



Innovative Players Shaping Care Delivery Competition

Part 1: Two sources of emerging disruption in convenient care

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Executive Summary

Hospitals, health systems, and physician groups face threats of disruption on several fronts. Long-standing industry pressures—unsustainable cost trends and shifting consumer expectations—have not abated, which has attracted the attention of out-of-industry companies and private equity-backed entrepreneurs who bring new solutions to bear. New competitors see opportunities to rebuild the delivery system from the ground up, pioneer new business models, and push the boundaries of clinical and technological innovation. Many are driven by a limited strategic focus that is quickly adaptable to market shocks, enabling them to outmaneuver incumbents who have too many strategic directions and maintain a risk-averse culture to transformational change.

To protect market share, incumbent providers must understand how non-traditional competitors are establishing a differentiated value proposition and positioning themselves for growth. This report provides an overview of the major trends and innovative players emerging in the market across four domains: convenient care, primary care, specialty care, and payer networks. The first installment of this four part series focuses on convenient care—a growing network of alternative ambulatory care options, including retail clinics, urgent care centers, virtual care providers, and home care providers that are appealing to consumers by offering on-demand access to care and superior levels of service.

Not all innovators in this report are equal in terms of their source of differentiation and future growth outlook. For each group, Advisory Board analyzed the following value-drivers.

Criteria for evaluating innovators



Offers a differentiated consumer experience

- Enhances access and/or convenience
- Offers a frictionless end-to-end health journey and transaction
- Delivers economic value to end users



Attempts to improve clinical outcomes

- Improves patient-desired outcomes and quality of life
- Reduces misdiagnoses and complications of care



Possesses a sustainable operating model

- Utilizes efficient processes to generate cost savings
- Operates with a competitive expense structure
- Appeals to clinical and administrative workforce as an employer



Utilizes a scalable business model

- Develops intellectual property not easily replicated by competitors
- Accesses capital with relative ease to cover infrastructure costs
- Partners with stable, long-term customers to fill unmet demand and serve a large addressable market

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Convenient care

Section

1

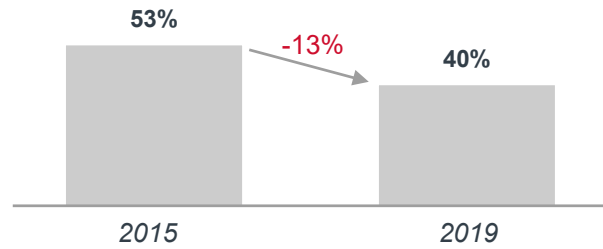
Access standards elevated to new heights

Non-traditional competitors capturing patient loyalty by offering on-demand access

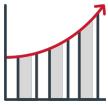
Despite efforts to improve ambulatory access, provider shortages and growing demand continue to prolong wait times and over-extend provider capacity. Medical groups face intensifying competition from non-traditional access points—including urgent care centers, retail clinics, and virtual care providers—that are not just offering on-demand access to care, but also positioning themselves to serve as one’s regular provider for longitudinal health care needs.

Loyalty to a traditional PCP declines, 2015 vs. 2019

Percentage of survey respondents who would “definitely” stay with their PCP over the next year¹



Emerging trends in convenient care



Expanded breadth of services

Innovators continue to expand their services beyond immediate care, vying to be a single go-to resource not only for urgent care but also primary care, wellness, select specialties, and even hospital-level care



Heightened focus on the digital front door

Disruptors are attempting to attract customers farther upstream in the care journey through digital applications to capture new patient relationships and influence downstream spending



Experimentation with new financing models

While convenient care sites remain reliant on direct-to-consumer business and walk-in care, innovators are experimenting with bundled subscription services and B2B partnerships with risk-bearing entities and retailers to tap into new growth channels



Innovators profiled in this report

1

Virtual care providers (page 5)

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On-demand risk models (page 13)

1. Advisory Board 2019 Primary Care Consumer Choice Survey.

Source: Market Innovation Center interviews and analysis.

Virtual care: on the path to widespread adoption



DESCRIPTION

Virtual care providers

Providers who remotely diagnose and/or treat patients through real-time or asynchronous audiovisual information exchange.

Innovative players¹

- **98point6**
- **TytoCare**
- **Carbon Health**
- **Amazon Care**
- Nurx
- HeyDoctor
- K Health
- OnMed
- Bright.md
- Zipnosis
- Eden Health
- Babylon Health

Current growth strategies used by telehealth incumbent and start-ups



Niche telehealth providers attempt to create direct-to-consumer market

A growing number of telehealth providers offer focused solutions specializing in a narrow set of services, such as reproductive health and mental health, but few gain traction in the market without significant marketing funding



Hybrid in-person and virtual models take shape

Start-up primary care companies are offering the ability to connect with one's regular PCP virtually to improve access while preserving care continuity



B2B partnerships drive growth

Even though virtual visits only accounted for an estimated 0.11% of all commercial claims in 2017, telehealth providers continue to grow at a rapid pace, thanks in large part to partnerships with health plans, retailers, and consumer technology companies that help to increase awareness and utilization



Artificial intelligence-powered platforms manage patient intake and triage

Virtual care providers will offer free or low-cost chatbots and symptom checkers as a means to connect with new patients searching for a provider online; advanced AI platforms will automate diagnostic and treatment plan tasks, significantly enhancing provider productivity



Advancements in remote diagnostic technologies expand virtual capabilities

Medical device, diagnostic testing, and consumer technology companies will continue to develop at-home diagnostic tests, handheld diagnostic tools, and smartphone sensors to expand clinicians' capabilities to diagnose and treat remotely



Dedicated "virtualists" compete for patient relationships on nationwide basis

As demand grows and virtual providers expand their capabilities beyond urgent care, more clinicians will spend 100% of their time dedicated to telehealth and join virtual medical groups that compete to establish long-term relationships with patients on a nationwide basis

1. Organizations in bold are profiled in this report.

Source: "FH Healthcare Indicators® and FH Medical Price Index® 2019," FAIR Health, April 2019; Market Innovation Center interviews and analysis.

Virtual care start-up lowers barriers to use for consumers

Automation powers 98point6’s low-cost, text-first virtual care platform



CASE
EXAMPLE

98point6

Telehealth provider with 31 physicians • Seattle, Washington

98point6 is a telehealth start-up that offers a text-first solution for treating low-acuity health care needs. The company aims to overcome many of the hurdles impeding adoption of virtual visits, including strict regulatory and licensing requirements, sub-optimal consumer engagement, and poor reimbursement. Since its founding in 2015, 98point6 has rapidly expanded its nationally-licensed virtual medical group, built out its technology platform, and entered into new partnerships with large retailers and health plans to expand utilization of its service.

98point6’s telehealth offering



Nation-wide virtual medical group

Board-certified physicians with equity stake in company provide 24/7 coverage and are licensed in all 50 states and DC



Minimal out-of-pocket costs

Offers employer and direct-pay plans with low per-visit fees; direct-to-consumer subscription model is \$20 for first year (\$120 for subsequent years) and each visit costs just \$1

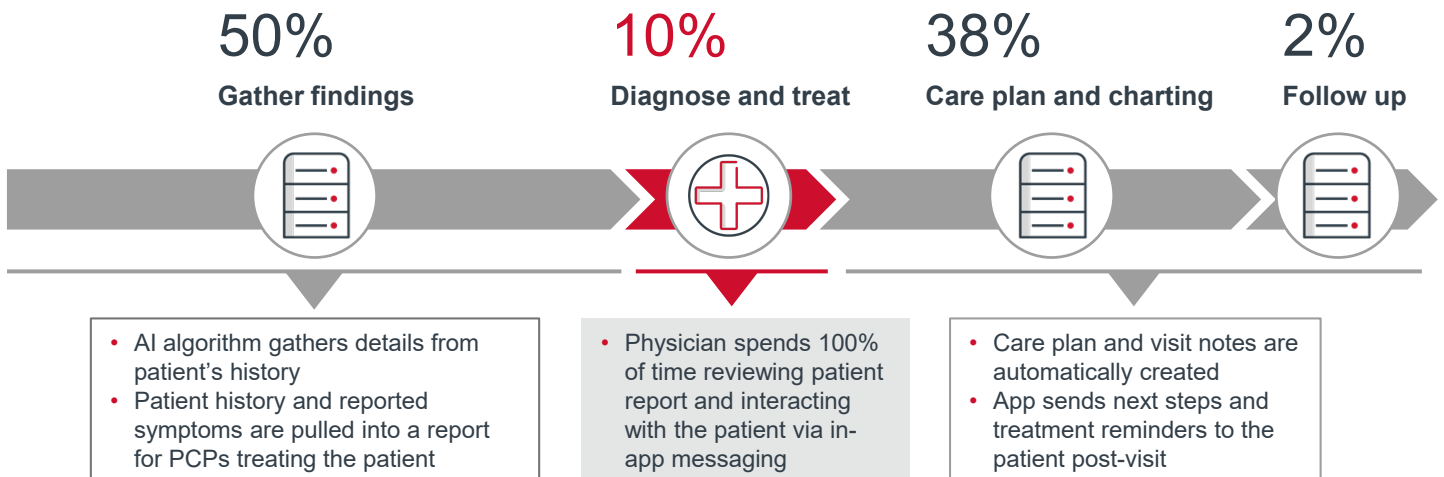


AI-powered technology platform

Intuitive, text-first platform offers a digital experience on par with leading social media and e-commerce applications and automates much of the patient interaction

At the heart of 98point6’s telehealth platform is its AI-powered algorithm that automates approximately 90% of the interaction time spent with the patient, from gathering diagnostic information to creating a care plan. With its text-based chatbot, 98point6 is able to preserve its physicians’ time for higher-level tasks, which vastly improves productivity of its clinicians and lowers overall operating costs.

AI responsible for 90% of virtual visit



Source: Market Innovation Center interviews and analysis.

Wholesale model appeals to budget-conscious consumers

Virtual care bundled with pharmacy, dental, vision to enhance appeal

98point6 has sought out B2B partnerships as its primary growth lever. A recent partnership with Sam's Club couples 98point6's virtual care platform with services already offered by Sam's Club, including dental care, eye exams, and pharmaceuticals. With just a \$50 annual membership, consumers can see a 98point6 physician for \$1 per visit in addition to receiving other Sam's Club health services at a significant discount. Their highest-cost premium membership offers an expanded array of health services for up to six family members.

Sam's Club's Care Accelerator membership offerings

	Core telehealth \$50 per year	Core dental \$50 per year	Preferred \$100 per year	Premium \$240 per year
Medical care: text-based doctor visits 24/7 for \$1 through 98point6	✓		✓	✓
Pharmacy: generic medications offered for free for select medications	✓	✓	✓	✓
Dental care: savings on dental services within Humana's dental network		✓	✓	✓
Optometry: \$60 for eye exams and 20% off eyewear at Sam's Club	✓	✓	✓	✓
Prepaid debit card: a \$5, \$40 or \$100 prepaid health debit card, for the \$50, \$100, and \$240 plans, respectively	✓	✓	✓	✓
Preventive care: free preventive health screening at Quest Diagnostics				✓
Discounts: up to 30% off alternative medicine (chiropractic, acupuncture and massage therapy) and 10% off hearing aids at Sam's Club				✓

Given that virtual visits offered by other vendors often cost upwards of \$50 per visit, consumers could begin reaping financial savings from the Sam's Club-98point6 membership after the first visit. Currently, the membership offerings are only available in Michigan, Pennsylvania, and North Carolina. If the company observes high demand at its pilot sites and an ability to increase share of health care and non-health care out-of-pocket spend from Care Accelerator members, the company is expected to offer the product nationwide.

Diagnostic tools enable remote, in-home physical exams

TytoCare’s technology expands the scope of services virtual providers can offer



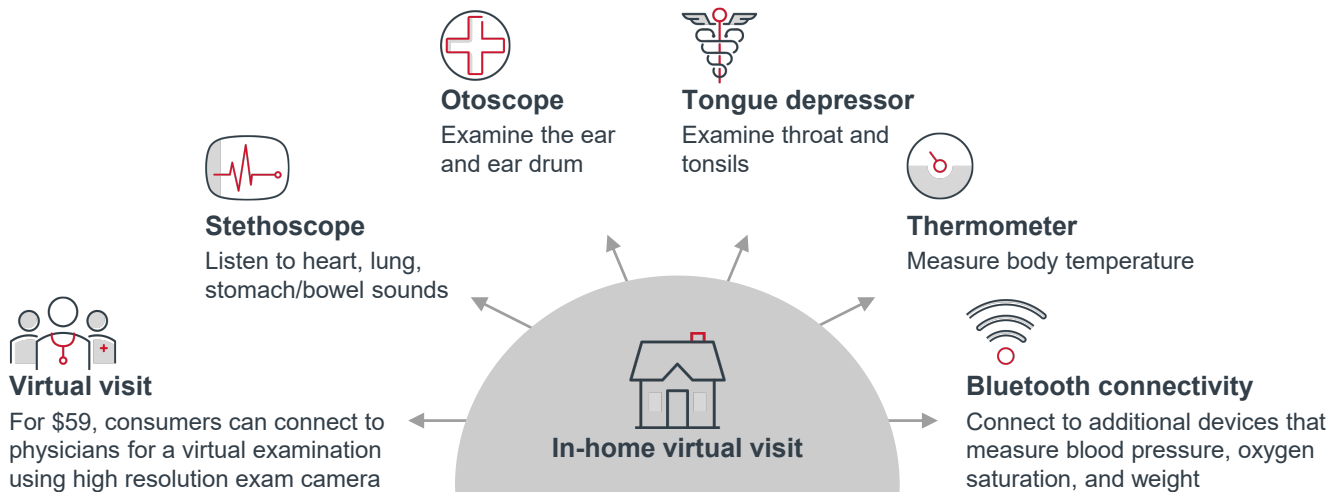
CASE
EXAMPLE

TytoCare

Telehealth company • New York City, New York and Netanya, Isreal

TytoCare is a telehealth company that offers both a platform for virtual visits and an at-home device for remote diagnostics. Like 98point6 and other virtual care providers, TytoCare has sought out partnerships with health systems and vendors to expand utilization of its telehealth platform. The company now sells its product for \$299.99 in 300 BestBuy stores.

TytoCare’s TytoHome product capabilities



Unlike other virtual care providers, TytoCare does not employ its own clinicians. TytoCare is instead placing its bets on developing digital diagnostic technologies that supplement virtual care platforms. The company partners with American Well and health systems such as Ochsner Health System, Novant Health, and Sanford Health to staff its platform 24/7, 365 days a year. TytoCare has also joined Epic’s App Orchard marketplace, which allows data captured by its technologies to automatically be transferred to Epic’s electronic health record and promote continuity of care with patients’ regular providers.

As digital diagnostic technologies continue to develop, the range of addressable conditions that can be diagnosed and treated from the comfort of one’s home will expand. The cost of digital diagnostics, as well as consumers’ comfort and experience with using the devices, will determine the extent to which these technologies play a role in care delivery going forward.

Source: Baxt, J. "Tyto Care takes telehealth retail." (MedCityNews, November 13, 2019). "Tyto Care Launches TytoHome Nationwide at Best Buy Stores" (PRNewswire, November 13, 2019); Market Innovation Center interview and analysis.

Hybrid virtual, physical network offers full-service solution

Carbon Health seeks to be go-to platform for all urgent, primary, virtual care needs



CASE
EXAMPLE

Carbon Health

Primary and urgent care provider and technology vendor with clinics across four markets • San Francisco, California

Carbon Health is a Silicon Valley start-up that offers an integrated EMR, consumer-facing smartphone application and managed services (e.g., scheduling, billing) for urgent care centers and primary care clinics. The company aims to reinvent the health care experience by offering consumers a modern and intuitive digital experience on-par with interactions one would have with e-commerce and social media applications.

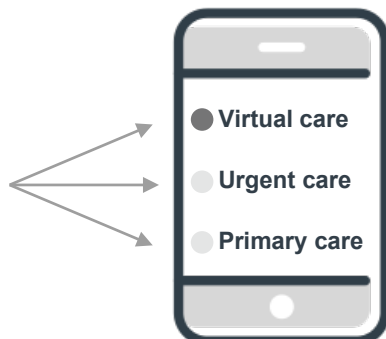
Carbon has the goal of creating a nationwide care delivery network. To do so, they have adopted the “networks” approach pioneered by companies such as Uber and Airbnb—creating a large network without owning any of the associated assets. When consumers need medical care, they have the option of using any one of the urgent care centers or primary care clinics on Carbon’s practice management software. Alternatively, consumers can opt for a virtual visit within the application.

Patient interaction within Carbon’s app

Explains symptoms and history to AI-powered chatbot



Chooses virtual or physical visit with physician



Carbon Health’s technology-enabled software solution



Clinic administrative services

- Carbon’s technology serves as the EMR, patient portal, and scheduling and billing system
- AI-powered clinical decision support system and chatbot gathers symptoms and history before visits to improve provider efficiency; can reportedly suggest the correct diagnosis for a patient with 90% accuracy
- Carbon collects 7% of practice revenue for its managed services



Concierge consumer-oriented digital services

- Visit notes, medical images, lab results, scheduled appointments, referrals, and treatment plan appear on a single consumer-facing application feed
- Patients can access pricing information, schedule same-day appointments, pay bills, refill prescriptions, and request home delivery of prescriptions within the app
- Users can chat with their doctor, submit health information from wearables, and schedule medication reminders to help manage their health

Carbon is not the only start-up attempting to create nationwide care delivery networks using a hybrid virtual and in-person model. Others including Crossover Health, Eden Health, and Firefly Health are relying on virtual care to scale and increase their presence across a wider geography in a cost-effective manner. This strategy enhances appeal to employers with widely dispersed employee populations that would like to launch occupational health clinics. It also enables providers to introduce patients to virtual options available to them for future needs while they are in a physical clinic.

Source: Truong, K, Dietsche, E, "Carbon Health pulls in \$30M to become the Starbucks of Healthcare", MedCityNews (June 6, 2019); Market Innovation Center interviews and analysis.

Big tech positioned to compete for the digital front door



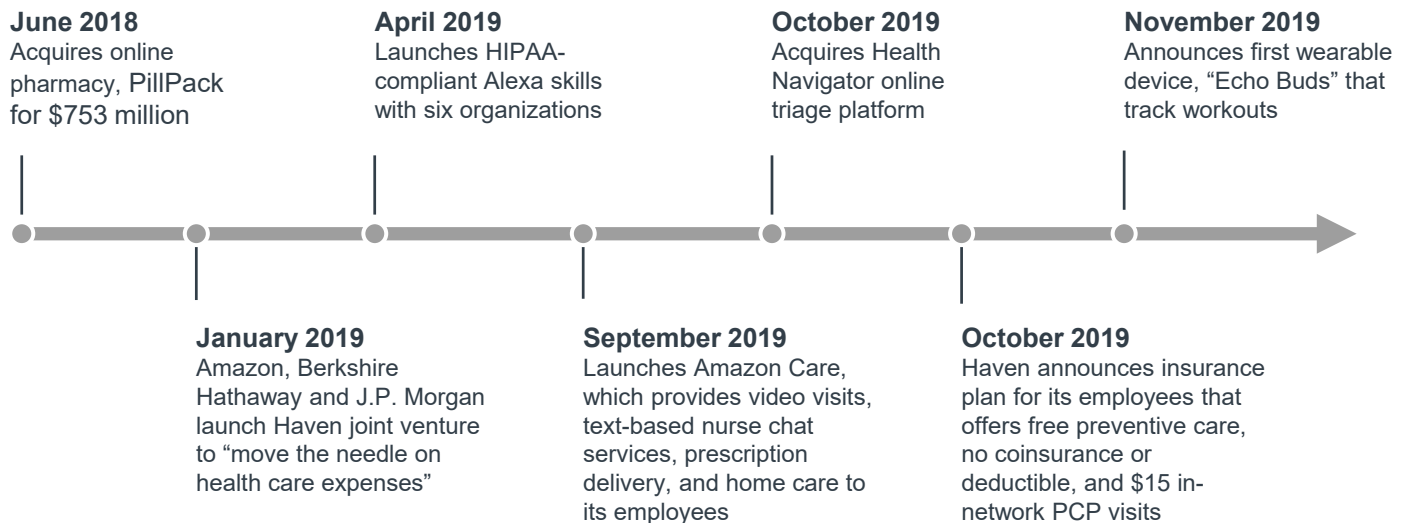
CASE
EXAMPLE

Amazon

Retailer with 100 million prime users and 640,000+ employees • Seattle, Washington

Amazon has announced a series of health care acquisitions and product announcements that indicate it is setting its sights on health care as a future avenue for growth. With a large base of over 310 million active customers and 100 million Prime members, Amazon has the loyal customer base, technological prowess, and capital to test and scale a direct-to-consumer health care offering with wide appeal.

Amazon’s major health care moves



Today, there is not a single digital platform for consumers to search, schedule, and receive care on a nationwide scale. Given its growing collection of health care assets and existing relationships with consumers, Amazon is positioned to be a prominent channel consumers use to get connected to the delivery system

Amazon’s potential role in the digital patient journey



Triage function via Alexa and digital chatbot

Patients prompted for details regarding their symptoms, such as severity, duration and history and directed to appropriate care sites



Scheduling platform for select, participating providers

Patients ask Alexa to schedule same-day appointments at participating health systems (already working with Atrium Health and Providence St. Joseph Health)



Connection to virtual and home-based care

Patients access Amazon’s virtual provider partners through Amazon Care platform

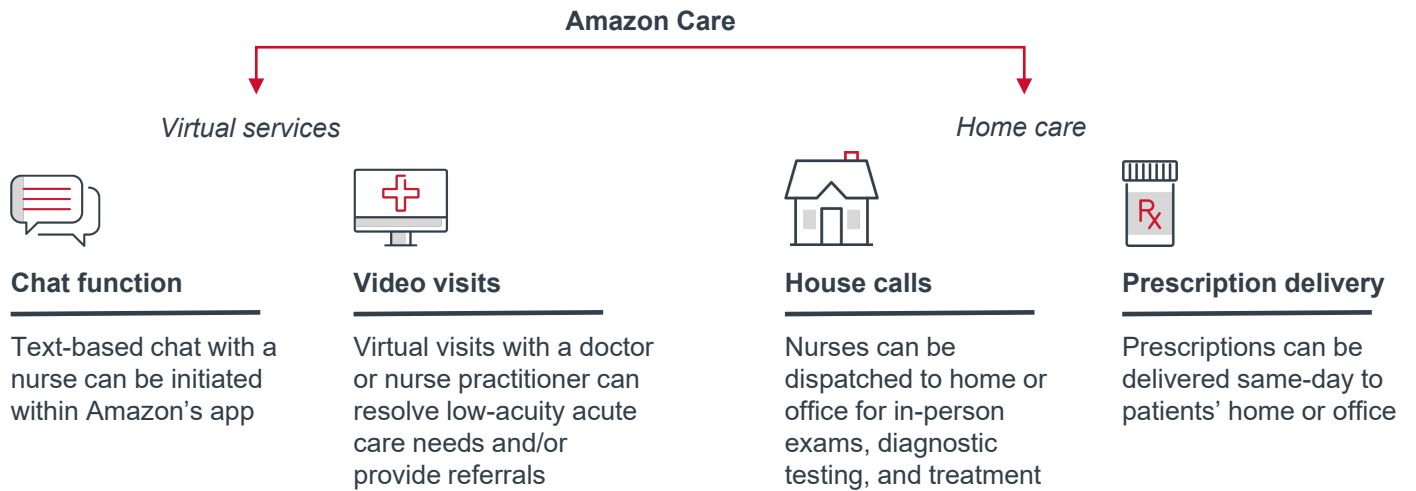
Source: Evans, M. “Amazon Joins Trend of Sending Workers Away for Health Care,” Wall Street Journal (October 15, 2019); Jang, R. “Introducing New Alexa Healthcare Skills” Amazon Alexa (April 4, 2019); Landi, H. “Amazon acquires startup Health Navigator to build on its Amazon Care program”, FierceHealthcare (October 24, 2019); Market Innovation Center interviews and analysis.

“Amazon Care” makes its debut

Amazon’s occupational health offering couples virtual and home care access

In 2019, Amazon launched an app-based occupational health service that connect its employees in Seattle to providers from Oasis Medical Group. The program offers virtual and home-based services and is available from 8 a.m. to 9 p.m. on weekdays and 8 a.m. to 6 p.m. on weekends.





















Services offered to Amazon’s employees



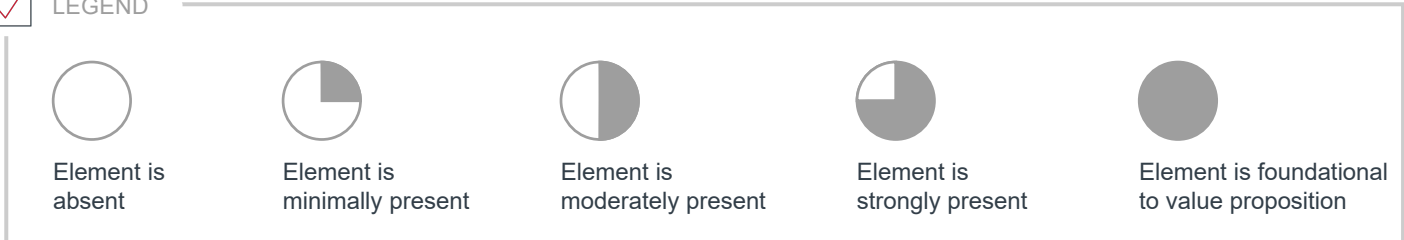
While Amazon Care is currently only available to Amazon employees, the design of Amazon’s occupational health program may preview a more widespread direct-to-consumer health care service in the future. Along with its Haven insurance product, all signs point to Amazon taking a more activist approach to managing health care costs, if only for its own employees.

Source: Farr C, “Amazon launches Amazon Care, a virtual medical clinic for employees,” CNBC, September 24, 2019; Market Innovation Center interviews and analysis

Innovation scorecard

	 Differentiated consumer experience	 Attempts to improve clinical outcomes	 Sustainable operating model	 Scalable business model
98point6	 Offers 24/7 access with user-friendly, text-based communication	 Enhanced primary care access may improve outcomes on par with other virtual care providers	 AI-enabled platform creates productivity gains; continues to hire 3-4 PCPs per month to staff its platform	 Private equity backing and partnerships with well-known national retailers and health plans supports growth
TytoCare	 Product expands range of needs able to be resolved from home setting	 Diagnostic tools may improve ability of remote clinicians to formulate an accurate diagnosis and treatment plan	 Technology will likely need to come down in price generate cost savings for consumers	 Exclusive BestBuy partnership creates highly visible sales channel nationwide
Carbon Health	 Offers services normally only offered in subscription-based concierge medical practices at no cost	 Easy access to clinician, treatment plan, and health data may improve engagement long-term	 Software foundation enables cost-effective replication across new customers	 Large addressable market, but requires market-by-market partnerships and conversion of existing medical record platform
Amazon	 Uniquely positioned to bundle health and non-health care services at affordable price point	 Enhanced access may improve outcomes on par with other virtual care providers	 Scale of the company may enable it to offer a more cost-effective solution than alternatives	 Has a large existing user base and considerable access to capital

 LEGEND



Source: Market Innovation Center interviews and analysis.

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