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Revolutionary changes in the delivery, financing, and management of healthcare present a choice: Do you want to be a gold miner or a bartender?

by Carl Dumont, Sundar Subramanian, and Christoph Dankert

The U.S. healthcare sector, which represents one-sixth of the nation's US\$17 trillion economy, is experiencing a number of simultaneous upheavals. Indeed, it's difficult to think of another industry of this size that is facing as much disruption and change in the way its services are delivered and financed, and even in how it is regarded, in such a short time. The causes are a unique combination of technology and innovation, and of regulation and reform.

As it is changing nearly every other business, the revolution in mobile communications and infor-

mation technology is changing the way healthcare is delivered, consumed, and managed. Healthcare information is quickly transitioning from its traditional repository in static, handwritten charts that reside in a doctor's office. It is moving to devices that sit in the palm of the hand while reaching back into the cloud, where patients can access and add to their records at any time. Continuous monitoring through wearable technologies and smartphone apps is creating a wholly novel, totally accessible, 24/7 digitized picture of people's health. The volume of health and medical app downloads is projected to reach 142 million in 2016, according to Juniper Research. And by 2018,

IDC Health Insights predicts, 65 percent of consumer transactions involving healthcare will make use of a mobile device.

At the same time that healthcare data is on the move, healthcare's locus of delivery is shifting out of the doctor's office and the hospital and into everyday life, through retail clinics, home-based diagnostics, and telemedicine. Thanks to enhanced connectivity, companies' capacity to touch patients at every moment of the healthcare journey has never been greater, for both established providers and new entrants. When diagnosis and treatment can move to where the consumer lives and works, and patients' health can be tracked anywhere in real time, it opens a new frontier in managing health.

In a third, related shift, consumers are becoming more influential and empowered. Thanks to several factors — the proliferation of high-deductible plans, the trend of employees paying larger shares of premiums, and the increased number of people purchasing insurance on the federal and state exchanges — consumers are funding a larger portion of their own healthcare. These factors, combined with greater transparency, are pushing healthcare to become more of a consumer good. Historically, patients were caught between providers and payors; providers had incentives to facilitate more care, whereas payors dictated what would be paid for and how much would be paid. Patients had to rely on referrals from primary-care physicians to see specialists. Consumer antagonism reflected the realities: as patients had few care alternatives, had little to no capacity to shop for value, and continually encountered gatekeeping of services. Today, because the system can

gather data in real time and in any setting — and can make it transparent to the patient before anyone else — patients may be able to call the shots as to how (and with whom) they manage their health.

Finally, these changes are all taking place against the backdrop of a profound shift in the way that medical care is financed, paid for, and regulated. The comprehensive reforms of the Affordable Care Act of 2010, the expansion of Medicaid, and the continuing growth in the Medicare-eligible population means that the federal government is taking on a bigger role as a payor, a setter of rules, and a shaper of markets. That is placing direct pressure on incumbents to change their business models. The emergence of public and private exchanges has led to more direct-to-consumer channels and the goal of creating “customer for life” relationships. Retail alternatives for urgent care have forced traditional providers to improve their customer service and convenience in order to keep patients within their integrated delivery systems. The federal government, flexing its muscle as both payor and regulator, is demanding that reimbursement be determined by quality, outcomes, and evidence-based value — not just the volume of care. And that is driving incumbents from a position of managing utilization to one of managing population health.

This combination of technology, business innovation, and reform has led to immense opportunity amid severe challenges. Healthcare’s competition for resources at a new frontier can be analogized to a modern-day gold rush. New markets are creating new profit pools. To an unprecedented degree, healthcare spending is up for grabs — up to \$1.5 tril-

lion in spending and \$150 billion in profits, according to our models.

The shifts will also inspire critical thinking about the business of healthcare. Confronted with the changes, incumbents will have to reconsider their competitive positions. And upstarts and those in adjacent industries will be compelled to assess where — and even whether — they can fit in.

Players that thrive in this boomtown will do so by decreasing

to promote a 360-degree, long-term management approach. Dealing primarily with people who are sick, these large institutions — insurers, hospitals, and physicians groups — profit by improving outcomes and sharing in the savings. After all, their strategy is based on the fact that the top 30 percent of utilizers of medical services account for 75 to 80 percent of medical spending. This medical management model surrounds the patient in a system of ongoing data

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medical spending in a consumer-oriented manner, and by capitalizing on newly informed consumer choices by improving outcomes. As companies approach these issues, we think it is useful for them to analogize themselves to one of two professions that thrive in actual gold rush environments: gold miners and bartenders.

Gold Miners and Bartenders

In today’s healthcare industry, gold miners and bartenders represent two business models that operate in parallel. They have different time horizons for success.

Gold miners. These vertically integrated players take ownership of healthcare. They profit by mining value out of a resource — for example, by managing the health of a specific population, such as patients with diabetes, heart disease, or cancer. The gold miner strategy is closely aligned with population health management, which takes a deep understanding of chronic care

monitoring, analytics, and outreach by care providers.

In a successful gold miner strategy, care expands into the patient’s world, shifting to timelier, more convenient, and less costly settings. Population health management extends the traditional command-and-control view of clinical decision making. Patients are empowered by the transparency of daily data, but care coordination is still physician-driven.

Gold miners prosper by harnessing technology to develop new processes that let them conduct established business more efficiently and effectively. In healthcare, one of the key imperatives is to bolster the system — and outcomes — by containing medical spending on a given pool of patients. Population health management strategies, which are delivered via primary care and other care-coordination activities, are likely to become more widely adopted. Research already shows that the chronically ill, who

often make health decisions on a daily basis, experience improved outcomes when connected to their provider via remote monitoring and other channels of communication. By using such tactics with its diabetic population, Geisinger Health System, a large, integrated provider in rural Pennsylvania, achieved an 18 percent reduction in admission rates, a 31 percent reduction in re-admission rates, and a total cumulative savings of 7 percent.

Bartenders. These players take a fundamentally different approach from that of gold miners. Bartenders profit by providing a service, by offering advice and information, and by managing customer experiences and relationships. They serve healthcare consumers by offering customized and convenient options to address routine or everyday needs. Bartenders often have a narrow focus, providing specific services to rapidly growing niches. They prosper by selling goods and services with a margin. Unlike gold miners, whose primary innovation often lies in developing new processes, bartenders innovate with new products, and with marketing and design. Although a bartender company may also serve the chronically ill, its intent is not to preserve the existing patient–doctor relationship but to run parallel to it or to nibble away at it.

Their consumer contact can be both physical and virtual, on a scale from big-box urgent-care clinics to apps that track blood-sugar levels. Like a gold miner, a bartender may use mobile health applications to capture an individual's vital signs and lifestyle data. But its role is more advisor and service provider than director and manager. Consumers are responsive; they recognize the value of quick answers that provide better

awareness of their health status and risks, enabling them to direct their own care and manage healthcare finances, and helping them adhere to treatment plans and goals. Margins shift into either consumer savings or retail revenues.

Bartenders often hail from non-traditional sectors such as retail, software, electronics, and apparel. Examples include the drugstore chain Walgreens, which now operates a network of immediate-care clinics; Theranos, a Silicon Valley

such as the AliveCor EKG attachment, that turn the patient's smartphone into an EKG machine.

In a gold miner scenario, during the primary-care office visit or after an electronic health record review, the patient is enrolled in a preventive cardiology program. A clinician prescribes a smartphone EKG app like AliveCor, and the results are similarly transparent, which helps motivate compliance. But the decisions involving data interpretation, diagnosis, and action plan

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startup that offers cheap, pinprick blood testing; and developers of fitness trackers such as Fitbit. The home health and wearables market is expected to reach nearly \$160 billion in sales in North America by 2023, according to the Centers for Medicare & Medicaid Services, when margins of 15 percent will yield \$35 billion in profit.

Coexistence and Competition

Just as was the case in gold rush towns, gold miners and bartenders generally complement each other. Rather than offer a stark either–or choice, these typologies help provide a framework for understanding how to design business models to compete in the evolving market.

Let's take an example. Imagine a patient is troubled by inconsistent heart palpitations, which do not have the courtesy to show up at an annual visit. But there are devices,

design are made centrally by a clinical team. The team closely monitors the patient's daily progress and adherence to the treatment plan, which reduces the potential for a critical-care episode. Follow-up might include app-generated texts or outreach from a nurse or social worker, perhaps through video calls, depending on the patient's preferences and needs. Delivery of care shifts out of healthcare settings, upending the traditional revenue-generating sequence of appointments and tests. The healthcare manager profits by avoiding the incidence of an expensive surgery or visit to the emergency room.

In a bartender scenario, by contrast, this EKG app is marketed directly to the consumer. He or she makes daily recordings and uses the app's many easy-to-understand options for how to interpret the data — it could be sent to a doctor, or

to a software vendor's experts, or to a computer for analysis. The app also logs exercise, sleep, diet, and medications. As data accumulates, an algorithm might find a correlation between the taking of certain prescription drugs and heart palpitations, or it could flag potential symptoms of congestive heart failure; the app suggests next steps. In this scenario, the consumer has the prime decision-making role. Wait and see? Return to the physician or find another expert? Track other suggested symptoms? Going forward, the app offers a range of interventions, including text alerts reminding patients of diet and medication schedules or notifying a specified contact of emergent conditions. Every consumer choice represents a potential revenue stream that is up for grabs between incumbents and new players.

Blurred Lines

It may seem that gold miners have little to fear from the bartenders' capture of the mostly healthy consumer. But technological advances will keep pushing the boundaries of consumer options and the generation of health intelligence outside traditional settings and relationships. Walgreens's immediate-care clinics have partnered with Theranos to greatly expand the diagnostics available in those locations. Device and analytics firms such as WellDoc and BlueStar use mobile self-management programs to monitor blood sugar and offer coaching to diabetic patients, resulting in significantly fewer hospital visits and improved blood-glucose levels. A more informed consumer experience will prompt healthier choices and smarter testing. As a result, nearly \$200 billion may be saved by shift-

ing care from hospital-based inpatient and outpatient settings (gold miners) to retail clinics, including those at big-box stores and pharmacies (bartenders).

Indeed, patients who subscribe to bartender offerings will profoundly challenge providers to demonstrate their value in new ways: Patients who own and can interpret their own data will enter every healthcare encounter armed with meaningful, personalized expertise (not just a few pages printed from the Internet). They may even choose to crowdsource their diagnosis in a forum such as CrowdMed. When expertise becomes tailored to the individual and broadly accessible, providers must add value to the patient encounter through relationship building and a more profound understanding of their patients' needs. This task is complicated by electron-

Exhibit: Ways to Play

The new frontier of healthcare is encouraging innovation in business models. Here are some ways gold miners and bartenders are approaching the market.

	WAY TO PLAY	DESCRIPTION	EXAMPLES
GOLD MINERS	ACO/Value-Based Contract Enabler	Engages in or provides solutions that track health outcomes and motivate population management and shared savings	Banner Health Network, Aetna
	Population Health Enabler	Services and technology platforms for providers and employers to manage population health and wellness	Conifer, Truven
	Integrated Delivery System	Delivers primary and secondary care through owned and integrated assets	Kaiser Permanente, Geisinger
	Primary-Care Clinic-Based Delivery	Delivers primary care through owned or highly integrated clinics or other facilities	CareMore
	Bundled Care	Offers care payment or delivery model to encourage reduced costs and increase quality outcomes for discrete bundles	Cleveland Clinic
	Care Optimizer/Standardizer	Provides solutions that standardize and optimize clinical practice using research and analytics	XG Health Solutions
BARTENDERS	Customer Targeting	Uses insights about consumer preferences to design and optimize health and wellness outreach and programs	Silverlink, Redbrick Health
	Wearables/Health Apps	Collects consumer health data for apps and programs that assess health and inform changes in behavior or care	Sentrian, MyFitnessPal, Fitbit, Apple Watch
	Mobile/Personal Dx	Low-cost diagnostics and smartphone-enabled tools that empower consumers to be more involved in their diagnosis	CellScope, Theranos
	Patient Community	Digital forums that connect patients, allowing an exchange of experiences, insights, and support	PatientsLikeMe, Smart Patient
	Retail Solutions	Care (e.g., retail clinics) and coverage (e.g., in-store agents) services offered in retail settings	Walmart, Walgreens, emerging "urgent care" chains
	Telemedicine	Remote medical care delivered through mobile devices by text, email, or video call	Teladoc, American Well

Source: Strategy&

ic health records. Why? Although they have improved the overall standard of care, they also decrease the need for conversational interaction — which tends to drain the patient-physician encounter of some of its depth and richness.

Which Strategy?

In the eyes of the consumer, the population health management (gold miner) approach and the consumer-focused (bartender) approach may initially look very similar. But they offer distinctly different views of where decision making resides. And they will compete for customers along those lines. Both industry incumbents and newcomers are likely to test-drive elements of each approach (*see exhibit, page 4*). IDC Health Insights estimates that 70 percent of healthcare organizations will offer some combination of wearables and virtual healthcare by 2018. Providers without risk-sharing arrangements as well as primary-care population health managers may offer a robust assortment of retail and virtual services in order to “own” the patient across various life stages. Large employers — especially those that self-insure — may experiment with gold miner activities to lower costs or address health issues specific to their employees.

Generally speaking, new entrants such as consumer product and software companies will probably have an advantage in bartender strategies, because they possess both expertise in product development and freedom from established industry relationships, allowing them to design a consumer-focused healthcare experience.

Large integrated healthcare systems will have a natural affinity

for the gold miner strategy. Payor and provider partnerships are best positioned to move to risk-sharing profit pools and develop a delivery of care model that encompasses the home, particularly given the growth of accountable care organizations (ACOs) and Medicare’s outcomes-based reimbursement efforts.

Unlike previous risk-sharing HMO models, the new gold miner models will give primary-care physicians the tools they need to orchestrate comprehensive care for both better medical outcomes and improved cost management. Perhaps more strategically significant, adopting elements of a gold miner

of their own health statistics and a way to translate that data into meaning and action.

For gold miners, success is contingent upon developing a medical model that optimizes care and the ability to track changes in medical spending and value. This includes making investments in business capabilities, such as:

- The physical capacity to coordinate care across home, primary-care, and specialty care settings; e.g., training social workers to conduct the follow-up required for high-risk patients.
- Virtual capabilities that can provide consumers with the right

What consumers need is reliable and secure tracking of their own health statistics and a way to translate that data into meaning.

strategy will allow providers to keep pace with the federal government’s increasing emphasis on value, as expressed by continued Medicare/Medicaid rate cuts, public audits of rate increases, and medical loss ratio regulation for payors.

The Path to Success

To prosper, both gold miners and bartenders will have to make significant investments in mobile health and analytics. Data capture and interpretation needs to be specific to the customer and able to identify relevant trends across multiple symptoms, both pre- and post-diagnosis. Consumers already have access to general healthcare information via the Internet. What they need is reliable and secure tracking

tools to motivate their adherence to treatment plans. Gold miners may be better served by incorporating brand name software/hardware than by building their own tools.

Successful bartenders will cut through the wealth of options by designing products and services that compete with the best of consumer experiences. Ideally, components of their offering will include:

- Evidence-based analytics that combine with the patient’s preference for risk, and that are then translated into easy-to-understand, personalized care directives.
- A bridge from providing data and intelligence in the early stages of the patient’s journey to connecting patients seamlessly with specialty care as their needs intensify.

Place Your Bets

The gold rush, which has the potential to fundamentally shift profit pools in the industry by changing where intelligence is gathered and expertise is delivered, is already under way. Sitting out isn't an option for anyone. Given the potential for industry destabilization, every player's existing profit pools are at risk. If you're a hospital or specialist, collaborating with primary-care physicians or payors may be essential to long-term survival, as gold miner strategies reduce the use of intensive care settings. Payors need to facilitate population health platforms or face the risk of being disintermediated by providers that take on risk through ACOs. Providers cannot rest on their incumbency, even if their incentives don't favor population management. New entrants (particularly in medical analytics) and certain payors will carve out manageable chronic care populations, leaving the provider with only the most expensive and dire cases.

The gold rush promises fortunes, but it is a fluid environment. Already, we're detecting the presence of a third set of players. So-called railroad pioneers build the infrastructure that binds bartenders and gold miners together, construct the platforms on which the new solutions stand, and develop services and technologies that eliminate bottlenecks and help systems run more smoothly. Examples include Citigroup's Money² for Health, a payment processing system, and Epic Systems, which builds health data management systems. Tech startups, consumer firms, and innovative health systems all have the chance to strike rich veins in this new frontier, where healthcare is more con-

tinuous and less episodic; where it is more tailored and less one-size-fits-all; and where analysis and decision making are shared among consumers, clinicians, and artificial intelligence. The future will be more virtual and yet intensely personal and close to home.

But a hundred staked claims mean nothing if one of them doesn't hit it big. Success will require, more than ever, clarity about who you are as a company. Decide how you want to approach the market. Then, set about staking out your investments in a focused way using your preferred business model, forging new collaborations, and reshaping the value chain of healthcare. Rewards will abound for those that are brave enough to strike out for new territory. +

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