

AAHC RESEARCH & ANALYSIS

Key Perspectives for AHC Leaders

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CEO OPINION SURVEY

Impact of Fiscal/Budgetary Health on Strategic Planning

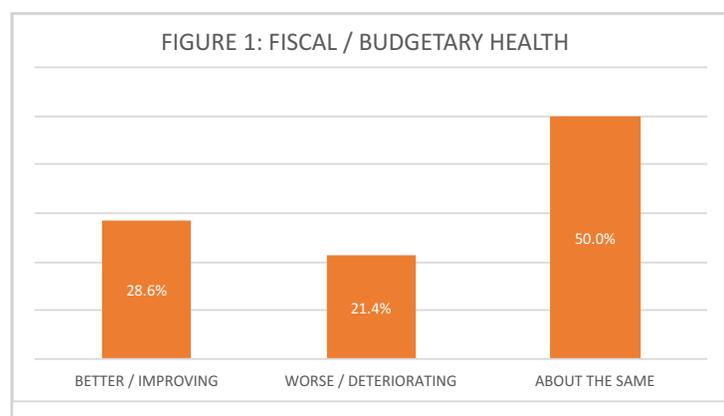


This AAHC Research & Analysis brief summarizes select results from AAHC's Summer 2017 *CEO Opinion survey*. The survey focused on the fiscal and budgetary health of member institutions and the impact they had on strategic planning. As in the past, the survey found wide divergence in responses, suggesting that the current fiscal and budgetary environment is not impacting all institutions in the same manner or to the same extent.

Compared to this time last year, how would you characterize your institution's current fiscal/budgetary health?

The first question asked CEOs for a simple assessment of the AAHC member institutions' fiscal/budgetary health and whether it was trending up or down compared to the same time last year. Half of respondents indicated the institution's fiscal/budgetary health was about the same, while those reporting improvement modestly outnumbered those reporting deterioration in the institution's fiscal/budgetary health (See *Figure 1*).

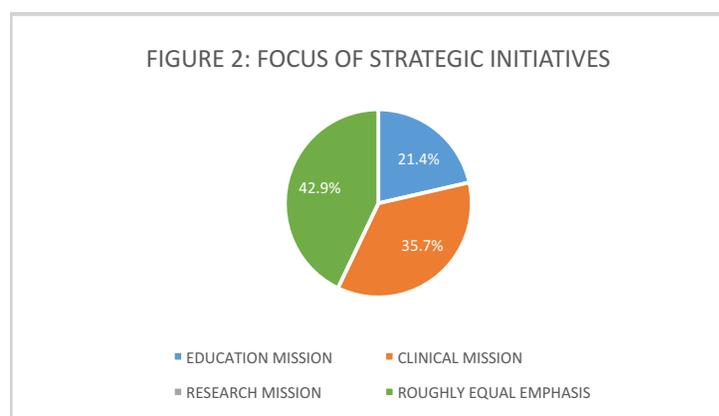
Figure 1



Which mission area is in the forefront of your strategic initiatives for the coming year?

The CEOs were then asked whether the education mission, research mission, clinical mission, or a combination of all three, was the predominant focus of the institution's strategic initiatives for the coming year. While the most common response was a combination of all three, a significant portion of survey respondents singled out either the education mission or the clinical mission; interestingly, no institution singled out the research mission as the predominant focus for the coming year (See *Figure 2*).

Figure 2



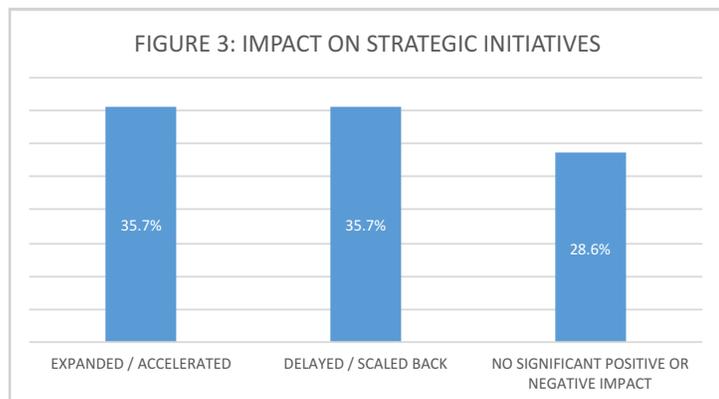
Which, if any, of the following major institutional changes is your institution planning to initiate or implement in the coming 12 months?

Member institutions were also asked about major institutional changes planned for the upcoming year. The most common answers were: a new strategic partnership or joint venture (20%); a cost reduction initiative (18%); and expanding a hospital network (14%) or physician network (14%). (See Table 1 at the end of this document for more detail.)

How has your institution's fiscal/budgetary health impacted your institution's strategic initiatives?

This question sought to determine the degree to which fiscal/budgetary conditions were altering the trajectory of strategic initiatives. In contrast to the responses to the first question, respondents were a bit more likely to report either an expansion/acceleration or a delay/scaling back of strategic initiatives than to report no positive or negative effect (See Figure 3).

Figure 3



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Please provide any additional comments relative to anticipated budgetary health and strategic initiatives for the upcoming fiscal year.

A common theme among closing comments was continuing concern that clinical revenue would not keep pace with clinical expenses, especially at a time when the future of the ACA was uncertain.

Closing Observations

Compared to prior CEO Opinion Surveys, this year's responses showed a somewhat more even distribution of positive, negative, and neutral impact on member institution's strategic initiatives. This suggests that, although some AHCs continue to experience fiscal/budgetary duress, a growing number of academic health centers are successfully exploiting opportunities for growth offered by the current environment.

Table 1

MAJOR INSTITUTIONAL CHANGES PLANNED	
Major shift in strategic plan	6.00%
Merger or consolidation with another health care institution	6.00%
Merger or consolidation with a non-health care entity	0.00%
New strategic partnership or joint venture	20.00%
Ending an existing strategic alliance or joint venture	2.00%
New large-scale international program	6.00%
Ending existing large-scale international program	0.00%
Change in governance structure or significant reporting relationships within the institution	6.00%
Initiating a cost reduction initiative	18.00%
Opening a new branch campus	2.00%
Closing a branch campus	0.00%
Expanding hospital network	14.00%
Expanding physician network	14.00%
Another type of institutional change	6.00%
Total	100%



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