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34%
of respondents indicate a strong or moderate ROI for value-based care

INTELLIGENCE REPORT

JANUARY/FEBRUARY 2018

ANNUAL INDUSTRY OUTLOOK: EXPLORING INVESTMENTS AND ROI

An Independent HealthLeaders Media Report Powered by:

HealthLeaders Media Council

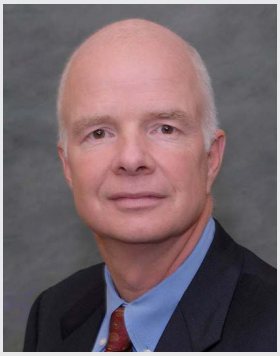
INVESTING FOR VALUE-BASED CARE, HEALTH IT, AND M&A

With each passing year, incremental progress has been made in the healthcare industry's move to a value-based model. However, after years of investment in infrastructure, healthcare IT, and care delivery enhancements, it seems appropriate to ask whether providers are actually seeing a return on this investment.

There are several challenges when attempting to measure return on investment for value-based care, for both providers and researchers. Net patient revenue is still largely dominated by fee-for-service activities, and it can be difficult to isolate value-based revenue streams within provider organizations.

Further, investments in provider organizations often benefit both care models—for example, investments in infrastructure and healthcare IT—making it problematic to attribute return on investment to one model or the other.

Along with the question of whether providers are seeing return on investment for value-based care, an even broader set of questions relates to the industry's overall financial health. What do current operating margins look like, and what is the outlook for the coming year? Where are providers investing to remain financially viable in the future? Which provider investments are producing the strongest returns? And last, which investments are producing no returns?



Jonathan Bees
HealthLeaders Media
Senior Research Analyst

56%

of respondents cite that inadequate payer incentives is a top barrier that prevents their organization from pursuing the transition to value-based care with more vigor.

Value-based net patient revenue

Net patient revenue from value-based care remains fairly modest. According to respondents in the 2018 *HealthLeaders Media Annual Industry Outlook Survey,* net patient revenue is currently 19% value-based and 74% fee-for-service (Figure 1). Respondents are optimistic about the outlook for growth in value-based net patient revenue, expecting value-based payment models to account for 39% of net patient revenue while fee-for-service will be 56% in three years (Figure 2). These results are nearly identical to last year's survey.

Christian Pass, senior vice president and chief financial officer at John Muir Health, an integrated nonprofit health system based in Walnut Creek, California, and lead advisor for this intelligence report, notes that while the move to value appears ready to accelerate, progress is still slow. "I think most people have been surprised by how long it's been taking to transfer to value. In fact, even if you ask this question again in next year's survey, it'll be interesting to see how much it changes."

Value-based investments in infrastructure and care delivery require a certain level of provider scale and financial health to be successful. It is not surprising, therefore, that responses based on the size of the organization's total net

patient revenue indicate that large organizations currently have larger shares from value-based models (33%) than medium (24%) or small organizations (10%). This trend for more net patient revenue from value-based models is also present in three years: large (47%), medium (41%), and small (33%) organizations.

"Respondents are optimistic about the outlook for growth in value-based net patient revenue, expecting value-based payment models to account for 39% of net patient revenue while fee-for-service will be 56% in three years."

– Jonathan Bees, senior research analyst, HealthLeaders Media

Value-based care ROI

The prospect for ROI from value-based care investment is promising. Approximately one-third (34%) of respondents say that their organization's investment in value-based care over the past five years has yielded a strong (10%) or moderate (24%) return on investment (Figure 3). All things told, 59% of respondents report having some level of return on investment, which is a positive finding. On the other hand, 26% of respondents report receiving no ROI yet, meaning that more than one-quarter have no financial rewards to show for their efforts.

As with the survey results for value-based revenue, organizational size is correlated with return on investment. For example, based on net patient revenue, a greater share of respondents from large organizations (50%) say they have received a strong (19%) or moderate (31%) return on investment than medium (34%)—strong (10%) and moderate (24%)—or small organizations (27%)—strong (7%) and moderate (20%). Provider scale and financial health enables investment activity, and larger organizations are able to reap the rewards.

Note that the top three barriers respondents mention as preventing their organization from pursuing the transition to value-based care with more vigor (Figure 4) are inadequate payer incentives (56%), inadequate risk-based contracting models (43%), and revenue stream uncertainty (36%). All three barriers are financial in nature, and provider organizations with scale and greater financial resources are better positioned to overcome these barriers.

Value-based investment

Providers are investing across a broad range of areas as they build infrastructure and add manpower in support of value-based programs. For example, when investing in groups and individuals (Figure 9), respondents say that the leading area over the next three years will be care coordinators (65%) by a wide margin. The strong response reflects respondent interest in increasing the effectiveness of value-based programs. Responses for data analytics staff (46%), nursing staff (43%), and physician staff (42%) form a second tier after care coordinators.

Likewise, the top two areas of the care continuum in which respondents expect their organization will begin or increase investment (Figure 5) over the next three years are primary care (51%) and urgent care/convenient care clinics (51%), key components of a value-based care model.

Further, investment in service lines demonstrates a similar focus on value-based care components. While respondents mention a broad range of service lines in which their organizations will be investing over the next three years (Figure 6), the top response is for primary care (29%), a key part of any value-based strategy.

"Everything starts with the primary care provider," says Pass. "You need the primary care provider to be the quarterback on the patient's care."

Healthcare IT investment and ROI

According to respondents, the leading area of healthcare IT investment over the next three years (Figure 8) is clinical analytics (65%). This response is followed by a cluster of responses that includes EHR interoperability (49%); mobile health, mobile technology (44%); financial analytics (42%); and data-driven knowledge

of patient health factors (40%). In many ways, these investment areas can all be viewed through a value-based care lens, but they also benefit a fee-for-service model.

Pass says John Muir Health's IT investment has addressed both value-based and industry infrastructure needs. "We've extended our Epic platform out to the independent physicians. We've invested heavily in analytics as well as infrastructure, talent, and learning capabilities so we can manage for value. We need to understand our business differently than we did before, but frankly, most of the technology investment to date is what I would call infrastructure-related. We're really looking at investing in technology that helps us work faster with less manual intervention, and also provides a better customer experience."

Survey results for healthcare IT return on investment are encouraging. For example, ranked by combined responses for strong and moderate return on investment (Figure 7), the top areas are: financial analytics (51%) and clinical IT (47%), with EHR interoperability (44%) and clinical analytics (44%) in a tie. Respondents clearly feel that they are seeing financial rewards for their investment.

"From an analytics perspective, we're definitely getting some payback, but we have not hit the potential of what we think we can get," says Pass about John Muir Health's investments. "I would also say that in revenue cycle we've been using a lot of analytics to drive better performance and we see benefit in that."

One area that stands out for its low response is artificial intelligence (22%), finishing at the bottom of the list for healthcare IT investment over the next three years (Figure 8). The issue likely relates to the cost of such technology, its complexity, and possibly clinician concerns about machine-based decision-making. Ranked by combined responses for strong and moderate return on investment (Figure 7), artificial intelligence also receives the lowest response (11%) for healthcare IT return on investment. Responses for artificial intelligence also confirm the low level of investment found in Figure 8, with 44% of respondents saying that they have made no investment in this area.

60%

of respondents say that an acquisition or merger with another provider is very important or somewhat important to the financial viability of their organization over the next five years.

Mergers, acquisitions, and partnerships

Respondents were asked how their organizations will fuel financial growth over the next three years through mergers, acquisitions, or partnerships (Figure 10), and more than one-third (35%) say that their organizations will merge with or acquire physician organizations. The response indicates that providers are interested in adding physicians to their networks, likely in support of their value-based strategy.

Interestingly, 35% of respondents also say that they have no merger, acquisition, or partnership planned over the next three years, possibly indicating some moderation of the MAP trend. In comparison, only 13% of respondents in the April 2017 *HealthLeaders Media Mergers, Acquisitions, and Partnerships Survey* indicated that they had no MAP plans for the next 12–18 months.

Looking at financial impacts, respondents are clear in their views: 60% say that an acquisition or merger with another provider is very important (23%) or somewhat important (37%) to the financial viability of their organization over the next five years (Figure 11). Only 25% of respondents say that this is not at all important.

Positive influences on financial targets

The results for the top three positive influences on respondent organization's efforts to reach financial targets over the next three years are revealing. Respondents say that they expect cost control (53%) to be the top positive influence on their organization's efforts to reach financial targets over the next three years by a wide margin (Figure 12), with care redesign (31%) and care standardization (31%) completing the list of top three positive influences. Note that the latter two

responses are also related to controlling costs, which is one of the key challenges for the healthcare industry.

"The top three are all about cost," says Pass. "I think this really speaks to what the industry is in the middle of right now."

"I think most people have been surprised by how long it's been taking to transfer to value."

– Christian Pass, senior vice president and chief financial officer, John Muir Health, Walnut Creek, California

Not making the list of top three responses and finishing last on the list is acquisition or merger with a provider (14%). This suggests that an acquisition or merger with a provider is less tactical and more strategic financially. As we see in Figure 11, 60% of combined respondents say that an acquisition or merger with another provider is very important or somewhat important to the financial viability of their organization over the next five years. This means that such activities are more important in the larger context of financial viability, and less effective when taken to address shorter-term financial goals.

Financial results and expectations

Respondents in this year's survey report improving financial conditions, with only 7% of respondents reporting negative operating margin for their organization's most recent fiscal year and 82% posting positive margin (Figure 13). Four percent report results that are flat. These results are more positive than in last year's survey in which 18% reported negative operating margin, and 65% positive margin. Three percent said results were flat.

Operating margins fall in a fairly narrow range, with the majority of respondents (68%) with positive margin for their organizations falling in the 0.1% to 5.9% range. Only 14% of respondents report margins 6% or higher. This means that organizations have little room to sustain adverse changes in financial circumstances and limits their ability to make necessary investments in value-based infrastructure.

Looking to the upcoming 2018 fiscal year (Figure 14), 58% of respondents say they expect their organizations will produce strongly positive (7%) or positive (51%) financial results. Note that only 9% of respondents say that their organizations have a strongly negative (0%) or negative (9%) financial outlook. Thirty-two percent expect results to be flat.

Viewed another way, the combined results for strongly positive or positive (58%) are eight percentage points higher than last year's survey result (50%), and the combined results for strongly negative or negative (9%) are six points lower (15%). The results for flat are identical to last year (32%).

However, while responses indicate a degree of optimism as respondents head into 2018, there are some warning signs. For example, comparing the results for flat for the 2018 (or current) fiscal year (32%) with the results for flat in Figure 13 in the most recent fiscal year (4%) reveals a large shift from positive financial results to flat. This indicates that financial conditions continue to be challenging for many providers.

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NET PATIENT REVENUE

Figures 1 and 2

What share of net patient revenue does/will value-based and fee-for-service payment models represent in your organization's most recent reconciled fiscal year and three years from now?

- **Growth in value-based revenue.** Respondents say that net patient revenue is currently 19% value-based and 74% fee-for-service. In three years, they expect value-based payment models to grow to 39% of net patient revenue while fee-for-service will decline to 56%.
- **Correlation with organizational size.** Based on the size of the organization's total net patient revenue, responses indicate that large organizations currently have larger shares from value-based models (33%) than medium (24%) or small organizations (10%). Across organizations of all sizes, the trend to more net patient revenue from value-based models in three years is evident: large (47%), medium (41%), and small (33%).
- **Rural versus non-rural gap.** Respondents from non-rural organizations currently have larger shares of net patient revenue from value-based models (21%) than rural organizations (10%). However, the gap is expected to narrow significantly in three years with non-rural organizations expecting to have a 40% share of net patient revenue and rural organizations expecting 35%.
- **Correlation with profit status.** Respondents from for-profit organizations currently have modestly larger shares of net patient revenue from value-based models (24%) than nonprofit organizations (15%). The difference is expected to remain the same in three years: for-profit organizations (44%) and nonprofit organizations (35%).

Figure 1 — Most Recent

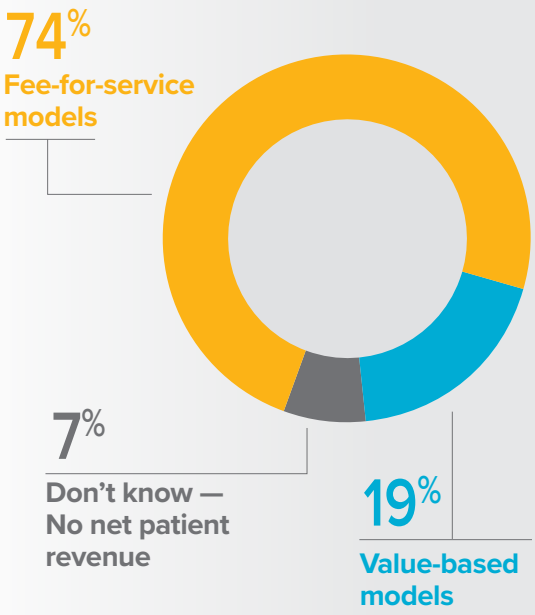

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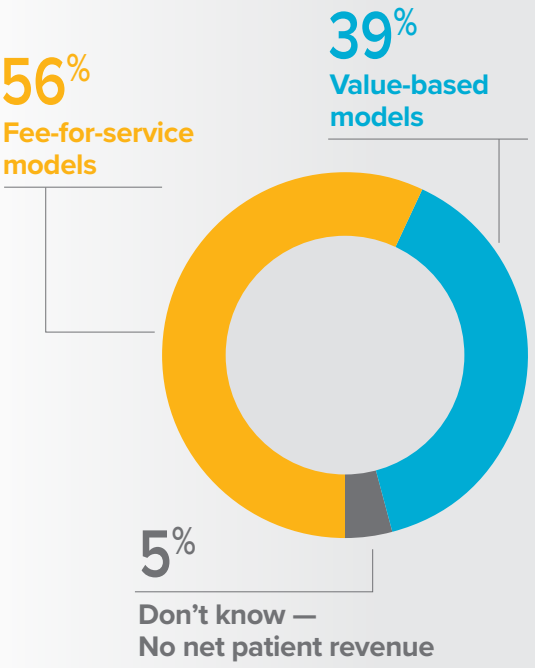
Figure 2 — Three Years



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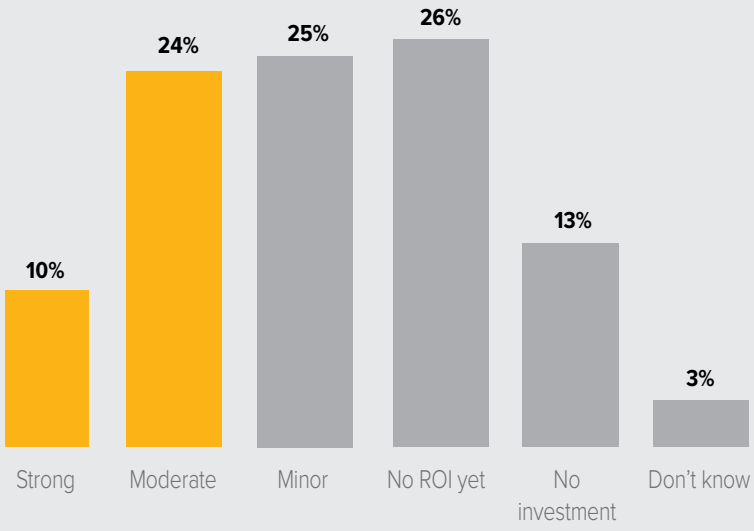
VALUE-BASED CARE ROI

Figure 3

Given your organization's investment in value-based models over the past five years, what is your status with regard to return on investment (ROI) on value-based care?

> **Value-based ROI.** Roughly one-third (34%) of respondents say that their organization's investment in value-based care over the past five years has yielded a strong (10%) or moderate (24%) return on investment. At the other end of the spectrum, 26% of respondents report receiving no ROI yet. Note that only 13% say that they have made no investment in value-based care.



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Percent of respondents who say value-based care investment has yielded strong or moderate ROI.

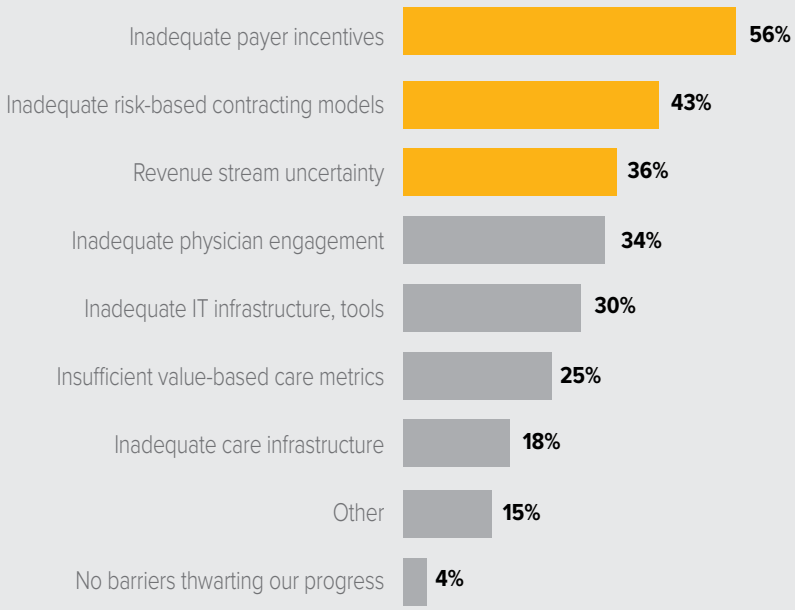
> **Correlation with organizational size.** Based on net patient revenue, a greater share of respondents from large organizations (50%) say they have received a strong (19%) or moderate (31%) return on investment than medium (34%)—strong (10%) and moderate (24%)—or small organizations (27%)—strong (7%) and moderate (20%).

> **No investment in value-based models.** Only 2% of respondents from health systems indicate that they have made no investment in value-based care. In comparison, 19% of hospital respondents say this. Likewise, only 8% of respondents from non-rural organizations have made no investment in value-based care, while 29% of rural organizations report this.

BARRIERS PREVENTING VALUE-BASED CARE

Figure 4

What are the top three barriers preventing your organization from pursuing value-based care with more vigor?



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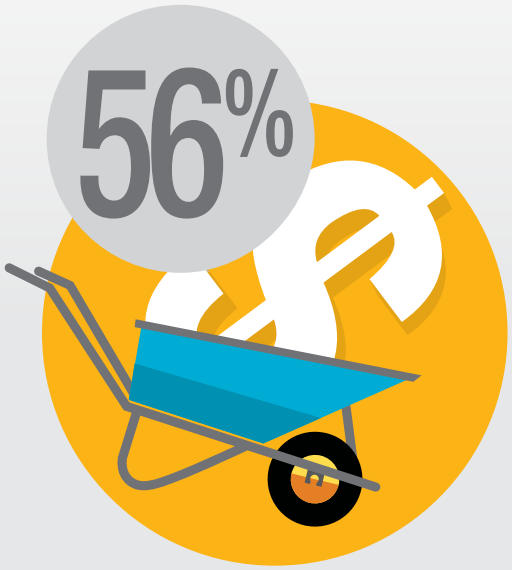
Percent of respondents who say that inadequate payer incentives is the top barrier preventing their organization from pursuing the transition to value-based care.



- **Financial barriers.** Inadequate payer incentives (56%), inadequate risk-based contracting models (43%), and revenue stream uncertainty (36%) are the top three barriers respondents cite as preventing their organization from pursuing the transition to value-based care with more vigor. Note that the three barriers are all financial in nature.
- **Few report no barriers.** Only 4% of respondents say that they have no barriers thwarting their progress, indicating that there are many challenges for providers to overcome.

CARE CONTINUUM INVESTMENT

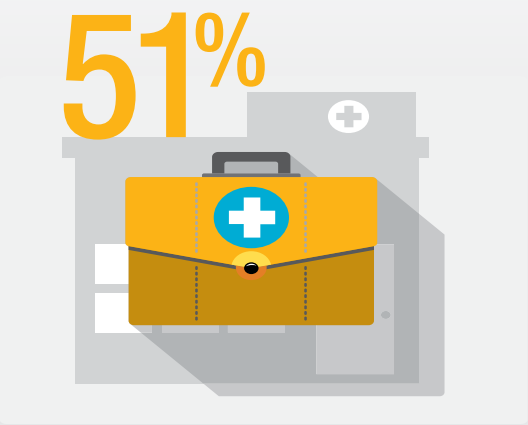
Figure 5

In which areas of the care continuum does your organization expect to begin or increase investment over the next three years?

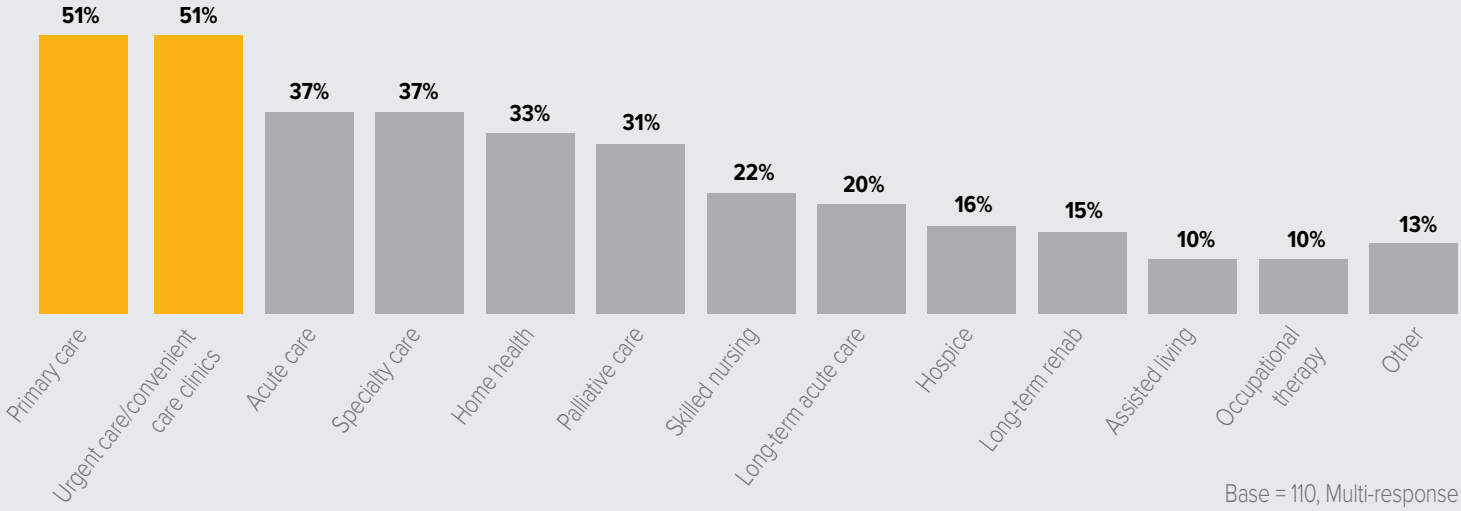
> **Need for value-based investment.** The top areas of the care continuum in which respondents expect their organization to begin or increase investment are primary care (51%) and urgent care/convenient care clinics (51%), followed by acute care (37%) and specialty care (37%). Primary care and urgent care/convenient care clinics are key components of value-based care.

> **Correlation with organizational size.** Based on net patient revenue, a greater share of medium (67%) and large (65%) organizations mention primary care as an investment area over the next three years than small (41%) organizations, and a greater share of large (65%) organizations cite urgent care/convenient care clinics than medium (52%) and small (43%) organizations in that same time period.

The top areas of the care continuum that respondents expect to increase investment in are primary care and urgent care/convenient care clinics in a tie.



> **Nonprofit investment activity.** A greater share of respondents from nonprofit organizations (66%) mention primary care than for-profit organizations (30%) as an investment area over the next three years. Likewise, a greater share of respondents from nonprofit organizations (64%) cite urgent care/convenient care clinics than for-profit organizations (33%).



Base = 110, Multi-response

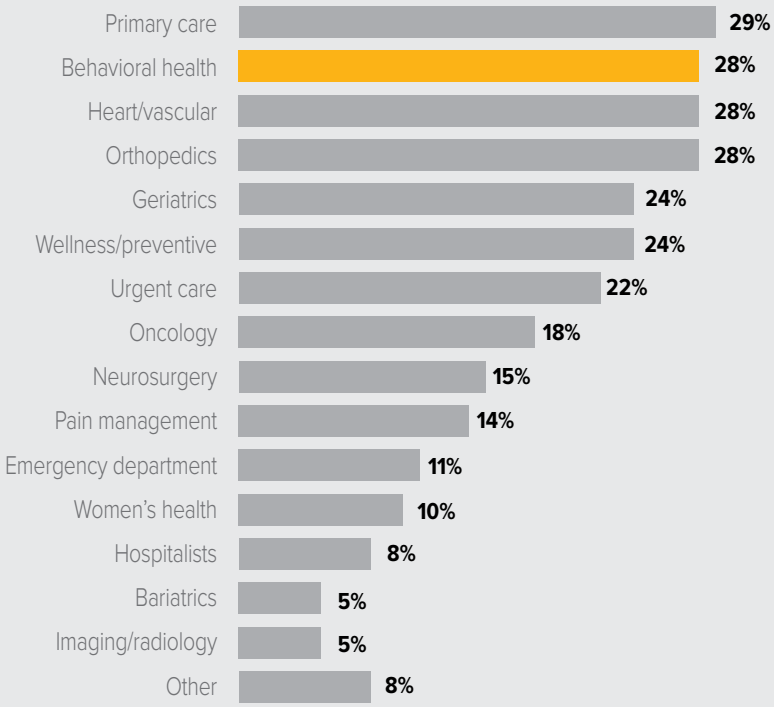
SERVICE LINE INVESTMENT

Behavioral health is one of the top service lines cited as an area that organizations will invest in over the next three years.

Figure 6

What are the top three service lines in which your organization will be investing over the next three years?

> **Range of investment areas.** Respondents mention a broad range of service lines in which their organizations will be investing over the next three years, and responses overall are evenly distributed. The top four service lines have nearly identical responses: primary care (29%), behavioral health (28%), heart/vascular (28%), and orthopedics (28%). This group is followed closely by responses for geriatrics (24%) and wellness/preventive (24%).



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> **Investment strategy.** Primary care and wellness/preventive service lines are key components of a value-based healthcare strategy, which explains respondent investment. Investment in behavioral health is part of a strategy to address growth in the number of behavioral health patients and manage the impact of behavioral health patients on provider costs; these patients are often comorbid and typically generate higher per-patient care costs.

> **Top responses for health systems and hospitals.** The top service line for respondents from health systems is heart/vascular (41%); for hospitals, the top service line is orthopedics (41%).

HEALTHCARE IT ROI

Figure 7

Given your organization's investment in the following areas of healthcare IT over the past five years, what is your status with regard to return on investment (ROI) in each area?

- **Top areas for healthcare IT ROI.** Ranked by responses for strong return on investment, EHR interoperability (15%) and security (15%) are the top areas for healthcare IT ROI. Their responses are followed closely by financial analytics (13%), clinical IT (12%), and clinical analytics (10%).
- **Combined responses for strong and moderate ROI.** Ranked by combined responses for strong and moderate return on investment, the top areas for ROI are: financial analytics (51%) and clinical IT (47%), with EHR interoperability (44%)* and clinical analytics (44%) in a tie.
- **Artificial intelligence investment.** Ranked by combined responses for strong and moderate return on investment, artificial intelligence receives the lowest response (11%) for healthcare IT return on investment. Responses for artificial intelligence also reveal a low level of investment, with 44% of respondents saying that they have made no investment in this area. Based on net patient revenue, a greater share of small organizations (61%) than medium (29%) and large (23%) organizations say they have made no investment in artificial intelligence.

Ranked by respondents for strong ROI, EHR interoperability and security tie as the top areas.

*The combined result of 44% for strong and moderate responses reflects rounding of the total sum: 43.63%.

	Strong	Moderate	Minor	No ROI yet	No investment	Don't know
EHR interoperability	15%	28%	25%	19%	6%	6%
Security	15%	25%	25%	23%	7%	4%
Financial analytics	13%	38%	25%	12%	10%	3%
Clinical IT	12%	35%	26%	15%	7%	4%
Clinical analytics	10%	34%	26%	17%	10%	3%
Data-driven knowledge of patient health factors	8%	23%	28%	20%	17%	4%
Actuarial skills for risk assessment	7%	18%	21%	18%	27%	8%
Mobile health, mobile technology	7%	16%	32%	20%	21%	4%
Data warehouses	5%	25%	28%	20%	17%	5%
Artificial intelligence	5%	6%	15%	24%	44%	6%

Base = 110

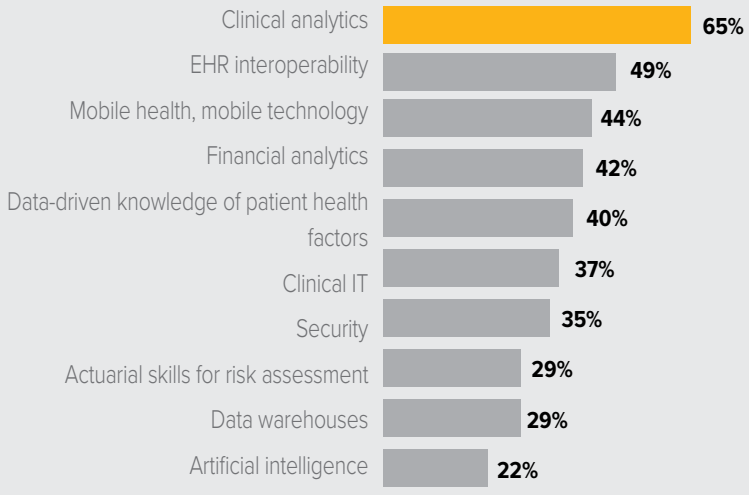
HEALTHCARE IT INVESTMENT

Figure 8

In which areas of healthcare IT does your organization expect to begin or increase investment over the next three years?

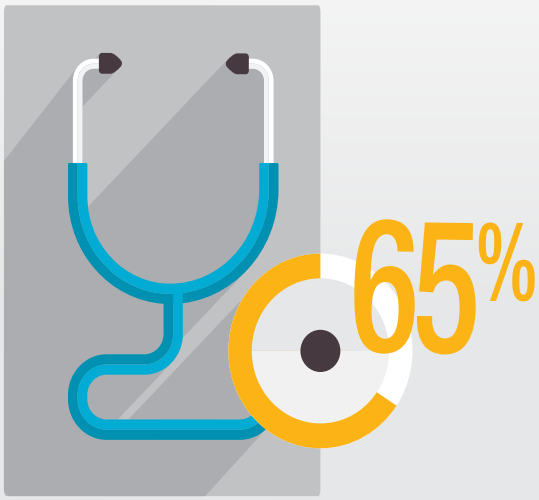
> **Top areas of healthcare IT investment.** The top area of healthcare IT in which respondents expect their organizations to begin or increase investment over the next three years is clinical analytics (65%) by a large margin. EHR interoperability (49%); mobile health, mobile technology (44%); financial analytics (42%); and data-driven knowledge of patient health factors (40%) form a second-tier group.

> **Health system and hospital investment.** A greater share of health systems (73%) than hospitals (56%) mention clinical analytics as a healthcare IT investment area. Further, while clinical analytics (73%) is the top healthcare IT investment area for health systems, EHR interoperability (67%) is the leading area for hospitals.



Base = 110, Multi-response

The top area of healthcare IT that respondents expect their organizations to increase investment in is clinical analytics.



> **Artificial intelligence investment.** The response for artificial intelligence (22%) places it at the bottom of the list for healthcare IT investment over the next three years. Based on net patient revenue, a greater share of large organizations (38%) than medium (19%) and small (11%) organizations cite investment in artificial intelligence. Note that investment in artificial intelligence is expected to increase substantially in the coming years. In the September 2017 *HealthLeaders Media Analytics in Healthcare Survey,* data showed AI use more than doubling in the next three years. Fourteen percent of respondents said they use AI currently, whereas 35% of respondents indicate they will be using it in three years.

INVESTMENT IN GROUPS OR INDIVIDUALS

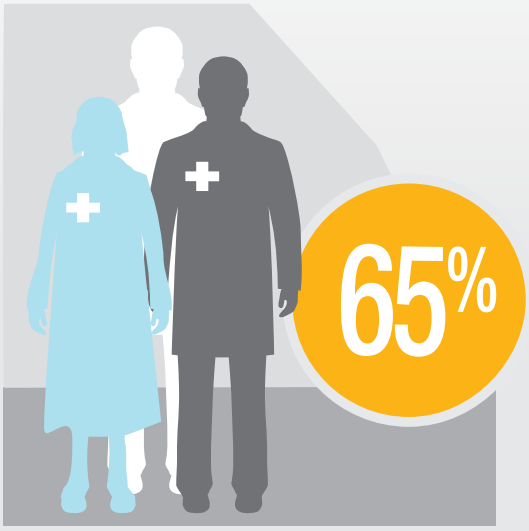
Figure 9

In which of the following groups or individuals will your organization be investing over the next three years?

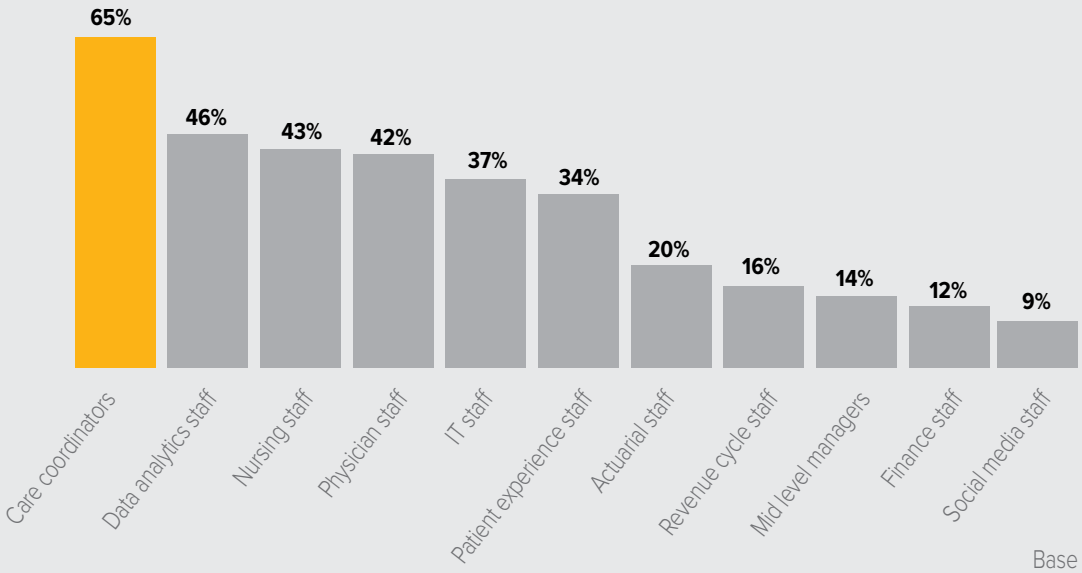
> **Value-based programs drive investment.** Respondents say that the leading area of investment in groups or individuals over the next three years will be care coordinators (65%) by a wide margin. The strong response reflects respondent interest in increasing the effectiveness of value-based programs. Responses for data analytics staff (46%), nursing staff (43%), and physician staff (42%) are clustered in a second tier.

> **Correlations with organizational size.** Based on net patient revenue, a greater share of large organizations (65%) than medium (52%) and small (36%) organizations say they will invest in data analytics staff over the next three years.

Percent of respondents who say that the leading area of investment in groups or individuals will be care coordinators.



> **Nonprofit investment in analytics.** A greater share of respondents from nonprofit organizations (56%) mention investment in data analytics staff than for-profit organizations (33%) over the next three years.



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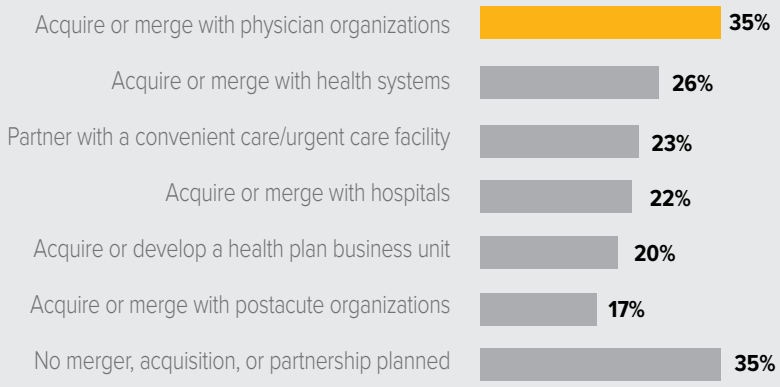
GROWTH THROUGH MAP

Figure 10

How will your organization fuel financial growth over the next three years through mergers, acquisitions, or partnerships?

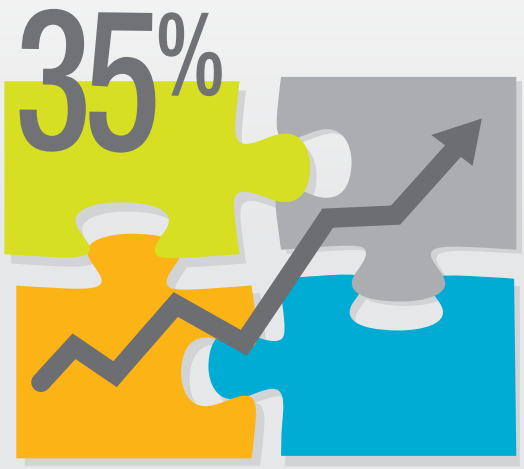
> **Interest in physician organizations.** More than one-third of respondents (35%) say that their organizations will fuel financial growth over the next three years through mergers and acquisitions with physician organizations. This is evidence of provider interest in adding physicians to their networks in support of value-based programs.

> **Correlation with organizational size.** A greater share of health systems (49%) than hospitals (26%) mention a merger or acquisition with physician organizations. Further, based on net patient revenue, a greater share of large organizations (46%) than medium (33%) and small (30%) organizations cite this.



Base = 110, Multi-response

Percent of respondents who say that their organizations will fuel financial growth through mergers and acquisitions with physician organizations.



> **Absence of MAP plans.** Approximately one-third of respondents (35%) say that they have no merger, acquisition, or partnership planned over the next three years, possibly indicating some cooling of the MAP trend. Note that only 13% of respondents in the April 2017 *HealthLeaders Media Mergers, Acquisitions, and Partnerships Survey* indicated that they had no MAP plans for the next 12–18 months.

> **Small organizations stay away.** Based on net patient revenue, a greater share of small organizations (43%) than medium (33%) and large (23%) organizations say that they have no merger, acquisition, or partnership planned over the next three years. In addition, a greater share of rural organizations (63%) than non-rural organizations (27%) indicate this.

ACQUISITION OR MERGER WITH PROVIDERS

Percent of respondents who say an acquisition or merger with another provider is very important or somewhat important to the financial viability of their organization.

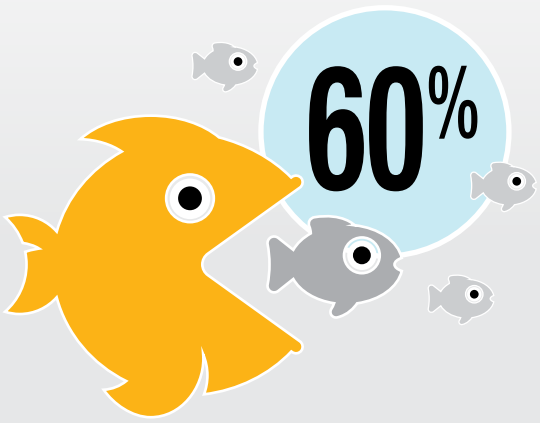
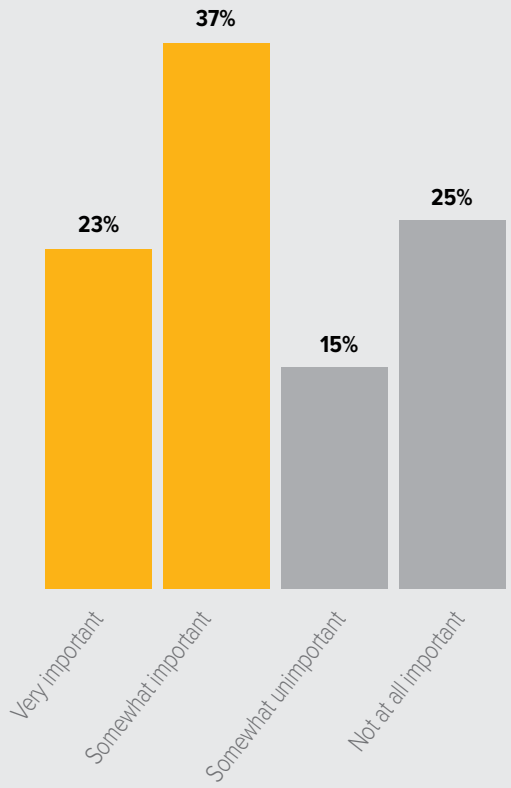


Figure 11

Over the next five years, how important will an acquisition or merger with another provider be to the financial viability of your organization?



Base = 95

- **MAP key to financial viability.** Sixty percent of respondents say that an acquisition or merger with another provider is very important (23%) or somewhat important (37%) to the financial viability of their organization over the next five years. At the other end of the spectrum, 25% of respondents say that this is not at all important.
- **Correlation with small organizations.** Based on net patient revenue, a greater share of small organizations (35%) than medium (25%) and large (9%) organizations say that an acquisition or merger with another provider is not at all important. This finding runs contrary to conventional wisdom that small organizations need to find larger partners to ensure their financial viability.

POSITIVE INFLUENCES ON FINANCIAL TARGETS

Percent of respondents who say cost control is the top positive influence on organizations' efforts to reach financial targets over the next three years.

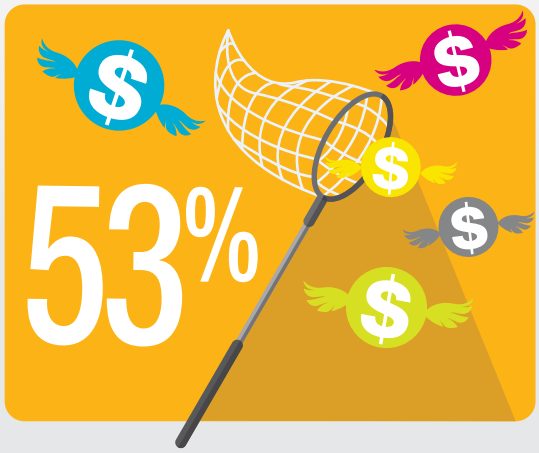
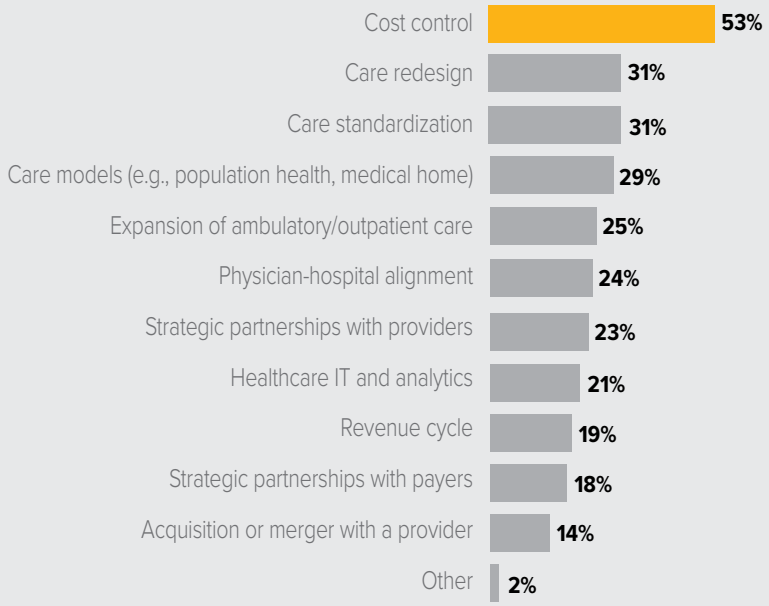


Figure 12

Which of the following will be the top three positive influences on your organization's efforts to reach financial targets over the next three years?



Base = 110, Multi-response

> **Cost control top influence.** By a large margin, respondents say that they expect cost control (53%) to be the top positive influence on their organization's efforts to reach financial targets over the next three years, with care redesign (31%) and care standardization (31%) rounding out the list of top three positive influences. Note that the latter two responses are also related to controlling costs, which is one of the key challenges for the healthcare industry.

> **Low response for MAP as an influence.** Only 14% of respondents say that an acquisition or merger with a provider is a top-three positive influence on their organization's efforts to reach financial targets over the next three years. This suggests that an acquisition or merger with a provider is less tactical and more strategic financially. For example, in Figure 11, 60% of respondents say that an acquisition or merger with another provider is very important (23%) or somewhat important (37%) to the financial viability of their organization over the next five years. In other words, such activities are more important in the larger context of financial viability, and less effective when taken to address shorter-term financial goals.

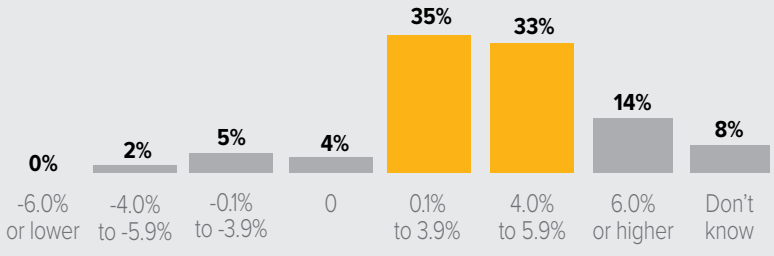
OPERATING MARGIN & FINANCIAL FORECAST

Figure 13

For the most recent fiscal year, what is your best estimate of your organization's operating margin, in negative or positive percentages?

> **Positive trend?** Only 7% of respondents report negative operating margin for their organization's most recent fiscal year, and 82% posted positive margin. Four percent report that results are flat. These results are considerably more positive than in last year's survey in which 18% reported negative operating margin, and 65% positive margin. Three percent said results were flat.

> **Narrow profit range.** The majority of respondents (68%) with positive margin for their organizations fall in a narrow range between 0.1% to 5.9%. Only 14% of respondents report margins 6% or higher. This leaves organizations with little room to sustain adverse changes in financial circumstances and limits their ability to make necessary investments in value-based infrastructure.



Base = 110

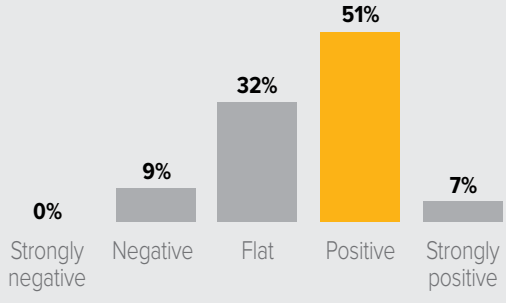
Most recent fiscal year margins are moderately more positive than expectations for the upcoming fiscal year.

Figure 14

What is your organization's financial forecast (or current) fiscal year?

> **Financial expectations.** Fifty-eight percent of respondents expect their organizations will produce strongly positive (7%) or positive (51%) financial results in the 2018 (or current) fiscal year. Only 9% of respondents indicate a strongly negative (0%) or negative (9%) financial outlook. Thirty-two percent expect flat results.

> **Warning signs.** Comparing results for flat (32%) with the results for flat in Figure 13 for the most recent fiscal year (4%) reveals a large shift from positive financial results to flat. This indicates that financial conditions continue to be challenging for many providers.



Base = 108

METHODOLOGY

The 2018 Annual Industry Outlook Survey was conducted by the HealthLeaders Media Intelligence Unit, powered by the HealthLeaders Media Council. It is part of a series of thought leadership studies. In November 2017, an online survey was sent to the HealthLeaders Media Council and select members of the HealthLeaders Media audience at healthcare providers organizations. A total of 110 completed surveys are included in the analysis. Base size varies between 95 and 110 according to respondents' knowledge of the question. The margin of error for a base of 110 is +/- 9.3% at the 95% confidence interval. Survey results do not always add to 100% due to rounding.

What Healthcare Leaders Are Saying

Here are selected comments from leaders regarding the area in which their organization has the greatest need for investment, and how investment there will benefit the organization.

"Clinical analytics. Better understanding of patients' risk profiles and chronic disease states."

—CEO at a small health system

"Outpatient surgical services and emergency department. Improvements would increase market share for elective surgeries, increase patient engagement, and better serve our patients."

—VP/director reimbursement at a medium health system

"Cross continuum care management and predictive analytics."

—CEO at a large hospital

"Clinical staff; retention of clinical staff and physicians; resources with a public health background and experience."

—Chief financial officer at a medium physician organization

"Extend primary care into population health. Integrates larger population into our service net."

—Chief operations officer at a small health system

"IT upgrades to reduce workload on providers and improve ability to produce useful analytics for clinical and business decision-making."

—VP at a large health system

About the HealthLeaders Media Intelligence Unit

The HealthLeaders Media Intelligence Unit, a division of HealthLeaders Media, is the premier source for executive healthcare business research. It provides analysis and forecasts through digital platforms, print publications, custom reports, white papers, conferences, roundtables, peer networking opportunities, and presentations for senior management.

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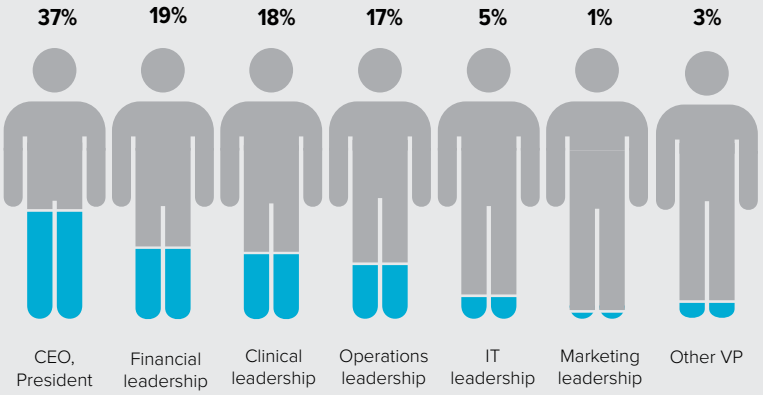
RESPONDENT PROFILE

TITLE

Base = 110



CEO, PRESIDENT

- CEO, President
- Chief Executive Administrator
- Chief Administrative Officer
- Board Member
- Executive Director
- Managing Director
- Partner

OPERATIONS LEADERSHIP

- Chief Operations Officer
- Chief Strategy Officer
- Chief Compliance Officer
- Chief Purchasing Officer
- VP/Director Operations Administration
- VP/Director of Compliance
- Chief Human Resources Officer
- VP/Director HR/People
- VP/Director Supply Chain/Purchasing

FINANCIAL LEADERSHIP

- Chief Financial Officer
- VP/Director Finance
- VP/Director Patient Financial Services
- VP/Director Revenue Cycle
- VP/Director Managed Care
- VP/Director Reimbursement
- VP/Director HIM

CLINICAL LEADERSHIP

- Chief Medical Officer
- Chief Nursing Officer
- Chief of Medical Specialty or Service Line
- VP/Director of Medical Specialty or Service Line
- VP/Director of Nursing
- Chief Population Health Officer
- Chief Quality Officer
- Medical Director
- VP/Director Ambulatory Services
- VP/Director Clinical Services
- VP/Director Quality
- VP/Director Patient Safety
- VP/Director Postacute Services
- VP/Director Behavioral Services
- VP/Director Medical Affairs/ Physician Management
- VP/Director Population Health
- VP/Director Case Management
- VP/Director Patient Engagement, Experience

MARKETING LEADERSHIP

- Chief Marketing Officer
- VP/Director Marketing
- VP/Director Business Development/Sales

IT LEADERSHIP

- Chief Information Technology Officer
- Chief Information Officer
- Chief Technology Officer
- Chief Medical Information Officer
- Chief Nursing Information Officer
- VP/Director IT/Technology
- VP/Director Informatics/Analytics
- VP/Director Data Security

TYPE OF ORGANIZATION

Base = 110

Health System (IDN/IDS)	**37%**
Hospital	**25%**
Ancillary, allied provider (SNF, surgical centers, rehab, hospice, pharmacy)	**19%**
Physician organization (MSO/IPA/PHO/clinic)	**15%**
Payer/health plan/insurer (HMO/PPO/MCO/PBM)	**4%**
Professional services (consulting/law/finance)	**1%**

NUMBER OF PHYSICIANS

Base = 103

1–9	**11%**
10–49	**10%**
50+	**80%**

NUMBER OF BEDS

Base = 103

1–199	**26%**
200–499	**22%**
500+	**31%**
No beds	**20%**

PROFIT STATUS

Base = 110

Nonprofit	**58%**
For-profit	**42%**

NET PATIENT REVENUE

Base = 110

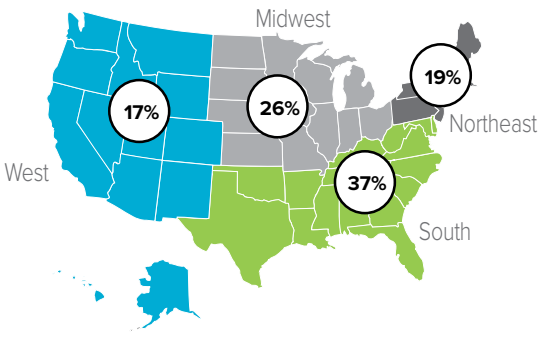
$249.9 million or less (small)	**51%**
$250–$999.9 million (medium)	**19%**
$1 billion or more (large)	**24%**
None of the above	**6%**

RURAL STATUS

Base = 110

No	**78%**
Yes	**22%**

RESPONDENT REGIONS



YOUR REVENUE CYCLE CAN'T BE TREATED IF IT CAN'T BE SEEN

Reshaping your revenue cycle isn't a one-time undertaking. It's a process that begins with immediate improvements today and gains momentum with a plan for effective, game-changing innovation. Let Optum® guide you through improving, optimizing and transforming your revenue cycle. We can help you set the right pace to maximize margins and payer-provider collaborations, and improve compliance and the patient experience. That's how well gets done. **optum.com**

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