Consumerism 3.0:
Healthcare in a World of Post-COVID Expectations

INSIGHTS FROM THE 2022 SYSTEM FORUM

The Cloister at Sea Island
Sea Island, GA
March 6–8, 2022

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The Governance Institute

The Governance Institute provides trusted, independent information, resources, tools, and solutions to board members, healthcare executives, and physician leaders in support of their efforts to lead and govern their organizations.

The Governance Institute, a service of NRC Health, is a membership organization serving not-for-profit hospital and health system boards of directors, executives, and physician leadership. Membership services are provided through research and publications, conferences, and advisory services. In addition to its membership services, The Governance Institute conducts research studies, tracks healthcare industry trends, and showcases governance practices of leading healthcare boards across the country.

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Preface

Held as a hybrid (in-person and virtual) event from March 6–8, 2022, at The Cloister in Sea Island, GA, The Governance Institute's System Forum featured a distinguished group of faculty who interacted with 45 board members and senior executives from 13 health systems to discuss critical issues facing their organizations. The meeting represented a continuation in our series of member-only invitationals focused on governance and leadership within integrated care delivery systems.

The global pandemic has affected many industries in ways unimaginable two years ago. In April 2020, U.S. hotel occupancy stood at just 12 percent, while demand for air travel was down 94 percent. For the entire year, restaurants lost more than $240 billion. Over time, these industries will bounce back. Some things, however, will never return to normal, but rather will be permanently changed. One of these is consumer expectations. Consumers constantly seek greater convenience, lower costs, and better overall value. Once they experience any or all of these, that becomes the new expectation and the new normal.

The pandemic forced the U.S. healthcare industry to provide greater value to consumers. Literally in a matter of days in early 2020, use of virtual care exploded, with health systems routinely reporting 20-fold or greater increases in volumes. Now consumers expect their providers to offer virtual care and may gravitate away from those who do not.

COVID also created other profound shifts that are affecting healthcare, including in the domestic labor market. Virtually no one thought that 33 million people would quit their jobs between April and December of 2021. While some may go back to the same jobs for more pay, others have fundamentally changed the way they perceive work. This change will have dramatic implications for healthcare, which faces high rates of turnover and burnout.

These experiences show that consumerism, already a powerful force in healthcare before the pandemic, will be an even more potent one going forward. The industry has entered a next phase of consumerism, which The Governance Institute is calling "Consumerism 3.0." How much will consumer and employee expectations change? How much do health systems really know about these expectations? What should health system boards be doing in the face of these unprecedented changes? What strategies are working or not working and why?

This System Forum tackled these questions and others. It featured world-class experts on consumerism, industry disruption, and rapid innovation at scale, including a case example from outside the industry with valuable lessons for healthcare. As with previous sessions, this proceedings report summarizes the presentations and discussions.

Faculty

The Governance Institute thanks the following faculty members of the 2022 System Forum (listed in alphabetical order) for being so generous with their time and expertise:

Ryan Donohue
Strategic Advisor, NRC Health and Governance Institute Advisor

Ken Hughes
Consumer and Shopper Behavioralist, Customer Experience Strategist

Ashish K. Jha, M.D., M.P.H.
Dean, School of Public Health, Brown University

Ann Mond Johnson
Chief Executive Officer, American Telemedicine Association

Stephen W. Kett
Senior Program Director, The Governance Institute

Stephen K. Klasko, M.D., M.B.A.
Former President and CEO, Thomas Jefferson University and Jefferson Health; Executive in Residence/Chief Global Innovation Officer & North American Ambassador, General Catalyst/Sheba Medical Center

Glenn Tullman
Chief Executive Officer, Transcarent

Executive Summary & Discussion Guide

Held as a hybrid (in-person and virtual) event from March 6–8, 2022, at The Cloister in Sea Island, GA, The Governance Institute's System Forum, *Consumerism 3.0: Healthcare in a World of Post-COVID Expectations*, featured a distinguished group of faculty members who engaged with health system CEOs and board members about how they should respond to the increasing importance of consumerism in healthcare. This proceedings report summarizes the presentations and discussions from the meeting, highlighting key implications for hospitals and health systems.

Changing the DNA of Healthcare: From COVID to Consumerism

Stephen K. Klasko, M.D., M.B.A., *Former President and CEO, Thomas Jefferson University and Jefferson Health; Executive in Residence/Chief Global Innovation Officer and North American Ambassador, General Catalyst/Sheba Medical Center*

Looking a Decade Ahead: A Health Assurance System

Healthcare leaders need to start building today for 2032, a time when the COVID-19 pandemic will be viewed as the "dark days" in healthcare when everything finally changed for the better. A decade from now, 2022 will be thought of as the time when healthcare finally evolved from a broken, fragmented, expensive, inequitable "sick-care" system to a "health assurance" model where most care happens at home. It will be seen as the time when the industry finally realized that it had to compete not with the hospital across the street, but with disruptive innovators.

Getting from Here to There

Navigating to this idyllic future will not be easy. As Steve Jobs responded when asked to produce a three-year strategic plan for Apple, successful disruption requires a simple-to-say but difficult-to-execute formula: "we change" (year one), "we change the industry" (year two), and "we change the world" (year three). Dr. Klasko has spent much of his career in healthcare attempting to apply the Steve Jobs formula, both during and after his time as CEO of Jefferson Health.

Step 1: Changing Jefferson Health

Just as Apple started transitioning to the digital world early in its journey, Jefferson began investing in digital health in 2013 with a $50 million outlay. In 2014, Jefferson began its transition from a health sciences center to an academic-based regional, integrated health system. More importantly, Jefferson moved from the "old math" with revenues derived from clinical activities and academic teaching and research (two of the organization's four pillars) to a new math based primarily on innovation and philanthropy (the other two pillars). Now a nimble and agile organization, Jefferson looks to strategic partnerships and innovation as the core of its strategic

vision and the key to differentiating itself from the competition. Two key goals guide its activities:

- To allow individuals to access healthcare in the same flexible manner that they consume every other consumer good.
- To redefine Jefferson Health based on care and caring instead of location.

To achieve these goals, Jefferson and its partners have adopted the CARES model:

- **C**reate a strong sustainable partnership between technologists and providers to remake medicine's role in society.
- **A**pply data and technological advances to deliver the best preventive and supportive care in the least intensive way possible.
- **R**e-center the healthcare experience to focus on the relationship between the needs of individual people and their care providers.
- **E**volve the payer–patient–provider system to one where incentives are aligned across all constituencies.
- **S**egment consumers so that the 98 percent who are people (not patients currently receiving care) view Jefferson as the key to thriving without health getting in the way.

Step #2: Changing the Industry

Jefferson's strategic investments in digital and home health and its partnerships are not only changing Jefferson, but also helping to transform the industry. While the pandemic is beginning to fade into the background, the industry has been forever changed, with transitions occurring in four areas:

- **The future of work**: Key priorities include addressing employee well-being through a holistic approach; developing flex/hybrid models designed with function and equity; fostering inclusive leadership, including the development of management skills; and rethinking the employee value proposition.
- **The new consumer**: Healthcare organizations should guide consumers by giving them the information they need to make good decisions about their health. Healthcare should learn from the successes of other industries by providing value for money, giving consumers a single point of contact, and creating a seamless experience across the continuum.
- **The new physician**: While technology will undoubtedly take over some roles currently performed by physicians, computers cannot replace the human element of being a physician or the need for someone to be in the middle between patient and technology. The goal should be to create physicians who are self-aware, culturally competent, and humane, and then arm them with the amazing memorization and pattern-recognition skills of drones and robots.
- **Leadership focus and development:** Hospital and health system leaders spend too much time trying to influence the attitudes of physicians who will never change. Jefferson's leaders have reallocated where they spend their time, with the focus now being on the silent majority that needs convincing on the need for change. Jefferson has also created leadership development programs that spearhead culture change, including Jefferson's Onboarding and Leadership Transformation (JOLT) Institute.

Step #3: Changing the World

Along with climate change, addressing health disparities and providing health assurance for all may be the most important issue facing the world today. The pandemic has highlighted a long-known fact—that health status is determined largely by factors that have nothing to do with healthcare. Addressing these disparities requires radical communication, collaboration, and an intense focus on health equity. Beyond just making the wealthy healthy, the goal is large-scale transformation that brings health to all.

Diagnosing Disruption from the Clinical to Consumer

Ken Hughes, *Consumer and Shopper Behavioralist, Customer Experience Strategist*

The "Never Normal" and the Need for Agility

The last few years have seen unprecedented levels of disruption. The coming decade could bring the biggest period of change that most people have seen in their lifetimes. The term "new normal" is a misnomer, as it implies the world will settle into a new and different state that will remain stable over time. "Never normal" may be a more accurate description, as it acknowledges that the world will keep changing.

Organizations find themselves in a race for relevance. The temptation in such an environment is to go into survival mode. Just as someone drowning in an ocean tries to swim back to shore, organizations try to get back to where they were and what they know. Counterintuitively, however, avoiding death by drowning requires swimming in a new direction. Similarly, for organizations, survival requires agility—the courage to go off in new directions and take new risks.

The Values of Today's Consumers

Success requires understanding and meeting nine distinct values of today's consumers:

- **Flexible:** Consumers expect to be the "blue dot" (i.e., the "you are here" notation on a map). They want to be at the center and have everything come to and revolve around them.
- **Instant:** Consumers want things right away, certainly not in two weeks and in some cases not even tomorrow. Amazon is now transitioning to same-day delivery and, in some cases, delivery just a few minutes after ordering. Yet healthcare organizations still make customers wait weeks for test results.
- **Expectant:** Consumers have very high expectations and are not happy when a product or service falls short. Organizations must strive to delight customers (by giving them more than what they expect), engage them (by giving them a tribal sense of belonging), and empower them (by affecting their everyday life). Healthcare organizations have a lot of work to do, as too often patients feel they are treated like a number, rather than a human.
- **Personal:** Most consumers expect personalization. As the blue dot at the center of everything, they expect to "own" the journey. Yet healthcare consumers seldom feel ownership over their care journeys. Rather, they feel like small parts of a complex process and can only hope to feel better at the end of it.

- **Authentic**: People want to feel connected to the products and services they consume and talk about them with others. This desire explains the popularity of the street food movement, which allows consumers to see the food being made and connect with the person making it.
- **Collaborative**: Consumers are no longer passive recipients of good or services, but rather active participants, sometimes even in the production of the service in question. In healthcare, however, patients too often remain passive recipients rather than collaborators.
- "**Phygital"**: The physical and digital worlds have merged into a single thing. People tend to react digitally to almost any event, even a traumatic healthcare experience. Outside of healthcare, people are routinely buried in their phones. It is no surprise that they expect to be able to interact with the healthcare industry in the same way.
- **Experiential:** The mantra "you are what you own" is giving way to "you are what you experience and share." In healthcare, the key is to make the product experiential by creating an emotional connection, helping consumers feel connected to the brand and business.
- **Emotive**: Consumers want to be engaged and have a sense of belonging, to be empowered through an experience that affects their everyday life. Having this sort of impact requires the development long-term, genuine relationships through emotional connections.

Action Steps for Boards and CEOs

Mr. Hughes recommends the following action steps for boards and CEOs:

- Create a "shadow" board made up of diverse consumers to advise the full board.
- Think like a consumer, not a provider.
- Plot the entire healthcare journey and look for opportunities to improve.

What to Expect: The New Normal Post-Pandemic

Ashish K. Jha, M.D., M.P.H., *Dean, School of Public Health, Brown University*

Dr. Jha discussed what is likely to happen after the pandemic ends and the implications for the U.S. health system going forward.

What Happens Next (after the Pandemic)?

The 1918 Spanish flu and other pandemics throughout history have led to profound shifts in society. The COVID-19 pandemic will similarly lead to big changes in the U.S. over the next decade, but such changes may be hard to predict or anticipate right now. One such change relates to how people think about employment. The so-called "Great Resignation" that is occurring in the U.S. suggests that people have changed the way they engage in their work. While the future remains uncertain, one thing is quite clear: the world will never go back to the way it was in 2019. The last few years featured not only the pandemic, but also the surfacing of a host of social and political issues and tensions that will take time to work through,

meaning that the next five to 10 years will entail a tumultuous period before things eventually settle down.

Implications for the Healthcare System

The pandemic and the changes that it will bring about will have significant implications for the healthcare system. Policymakers face tremendous pressure to rein in health spending, which will only increase if there is a change in Congressional leadership after the midterm elections. Given these pressures, healthcare leaders should consider doing the following:

- Embrace value-based payments
- Increase focus on primary care, prevention, and population health
- Forge partnerships to address social determinants of health
- Invest in mental health infrastructure (including technology)
- Embrace consumerism and digitalization
- Expand scope of practice as much as possible
- Consider partnerships with public health
- Promote transparency

Patient No Longer: The Brave New World of Consumerism

Ryan Donohue, *Strategic Advisor, NRC Health and Governance Institute Advisor*

Consumerism refers to the activation of people as decision makers related to the purchase and use of goods and services. Embracing healthcare consumerism means respecting people as having a choice for care and deeming them worthy of developing a lasting relationship based on trust. Building that relationship begins with meeting or exceeding consumer expectations, which tend to be quite high when it comes to healthcare. While virtual care is desirable whenever possible, most consumers understand that a large part of care will remain in person, meaning that a hybrid model will become the new standard. Consumers want a seamless hybrid experience, not one artificially divided between in-person and virtual. They want invisible transitions with care tailored to the individual.

Health systems need to create a well-designed hybrid experience that puts the patient at the center every step of the way, as outlined below:

- **Choosing providers:** Online searches are a cross-generational phenomenon, representing the new "front door" to healthcare for consumers increasingly comfortable with digital information. Consumers see the growing possibilities of online information and education to assist them in making critical healthcare decisions, including choice of provider.
- **Accessing virtual care**: Consumers expect health systems to come to them, typically via telehealth. Many consumers express appreciation for the convenience offered by telehealth, which eliminates travel and time spent in a waiting room.
- **Experiencing in-person care**: Consumers returning to in-person care generally are appreciative of the ability to see their clinicians face-to-face. They have given providers a "grace period" as they reopen, but their tolerance for any

inconveniences (e.g., long waits) will likely end soon. Consumers will expect more from in-person care than they did in the past.

- **Providing post-visit support**: Providers too often forget about the post-visit experience, employing an "out-of-sight, out-of-mind" mentality. Yet consumers need help and guidance during this time, including timely test results, assistance interpreting those results, and support in scheduling and accessing follow-up care. The post-visit period is also when consumers rate providers, ratings that influence others as they embark on the first step—choosing a provider.
- **Paying for care**: Payment often represents the last touchpoint for consumers with the health system, and surveys suggest that significant room for improvement exists. Most people—even those with a background in the industry—have trouble understanding their bills and benefit statements, let alone figuring out how much they owe and to whom.

How Health Systems Can Evolve in a Digital Health Era

Glen Tullman, *Chief Executive Officer, Transcarent*

This interactive discussion focused on Mr. Tullman's experiences in creating Livongo, a company founded in 2014 that helps individuals with diabetes manage and live with their disease; and Transcarent, a company that is creating a new, different, and better health and care experience that puts people in charge of their care and aligns with who is paying for the care. Key lessons for health system leaders include the following:

- **Redesign care and processes with the person receiving the care**: After Mr. Tullman's youngest son was diagnosed with Type 1 diabetes at eight years old, the family quickly became aware of the many problems with diabetes care. Mr. Tullman founded Livongo in 2014 with the goal of putting the patient and family at the center of everything and designing a system to serve their needs.
- **Bring digital automation to healthcare**: Mr. Tullman began his entrepreneurial endeavors with a company that automated the collision estimating process for cars. He later pivoted to healthcare, an industry where thousands of Americans die each year due to poor handwriting, drug-drug interactions, and other issues inherent in paper-based systems. Beyond just ending reliance on paper, health systems need to embrace the technological revolution happening in other industries. Telehealth offers tremendous opportunities to enhance access to mental health services and to bring needed primary and specialty care to rural and inner-city areas.
- **Beware of outside disrupters**: Legacy organizations often overlook the tremendous advantages they have and refuse to respond when these outsiders disrupt the industry. History has shown that such an attitude can be dangerous. The well-known story of Kodak illustrates this point. Despite having a fantastic brand name, technological advantages, and patents, Kodak refused to embrace digital photography because it jeopardized its "bread-and-butter" film and chemical businesses. Health systems risk becoming like Kodak if they fail to embrace the idea that the only two people who matter in healthcare are the provider and the consumer receiving care.

- **Pressure vendors to fix interoperability and usability problems**: Electronic health records were a necessary but not sufficient piece to fixing healthcare. A second piece—interoperability or the ability of systems to "talk" to one another—remains a work in progress. As big users of these systems, health system leaders can say "enough is enough" and demand that systems finally work with each other. They can also press for better usability, as today's systems are often difficult to navigate and do not fit into existing workflows.

The Video Streaming Wars: Can Disney Catch Netflix?

Stephen W. Kett, *Senior Program Director, The Governance Institute*

Mr. Kett led an interactive discussion of a *Harvard Business School* case study about the video streaming war between Disney and Netflix. The case study is ostensibly about whether Disney can catch Netflix in terms of streaming consumers. The short answer is "no," as the Disney+ subscriber base has plateaued at levels far below that of Netflix. The case study is more about how Netflix completely transformed entertainment by developing a deep understanding of its consumers and constantly improving their experience, taking down companies and entire industries in the process. Key lessons for health systems include the following:

- **Bring the product to the customer**: One of the first and most basic innovations in any industry is to bring the product or service to the customer rather than making them travel for it. For Netflix, this innovation came from mailing DVDs to subscribers. In healthcare, virtual care and at-home services represent examples of this approach.
- **Embrace engaged, proactive consumers**: The ability to stream content played a major role in turning Netflix customers from passive audiences for entertainment into proactive consumers of it, representing a fundamental shift in the consumer's relationship to the product.
- **Keep laser-like focus on behaviors and motivations**: Since its founding, Netflix's extraordinary success comes from a laser-like focus on deeply understanding customer behaviors and motivations and continuously improving the customer experience.
- **Use data to tailor products and services**: Netflix gathers detailed data on consumers and their behaviors (i.e., what they watched, when and how they did so), allowing the company to ever more effectively tailor experiences through watch-next suggestions and develop new content better suited to customer preferences.
- **Understand the job-to-be-done (JTBD)**[1]: Even without the benefit of big data, relatively simple research can uncover the JTBD, providing a unique and valuable window into underlying customer motivations and insights into how to develop or change products and services to better serve them.
- **Eliminate artificial constraints (even if doing so threatens stakeholders)**: Consumers will abandon businesses that impose artificial constraints as soon as new choices become available. Often these choices are enabled by changes

1 See the main body of the report for more information on JTBD.

or advances in technology. Blockbuster learned this lesson the hard way as consumers flocked to Netflix, which eliminated the need drive to stores or pay late fees. As the Livongo story demonstrates, the same will be true in healthcare.

- **Beware of "legacy" biases**: History is full of legacy companies that could not recognize the profound threats of new entrants. Blockbuster did not understand the power of streaming services and as a result had to declare bankruptcy and close its stores a decade later. Protecting the existing in-person healthcare infrastructure, such as hospitals and clinics, might prove to be a similarly huge mistake.
- **Do not hide behind quality arguments**: Legacy companies routinely fight new entrants by accusing them of offering poor quality. These arguments ultimately fail. Traditional healthcare providers will lose out if they fail to respond to retail clinics, telehealth, and other new entrants that offer the same quality but greater convenience and lower costs.

Telehealth: The Perfect Expression of Consumerism. Now What?

Ann Mond Johnson, *CEO, American Telemedicine Association*

Telemedicine has the potential to help address many key challenges facing the healthcare industry, including unwarranted geographic variations in cost and quality, primary care shortages, long wait and travel times for appointments, and the large and growing cost burden for both governments and individuals. Yet telemedicine remains misunderstood, the subject of many myths that do not stand up to scrutiny:

- **Myth 1. Telehealth is for rural residents only**: Early adopters of telehealth tend to be young, high-income, insured individuals living in urban areas. For these individuals, use of telemedicine is the consummate expression of consumerism.
- **Myth 2. Telehealth is more expensive than in-person care**: In reality, telehealth can be an effective tool to triage patients and direct them to more appropriate, less costly venues.
- **Myth 3. Telehealth is not high-quality care**: Telehealth makes patients feel more involved in their care. It meets people where they are and gets them the services they need when and where they need them.
- **Myth 4. Telehealth is impersonal**: Patient perceptions of telehealth change once they can compare it explicitly to in-person care.
- **Myth 5. Telehealth is ripe for fraud, waste, and abuse**: Telemedicine channels are subject to the same regulations as in-person visits. Levels of fraud and waste are no different than for in-person care.
- **Myth 6. Telehealth is a threat to providers**: In reality, telemedicine adds value and supports the physician's goal of greater patient-centricity and higher patient satisfaction.
- **Myth 7. Telehealth is only video visits**: Telehealth goes beyond video visits to include a variety of synchronous and asynchronous channels that facilitate both physician-to-patient and physician-to-physician interactions.

Clinicians, consumers, health plans, and employers turned to telemedicine during the pandemic and generally found it to be a very positive experience. Telemedicine also has tremendous potential to improve mental health and substance abuse care. Prior to the pandemic, half of the U.S. population had no access to mental health services. Yet one in five Americans suffers from a mental health condition. For many Americans, virtual mental health services have literally been a lifesaver. Finally, telehealth has the potential to help reduce disparities. To realize this potential, careful attention should be paid to federal and state laws and regulations that determine both how telemedicine can be practiced and whether and how it is reimbursed. As the pandemic ends, the fear is that threatened providers who have not embraced telemedicine will use their lobbying power to convince legislators and regulators of the need to restrict its use.

Discussion Guide for Boards and Senior Leaders

We encourage boards and their leadership teams to use the information and recommendations in this proceedings report to help develop goals and strategies that can enable Consumerism 3.0. Leverage the urgency and nimbleness your organization relied on to address the pandemic and develop an implementation plan that starts with a generative discussion about your organization's position and capabilities related to the following questions:

1. Along with climate change, addressing health disparities and providing health assurance for all may be the most important issue facing the world today. We need large-scale transformation that brings health to all. How are we forging partnerships to address health equity and social determinants of health? If we are already in this space, how do we know that what we are doing is effective? Is it enough? What more can we be doing?
2. Do we have a deep understanding of the distinct values of today's consumers? What are we doing with this information to change our care delivery and business model?
3. How can we compete with disruptive innovators? What disruptive innovators have the most potential to put us out of business in the future, and what should we do about it?
4. How are we integrating virtual care (e.g., telehealth, digital health) into our delivery platform(s)? Are we approaching this the right way?
5. What are we doing today to start building for healthcare in 2032?
6. What is our plan for "we change" (year one), "we change the industry" (year two), and "we change the world" (year three)?

Changing the DNA of Healthcare: From COVID to Consumerism

Stephen K. Klasko, M.D., M.B.A., *Former President and CEO, Thomas Jefferson University and Jefferson Health; Executive in Residence/Chief Global Innovation Officer and North American Ambassador, General Catalyst/Sheba Medical Center*

Looking a Decade Ahead: A Health Assurance System

As CEO of Apple, Steve Jobs always looked far into the future. In 2001, Apple had a very small share (perhaps 2 to 3 percent) of the computer hardware market. The company's much larger competitors focused on computers, with Dell emphasizing laptops and Microsoft continuing to make incremental improvements to its often-unstable Windows operating system. Rather than trying to increase Apple's hardware market share by a few percentage points, Jobs foresaw the digital lifestyle that would dominate a decade later and began creating it. The same week that Bill Gates ran a much-publicized demonstration of Windows '98 (which crashed during the event), Steve Jobs introduced the world to the idea of carrying a digital music library in one's pocket via the iPod. The rest, of course, is history, with Apple completely revolutionizing industry after industry and literally changing the way people live. Not coincidentally, the company enjoyed exponential growth in market value, becoming the world's most valuable company with a market capitalization of over $2 trillion.

Similarly, healthcare leaders need to start building today for 2032, a time when the COVID-19 pandemic will be viewed as the "dark days" in healthcare when everything finally changed for the better. A decade from now, 2022 will be thought of as the time when healthcare finally evolved from a broken, fragmented, expensive, inequitable "sick-care" system to a "health assurance" model where most care happens at home. It will be the time when the industry finally realized that it had to compete—not with the hospital across the street—with disruptive innovators. By 2032, the industry will have smashed the cost, access, quality, and patient experience curves through a series of disruptive events and creative partnerships. Everyone will have quick access to personalized care. In this era, a new strain of a mutant virus will not cause a pandemic. Rather, it will be quickly identified through artificial intelligence (AI) bots and the continuous streaming of healthcare data to the cloud. Wearable devices will immediately notify infected individuals and instruct them to isolate, while 3-D printers will churn out masks and drones will safely deliver medications and supplies. Schools and workplaces will easily convert to virtual activity as necessary, while vulnerable populations will have quick access to rapidly developed vaccines and treatments. The whole scare will be over in a month or two. And while this future may seem like something out of a science fiction film, the technology exists to get there today.

> "Just as Steve Jobs did at Apple, leaders should look for what will be happening in 10 years and begin doing it now."
>
> *—Stephen K. Klasko, M.D., M.B.A.*

Getting from Here to There

Navigating to this idyllic future will not be easy. Governments cannot be expected to lead the way, as public officials at all levels continue to grapple with the "iron triangle" of access, costs, and quality of care. Facing seemingly infinite needs with finite resources, government-led efforts to focus on one "angle" of the triangle will inevitably require a pullback in at least one of the others.

The only way around this problem is to disrupt the industry, something that can be difficult to do from inside. Peter Diamandis, an engineer, physician, entrepreneur, and pioneer in innovation noted that true disruption inevitably threatens existing product lines and past investments. As Steve Jobs' three-year strategic plan for Apple illustrates, successful disruption requires a simple-to-say but difficult-to-execute formula: "we change" (year one), "we change the industry" (year two), and "we change the world" (year three). As described in the sections below, Dr. Klasko has spent much of his career in healthcare attempting to apply the Steve Jobs formula.

Step 1: Changing Jefferson Health

Jefferson began its journey in 2013, with the goal of replacing the iron triangle with a health assurance model in which consumers understand what needs to be done and navigate on their own terms. Building this model required the transformation of a 195-year-old academic medical center into a start-up company. Key assumptions underlying the transformation included the following:

- Jefferson will be paid based on quality, costs, patient experience, and outcomes (not volumes); hospital stays will be commoditized.
- Physicians and nurses will cooperate and engage in deep learning, and consequently Jefferson will need to select and educate them to foster creativity and allow them to be better humans.
- Population health, predictive analytics, and social determinants of health (SDOH) will move to the mainstream of clinical care, payment models, and medical education.

Just as Apple started transitioning to the digital world early in its journey, Jefferson began investing in digital health in 2013 with a $50 million outlay. In 2014, Jefferson began its transition from a health sciences center to an academic-based regional integrated health system. As shown in **Exhibit 1**, this evolution involved the acquisition of approximately $7 billion in assets without any money changing hands. Instead, Jefferson used governance (i.e., board seats) as its currency. By 2021, original Jefferson board members made up a small minority of the full board, but the organization had become an integrated delivery and finance system with the largest number of attributable lives in Pennsylvania.

Exhibit 1: Scaling To Unscale: The New Jefferson

SCALING TO UNSCALE:
The New Jefferson
Evolution from health sciences university to an academic-based regional integrated health system

2014
Dissolution of **Jefferson Health System**, Reorganization of **Thomas Jefferson University**, JV for Delaware Valley-ACO established

2015
Merger with **Abington Health**

2016
Merger with **Aria Health**; included 25% of **Health Partners Plan (HPP)**

2017
Mergers with **Philadelphia University** & **Kenedy Health**

2018
Merger with **Magee Rehabilitation**

2020
Definitive agreement to purchase Temple's 50% interest in **HPP**

2021
October closings will occur with **Einstein Health Network** (including 25% ownership of **HPP**), and Temple's 50% interest in **HPP** resulting in 100% ownership of **Health Partners Plan**

More importantly, Jefferson moved from the "old math" with revenues derived from clinical activities and academic teaching and research (two of the organization's four pillars) to a new math based primarily on innovation and philanthropy (the other two pillars). Now a nimble and agile organization, Jefferson looks to strategic partnerships and innovation as the core of its strategic vision and the key to differentiating itself from the competition. Two key goals guide its activities:

- To allow individuals to access healthcare in the same flexible manner that they consume every other consumer good.
- To redefine Jefferson Health based on care and caring instead of location.

Rather than seeing individuals as patients (as most healthcare organizations do), Jefferson sees them as people who need healthcare services. As discussed later, Livongo became an $18-billion company using the same approach, viewing people with diabetes not as patients, but rather as individuals who want to get through their day without being disrupted by their disease.

The key to executing this transformation lies in digital medicine, which *The Economist* called in December 2020 the next "big thing" in healthcare. With banking's transformation to the digital age well established, healthcare unfortunately stands alone in its failure to adopt digital technologies on a broad scale.

Going forward, healthcare organizations need to tap into a variety of funding sources and execute various strategies to implement the innovations shown on the right side in **Exhibit 2**.

Exhibit 2: How Many of the Right Column Initiatives Are You Planning?

QUICK QUIZ: How Many of the Right Column Initiatives Are You Planning?

FUNDING SOURCES

- Venture and PE funding of new/growing businesses
- Innovator reaching scale and public funding (IPO, SPAC)
- Scaling innovators acquiring peers
- Large (public) payers diversifying
- JV/partnerships

TYPES OF MOVES

- Non-contiguous consolidations
- Acquisition of new capabilities
- Diversification of revenue sources
- Payers moving to control/shape care delivery
- Innovators broadening their solution portfolio
- Private capital rolling up fragmented players

TYPES OF INNOVATION

- Virtual care
- Home care
- Next-gen primary care
- Retail clinics
- Intensive models for high-cost populations
- Non-hospital delivery sites
- Risk/value enablement
- Integrated insurance "products"

> "The biggest risk for 2032 is that you'll still be doing the same things you were doing in 2022."
>
> —*Stephen K. Klasko, M.D., M.B.A.*

For example, Jefferson invested in a mobile app that helps women find an obstetrician/gynecologist. Modelled after dating and insurance apps, it allows a woman to enter various parameters and preferences related to her desired physician and find a good match. Many younger physicians really like the approach, but older ones tend to have a hard time with it. Jefferson is also investing in various wearable technologies that continuously send information about a patient's health to providers, much like today's new cars continually monitor the vehicle's health and surroundings and send real-time alerts to owners when something is amiss (e.g., low tire pressure, an imminent collision hazard).

The Amazon Moment

The long-awaited “Amazon moment” is coming to healthcare, which will be characterized by the following transitions:

- From sick care to health assurance (people only become patients when sick)
- From hospital to home
- From the physician and administrator as the boss to the patient as the boss
- From static to continuous data
- From humans as robots to humans as humans

The winners will be organizations that collaborate to personalize care, with costly sick care giving way to affordable, personalized, preemptive care driven by genomics, sensors, and AI-based digital therapies. To that end, Jefferson and its partners have adopted the CARES model:

- **C**reate a strong sustainable partnership between technologists and providers to remake medicine’s role in society.
- **A**pply data and technological advances to deliver the best preventive and supportive care in the least intensive way possible.
- **R**e-center the healthcare experience to focus on the relationship between the needs of individual people and their care providers.
- **E**volve the payer–patient–provider system to one where incentives are aligned across all constituencies.
- **S**egment consumers so that the 98 percent who are people (i.e., not currently receiving care) view Jefferson as the key to thriving without health getting in the way.

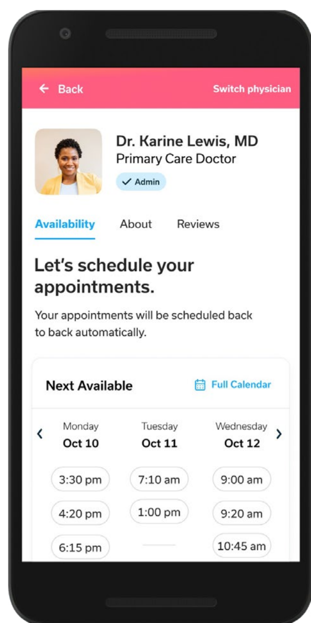
Jefferson’s ability to succeed stems in large part from its collaboration with entrepreneurial organizations such as General Catalyst. No longer just vendors, these companies have become long-term strategic partners. Together the two organizations helped to build Tendo, which has become Jefferson’s patient engagement platform, as illustrated in **Exhibit 3**.

Exhibit 3: Tendo: Jefferson's Patient Engagement Platform

It is the primary avenue for patients to seek, access, and engage in care throughout the patient journey

* Functional Highlights: *With Tendo, patients can...*	
Seek Care	• Symptom Checker • Provider Search & Messaging
Schedule Care	• Appointments • Payments
Navigate Care	• Forms & Documents • Virtual Check-In/Waiting Room • Wayfinding
Follow-Up and Manage Care	• Care Plan Tasks & Activities • Referrals • Proactive Care Reminders • Patient Education
Additional Capabilities	• Caregiver Application • Clinician Application/Reporting

* Tendo products are still under development. Functional capabilities lare forward facing targets.



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Well on its way, Jefferson's transformation has attracted the attention of the rating agencies. When Moody's recently downgraded the financial outlook of the not-for-profit hospital sector to negative, Jefferson's ratings remain unchanged. Moody's recognized that its investments in home health, digital health, and other areas will allow it to participate in the growth of healthcare even as the traditional inpatient business declines.

Step #2: Changing the Industry

Jefferson's strategic investments in digital and home health and its partnerships with Tendo and General Catalyst are not only changing Jefferson, but also helping to transform the industry. For example, while Jefferson was Tendo's first customer, it certainly is not its last. In fact, the venture today is valued at roughly $550 million.

The industry has been forever changed by the pandemic, with transitions occurring in four areas, as described below:

The Future of Work

While the turnover "tsunami" in healthcare began before the pandemic, COVID-19 greatly accelerated it. The continued evolution to value-based care and the accompanying changes in payment models will require the redesign of care delivery models, reconfiguration of workflows, the hiring of new types of providers, role redesign, and the "upskilling" of existing staff. Both care delivery and the workforce are shifting from acute to ambulatory and community settings.

An increased focus on health equity will require investments in patient navigators, community health workers, home health workers, and behavioral health staff (integrated into primary care settings). It will also require investments in community-based workers who can go into people's homes and address health-related hazards such as mold.

Competition to attract these workers will intensify as corporate players, particularly in primary care, also seek to hire new workers. These organizations are using technology and house calls to meet patient needs. Instead of retrofitting the existing care delivery models and workforce, they are seeking to understand patient's unmet needs for service and better deploy the workforce to meet those needs.

Much of the unmet need centers around behavioral health. Since the pandemic began, there has been a four-fold increase in adults reporting symptoms of depression or anxiety (depression in children has more than doubled). Emergency department (ED) visits for overdoses and suicides have jumped 36 and 26 percent, respectively. Patients are not the only ones struggling, as provider burnout is rampant as well. In fact, 18 percent of U.S. healthcare workers have quit their job since the beginning of the pandemic. A third of physicians, nurses, and advance practice providers intend to reduce their hours. As a result, workforce shortages are only going to get worse and reliance on temporary staffing is unlikely to diminish.

Successfully addressing the workforce-related challenges facing health systems requires an investment in all elements of the human capital system: structure, culture, leadership, and talent.

- **Structure of work**: Employers must offer flexibility in work, including remote, in-person, and hybrid models. Going forward, 40 percent of workers may work only on a remote basis (16 percent of employers are hiring only remote workers). Just over half (51 percent) of knowledge workers will perform their jobs in a hybrid model (up from 27 percent before the pandemic). Overall, 59 percent of employees expect a more flexible work structure, including the ability to work from home.
- **Culture**: The pandemic has created a disruption of social cohesion, especially for younger workers who have lost opportunities for casual social interactions. Workers face increased isolation and a lack of connection with colleagues. Yet many have more work on their plate and consequently feel burnt out.
- **Leadership**: Leaders must think of employees differently and recognize their personal lives. They must make behavioral health a priority (60 percent of employers report doing so), create more flexibility in roles and responsibilities, and provide more learning and development opportunities.
- **Talent**: Employers need to offer a new value proposition to employees, who want the following: flexible work arrangements related to the where, what, when, and how of their jobs; opportunities to develop new digital skills required for the future; a shared sense of purpose related to key societal issues and their impact; the ability to make meaningful contributions to both the organization and the community; and the opportunity for personal growth, including coaching and tailored development.

Key Priorities to Prepare for the Future of Work

- Use a holistic approach to addressing employee well-being.
- Develop flex/hybrid models designed with function and equity.
- Foster inclusive leadership, including developing management skills.
- Rethink the employee value proposition, offering customized experiences.

The New Consumer

Polling suggests that healthcare consumers are “mad as hell and not going to take it anymore.” A recent Harris Poll found that 81 percent believe that shopping for healthcare services should be as easy for other types of services. Yet, two-thirds feel that every step of the healthcare process is a chore, and nearly as many (62 percent) believe it is intentionally set up to be confusing. Over half (56 percent) know someone who avoids care because the healthcare experience is so poor.

Healthcare organizations remain mired in the 1990s when it comes to understanding consumers. They do not know what it costs to acquire or retain a customer or to prevent leakage to other organizations. For their part, new and existing customers report that healthcare marketing has no impact on their choice of provider or payer. Yet companies continue to spend money on campaigns that do not resonate with anyone outside their own marketing departments.

Provider organizations need to guide consumers by giving them the information they need to make good decisions about their health. Unengaged consumers are not only dissatisfied, but also experience higher healthcare costs. Organizations must make it easy for consumers to connect with the healthcare community, emulating Amazon, Target, and Walmart (rather than Macy’s, Sears, or JCPenney). Healthcare should learn from the successes of other industries by providing value for money, giving consumers a single point of contact, and creating a seamless experience across the continuum.

The New Physician

Technology will undoubtedly take over roles currently performed by physicians, as AI and computers are able to process and remember more information than humans without getting tired. Yet computers cannot replace the human element of being a physician or the need for someone to be in the middle between patient and technology. Unfortunately, medical schools have not recognized this transition, as future physicians are still chosen based on grade point average in science classes and standardized test scores. It should be no surprise, therefore, that physicians often lack empathy, creativity, and communication skills. In addition, people of color are under-represented in the medical field, in part because minorities are often at a disadvantage in accessing resources to help them prepare for standardized tests. A growing body of research suggests that such tests are not good predictors of emotional intelligence or the ability to be a good doctor.

In short, medical education is failing today’s physicians. A survey of new physicians (three years or less in practice) found that 70 percent believe that medical school did not teach them the most important things they now need to succeed in practice: change management, leadership, communication, and negotiation skills; knowledge

of healthcare financing; and an understanding of how to run an effective meeting, make patients happy, and work effectively as an individual in a large organization.

To address these education gaps, Jefferson created a different type of medical school. The school admits students based on empathy, communication skills, and creativity rather than science grades and test scores. It teaches with an emphasis not on memorization, but rather the ability to see things and think through second-order impacts. The goal is to create physicians who enter the workforce as self-aware, culturally competent, and humane, and then arm them with the amazing memorization and pattern-recognition skills of drones and robots. This approach will lead to a more diverse physician and healthcare workforce; in fact, Jefferson's student body is much more diverse than that of a more traditional medical school.

Leadership Focus and Development

Hospital and health system leaders spend too much time trying to influence the attitudes of physicians who will never change. As with most organizations, about 20 percent of Jefferson physicians understand the need for dramatic change. Roughly 15 percent will never "get it," while 65 percent will get it eventually with enough prodding and explanation. Most leaders, however, spend about 40 percent of their time with those who already get it and 45 percent of their time with those who never will, leaving only 15 percent for the "silent majority" that needs convincing. Jefferson's leaders have reallocated where they spend their time, with the focus now being on that silent majority and virtually no time spent on "lost causes." This change allowed Jefferson to bring many doctors into the "get-it" camp.

Jefferson has also created leadership development programs that play a critical role in spearheading culture change. Through Jefferson's Onboarding and Leadership Transformation (JOLT) Institute, 40 emerging leaders complete a nine-month program each year that integrates classroom instruction, a project/sketch assignment, and executive coaching. The program clearly works. JOLT graduates have improved their ability to handle difficult issues and situations by 325 percent. Other improvements attributed to JOLT include a 133 percent increase in commitment to and engagement in ensuring Jefferson's success; a 200 percent improvement in the ability to work effectively in teams; a 167 percent jump in the ability to communicate effectively and influence others; a 250 percent increase in loyalty to the organization; and an 80 percent increase in willingness to serve in a leadership capacity.

Going forward, healthcare leaders need to reallocate their time and redefine how they think about leadership. Key lessons include the following:

- Understand and learn from what other industries have done in times of crises.
- Practice "radical" collaboration by forging strategic partnerships with new partners.
- Overcommunicate with key constituencies.
- Show vulnerability, passion, creativity, and flexibility, even while remaining disciplined and focused on strategy.
- Align leaders with those on the front lines.
- Disagree in the early stages of communication (since consensus can lead to inaction), but insist that everyone commit once a decision is made.

- Recognize the need for a new “cabinet” that includes a chief public health officer, chief experience officer, chief consumer officer, and chief social media and information officer.
- Always have five subordinates who believe they can do a better job than the boss, and at least three who are correct in that assessment.

> “We make sure pilots still know how to fly on a regular basis, but no one has assessed my surgical competence in 35 years.”
>
> —*Stephen K. Klasko, M.D., M.B.A.*

Step #3: Changing the World

Like Apple, Jefferson is trying to change the world. Along with climate change, addressing health disparities and providing health assurance for all may be the most important issue facing the world today. The pandemic has highlighted a long-known fact—that health status is determined largely by factors that have nothing to do with healthcare. For example, the chances of getting and/or dying from COVID-19 are determined more by where someone lives (i.e., zip code) than by genetics or personal behaviors such as mask wearing and social distancing.

Addressing these disparities requires radical communication, collaboration, and an intense focus on health equity. Beyond just making the wealthy healthy, the goal is large-scale transformation that brings health to all. To that end, the Center for Responsible Innovation is calling for major innovations that promote positive societal outcomes. Success will require disruptive thinking and creative partnerships to create new ecosystems. The transition will be painful for those who refuse to think differently. While this “fourth industrial revolution” will be based on tools and data, it also requires proactive attention to their human and ethical consequences. For example, if those who developed the combustible engine knew about its impact on climate change decades later, they presumably would have done some things differently. Similarly, had the implications of social media been better understood early on, additional guardrails would likely have been put in place. Today the world already understands the potential negative implications of AI-based tools (e.g., racial and ethnic biases) and consequently needs to address them proactively. Finally, addressing SDOHs and health inequities must move beyond “academic ponderings” to become part of mainstream clinical care and health policy.

The future will consist of robots and humans working together to eliminate disparities and provide better health to everyone, such as through use of drones or Instacart to deliver healthy foods to areas previously classified as food deserts. As this transition occurs, hospital boards will need to pay close attention to cybersecurity issues, as consumers want guardrails to protect their personal information. They will also need to invest in medical simulations to ensure that both new and old physicians can learn from their mistakes in a safe setting. Abandoning the old “see one, do one, teach one” mentality, simulation centers make sure that both new and established doctors are competent to perform a procedure before going near a patient.

Diagnosing Disruption from the Clinical to Consumer

Ken Hughes, *Consumer and Shopper Behavioralist, Customer Experience Strategist*

The "Never Normal"

The last few years have seen unprecedented levels of disruption. Starting with the Australian wildfires in late 2019 and the first case of COVID-19 in Wuhan a few months later, disruption has seemingly become the "new normal" for the world. When COVID-19 hit, streets around the world suddenly emptied overnight as human activity and the world economy ground to a halt. In March 2021, a boat got stuck in the Suez Canal, the ramifications of which are still being felt today in supply chain issues around the world. By early 2022, the pandemic finally seemed to be under control, but then Russia attacked Ukraine and suddenly people are considering the threat of nuclear war.

This level of disruption will likely continue for the foreseeable future. In fact, the coming decade could bring the biggest period of change that most people have seen in their lifetimes. The term "new normal" is a misnomer, as it implies that the world will settle into a new and different state that will remain stable over time. "Never normal" may be a more accurate description, as it acknowledges that the world will keep changing.

Like gravity, change continually presses down on the healthcare industry, including changes related to technology, consumer expectations, and political/regulatory pressures. As Newton's laws suggest, surviving against—let alone thriving with—these pressures requires healthcare organizations to push back with greater force and hence continue the uphill climb.

The consequences of not pushing back and falling down the hill—or even of pushing back with equal force and hence standing still—can be devastating. To understand these risks, one need only look at what has happened to other industries. A single phone application providing navigation services wiped out the entire GPS industry virtually overnight, making use of GPS devices unnecessary and irrelevant. Ride-sharing apps such as Uber and Lyft have done the same to the taxi industry. Uber has its sights set next on roadside assistance. With Uber Fix, existing drivers are being trained and equipped to handle flat tires, dead batteries, and lack of fuel, which collectively account for 85 percent of the business. Through a simple extension of an existing app, Uber Fix could easily wipe out the roadside assistance business.

The Need for Agility

All organizations find themselves in a race for relevance. The temptation in such an environment is to go into survival mode. Just as someone drowning in an ocean tries to swim back to shore, organizations try to get back to where they were and what they know. Counterintuitively, however, avoiding death by drowning requires

swimming in a new direction. Similarly, for organizations, survival requires agility—the courage to go off in new directions and take new risks.

Successful organizations have displayed remarkable agility during the pandemic. For example, zoos throughout the world were devastated by the pandemic. They uniformly had to close their doors, yet still had all the costs associated with taking care of their animals. With little or no revenues, most suffered tremendously and have had to rely on philanthropy to survive. One organization, Sweet Farm, took a different approach. Home to over 125 rescued animals, Sweet Farm started allowing individuals and companies to pay money (from $65 to $200) to have live animals "pop up" during the middle of virtual meetings and chats. This line of business has proven so successful that it has remained in place even after the business reopened to in-person visits. Similarly, restaurants have learned to be agile over time. To encourage social distancing, one restaurant abandoned the off-putting barriers that many others erected (e.g., tape to cordon off tables) and decided instead to place large stuffed teddy bears in the seats of tables that were not to be used. The teddy bears make customers smile and want to eat at the restaurant, leading to a booming business. Similarly, concert organizers have held "vertical" concerts in hotels, allowing groups of six to watch safely from room balconies, and a Toronto movie theater organized "sail-in" cinemas that make it safe and fun to watch a movie.

In short, successful businesses change products and services to adapt as the world changes. They must be creative, innovative, and agile, able to pivot assets quickly. Historically, however, healthcare has been like an oil tanker, slow and difficult to turn around. To avoid the fate of Nokia (once the largest phone company in the world) and Kodak (whose CEO dismissed the idea that digital photography could replace film), healthcare leaders must act more like a flotilla of speedboats and less like an oil tanker.

> "Smaller and faster wins the race; big and slow does not…if you think we aren't going to change in the next decade, then you're arrogant. Thinking 'it'll all be fine' simply won't cut it."
>
> —*Ken Hughes*

The Values of Today's Consumers

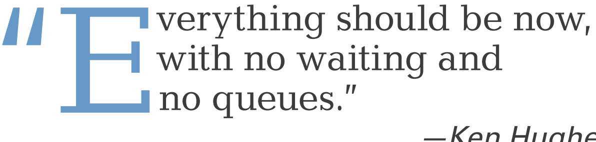
Like all industries, healthcare organizations must meet the distinct needs of six different generations of consumers (traditionalists, baby boomers, gen X, millennials, gen Z, and gen alpha). As evident from the music industry, each successive generation finds a new way to consume goods and services. Traditionalists and baby boomers grew up with vinyl records, while gen X transitioned to a Walkman, millennials to digital devices (iPod), and gen Z to streaming apps. Yet when millennials and gen Z customers walk into a hospital or clinic today, they see an industry stuck in the 1980s. And it is not just younger consumers who feel that way. Societal

values have fundamentally changed across all consumers, as evidenced by the fact that baby boomers and gen X consumers have now firmly embraced the digital society. Success, therefore, requires understanding and meeting nine distinct values of today’s consumers, as described below.

1. Flexible (the “Blue-Dot” Consumer)

Consumers expect everything to come to them and demand flexibility from the companies they patronize. The “old days” of going to a store to rent a movie (and risking that it may not be available) have given way to streaming apps where everything is instantly available in the home or wherever one may be. Similarly, going to bars to meet prospective love interests has given way to online dating apps available anytime and anywhere. In essence, consumers are demanding to be the “blue dot” (i.e., the “you are here” notation on a map). They expect to have everything come to and revolve around them.

The world is full of examples of companies that have successfully tapped into the blue-dot mentality, even for products and services that seem like poor candidates for this approach. Zappos and Warby Parker have revolutionized the buying of shoes and glasses, products that few thought amenable to online shopping. Yet they make buying these products much easier than their in-person competitors, usually for less money. Smile Direct Club has done the same for orthodontia care, while the e-scooter business has revolutionized in-city transportation for consumers who used to rely on buses. Looking ahead, blue-dot companies will likely revolutionize other industries as well. Booster, for example, brings gasoline to consumers, filling up tanks on demand without the need to go to the gas station. With no real estate, Booster can offer cheaper prices than the local station. Similarly, Robomart brings convenience store items to consumers in a mobile truck that travels to where they work and live.



2. Instant

Consumers want things right away, certainly not in two weeks and in some cases not even tomorrow. Amazon, which initially revolutionized online shopping by offering two-day or next-day shipping, is now transitioning to same-day delivery and, in some cases, availability just a few minutes after ordering. Yet healthcare organizations still make customers wait weeks for test results. Consumers also expect complete transparency on the status of their orders, allowing them to check any time when an item or service will arrive. Better yet, they like predictive analytics that alert them when they might need something, such as reminders to schedule a car service or medical appointment.

3. Expectant

Consumers have very high expectations and are not happy when a product or service falls short. As shown in **Exhibit 4**, organizations must do more than satisfy customers (i.e., to give them what they expect). Rather, the goal should be to delight them (by giving them more than what they expect), engage them (by giving them a tribal sense of belonging), or empower them (by affecting their everyday life).

Exhibit 4: The Consumer Empowerment Ladder

EMPOWER
AFFECT THEIR EVERYDAY LIFE
04 LEVEL

ENGAGE
TRIBAL SENSE OF BELONGING
03 LEVEL

DELIGHT
GET MORE THAN I EXPECT
02 LEVEL

SATISFY
I GET WHAT I EXPECT
01 LEVEL

DISSATISFIED
GET LESS THAN I EXPECT
-1 LEVEL

Source: Adapted from Marty Neumeier Brand Ladder.

Healthcare organizations should strive to go beyond expectations by turning an even mundane part of the customer journey into something engaging and exciting. The aim is to make customers feel they are part of the organization, that they belong to it. Companies like Harley Davidson have excelled in this area, as evidenced by their many customers who have the company's logo tattooed on a body part.

> "When was the last time you made a customer cry (in a good way) or made them applaud you?"
>
> —*Ken Hughes*

Healthcare organizations have significant work to do in this area, as too often patients feel they are treated like a number rather than a human. To turn this around, leaders need to offer the seamless, frictionless service that consumers take for granted in other industries. Success may require the appointment of a "delight director" who looks for places in the healthcare journey to engage consumers by going above and beyond.

4. Personal

Most consumers expect personalization today. As the blue dot at the center of everything, they expect to "own" the journey. To meet this need, many organizations go the extra mile to make people feel special. For example, through the Hilton hotel app, guests can choose the room that best fits their needs, giving them psychological ownership of the space even before they arrive. Some hotels have personalized water bottles in the room when guests arrive, and others have done away with keys, letting customers use the hotel app to open their room with their phones. Similarly, consumer goods companies now let customers design their own products, such as shoes.

Healthcare consumers seldom feel ownership over their care journeys. Rather, they feel like small parts of a complex process and can only hope to feel better at the end of it. Creating a personalized journey requires knowing the healthcare customer, understanding his or her journey, and then personalizing it. Simple things like greeting someone by their name (information easily known through data systems) can make a huge difference. High-end hotels do this regularly, yet hospitals and clinics seem incapable of it.

> "What have you done lately to get a consumer to tell your story? How can you be real and genuine in serving patients?"
>
> —*Ken Hughes*

5. Authentic

People value authenticity. They want to feel connected to the products and services they consume. They want to talk about them with others. This desire explains the popularity of the street food movement, which allows consumers to see the food being made and connect with the person making and serving it. By contrast, fast-food restaurants like McDonald's feel like cold, sterile production processes that lack authenticity.

The goal for companies is to get customers to talk about them and tell their "brand story." Going above and beyond in serving customers can often achieve this goal. For example, a Virgin Atlantic airline representative was checking in a British family who was moving to the U.S. A young boy wanted to take his fish with him on the plane, something that was not allowed. Rather than telling the boy about the rule and simply taking the fish away, the employee told the boy that the fish would fly separately in the VIP section of the plane (which obviously was not true). She took a picture of the fish and sent it to her colleague in the U.S., asking her to buy an identical fish and have it waiting for the boy when he got off the plane. Not surprisingly, the boy and his parents were thrilled when they arrived, and they shared this story widely, leading to tremendous consumer goodwill for the airline.

> "It's their health and your care. Healthcare by nature should be collaborative between patient and provider."
>
> —*Ken Hughes*

6. Collaborative

Consumers today are naturally collaborative, often sharing every part of their lives through social media. They are no longer passive recipients of good or services, but rather active participants, sometimes even in the production of the service in question. Rather than just sending viral videos around the world via email or social media, consumers now participate in these videos through social media challenges and apps like TikTok that let one person's video be merged with another's to create new content. For example, music artists routinely post videos on TikTok and then fans make themselves part of these videos and share the results with others (who then do the same).

In healthcare, however, patients too often remain passive recipients of care rather than collaborators in the experience. The word "patient" comes from the Latin "patiens", which in turn comes from the root "patior"—to suffer or bear. The expectation, therefore, is that the patient bears whatever suffering is necessary and tolerates the interventions of an outside expert. Going forward, healthcare leaders need to deconstruct this "us-and-them" mentality, making the patient the blue dot in the center, in control of the entire care journey and experience.

> "Physical assets are only a part of the modern consumer equation. You must digitize the physical."
>
> —*Ken Hughes*

7. "Phygital"

The physical and digital worlds have merged into a single thing. People tend to react digitally to almost any event, even a traumatic healthcare experience. The first inclination is to share the event and hence notify the people who matter most in one's world. Outside of healthcare, people are routinely buried in their phones. It is no surprise, therefore, that they expect to interact with the healthcare industry in the same way. To that end, they want to use their phones to get regular updates on their health, be it through wearable devices or the ability to communicate with a provider.

8. Experiential

The mantra "you are what you own" is giving way to "you are what you experience and share." Experiential equity has become primary in terms of social currency. Be it running through mud, catching one's own fish to be turned into sushi at a restaurant, or eating a sandwich delivered by parachute in an alley, the goal is to create and share a unique experience. For companies, the goal should be for these experiences to be positive and shared widely, like the goldfish story. In healthcare, the key is to make the product experiential by creating an emotional connection, helping consumers feel connected to the brand and business.

9. Emotive

As noted earlier, consumers want to be more than just satisfied. They want to be engaged and have a sense of belonging, to be empowered through an experience that affects their everyday life. Having this sort of impact requires going beyond the traditional transactional nature of healthcare. It requires the development long-term, genuine relationships through emotional connections.

Key Action Steps for Boards and CEOs

- **Create a "shadow" board made up of diverse consumers**: Diversity is a huge issue for boards both inside and outside healthcare. People typically end up on boards because of their experience, which generally means little or no representation from younger consumers and often too little diversity. To address this issue, some organizations create "shadow" boards made up of younger, more diverse consumers. While they have no formal power, these boards provide invaluable guidance on consumer-related issues. To work effectively, two members of the main board should sit on the shadow board, primarily to listen and bring back ideas. The shadow board can also serve as a training program for individuals who might one day sit on the primary board.
- **Think like a consumer, not a provider**: For decades, healthcare systems have been set up to serve providers, not consumers. Waiting rooms, for example, are designed to make patients sit nearby in a queue until a provider is ready to see them in person. Having patients lined up enhances the provider's productivity. Even digital applications are often set up to help providers extract information from consumers, not to help consumers navigate the system. This provider-first mindset needs to end. Providers need to think of consumers as real people who pay their wages. Consumers want to be active participants in—and have control over—their care and recovery. They certainly do not want to wait six weeks for an appointment, an hour in the waiting room to see the doctor, or two weeks to get their results.
- **Plot the entire healthcare journey and look for opportunities to improve**: With this consumer-first mindset in place, healthcare organizations should plot the journey from the patient's perspective, starting with their initial research and query through to the end of the recovery process and paying the final bill. The goal should be to meet the nine values every step of the way.

What to Expect: The New Normal Post-Pandemic

Ashish K. Jha, M.D., M.P.H., *Dean, School of Public Health, Brown University*

In an interactive session, Dr. Jha discussed the current state of the pandemic, what is likely to happen after the pandemic ends, and the implications for the U.S. health system going forward.

Current State and Likely Near-Term Course of the Pandemic

No one knows when the pandemic will be over. Dr. Jha believes that there may be an additional surge of infections this summer in the southern part of the U.S. (when people there spend a lot of time indoors), as occurred in both 2020 and 2021. By fall or winter, a similar surge may occur in the northern part of the country (due to both seasonality and more time spent indoors). While the magnitude of any future surges remains unclear, their occurrence is likely because immunity from both vaccination and prior infection appears to wane over time, making people more susceptible.

The impact on the health system and society at large should not be as severe as in prior surges. Approximately 80 percent to 90 percent of the population has some level of immunity. With the promise of better therapeutics and the potential for more targeted vaccines, future surges seem less likely to overwhelm the health system or create the need for lockdowns.

> "We must get out of the prediction business and into the preparation business. We should assume that there will be more variants and prepare for them. If there aren't any, then fabulous. If there are, then we'll be prepared."
>
> *—Ashish K. Jha, M.D., M.P.H.*

Unclear if Additional Variants Are Coming

Scientists who assess how the virus genome has been evolving suspect there will be more variants, given that the virus is now ubiquitous in animals and could easily mutate and jump back to humans. Each omicron variant is even more transmissible than the prior version. As such, the prudent strategy from a public health perspective is to prepare for new variants.

Need for Additional Boosters

The immune system has two distinct arms—antibodies, which are like the active forces in an army, and b-cells/t-cells, which are like the reserves. Many studies have shown that antibody levels wane over time, even after a booster shot. B-cells and t-cells, however, do not. As a result, boosted individuals may get the virus, but will generally suffer few ill effects, as the reserve forces protect against serious consequences. Data from Israel suggests that a fourth shot of the Pfizer vaccine (i.e., a second booster) provides a small, temporary boost in antibodies, but offers little additional help to an already robust b-cell/t-cell response. It is possible, however, that very high-risk individuals could benefit from a second booster. In addition, the development of variant-specific vaccines and/or vaccines that cover multiple variants might warrant consideration of the need for additional boosters later this year.

What Happens Next (after the Pandemic)?

Pandemics tend to end with a whimper rather than a big bang. At some point the World Health Organization will declare an official end to the pandemic, but the real ending will not come at a moment in time. Rather, it will occur differently for everyone. At some point, each person will wake up one morning and realize they have not thought about COVID in a while.

> "The pandemic won't just be over one day. It'll fade over time, not end in a moment."
>
> —*Ashish K. Jha, M.D., M.P.H.*

The 1918 Spanish flu[2] and other pandemics throughout history provide some insights into the profound shifts in society that are likely to occur over the next five to 10 years. Massive social changes occurred after roughly a third of Europe died during the Bubonic plague. Large-scale change also occurred in Europe in the early 1920s, with most countries building national health systems and moving toward universal coverage.

The COVID-19 pandemic will similarly lead to big changes in the U.S. over the next decade, but they may be hard to predict or anticipate right now. One such change relates to how people think about employment. The so-called "Great Resignation"

2 The Spanish flu almost assuredly did not originate in Spain. The term "Spanish flu" arose because Spain, as one of the few neutral countries in Europe during World War I, did not engage in media suppression. Hence the Spanish news media openly talked about the flu. Ironically, that openness led to the widespread misperception that somehow Spain was responsible for the outbreak. No one knows for sure where the virus originated; in the U.S., some scientists believe that it may have originated in Kansas. The 1918 flu was of the H1N1 variety; for that reason, scientists became very worried when another H1N1 virus broke out in 2009. Fortunately, that virus proved much less lethal than in 1918.

that is occurring in the U.S. suggests that people have changed the way they engage in their work. Quit rates in healthcare, quite low at the beginning of COVID, now outpace other sectors of the economy. As a result, all employers—but healthcare organizations in particular—will face significant challenges in figuring out how to attract and retain talent over the next decade.

> "Pandemics have profound impacts on society that look obvious 10 years later. But they can be hard to predict in the middle of the chaos. You must prepare for something that you know is coming, even if you don't know what it will look like."
>
> *—Ashish K. Jha, M.D., M.P.H.*

While the future remains uncertain, one thing is quite clear. The world will never go back to the way it was in 2019. Life has changed and the world will change. The last few years featured not only the pandemic, but also the surfacing of a host of social and political issues and tensions that will take time to work through, meaning that the next five to 10 years will entail a tumultuous period before things eventually settle down.

Implications for the Healthcare System

The pandemic and the post-pandemic changes that it will bring about will have significant implications for the healthcare system. Policymakers primarily care about two things related to healthcare—spending and life expectancy. Total healthcare spending in the U.S. is now approximately $4.2 trillion. These massive expenditures occur in a country that was experiencing stagnation in life expectancy gains before the pandemic and an outright decline in life expectancy during it. At the same time, the federal government has never been responsible for a greater share of overall healthcare spending than today. Always saddled with Medicare costs, the federal government significantly expanded its share of overall health spending in the last decade due to Medicaid expansion under the Affordable Care Act (ACA) and the ever-increasing costs of ACA subsidies for those securing coverage through the public exchanges.

> "We must de-politicize the discussion. We must be less political and more scientific."
>
> *—Ashish K. Jha, M.D., M.P.H.*

Healthcare spending makes it difficult for the federal government to address other priorities, including the deficit and the debt. Policymakers face tremendous pressure to rein in health spending, pressure that will only increase if there is

a change in Congressional leadership after the midterm elections. Given these pressures, healthcare leaders should consider doing the following over the next several years:

- **Embrace value-based payments**: Medicare will significantly increase its use of risk-based and other alternative payment models, including accountable care organizations, bundled payments, and broader use of capitated models. Private payers will undoubtedly follow Medicare's lead. Emphasis on these types of payment models is one of the few areas of agreement between the political parties. These efforts began under President George W. Bush and have been codified and continued by all subsequent administrations.
- **Increase focus on primary care, prevention, and population health**: Both political parties also agree on the need to shift away from specialty care toward primary care and population health. Health systems need to adjust their capacity planning accordingly and reconsider planned moves to invest in acute care and specialty practices.
- **Forge partnerships to address SDOHs:** Federal and local governments will likely increase their support of programs to address SDOHs, including housing, food, and education. Health system leaders need to be thoughtful about their role in addressing these issues, which tend to be outside their expertise. Some health systems go "all in" with SDOHs, while others take a much more targeted approach. The key to success lies in finding and supporting the right community-based partners, supplementing their efforts as necessary. In some cases, health system leaders may have to build trust with the heads of these organizations, who may not view the healthcare system as having been historically supportive of uninsured patients.
- **Invest in mental health infrastructure (including technology)**: Mental health was in crisis before 2019 and the pandemic made it dramatically worse. Beyond just the direct costs of therapies, medications, and hospitalizations, mental health issues have a profound impact on spending for other diseases, such as heart failure, diabetes, and cardiovascular disease. The nation faces a profound shortage of psychiatrists, social workers, and psychologists that cannot be addressed in the next several years. Part of the solution may lie in technology-based solutions driven by AI, which have made tremendous advances in the last few years. AI-based therapy may prove an effective alternative for certain cohorts of patients, particularly younger individuals. That said, more research is needed, and various legal and regulatory challenges must be worked out.
- **Embrace consumerism and digitalization**: As the sessions at this System Forum made clear, consumerism is here to stay. The future will entail a combination of virtual, hybrid, and in-person care depending on the service in question and the preferences and circumstances of the patient being treated. Health system leaders should prepare for the significant complications inherent in managing in this diverse, pluralistic environment.
- **Expand scope of practice**: Scope-of-practice laws will be reexamined in light of consumer-driven care and high employee turnover. While pushback against scope expansions will inevitably come from those feeling threatened, state

policymakers will likely be increasingly amenable to rethinking who can do what in healthcare. These changes may create opportunities for creative health systems to address workforce shortages.

- **Consider partnerships with public health**: Bipartisan interest exists in bolstering the nation's public health infrastructure, including more workers and better technology and disease surveillance. Much of this activity will take place at the state level, often with federal financial support. While health systems may not have a huge role to play in this expansion, it may make sense to build partnerships with public health entities to improve the ability to manage the health of specific at-risk populations.
- **Promote transparency**: In 2019, the U.S. seemed prepared to manage a pandemic. In fact, the Johns Hopkins-developed global health security index ranked the U.S. and the United Kingdom as the two most prepared countries. In hindsight, the mental model underlying this index overemphasized the importance of having great laboratories to identify outbreaks and a great biomedical and scientific infrastructure to take care of people and develop vaccines and therapies. Those aspects of the system generally performed well. The model did not recognize the critical importance of social cohesion and trust in government, nor did it anticipate that significant misinformation and disinformation would have such a profound impact on the country's ability to navigate the pandemic. While health systems cannot address this issue on their own, they can commit to being a transparent, reliable source of trusted information in their local communities.

Patient No Longer: The Brave New World of Consumerism

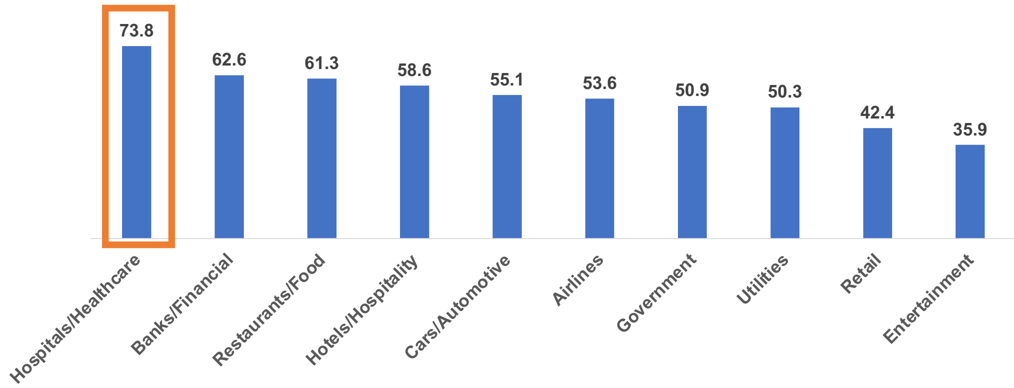
Ryan Donohue, *Strategic Advisor, NRC Health and Governance Institute Advisor*

Consumers do not necessarily know or care about all the pressures facing the healthcare industry and the resulting changes being made in response to those pressures. They are "everyday" people who at some point in their lives will need care and have certain hopes and expectations about what that experience should be like. Health system leaders need to understand that mindset if they hope to succeed in the era of consumerism.

Defining Healthcare Consumerism

Consumerism is not a mad rush of people trying to spend money. Rather, consumerism refers to the activation of people as decision makers related to the purchase and use of goods and services. In healthcare, that activation relates to decisions for one's own care and the influencing of others as they seek care. Consumerism forces healthcare organizations to think outside their "four walls" to where people live their lives. Embracing consumerism means respecting people as having a choice for care and deeming them worthy of developing a lasting relationship based on trust. Building that relationship begins with meeting or exceeding consumer expectations, which tend to be quite high when it comes to healthcare. As shown in **Exhibit 5**, consumers expect more out of their healthcare organizations than they do out of any other industry.

Exhibit 5: Expectations for Healthcare vs. Everywhere Else



Source: NRC Health's Market Insights special study of consumer expectations, 2020.

These high expectations make sense, as healthcare consumers have a lot at stake. First and foremost, their health and potentially their lives hang in the balance. Providers have the power to heal, but also to harm or even kill. Second, healthcare is very expensive, even for those with insurance (and especially those without). For six consecutive years, consumers have been the fastest-growing payers in health-care, with out-of-pocket expenses rising rapidly due in large part to high-deductible plans. Healthcare is the single biggest source of consumer bankruptcies in the U.S.

Faced with these high expectations, health systems have a choice—they can try to meet or exceed them, or try to convince consumers to lower them, to expect less of the industry. This latter strategy is ill-conceived and will not work. Costs will continue to rise and the stakes facing individual consumers will only get higher. The only solution for health systems is to recognize the high expectations that consumers have and do everything possible to meet or exceed them.

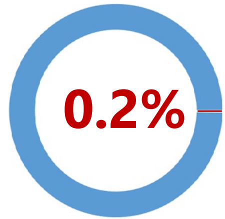
Exploring Consumerism and COVID-19

NRC Health's National Healthcare Consumer study (August 2021) of COVID-19's effects on consumers found that:

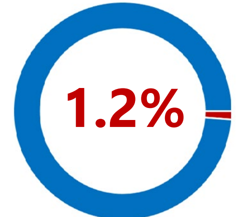
- Three in 10 consumers delayed care since the pandemic began, with dental, primary, and specialty care being the most likely to be delayed.
- Seven in 10 of those who delayed care cited COVID-19 as the reason, with most of the rest citing financial concerns. The pandemic accelerated affordability concerns for healthcare consumers who do not want to experience something that could bankrupt them.
- One-third of consumers used virtual care or telehealth in 2020–2021. Those who did expressed greater satisfaction with it than with in-person care, even when forced to choose virtual care due to shutdowns.

As shown in **Exhibit 6**, life generally occurs outside healthcare settings. The typical person spends only 0.2 percent of his or her time in an outpatient setting and only slightly more (1.2 percent) in an inpatient setting, primarily at the very end of life.

Exhibit 6: We Spend a Sliver of Time Receiving Traditional Healthcare



99.8% of life happens beyond the outpatient setting*



98.8% of life happens beyond the inpatient setting**

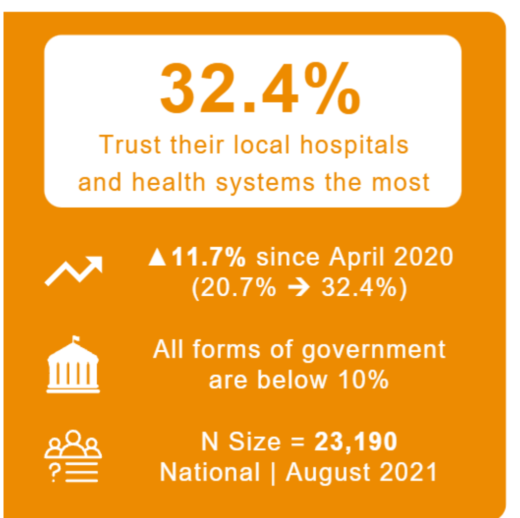
*16 waking hours/day x 365 days/year vs. one 15-minute visit every week of the year
**365 days/year vs. one hospital stay in a year at the national average LOS of 4.5 days

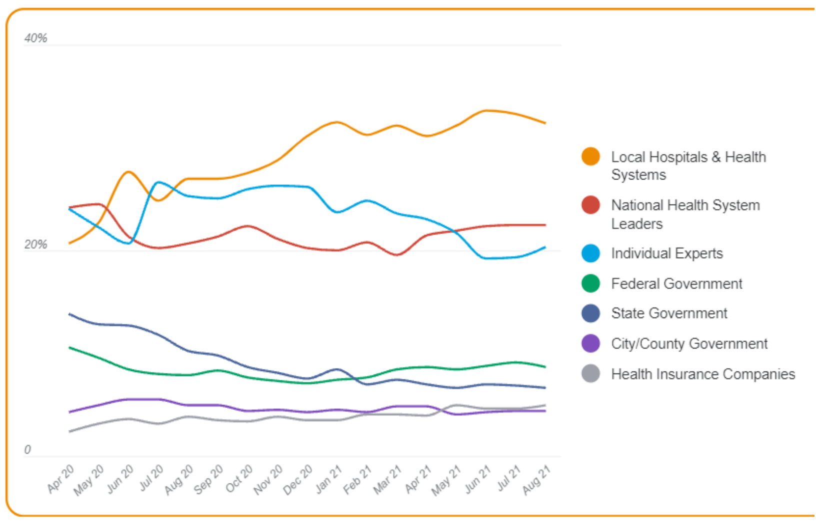
Source: Greg Makoul, *The Radical Common Sense of Human Understanding,* Webinar, The Governance Institute, 2021.

In other words, most consumers are not thinking about healthcare most of the time. Yet that tiny sliver of time becomes the number-one priority in life when healthcare services are needed. Health system leaders need to start thinking about all the time when consumers are outside traditional care. They need to look for ways to move care from inpatient and outpatient settings into the home.

The good news is that hospitals and health systems have an advantage in building lasting relationships with consumers. As shown in **Exhibit 7**, consumers trusted their local hospitals and health systems more than any other entity during the pandemic. In August 2021, 32.4 percent of consumers trusted hospitals and health systems the most, up from 20.7 percent in April 2020. During this same period, trust in individual experts and all forms of government declined.

Exhibit 7: Who Do Consumers Trust Most During a Pandemic?





N = 23,190 (August 2021) | NRC Health: National Healthcare Consumer Survey

> "What are we going to do with that high level of trust? Let it wither away, or try to capitalize on it by developing a different kind of relationship with consumers?"
>
> —*Ryan Donohue*

The Hybrid (Branded) Experience

While virtual care is desirable whenever possible, most consumers understand that a large part of care will remain in person and hence a hybrid model is inevitable. But they want a seamless experience, not one artificially divided between in-person and virtual. They want invisible transitions with care tailored to the individual.

Health systems must manage the transition from hospitals and clinics to in-home and virtual care over the next several years. They need to make the hybrid experience a well-designed care journey that puts the patient at the center, offering easy access early in the journey, great care in the middle of it, and timely feedback and support during the recovery phase.

Choosing Providers

Online searches are a cross-generational phenomenon, representing the new "front door" to healthcare for consumers increasingly comfortable with digital information. Even older consumers are active in digital health, with roughly half those 65 and older being aware of physician ratings. Consumers see the growing possibilities of online information and education to assist them in making critical healthcare decisions, including choice of provider.

> "Convenience is not something one normally sees mentioned in patient reviews of healthcare. Yet we see that with telemedicine. Consumers are seeing a more convenient healthcare world. How can health systems build off that?"
>
> —*Ryan Donohue*

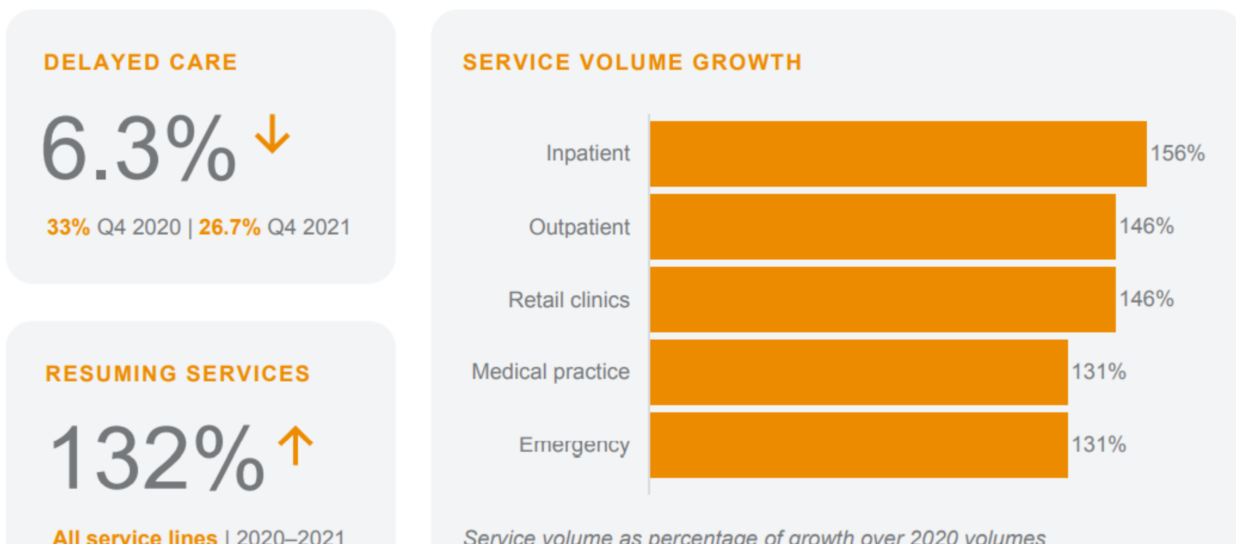
Accessing Care

Consumers expect health systems to come to them, typically via telehealth. Over a third (35 percent) of consumers used telehealth services in 2020, up from 15 percent in 2019. Among those that did, 74 percent expressed satisfaction with the virtual visit, 57 percent indicated that they would schedule another such visit in the future, and 54 percent indicated a willingness to see a physician assistant or nurse practitioner virtually rather than a doctor. Employers are clearly embracing this trend, with eight in 10 now covering telehealth as a benefit. Over half (55 percent) of consumers express high levels of excitement about using telemedicine in the future—both younger consumers (68.1 percent) and the elderly (45.2 percent). Many consumers express appreciation for the convenience offered by telehealth, which eliminates travel and time spent in a waiting room. Many patients can avoid taking time off work by using telemedicine.

Experiencing In-Person Care

As shown in **Exhibit 8**, patients are returning to in-person care, with deferments waning and in-person service line volumes growing rapidly from 2020 levels (but still not to pre-pandemic levels).

Exhibit 8: Deferment Is Waning and Patients Are Returning



Source: NRC Health's 2022 Healthcare Consumer Trends Report.

Consumers returning to in-person care generally are appreciative of the ability to see their clinicians face-to-face. They have given providers a "grace period" as they reopen, but their tolerance for any inconveniences (e.g., long waits) will likely end. Consumers will soon expect more from in-person care than they did in the past.

Providing Post-Visit Support

Providers often forget about the post-visit experience, employing an "out-of-sight, out-of-mind" mentality. Yet consumers need help and guidance during this time, including timely test results, assistance interpreting those results, and support in scheduling and accessing follow-up care.

The post-visit period is also when many consumers rate their providers, ratings that influence others as they embark on the first step—choosing a provider. Roughly 25 percent of consumers have rated or provided a written review of a doctor in their lifetimes. More importantly, over half (52 percent) have seen physician ratings and/or reviews online; 46 percent regularly review ratings and reviews before scheduling an appointment with a doctor; and only 20 percent never plan to use such ratings.

Written remarks and reviews live on among other consumers, and the volume of such information will continue to grow. Consumers talk to other consumers, creating a "loop effect." Positive reviews can lead to a self-reinforcing cycle that

attracts more and more consumers, while negative ones can lead to a tailspin. Research suggests that positive and negative reviews have roughly the same impact; 61 percent of consumers that use reviews report having chosen a doctor based on positive ones, while 60 percent report having avoided one based on one or more negative reviews. Fortunately, most patients like their physicians, with an average rating of 4.6 out of 5.0 stars. Overall, the net promoter score (NPS) for hospitals and health systems went up by 3 percentage points between April 2020 and November 2021, suggesting that people overall were quite satisfied with their experiences during the pandemic, in particular their virtual ones. That said, in-person inpatient and ED care suffered a 12 percentage-point decline in NPS during roughly the same period, an indication that many who had traditional in-person experiences during the pandemic were not happy with them.

> "The bar is higher than ever before for providers. The post-COVID era provides an opportunity for you to be better and to convince consumers that you in fact are better."
>
> —*Ryan Donohue*

Paying for Care

Payment often represents the last touchpoint for consumers with the health system, and surveys suggest that significant room for improvement exists. Half of consumers feel a significant burden in paying for care. The vast majority (87 percent) incur some difficulty in understanding their bills, even as nearly two-thirds (65 percent) feel it is important that they do so. More than half (51 percent) want a single bill for all care related to a visit, something that seldom occurs due to the fragmented nature of delivery and payment systems. Many dissatisfied patients describe paying for care as one of the worst parts of the experience. Relatively simple care episodes, such as delivering a baby, often generate half a dozen bills, each tied to one or more confusing explanation-of-benefit statements from insurers. Most people—even those with a background in the industry—have trouble understanding these bills and statements, let alone figuring out how much they owe and to whom.

Provider organizations may feel that billing is not part of their responsibility, given that insurance companies often determine the payment rules. Such thinking is short-sighted. The provider's name is on the bills sent to patients, and one bad billing or payment experience can easily wipe out the goodwill from prior positive interactions.

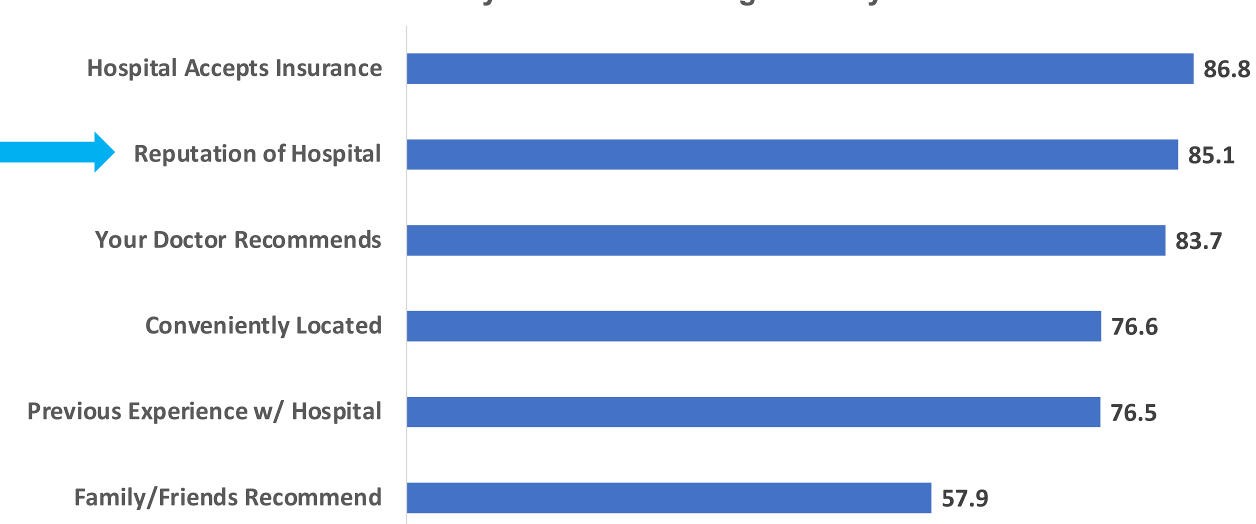
Building and Leveraging the Brand Reputation

In 2021, the percentage of consumers indicating "no preference" for a healthcare brand plateaued, reaching 36 percent in January and dropping to 34.8 percent by the end of the year. Those with a brand preference indicate some lack of certainty as to whether they will seek care at their preferred brand. These figures suggest that healthcare organizations have an opportunity to build brand loyalty by providing

seamless care and service throughout the entire process. They also underscore the importance of focusing on service recovery to address situations where patient expectations have not been met. The goal is to create a virtuous cycle where consumers' positive recognition of their caregivers on social media and other venues enhances the organization's reputation and hence attracts more consumers. To that end, providers should consider targeted, tailored advertising campaigns that demonstrate to patients how the health system brings value to their lives.

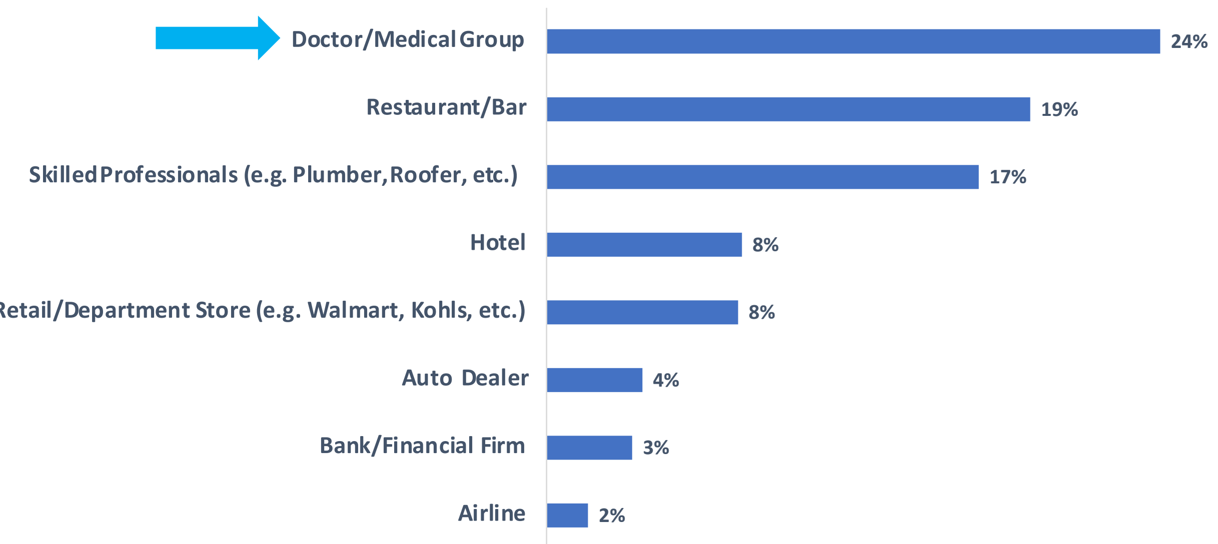
Reputation matters a great deal when it comes to choosing where to receive care, be it a doctor's office or a hospital. As shown in **Exhibit 9**, a hospital's reputation is the second most important factor, just after whether the facility is in the insurer's network and ahead of physician recommendations. As **Exhibit 10** shows, reputation plays a much more important role in choosing healthcare providers (in this case a doctor or medical group) than in choosing other service providers such a restaurant or plumber.

Exhibit 9: Reputation Is a "Big Three" Selection Factor for Consumers



Source: NRC Health's Market Insights survey of consumers, 2020, national n size = 292,510.

Exhibit 10: When and Where Does Reputation Matter Most?

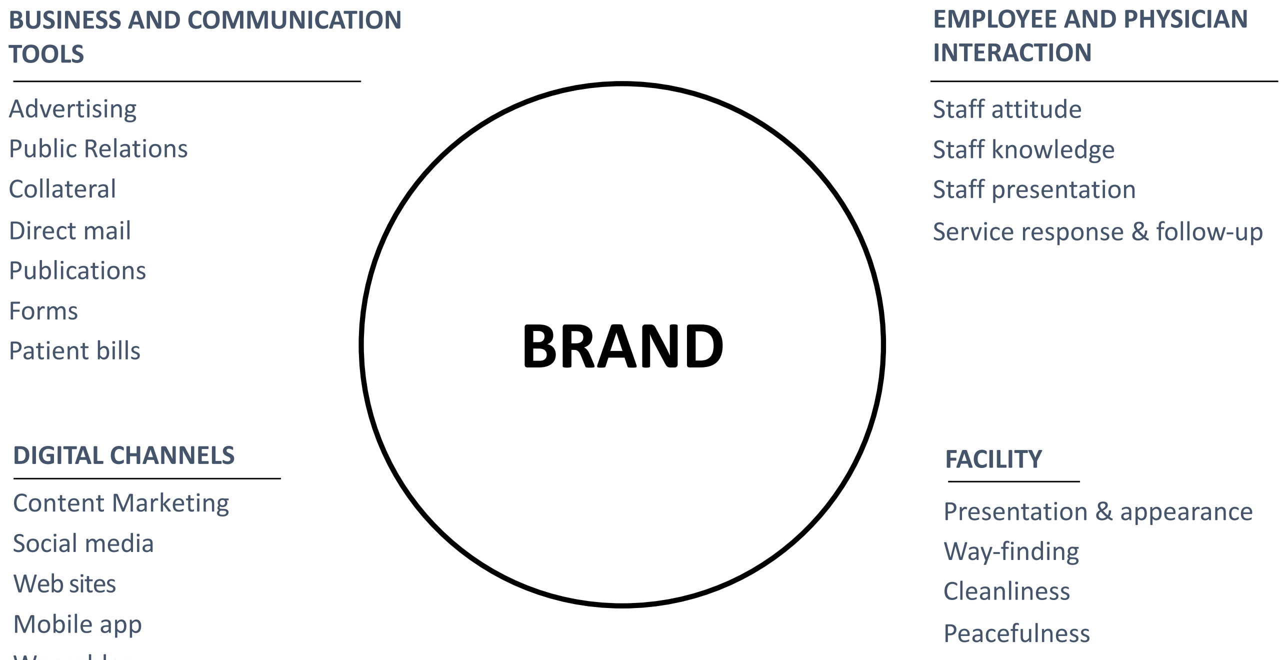


Source: NRC Health's Market Insights survey of healthcare consumers, nationwide, December 2020, n size = 2,004.

Health system leaders often spend tremendous amounts of time and effort negotiating with insurers about network participation and payment rates and keeping referring physicians happy. Yet they seldom think about the organization's reputation with consumers. Many consumers make their own choices and have strong opinions about healthcare providers. Providers need to start paying attention to these views and taking actions to improve and leverage their reputations.

During the pandemic, most healthcare organizations have done little to differentiate their brands, with messaging being quite similar across providers. As a result, brands have blurred together in consumer's minds. To truly distinguish the brand, health system leaders need to recognize that branding is about much more than physical care delivery. As shown in **Exhibit 11**, branding encompasses consumer communications and interfaces, physician and staff interactions with patients, and the quality and navigability of the physical facility. The goal should be to pick one or two brand attributes at which the organization excels and hammer home this fact with consumers.

Exhibit 11: Everything that Comprises a Brand



Human Understanding

Consumers want to be treated as unique individuals. This desire becomes especially important when they consume healthcare services. Overall, 63 percent of consumers say that it is important to be treated as a unique person when getting healthcare, much higher than for any other service. Banking comes in a distant second, at 33 percent. The good news is that healthcare organizations generally score well in this area, although clearly additional opportunities for improvement exist. NRC Health recently began asking healthcare consumers about the degree to which everyone treated them as a unique person, with a "zero" indicating no one did and a "10" indicating that everyone did. Overall, 37.5 percent gave a score of 10; 39.8 percent reported a score of between seven and nine; and 22.7 percent gave a score of six or below.

How Health Systems Can Evolve in a Digital Health Era

Glen Tullman, *Chief Executive Officer, Transcarent*

This interactive discussion focused on Mr. Tullman's experiences in creating Livongo, a company founded in 2014 that helps individuals with diabetes manage and live with their disease; and Transcarent, a company that is creating a new, different, and better health and care experience that puts people in charge of their care and aligns with who pays for the care. This section discusses key lessons from his experiences for health system leaders.

Lesson 1: Redesign Care and Processes with the Person Receiving the Care

Mr. Tullman's youngest son was diagnosed with Type 1 diabetes when he was eight years old. The family quickly became aware of the critical importance of not running out of insulin or insulin strips used to check blood sugar levels, as doing so could literally cost him his life. At one point when his son was running low on insulin strips, the insurance company informed Mr. Tullman that they could send out needles to inject the insulin, but that he would have to wait for a week for the strips needed to check glucose levels. Mr. Tullman went to a local drug store to buy the strips out of pocket at a cost of $35. This experience convinced him to learn more about these issues. He joined the Juvenile Diabetes Research Foundation where he learned how little it cost to manufacture the strips and how the various stakeholders and middlemen involved make so much money through rebate arrangements. He decided in 2014 to start a company to better serve those with Type 1 and Type 2 diabetes, empowering the person with diabetes to own their care. Early on, the company began giving insulin strips away to make sure that no one ever ran out. It also set up a 24/7 telephone hotline to answer questions and help people avoid ED and hospital visits due to preventable exacerbations. The service provides support in managing other chronic conditions that often coexist with diabetes, including hypertension, obesity, and mental health issues. While payers and pharmacy benefit managers tried to put him out of business, some forward-thinking employers ignored these threats and stuck with Livongo. Over time, many others followed suit, and when Mr. Tullman left Livongo, the company was serving over a million people on their various products, putting their needs front and center. The name "Livongo" came directly from consumers with diabetes, who just want to live their lives, not think about their disease, and stay on the go. The name is a shortened version of "living on the go."

Lesson 2: Bring Digital Automation to Healthcare

Mr. Tullman began his entrepreneurial endeavors with a company that automated the collision estimating process for cars that have been in accidents. Insurance companies and body shops historically had estimators write information on

paper as they reviewed a damaged vehicle. Not surprisingly, errors became quite common due to bad handwriting, outdated information (e.g., replacement parts not being available), and other issues. His company revolutionized the process by introducing an automated, real-time system that provided accurate quotes based on up-to-date vehicle information. After an old professor reminded him of the importance of making a difference in this world, Mr. Tullman pivoted his focus to healthcare, an industry where thousands of Americans die each year due to poor handwriting, drug interactions, and other issues inherent in paper-based prescribing systems, but easily fixed through digital automation.

Beyond just ending reliance on paper, health systems need to embrace the technological revolution happening in other industries. The pandemic has brought the long-awaited "Amazon moment" to healthcare, as demonstrated by how quickly the industry pivoted to telehealth when the world shut down due to the pandemic. Telehealth offers tremendous opportunities to enhance access to mental health services everywhere and to bring badly needed primary and specialty care to rural and inner-city areas. As noted earlier, the end point will be a hybrid experience—a blend of in-person and virtual care. A decade from now, no one will refer to "virtual" or "digital" health, just as no one today talks about digital banking.

> "There are always people out there trying to replace you. It's hard after 50 to 100 years of success, but you can and must pivot. The only question is whether you do so or someone else does."
>
> —*Glen Tullman*

Lesson 3: Beware of Outside Disrupters

Too often legacy organizations overlook the tremendous advantages they have over outsiders and refuse to respond when these outsiders attempt to disrupt the industry. History has shown that such an attitude can be dangerous. The well-known story of Kodak illustrates this point. Despite having a fantastic brand name, technological advantages, and patents, Kodak refused to embrace digital photography because it jeopardized its "bread-and-butter" film and chemical businesses.

Health systems risk becoming like Kodak if they fail to embrace new models. Mr. Tullman's view is that the only two people who matter in healthcare are the provider and the health consumer receiving and paying for care. Health systems must find ways to be more responsive to consumers without being disintermediated by payers in the middle. Failure to do so will lead to others coming in and doing it better. The big risk comes not from large technology companies like Apple and Microsoft (their initial forays into healthcare failed), but rather from large retailers like Walmart, Walgreens, CVS, and Amazon. These organizations know how to make consumers front and center in the equation. Already spoiled by what

Amazon offers with online shopping, the goal is to do the same thing in the healthcare arena.

Hospitals and health systems have advantages in competing against these large retailers. They have strong brand reputations and a sizable physical footprint. But they must stop protecting their legacy businesses. For example, rather than requiring infusion therapy be provided in the hospital, they need to bring it into the home, something routinely done in other countries. An overwhelming 94 percent of consumers who need infusion therapy want to get it at home. Yet 80 percent of such care still occurs in the hospital. It costs 30 percent less to provide infusion care at home; if hospitals do not begin offering it there, someone else will.

Lesson 4: Pressure Vendors to Fix Interoperability and Usability Problems

Electronic health records were a necessary but not sufficient piece to fixing healthcare. A second piece—interoperability or the ability of systems to "talk" to one another—remains a work in progress. The government missed an opportunity to mandate interoperability years ago, and the free market has thus far failed to deliver it. No one should die or suffer because providers are not able to get a medical history or other needed information in a timely manner. ED providers should not have to treat accident victims in the dark because they do not know anything about the patient. The government has begun taking steps toward requiring greater interoperability. Private companies such as Amazon and Walmart are also moving into this space with customer-focused solutions.

As big users of these systems, health systems have a role to play in pressing vendors for needed change. Leaders can say "enough is enough" and demand that systems finally talk to one another. They should also press for enhanced usability, as today's systems are difficult to navigate and often do not fit into existing workflows. Physicians should not have to hire scribes to enter information or spend half their time with patients staring into a computer. Mr. Tullman concludes that the healthcare industry can do better, but health systems must actively innovate, partner, and demand interoperable and easy-to-use systems.

The Video Streaming Wars: Can Disney Catch Netflix?

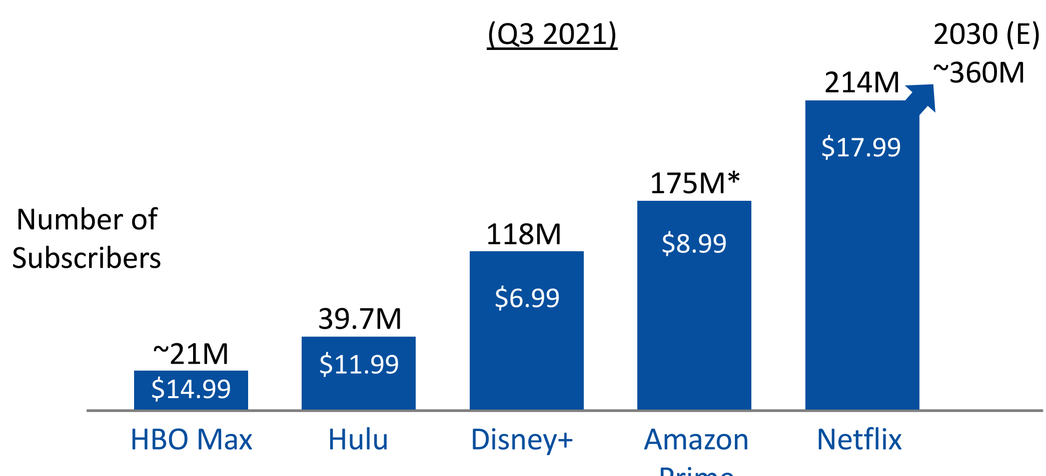
Stephen W. Kett, *Senior Program Director, The Governance Institute*

Mr. Kett led an interactive discussion of a *Harvard Business School* case study about the video streaming war between Disney and Netflix. Written in January 2020 and updated with the latest data available (third quarter of 2021), the case study is ostensibly about whether Disney can catch Netflix in terms of streaming consumers. The short answer is "no," as the Disney+ subscriber base has plateaued at levels far below that of Netflix. The case study is more about how Netflix completely transformed entertainment by developing a deep understanding of its consumers and constantly improving their experience, taking down companies and entire industries in the process.

Netflix History in Brief

Founded in 1997, Netflix began by sending out DVDs in the mail to consumers for a fixed monthly fee. Customers could sign up for different levels of service depending on how many movies they wanted at a time. There were no late fees, although customers could not get additional movies beyond their fixed limit until they returned the old ones via pre-paid envelopes that came with the shipment. The company went public in 2002 and by 2007 had delivered over a billion DVDs to customers. That same year, Netflix began offering a streaming service with a limited selection. Streaming proved to be the first step in the company's ability to truly change the entertainment world. In 2008, Netflix began making deals to develop and own original content. Prior to this time, Netflix licensed content from others. By 2013, Netflix released its first original series, *House of Cards*, an American version of a British television series from years earlier. A huge success, the show proved that developing and owning original proprietary content could work. By 2016, Netflix had produced 126 original shows that collectively garnered 147 awards. By 2020, it surpassed 200 million subscribers. Around the same time, Netflix started competing with traditional movie studios. In 2021, Netflix released over 80 original movies (more than its initial goal of 71). That same year Warner Brothers released only 17 titles. As shown in **Exhibit 12**, Netflix had 214 million paid subscribers by the third quarter of 2021, with subscribers paying an average of $17.99 each month. The company is expected to have over $33 billion in revenues in 2022 and reach over 360 million subscribers worldwide by 2030. Disney+ will not reach anywhere near that level. Netflix is a very profitable business, although it will spend roughly $20 billion on original content in 2022.

Exhibit 12: How Many Customers Paying How Much?



Critical Success Factors for Netflix

Why has Netflix been so successful? How has it "blown up" an ecosystem of entertainment that profitably existed for many decades?

Factor 1: Bringing the Product to the Customer

At its core, Netflix's success stems from one of the most basic innovations in any industry—bringing the product or service to the consumer. Netflix did that from the very beginning with its mailing of DVDs. This innovation made Netflix much more convenient than its primary competition, Blockbuster video stores. Consumers no longer had to drive to pick up and drop off their movies. They could simply walk to the mailbox. Netflix also eliminated several other inconvenient aspects of the Blockbuster model. First and foremost, there was no risk that a particular movie might be out of stock because someone else was watching it. In other words, the customer got whatever movie(s) he or she wanted. Netflix also eliminated late fees, a major source of frustration for consumers. Blockbuster management saw late fees as a revenue source, but consumers saw them as roadblocks that made their experience worse.

Ironically, in 2000, the CEO of cash-strapped Netflix, Reed Hastings, offered then cash-rich Blockbuster the opportunity to purchase a 49 percent stake in Netflix for $50 million. Unable to envision a future where people would not drive to a store to pick out a movie, Blockbuster's leadership rejected the deal on multiple occasions. A decade later, Blockbuster filed for bankruptcy, a victim of its leaders' inability to think like a consumer. With profits at an all-time high, Blockbuster management simply could not see the vulnerability inherent in having a huge fixed-cost base of retail stores in an era where technology was moving toward instant delivery at lower cost to the customer's home.

Netflix was not content with disrupting just the movie rental business. After Netflix launched its limited streaming service, subsequent improvements in streaming speed and television screen size and picture quality combined with

Netflix's massive investment in original content and movies, made movie theaters highly vulnerable to disruption. Attendance at theaters had been in a slow, steady decline of roughly 2 percent a year during the decade before COVID. The pandemic massively accelerated this decline. Consumers now realize that they can have a great experience watching a movie from the convenience of their own home for much less money than going to a movie theater.

> "Netflix completely transformed the entire entertainment industry, largely alone."
>
> —*Steve Kett*

Finally, the convenience of in-home streaming has also disrupted traditional television, with viewership down over the last decade in every demographic except for those 65 and older. People are not spending less time in front of their screens, as streaming services more than make up the difference with a 27 percent annual growth rate since 2011.

Ironically, Netflix CEO Reed Hastings' primary motivation in switching from DVDs to streaming was to save money. Mailing costs were quite high and taking a large bite out of company profits. As Internet speeds and bandwidth improved, it became possible to deliver streaming services for less than the cost of mailing. The instant gratification that came with streaming was initially an afterthought.

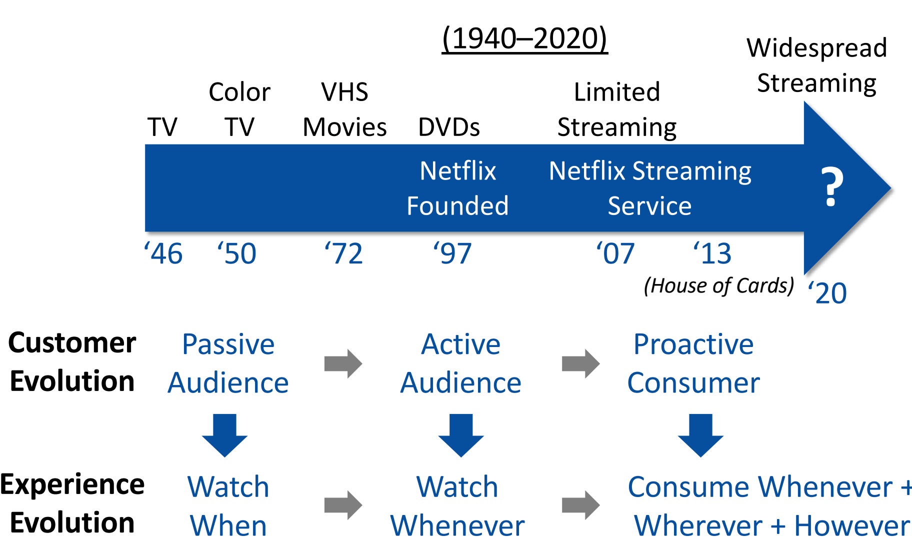
> "Don't underestimate the power of control. People want it. And once you give them a taste of it, they won't go back."
>
> —*Steve Kett*

Factor 2: Activating and Engaging the "In-Control" Consumer

In addition to being instant and less expensive, streaming services offer the consumer full control of their viewing experiences. Consumers can instantly decide what to watch and when, where, and how to do so. Unlike in a movie theater, they can watch for 30 minutes and then decide to take a 10-minute break or watch the rest another time. They can binge-watch an entire series in one night, no longer having to wait a week for a new episode to be released. Once given this power and control, they will not give it up.

As shown in **Exhibit 13**, media consumption over the past 80 years has been on a path from a passive audience watching media at a time and place defined by someone else to a proactive consumer with full control over what, when, where, and how media are consumed.

Exhibit 13: Media Consumption



Proactive, engaged consumers have little appetite for artificial constraints that make their lives more difficult. For example, they are increasingly frustrated with the delays that occur between the release of new movies in theaters and the time they are available through streaming services. They are also getting a taste of what it is like when these windows are reduced or even eliminated. In November 2019, the much-heralded movie *The Irishman* spent 17 days in theaters before becoming available on Netflix. Prior to this time, the typical release window was at least 90 days. The 17-day window was picked for a specific reason—the Movie Picture Association of America requires at least a 17-day theater run in Los Angeles County for a movie to be eligible for an *Oscar*. A year later, release windows were eliminated for the December 2020 launch of *Wonder Woman 1984*. Many movies now release simultaneously in theaters and on streaming services such as HBO Max. As noted, many others now skip theaters all together and make their initial debut on Netflix or another streaming service that owns the content. The reason for this change is simple—while theaters, studios, and actors may like long theater runs because of revenue and profit considerations, consumers do not. They see it as an artificial constraint that serves someone else's interests. These kinds of constraints permeate healthcare and other industries, such as the airlines' hub-and-spoke system. Once consumers get a taste of life without the constraint, they will not go back.

Factor 3: Receiving Instant Feedback to Allow Personalization and Inform New Content

As shown in **Exhibit 14**, Netflix has created a closed-loop business model where proactive consumers provide immediate feedback on viewing habits and preferences. The company uses this information to build and continually refine sophisticated algorithms that personalize the experience for customers (e.g., through tailored viewing suggestions) and create "recipes" for new content development, giving Netflix a higher success rate with its original shows and movies. (Traditionally, only about 20 percent of new movies recoup their costs; Netflix has a significantly higher success rate.) Interestingly, Netflix has done away with consumer ratings of movies and instead pays close attention to consumer behavior (i.e., what people watch). Netflix algorithms have allowed the company to develop a very diverse set of successful original content, ranging from *The Queen's Gambit* to *Squid Game*. The algorithms create a virtuous cycle, with new content getting better over time as more information is collected.

Exhibit 14: Netflix Is Watching

The Power of Closed-Loop Business Models

Factor 4: Understanding the Job to Be Done

In his book *Competing Against Luck*, innovation expert Clayton Christensen describes his job-to-be-done (JTBD) methodology, which posits that people buy products and services to complete a job (i.e., to make progress related to a given circumstance in their life). The key to successful product innovation is to understand the job that the product is doing for the consumer. Sometimes that job may not be obvious. In 2016, Mr. Christensen was hired by McDonald's to boost milkshake sales. The company had made tweaks to the product based on customer feedback, but sales remained stagnant. To understand the JTBD for milkshakes, Mr. Christensen hired people to stand in McDonald's locations and closely observe the behavior of those buying them. This research found that over half of all milkshake sales occurred before 8 A.M., typically by men who came in alone, bought only the shake, and drove off with it. Subsequent interviews with these individuals found that they bought the shake to give them something to do on their long, boring drive to work. They wanted to keep the commute interesting. Sometimes they bought

other food items to perform the same task, such as bananas, donuts, or bagels, but these generally proved inferior. By contrast, the milkshake fit nicely in the cup holder, did not make a mess, and took a long time to drink and hence lasted for most or all of the trip. Based on this feedback, Christensen's team brainstormed ideas to improve the experience for this customer segment. To make the shakes last longer, they suggested tweaking the formula to make it more viscous and offering thinner straws. To allow customers to get in and out of the store quickly, they suggested setting up a separate self-serve area for the shakes with a credit card swipe machine. Tested in 100 stores, these relatively simple changes led to a 140 percent increase in sales. The lesson is clear—once one understands the JTBD, the ensuing product innovations become quite straightforward.

> "Customers of businesses with lots of artificial constraints are not really customers, but rather hostages. They'll leave quickly when given the opportunity."
>
> —*Steve Kett*

As **Exhibit 15** illustrates, the JTBDs offered by streaming services tend to be quite different than those offered by a movie theater. That said, Netflix has already begun to encroach on at least one of the JTBDs offered by theaters—allowing a large-group experience. Netflix introduced the ability to have virtual "watch parties" where friends and family in different locations watch the same movie at the same time. This feature has proven quite popular and will endure even after the pandemic ends.

Exhibit 15: What Jobs Are They Trying to Do?

Streaming	Theater
• Enjoy a good movie anytime	• Enjoy a night out
• See a TV show when our dinner is done	• Support a historic theater
• Watch a TV series for as long as I want (in one sitting)	• Experience the big screen
• Watch a movie in shorter segments	• Have a large group experience

Key Lessons from the Case

Key lessons from Netflix include the following:

- **Bring the product to the customer**: As noted, one of the first and most basic innovations in any industry is to bring the product or service to the customer rather than making them travel for it. For Netflix, this innovation came from mailing DVDs to subscribers. In healthcare, virtual care and at-home services represent examples of this approach.
- **Embrace engaged, proactive consumers**: The ability to stream content played a major role in turning Netflix customers from passive audiences into proactive consumers, representing a fundamental shift in the consumer's relationship to the entertainment product.
- **Keep laser-like focus on behaviors and motivations**: Since its founding, Netflix's extraordinary success comes from a laser-like focus on deeply understanding customer behaviors and motivations and continuously improving the customer experience.
- **Use data to tailor products and services**: Netflix gathers detailed data on consumers and their behaviors (i.e., what they watched, when and how they did so), allowing the company to ever more effectively tailor experiences through watch-next suggestions and develop new content better suited to customer preferences.
- **Understand the JTBD (and consider the potential for multiple jobs)**: Even without the benefit of big data, relatively simple research can uncover the JTBD, providing a unique and valuable window into underlying customer motivations and insights into how to develop or change products and services to better serve them. Motivations explain why customers do what they do and give powerful insights into how to design customer experiences to maximize loyalty. While there may be a predominant motivation or job, customers are often trying to complete multiple jobs at the same time. The more a company can help them, the more loyal they will become.
- **Eliminate artificial constraints (even if doing so threatens stakeholders)**: Consumers will abandon businesses that impose artificial constraints as soon as new choices without those constraints become available. Often these choices are enabled by changes or advances in technology. Blockbuster learned this lesson the hard way as consumers flocked to Netflix, which eliminated the need drive to stores or pay late fees. As the Livongo story demonstrates, the same will be true in healthcare. Forcing consumers with diabetes to buy expensive strips to test their glucose levels is a losing proposition when competitors give away the strips and offer wraparound services that make life much easier. Any short-term profits generated from existing constraints (such as rebates on insulin and strips) ultimately pale in comparison to losing the entire line of business.
- **Beware of "legacy" biases**: History is full of legacy companies that could not recognize the profound threats of new entrants using new technologies. As noted, Kodak could not walk away from its film and chemical business and hence missed out on digital photography. As the Netflix case demonstrates, Blockbuster rejected streaming services and ended up going bankrupt and

closing its stores a decade later. American Airlines initially responded to low-cost carrier Southwest not by revamping its entire cost structure, but rather by tweaking the number of olives in its salads. Protecting the existing in-person healthcare infrastructure, such as hospitals and clinics, might prove to be a similarly huge mistake as new technologies bring the potential for so much care to be delivered virtually and/or in the home.

- **Do not hide behind quality arguments**: Legacy companies routinely fight new entrants by accusing them of offering poor quality. They often bring these quality complaints to regulators and legislators in hopes of keeping out the new competition. These arguments ultimately fail. Just as the legacy airlines eventually had to abandon the quality argument and instead compete with low-cost carriers on price, traditional healthcare providers will lose out if they fail to respond to retail clinics, telehealth, and other new entrants that offer just as good quality but greater convenience and lower costs. Some influential individuals, including *New York Times* editor David Remnick, initially used the quality argument to disparage the idea of watching first-rate movies anywhere other than a movie theater. This argument quickly lost out when consumers voted with their feet, abandoning theaters in favor of watching on television sets, laptop computers, iPads, and even smart phones.

> "Don't hide behind the quality argument. Quality is what the customer decides it is. If they want a telehealth visit or to go to a retail clinic, then that's quality for them. Don't be American Airlines, taking olives off salads while someone else is changing the industry."
>
> —*Steve Kett*

Questions for Boards to Consider

- How well do we do in tailoring customer experiences?
- How well do we understand our customers' behaviors and motivations? How might better understanding them help us to think differently about the patient experience?
- What artificial constraints do we still impose on consumer choices?
- What have we done to improve the customer experience?
- How well do we understand the JTBDs of our customers? Have we conducted in-depth interviews to better understand them?

Telehealth: The Perfect Expression of Consumerism. Now What?

Ann Mond Johnson, *CEO, American Telemedicine Association*

Made up of over 400 healthcare delivery systems, academic institutions, technology solution providers, and payers, the American Telemedicine Association (ATA) is the only association focused on telehealth. The ATA remains committed to the vision that people should be able to access safe, effective, and appropriate care when and where they need it, thus enabling clinicians to do good for more people.

The Potential for Telemedicine to Address Key Challenges Facing the Industry

Telemedicine has the potential to help in addressing many of the key challenges facing the healthcare industry.

- **Geographic variations in cost and quality**: As data from the *Dartmouth Atlas* has shown for decades, geography can be become one's destiny in healthcare, with wide variations in cost and quality across regions of the country. Evidence-based medicine is routinely practiced in some areas, yet not available in others.
- **Primary care shortages**: An estimated 65 million Americans live in a "primary care desert," where the total number of primary care physicians (PCPs) meets 50 percent or less of population needs. The Association of American Medical Colleges projects that PCP shortages will increase significantly by 2025.
- **Long wait times**: A pre-pandemic Harris survey found that 23 percent of consumers delayed seeing a doctor because it took too long to get an appointment. A study published in 2015 in the *American Journal of Managed Care* found that that the average 20-minute visit takes over two hours of a patient's time—37 minutes of travel and 64 minutes of waiting in addition to the time spent with the doctor.
- **Large and growing cost burden for governments and individuals:** Total healthcare spending is projected to grow by 5.8 percent per year between 2018 and 2025, by which time it will account for roughly a fifth (19.9 percent) of gross domestic product. Yet healthcare outcomes in the U.S. continue to lag those of other developed nations. High costs not only imperil the nation's finances, but also create financial anxieties for individuals.

One constraint that has historically limited use of telehealth, particularly in rural areas, has been lack of access to high-speed broadband connections. This problem has become less acute over the last few years due to significant investments in Internet and broadband as part of the pandemic relief packages. Without such investments, the nation would have faced even greater challenges in pivoting to online education, commerce, and healthcare in response to COVID-19.

Dispelling Many Myths about Telemedicine

Many myths exist about telehealth and telemedicine that do not stand up to reality:

- **Myth 1. Telehealth is for rural residents only**: The early adopters of telehealth tend to be young, high-income, insured individuals living in urban areas. For these individuals, use of telemedicine is the consummate expression of consumerism. Unfortunately, however, most of the laws and regulations that govern telehealth date to 1997, before smartphones even existed. While the COVID-19 public health emergency temporarily lifted many of these constraints, they are set to go back in place once it is lifted.
- **Myth 2. Telehealth is more expensive than in-person care**: In reality, telehealth can be an effective tool to triage patients and direct them to more appropriate, less costly venues. Studies show that less follow-up care is typically needed after a virtual visit than after an in-person physician or ED visit.
- **Myth 3. Telehealth is not high-quality care**: Telehealth makes patients feel more involved in their care. It meets people where they are and gets them the services they need when and where they need them. A pre-pandemic Deloitte survey found that most physicians believe telemedicine enhances access to care (66 percent) and improves patient satisfaction (52 percent), while a sizable minority (45 percent) believe it helps them stay connected with patients and their caregivers. Overall, 90 percent of physicians see benefits in virtual care technologies.
- **Myth 4. Telehealth is impersonal**: Data shows that patient perceptions of telehealth change once they can compare it explicitly to in-person care. The overwhelming majority of patients (92 percent) who had experienced a prior in-person visit expressed satisfaction with their video visit, compared to just 53 percent who had not had a prior in-person visit (and hence had no basis for comparison). Telehealth may be particularly valuable for mental health and other chronic conditions, since it gives providers a glimpse into a patient's in-home surroundings (e.g., hoarding behaviors, dietary habits) that would not be available with in-person care.
- **Myth 5. Telehealth is ripe for fraud, waste, and abuse**: Telemedicine channels are subject to the same regulations as in-person visits. Research shows that levels of fraud and waste are no different than for in-person care.
- **Myth 6. Telehealth is a threat to providers**: In reality, telemedicine adds value and supports the physician's goal of greater patient-centricity and higher patient satisfaction. As the Blockbuster, Kodak, and American Airlines stories show, incumbents often feel threatened by new things and hence develop excuses as to why it will not work, even when adopting it might be beneficial to them.
- **Myth 7. Telehealth is only video visits**: Telehealth goes beyond video visits to include a variety of synchronous and asynchronous channels that facilitate both physician-to-patient and physician-to-physician interactions (see **Exhibit 16**).

Exhibit 16: Myth: Telehealth Is Only Video Visits

Provider to Patient	Telehealth Modalities	Provider to Provider
Virtual visits	Real-time virtual visits	eConsults
Wearables	Remote patient monitoring	Implantables
Secure messaging	Asynchronous store-and-forward	Second opinion consults

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What the Pandemic Revealed About Telemedicine

Clinicians, consumers, health plans, and employers turned to telemedicine during the pandemic and generally found it to be a positive experience.

Dramatic Increases in Utilization

Patients, providers, and health plans have significantly increased their reliance on telemedicine since the pandemic began. Medicare fee-for-service telehealth visits increased 63-fold, from approximately 840,000 in 2019 to nearly 52.7 million in 2020. Chronic care and mental health accounted for most virtual visits, representing 30 percent and 28 percent of visits, respectively. While telehealth utilization has fallen back since reaching its peak, it remains 38 times above pre-pandemic levels. After an initial spike to almost a third of all office and outpatient visits in April 2020, telemedicine now accounts for between 13 percent and 17 percent of visits depending on the specialty in question.

High Levels of Satisfaction Across the Board

Patients report high levels of satisfaction with enthusiasm for telehealth. Overall, 95 percent of Medicare beneficiaries were satisfied with their most recent telehealth visit, with 80 percent indicating their primary health issue was resolved. About 40 percent of patients interact more with their providers because of telehealth. Overall, 80 percent of patients report being likely to use it in the future.

Providers also appear enthusiastic about telemedicine, with 80 percent reporting that the overall level of care is better than or equal to in-person care. Over 70 percent of providers believe telehealth makes patient continuity of care better or much better, and, as with patients, over 80 percent plan to use it going forward.

Self-insured employers are happy with telemedicine and appear to be a driving force behind its use. Nearly 96 percent of these employers began offering pre-deductible coverage for telehealth under the *CARES Act* and three quarters would like to make such coverage permanent. Going forward, more than 60 percent plan to use a hybrid model that combines telehealth and in-person visits.

The Potential to Reimagine Mental Health and Substance Abuse Care

Telemedicine has tremendous potential with respect to mental health and substance abuse care. Prior to the pandemic, half the U.S. population had no access to mental health services. Yet one in five Americans suffers from a mental health condition. For many, virtual mental health services have literally been a

lifesaver. During the pandemic, clinicians and researchers learned that telehealth-based treatment for opioid use disorder (OUD) is just as effective as in-person care, with no need for an initial in-person visit to set the stage for virtual visits down the road. Clinicians establish the necessary relationship and rapport with patients via telehealth, and any concerns about misuse appear misplaced. Allowing telehealth-based OUD treatment during the pandemic helped patients initiate and remain on medication treatment, and patients stayed in treatment and abstained from illicit opioid use at rates comparable to those getting care in person. Beyond OUD care, telemedicine has been found to be as effective as in-person care in the diagnosis and assessment of other mental health disorders in a variety of populations across different settings.

The Potential to Reduce Disparities

For telehealth to bring care to underserved areas, devices need to connect to the Internet at broadband speeds. While most of the country now has access to broadband, adoption of this level of connectivity remains sporadic. For example, almost all skilled nursing facilities have access to broadband. Yet many do not use it to access the Internet. In some cases, affordability of data plans creates a barrier. In many areas, low levels of health and digital literacy also impede use of telemedicine. Finally, in many cases there may be a lack of structural competence among clinicians in how to relate to diverse groups of patients remotely. **Exhibit 17** lays out an ambitious framework for dealing with these issues and hence allowing telehealth to play a bigger role in reducing health disparities.

Exhibit 17: A Framework for Eliminating Health Disparities Using Telehealth

CONNECTIVITY
AFFORDABILITY
HEALTH LITERACY | DIGITAL LITERACY
STRUCTURAL COMPETENCE
INCLUSIVENESS
HISTORY | CULTURE | TRUST | STRUCTURAL ANTI-RACISM

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The Need for Regulatory and Legislative Reform

As shown in **Exhibit 18**, federal and state laws and regulations determine both how telemedicine can be practiced and whether and how it is reimbursed.

Exhibit 18: How Telehealth Is Regulated

	The Practice	The Payment
Federal	Telehealth, like other types of healthcare services, **is largely regulated at the state not federal level.** Federal government focuses on certain areas including: DEA/Remote Prescribing, HIPPA, FDA regulation, and FTC/antitrust	**Federal public insurance coverage** for telehealth services is regulated extensively specifically in: • Federal law on public payers like Medicare, Medicaid, Veterans Health Administration, Indian Health Service, and Tricare. • Policies and Rules originating from the Centers for Medicare & Medicaid Services (CMS).
State	Telehealth is regulated **extensively at the state level** and differs significantly between the states. States' telehealth policies may differ in their regulation of: • Acceptable telehealth modalities (synchronous, asynchronous, and remote patient monitoring technologies). • Which practitioners are permitted to provide telehealth services. • Establishment of a valid patient/provider relationship. • Out-of-state practitioners treating patients in the state remotely without a license.	**Public and private coverage and reimbursement** for telehealth services are also extensively regulated at the state level. States differ in their approaches to the following issues: • Telehealth coverage requirements for public and private health plans. • Reimbursement for services provided via telehealth. • Eligibility of providers to deliver reimbursable services.

Source and more information: How Telehealth is Regulated - ATA (americantelemed.org)

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States have a particularly important role. Each state determines its own practice standards, definitions, permissible technologies, licensing standards, Medicaid coverage and reimbursement, and standards related to patient-provider relationships. As the pandemic ends, the fear is that threatened providers who have not embraced telemedicine will use their lobbying power to convince legislators and regulators of the need to restrict its use. For its part, ATA leadership strongly believes that there is no need for different standards for telemedicine than for face-to-face visits. Health system leaders should proactively monitor what is happening in their states and push for uniform standards. In the first quarter of 2022 alone, more than 200 pieces of state legislation have been introduced related to telehealth licensure, practice standards, and Medicaid reimbursement and coverage. Unfortunately, entrenched interests in some states, such as Alabama and Ohio, are pushing for unnecessary restrictions that will reduce access and quality while raising costs.

> "Just because we've always done something a certain way doesn't mean it's the right way to do it. We need to understand what we're trying to accomplish and what job we're trying to do."
>
> —*Ann Mond Johnson*

ATA Tools to Assist CEOs and Boards

The ATA has developed tools to assist CEOs and boards in promoting the adoption of telehealth within their organizations.

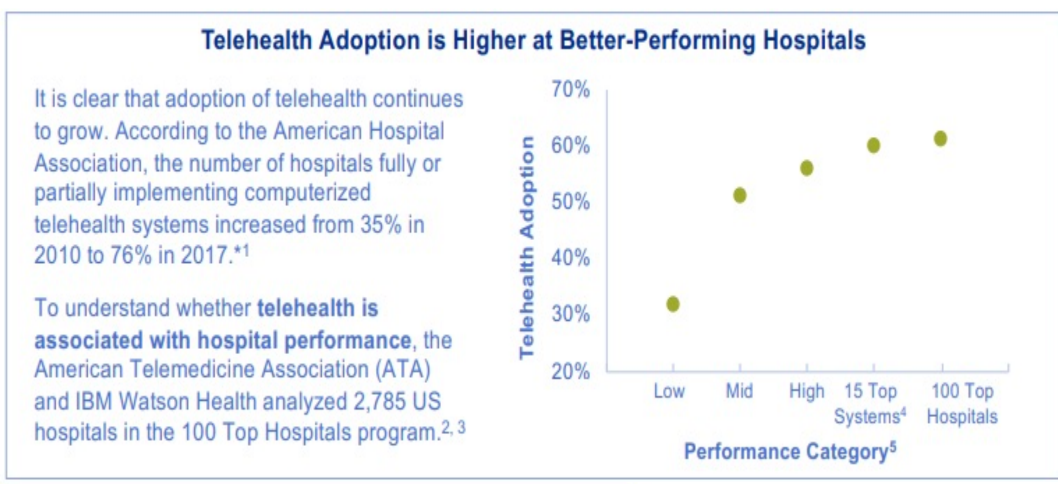
- **Educational tools**: Both providers and consumers need to understand when they will be well served by telehealth and when in-person care is necessary. To assist with this task, ATA has updated its practice guidelines on when and how to use virtual care.
- **Engagement tools**: Providers remain at different stages of readiness when it comes to adopting telehealth. ATA has developed a toolkit that assesses their readiness and provides health system leaders with resources to work with providers at each stage. Proven strategies exist to increase engagement, but it takes time to move providers through the various levels.

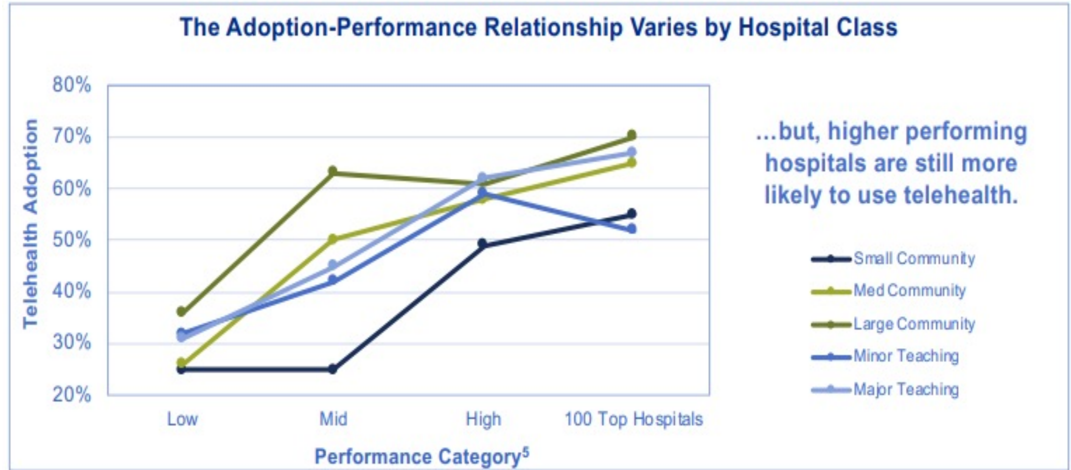
The Future of Telehealth

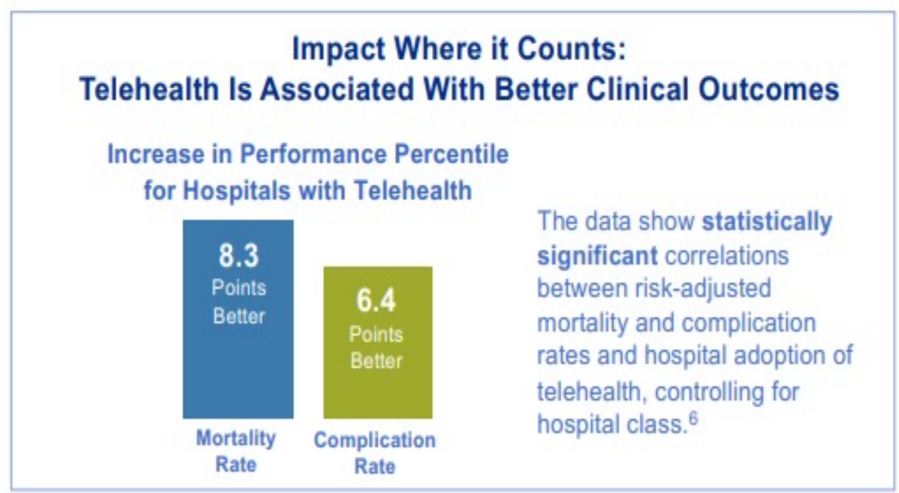
Telehealth has tremendous potential to enhance access, improve quality, and reduce costs. Healthcare has historically been tied to its brick-and-mortar approach, with huge amounts of physical infrastructure in place in most parts of the country. The idea of meeting consumers where they are and making services available to them when and where they need it via telehealth requires new thinking. Without question, however, consumers want services in their home, especially those suffering from chronic illnesses and chronic pain and those recovering from surgery and other procedures.

Hospitals and health systems should invest in telehealth and make it widely accessible. Research shows that those that do will reap benefits. As shown in **Exhibit 19**, better-performing hospitals tend to have higher telehealth adoption and better clinical outcomes. When used appropriately, telemedicine prevents medical errors and reduces malpractice claims, as fewer things "fall through the cracks." Stressed clinicians report that telemedicine lessens feelings of burnout and enhances their sense of control. Finally, telemedicine has promoted innovation and collaboration during the pandemic, with COVID protocols developed in one part of the world making their way to other parts in a matter of minutes.

Exhibit 19: Telehealth Adoption Tied to Hospital Performance







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If providers use telehealth only to replace in-person visits, they are selling the technology short. Rather, it should be used to reimagine care delivery. For example, during the height of the pandemic, Intermountain Healthcare in Utah ran out of inpatient capacity. To address this issue, they used remote monitoring for less severe COVID patients who could be stabilized with in-home oxygen therapy. They tracked these patients at the same level of intensity as those in the hospital, quickly bringing them in for in-person care if their condition deteriorated. Intermountain and others also employed app-based tools that allowed patients to enter symptoms and determine if they likely had COVID, and, if so, whether it was safe to remain at home.

> "Consumers have tasted the 'forbidden fruit' of telehealth and now know it isn't second-class medicine. In fact, it helps keep them safe. At this point, some consumers will not go to a provider unless they offer it."
>
> *—Ann Mond Johnson*

Telemedicine also has the potential to transform post-procedure care. Rather than making recovering patients travel for follow-up visits, telehealth allows providers to assess how well they are healing and recovering at home, with no need for an uncomfortable, painful trip outside the home. Advances in AI and imaging will soon allow front-office staff to assess patients without making them come in for unnecessary follow-up care.

As **Exhibit 20** shows, the future of care delivery involves widespread adoption of telehealth to facilitate digital triage and intake, care delivery that leverages virtual and traditional modalities, and home-based patient monitoring and engagement.

Exhibit 20: The Future of Care Delivery

1. Triage and Intake
2. Care Delivery Leveraging Virtual and Traditional Modalities
3. Home-Based Patient Monitoring and Engagement

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