

Scarce Healthcare and the Coming Age of Abundance

By Ryan Donohue, NRC Health

As an industry, healthcare is tough. Despite the challenge of the COVID-19 pandemic, the pressure to shift to value over volume, unrelenting workforce shortages, and more healthcare presses on. Why is it—through this gauntlet of challenges that might end another industry outright—that healthcare seems to advance and even grow? Well, we may not constantly count the many advantages of healthcare, but they are always present and run deep and strong.

The advantage I want to expose is *scarcity*. By design, healthcare is scarce. It isn't easy to find. I grew up in a town of 25,000 residents. There were thousands of streetlamps, hundreds of mailboxes, dozens of gas stations, 10 grocery stores, more bars than there should have been, and exactly one hospital. And despite it being the only place where acute care could be had, it wasn't a place you wanted to go. Unless you worked at the hospital or were very sick, you stayed away from that place like it was the haunted house on the hill.

My colleague Greg Makoul calculated and shared how little of our lives we spend receiving healthcare in a 2021 Governance Institute Webinar: 1.2 percent of our lives in an inpatient setting and 0.2 percent in an outpatient setting. Unless we battle a rare condition or develop a serious chronic illness, we spend over 98 percent of our lives outside of healthcare. Healthcare experiences are rare, just as they are designed to be. Consider the certificate of need: a barrier to new hospital construction unless it's deemed necessary. Imagine if a fast-food restaurant was required to obtain such a certificate. Healthcare is an incredibly unique industry for myriad reasons but not the least of which is how truly clandestine it is to the people around it.

The Strategic Advantage of Scarce Healthcare

Scarce healthcare is more than a reality, it's a strategic advantage. Famed business thinker Michael Porter wrote at length about scarcity as a bulwark in a competitive business landscape. Porter argues that most organizations either need to differentiate or be a cost leader to thrive, unless their buyer is considered

a narrow target. He calls this the "focus strategy" and it's described as follows: "the generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others."¹ Whether hospitals and health systems truly chose this strategy is debatable, but it's clear that traditional healthcare delivery has a narrow target audience—the vast majority of people aren't in need of a hospital stay right now. Those who do, don't have many choices. This allows healthcare brands to focus on this audience and provide a rare set of services. In fact, Porter argues that the power of the focus strategy is you don't necessarily have to achieve high levels of differentiation or cost leadership in order to be effective—*if what you offer is scarce.*

In healthcare, the power of scarcity can cut both ways. Look no further than the nursing shortage. Nurses have been able to leave their hospital of employment, sign with a nurse staffing firm, and earn three times or more what they were before as a "traveling nurse." Ironically at times they can return to the same place they left, albeit with a hefty raise. Currently our nurses are scarce and that makes them quite valuable.

Healthcare's overall scarcity has never been more evident than during the past two years. Empty beds personified the shutdown of traditional healthcare. Healthcare was, for large parts of 2020 and 2021, either unavailable or undesirable to the would-be patient. The pandemic also highlighted the limitations of the traditional hospital-based care system. Many hospitals and health systems either were prevented from playing a major role in COVID-19 testing and vaccination or chose not to get as involved as they could. Like many consumers, I received my vaccination in a grocery store. My family got tested countless times in the parking lot of an empty Sears store. Since March 2020, CVS Health has provided nearly 30 million COVID tests.² The distinct

Key Board Takeaways

- Examine your strategic plan through the dichotomy of scarcity vs. abundance and determine where you have benefited from scarcity.
- Analyze your competitors (which may not entirely consist of traditional healthcare organizations) and determine where they benefit from scarcity and how that may erode.
- Make a plan to defend your scarcity advantage while also capitalizing on a more abundant future (e.g., access to your employed doctors has been acceptable and kept telemedicine usage low, but future demand means you will need to start nudging doctors and building bandwidth).
- Pick or prioritize one initiative that increases the abundance of healthcare in your community.
- Appoint a board member with experience in an industry that has seen its traditional advantages erode (banking, travel, etc.) and tap them to analyze your goals from their unique lens.

boundaries of traditional healthcare delivery continue to deliver potential opportunities for non-hospital brands to steal share and create new experiences.

For hospitals and health systems, the once powerful advantage of scarcity may be eroding. I co-design NRC Health's Market Insights—the largest survey of U.S. healthcare consumers. One of the central questions I ask when I pour over results from 300+ markets is: will healthcare remain scarce, or is there a possibility of an age of abundance coming to healthcare in the future? If abundance is on the way, COVID-19 led the charge.

Three Areas of Coming Abundance in Healthcare

Psychological abundance: National focus has intensified, the pandemic made healthcare a daily consideration, and the industry still needs to be "fixed" according to mainstream media coverage. The coming battle for price transparency will buoy coverage post-pandemic. Healthcare is on the minds of seemingly everyone. When consumers were asked which professional they would most

¹ "Porter's Generic Competitive Strategies (Ways of Competing)," University of Cambridge, IfM.

² Anoop Kumar, "COVID Test CVS: 29 Million Tests Since Opening Our First," Fox24x7, January 11, 2022.

desire to view ratings and reviews prior to using, doctor was number one.³

Digital abundance: The pandemic pushed healthcare into the virtual world and crammed a decade's worth of innovation into a few months. Virtual health experiences are lauded by consumers (74 percent were satisfied with their telehealth visit during COVID)⁴ and hospital-at-home models are pushing more care into the home and out of traditional delivery settings. Doctor consultations are comfortably online as clicks begin to match bricks.

Physical abundance: It is possible, and likely, we could see more patients in traditional physical settings. NRC Health's Market Insights reveals 16 percent of consumers aren't sure when to resume healthcare activities. The postponement of preventative care over the past two years is leading to "catch-up appointments" and possible complications and future needs for care. Lockdowns

may have ignited an invisible crisis of mental health that will require much needed resources in the coming months and years. Population growth also means more physical healthcare. The spread of care to the outpatient setting, the advent and fast spread of urgent care, and the growing convenience of innovative primary care models will continue to push healthcare outside its traditional comfort zone.

Are we prepared for an age of abundance? How much do we even acknowledge our scarcity? It's time to use this lens to examine our business model top to bottom. If the industry is spreading out, how do we lead the shift instead of getting swept up? Ask any consumer and they will tell you access is difficult. Start there. Are we accessible to our consumers? What are the biggest stumbling blocks? We often work backwards from the all-encompassing patient experience. Instead, start in

the minds of consumers. You would be amazed at what a simple improvement like online scheduling can do for the entire patient journey.

As we emerge from the dark cloud of COVID-19 it will be fascinating to watch where healthcare goes. No one holds all the answers but be certain the pull is away from the scarcity of the hospital setting and into the home: where patients live. Will hospitals and health systems take the first steps to improve access, communication, and follow up to advance what they offer to the patient? Or will patients continue to wade through the desert of traditional healthcare in search of an oasis?

The Governance Institute thanks Ryan Donohue, Solutions Expert, Consumerism, NRC Health, and Governance Institute Advisor, for contributing this article. He can be reached at rdonohue@nrchealth.com.

³ NRC Health, Market Insights Survey, 2020.

⁴ *Ibid.*