



Transitioning to the Health System of the Future

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You simply can't catch a break from disruption. Just when healthcare seemed to be settling down again, the future is calling.

What does the future hold for healthcare? Broad changes in society, technology, and consumer expectations are driving a transformation in the delivery of care and who is in charge. To succeed in this dynamic healthcare environment, health systems will need to make significant shifts.

CONVENIENCE OVERRULES REPUTATION

Yesterday, patients' healthcare choices relied heavily on the reputation of the provider. But if Amazon, Google, and Apple have anything to teach us, convenience will supplant reputation as the key factor in consumer decisions.

Society is becoming increasingly convenience-oriented, and personalized attention is becoming an expectation. Consumers who are "hooked" on free two-day delivery (Amazon Prime) are less willing to arrange their medical care on the basis of the needs/preferences of physicians and hospitals. A look at the Google reviews for any ambulatory care facility reveals millennials voicing their outrage about a 30-minute schedule delay, which would have been merely annoying to patients 10 years ago.

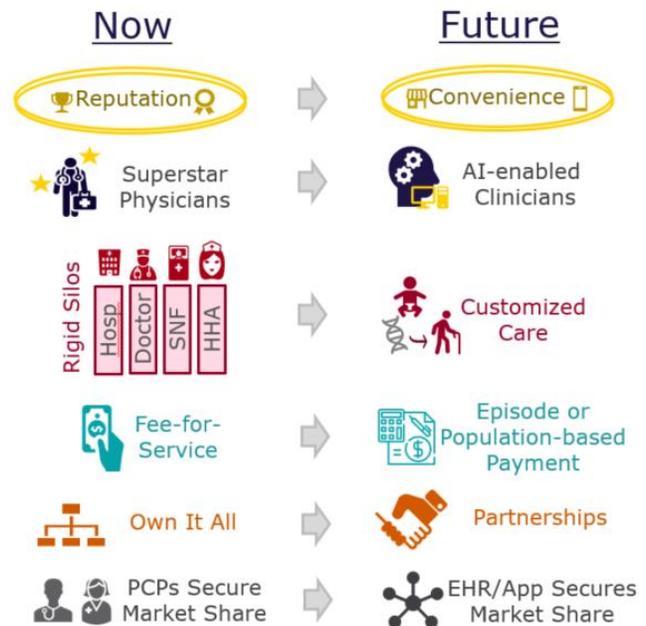
In tomorrow's health system, reputation will take second place to convenience and out-of-pocket cost for routine care needs.



AI UNSEATS SUPERSTAR PHYSICIANS

Society is also becoming increasingly used to technology as a tool of convenience and customization. Amazon, Apple and Google are training us to interface with artificial intelligence (AI) through virtual assistants like Alexa, Siri, and Google Assistant. AI bots provide us with chat-line customer service. Yes, the interfaces are clunky and limited now, but natural language interactions will improve significantly.

Hospitals have historically courted top physicians to competitively distinguish themselves with the intent of convincing patients to seek care at high skill “destination centers”. In the future, virtual assistants will have all of the knowledge and diagnostic capabilities of a physician expert system powered by AI, combined with the behavioral modification skills of Amazon, Apple, Facebook or Google. In combination with the patient’s data from mobile monitoring devices, these virtual assistants will coach patients and potentially modify behavior to better manage chronic conditions. The importance of individual physicians in driving hospital selection will probably decrease.



The Babylon phone app now offers digital AI visits, and is intended to develop far beyond transmitting information about symptoms to a physician. Babylon virtual physician visits are now available to patients of Britain’s National Health Service who choose Babylon as their “GP at Hand.” Eventually, it is hoped, Babylon will triage and diagnose patients via phone, using a variety of devices, such as embedded sensors that can monitor heart rate, or otoscopes that clip to a phone and can examine an ear drum. Two million people in Rwanda, many of whom had no prior access to primary care, are already using Babylon for triage and digital AI visits, and the developer is partnering to bring the app to China. How long before these apps move from diagnosis to prescribing and basic treatment?

Like prototypical disruptive innovations,¹ these digital physician apps are starting at the bottom of the market, available for free, serving those with few options for care. As their quality improves, they may ultimately win market share based on cost and convenience.

Virtual healthcare will not likely replace physicians any more than computers eliminated the use of paper. It is likely to lead to more people receiving more effective healthcare. A number of companies (e.g. Google’s parent, Alphabet, with DeepMind, Calico, and Verily) are developing applications to provide advice to physicians on optimizing care for patients in specific diagnostic categories.

¹ <https://hbr.org/2015/12/what-is-disruptive-innovation> downloaded June 22, 2018.

These applications magnify concerns about cybersecurity and privacy, as well as malpractice, which may slow their diffusion. It's unlikely, however, that the genie will go back in the bottle.

A VALUE-BASED CONTINUUM REPLACES FEE-FOR-SERVICE SILOS

Healthcare facilities themselves will become more focused around service lines—cancer centers, women's hospitals, orthopedics—to make care both more efficient and easier for appropriate patients.

Assuming payments continue to shift from fee-for-service to episode-based payments or population-based risk contracts, providers will bear primary responsibility for cost-efficiency. Additional provider systems may have their own insurance arm. This will enable care management based on what makes clinical and financial sense and is convenient for the patient, rather than on the rigid silos of hospital, nursing facility, and home health. Expect some battles over regulations as these boundaries get pushed.

SECURING MARKET SHARE THROUGH DIGITAL HEALTH

Providers who previously relied on securing their market share by aligning primary care physicians are quickly discovering that they are vulnerable once again. Disruptors who create a "new front door" to healthcare—whether that is an "addictive" customer-facing app, a retail clinic, or a payer-aligned app that optimizes referrals to efficient providers—are beginning to erode the effectiveness of a unilateral focus on a primary care strategy.

With convenience gaining importance, technology and information flow will become an increasingly critical aspect of meeting consumers' expectations. These digital health tools will be 1) an entry point, 2) a tool for personalized care planning, and 3) an aid in care coordination.

In the long term, rather than securing a patient base primarily through networks of primary care physicians, health systems will secure that base through a combination of the integrated medical record, convenient consumer-oriented apps (including AI) and population-based payment models.

THE NEED TO PARTNER

Transitioning to the health system of the future will require moving from a mindset that "we need to own it all" to one that accepts the need to actively partner with clinical and technology innovators with required competencies. Few health systems will have the operational capabilities to design, implement and operate numerous innovative services and products. The right innovation partner can contribute those skills and sometimes a portion of the needed capital. In addition, some partners may be creating their own strong

relationships with patients that could be extended to the provider through the partnership. Health systems will need to use their current assets (reputation, patient base, physician relationships, and medical records) to secure strong relationships with these non-traditional partners.

CONCLUSION

These changes may happen incrementally, but the net result will be a transformation.

Managing health systems and hospitals through this transitional environment will demand new awareness and approaches from leadership. Physicians may not be comfortable with their organizational employers as those employers create new doorways into the organization.

It will be essential to meet consumers where they are. For the young and middle-aged, that is likely to be at the intersection of convenience and minimizing out-of-pocket cost. For the older and well-educated, with ongoing healthcare needs, those factors may intersect with reputation. The chronically ill of any age and a wide-range of backgrounds tend to be well-informed consumers of healthcare; as with the elderly, they may care about convenience (which they may define differently than the younger and healthy), but they will balance that against perceived (or researched) evidence of expertise.

The greatest risk for health systems will be to assume that their leading role in health care is an immutable given. The strategic challenge for systems will be to define and proactively stake out defensible new roles, work with physicians, and leverage new strategic relationships to continue to achieve competitive advantage. ●

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