BUSINESS TECHNOLOGY LEADERSHIP

# In Evolving Healthcare Business Model, Tech Plays Vital Role

September 23, 2014

*The healthcare industry's shift toward value-based, coordinated care won't succeed if providers, payers and patients aren't connected to the information they need to make better health and wellness decisions. Entities that fail to do so could put themselves out of business.*

The healthcare industry's shift from its dominant fee-for-service structure forces organizations to rethink the way they do business. Embracing a value-based, bundled payment model means doing more to connect patients to providers, providers to each other, providers to payers and patients to payers.

Technology plays an important role on a number of levels, from consumer health applications and patient portals to analytics and electronic health record (EHR) systems. In fact, the success of payment reform and the accountable care organization (ACO) model may depend on IT, in part because value-based payment models beget administrative complexity.

That said, ACOs' health IT capabilities remain rudimentary, and even health systems embracing less-risky Medicare Shared Savings Program or pay-for-performance models struggle to implement the technology they need. Meaningful use is tough enough, and even it's a "floor" compared to the data exchange, analytics and IT infrastructure that shared savings and coordinated care demand. Even payers, whose more advanced systems captured the bulk of the health data during the failed capitation efforts of the 1990s, have trouble meeting the needs of healthcare consumers.

To adapt to today's healthcare market, and tomorrow's, all players need to take a hard look at their IT systems. It's not a stretch to say that failing to do so could put them out of business.

**Healthcare IT Needs Helping Drive Industry Consolidation**

**Consolidation represents the healthcare industry's major theme in the last five years, says Greg Hagood, senior managing director at SOLIC Capital, a financial advisory and investing firm. That trend has only accelerated in the last two years – and it's bound to continue, he says, with as many as half of the nation's remaining 1,000 independent hospitals expected to consolidate in the next five years.**

**A recent survey suggests that medical practices prefer integration to merger, though financial realities may make that preference difficult to see through. With reimbursement models changing, independent hospitals – even those with broad support and a good management team – find it increasingly difficult to remain independent, Hagood says.**

**The capital investment required to move to the next phase of EHR use or data management is simply too high for these hospitals, and it's often but one step in "totally overhauling" IT infrastructure, he says. Affiliating**

**with or selling to larger health systemshelps defray the cost. It helps that IT consulting firms and software vendors alike both tend to see hospitals as their primary clients these days, Hagood says.**

**This scenario mirrors what happened in the banking industry in the 1990s, when independent banks sold out to "super-regional" firms in large part to be able to afford the move to a common IT platform. Many of the health system transactions Hagood has seen in the last two years have included specific IT commitments – namely, migrating to a common system (typically Meditech, Cerner or Epic) and subsequently taking advantage of group licensing.**

**This, too, mirrors the banking industry, where "boutique," custom software vendors gave way to larger, more established firms. "Epic is the new SAP for hospitals," Hagood says.**

**Payers Need to Engage Customers Any Way They Can**

For payers, meanwhile, today's increasingly consumer-centric healthcare business model means finding ways to "diversify how consumers are engaged," according to IDC's recent report, Perspective: Engaging Consumers in a Post-Health Reform Market.

This matters, as consumer-centric healthcare emphasizes wellness. Anything that encourages patients to engage in healthy behavior – portals, apps, wearable tech, alerts, games or social networks – will pay off for insurers, who will accordingly spend less on duplicative, unnecessary or avoidable medical treatment.

Payers have to be willing to try anything, says Deanne Kasim, research director with IDC Health Insights and author of the report, because consumer-centric healthcare also purports to make it easier for patients to switch insurers.

Ensuring that new and existing customers remains "happy captives" means taking a multifaceted approach to engagement. Some customers will be content to use the online portal, she says. Others will want the "higher touch" of a phone call. New customers, especially those insured for the first time, will need educational resources. All customers will expect price transparency and an embrace of mobile technology.

**Analytics Will Push Healthcare Orgs to Success**

Here, again, the experiences of another industry will help. In this case, the IDC report says, it's retail's mastery of relationship, relevance and reciprocity, which collectively create "customer intimacy."

Much of this comes down to analytics, Kasim says, whether it's determining click-through rate of a targeted email or studying usage patterns for mobile apps or even remote patient monitoring. It's time- and labor-intensive, she says, but payers who know the "touch points" of their customers better understand what they want.

Providers, too, can benefit from analytics. Many still aren't quite there – even early adopters struggle to apply technology beyond the time of visit – but the possibility to bring together analytics, risk management and population health management expertise puts healthcare "in a place to achieve what we couldn't pull off in the past," says Heather Lavoie, COO of clinical and analytics systems firm Geneia and president of Geneia Innovations. In this sense, she adds, providing an analytics overlay on top of an EHR system works in a similar fashion as adding ERP on top of a transactional system in a manufacturing plant.

Geneia's latest release, Theon, aims to bring together clinical, claims, psychographic, physiologic and patient data into a single dashboard for better clinical decision support, Lavoie says. Providers can identify who within the patient population presents the highest risk and deliver that information at the point of care. Physicians can use the data to, say, set vital sign thresholds for that particular patient or identify subsequent care opportunities.

On a more global level, practices can use the gathered information to identify a number of savings or care opportunities. The proof is in the bottom line. For example, a 5-percent reduction in "revenue leakage," when referrals go out of network, helped one 300-bed hospital add $20 million in revenue, Lavoie says, while another provider recaptured $4.3 million in missed revenue by identifying patients overdue for mammograms or colonoscopies and sending them care reminders.

###