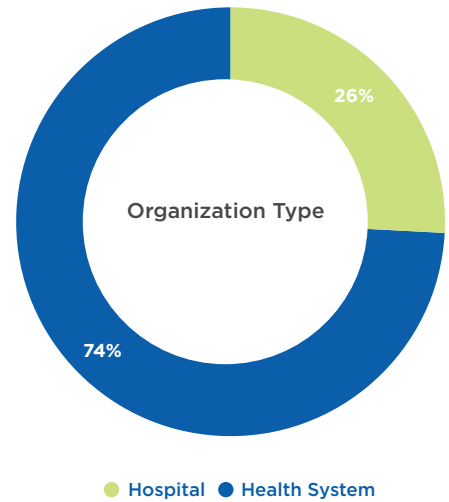
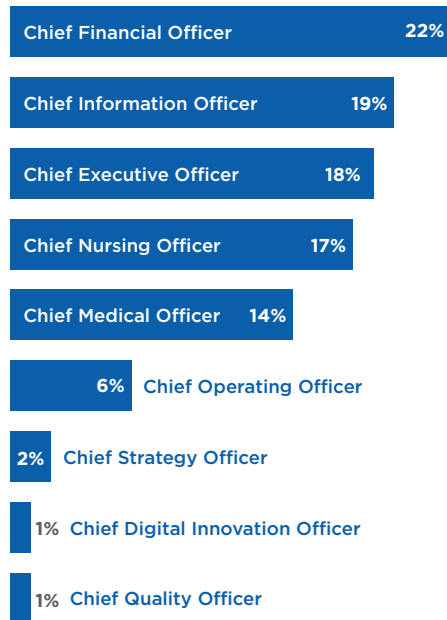
Only **36%** say telehealth is among their organization's **top five technology initiatives** over the next two years.



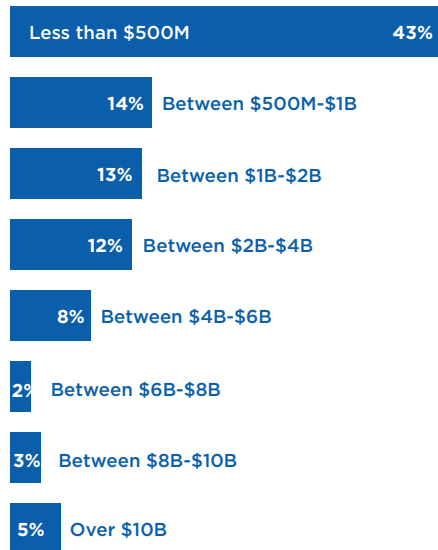
Only **4%** consider their organization proficient or expert at **implementing remote care**.

About the Respondents

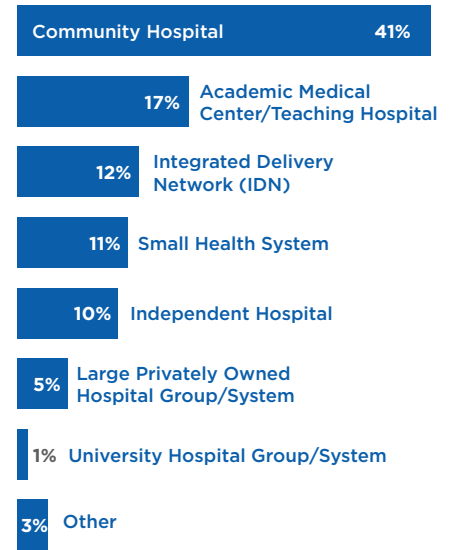
Title



Organization Annual Net Patient Revenue



Type of Hospital or Health System



Responding to a Crisis

The C-Suite Weighs in on Staffing Issues

The staffing shortage existed long before the pandemic. However, the global health crisis fueled by the pandemic served to accelerate the talent exodus, as many clinicians experienced increased stress levels and burnout. From January through May 2022 alone, 1.7 million healthcare workers quit their jobs, according to Forbes. Overall, every month between July 2021 and July 2022, 3% of the healthcare workforce left their positions, according to the Bureau of Labor Statistics. McKinsey predicts that the healthcare sector could see a shortage of up to 450,000 nurses by 2025.

The impact of workforce shortages on patient care cannot be overstated. In a January 2022 survey of 100 hospital executives and clinical leaders by patient safety and clinical surveillance company VigiLanz, 80% said staffing shortages have led to a decline in patient safety and 23% said shortages have caused patient deaths. Similarly, 86% say staff burnout has led to a decline in patient safety, and 21% say it has caused patient deaths.

Labor shortages also force health systems to hire from agencies, which drives up costs. A survey conducted by the Kentucky Hospital Association reveals that member hospitals spent \$88 million on nursing contract labor in 2019. In the first six months of 2022, that number jumped to \$489 million, an increase of 455%.

Those numbers are consistent across the country and represent the main reason why 64% of healthcare leaders identify “reducing the use of agency employees” as a key cost consideration. Using staff more efficiently is second on the list, indicating that the C-suite is likely to push for more digital tools that enable clinical teams to focus less on administrative tasks and more on patient care.

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Many hospitals have temporarily closed some operating rooms and re-scheduled surgeries because of staffing shortages. Because elective-surgery volumes remained below 2019 levels through March 2022, pent-up demand and challenges to access may continue to worsen as systems remain constrained by capacity.

Closures and delays impact patient safety and patient satisfaction and decrease revenue for health systems already paying more for clinical salaries. Elective surgeries are highly profitable for health systems—hospitals lost more than \$20 billion in revenue between March and May 2020, when the pandemic led to the cancellation of most elective surgeries.

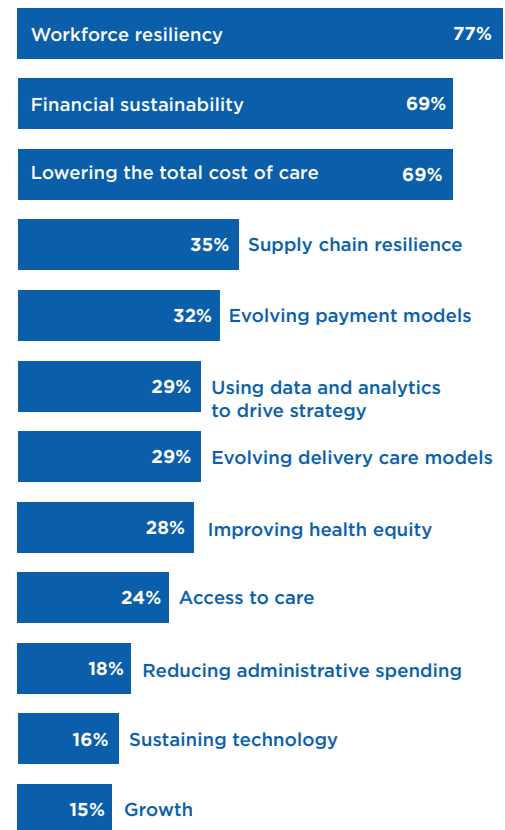
Given these challenges, it's no surprise that easing staffing shortages is top of mind for the C-suite, with 61% saying it's their top strategic priority.

When asked about the greatest challenge the industry will face over the next two years, nearly 80% indicated workforce resilience, outranking other challenges such as financial sustainability and lowering the cost of healthcare. Interestingly, growth placed last, selected by only 15% of C-suite respondents as a major challenge. This statistic doesn't necessarily mean driving growth isn't a challenge, rather, the staffing shortages impede growth and must be addressed in order for C-suite leaders to refocus on growth.

What are your organization's top three strategic initiatives over the next two years?



What are the greatest challenges facing the U.S. healthcare industry in the next two years?

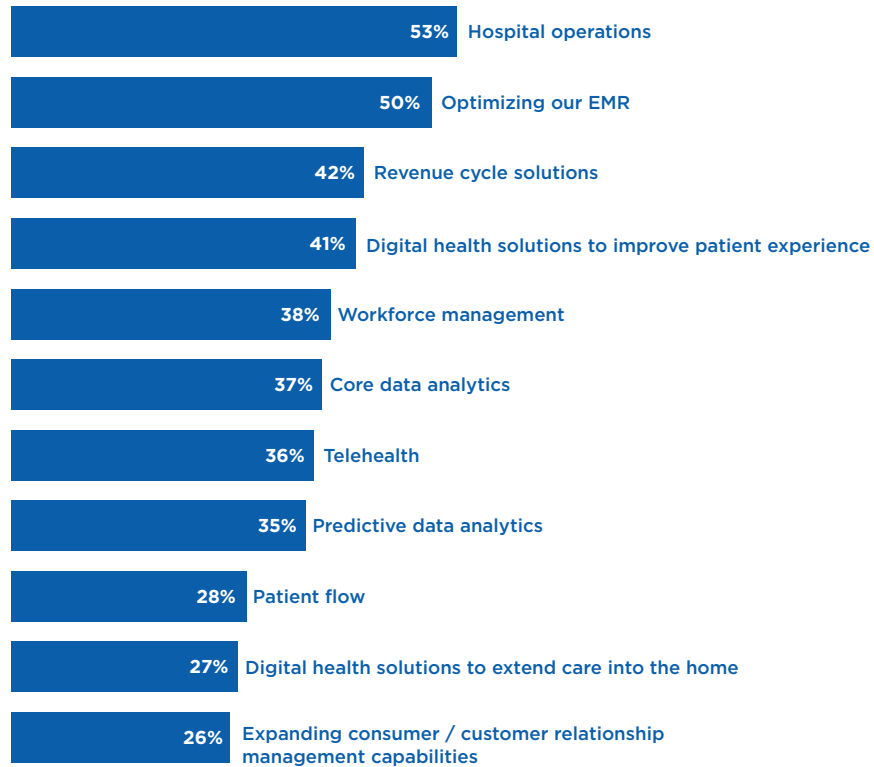


Harnessing Technology to Ease Staffing Shortages

Digital health solutions, such as AI scribes, clinical surveillance, and risk stratification tools, can enhance patient care while reducing clinician burnout.

As hospitals seek to address staffing shortages and their impact on patient flow and operations, some are turning to digital solutions. Forty-one percent plan to invest in digital health solutions to improve the patient experience over the next two years, 38% are targeting workforce management technology, and 27% plan to invest in digital health solutions that extend care into the home.

What are your top technology initiatives over the next two years?



Spotlight on Tufts Medicine

Boston-based Tufts Medicine is renegotiating contracts with contract labor companies to reduce its spending and has aggressively worked to hire more staff to reduce temporary labor, according to a [recent Boston Globe report](#). The health system hired more than 4,000 people between December 2021 and August of 2022, reducing spending on contract labor from \$20 million in March to \$8.5 million in July. Additional staffing will help the system see more patients, as Tufts has turned away 2,000 transfers from other hospitals because of an inability to staff more beds.



Responding to a Crisis

The C-Suite Weighs in on Delayed Care

Our survey reveals a disturbing parallel between the pandemic and Americans' overall health. The survey, as well as numerous research reports, indicates that Americans are less healthy now than before the pandemic, with (67%) of the C-suite stating they believe this is the case. One-quarter say Americans' overall state of health is unchanged, and only 8% think it is better.

A key factor contributing to the health decline is the high rate of cancelled and delayed appointments during the pandemic. For example, between March and mid-July of 2020, 41% of individuals delayed or missed medical care. The consequences of care delays are significant; 12% of C-suite survey respondents say they will lead to increased mortality. That prediction is supported by a disturbing report from the CDC that reveals U.S. life expectancy in 2021 fell to its lowest level since 1996, representing the second year of decline. Although COVID-19 deaths represent a large percentage of the drop, the CDC data shows that heart disease is also a major contributor, a likely indication of the ramifications of missed or delayed preventative and cardiac care and screenings.

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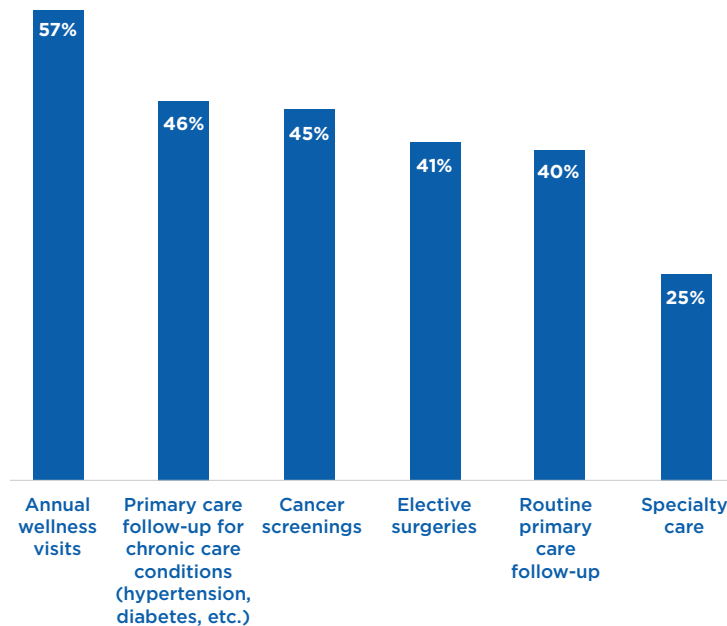
What do you think the effects of care delays will be in the long term?

<p>22%</p> <p>Increased acuity</p>	<p>17%</p> <p>Advanced disease presentation for care/late state diagnosis</p>	<p>14%</p> <p>Increased chronic care patients</p>	<p>14%</p> <p>Increased ED patients/hospitalizations/system overload</p>
<p>12%</p> <p>Increased mortality</p>	<p>11%</p> <p>Poor patient outcomes</p>	<p>10%</p> <p>Little/no consequences</p>	<p>9%</p> <p>Deteriorated population health</p>

A report from predictive analytics company Prealize Health, based on an analysis of claims data, further emphasizes the impact of delayed care. Prealize found that in 2021, individuals with diabetes were visiting emergency departments with higher A1C levels than their pre-pandemic averages. This is likely the result of unmanaged conditions caused by pandemic-influenced care deferrals.

While some patients are once again going to the doctor's office, not all have returned. C-suite respondents to our survey believe that more than half of patients (57%) are still delaying wellness visits, while primary care follow-up visits (46%), cancer screenings (45%), and elective surgeries (41%) are also being delayed.

What, if any, types of care do you still see being delayed currently?



To restore patient volumes, C-suite leaders say their organizations are communicating with patients about the dangers of delayed care, and to let them know that it's safe to return.

Nearly three-quarters say their organizations are increasing phone and email outreach to encourage people to resume normal care routines. Another 64% are turning to social media campaigns, while half are offering more telehealth visits. Digital tools could play a role here too. For instance, when asked to weigh in specifically on digital health priorities, 38% of health system leaders cite patient self-scheduling solutions, which followed cybersecurity, telehealth, and care coordination as top digital priorities.

For section 3 of the report's findings, skip to page 11.

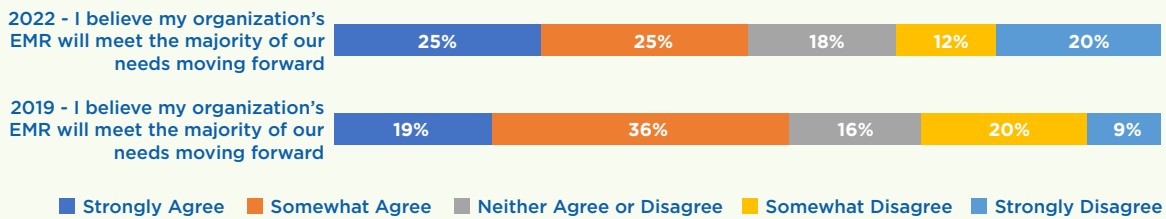
The C-Suite Weighs In: Three Other Key Survey Findings

1

Electronic Medical Records (EMRs):

As hospitals pursue more digital health solutions, their confidence in EMRs may be waning. In the 2022 survey, 50% of respondents said they strongly or somewhat agreed their organization's EMR would meet most of their needs moving forward. That's 5% fewer than in 2019.

Agreement with Statements About Organization's Electronic Medical Records (EMR)

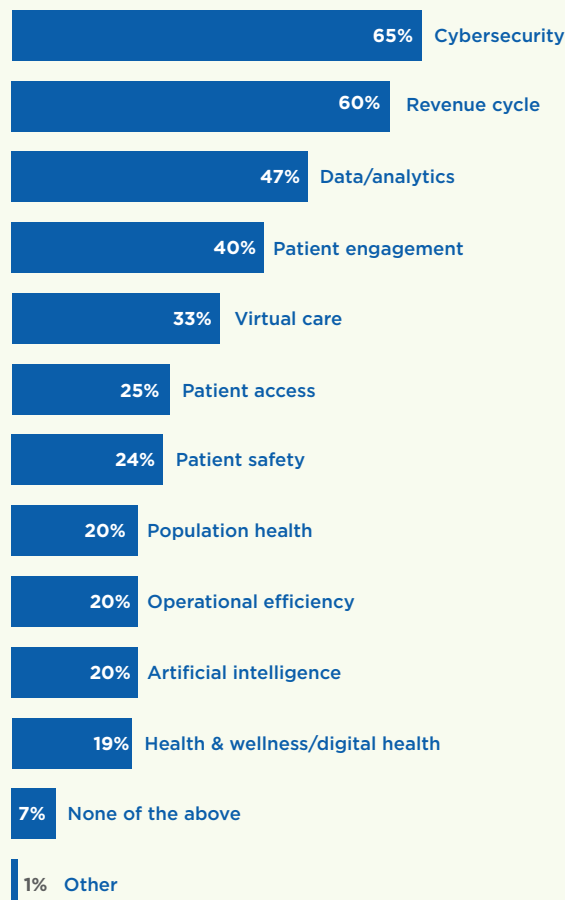


2

Cybersecurity:

Given that 54% of healthcare organizations were targeted by hackers in the last year, it is no surprise that cybersecurity represents the top IT spend in 2022, with 65% of respondents investing in cybersecurity solutions. Revenue cycle technology was a close second (60%), followed by data analytics (47%), which fell from the top position in the 2020 report.

Health IT Segments Organization Invested in Outside Current EMR

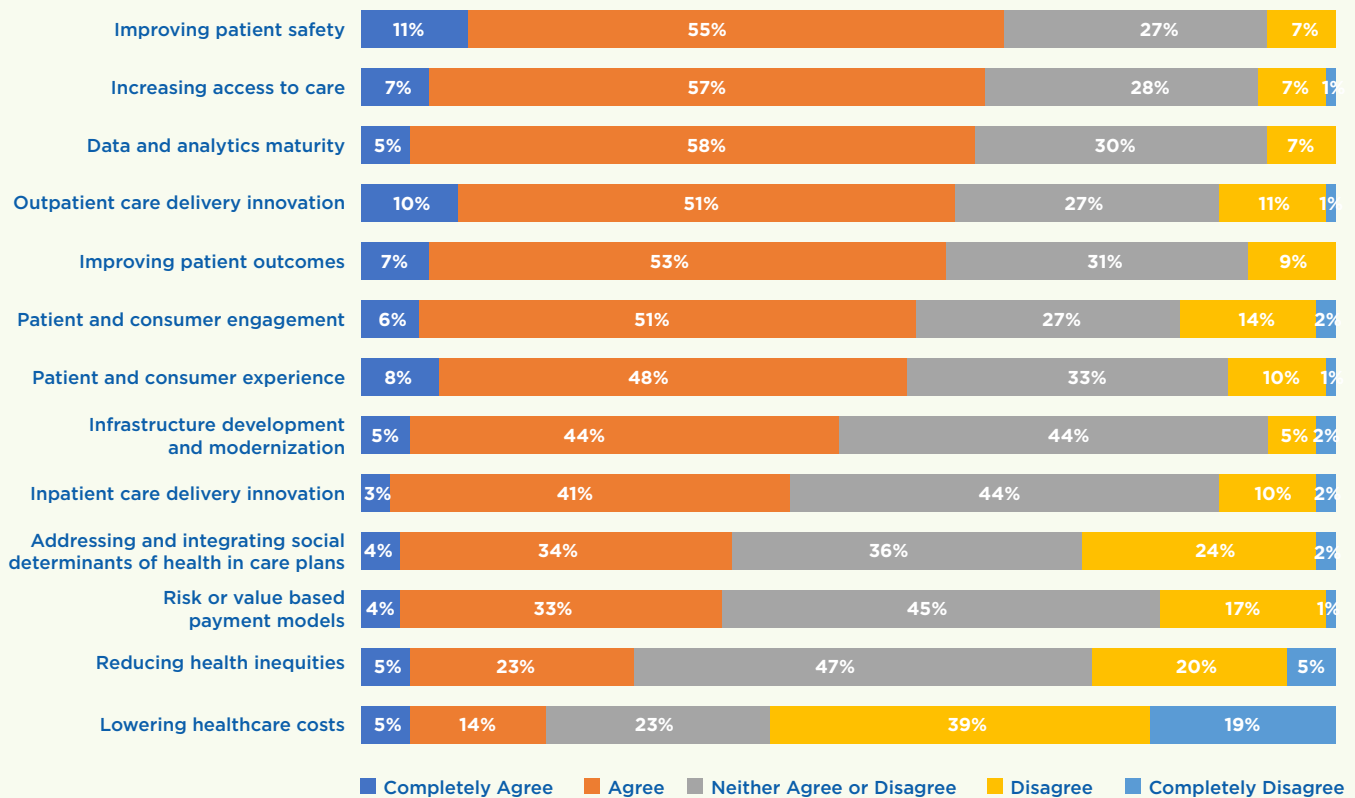


3

Health Equity:

Just over 20% of C-suite respondents believe hospitals/health systems have been very effective in making strides toward sustainable and equitable healthcare. However, only 28% list “expanding access to care in the communities they serve” in their top three strategic priorities for the next two years. In contrast, only 5% claim the federal government and only 6% claim state governments have been very effective in implementing sustainable and equitable healthcare.

Over the Last Two Years the Healthcare Industry Has Made Progress in...



Responding to a Crisis

Health Systems Struggle to Realize the Promise of Remote Care

As the C-suite shifts its efforts to focus on addressing the staffing shortage, ensuring patient access, and restoring patient volumes, other key care improvement opportunities, such as remote care initiatives, may be receiving fewer resources and attention.

While the survey found that the C-suite sees great potential for remote care (treatment delivered in the patient's home via remote patient monitoring or hospital at home technologies), such initiatives are not a top resource or investment priority for many hospital leaders.

While the vast majority believe remote care can decrease ER visits, enhance the patient experience, and decrease hospitalizations and readmissions, only about half say their organization currently invests in technologies to deliver remote care. In addition, only 15% say it is extremely important to invest in these technologies.

Does your organization invest in technologies to deliver remote care?

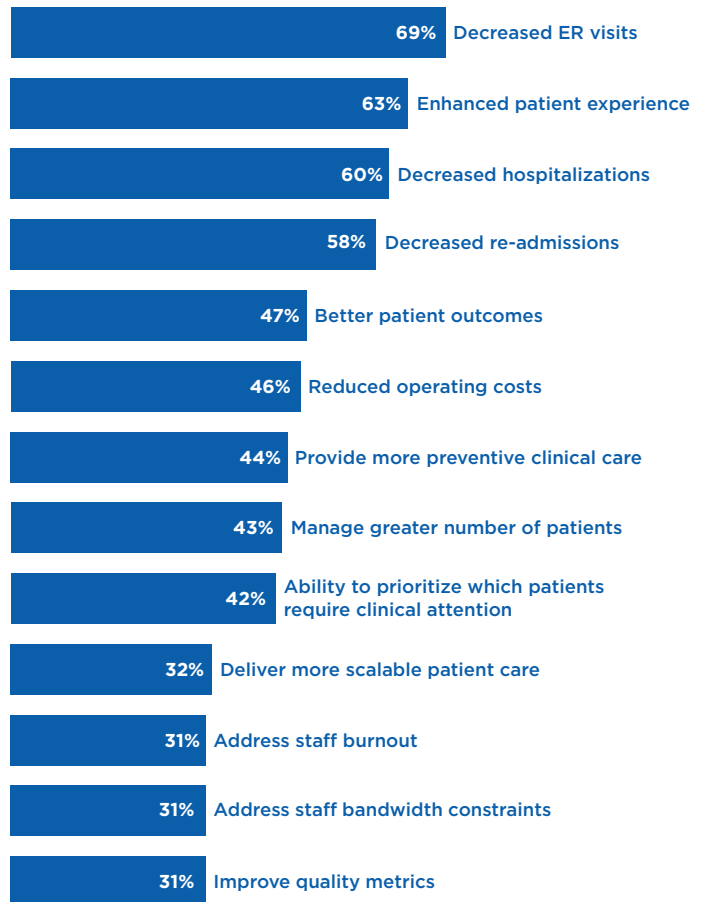
49%

Yes

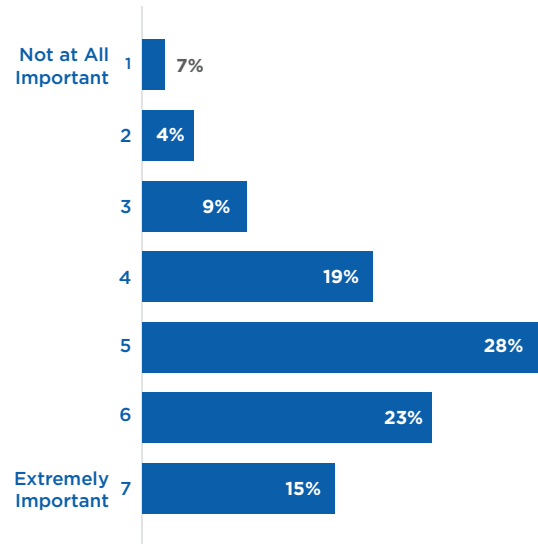
51%

No

What are the main benefits of remote care?

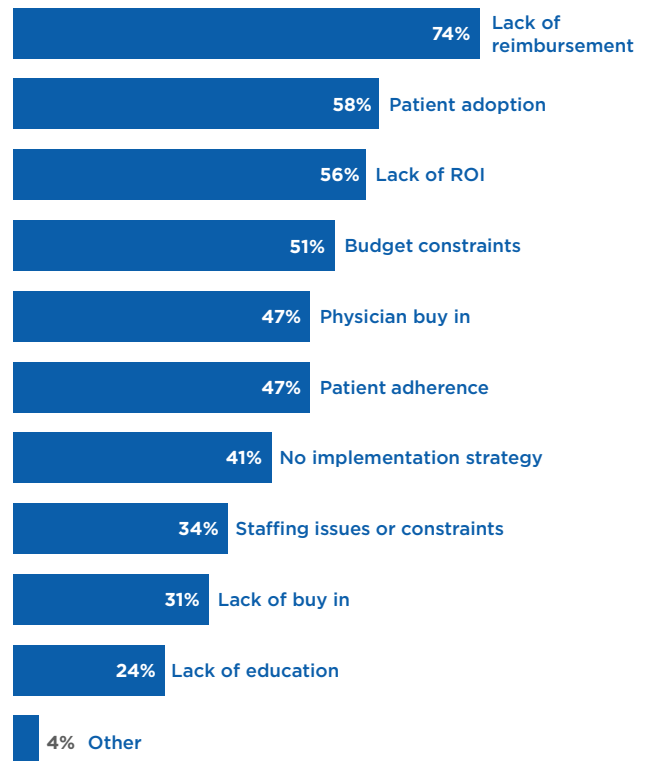


How important is it to invest in technologies that allow your organization to deliver remote care?



Overall, hospitals say lack of reimbursement, patient adoption, and ROI concerns are key challenges in successfully implementing remote care. In addition, nearly half point to budget limitations, and nearly one-third cite staffing issues or constraints.

What are the main barriers / challenges to successfully implementing remote care?



Looking Ahead

The global pandemic taxed health systems like never before, creating massive challenges and huge opportunities moving forward. Many of these challenges are outlined in this report and will take the full cooperation of the entire healthcare ecosystem to solve.

Challenges like clinical staffing shortages and the declining health of the U.S. population (and likely populations in other countries around the globe) cannot be addressed by traditional means. The same can be said for lowering the cost of care and for improving health equity.

Getting ahead of the challenges that threaten the healthcare system and its patients will require huge investments in digital technologies, a commitment to open-mindedness, and a willingness to think out-of-the-box.

Survey Methodology

Sage Growth Partners conducted the survey of 100 hospital and health system leaders in July 2022. Respondents were a mix of C-suite title from standalone hospitals, academic medical centers, and small and large integrated delivery networks.



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About Sage Growth Partners

Sage Growth Partners is a healthcare advisory firm with deep expertise in market research, strategy, and communications. Founded in 2005, the company's extensive domain experience ensures that healthcare organizations thrive amid the complexities of a rapidly changing marketplace. Sage Growth Partners serves clients across the full healthcare spectrum, including GE Healthcare, ProgenyHealth, the National Minority Health Association, Philips Healthcare, Livongo, and Syft. For more information, visit www.sage-growth.com