System Focus

Virtual Health: Moving from Cool Apps to Commercial Grade

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Virtual health is here—and it's moving fast. In an era of disruption, where new technologies are turning traditional care models upside down, healthcare board members and senior leaders must make bold moves to help their organizations stay ahead of the curve.

One critical task for leaders: Apply the same vigor to planning for digital assets as for physical assets.

The Case for Virtual Health

Each day, we're reminded that we are in the midst of the Fourth Industrial Revolution, marked by emerging technologies and intelligent machines that are rapidly transforming industries. In healthcare alone, seven out of 10 consumers say they would prefer digital or virtual health solutions to in-person or over-the-phone care.[1] Meanwhile, millennials and baby boomers alike desire and expect technology-enabled healthcare solutions.

It's no surprise, then, that virtual health solutions are reshaping care delivery—with private equity

1 Sara Heath, "77% of Patients Want Access to Virtual Care, Telehealth," Patient Engagement HIT, Xtelligent Healthcare Media, June 20, 2017.

Key Board Takeaways

Boards should ensure they are not hindering adoption of virtual health in their healthcare organizations by asking the following questions:
* Are we confusing tactical technology initiatives with digital transformation? In organizations where this is occurring, sporadic investment in technologies is often considered "innovation."
* Are we underestimating the essentiality of digital change to the core mission? When this occurs, the investments organizations make to test and incubate new ideas are not sufficient to drive true innovation.
* Do we lack the capability and/or capacity to drive change? Health systems that lack the capacity and capability to innovate experience disillusionment after multiple cycles of uncoordinated capital investments with no results.

investors taking the lead in innovation. In London, 26,000 people no longer see a general practitioner in a medical office when they have questions about their health. Instead, they rely on an app powered by artificial intelligence (AI) to evaluate their symptoms, determine whether medical assistance is needed, and connect them with a physician via video and text.

This year, the company that provides these services, Babylon Health, will set up physical and virtual clinics in the United States. The question is: How many Babylons are out there? And, how can health systems build their own robust virtual health strategy?

To compete in a transformative environment, healthcare boards and leaders must frame virtual

health as a key enabler of business model innovation—from consumer-centricity to breakthrough productivity to digital-driven essentiality. They must also position their organizations to quickly make decisions around virtual health and execute their vision so they don't miss out on opportunities in their market.

The State of Virtual Health

Virtual health is much more than a telehealth solution. It now includes remote monitoring, care management for complex populations, digitally enabled self-management, and data-driven treatment and intervention across multiple settings, from patients' homes to clinics, skilled nursing facilities, hospitals, and more.

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But while three in four hospitals now incorporate some aspect of virtual health, their investments often are limited to video conferencing with patients or consulting physicians.[2]

Why has the healthcare industry struggled with adoption of novel virtual health solutions? Our experience points to four reasons:

- **Trust deficit.** Physicians continue to struggle with "EMR fatigue" and the usability of EMRs—and for one in five physicians, it's a major factor prompting them to reduce clinical work hours.[3] Meanwhile, administrators are challenged to demonstrate the return on investment from new technologies, while consumers and clinicians alike question their impact on quality of care.

- **Lack of understanding around value.** The ability to clearly articulate the value proposition around virtual health investments is critical—but it isn't easy. Physicians and administrators often have different views around what constitutes value in healthcare, and solution providers struggle to solve that disconnect.

- **Change management complexity.** Healthcare is a more labor-intensive industry than most industries undergoing digital transformation, and it's also a mission-oriented profession. As a result, when changes in care delivery are suggested, they sometimes trigger an emotional response from staff. Knowing how to manage these emotions is critical to gaining staff buy-in.

- **An "autonomous car effect" related to quality.** Some leaders find physicians and staff are disappointed when AI-driven innovations deliver less than 100 percent accuracy—even when their level of accuracy exceeds that of manual care interventions. But digital solutions are still evolving, and in some instances, complete accuracy is not yet within reach.

2 *Telehealth: A Path to Virtual Integrated Care*, American Hospital Association, AHA Center for Health Innovation, Market Insights, 2019.

3 American Medical Association, "One in Five Physicians Ready to Reduce Clinical Work Hours" (press release), November 1, 2017.

Exhibit 1: Virtual Health: Thinking beyond Virtual Visits
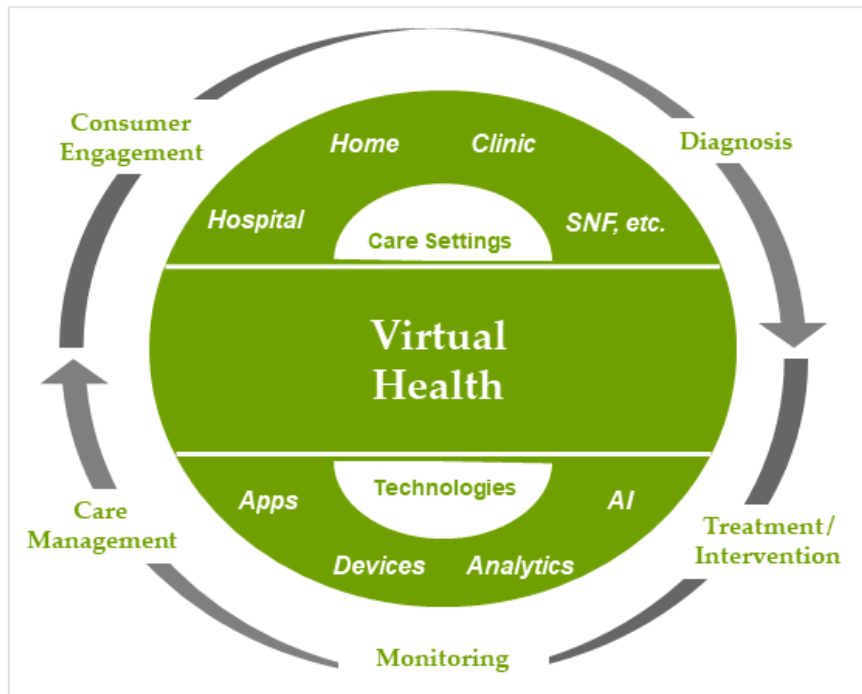
Overcoming these barriers is essential to bringing new, innovative models of care delivery to life.

Designing Your Virtual Health and Digital Strategy

Healthcare boards and leaders should apply the same rigor to digital asset investment as they do for their physical assets by:

- Analyzing and carefully planning their approach
- Creating a best-in-class blueprint for deploying and managing these assets
- Allocating the required capital and resources to support success (creating a digital strategy, such as the one in **Exhibit 2**, will help determine how much capital and what kinds of resources are needed,

especially by analyzing the "investment needs and business case" and "portfolio" areas of the strategy)

Without a blueprint for growth, virtual health and/or digital health initiatives will lack concrete, long-term capital and resource allocations. These initiatives will suffer from lackluster commitment on the part of leaders and staff ("Let's just try this and see how it goes!").

There are three principles that drive successful virtual health and digital strategy in healthcare organizations.

Principle 1: Align the organization's virtual health strategy with the health system's enterprise strategy. Successful organizations continually

calibrate against enterprise strategy and long-term operating plans. Without this critical link, investments tend to flounder, and innovation initiatives get misaligned and eventually are retired.

Principle 2: Gain a clear understanding of the health system's operating context. Successful organizations are hyperaware of their identity and operating context and can clearly outline their current and future positions along multiple dimensions. Equally important, they know where *not* to play. They use this insight in determining how to drive margin and revenue growth, and they develop strategies that play to their unique strengths.

Exhibit 2: A Framework for Digital Strategy Development in Healthcare
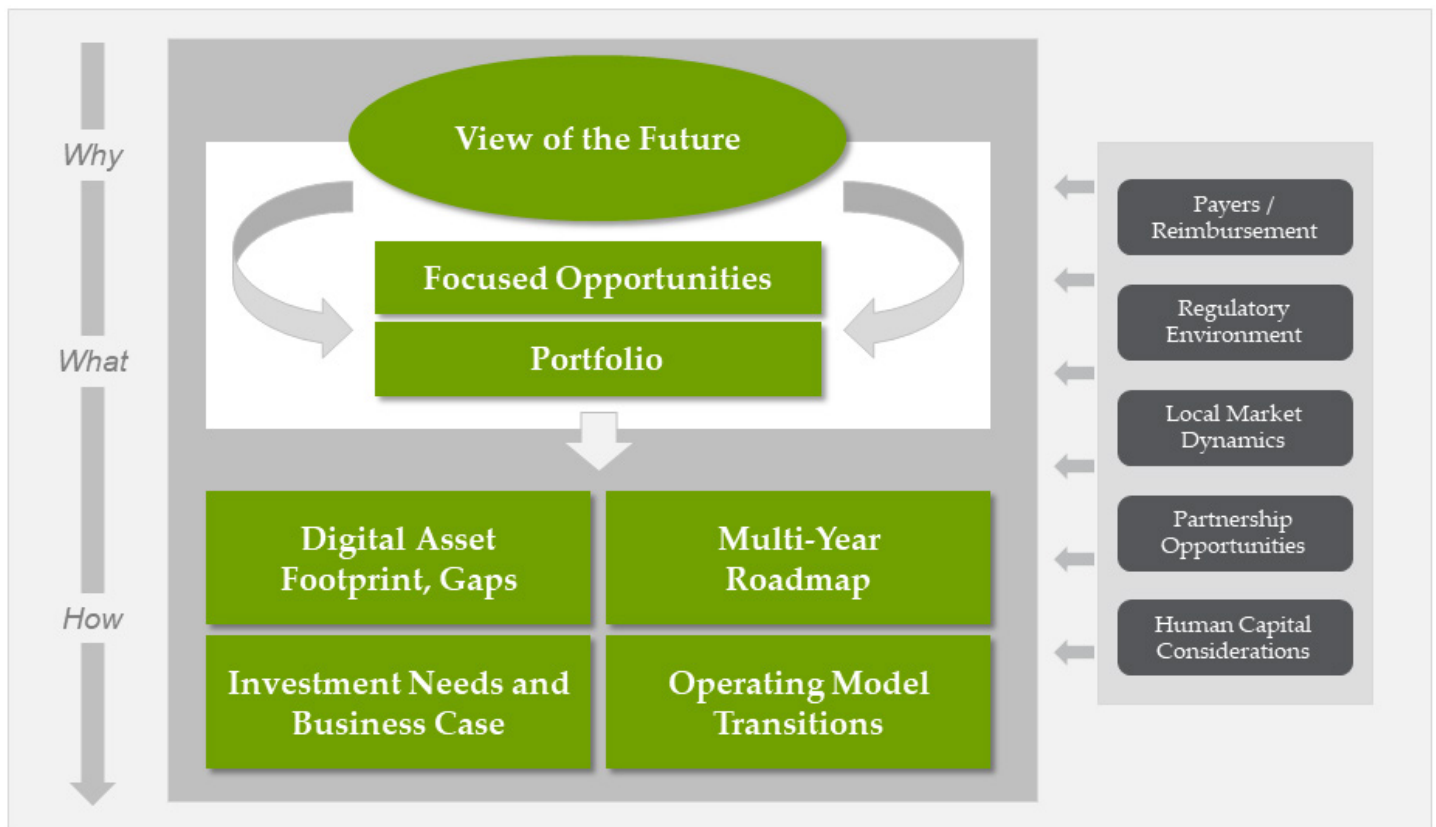
Principle 3: Continually orient the organization toward action. The leap from experimentation to full-scale implementation cannot occur unless action is ingrained within the DNA of the health system. This requires a systematic approach to innovation, which includes selecting the right operating model to foster action and rapidly translating mature ideas into initiatives with funding and leadership commitment. In Exhibit 2, an organization may select 10 to 15 virtual health opportunities to focus on, with a multi-year roadmap for development, execution, and refinement.

In an era of consumerism and digital transformation, healthcare organizations can no longer afford a "check-the-box" approach in determining their virtual health strategy. A systematic digital strategy framework positions healthcare boards and leaders to take advantage of emerging opportunities—and execute quickly to gain a competitive advantage.