



Five Trends That Will Disrupt Health Care Delivery

PUBLISHED BY

Advisory Board

advisory.com/research

READING TIME

15 min.

To better serve your provider partners, you need to speak your customers' language and see the world through their eyes. But that language and worldview are changing, and your products and services must evolve to meet their needs. With 100 of the largest integrated delivery networks (IDNs) now representing more than 50% of U.S. inpatient revenues, the stakes have never been higher. Every customer interaction matters.

Over the last two years, mega-mergers between companies like CVS and Aetna have resulted in different-in-kind delivery networks. And Amazon, Apple, and Google each announced ambitious plans to improve health care efficiency. Amid all this disruption, IDNs see financial and existential threats on all sides: more demanding purchasers, more cost-conscious consumers, and more lucrative services moving out of acute care settings.

To grow your customer relationships, you need to understand how the health care market is changing and where your organization fits into the ever-evolving health care ecosystem. These days, there's no shortage of commentary about health care disruption. But the most successful organizations are able to go beyond the headlines to separate hype from reality, noise from news.

Earlier this year, we took stock of the myriad forces impacting health care delivery. We boiled everything down to four major health care trends that everyone needs to know in 2020. And then Covid-19 struck. A fifth trend emerged—disrupting everything and rewriting the health care landscape in ways we are only starting to comprehend.

This briefing will arm you with a deeper understanding of each of these five trends: how each one emerged, where it stands today, where it may push the industry, and what it means for your provider partners. These insights will help you and your teams ask smarter questions, have more productive conversations with IDN administrators, and position yourself as a trusted partner in improving health care delivery.

Five Trends That Will Disrupt Health Care Delivery

- 01 Payers, technology companies, and consumers are all converging on “everywhere care,” changing the locus of control for health care services.
- 02 All eyes are on independent physicians as agents of change, but independence alone won’t drive down costs.
- 03 Artificial intelligence is slowly starting to impact clinical care, but broader applications will be limited by the quality of data used to train those systems.
- 04 Clinical innovations will continue to have transformative potential, but their value may be inhibited by affordability and workflow constraints.
- 05 Covid-19 is changing everything—we just don’t know how or for how long yet.

01

Payers, technology companies, and consumers are all converging on “everywhere care,” **changing the locus of control** for health care services.

Where we are today:

While many wrote off house calls as a thing of the past, in recent years there was a lot of buzz around the benefits of virtual care and care at home—and that was before the coronavirus struck. Patients can communicate with their doctors over videoconferencing software, order drugs through smartphone apps, and even perform basic genetic tests from home. What's more, payers—both public and private—are expanding coverage for these services while employers are encouraging, if not mandating, that employees get care in the lowest-acuity setting possible. In response to Covid-19, CMS has reduced barriers to access and coverage of telemedicine services for Medicare patients, further accelerating this trend. “Everywhere care” offers patients the luxury of care whenever and wherever they want it. But as it becomes more common and widespread, it will erode the traditional care pathways that define your health system partners' operating and financial models.

What to watch for next:

It's tempting to think that we'll soon live in a world where all but intensive care is delivered at home. But before jumping to that conclusion, it's worth analyzing some of the risks that come with everywhere care. For example, expanded virtual care can exacerbate the digital divide that excludes individuals without access to or full understanding of the needed technologies. If we move too quickly without addressing such disparities, everywhere care could end up worsening some of the access and affordability challenges that it professes to alleviate.

Our take:

Everywhere care is already decentralizing the locus of control for health care services. Efforts to slow the Covid-19 pandemic have forced both patients and provider organizations to get comfortable with virtual and home care options far faster than anyone anticipated. Even after the coronavirus crisis subsides, your health system partners, who currently sit at the center of the care delivery ecosystem, will need to accept the “new normal” of everywhere care. They'll need to work more collaboratively with other providers, payers, and third parties to coordinate care and ensure both patients and their health information flow seamlessly across disparate sites.

02

All eyes are on independent physicians as agents of change, but **independence alone won't drive down costs.**

Where we are today:

Back in 2009 and 2010, the architects of the Affordable Care Act (ACA) assumed that integrated delivery networks were the answer to health care's affordability problem. Physician groups thus responded to ACA-era programs by running for cover, aligning with or selling their practices to IDNs. Today, the superior performance of physician-led ACOs has led public and private payers to rethink that assumption. These payers are now implementing programs that encourage physicians to remain independent. With private equity groups, large practice management companies, and innovative practice models (like ChenMed and Iora Health) all looking to grow, physicians have many more options if they want to remain independent.

What to watch for next:

This is not the first time the industry has shined a spotlight on independent physician practices. Back in the 1990s, an influx of investment in physician practice management companies (PPMCs) yielded a financial flop; eight of the ten largest groups declared bankruptcy by the end of the decade. This time around, we're cautiously optimistic, both because many practices are focusing narrowly on specific population

segments and because new technologies are enabling smaller practices to coordinate back-end administrative services and cross-continuum care. Still, the success of independent practices is far from guaranteed. Looking back, some experts posited that the fatal flaw of PPMCs was that they pursued growth at the expense of integration. Today, practices must avoid this pitfall. Practices that integrate their processes, people, and infrastructure in service to defined population segments will help redefine what physician practice looks like in the 2020s.

Our take:

Regardless of ownership type or practice size, the most successful independent groups will be those with clear visions, effective governance structures, and sufficient capital to withstand temporary disruptions. Even before Covid-19, changes in financial incentives and patient preferences were creating real winners and losers in the physician practice environment. The pandemic's abrupt, massive disruption of routine office visits and elective procedures will likely force even more small physician practices to close shop or affiliate with larger entities. But only time will tell if those physicians align with IDNs or one of these newer alternatives. Just like IDNs, suppliers and service firms must understand which physician groups are positioned to be creative, collaborative partners over the long term.

03

Artificial intelligence is slowly starting to impact clinical care, but broader applications will be **limited by the quality of data** used to train those systems.

Where we are today:

In an industry that was overdue for change well before Covid-19 hit, many of us imagine how artificial intelligence (AI) might enable more accurate diagnoses and better predictions about health outcomes. Early in 2020, many health care organizations were already leveraging AI to improve decision-making and automate difficult or tedious tasks. For example, we've seen health systems use machine learning to manage appointment scheduling or aid in supply standardization efforts. Now, during the pandemic, IDNs and government agencies are teaming up with Big Tech in attempts to leverage AI in both microscopic analyses of the viral genome and macro-level analyses of regions primed for potential outbreaks. While these developments are promising, we must temper the hype by remembering that the near-term opportunities for AI in health care remain focused on narrow, administrative tasks. We're still far from the "doctor robot" or "Big Brother" figure that many imagine when they think about AI in health care.

What to watch for next:

Tools like wearables and connected sensors have given providers, payers, and third parties access to more data than ever before. However, many of the barriers that

inhibit broader AI adoption pose even greater challenges in the clinical setting. For one, AI is only as good as the data and algorithms that support it. For example, some early clinical applications have revealed unintended racial biases in their recommended care pathways. To advance our comfort with and adoption of clinical AI applications, technology leaders must address patient and provider concerns with bias as well as privacy, workflows, and reimbursement.

Our take:

Even after the Covid-19 crisis subsides, we don't foresee a near-term world in which algorithms drive end-to-end treatment. Still, you must remember that your provider partners are already using AI tools at many points along the care continuum, which in turn has implications for the ways in which you engage with them. Whether automating information-gathering at intake or aiding documentation, AI is becoming a part of health care delivery. While it's too early to know for sure, the national response to the coronavirus may also make certain kinds of health care surveillance and personal data aggregation more acceptable in the name of public health. Whether or not your organization's solutions have an AI component, you can help your provider partners ready themselves for AI applications by helping them identify their biggest needs and then thinking through the technology, staffing, and workflow implications that any AI solution will bring.

04

Clinical innovations will continue to have transformative potential, but their **value may be inhibited** by affordability and workflow constraints.

Where we are today:

The last few years have brought dramatic advances in manufacturing techniques and treatment modalities, fundamentally changing the care delivery landscape. 3D printed medical products can be personalized to meet individuals' health needs and challenges such as PPE and global ventilator shortages. Breakthroughs in treatment modalities such as gene editing technologies or bio-electric therapies may soon allow us to manage conditions that were previously untreatable. And one or more of the many novel coronavirus drug and vaccine candidates currently in trials could transform the trajectory of the disease. All of these clinical projects and innovations hold incredible potential, but life sciences leaders must ensure that they are affordable, integrate into clinician workflows, and are backed by evidence that supports their overall value—not just their safety and efficacy.

What to watch for next:

For many providers, innovation is as much about investing in novel technologies as it is about managing the appropriate use of those new (and often expensive) clinical tools. In the coming years, we anticipate more payer and provider scrutiny of clinical innovations—with a hyper-focus on affordability, efficiency, and evidence to support appropriate use. We also see growing purchaser interest in creative contracts that align manufacturer and purchaser incentives. This includes not only contracts with bonuses or penalties tied to clinical outcomes but also contracts that encourage wide-scale use of vaccines or curative therapies.

Our take:

Suppliers within the life science and digital health realms may be the ones driving clinical and technological innovations, but your success will depend on your ability to understand your provider customers' processes and pain points. Make sure you understand how each innovation will fit into clinician workflows, reimbursement models, and broader population health initiatives. Be prepared to help your customers understand not only the clinical benefits of your technology but also how your innovation fits into the larger web of activities required to improve patient care.

05

Covid-19 is changing everything—we just don't know how or for how long yet.

Given the rapid pace of change in state, national, and global efforts to fight the Covid-19 pandemic, any attempts to summarize “where we are” or “what to watch for next” will be out of date well before publication of this briefing. Our nation’s initial response laid bare our health system’s weaknesses and vulnerabilities. But it has also inspired newfound reservoirs of creativity, heroism, scientific advancement, and public-private partnership. And it has unleashed a wave of unprecedented regulatory changes, cultural changes, and economic changes—with short-term and long-term implications we can’t yet fully surmise.

All health care leaders—in any part of the health care economy—should consider the following questions:

- ▶ Will the lowered barriers to telemedicine use and reimbursement finally push virtual care services toward a tipping point in terms of broader adoption?
- ▶ Will the economic shock of “shelter in place” mandates leave millions more Americans unable to afford basic care, let alone elective procedures?
- ▶ Will the unprecedented surge in demand for certain medical and protective supplies change how provider organizations manage inventories and vendor relationships?
- ▶ Will the clinical and economic shocks to the system force the closure of more facilities and a new wave of industry consolidation?
- ▶ Will consumers and policymakers emerge from the crisis with different expectations for government’s role in health care?

While there are no easy answers to the above questions, we anticipate that the Covid-19 crisis will force all industry stakeholders to step outside their silos and seek collaborative, cross-industry solutions to these and other emerging health care challenges.

How suppliers and service firms can help providers **navigate the path forward**

When we project likely trajectories for each of these trends, clear best and worst case scenarios emerge. Virtual care will allow patients access to care at any time and in any place, but we run the risk of improving access for some at the expense of others. Propping up independent physicians may counterbalance health systems' market dominance. But if independents don't integrate well, then they too will fail to reduce costs. Artificial intelligence tools could prove to be a silver bullet in improving efficiency in health care, but those applications could perpetuate biases and threaten patient privacy. We may achieve unthinkable success in treating those who were previously considered untreatable, but only if providers, payers, and consumers have the will and the way to adopt new technologies. And society's response to the Covid-19 crisis could accelerate the adoption of game-changing clinical and technological innovations, or it could wreak such economic and societal havoc that much of our health system will need to be rebuilt.

Collectively, the top trends of 2020 will inevitably shift the balance of power across industry segments. In some cases the locus of control shifts to payers, other times to consumers, and other times to third parties. However, no trend effectively bridges the existing gaps across industry stakeholders. Moreover, the Covid-19 crisis exposed just how fragmented and misaligned our health care infrastructure is today. Outstanding questions around information ownership, social determinants of health, affordability, public-private partnership, and change management will be of utmost importance to your provider partners as they navigate the health care landscape that emerges in the wake of Covid-19.



For more in-depth case studies and examples of each of these trends, we encourage you to check out our latest **State of the Industry** presentation, now available on-demand. If you'd like to talk about this material with a member of our research team, please reach out to your institution's Dedicated Advisor.

LEGAL CAVEAT

Advisory Board has made efforts to verify the accuracy of the information it provides to members. This report relies on data obtained from many sources, however, and Advisory Board cannot guarantee the accuracy of the information provided or any analysis based thereon. In addition, Advisory Board is not in the business of giving legal, medical, accounting, or other professional advice, and its reports should not be construed as professional advice. In particular, members should not rely on any legal commentary in this report as a basis for action, or assume that any tactics described herein would be permitted by applicable law or appropriate for a given member's situation. Members are advised to consult with appropriate professionals concerning legal, medical, tax, or accounting issues, before implementing any of these tactics. Neither Advisory Board nor its officers, directors, trustees, employees, and agents shall be liable for any claims, liabilities, or expenses relating to (a) any errors or omissions in this report, whether caused by Advisory Board or any of its employees or agents, or sources or other third parties, (b) any recommendation or graded ranking by Advisory Board, or (c) failure of member and its employees and agents to abide by the terms set forth herein.

Advisory Board helps leaders and future leaders in the health care industry work smarter and faster by providing provocative insights, actionable strategies, and practical tools to support execution.

With more than 40 years of experience, a team of over 250 experts, and a network of nearly 5,000 member organizations, we spend more time researching the now and predicting the next than anyone else in the health care industry.

We know that together we can change the business of health care for the better. Join us by visiting advisory.com.



655 New York Avenue NW, Washington DC 20001
202-266-5600 | advisory.com