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UC HEALTH

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Dear Colleagues,

Health care is in the midst of the largest transformation since the 1990s, and this market upheaval presents both great opportunities and significant risks to health systems across the country, and to our clinical enterprise at the University of California. It presents opportunities to enhance and optimize how we deliver care to millions of patients. It presents opportunities to more rapidly develop, test and deploy new diagnostic and treatment tools to better treat, manage and even cure, conditions for which we had little effective solutions in the past. It presents opportunities to leverage the great advances in technology to better identify at-risk patients and tailor interventions to their needs, as well as empower them to play a pivotal role in their own care. And it presents opportunities make sure the clinicians of the future are trained with a value-based, rather than volume-based, mindset. Academic health systems that can adapt their business model to this new environment, and demonstrate their ability to deliver coordinated high quality, cost-effective care will be positioned to survive and thrive in the post-ACA world.

The issues we face are complex and challenging and include the following:

- Declining reimbursements from private (commercial) and public payors
- Year-over-year increases in our costs which are outpacing increases in revenue
- Prices we are charging for services provided, especially commodity services, which are not competitive in the healthcare marketplace
- An emphasis on managing the health of populations which challenges our traditional approach to improving the health of individuals
- A hyper-competitive NIH funding environment with grant awards as a percent of applications at their lowest level in 30 years
- Misaligned priorities within our UC Health system

Our desired state should include an ability to provide the highest quality and safest care at an affordable price while continuing to enhance our academic missions. Our aspiration should include the ability to manage the health of populations and to act as a coordinated, integrated health system of systems with aligned priorities and incentives. All of this needs to be done in a way that provides a financial margin that not only allows us to adequately support capital improvements but also to provide support that is vital to the continued success of the programs associated with our health professional schools, and other programs associated with the clinical and academic enterprise.

Now, how do we get to our “desired state”? It will not be easy! It will require a change in the way we think; a change in our culture. We need to redouble our efforts to move to a patient-centered delivery model. We need to reaffirm our commitment, to place the needs of patients first and foremost. We must be relentless in getting our costs in line with our revenue. We must form partnerships with other providers and payors, who share our academic values and our commitment to deliver high quality affordable care to advance the health of populations. We need to acknowledge the fact that we are a public institution and as such, have a societal commitment to provide our fair share of services to

vulnerable and medically underserved populations. Finally, and most importantly, we must break down the traditional artificial barriers that exist within our UC Health System which inhibit the coming together of our medical centers, to coordinate strategies and create programs whose total far exceeds the sum of the individual contributions. A similar coming together must occur among our health professional schools.

Yes, these challenges and imperatives are dramatic. But, we are up to the task. No other academic health system has the intellectual capacity, passion and compassion that exists within UC Health. We have strong leadership in our Vice Chancellors, Deans and CEOs. We have a Regental governance that is knowledgeable, and committed to govern and lead in a manner that supports our mission and activities. The future is ours to win or lose. Our success depends on what we do, not on external factors. No system of health professional schools and medical centers is better poised to succeed in this rapidly evolving health care environment.

The strategic plan which follows, addresses several of these issues. There are however, caveats concerning this plan which require emphasis. First, this is a strategic plan for only the clinical enterprise. It is not a strategic plan which provides direction for the research and educational programs associated with UC Health. This is not to ignore the fact that the clinical, educational and research programs are inextricably linked. However the reconfigured Health Services Committee of the Board of Regents was charged by the full board, when it was created, to provide oversight only to the clinical enterprise. Second, this is an evolving, rolling work in progress. The plan needs to be vetted widely with appropriate groups of the medical center campuses for their evaluation and comments.

We look forward to feedback concerning the plan and the continued evolution of the strategies and tactics outlined.