

INSTITUTE FOR PERFORMANCE EXCELLENCE



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# The Baldridge Foundation Institute for Performance Excellence

*Presents:*

## CONSUMERISM: The Payvider Faultline

*August 16, 2022*





### Mac Baldrige Society Institute Trustees



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# Opening Remarks/Agenda

<b>Introduction</b>	<b>Al Faber, President &amp; CEO, Baldrige Foundation</b>
<b>Facilitator</b>	<b>Roger Spoelman, DBA, MBA</b> <b>Senior Advisor - Strategy, Leadership, and Innovation</b> <b>Co-Host, Baldrige Foundation Leader Dialogue Program</b>
<b>Panelists</b>	<b>1) Dennis K. Butts, Jr. – Guidehouse partner, and Health Strategy &amp; Innovation Leader</b> <b>2) Charles (Chuck) Peck MD, FACS – Co-Host, Baldrige Foundation Leader Dialogue Program</b> <b>3) Darin Vercillo, MD - Co-Founder and Chief Medical Officer ABOUT Healthcare</b> <b>4) Ben Sawyer, MBA, PT, OCS, LBB - Industry Expert, ABOUT Healthcare</b>
<b>Audience Questions</b>	<b>Moderator – Al Faber</b>
<b>Closing</b>	<b>Al Faber Remarks</b>

# Consumerism

## What are Consumers Prioritizing?

### 1. Taking proactive control of their health

- Reconsidering their health and wellness needs post-pandemic

### 2. Convenience, accessibility, and quality

Difficulty contacting the office is the **#1 roadblock** to acquisition

**84%** of patients would change their mind about seeing a provider rated less than 4 stars

### 3. Holistic wellness and mental health are rising in importance

- 35% of consumers report a negative impact from COVID-19 on their mental health, and want to improve their overall well-being and coping skills

### 4. Digital access and technology are essential differentiators

- Digital front door capabilities, telemedicine, specialized services, wearables, etc.

### 5. Expanded choices and service options are expected

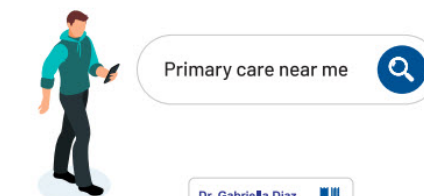
- Consumers expect a broad array of services and products available when and where they want them

Sources: Press Ganey & Clarkston Consulting

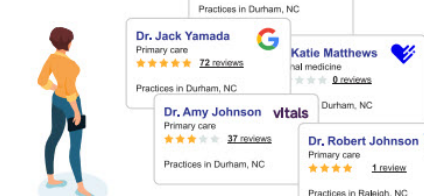
### THE MODERN PATIENT JOURNEY

- 1. DISCOVERY**


Patients rely on digital sources 2.2x more than doctor referrals when choosing a primary care provider


- 2. CONSIDERATION**

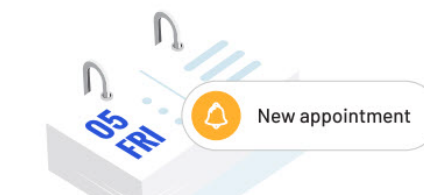
Patients will consider 2.7 online sources and 5.5 online reviews during their provider selection process


- 3. SELECTION**


Ratings and reviews are the #1 factor influencing a consumer's decision to book an appointment


- 4. SCHEDULING**

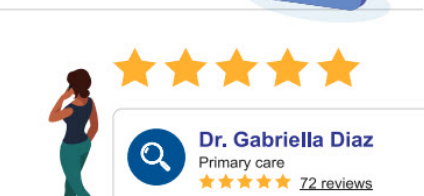
63% prefer to book an appointment digitally (vs. 36.8% by phone call)


- 5. CARE**

338% increase in telemedicine appointments from 2019

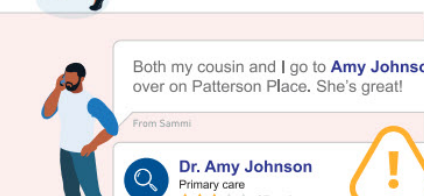

- 6. SATISFACTION**

#1 factor in earning a 5-star review is the quality of customer service during a visit



**REFERRAL LEAKAGE**

84% would *not* see a referred provider with less than a 4-star rating



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# Technology & Services Expansion

*Designed to Meet the Growing Consumer Demand Market*

## Healthcare Unicorns: 31+ Healthcare Start-ups Valued at 1B+

### Therapeutics



### Wearables & Devices



### Big Data & Analytics



### Telehealth



### Insurance & Drug Pricing



### Imaging & Diagnostics



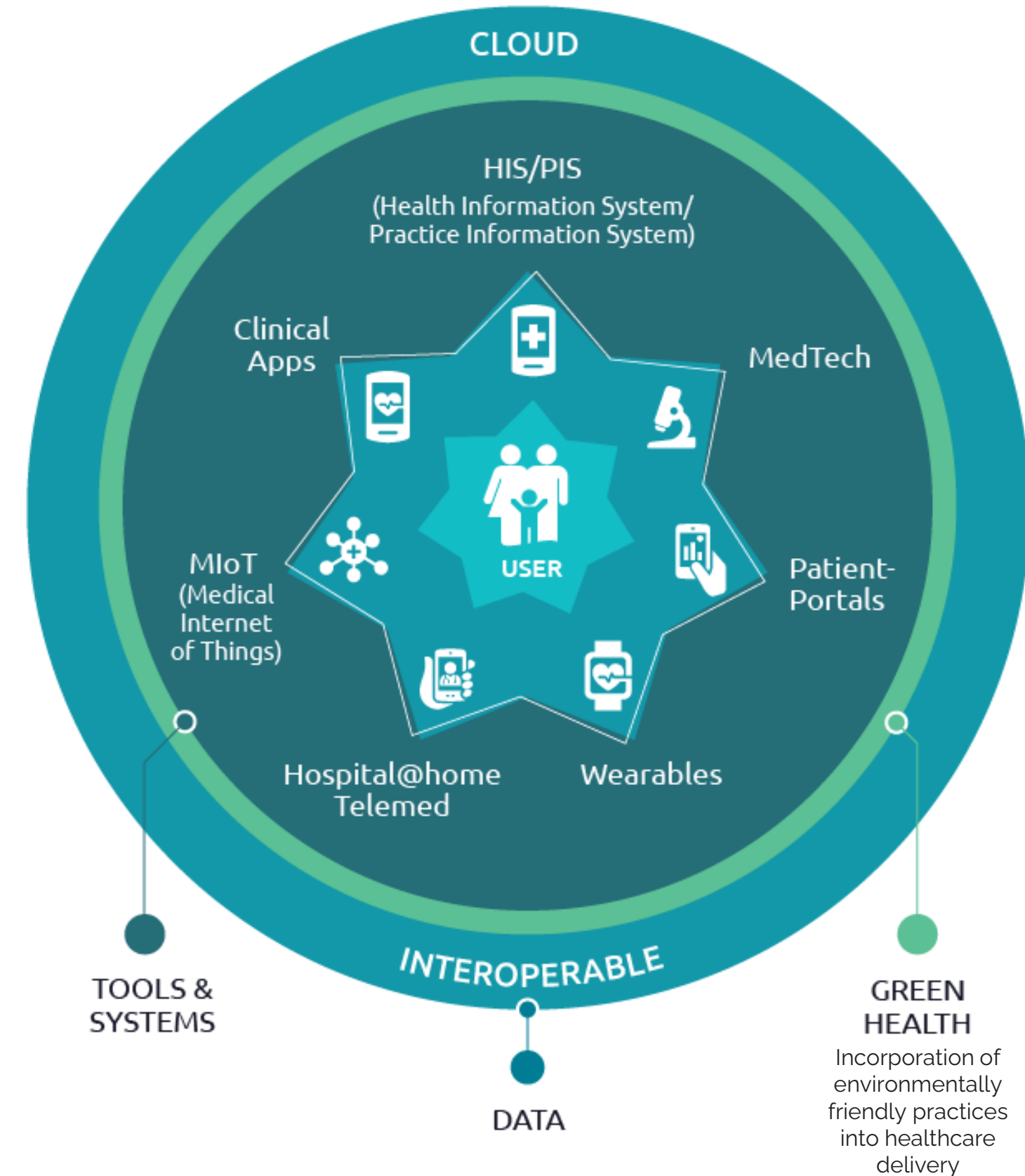
### Genomics



### Providers & Concierges



## Myriad of Consumer/User Demands



Created by You. Powered by CBINSIGHTS



# Who Are the Emerging Players?

*Payviders and Disruptive Non-Traditional Providers*

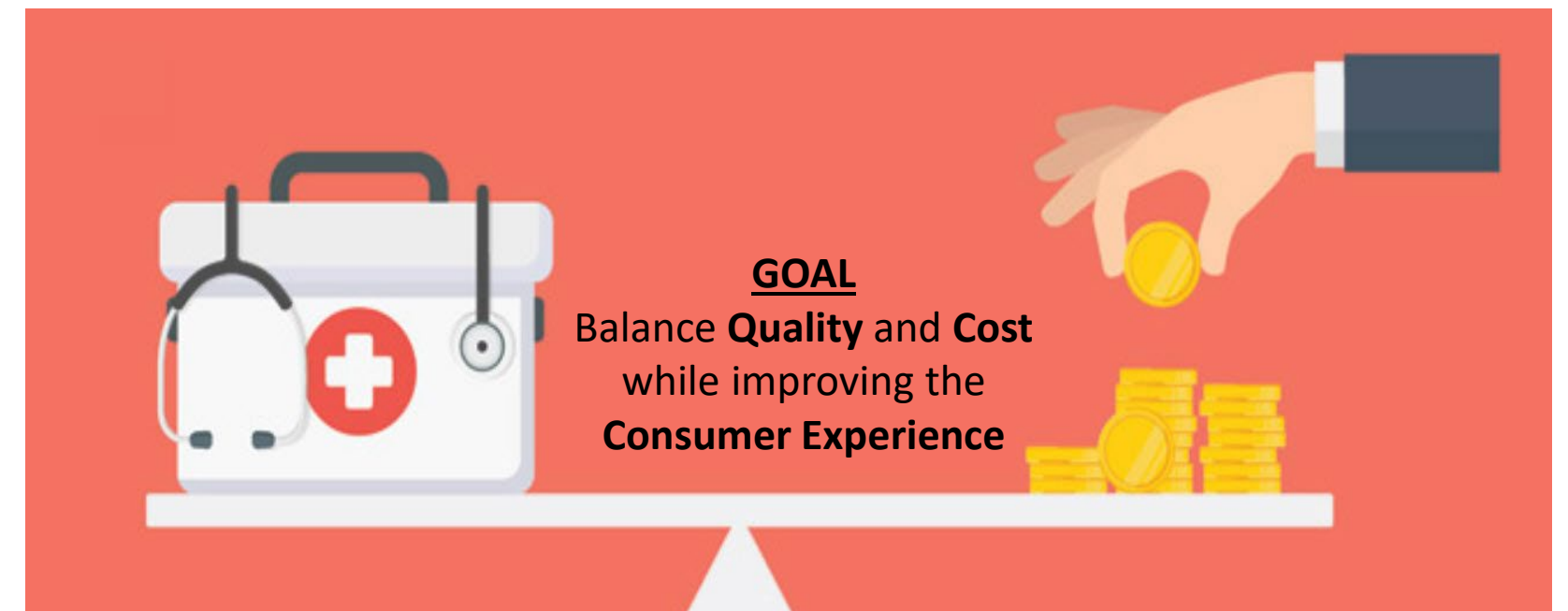


Growth of Payvider Joint Ventures, Consolidations, and Shared Risk Offerings

*What is a Payvider?*

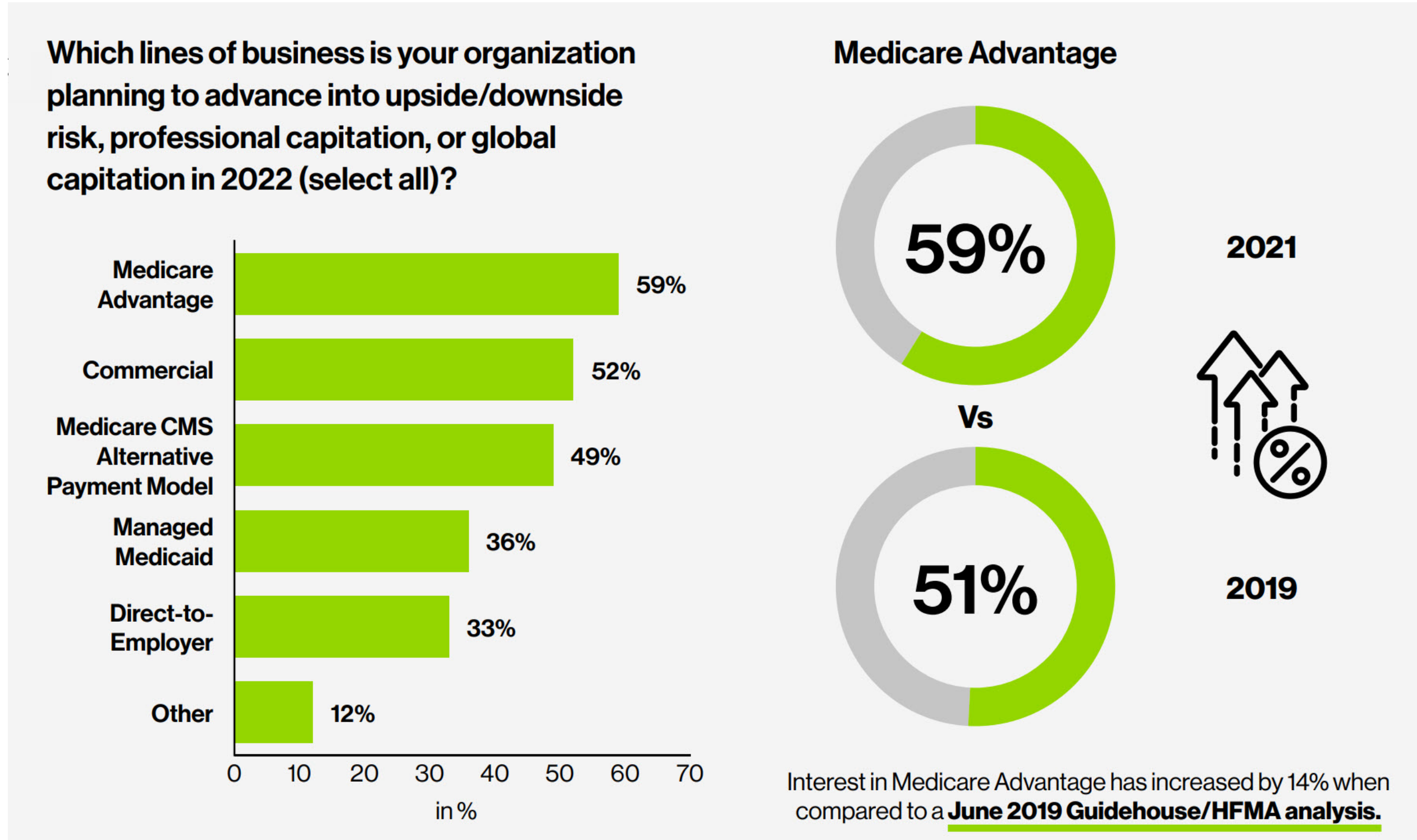


Rapid Expansion of Disruptive Non-Traditional Providers



# Health System Trends

## Risk Based Payment Models & Payer/Provider Partnerships

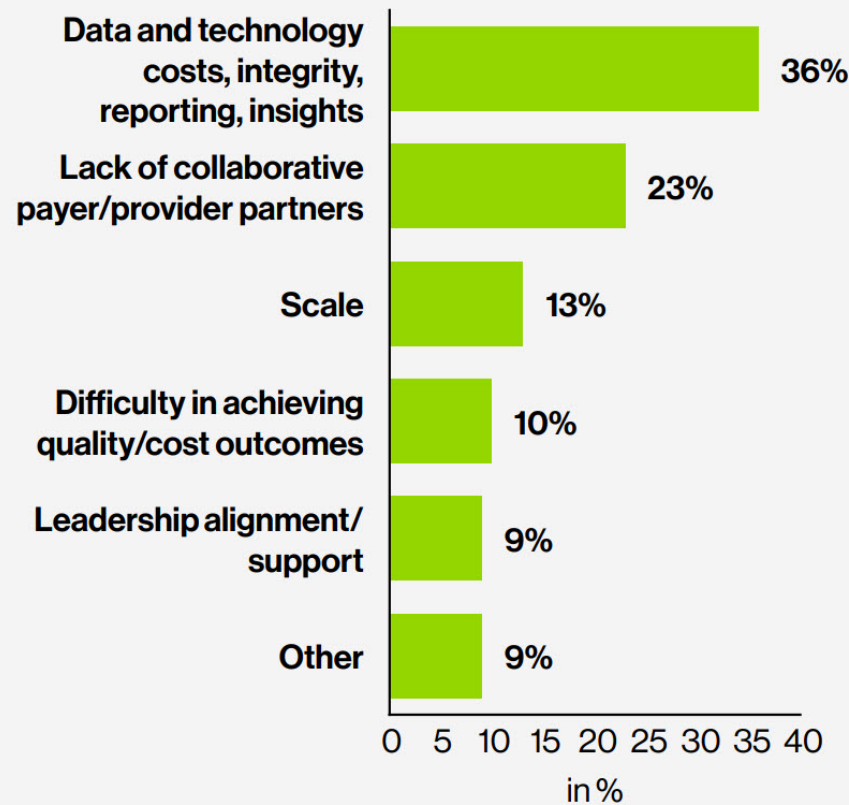


Guidehouse/HFMA survey of more than 100 health system chief financial officers and finance and managed care executives, from July – August 2021

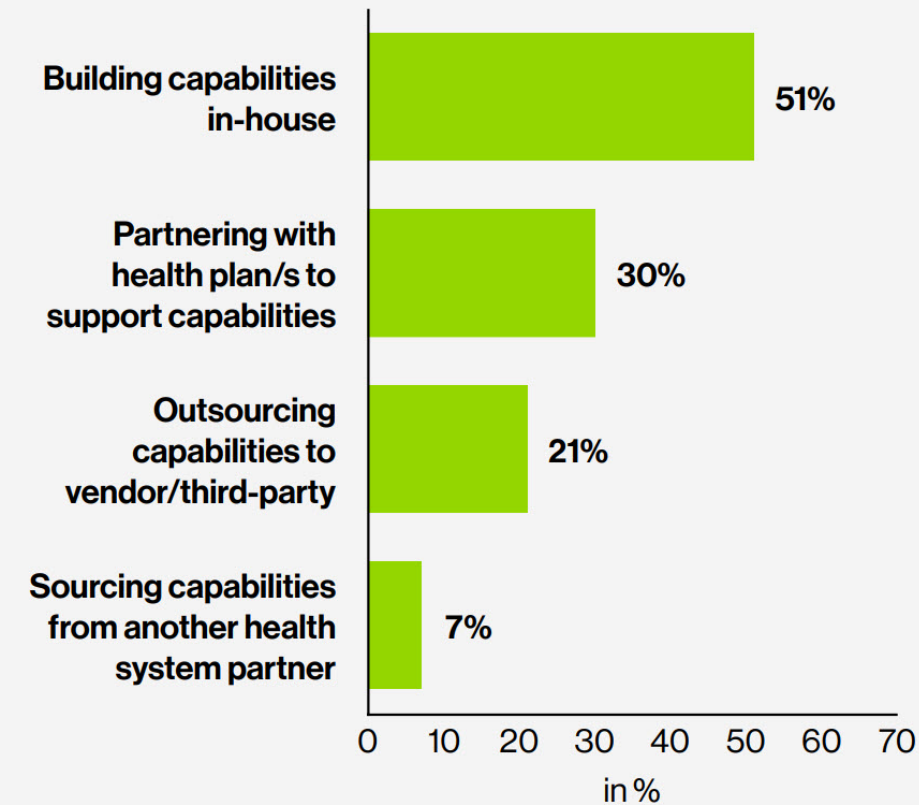
# Internal & External Challenges

*In Pursuing Payvider Models or Increased Levels of Risk?*

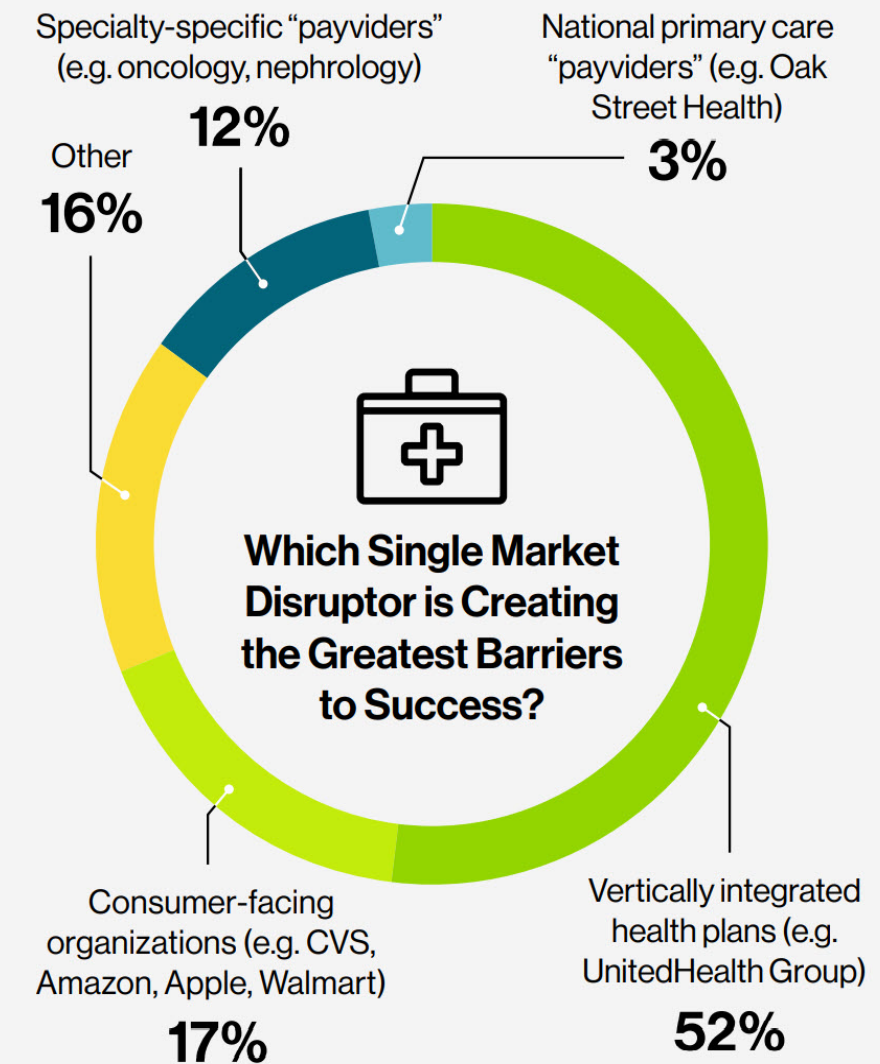
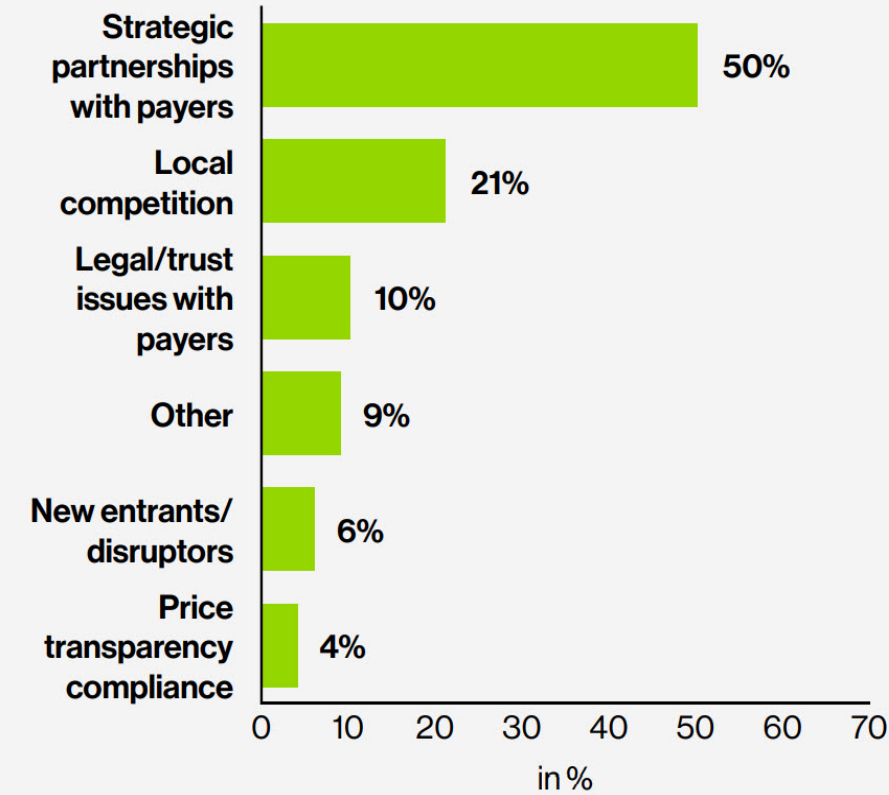
**What is your top internal challenge with pursuing payvider models or increased levels of risk/capitation/joint venture arrangements?**



**What steps is your organization taking to build the capabilities necessary for “payvider” model success (select all)?**



**What is your top external challenge with pursuing payvider models or increased levels of risk/capitation/joint venture arrangements?**



Guidehouse/HFMA survey of more than 100 health system chief financial officers and finance and managed care executives, from July – August 2021



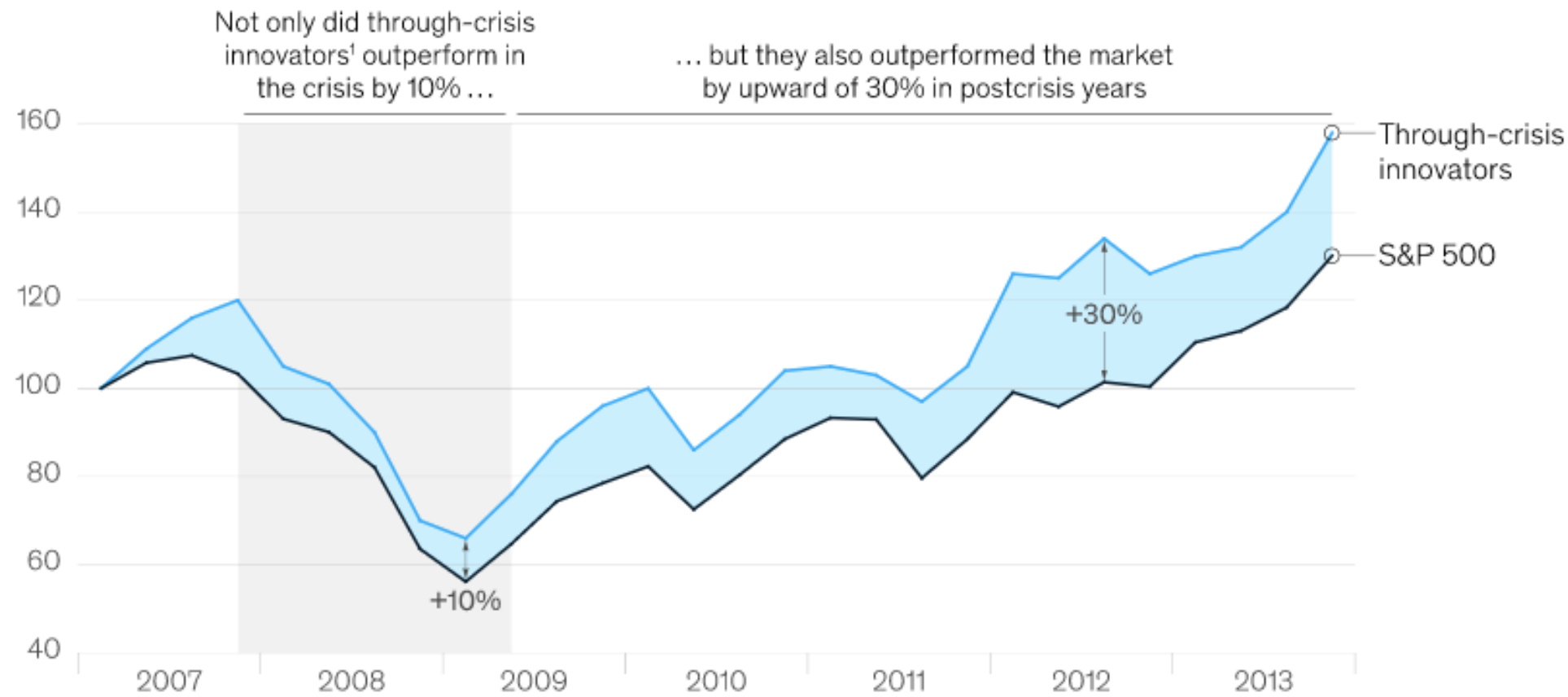


# Prioritize Innovation or Not?

## Historical and Survey Response Considerations

History suggests that companies that invest in innovation through a crisis outperform peers during the recovery.

Normalized market capitalization, index (Q1 2007 = 100)

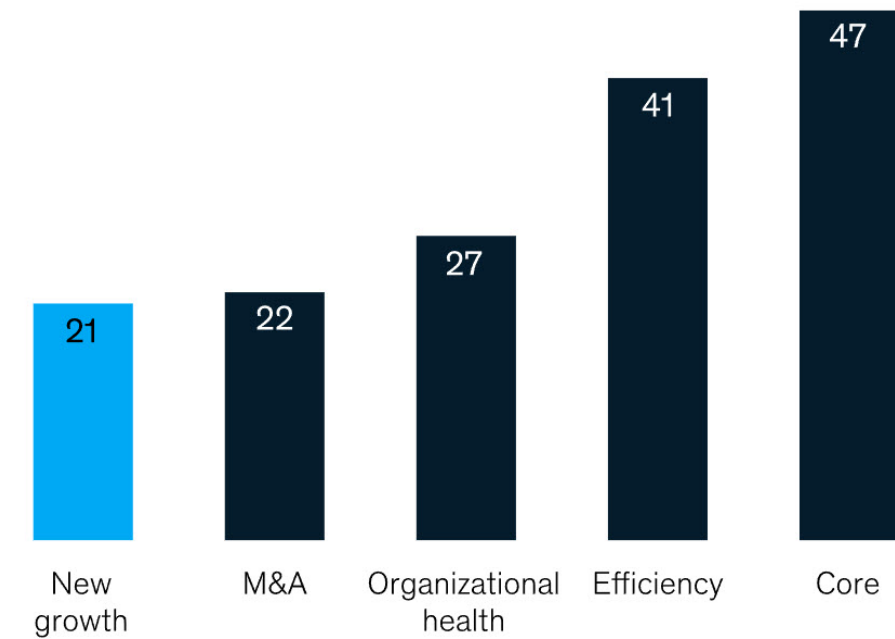


\*Identified as companies on the *Fast Company* World's 50 Most Innovative Companies list for ≥2 years through a crisis, normalized to 2007.



## Few executives however feel confident that they are prepared to capture new growth opportunities

Share of executives who strongly agree that they have the expertise, resources, and commitment to carry out the following actions successfully



Source: McKinsey Innovation through Crisis Survey, April 2020



# Current Health System Status

*Economic Headwinds, Demand Transformation, & Financial Pressures*

## Economic Headwinds

*Today's Most Pressing Concern*

**↑ 15%** Increased cost to care for patients now (inpatient/outpatient) than pre-pandemic

*Pressures Will Persist for Foreseeable Future*

-  Labor inflation
-  Supply inflation
-  Depressed investment returns

## Demand Transformation

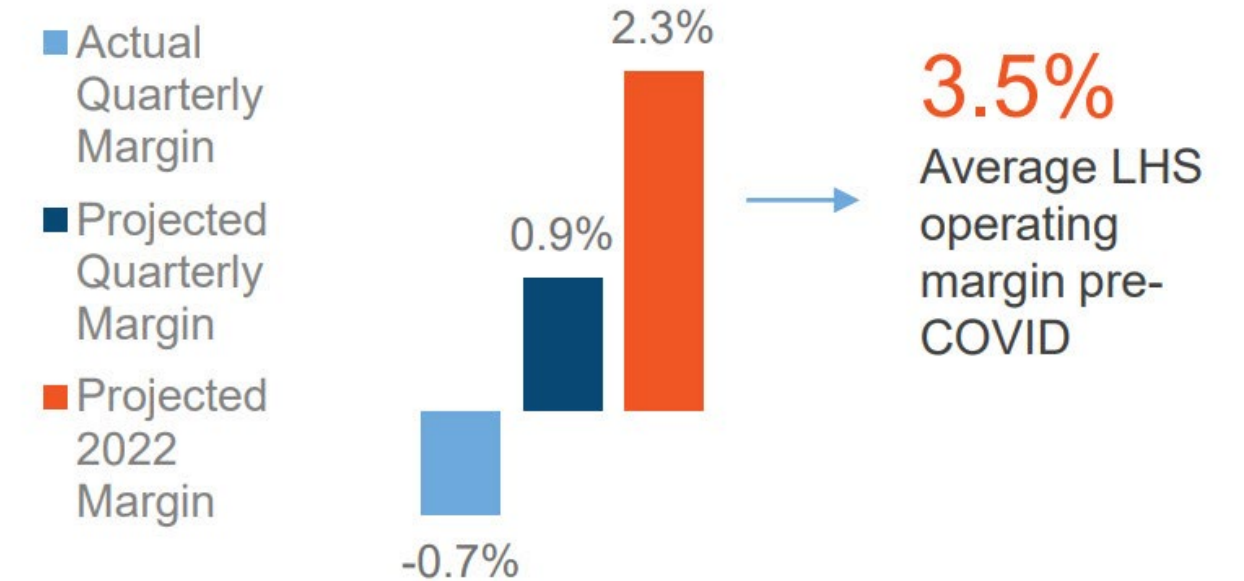
*Healthcare Leaders Projecting Permanently Lower Volumes in Post-pandemic Era (Percent of Responders)*

- 24%** Inpatient admits
- 24%** Inpatient surgery
- 22%** ER visits
- 18%** Outpatient surgery
- 10%** Outpatient visits

## Financial Pressures

*Near-Term Margins Show Signs of Recovery, But Reliance on Non-Operating Revenue Makes Future Uncertain*

*Average LHS Operating Margins in Q1 2022*

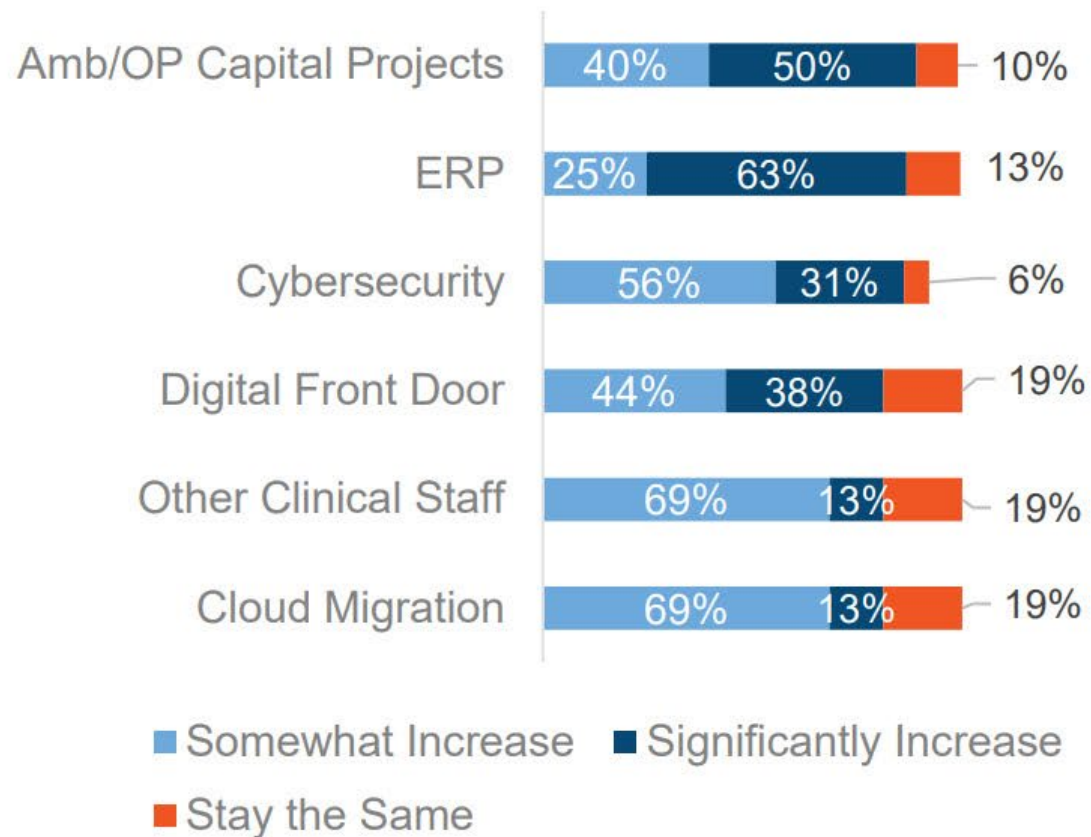


# Prioritized Leading Health System Responses

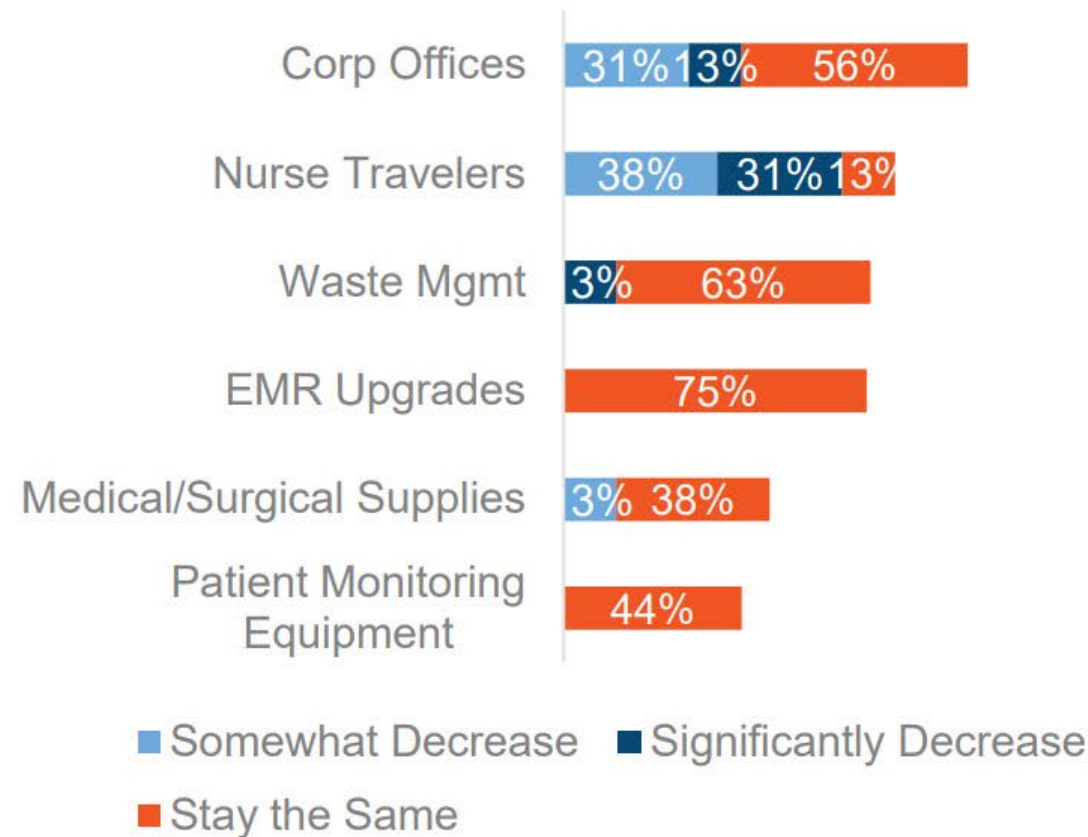
*What Areas do Health Systems Plan to Increase or Decrease Spending?*

Overall, the areas CFOs noted they are likely to increase or decrease spending are similar to past years. Despite margin pressure and an eye toward cost containment, on average, LHS report relatively modest plans to decrease spending (outside of nursing travelers and corporate office space) in the near-term.

## Areas LHS Plan to Increase Spending



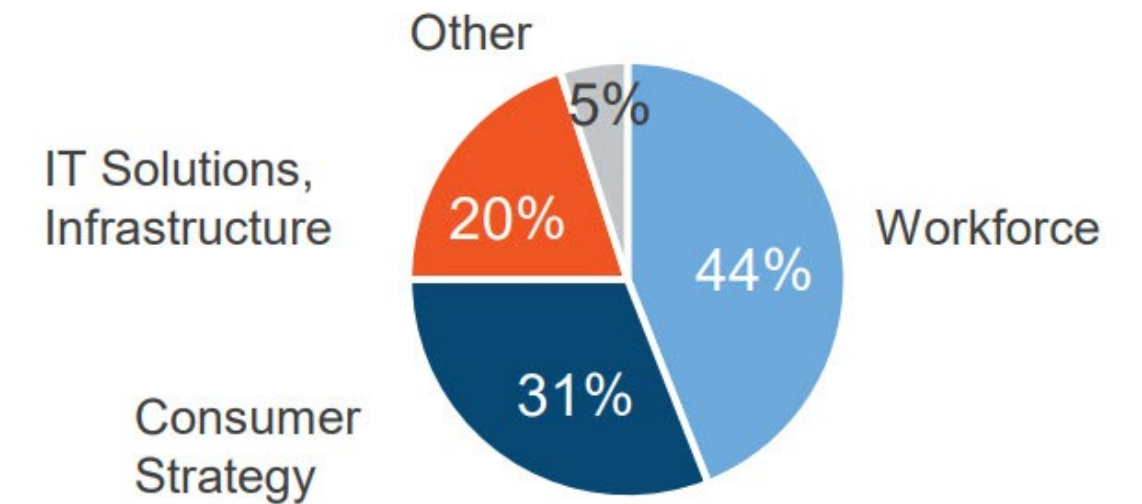
## Areas LHS Plan to Decrease Spending



## Overview of Priorities Breakdown

### Workforce Is Every CXO's Priority

*Percent Share of Top 5 2022 Priorities Among CXOs*



©The Health Management Academy: Kaufman Hall, The Future of HealthTech-Q3 2021, SVB; Academy research and analysis.

# Practical Considerations

## *Prioritize or Deprioritize Innovation?*

### **Prioritize Innovation**

1. Adapt the core to meet shifting consumer demands
2. Identify and quickly address new areas of opportunity being created by the changing landscape
3. Re-evaluate the innovation initiative portfolio and ensure resources are allocated appropriately
4. Build the foundation for growth in order to be competitive in the post-crisis recovery period

### **Deprioritize Innovation**

1. Shore up the core business
2. Pursue known opportunity spaces
3. Conserve cash and minimize risk
4. Wait until there is more clarity



McKinsey & Company Article (June 17,2020). Innovation in a crisis: Why it is more critical than ever.

# Panelist Questions and Discussion



**Roger Spoelman, DBA, MBA**  
Co-Host, Baldrige Foundation  
Leader Dialogue Program



**Charles (Chuck) Peck MD, FACS**  
Co-Host, Baldrige Foundation  
Leader Dialogue Program



**Dennis K. Butts, Jr.**  
Guidehouse partner, and Health  
Strategy & Innovation Leader



**Darin Vercillo, MD**  
Co-Founder & Chief Medical Officer  
ABOUT Healthcare



**Ben Sawyer, MBA, PT, OCS, LBB**  
Industry Expert  
ABOUT Healthcare



**Al Faber**  
President and CEO  
Baldrige Foundation  
(Moderator)



# Thank You!



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### Mastering Strategy in Healthcare (bootcamp)

Join LBL Strategies, in partnership with the Baldrige Foundation and the George Washington University Center for Excellence in Public Leadership, for a live, online Mastering Strategy Bootcamp focused specifically on the technology, trends, and problems affecting the healthcare industry.

**Dates**  
**October 17, 2022 – October 28, 2022, 9am-1pm ET**

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**Supply Chain Management**

**Lean Healthcare Professional**

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