Leveraging Technology For Strategic Advantage: Why Technology Will Be The Key To Future Competitive Advantage

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Monica E. Oss, Chief Executive Officer, OPEN MINDS
What I Learned This Week

- There are 165,000 health and medical apps on Google play and in the app store—but only 220 FDA-cleared medical apps.

- The new HL7 Fast Healthcare Interoperability Resources will change interoperability—hopefully in some positive ways.

- Most care managers spend 40% of their time tracking down the information they need to coordinate care.

- The five largest publicly traded companies in the U.S. are now tech companies (Apple, Alphabet/Google, Microsoft, Amazon, and Facebook) -- and all of them are in the health care market in some form or fashion.

- There is a big gap between the ‘potential’ of technology in health and human services – and what is happening on the ground.
Shifting Role Of Technology In Health & Human Services

- Compliance focus the past ten years
  - Result - less focus on usability and clinical effectiveness
- From ‘cost’ to ‘investment’
- From ‘administrative management’ to ‘imbedded in service lines’
  - Essential for competitive advantage – and market positioning - over the next five years
Downward Cost Pressures Continue - & Will Continue Regardless Of National Policy

Blue Cross Healthcare Costs More Than Double for One RI Family

Monday, November 06, 2017
GoLocalProv News Team and Kate Napol

A Rhode Island insurance cost increase year after year, as states -- and the federal government -- struggle to tackle mounting costs.

"$23,000 a year? Not acceptable," said Jerauld Adams, of getting his renewal notice for 2018 from Blue Cross Blue Shield of Rhode Island.

Insurance costs spike after Trump axes subsidies

Dementia care creates new costs for families

The Massachusetts Plan to Slash Drug Costs

Posted in: Online
New Competition & New Competitive Alliances

Humana Contracts with CleanSlate
Provide Opioid Addiction Services
Behavioral Health Group
Acquires Two Addiction Treatment Programs in Georgia

Fears of Amazon moving into prescription drug sales are already disrupting health care

Report: Merger of Aetna and CVS Could Be Announced As Early As December

Apple explored buying a medical-clinic start-up as part of a bigger push into health care

Colorado Medicaid Selects Five Organizations For Regional Integrated Behavioral & Physical Health Services

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Anthem Partners With CVS To Start Its Own Pharmacy Business, IgenioRX

Magellan Health Closes on Acquisition of Senior Whole Health
Today’s Challenge? Erosion Of Margins In Traditional Specialty Provider Organizations

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Health plans and consumers want to buy traditional services in new ‘packaging’
Today’s Challenge? Erosion Of Margins In Traditional Specialty Provider Organizations

- Reimbursement rates for traditional services on the decline
- Health plans and consumers want to buy traditional services in new ‘packaging’
- “Better value” alternatives are emerging
- “Specialty” service provider organizations - regional and national
- Tech-enabled direct-to-consumer alternatives
- Tech-enabled specialty care solutions for primary care and acute care settings

In the aftermath of FEGS, human service providers warn of crisis
Organizational Rebalancing Approach Needed - Portfolio Management Is Key

Service line portfolio analysis – revenue, market share, margin, projected future changes in revenue and margin

“Balance the books” portfolio view

“Margin” versus “mission” analysis of current services

Prioritization in terms of mission criticality

For services lines with negative margins, decision of subsidize (fundraising, profitability of other programs, etc.) or terminate

Develop new service line(s) and/or repositioning of current service lines to enhance portfolio position and margin
The Evolution Of Service Lines In Health & Human Services

Stage I: The Transition to (Semi) Competitive Market

Stage 2: The Integration Phase

Stage 3: The Value-Based Reimbursement Phase

Stage 4: The Tech Leverage Phase
Technology Has Changed The Expectations Of Payers & Consumers

1. Personalization of consumer treatment through analytics-informed decision support
2. More efficient and effective coordination of consumer services across the service system
3. The measurement of “value” of services

New treatment technologies have changed the options for consumers

Health information exchange provides data exchange and creates ‘big data’ for consumer service planning

Smartphone and other technologies for inexpensive consumer-directed disease management

Telehealth and virtual consultation changing geographic market boundaries for services

Leverage Of Technology To Reinvent Services
Key To Long-Term Sustainability
Understanding the potential of technology to shift ‘competitive advantage’ is a key responsibility of leadership...

New Service Delivery Paradigms

New Genetics, Pharma, & Neurotech: The “What” of Service

Telehealth & Remote Services: The “Where” of Service

Web-Enabled Admin Tools: The “How” of Service

Analytics & Decision Support: The “Right” Service
What Technology? The Technology Investment Question Driven By Value . . .

Competitive Advantage Driven By Value To Payers & Consumers

Product Benefit + Brand Equity + Marketing Benefit = Value
What Technology? The Technology Investment Question Driven By Value . . .

Technologies to reduce cost (and price) are easier decisions
What Technology? The Technology Investment Question Driven By Value . . .

Technologies to improve product benefits, marketing benefits, and brand are more difficult. . . Requires ‘strategic quality’ framework
Employ The ‘Strategic Quality’ Concept In Strategy & Tech Selection

Invest in ‘performance improvement’ that differentiates you from your competitors – and customers are willing to pay for the differential cost

Requires an understanding of:

- Customer perceptions
- Customer segmentation
- Competitive offerings
- Customer perceptions of competitive offerings
- Price elasticity

Eight Dimensions Of “Strategic Quality”

- Performance
- Features
- Reliability of service system
- Conformance to standards
- Durability and length of effect
- Serviceability and customer experience
- Aesthetics
- “Perceived” quality
Technology Infrastructure To Support Performance Management

### Getting The Necessary Data
- Electronic health records
- Health information exchange and data aggregation
- Patient registries
- Consumer referral tracking

### Optimizing Organizational Performance, Care Coordination & Population Health Management
- Performance monitoring and management tools
- Consumer segmentation and health risk stratification
- Care coordination platforms
- Advanced population analytics and clinical decision support
Technology Infrastructure To Optimize Value Of Consumer Care

Engaging Consumers
- Patient portals, websites, and web-based consumer tools
- Automated consumer outreach

Reducing Service Cost
- Tech improving admin efficiencies
- Tech-enabled service system
- Telehealth and telemedicine
- Remote monitoring
Lots Of Opportunity For “Easy Gains”... But Window Will Close Fast

40% Of Commercial Insurance Reimbursements Tied To Performance Incentives

Approximately 40 percent of the top 100 health systems in the U.S. currently offer some type of online appointment scheduling. As organizations adopt better

Use Of Telehealth In Government-Financed Health Plans Range From 1% To 12%

Primary Care Doctors Spend More Than 50% Of Workday On Documenting In The EHR

Population health is a manual process now, but just wait until the tech matures
Best Practice - Incorporate Tech Into Your Strategy Development & Performance Optimization Process

Strategy & Implementation Path

- Strategy development
- Scenario-based planning
- Portfolio analysis and management
- Planning – technology, marketing, operations, talent
- Organizational readiness assessment

Metrics-Based Performance Monitoring

- Revenue and margin management
- Unit cost reporting
- Health plan/payer contract monitoring
- Consumer experience
- Technology resource and service consumption
- Revenue tracking and demand forecasting

Performance Optimization & Building Competitive Advantage

- Operational reengineering
- Talent competency enhancement
- Renegotiation of health plan/payer contracts
- Resource management
- Budget/forecast automation
- Brand management

Delivery Of Sustained Value

- Financial engineering and strategic pricing
- Rolling budgets and forecasts
- Benchmarking
- Investment governance
- Rolling strategy updates – including ongoing technology planning
What We Know Won’t Change

1. Consumers will pay more of the bill – and have more ‘discretion’

2. Payment based on ‘value’ or ‘performance’ will grow (though the definition is pending)

3. Half of the competitive battle is ‘having the goods’ - and the other half is letting target customers know you ‘have the goods’

4. Competitive advantage is dependent on executive team having great (accurate, real-time, service line specific, consumer specific) performance data

5. Using performance data to improve performance – via rapid cycle innovation – is a ‘must have’ executive team function going forward

6. The pressure on margins – and the need for investments (marketing, systems, talent, etc.) – will continue to drive consolidation
Keys To Strategy In An Evolving & Turbulent Market

1. “Positioning” is the starting point in strategy – the role your organization and each of its service lines plays in the future market

2. Positioning and competitive advantage need to be managed at the service line level – under the umbrella of an organizational brand

3. How much – and how fast - your organization needs to change is determined by the competition (and the purchaser)

4. Financing models are a means to an end – not ‘the end’

5. Actionable performance information, nimble organizational response, and market knowledge are key differentiators – all dependent on technology adoption
“Disruptive technology should be framed as a marketing challenge, not a technological one. . . ”

“People don’t want to buy a quarter-inch drill. They want a quarter-inch hole. . . ”

Clayton M. Christensen, The Innovator’s Dilemma
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Today’s Challenge? Erosion Of Margins In Traditional Specialty Provider Organizations

1. Reimbursement rates for traditional services on the decline

2. Payers/health plans/consumers want to buy traditional services in new ‘packaging’ – value-based, solution-oriented

3. “Better value” alternatives are emerging
   - “Specialty” service provider organizations – regional and national
   - Tech-enabled direct-to-consumer service alternatives
   - Tech-enabled behavioral health ‘solutions’ for primary care practices and accountable care organizations

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