EXECUTIVE SUMMARY

The CHA Board authorized the creation of a special taskforce to analyze the state and federal landscapes, and prepare recommendations for policies, services, programs and strategies that will assist hospitals in transforming for the future.

The Transforming for Tomorrow Task Force provided recommendations for CHA’s public policy development and served as a think tank to develop transitional strategies for hospitals. Deloitte Consulting LLP assisted CHA and the Task Force in developing these strategies in the context of California’s unique fiscal and regulatory environment.

Several meetings of the Task Force have been held, including meetings where the members reviewed results from a fact-base, with a focus on exposure to drivers of change and readiness for change, in an effort to assess hospitals’ vulnerabilities and positioning for the future. The ongoing analyses and the final report have been provided to all member hospitals and are available on the CHA website under Health Care Reform.

The five-month intensive effort concluded in June with the following goals:

1. Collect and analyze pertinent data and information on health care financing and delivery – past, present and future.
2. Identify broad as well as specific trends for health care financing and delivery through 2020.
3. Develop options for California hospitals to consider in their planning for the future, including transformation strategies and recommended actions.
4. Prepare report and recommendations for hospitals to pursue as they transform for tomorrow.
5. Develop actions for consideration by CHA (legislation, regulations, etc.).

Approach

In late February, the Transforming for Tomorrow Task Force adopted a three phase approach to assess the environment, identify transformational strategies for California hospitals, and develop consensus on recommendations to be adopted by CHA’s Board.

Phase one focused on identifying and prioritizing strategic issues facing CHA members. Through stakeholder interviews, the Task Force team developed a strategic fact-base that included
demographics, population health needs, relative financial/operational health of hospitals, and determined the level of integration in key markets throughout the state. Through this exercise, the Task Force was able to establish the strategic position of hospitals – both currently and looking forward. This perspective gave the task force the ability to isolate and prioritize the necessary strategic actions for all hospitals.

In Phase two, the Task Force began to formulate core strategies by identifying and testing potential solutions against market changing scenarios. The Task Force evaluated applicable industry leading practices and market trends and identified a set of “strategic destinations” for California hospitals to consider. From these strategic destinations, the Task Force began to frame potential strategies and actions for implementation by hospitals and CHA.

The third phase focused on preparing the report findings and refined the details of actions and strategies for hospitals. The final report preparation includes a combination of research, data, capability gap analysis and other tools to help hospitals select the best strategic destination and plan accordingly.

**Fact Base Conclusions**

The imperative for transformation was grounded in the key conclusions from the analysis of the fact-base. While California hospitals have built a reputation for being on the leading edge of care and innovation, demographic and coverage shifts as well as forecasted changes in the reimbursement and labor markets will challenge hospitals as they transform for tomorrow.

Demographic trends and coverage shifts will require hospitals to reinvent their care model to address primary care supply, revenue and cost management, and the evolving health needs of an aging population, and the imperative to transition from “providing care” to “managing care” and “population health”. Scale is important but integration will be critical in driving revenue and cost management to support sustainable margins at significantly reduced levels of reimbursement. California’s high proportion of small business and legislative action likely will increase the impact of the California Health Benefit Exchange, which will be a key driver of financial risk and influences of markets. While California hospitals show early signs of readiness for the future, some face significant near-term challenges for sustainability.

In response to these conclusions, the Task Force developed a framework for action that includes core strategies, destination strategies and contingent strategies. The core strategies are the “table stakes” for all organizations to pursue in order to succeed in a future environment in which value is more important than volume. The destination strategies represent a set of template strategies that a hospital/system could choose, based on its readiness, exposure and core capabilities. Contingent strategies are responsiveness to various scenarios in the California environment that could affect the criteria for success of a given strategy. Supporting the framework for action are opportunities for CHA and the Regional Associations to play a leadership role in preparing hospitals for transformation.

**Transformation Roadmap**

The Transformation Roadmap toolkit includes a number of resources for hospitals to use to assist them in identifying a destination for the future and designing a tailored approach to achieve a strategic destination. The roadmap is intended to provide a framework that hospital and
management teams can use to stimulate productive discussion with a Board on strategic direction and value proposition. New resources will allow hospitals to identify the key considerations related to defining a strategy and improving their decision making.

A number of core strategies were developing that the Task Force believes all hospitals should ensure they have plans to address these “tablestakes” necessary to compete in the future. In determining a strategic destination, hospitals will be equipped with resources to help them assess their environment by understanding challenges and opportunities for differentiation to help define their future value proposition. Other tools will allow hospitals to consider each destination’s unique characteristics and identify key gaps in capabilities and culture to achieve a strategic fit.

**Roll-Out and Communication**

Completing the Transforming for Tomorrow report is an important first step. Activities must be planned and materials must be prepared to encourage use of the Task Force tools. A plan to communicate to hospitals will include:

- Webinar Series – including an overview and insights from the fact base and more thorough reviews in selected areas of strategy development.
- Transformation Manual – printed reference material that includes the full report, fact-base, framework for action, the transformation roadmap and available tools to assist hospitals.
- Electronic Distribution – hospital-specific information from the fact-base including county demographic data and performance statistics.
- In-person meetings – through committees, section and area meetings, policy centers and other targeted group meetings.

The information and materials will also be disseminated through section/region meetings where it is anticipated that members of the Task Force can serve as “champions” and share insights and information of the Transforming for Tomorrow process.