INSIGHTS INTO A VALUE-BASED FUTURISTIC HEALTHCARE MODEL

Abstract

Global healthcare models faced extreme stress and disruption during the COVID-19 pandemic. From insufficient production and supply of medicines to the lack of medical-grade oxygen, the implications were far reaching. Additionally, the pandemic greatly impacted the profit pools of healthcare institutions and the quality of service, necessitating an urgent need for a value-based, smart, and futuristic healthcare model. This POV discusses the need for a futuristic healthcare model that responds to internal and external changes.

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Driving value-based innovative healthcare business models[2]

The healthcare industry has long moved on from reactive interventions due to epidemics or workplace accidents. In today's times, the primary goal of the industry is to proactively prevent and manage chronic conditions. Newer challenges ensure that it's important for the stakeholders in the health industry to move towards an ecosystem-based model based on industry disruptions.

- **Industry inefficiencies:** These cause challenges in terms of affordability, quality, and outcome as well as deliver poor patient experience. Inefficiencies provide a ripe opportunity for innovation and value-based healthcare business models.

- **High costs of technology:** The investments in healthcare technology, especially in patient engagement, new care models, and data analytics, are now bearing fruit. Between 2014 and 2018, there were technology investments worth $83 billion in 580 deals across the US.

- **Technological innovations:** From predictive analytics and increased integration, technology companies are investing billions into R&D. This is to create platforms and services that multiple stakeholders can use while maintaining patient privacy.

- **Regulatory requirements:** These require more integrated data sharing and transparency among healthcare institutions as well as patients and their families. The Office of the National Coordinator for Health Information Technology (ONC) and The Centers for Medicare & Medicaid Services (CMS) is one such initiative, which promotes the use of a common database across healthcare institutions. This includes transparency of rates for patients and their families and interoperable electronic health records (EHRs).

What are operating models?[3]

An operating model standardises processes across the healthcare system and defines the points where critical work happens as well as helps build a robust strategy. Futuristic healthcare models must define how institutions respond to internal and external factors that demand change.* Operating models define relationships between the smallest activities and inter-departmental and cross-institutional movements. They define the capabilities and dictate how healthcare institutions work in line with the overall strategy.

Futuristic value-based models for the healthcare system[1][3]

Futuristic models deliver better healthcare and generate higher returns through the alignment of incentives, integrated healthcare, risk bearing, and the use of data with advanced analytics. Here is a list of four value-based futuristic healthcare models.

The innovator model

It focuses on high-quality experience to draw patients from different geographies. The aim is to position itself as the 'best service provider,' acquire market recognition by industry press, and get preferred contracts and higher reimbursements. This operating model emphasises the development and delivery of innovative healthcare services and incentivises entrepreneurial flare and smart risk taking.

The diversifier model

This model aims to use its core capabilities and extend the brand's strength into new lines of business to supplement declining margins. One example is to serve patients end-to-end — from illness to wellness. It introduces more complexities into the system, and the healthcare institution may need strong balance sheets or external investments to sustain inorganic growth.

The aggregator model

This model targets reduction in unit costs through the 'economy of scale' principle. It focuses on excellence in key service areas and scales it up to serve more consumers. The model uses actual and virtual scales to drive cost advantage in facility-based services. A typical example is

IT infrastructure and analytics capabilities to develop, drive, and adopt evidence-based practices and standardisation. Another way is to adopt a 'lean' culture for cost and quality outcomes and continuous improvement.

The health manager model

This model uses capabilities in clinical/technology integration to manage costs, reduce utilisation, and provide better health. It requires advanced analytics capabilities that integrate risk, product options, pricing, and internal and external clinical information.

The benefits of value-based models[1]

DModels that are dependent on growing profits may not sustain in the future. In 2019, growing profits accounted for 34% of the total revenue in the healthcare system. This figure dwindled to just 13% in 2022. Profit pools are becoming thinner due to lower membership, revenue growth, and margin pressure. In such a scenario, innovative business models across verticals provide better patient care and produce more value for the businesses. Here is a snapshot of the various healthcare segments in 2022.

Payers

Chronic and long-term illnesses require continuous management and support in behavioural health conditions. Top payers are acquiring smaller payers in the care delivery space. The value-based models for payers shift the focus from operations only to an integrated approach that aligns incentives, improves experience and quality, lowers cost, and provides accessible care. Payers with next-generation managed care models observe a 0.5% higher EBITDA after normalising for geographical footprint, payer scale, and segment mix. Other than the financial aspect, value-based care models are creating a positive impact in markets with a significant disease burden. They present opportunities to modify critical care for low-cost settings and high-value sites to improve results.

Providers

Alternate care sites beyond the hospital have shown greater financial returns for health systems. Outpatient transactions have grown by 31%, physician practices by 23%, and post-acute care by 13%. Simultaneously, in-patient transactions have declined by 6%. Healthcare systems are focusing on alternative care delivery infrastructure such as mobile surgery centres and physician practices and urgent care centres. By offering diverse settings, healthcare institutions can reduce costs, enhance coordination, improve patient experience, and elevate the quality of service. Systems with a higher market share can guarantee referral integrity and drive efficiency.

Services and technology

Healthcare companies are introducing technology-enabled services to boost efficiency and improve patient care experience. This applies to almost all healthcare segments and ecosystems. The technology works with payers and providers to link actions with outcomes, engage with customers, and provide real-time access to information. Almost 80% of innovation in this space is a result of investments from venture capitalists and private equity investors. Traditional strategic healthcare institutions are focusing on scaling innovations and making them their core business practices. The rate of innovation and growth in data analytics, provider enablement, utilisation management, clinical information systems, and network management is high. For example, behavioural health and social factors have seen better integration with existing core platforms.

Pharmacy value chain

The profit pools in pharmacy are shifting from dispensing to speciality pharmacy. The profits of retail dispensers are set to decline by 0.5%, given the fierce competition. Newer distribution systems, modalities of care, and care settings are emerging in this space. By 2023, the speciality pharmacy will make up 44% of revenue, whereas in 2013, it was pegged at 24%. Both incumbents and non-traditional players are seeking a pie of the rapidly growing value chain. Provider-owned speciality pharmacies have doubled in the past few years, making way for holistic and integrated patient care.

Cell and gene therapies are driving a new wave of innovation in pharmaceuticals, with global sales growing at 40% per annum between 2019 and 2024. However, the treatments show results over time, and the upfront costs are high. As a result, traditional healthcare players and policymakers are considering innovative models to support flexibility.

Building resiliency and recovery capability[4]

A smart, connected, and sustainable healthcare ecosystem must respond effectively to disruptive events without stressing the staff and straining the systems.

- Institutions have set performance measures and strategic plans to adopt value-based futuristic models. However, repeated surges in the pandemic are causing temporary delays in the process.

- Technology companies are partnering with healthcare institutions to deal with workforce shortages and implement newer care models.

- Artificial intelligence (AI) and command centres with dashboards provide greater efficiency and visibility into the available resources and map them to the patients. The systems provide executives with key performance indicators (KPIs) in specific areas.

- Data governance is crucial in building resiliency by educating people who are not data scientists.

- Data standardisation is helping in automating steps in care models, creating seamless interoperability among systems, and innovating provider workflows.

- Industry leaders are leveraging the value of predictive modelling to deal with worsening patient conditions and use new value-based care models for high-risk patients.

Bottom line

The current economic and regulatory environment in the healthcare industry has propelled efforts to reduce costs, improve outcomes, and align various stakeholders. The best way to achieve these is to enhance the quality and consistency of organisational behaviour to reduce costs and improve patient experience. By creating or adopting a clear and compelling value-based model for employees and patients, healthcare institutions can achieve greater transformation. Effective management of operating models leads to increased collaborations, streamlined relationships, leadership, and talent development.

*For organisations on the digital transformation journey, agility is key in responding to a rapidly changing technology and business landscape. Now more than ever, it is crucial to deliver and exceed organisational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like living organisms will be imperative for business excellence. A comprehensive yet modular suite of services is doing precisely that. Equipping organisations with intuitive decision-making automatically at scale, actionable insights based on real-time solutions, anytime/anywhere experience, and in-depth data visibility across functions leading to hyper-productivity, Live Enterprise is building connected organisations that are innovating collaboratively for the future.

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