

# Trends in Health Care and their Implications for Governance

Nebraska Hospital Association Annual Convention  
October 18, 2024  
Omaha, NE

Jamie Orlikoff  
President  
Orlikoff & Associates, Inc.  
773-268-8009  
j.orkloff@att.net

# System Theory: Two Sides of the Coin

Robust Systems **DAMPEN** the effects of negative environmental or external forces

But...

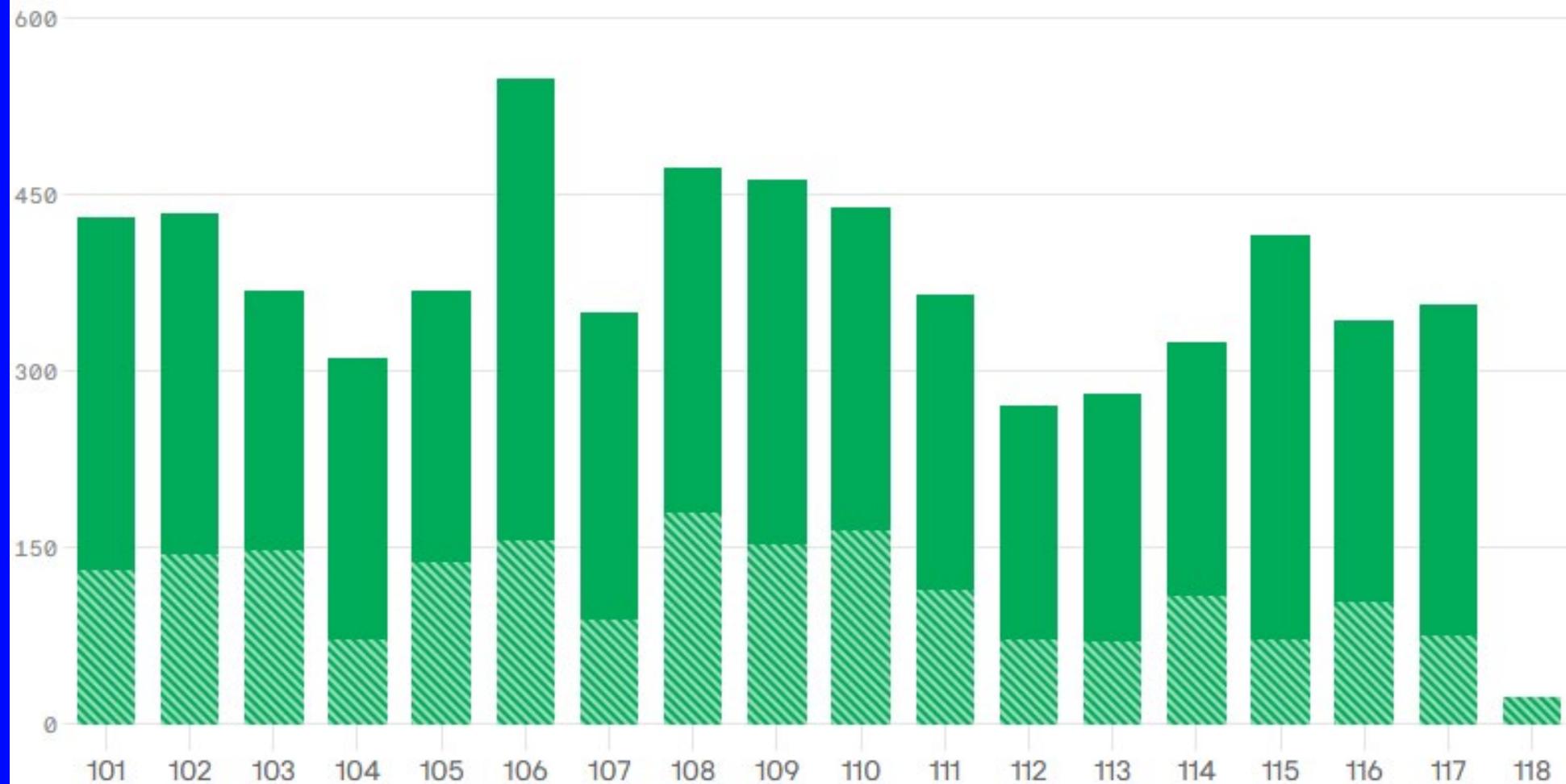
Fragile Systems **AMPLIFY** those same negative effects



# Bills enacted, by congressional session

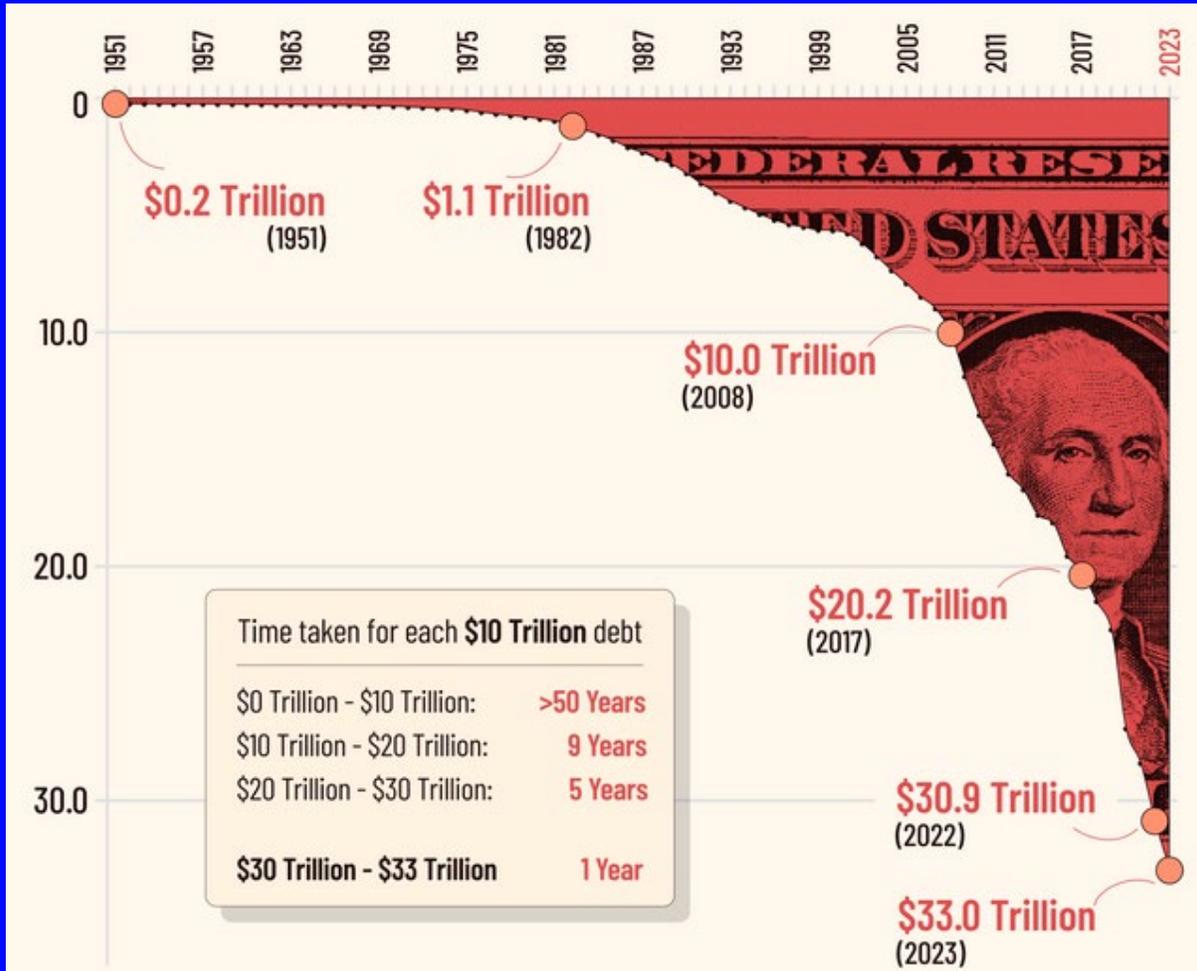
101st Congress (1989) to 118th Congress (2023); As of Dec. 18, 2023

Enacted in first year of two-year session



Data: Quorum; Chart: Simran Parwani/Axios

# Drowning in Debt



US National Debt is a record \$34 Trillion – more than the value of China, Japan, Germany, India and the UK’s economies COMBINED.

# Follow the Money!



- Hospital spending hit \$1.4 Trillion in 2022, a 30% share of total US health care spend.
- Spending for physician and clinical services reached \$884.9 billion, or 20% of total health care spending in 2022.

# Medicare Significantly Underpays Hospitals for Cost of Patient Care – AHA Infographic, January 2024

## Low Payment Levels Threaten Access to Care



Hospitals received payment of only

**82 cents** for every dollar spent by hospitals caring for Medicare patients in 2022.



**67%** of hospitals had negative Medicare margins in 2022.



In 2022, Medicare underpayments totaled

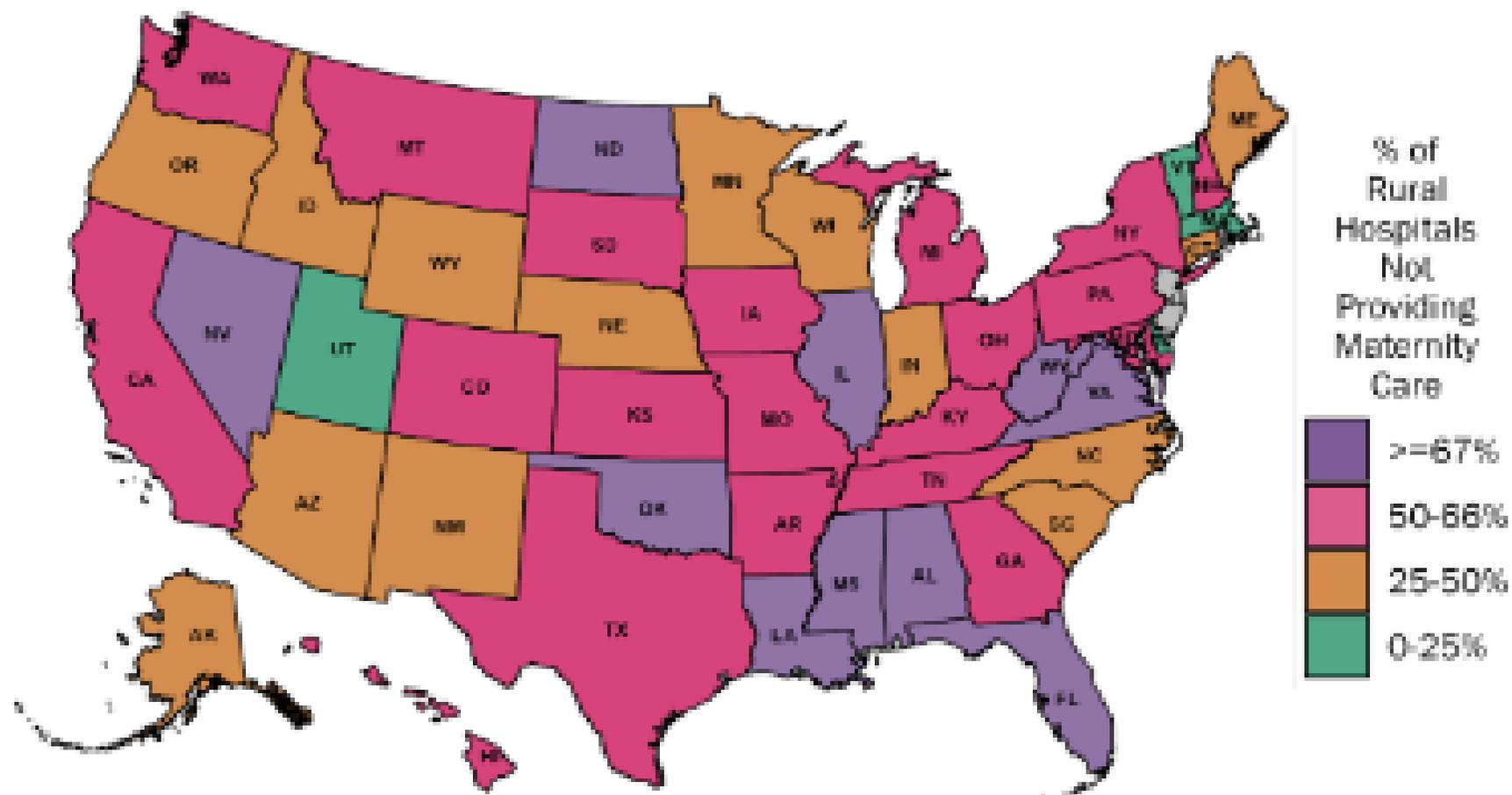
**\$99.2 billion.**

# Most Rural Hospitals No Longer Deliver Babies –

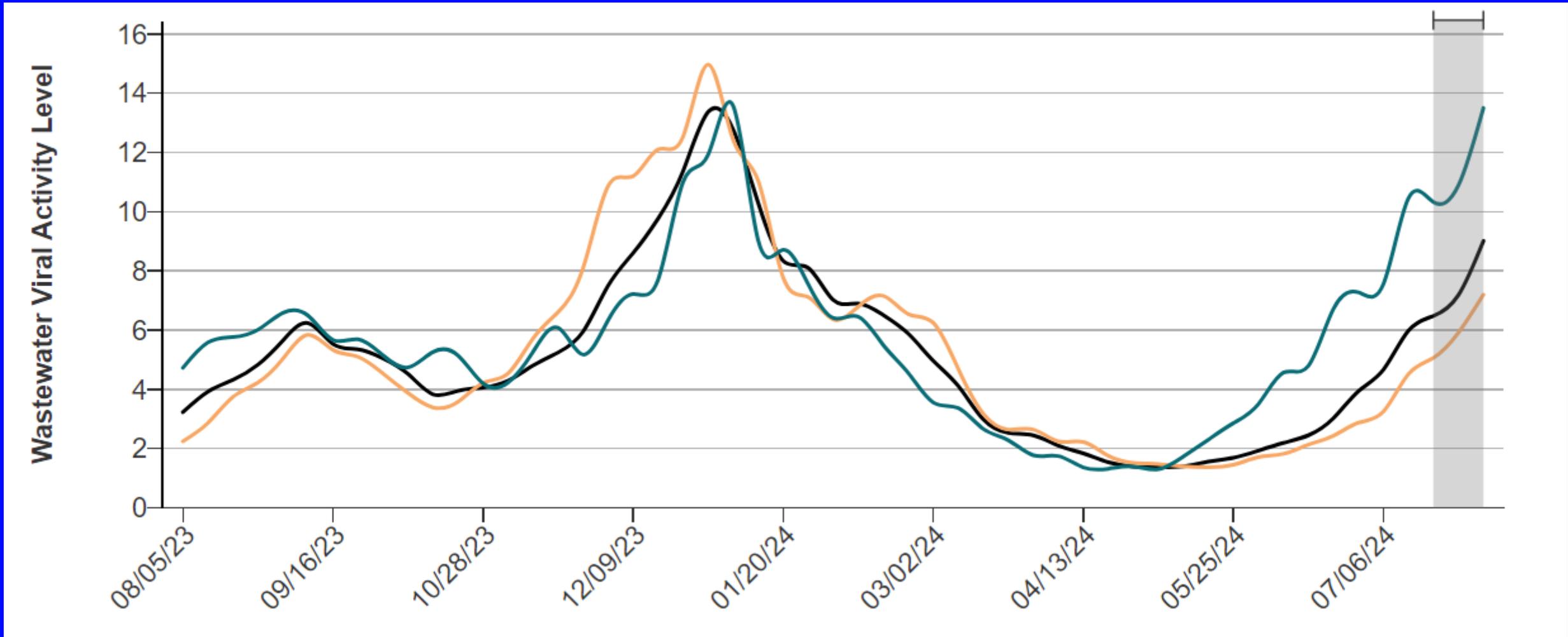
Center for Healthcare Quality & Payment Reform, January 2024

- 55% of US Rural Hospitals do not offer Labor and Delivery Services
- Since 2014 more than 200 Rural Hospitals have stopped delivering babies
- In 10 States, more than 66%, or two-thirds of Rural Hospitals , do not offer Labor and Delivery Services

# Proportion of Rural Hospitals Without Labor and Delivery Services



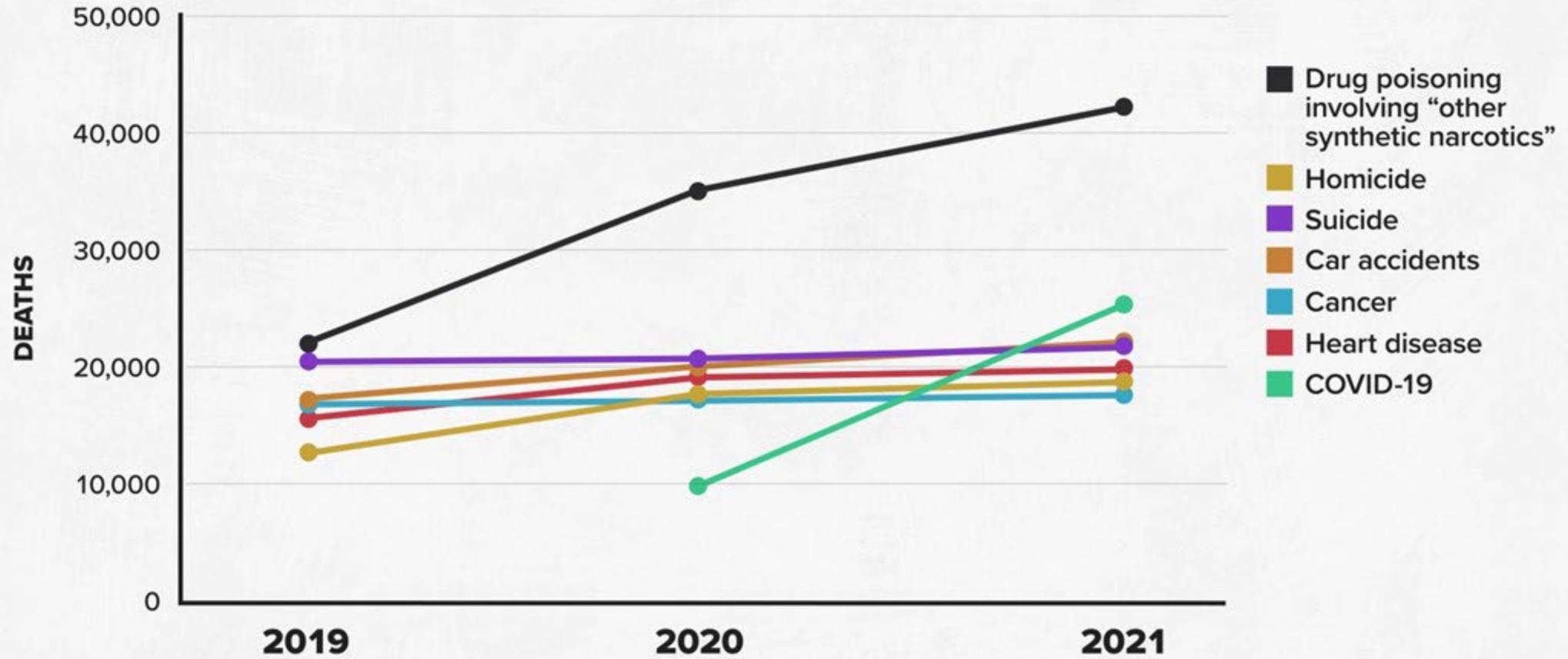
# Summer 2024 Covid Wave Spreads across the U.S.



Source: CDC National Wastewater Surveillance System (NWSS)  
<https://www.cdc.gov/nwss/rv/COVID19-nationaltrend.html>

# LEADING CAUSES OF DEATH AMONG U.S. ADULTS AGED 18-45

Source: CDC



# The shrinking number of primary-care physicians is reaching a tipping point

Elisabeth Rosenthal Washington Post, September 5, 2023

The percentage of U.S. doctors in adult primary care has been declining for years and is now about 25 percent — a tipping point beyond which many Americans won't be able to find a family doctor at all.

In the early 1930s, 87% of private practice physicians were in general care; by the early 1960s, this percentage had dropped to 50%

In 1980, 62 percent of doctor's visits for adults over 65 were for primary care and 38 percent were for specialists, according to Michael L. Barnett, a health systems researcher and primary-care doctor in the Harvard Medical School system. By 2013, that ratio had exactly flipped and has likely “only gotten worse,” he said, noting sadly, “We have a specialty-driven system. Primary care is seen as a thankless, undesirable backwater.”

<https://www.washingtonpost.com/opinions/2023/09/05/lack-primary-care-tipping-point/>

<https://www.kevinmd.com/2022/12/the-demise-of-primary-care-in-america.html>

# Optum now has 90,000 physicians

Becker's Hospital Review, November 29, 2023

Optum added nearly 20,000 physicians in 2023, Optum Health CEO Amar Desai, MD, said.

Optum has nearly 90,000 employed or affiliated physicians and another 40,000 advanced practice clinicians serving tens of millions of people.

Optum reported 70,000 employed or affiliated physicians across more than 2,200 facilities at the end of 2022. The UnitedHealth Group subsidiary is the largest employer of physicians in the United States.

# Care Denied: The Dirty Secret Behind Medicare Advantage

The Lever  
June 28, 2023



“These care denials are helping to drive record insurer profits...and are threatening the foundational premise of the government’s health care safety net for seniors and people with disabilities: that people in Medicare should get the care that is recommended by a doctor.”

WINNER OF THE 2022 PULITZER PRIZE FOR LOCAL REPORTING

# Chicago Tribune



QUESTIONS? CALL 1-800-TRIBUNE

SATURDAY, JUNE 10, 2023

BREAKING NEWS AT CHICAGOTRIBUNE.COM

## Area hospitals ration cancer drugs amid national shortage

*“If the shortages continue we expect to see worse outcomes, longer durations of treatment, worse side effects, likely increased risk of cancer recurrence and even death.”*

*— Dr. Urjeet Patel, interim medical director of the cancer center at Cook County Health*

Cancer drug shortages should have patients rioting  
in the streets.

STAT

June 19, 2023



“Cancer patients are facing an alarming shortage of critical chemotherapy drugs, forcing oncologists to ration cancer treatment doses for patients with *curable* diseases.”

“The causes...are systemic with no silver bullet solution to address them.”

Beyfortus, the new, highly effective treatment to prevent RSV among infants, has been very difficult to access. – Jan 15, 2024

“It’s really sad,” said Anita Patel, a critical care specialist at Children’s national hospital and an associate professor of pediatrics at the George Washington University school of medicine. “There was a dramatically reduced supply of Beyfortus, and a lot of people that needed it and wanted it couldn’t get it.”



# Clinicians ration penicillin amid syphilis surge –

Becker's Hospital Review February 1, 2024

Bicillin L-A is the only safe syphilis treatment for pregnant patients. Congenital syphilis can cause miscarriage, stillbirth, prematurity and infant death shortly after birth, according to the CDC. Babies born with congenital syphilis are also susceptible to deformed bones, severe anemia, brain and nerve problems, and meningitis. An oral antibiotic, doxycycline, is also used to treat syphilis, but it too can cause bone and teeth deformities in newborns.

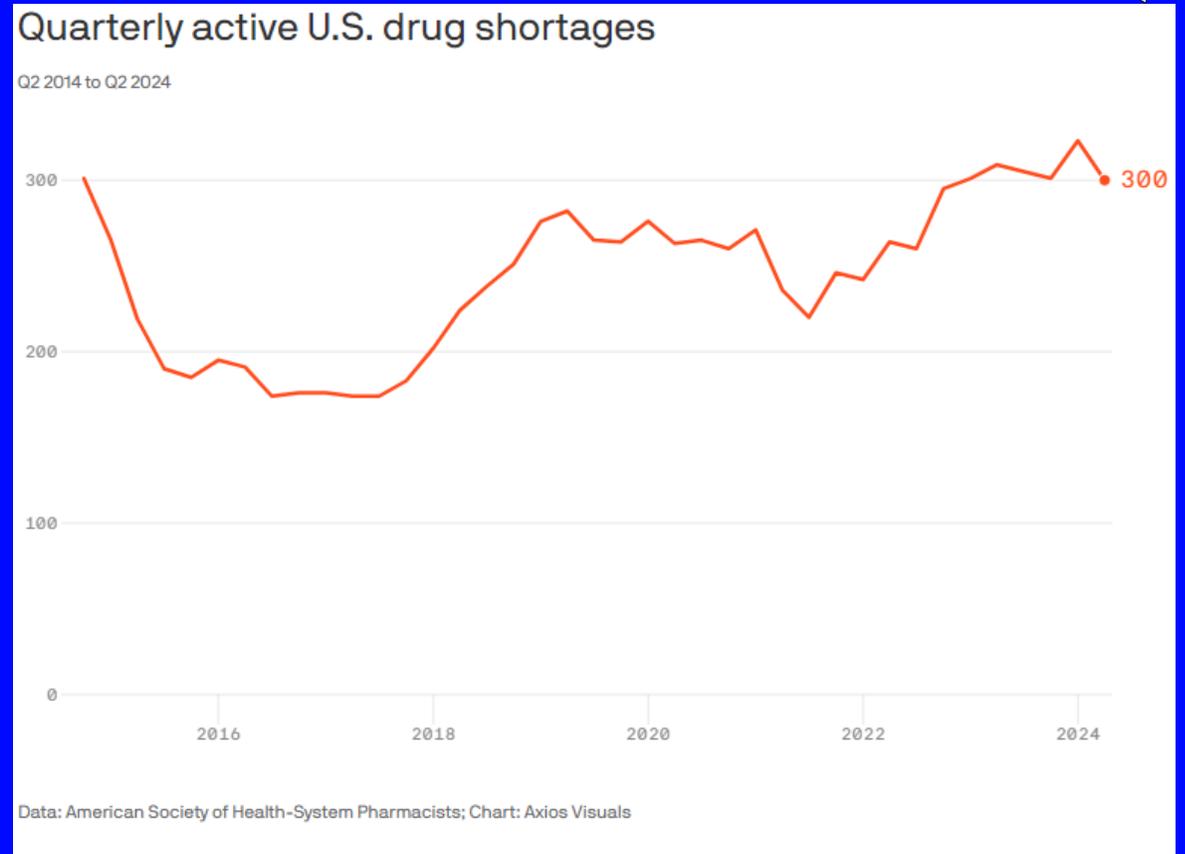
In 2022, about 3,700 syphilis cases were reported to the CDC — a tenfold increase from 2012, which noted 335 cases. Between 2018 and 2022, the number of cases in babies grew 183%.

# Six Straight Quarters of Drug Shortages

Axios July 22, 2024



The number of active drug shortages fell to 300 in the second quarter of this year after hitting an all-time high of 323, according to a tracker from the American Society of Health-System Pharmacists.



## TOP NEWS

### CDC Issues advisory on critical shortage of blood culture bottles.

The Centers for Disease Control and Prevention has issued an advisory alerting health care providers, laboratory professionals and others in health care settings of a critical shortage of Becton Dickinson BACTEC blood culture bottles. The shortage could lead to significant disruptions in patient care, including diagnosis delays or make the management of patients with infectious diseases more difficult, according to CDC. The agency is recommending laboratory professionals and clinical leaders in health care facilities that are affected implement plans for conserving available supply and develop options to mitigate the impact on patient care.

INSIDE NATION & WORLD • ARTS & LIVING • HOMES

Chicago Tribune

# BUSINESS

## In Helene's wake, an IV shortage

Hospitals scramble after Deerfield-based fluids manufacturer's largest plant hit by hurricane

By Lisa Schencker

or address electrolyte imbalances.

Joe Almeida said in a statement Wednesday.

The plant's closure has sparked concern from hospital and health care leaders across the country.

patients from IV to oral medication and oral hydration as appropriate."

Neither Northwestern nor Sinai Chicago have had to cancel any procedures because of the IV fluids

should be responsible for such a large proportion of fundamental medical supplies on which the health of our nation depends."

The president and CEO of the

“Hospitals and health providers are now canceling elective surgeries...and canceling organ transplants. No single entity should be responsible for such a large proportion of fundamental medical supplies on which the health of our nation depends. —

Senator Amy Klobuchar letter to the head of US  
Department of Health and Human Services.

“(Hospitals) are already reporting substantial shortages of these lifesaving and life-supporting products. Patients across America are already feeling this impact which will only deepen in the coming days and weeks unless much more is done to alleviate the situation and minimize the impact on patient care” Rick Pollack, letter to President Biden October 8, 2024.

# Systems delaying surgeries amid the IV shortage

Becker's Hospital Review, October 11, 2024

More than 80% of healthcare organizations across the nation are facing shortages after Hurricane Helene disrupted operations at Baxter's plant in South Carolina... Baxter is working with federal officials to quickly ramp up supplies and expects to regain full capacity by the end of the year. In the meantime, hospitals are deploying various mitigation strategies to conserve IV inventory, including canceling or rescheduling surgeries.



J.P Morgan Healthcare Conference week, ended Jan. 11, 2024

**Obesity treatments** like GLP-1s, the new class of weight-loss drugs that Ozempic belongs to, are seen by drugmakers as having massive potential.

If it turns out that they can reduce the risk of strokes, heart attacks, kidney disease or a host of other conditions, it would make the class the closest thing to a silver bullet the health care world has seen in a long time, if not ever.

Axios, Jan. 12, 2024

---

**S&P Global**

Ratings

RatingsDirect®

# **Historical Peak Of Negative Outlooks Signals Challenges Remain For U.S. Not-for-Profit Acute Health Care Providers**

December 6, 2023

# Fitch Ratings: Deteriorating Outlook

- Volumes are back, but it is the wrong kind of volume.
- Highest ratio of Downgrades to Upgrades since Great Recession of 2008/09:  
*3:1 in 2023, projecting 2:1 at best in 2024*
- 4 out of 5 Multi-Notch Downgrades were under \$500 Million in Revenue.

# Hospital Downgrades keep outpacing upgrades: S&P August 12, 2024

- In 2023, ratio of downgrades to upgrades was 3.8 to 1.
- From Jan – June 2024, ratio is 3.0 to 1.
- 88% of the downgrades were in the “A” or lower category

# Defaults loom among cash-strapped providers, report shows – Modern Healthcare Daily Finance January 31, 2024



More than half of healthcare chief financial officers surveyed said their organizations violated bond or loan covenants in 2023.

# FTC Releases Interim Staff Report on Prescription Drug Middlemen

Report details how prescription drug middleman profit at the  
expense of patients by inflating drug costs and squeezing  
Main Street pharmacies

July 9, 2024

[https://www.ftc.gov/news-events/news/press-releases/2024/07/ftc-releases-interim-staff-report-prescription-drug-middlemen?mkt\\_tok=NzEwLVpMTC02NTEAAAGUOEv3JwN4251C8ebj95K\\_cWvk2iU3KkrcNGPpqaA02wydjL0p3OqDXOI5oV\\_pDGPNXEIlhQu6ptfzgbpR5V0WoxLBzaEqZ10djEYxUXri8seXE1g](https://www.ftc.gov/news-events/news/press-releases/2024/07/ftc-releases-interim-staff-report-prescription-drug-middlemen?mkt_tok=NzEwLVpMTC02NTEAAAGUOEv3JwN4251C8ebj95K_cWvk2iU3KkrcNGPpqaA02wydjL0p3OqDXOI5oV_pDGPNXEIlhQu6ptfzgbpR5V0WoxLBzaEqZ10djEYxUXri8seXE1g)

## **Concentration and vertical integration:**

The PBM market has become highly concentrated, and the largest PBMs are now also vertically integrated with the nation's largest health insurers and specialty and retail pharmacies.

The top three PBMs processed nearly 80 percent of the approximately 6.6 billion prescriptions dispensed by U.S. pharmacies in 2023, while the top six PBMs processed more than 90 percent.

Pharmacies affiliated with the three largest PBMs now account for nearly 70 percent of all specialty drug revenue.

# CrowdStrike Warns of Hacking Threat as

## Outage Persists – WSJ July 24, 2024

The outage affected healthcare organizations across the country in different ways. Some postponed all or most procedures, while others reported minor disruptions. There were many reports of clinicians going back to pen and paper because they couldn't gain access to the EHRs. –

HealthLeaders Media, July 23, 2024.

# How Friday's CrowdStrike outage impacted healthcare providers

Advisory Board Daily Briefing, July 22, 2024

the outage is an example of the interconnectivity of technological systems around the world. "the world is too far down the interconnectivity train to completely pull it back, but I think more organizations might give consideration to handling and managing certain aspects in house."

The outage is "going to continue to raise issues for systems or businesses wholly dependent on Microsoft — **this issue of concentration risk**," said Michael Daniel, former White House cybersecurity coordinator and current head of the **Cyber Threat Alliance**. "**How do you balance the benefits of having everybody on the same operating system with the concentration risk that poses?**"

# Change Healthcare outage leaves physician practices reeling –

AMA Practice Management April 25, 2024

According to the survey, 80% of respondents reported lost revenue from unpaid claims; 85% have had to commit additional staff time and resources to complete revenue cycle tasks; and 51% have lost revenue from the inability to charge patient co-pays or remaining obligations.

The result is that 55% of respondents had to use personal funds to cover practice expenses, 44% were unable to purchase supplies, and 31% were unable to make payroll. However, even against that backdrop of remarkable challenges, only 15% of practices have reduced hours.

# Will the Change Healthcare Incident Change Health Care?

Jeff Goldsmith, Health Affairs, March 15, 2024

Change Healthcare processes well more than a third of all medical and pharmaceutical transactions in the US, 15 billion a year, with a dollar value of *\$1.5 trillion a year.*

# Will the Change Healthcare Incident Change Health Care?

Jeff Goldsmith, Health Affairs, March 15, 2024

“The concentration of ownership of health care payment infrastructure in the hands of a single company poses a significant threat to the financial viability of the US health care system and requires a policy response. It does not make national security sense for more than 5 percent of US GDP to flow through a single company’s pipes. No provider of administrative services to health plans or care systems should be permitted to control a third of total US health care payments. Assuring the stability and safety of this payment infrastructure is a legitimate and substantial policy challenge.”

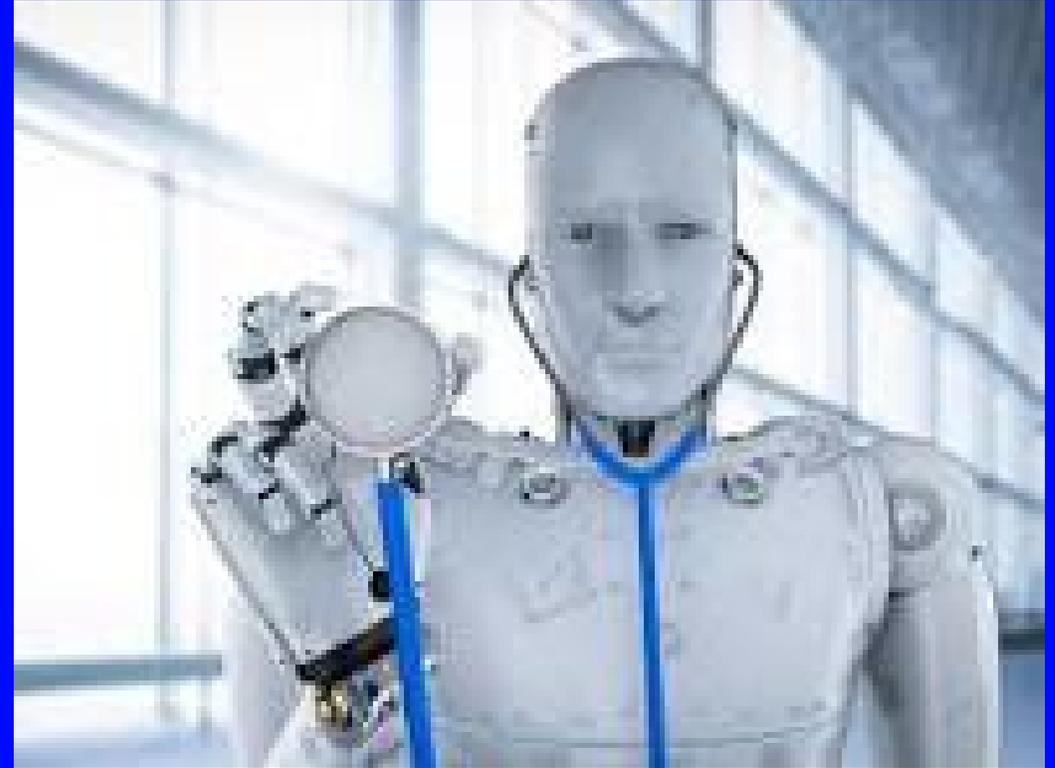
A Workforce Problem

or

A WORK problem?



“AI Won’t Replace doctors,  
but doctors who use AI  
will replace  
doctors who don’t”



Karen DeSalvo, Google’ chief health officer in an  
interview with the Washington Post.

Quoted in September 28, 2023, issue of The Strategist,  
The Health Management Academy.

The Quality of Governance that was  
Sufficient to Get your Hospital or System  
where it is Today will be Insufficient to Get  
It Where It Needs to be Tomorrow





*“It’s an amazing coincidence, isn’t it,  
that we all served on the same board?”*



# GOVERNANCE MOVES TO THE FRONT PAGE!!



# Hospital Boards are Not Prepared for the Future

May 15, 2023

“Most hospital boards of directors, especially not-for-profit organizations, are not prepared to calibrate the pace of these changes nor active in developing scenario possibilities for their future.”



# Board members are burned out and it's becoming a 'recipe for disaster'

- **Fortune** Newsletters December 12, 2023



## Turnover makes its way to boards-

Becker's Hospital Review January 10, 2024.

“The end of the year brought an exodus of board members from several hospitals. While each situation involves varying factors, they all come at a time when governing bodies are increasingly feeling burnout and the strain involved in their responsibilities.”

[https://www.beckershospitalreview.com/hospital-management-administration/turnover-makes-its-way-to-boards.html?origin=CEO&utm\\_source=CEO&utm\\_medium=email&utm\\_content=newsletter&oly\\_enc\\_id=1350G1923223J0F](https://www.beckershospitalreview.com/hospital-management-administration/turnover-makes-its-way-to-boards.html?origin=CEO&utm_source=CEO&utm_medium=email&utm_content=newsletter&oly_enc_id=1350G1923223J0F)  
<https://fortune.com/2023/12/12/board-member-burnout-how-to-fix/>



**Mocking profits:** Greenpeace activists dressed as board members hold a mock-profits party behind a burning “Your Future” sign at a protest Thursday outside Shell’s headquarters in London. The company released its annual results for 2023, saying its post-tax earnings fell 29%, to \$28.3 billion, from the prior year’s all-time high of \$40 billion. **HENRY NICHOLLS/GETTY-AFP**

# Amid calls to resign, Penny Pritzker aims to keep her Harvard post —Crains Chicago Business January 4, 2024



## Rebuffing Calls to Resign, Penny Pritzker '81 Will Stay in Top Harvard Corporation Post — The Crimson, January 3, 2024

[https://www.chicagobusiness.com/education/penny-pritzker-pledges-keep-harvard-post-despite-ackman-pressure?utm\\_source=morning-10&utm\\_medium=email&utm\\_campaign=20240103&utm\\_content=article4-readmore](https://www.chicagobusiness.com/education/penny-pritzker-pledges-keep-harvard-post-despite-ackman-pressure?utm_source=morning-10&utm_medium=email&utm_campaign=20240103&utm_content=article4-readmore)  
<https://www.thecrimson.com/article/2024/1/4/pritzker-remains-senior-fellow/>



**Par Ridder**  
General Manager

**Mitch Pugh**  
Executive Editor

**Chris Jones**, Editorial Page Editor

# Chicago Tribune

*Founded June 10, 1847*

**Phil Jurik**, Managing Editor

DIRECTORS OF CONTENT

**Amanda Kaschube**, Sports and Audience  
**Todd Panagopoulos**, Visuals

## EDITORIALS

# **Bravo, Cook County Health Foundation directors. This is how an effective board operates.**

In addition to the welfare and health of (the) organization, what is at stake when things go off the rails is the reputation of each board member. When directors take a hands-off approach or look the other way because they don't want to make waves or due to personal relationships, they often unwittingly put their hard-won reputations at risk.

This is a board that has done precisely the opposite. By acting as engaged caretakers for the institution, these directors only have burnished their reputation.

# KEY GOVERNANCE PRINCIPLES For ALL BOARDS :

1. Competency-Based Board Composition.

**Expertise vs. Literacy**

2. Board Member Performance Evaluation.

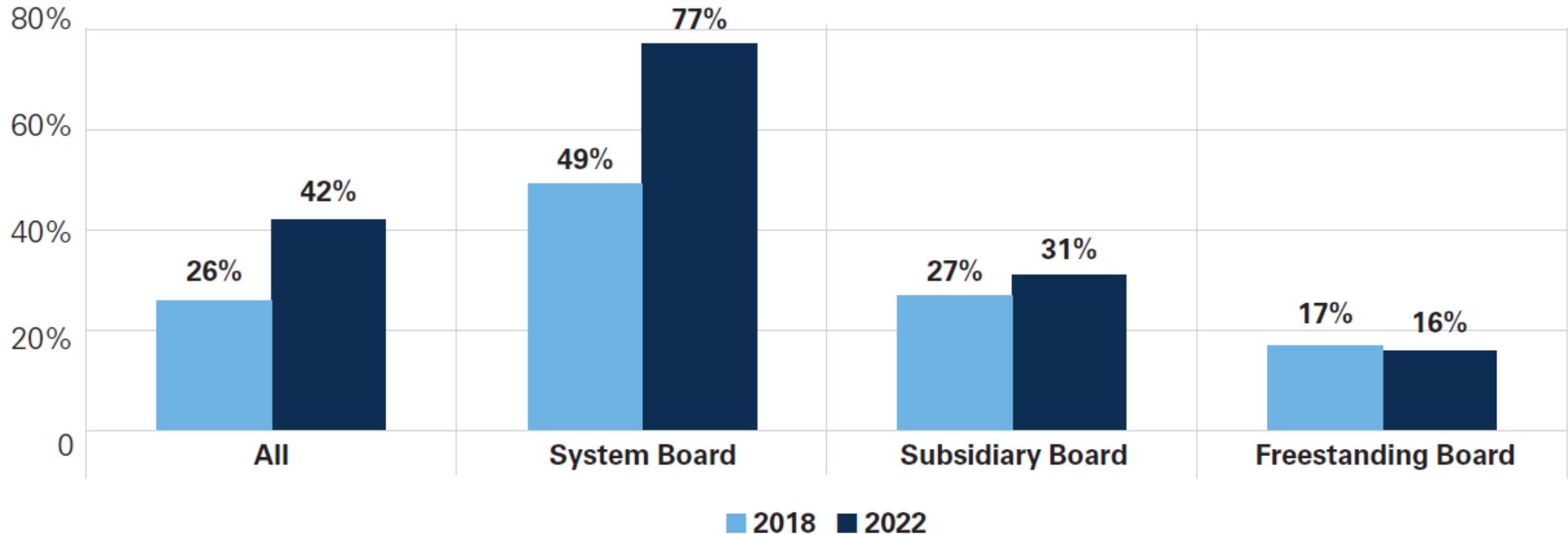
3. Outside Members!

4. A Clear Leadership Focus. The purpose of Governance is to LEAD, NOT TO REPRESENT Constituencies and Stakeholders.

5. Diversity on the Board – Includes Age Diversity!!

## Figure 2.7 Outside Board Members

Does your board include members from outside your organization's service area who are not representatives of sponsoring organizations or other system entities?



Signs A New Model of  
Governance is Emerging!

# Implicit Components of the Traditional Model

- Community based governance
- Voluntary (uncompensated) trustees
- Minimal-to-manageable time commitments
- Lack of standardized or mandatory training

# Implicit Components of the Traditional Model

- Diffuse and variable accountability of both boards and their members
- Long tenured board members and leaders
- A tolerance for conflicts of interest on the board in service of community relationships
- Large Boards

Board Compensation  
DOUBLED since 2018!  
Especially in System Boards.

The Overall Percentage of Boards that Compensate Their Members was 27% in 2022, Compared to 13% in 2018, and 10% in 2014.

56% of System Boards Compensated their Board Members in 2022.

# Radical Governance – The New Model

- Compensate Board Members, Professionalize Governance
- Individual Board Member Performance Evaluation: Good Standing (eligible for compensation); Removal mid-term; non-renewal of term. **AGGRESSIVE BOARD COMPOSITION!**
- Re-Think term limits, Renewal is **NOT AUTOMATIC!**
- Upgrade Board Chair role, succession planning (deep bench), evaluation (job description), term limits, differential compensation,
- Mandatory Continuing Governance Education
- Outside Board Members
- Heavy Expertise in Health Care on the Board (50% of total board composition)

# Radical Governance – The New Model

- Adopt Director Distraction Rules – Assess and LIMIT the number of other boards that can be concurrently served on by your board members. Require Primary Governance Commitment to your board
- Three Part Executive Session at Every Board Meeting
- Post Board Meeting Evaluation
- Build an Intentional Board Culture (Ceiling and Floor) of Performance and Accountability

# The Power of Culture

“So if following good-governance regulatory recipes doesn’t produce good boards, what does? **The key isn’t structural, it’s social.** The most involved, diligent, value adding boards may or may not follow every recommendation in the good-governance handbook. **What distinguishes exemplary boards is that they are robust, effective social systems.”**

# Effective Boards Consciously Create A Culture of Performance and Accountability.

- Create a Desired Future State of Governance – A Governance Vision Statement
- Have the Ability and Willingness to Remove Board Members Who Behave Inappropriately/are Toxic

## Balance the power structure

A core principle of effective governance is that the authority of the board derives from the group as a whole. If a single committee or individual is vested with too many powers of the system board, effective governance is usually severely compromised. Power Functions of the Board are explicitly identified; Key Power Functions are assigned to the Full Board; and the remaining ones are distributed among various Board Committees.

# CHALLENGE of LEADERSHIP

IN A STABLE  
ENVIRONMENT

KEEP THINGS THE SAME,  
INCREMENTAL  
IMPROVMENT

IN A  
**REVOLUTIONARY**  
ENVIRONMENT

“THE JOB OF  
LEADERSHIP IS TO  
RE-DEFINE  
REALITY”

Max DePree Leadership is an Art

# LEADERSHIP

A black silhouette of a leader in a suit pointing forward, with a smaller silhouette of a follower in a graduation cap following behind. The background is a dark blue gradient.

**A leader is a person or group that people will follow to places where they would not otherwise go by themselves.**

# GOVERNANCE AS LEADERSHIP – Richard Chait -Harvard

1. Fiduciary Governance
2. Strategic Governance
3. Generative Governance

# Modes of Governance

***Fiduciary.*** Stewardship of tangible assets. Oversee operations; deploy resources wisely; ensure legal and financial integrity; monitor results.

***Strategic.*** Partner with senior staff to scan internal & external environments; design & modify strategic plans; strengthen comparative advantage.

***Generative.*** Source of leadership to discern, frame, and confront challenges rooted in values, traditions, and beliefs; engage in sense-making, meaning-making, and problem framing.

## Chait: Three Levels of Governance

**Fiduciary** – the board exercises its legally required responsibilities of oversight, compliance, stewardship

**Strategic** – acts on management recommendations regarding big decisions on resources, services, and programs.

**Generative** – the board engages in deep inquiry, asking the “question behind the question” – root causes, generating alternatives and new ideas.

# FIDUCIARY GOVERNANCE

- Protect Assets
- Meet Regulatory Requirements
- Assure Resources Used in Pursuit of Mission

Dot those “i’s” and cross the “t’s”!

# STRATEGIC GOVERNANCE

Guide the Organization From the Present to a Known Future.

- Often Incremental
- Always Logical
- Goal Based.

Much Time Spent on Getting Everyone on the Same Page – Strategic Planning Retreats.

# GENERATIVE GOVERNANCE

Re-Define The Future

Ask the Questions BEHIND The Questions

Re-Shape the Thinking in the Other Two Modes

Look For Cues and Clues

Often Non-Linear

Usually Disruptive to the Organization

# Generative Thinking

- Makes sense of circumstances.
- Invites prior questions, alternative hypotheses.
- Puts perceived problems/opportunities in new light.
- Finds and frames new problems and opportunities.
- Concerns values, beliefs, and assumptions.
- Spawns policy, strategy, and decisions.

# Core Concepts

- Emphasize **modes**, not tasks, of governance.
- Think and work in three different modes.
- All three serve important purposes.
- Value added increases as board:
  - Becomes more proficient in more modes;
  - Does more work in Generative mode;
  - Chooses appropriate mode(s) of work.

The Quality of Governance that was  
Sufficient to Get your Hospital or System  
where it is Today will be Insufficient to Get  
It Where It Needs to be Tomorrow

