



Rethinking the board agenda for the healthcare industry

From growth to risk to AI, here's how boards can help their companies navigate turbulent times.

5 Keys to navigating the challenges and opportunities ahead



The 2020s have been a roller-coaster of a decade for the healthcare industry so far—and the ride ahead doesn't look any less turbulent.

After being pushed to the limit by the pandemic's unprecedented business shocks on multiple fronts, healthcare leaders are now grappling with a matrix of new challenges as corporate America in general adjusts to what is starting to feel like an era of permanent volatility.

Persistent inflation, high interest rates, political uncertainty, and increasing regulatory intensity are challenges for every industry. But they are putting an extra squeeze on healthcare as it tries to shed the pandemic's lingering effects on business margins and staff burnout (to name just a few). Meantime, regulators, investors, and other key stakeholders are demanding even more transparency from leadership in areas like growth strategies and risk management.

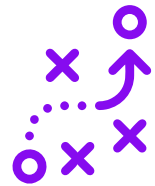
Against this backdrop, it's more important than ever for company leaders and their boards to continue to enhance their approach to oversight and governance. Rounding up the usual suspects once a quarter just won't cut it for a healthcare industry that is facing existential questions about business models, core capabilities, technology gaps, and more.

Following are five key issues that should be atop the agenda for many healthcare organizations and their boards as they navigate the challenges and opportunities ahead.

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AGENDA ITEM #1

Focus on Strategy and Risk

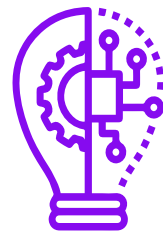


As the first half of 2024 has quickly demonstrated via the claims clearinghouse data breach, growth, risk, and the healthcare business model itself are fundamentally interconnected. Data and technology innovation remain top growth drivers. Also, as the data breach laid bare, they can also introduce paradigm-changing risks. And the related fallout has created liquidity crises that expose some of the healthcare industry's systemic business model issues, with some provider organizations even facing closure amid the extended gap in payment processing.*

Stakeholders, of course, want companies to stick the landing on all three: Drive growth, manage risks, and create more updated and sustainable business models. Boards certainly don't have a magic wand to make all of that happen. But they can help company leaders by emphasizing this interplay between growth and risk, while also challenging them to always be seeking new and more agile ways to optimize how the business operates.

AGENDA ITEM #2

Deliver on Technology Innovation



As scary as the clearinghouse data breach has been, the lesson is most decidedly not “technology: bad.” Technology innovation remains a top growth driver for healthcare, as we outlined in more detail in a recent [industry report](#). Boards must ensure that leadership remains focused on using technology responsibly to drive innovations that can deliver on the growth and business model imperatives highlighted above.

In particular, AI and generative AI offer some [unique applications for healthcare](#). For an industry that has traditionally lagged on technology, there are also clearly demonstrated opportunities to upgrade key enterprise systems (such as ERPs) and invest in new digital-first capabilities. To mitigate risks, the board will want to stress the importance of having robust technology governance in place across the organization. For something as new as generative AI, for example, that means having a clear strategy and a responsible AI framework in place.

* The Wall Street Journal, James Rundle and Catherine Stupp, May 2, 2024. Link for reference: <https://www.wsj.com/articles/change-healthcare-hack-what-you-need-to-know-45efc28c>

AGENDA ITEM #3

Don't forget about Talent



Few industries have had more labor challenges than healthcare in recent years. Historically low unemployment rates remain challenging for many industries, to be sure, but the pandemic took a huge toll on healthcare's workforce, and the complex effects are not easily wiped away. So while growth and technology top the agenda, delivering on both will require skilled, healthy, and committed teams across the company.

Closing up gaps in skills—and especially in areas like technology and AI—will be a major point of emphasis for many healthcare boards. But putting more focus on employees' well-being may be a consideration for many organizations as well. Robust benefits and access to high-quality healthcare can set the tone—and provide valuable recruiting differentiation in a persistently tight labor market.

AGENDA ITEM #4

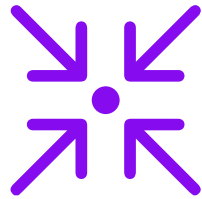
Stay ahead of Business Regulators



In many ways, it feels like 2024 is the Year of the Regulator. There are a host of new or soon-to-come regulations in play, ranging from ESG to new tax and accounting rules to AI and customer privacy guidelines. Many companies are seeing more activity from regulators on existing rules, as we noted in another [recent report](#). While some of the new regulations may not apply to the healthcare industry, a handful do, and especially for public companies. Further complicating the picture are regulations at the state level: California, for example, has its own [new climate reporting rules](#) for companies that do business there, which extends beyond the SEC's public company reach.

For their part, boards will want to discuss the regulatory exposure for their companies with leadership, ensure that appropriate responses are in place, and anticipate that some of the required operational bandwidth to respond to this new regulatory intensity may be a drag on margins in 2024.

Commit to Looking Inward



Boards have a responsibility to ensure that company leaders have clearly defined growth strategies and the capabilities they need to deliver on those strategies. In this era of persistent turbulence, it may also be time for many healthcare boards to take stock of their own structure and capabilities. Are they bringing an appropriate level of diversity—skills, gender, race, backgrounds, and more—to the companies they oversee?

Just as companies are chasing new skills and capabilities to stay on top of rapidly changing business landscapes, healthcare boards have an obligation to ensure they have the expertise and foresight to continue to provide value for their companies.

And maybe, just maybe, these newly committed boards can even help their companies get off the roller-coaster at some point down the line.

How KPMG can help

Many healthcare organizations have begun to strategically plan approaches to managing pharmacy-related care and costs with a proactive and cross-continuum clinical lens versus singular problem-focused legacy solutions. As the landscape of health quality and care metrics shift further toward value-based outcomes, the implementation and effective management of pharmacy-based programs will continue to be a growing priority between business functions and pharmacy teams. These teams will collaborate to develop solutions to deliver care to members and enhance a holistic member view that enables organizations to engage with and support the member journey from prescription to fulfillment even during transitions of care for their members. This level of implementation requires clear understanding of payor and provider processes, the strategic business case to socialize interventions and complete organizational change management and rapid, coordinated implementation design to keep pace with the rapidly evolving health landscape. Understanding the key connection points of the strategic opportunities to implement a multichannel pharmacy intervention will have the greatest benefit to healthcare payors and highest impact on member satisfaction, health outcomes, and costs.

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