



35TH ANNUAL **AHA RURAL  
HEALTH CARE  
LEADERSHIP  
CONFERENCE**

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ARIZONA GRAND RESORT & SPA

# Out-of-the-Box Consumer Rural Health Innovation:

## Responding to the Needs of Consumers with New Services and Technologies



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William Streck, MD, CMO



# Agenda

- Introductions
- Intractable problems
- Hypotheses
- The Innovation Imperative



# Our bona fides

- Strategic and business planning for boards facing a transformation imperative
- In depth market analysis for hospitals and health systems
- Market development for risk-bearing MA/MCO agreements in multiple markets
- Market development and ongoing strategic marketing support for several HIT and MedTech firms
- Working with non-natives to enter the market – the “insurgents”



# Rural Health Innovation

## Market Needs

### Health challenges

Aging populations // Chronic disease exacerbation – Alzheimer’s, Diabetes, CHF, Obesity // Cost of care

### Translating global response into local action

Leveraging tools to address rural health

### Expanded technology and services

Cost-effective innovation that drives access, engagement and productivity

## Best Solutions

### Technology for lower-cost outcomes

Right size for right outcomes

### Automation enabled by HIT

Empower clinicians through decision support, productivity tools and financing

### Rural focus for the underserved

Full health essentials to address SDoH needs

### Consumer-driven health

More innovations and creativity outside hospital (homes, retail, partners)  
Consumer awareness, engagement and motivation

# Intractable problems



Demographic



Economic



Technologic



Social





# Some interesting data points



**\$470**  
billion

estimate of the annual uncompensated caregiver burden



**50%**

MA penetration by 2026



**6%**

total health system spending paid to primary care physicians



**40%**

US workforce that will operate as independent contractors by 2026



**0**

number of situations I know of where hospital consolidations resulted in lower prices or more access for consumers

# New smart health economy landscape

## Why is the Hospital Business Model in Peril?



**\$54**  
billion

lost hospital net income

*Expenses continue to escalate as hospitals care for sicker patients*



**25%**

US patient projected volume increase for ambulatory surgery centers



**15%**

Increased hospital expenses in 2021

*Compared to pre-pandemic levels*



Consumers prefer outpatient settings due to their greater convenience and lower out-of-pocket costs



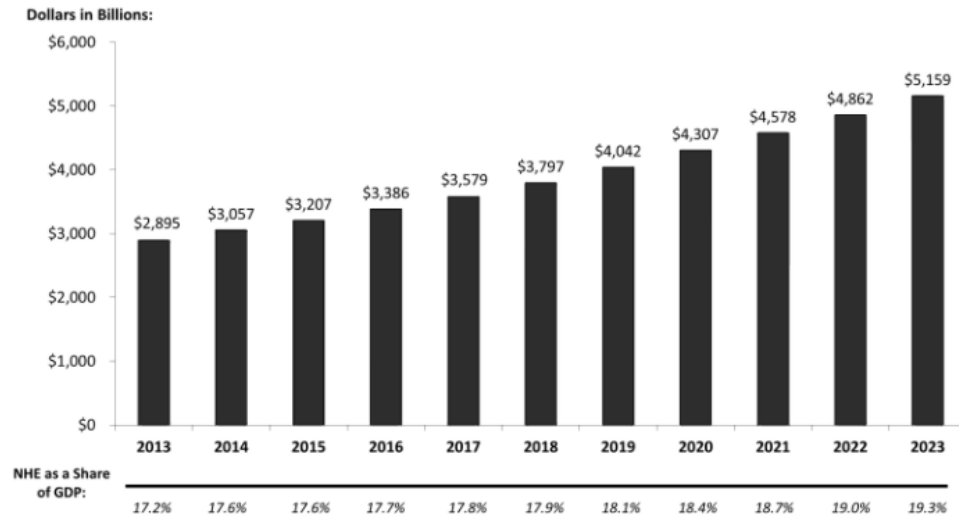
**7 in 10**

Americans think their household pays too much for the quality of healthcare received



# Cost of Care Impacts

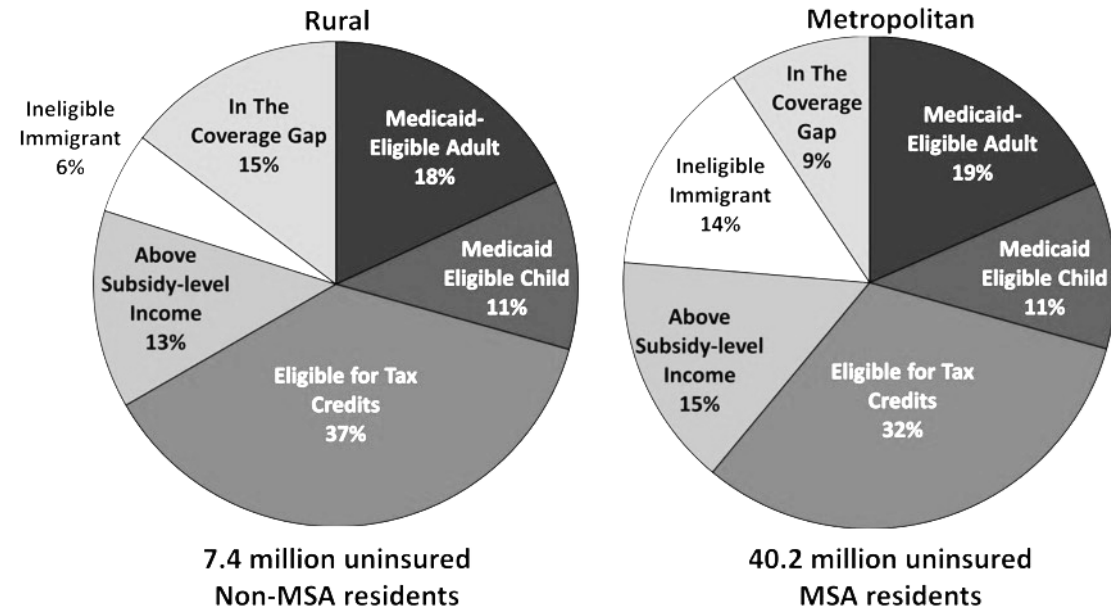
## Projections of National Health Expenditures and Their Share of Gross Domestic Product, 2013-2023



Kaiser Family Foundation calculations using NHE data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/> (see Projected; NHE Historical and projections, 1965-2023, file nhe65-23.zip).

## Uninsured rural residents are more likely than metropolitan residents to fall into the “coverage gap”

Coverage eligibility levels among nonelderly uninsured residents



Kaiser Family Foundation analysis based on 2014 Medicaid eligibility levels and 2012–2013 Current Population Survey. Tax credit eligibility does not account for offers of ESI.

 **50%** US consumer debt that is medical debt this year

# Consumerism is here



Consumerism and the demand for digital and telehealth solutions to manage healthcare have increased



Those with **barriers** to health have worse outcomes – zip code is more influential than traditional healthcare and genetic code

4x

Increase in patient telehealth use in 2020 (~46%) vs. 2019 (~11%)

5,000%

Growth in behavioral telehealth usage during 2020

~62%

Of consumers would choose virtual solutions for basic health and wellness

70%

Of health outcomes are based on SDoH and personal behaviors

85%

More likely to have diabetes as an American earning \$35K vs. one earning \$100K

# Megatrends that will change everything in healthcare

1



## Aging

All-time record increase in aging population in the US will continue to grow from 54M to 74M in 2030<sup>1</sup>

2



## Consumerism

Today, consumers want healthcare to come to them - the same way that Amazon brought the mall to them

3



## Risk

Organizations pushing for payment innovation will continue to prosper in the new risk-reward economy

4



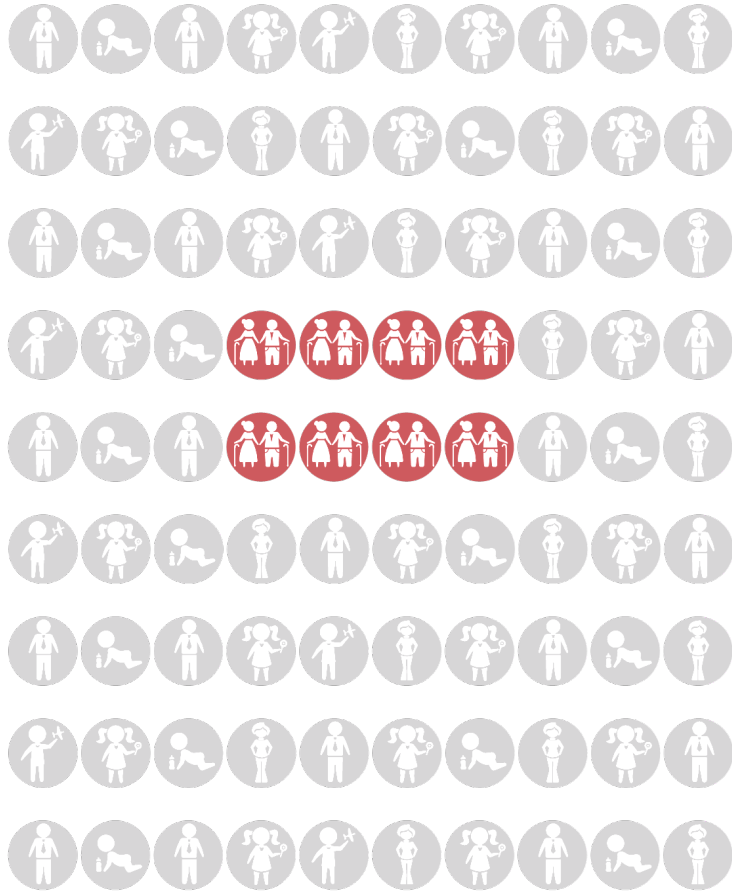
## Institutional Capital

Private equity is expanding in healthcare, becoming a larger source of capital for buyout, growth, and innovation strategies

<sup>1</sup> <https://www.prb.org/resources/fact-sheet-aging-in-the-united-states/>

# The demographic Tsunami

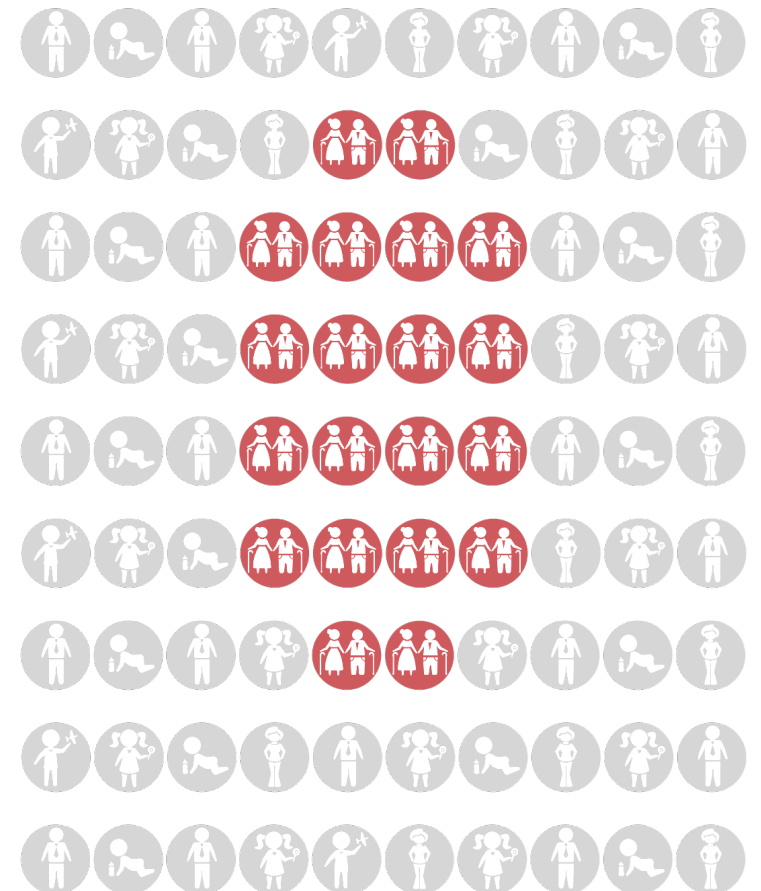
1950



In 1950, people 65 and older represented **8.1%** of the total U.S. population.

By 2050 the percentage is projected to reach **20.2%**

1950



# Non-traditional healthcare innovators

**DOLLAR GENERAL®**

**Walmart** 

**BEST  
BUY.** 

Hospitals  
won't disrupt  
themselves!

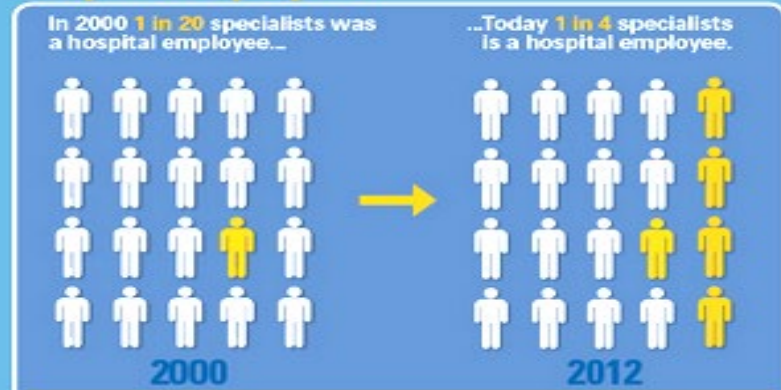
## Provider Consolidation LESS COMPETITION AND HIGHER COSTS

Research demonstrates that when hospitals consolidate, either merging with other hospitals or buying up physician practices, health care costs go up. Provider consolidation gives hospitals greater

negotiating strength and limits competition, resulting in higher prices for services, higher costs for patients, and no improvement in the quality of care delivered.



### Physicians Are Becoming Hospital Employees'



“Last year, a 15-minute visit to a doctor in private practice cost \$69...That same visit to a hospital-employed physician cost \$124.”

-Orlando Sentinel

### Increasing Market Concentration Leads to Higher Prices for Consumers?



“Research suggests that hospital consolidation in the 1990s raised prices by at least five percent and likely significantly more. Prices increase 40 percent or more when merging hospitals are closely located.”

-Robert Wood Johnson Foundation

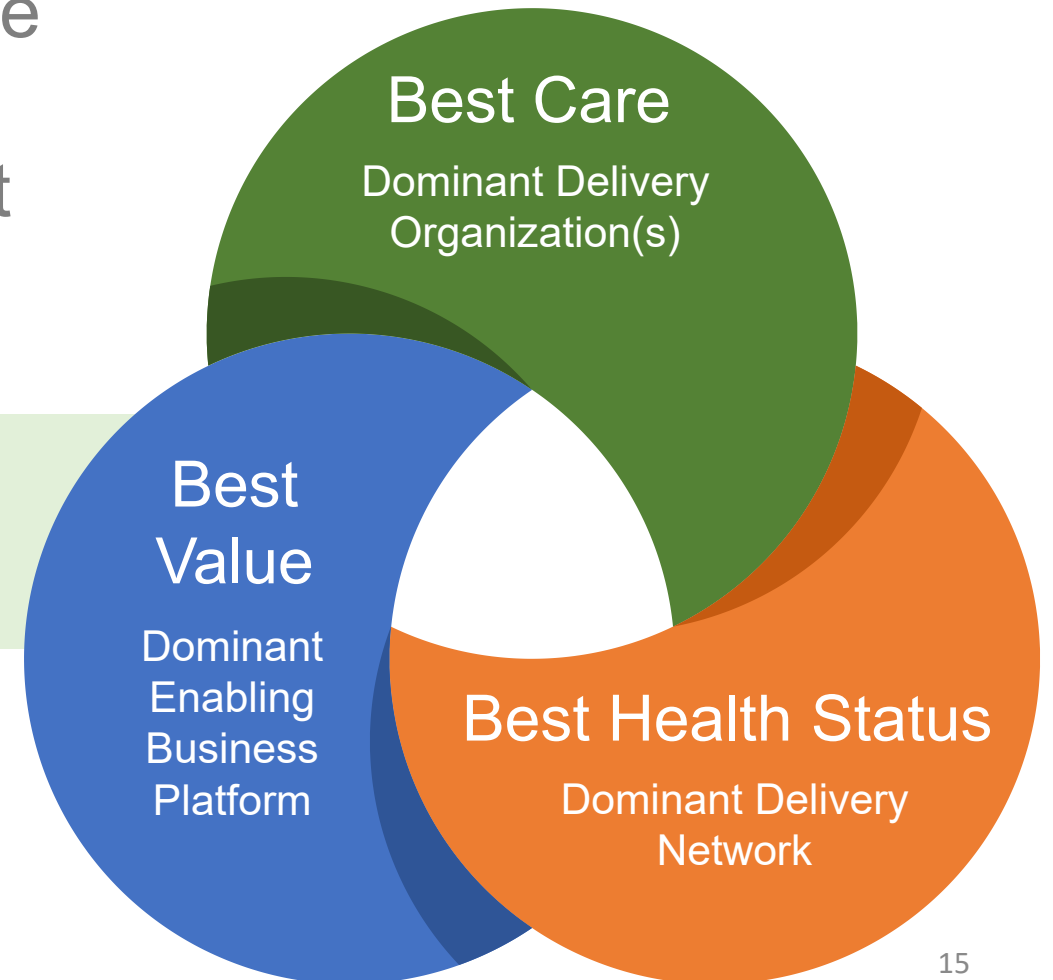
1. Janssen, Mark. "As Hospitals Take over Doctors' Practices, Fees Rise." Orlando Sentinel, n.p., 15 Sept. 2012. Web. <[http://articles.orlandosentinel.com/2012-09-15/health/oc-hospital-buy-physicians-20120915\\_1\\_hospital-employees-hospital-employee-physician-practice-practices#readable=18](http://articles.orlandosentinel.com/2012-09-15/health/oc-hospital-buy-physicians-20120915_1_hospital-employees-hospital-employee-physician-practice-practices#readable=18)>. 2. Vogt, William B., Ph.D., and Robert Tein, Ph.D. How Has Hospital Consolidation Affected the Price and Quality of Hospital Care? Rep. n.p., Feb. 2004. Web. <<http://www.rwjf.org/content/dam/ro/johnson/publications/new-rwjf-research/2004/02/how-has-hospital-consolidation-affected-the-price-and-quality-of-care/>>.

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# Hypothesis I: (Rural) Health Care Will be Disrupted

There is an overwhelming confluence of interests, incentives, and macro-environmental forces that will disrupt the industry and drive real change

**Spending is the core catalyst for change**





# The innovation playbook?

- Virtual care anywhere
- SDOH is a way of life – crowdsource the community
- Focused factory
- Engage with partners – employers, retailers, NGOs
- Leverage transparency
- Most innovation around VBP and Risk



# Learn from a health plan perspective

## Business Model Considerations

- Running through walls to enhance/aggregate primary care
- Build a new economic model – “the era of 3x”
- Scope of the “New PCP” – Telemetry, monitoring, driving interventions, building supply chains (trading partners)
- Employment options
- Find the MD entrepreneurs

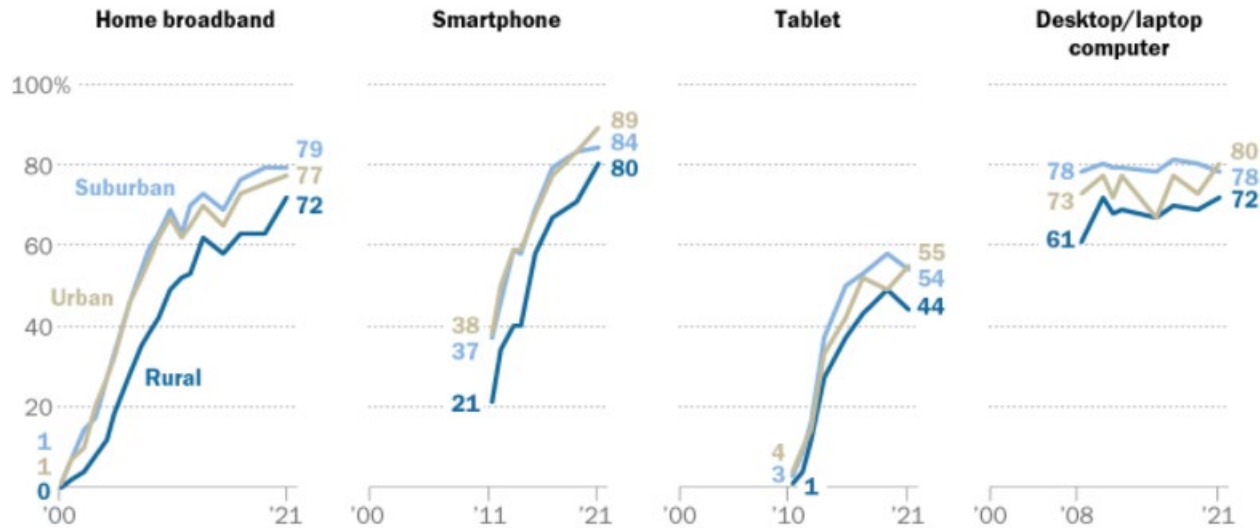
## Population Health – let’s define – Where do I fit?

- Attribution/identification
- Surveillance
- Risk assessment
- Risk stratification – what’s our triangle look like?
- Gap assessment
- Coordinate/drive interventions

# Anticipate innovative opportunities with improvement in digital divide

Despite growth, rural Americans have consistently lower levels of technology ownership than urbanites and lower broadband adoption than suburbanites

% of U.S. adults who say they have or own the following

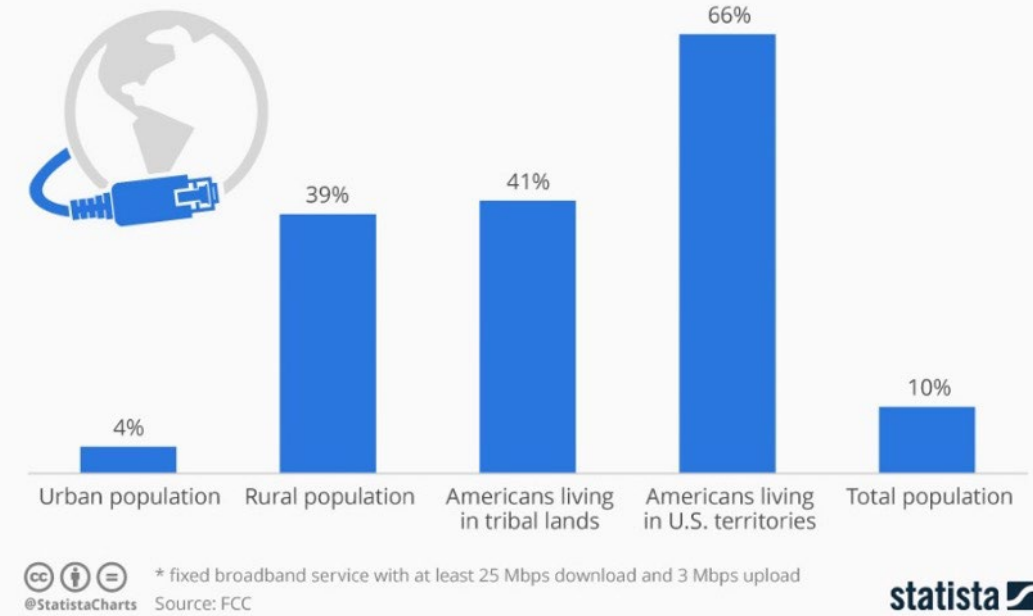


Source: Survey conducted Jan. 25-Feb. 8, 2021.

PEW RESEARCH CENTER

## The Digital Divide

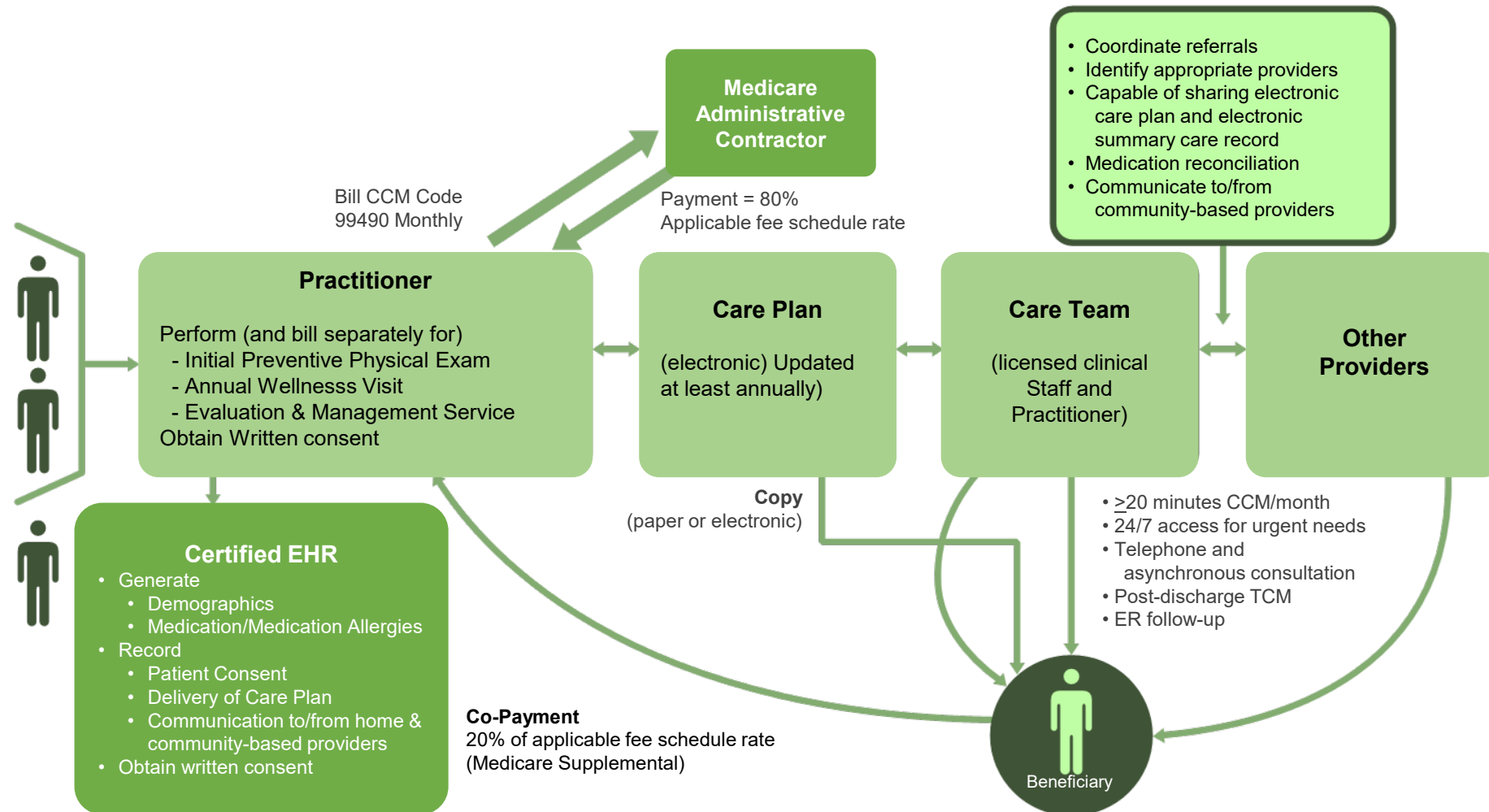
% of Americans without access to high-speed internet service\*



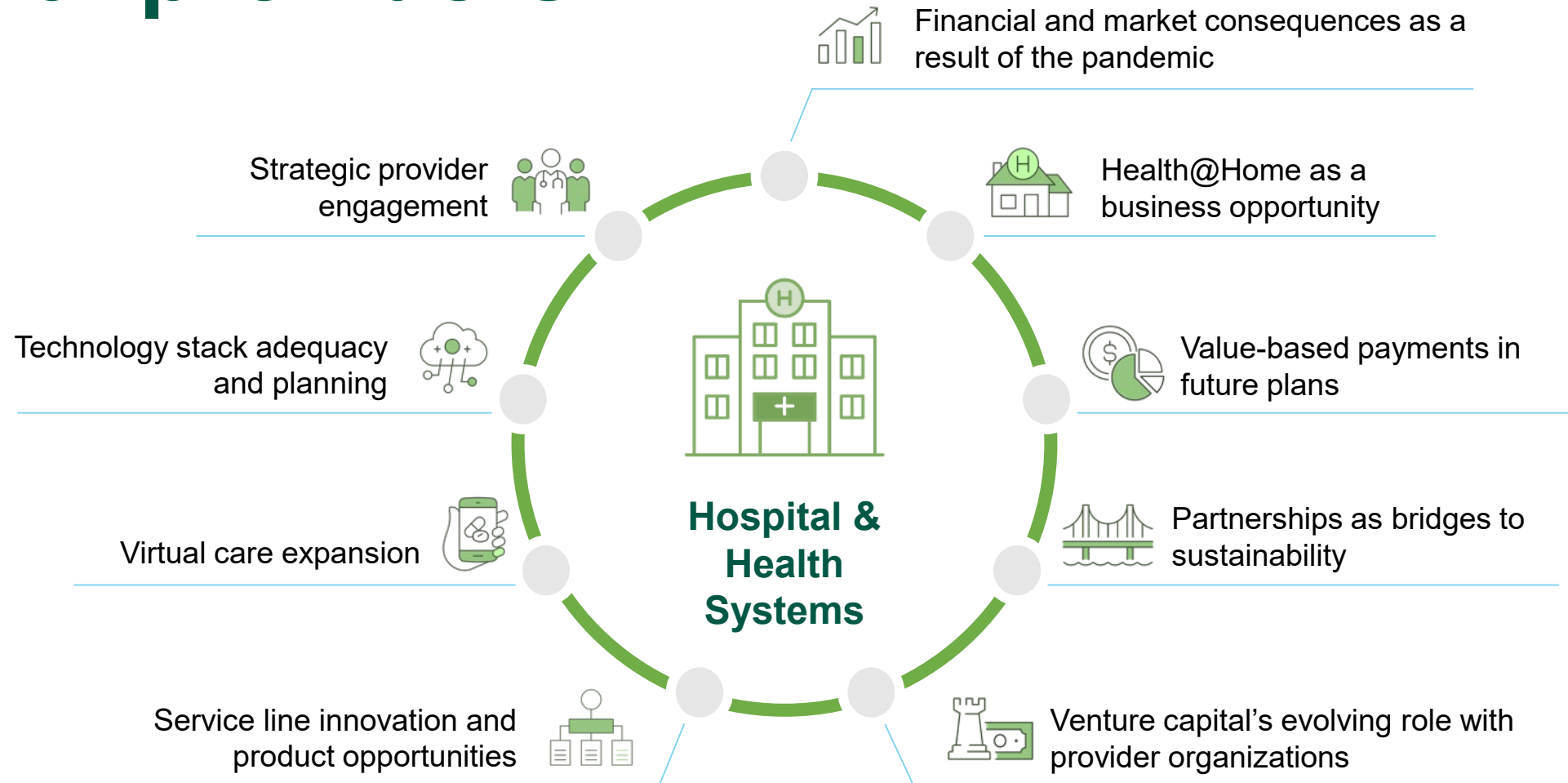
statista

Text-messaging based, multilingual communication platforms

# Consider Medicare's funding chronic care as an opportunity



# Complex business imperatives for rural providers



# Hypothesis II

The Hospital and Physician Business Model will have to change

We are on the way to value, but **“the business models haven’t caught up”**

CLAYTON CHRISTENSEN



# Proposed solutions - AHA Rural Task Force

- Public-Private Funding for Core Services
- Flexible Funding Programs to Support Rural Hospital Infrastructure Transformation
- Create A Rural Design Center Within CMMI
- Grant-Writing Gig Economy





# Promising practices - AHA Rural Task Force

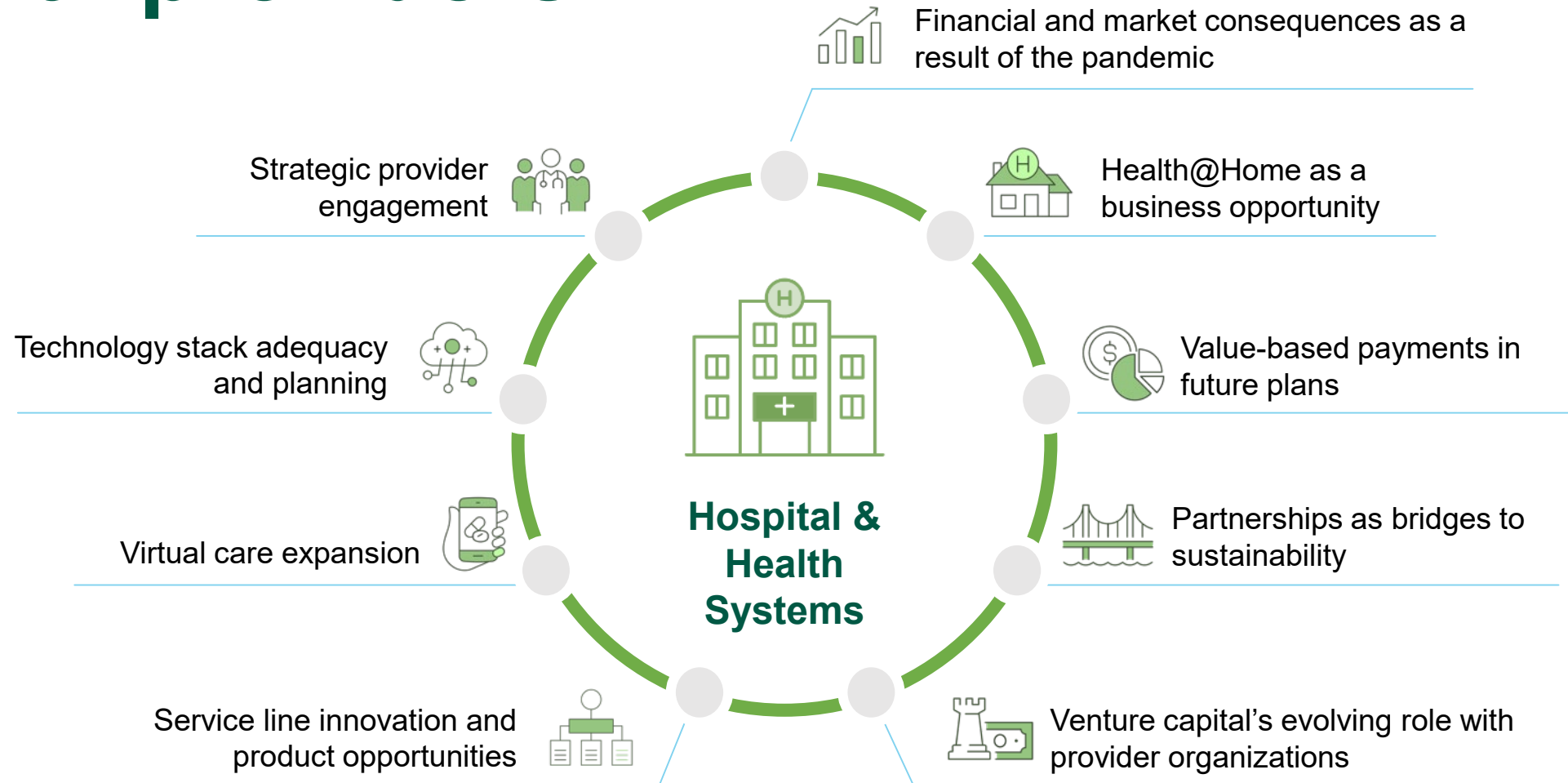
- Global Budget Payment Model
- Rural Hospital Federal Tax Credit Program
- Telemedicine
- Broadband and Mobile Technology .
- Strategic Partnerships and Affiliations
- Leadership Transformation
- Maternal Health
- Rural Philanthropy



# A new model



# Complex business imperatives for rural providers



# Creating a Local Strategy

- Public-Private Funding for Core Services
- Flexible Funding Programs to Support Rural Hospital Infrastructure Transformation
- Create A Rural Design Center Within CMMI
- Grant-Writing Gig Economy
- Global Budget Payment Model
- Rural Hospital Federal Tax Credit Program
- Telemedicine
- Broadband and Mobile Technology
- Strategic Partnerships and Affiliations
- Leadership Transformation
- Maternal Health
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# The components of a rural strategy support how to learn, adapt, and succeed



- Strategic Planning
- Data Analytics
- Market Insights
- Modeling (operational and financial)
- Capital Access
- Critical Topic Expertise
  - Care outside the Hospital: Hospital@Home, Remote Patient Monitoring, Continuing Care Management
  - Behavioral Health
  - Value Based Purchasing Models



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# Thank you



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*Please note that the views expressed by the conference speakers do not necessarily reflect the views of the American Hospital Association.*