CONVERGENCE: OPPORTUNITIES FOR INNOVATION IN THE NEW HEALTH ECONOMY
AN INDUSTRY PERSPECTIVE BY OLIVER WYMAN

With a foreword by XX in Health
FOREWORD

XX in Health is thrilled to collaborate with Oliver Wyman in publishing this industry perspective on the future of innovation in healthcare and how to succeed in the evolving marketplace. Driven by Rock Health, our mission to connect and empower visionaries in healthcare is tightly linked to accelerating the technological innovation already taking place across the healthcare landscape. Novel market strategies are crucial as we move away from today’s fragmented, fee-for-service system towards more cohesive, value-based care; however, the need to rethink the leadership models that will drive this transformation must not be overlooked. Healthcare is changing—and so must its leaders.

Over the course of the next decade, two major movements are underway that promise to revolutionize the healthcare industry: (1) next generation population health and (2) consumer powered healthy living. The science of prevention will further fuel the evolution of the health and wellbeing marketplace. To navigate this expanding ecosystem, leaders are moving away from traditional, command-and-control styles of management to models that are more distributed and mission-driven. In a healthcare system where fractioned professional groups and multidirectional goals often hinder progress from the top, collaboration, inclusion, and transparency are key terms in this revised leadership vocabulary. Teamwork and mutual understanding are crucial to making ideals like coordinated patient care, consumer-driven health, and personalized medicine a reality—all while providing greater quality, access, and affordability to consumers.

At XX in Health, we know that women are uniquely positioned to leverage these traits. Our 2013 State of Women in Healthcare Report highlighted how female leaders are especially adept at demonstrating integrity, building relationships, and developing others. Yet, we remain drastically underrepresented in corporate level healthcare positions. Women make up 78% of the healthcare labor force, but comprise only 19% of hospital CEOs, 14% of healthcare companies’ board of directors, and have zero representation among CEOs of Fortune 500 healthcare companies.

As a premier network of women entrepreneurs and executives in healthcare, we challenge this community to champion the leadership change necessary to redefine contemporary healthcare. Women need the tools to launch healthcare businesses and allow them to grow into strong, impactful companies. By calling upon the industry to provide women with the opportunities and resources to scale their initiatives and realize their full potential, XX in Health can work together in empowering female leaders while reinventing healthcare for the better.
Healthcare is ripe for entrepreneurs to capture value from incumbents. Consumer dissatisfaction with the healthcare status quo continues to grow. Consumer power and voice are on the rise. A tidal wave of tech and retail-based innovation is starting to address large unmet consumer needs. The B2C market is growing with shifting societal norms towards healthy living and engagement, and incumbents are now in a competitive race to “own the consumer” as nontraditional players make big bets in health. As these new players scale their solutions, improving quality and lowering costs nationally as well as globally, we expect to see the emergence of more healthcare “unicorns”—companies with exit valuations of greater than $1 billion.

To achieve this level of success, new entrants must first understand the dynamics of the evolving market, as laid out in the latest research of the Oliver Wyman Health Innovation Center (OWHIC). The new market is characterized by convergence—a blurring of the traditional lines that separate healthcare from health insurance, medicine from health and wellness, employer-sponsored benefits from retail-based healthcare, and the physical from the virtual. Payer and provider organizations are working together in new combinations, as providers move to take on financial risk and insurers get more involved in care delivery. Then there’s the drive to create new integrated marketplaces that connect traditional care providers and insurance to personalized health and wellness offerings. Finally, non-traditional players—retailers, technology companies, and so forth—are entering healthcare and partnering with the traditional players to create new, lifestyle-based models.

OWHIC has identified two major movements that will bring the converged healthcare economy to maturity: (1) next generation population health and (2) consumer powered healthy living. The science of prevention will further fuel the evolution of the health and wellbeing marketplace. A number of women leaders are at the forefront of these changes.

Simplicity doesn’t exist in health insurance today. Our vision is to make it easy for consumers to manage their health dollars.

Ann Mond Johnson
ConnectedHealth
In next generation population health, coordinated care is the new standard and the new integrated healthcare team includes not just doctors and nurses but health and life coaches, home monitoring services, and social workers. New care models address not just diseases but behavioral and social factors. This movement is already well underway, particularly on the West Coast where CareMore stands as a primary example of a healthcare provider redefining the care delivery model and the patient experience around total value. Under this model, Leeba Lessin, CareMore’s chief executive officer, is extending patient care beyond the clinic into patient homes and lifestyles through multidisciplinary care teams utilizing connected networks and wired, intelligent devices that support treatment adherence and generate ever more personalized care regimens.

Another example is Southcentral Foundation in Alaska. Led by Katherine Gottlieb, Southcentral has instituted a total system-wide transformation of care increasing not only the quality and adaptability of programs but the accountability of providers and customers alike. She shared her experience at the October 2013 OWHIC ideation session on industry convergence, explaining: “We created a mission and vision focusing on our community’s physical, mental, emotional, and spiritual wellness.” Similarly in North Carolina, Dr. Grace Terrell is transitioning her multispecialty physicians group Cornerstone Health Care from the traditional fee-for-service model to a patient-centered medical home system, providing expanded access, increased coordination of care, enhanced patient education for prevention and treatment of chronic disease, and sophisticated technological support. “I started a multispecialty group, and we’ve decided we’re ready to change the world,” said Dr. Terrell at an OWHIC session on patient-centered care. “We’re going to morph ourselves into a population health management hub.”

**Convergence: Next Generation Population Health**

Care teams are designed around individual consumers, bridging physical and psychosocial

- Care delivery redefined around total value
- Complex, adaptive, patient-centered teams
- Holistic and integrated health diet, stress, fitness, behavioral
- Focused on enabling positive behavior change
- Robust information and decision tools

Source: Oliver Wyman analysis
In the second movement, consumer powered healthy living becomes a reality as businesses help individuals engage in their own health. Capital markets and players from adjacent industries see vast opportunity, fueling innovation. Incumbents respond and start building bridges to the consumer market, merging the discretionary and benefit markets. New retail and consumer tech entrants redefine the consumer experience and rules of engagement, while traditional B2C consumer health players begin reshaping models for health plans and population health managers. Healthy living is a relatively open high-growth market with innovators seeking to connect emotionally with consumers. New players like virtual fitness trainer Wello, co-founded by Leslie Silverglide, are bringing consumer-centric wellness and preventative services to market. “380 million people regularly video chat worldwide each year,” said Silverglide at the OWHIC convergence session. “We see ourselves becoming a platform for wellness professionals.” As chairman of the board of managers at ConnectedHealth, Ann Mond Johnson promotes marketplaces as the latest expression of consumerism in healthcare. ConnectedHealth provides a benefits shopping platform that offers consumers an integrated marketplace for health and financial protection. “Simplicity doesn’t exist in health insurance today,” she said at the OWHIC convergence session. “Our vision is to make it easy for consumers to manage their health dollars.”
As these movements reach maturity, a growing body of science related to prevention and personalized medicine will lead to a further evolution of the health and wellbeing marketplace. Breakthroughs in science are difficult to predict but they will certainly inform new personalized approaches to prevention, diagnosis, and treatment. Given a mature retail health market with fully functional population-health managers, national brands, and fully integrated Web 2.0, expect viral health innovation adoption curves. Great population managers will become even more effective and will devastate provider-centric players who have lagged the market. Further analysis of individuals’ genes and proteins will determine which drugs will or will not be effective and what side effects might be expected. Genetic tests already on the market show how people with different DNA respond to drugs. “The genomic disruption is at the personalized individual health level,” says Cornerstone’s Terrell. “Population health management in the past has been based on simple algorithms and statistics. The key to genomic medicine being a significant economic force in population health is in its ability to make exception management far more robust.” And the emerging field of microbiomics—each person houses about 100 trillion microbes, 10 times the number of cells—promises to personalize nutrition just as the study of proteins will help to personalize drugs. As “not knowing” is drained from the system, extraordinary achievements for patients and for organizations will become possible.

The organizations and leaders like these who are thriving in the new healthcare ecosystem are asking every day how they can provide value. In the long run, they know they are not just looking for a new way of delivering traditional healthcare services. Rather, they are looking for a place in a new consumer-centered retail health marketplace—and positioning themselves for a shot at becoming the next healthcare unicorn.