

Responding to Disruptive Innovators, Part I

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Healthcare organizations can take a lesson from the processes of *disruptive innovation* being wrought in other industries by companies such as Netflix and Uber. Netflix has displaced brick-and-mortar stores as the preferred distribution channel for movies, and Uber is creating havoc for taxi companies.

These two companies obviously don't pose a threat to hospitals and health systems, but like-minded organizations in health care can disrupt the status quo and transform the industry. Relatively recent examples include ambulatory surgery centers and retail clinics—common components of today's delivery system that initially were met with skepticism by physicians and hospitals.

Disruptive innovation is alive and well in health care. Health systems need to pay attention and develop strategies to respond to four specific types of innovators that are gaining traction in the market: Revolutionized primary care and empowered physician networks, as discussed below; and app-enabled patient engagement and visionary health systems, as we'll examine in next month's post.



REVOLUTIONIZED PRIMARY CARE

The *revolutionized primary care* model uses a team of providers to proactively engage and support patients in their care. More robust than patient-centered medical home practices, these practices were built from scratch to engage patients in close, trusting relationships with health coaches backed by physicians, nurses, and social workers.

This new primary care model requires about twice the normal spend on primary care. However, the doubling of primary care costs—from about 5 percent of the premium dollar to about 10 percent—can yield much more in savings through better self-care for chronic conditions, as well as tight control of specialist and facility selection.

The results: improved health outcomes and quality metrics, reduced utilization and spending, and sky-high patient satisfaction ratings. One particularly innovative company in this space is [Iora Health](#).

EMPOWERED PHYSICIAN NETWORKS

Empowered physicians can be in a single large medical practice or a clinically integrated network. They focus on coordinating care and steering patients to the most cost-effective care setting. By agreeing to manage the total cost of care, they retain the savings in a variety of value-based payer contracts. These networks often have venture capital or private-equity backing to support the required IT and human infrastructure.

These physician networks evaluate prospective hospital partners, which are viewed as cost centers, based on the institution's ability to offer good pricing, share data, and avoid complications that add to episode costs. Hospital partners also must be willing to participate in care management efforts and to work with the network's aligned specialists. [Privia Health](#) is a fast-growing example of an empowered physician network.

EFFECTIVE RESPONSES

These two types of disruptors are seeking to partner with hospitals and health systems that have competitive pricing and a willingness to work collaboratively to better coordinate care. To attract them as partners, hospitals need to focus on the details of sharing data, on effective communication, and on redesigning care delivery. Successfully partnering with these disruptors can help a hospital secure market share and develop population health capabilities without directly assuming financial risk. ●

Like-minded organizations in health care can disrupt the status quo and transform the industry.

Coming Next Month: The potential impact on the industry of app-enabled patient engagement and visionary health systems.

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