

## In the Race for Digital Transformation, Health Systems Are Trailing Disruptors

By **Bret Anderson**, Principal, *The Chartis Group*

**The competitive bar for digital transformation in healthcare has been raised high as major tech players and virtual health companies have become considerable rivals to hospitals and health systems.** These new market entrants now represent as much of a competitive threat to hospitals and health systems as their traditional competitive peer provider organizations, according to a recent survey from The Chartis Group.<sup>1</sup>

This survey indicated that while providers' top competitors still include peer provider organizations, market disruptors are shifting the paradigm of competition. In fact, a high percentage of health system executives ranked their top three rivals posing high levels of competition as follows:

- Other hospitals and health systems (39 percent)
- Virtual health companies, such as Teladoc, MDLIVE, and Amwell (39 percent)
- Large tech companies, such as Apple, Google, and Microsoft (35 percent)

In addition, the survey found that only 13 percent of hospitals and health systems consider themselves ahead of the pace of change these new market rivals are setting. These non-traditional competitors are hyper-focused on consumer needs, utilizing an outside-in approach—that is, one that is driven by consumer insights and a consumer orientation—to create differentiated digital care experiences and services.<sup>2</sup> Most healthcare organizations, on the other hand, have an inside-out approach driven by what they believe they need internally and with an orientation toward the internal stakeholder.

1 Tom Kiesau and Bret Anderson, [“The Race Toward Digital Transformation: 2022 Health System Survey,”](#) The Chartis Group, March 15, 2022.

2 [“How to Advance Digital Health Programs by Focusing on Consumer Needs and Outcomes,”](#) The Chartis Group, 2022.

Healthcare boards play a critical role in ensuring their organizations stay competitive. Accelerating effective digital transformation can only happen when the board supports change at an enterprise-wide level.

## **Advance Plans Quickly and Strategically**

Although health systems report that their primary impediments to digital transformation are financial, 99 percent agree that digital transformation is crucial. Health systems recognize that digital transformation will help them meet their strategic objectives, including improving health outcomes, reducing costs of care, attracting new customers, and retaining existing customers.

However, most (79 percent) are still in the planning stages of their digital transformation journeys. More than 70 percent of survey respondents named remote patient monitoring, a digitally enabled service center, digital specialty care, and digital-first primary care as top priorities for digital transformation. These initiatives, along with digital front door (69 percent) and hospital-at-home (60 percent), require significant investments. Getting unstuck from planning and shifting to executing on the plan requires CEO- and board-level commitment to enterprise-wide governance and resourcing—not simply assigning digital transformation as a task to siloed departments.

### **→ Key Board Takeaways**

- Understand the changing paradigm of competition for health systems as non-traditional players have become considerable rivals.
- Break the governance siloes to empower those who oversee digital transformation with the ability to drive change across the entire system at the enterprise level.
- Elevate digital transformation to an enterprise strategic priority, with those responsible for transformation reporting directly to the CEO and supported across the organization.
- Commit to the financial resources necessary across digital transformation use cases that are becoming a standard requirement to remain competitive.
- Transform digital care experiences based on meaningful data that enables greater personalization.

## Focus Your Digital Transformation Journey on the Consumer

With necessary backing in place, differentiated digital offerings must start with what consumers are demanding from their care experiences. Health systems often fall down when they start with what healthcare providers are looking for and simply hope it matches what consumers are looking for as well.

Digital rivals are out in front because they excel at providing personalization. Personalized care transcends the medicine or clinical treatment and must include a positive and captivating experience for it to be compelling to patient consumers. This personalization accounts for patient preferences about how they want to be communicated with and which digital options they want in relation to in-person care. It also accounts for demographic-driven needs and desires.

### → The Lasting Impact of the Telehealth Boom on Healthcare Consumers

Prior to the pandemic, only a small cadre of consumers reported a previous telehealth experience, 15 percent nationally according to NRC Health's Market Insights survey. During the first wave of COVID, telehealth usage surged and 35 percent of U.S. consumers turned to virtual care.

As traditional patient care has resumed, the lasting effects of the telehealth boom remain. Nearly half of consumers (46 percent) now have a "virtual or e-visit with a doctor" under their belt. This experience has been mostly positive. In 2020, 74 percent of consumers reported being "satisfied or very satisfied" with their virtual visit. Top remarks centered on convenience and efficiency, two areas where hospitals and health systems struggle with in-person experiences.

Now consumers are wanting more personalized encounters with their care ecosystems—digital services that extend beyond telehealth. More consumers than ever are expecting communications and access to connected tools and online resources to give them the information they want, when they want it.

*This sidebar was contributed by The Governance Institute. The data included is from NRC Health's Market Insights survey from 2019–2022 and Real-time data from Q4 of 2021.*

Health systems' digital rivals have mastered the ability to aggregate and analyze consumer behavior and preferences across demographics and cohorts to quickly generate insights and refine their digital offerings to meet those specific needs. Successful digital transformation must tailor products, services, and offerings to accommodate these nuances of personalization.

## **Expand the Scope of Consumer Insights Now to Create Real Value**

Gaining greater insight into consumer behavior is a prerequisite for developing personalized digital care experiences. By tracking *how* patients are accessing care—not just *why* they are—and consolidating touch points like portal usage, phone calls, and Web traffic, health systems can be informed by more insightful data. Aggregating these insights and matching digital offerings to pertinent patient interaction needs and preferences will allow digitally enabled experiences that attract new patient consumers, retain existing ones, build stronger physician networks, and extend into new markets.

Hospitals and health systems recognize the importance of acquiring an aggregated view of consumer data to better tailor the care and experience they deliver. However, most organizations have not yet established the means to gather and apply these critical insights.

Given the potential for personalized digital care experiences to impact key strategic priorities like attracting and retaining patients, provider organizations can't put their business objectives on hold while they build more capabilities. More health systems are expecting to partner with digital entities that offer deployable and scalable solutions to help meet the patient consumer demand for personalization. Whether through building, buying, or partnering, getting to market with customizable digital offerings is the means for health systems to achieve their key strategic priorities and business objectives.

## **The New Digital Care Landscape Needs Enterprise-Wide Leadership Support**

Digital transformation is no longer an opt-in priority for hospitals and health systems. It is a necessary journey to not only plan but implement—and time is of the essence. The milestones of digital transformation—streamlining care, improving the experience, and personalizing it for the end user—are increasingly met by non-traditional rivals that share similar business objectives of attracting and retaining patients to achieve a positive return on investment (ROI). Health systems need to act now to meet this new

competitive imperative and should ensure that each digital transformation initiative has a clear business case to demonstrate value generated for the health system and its consumers.

Making that happen requires an enterprise-wide approach driven by health system boards and their CEOs. By hardwiring a high degree of strategic prioritization, boards can play an instrumental role in driving digital transformation success and sustainability for their organizations.

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