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IHN 3.0 – The Integrated Health Network of the Future

Health networks of the future will act as dynamic curators and guarantors of personalized consumer health and well-being

Gary Ahlquist, Igor Belokrinitsky, Patrick Maher, Vaughn Kauffman, Siddharth Doshi

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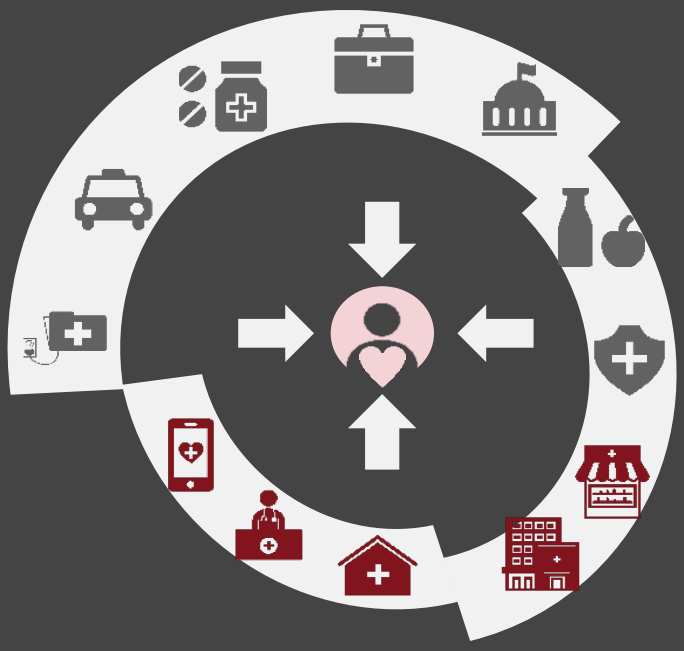
Introduction

The future of US healthcare is the Integrated Health Network (IHN 3.0) that will act as both a curator and guarantor of health and well-being for everyone. Rather than consumers scrambling to find help during times of need, health networks will seek to form lifetime relationships with consumers to deliver personalized care and wellness. Achieving this will involve dynamic decision making across the strategic agenda. Anticipating demand, configuring the network, deploying the talent and technology, and managing the risk will all be essential.



IHN 3.0

Curator and guarantor of consumer health and well-being

Delivery system evolution

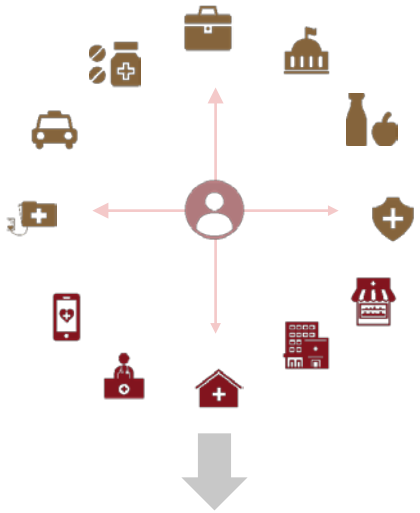
Care delivery in the US has experienced two major evolutions over the last few decades. In the late 1990s, utilization rose sharply with the uptick in managed care and further picked up steam in the post-HMO era with an economic focus on utilization and episode-based care. This was 1.0 – over 750 fragmented institutions with predominantly hospital assets, limited risk-based payment arrangements, incremental cost-reduction efforts, and only a nascent focus on consumer experience. We estimate half of all providers continue to exist in this stage today.

Post the merger mania of the late 2000s and the Affordable Care Act, a 2.0 paradigm of the delivery system emerged, and is what prevails today. We estimate the other half of providers are currently in this stage. Characterized by approximately 500 regional and multi-regional health systems, 2.0 features scale, increasing focus on the consumer (and care team) experience, a gradual rise in risk arrangements, and an extension in care beyond acute episodes. However, entrenched cultures, limited resources, and regulation have restricted change. The results are familiar and unexceptional: Clinical costs continue to rise with little improvement in quality and outcomes, and consumers continue to suffer.

The next evolution will see health networks focus on improving holistic health outcomes by building a trusted relationship with the consumer through a series of curated experiences across the consumer's lifetime. Mega-networks will evolve to engage both clinical and social drivers of health, with the total number of systems likely to contract further to approximately 250 to 300. As they scale, networks will take on more risk arrangements, guaranteeing health outcomes. This is IHN 3.0, a curator and guarantor of consumer health and well-being. While some health organizations have made sporadic progress and innovative models are constantly appearing, no one is here yet.

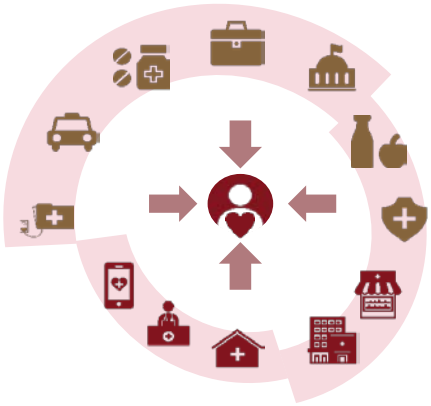
At the heart of IHN 3.0 will be the consumer's "home": highly curated care and wellness delivered to where the consumer lives, works and plays. As care and wellness continue to shift away from inpatient centers, it is likely that some consumers will never visit a hospital for the majority of their lifespan, and that there will be a rise of the "virtual consumer." Health networks will be both intensely local – clinical access at home, leveraging of community partners, retail channels – and without geographic boundaries as virtual health makes it possible to engage health consumers everywhere.

IHN 1.0
[1990-2010]



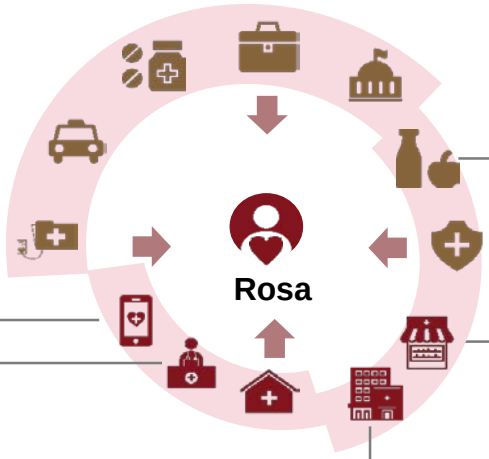
IDN 2.0
[2010-present]

IHN 3.0
[2020 onwards]



Meet Rosa, a 23-year-old woman with Type 1 diabetes

Rosa's care is coordinated through a **comprehensive system of devices,** which monitor health and wellness indicators (glucose levels, physical activity, water intake), **and send reminders and provide information to her care team**



Rosa has chosen to **sync her nutrition plan with her supermarket**, which keeps her engaged and motivated through new discoveries on personalized diets and more

Rosa and her team communicate through **a combination of video, phone and text**. In-person visits are typically every six months or so in a retail **location** most **convenient to Rosa's daily routine**

Her health system has provided her and her family with a **unique care team** to help her achieve her health goals: a primary care physician, specialists, a nutritionist and a mental health counselor

The **health system's consumer platform** has been a game changer for Rosa even in remote situations requiring **acute care**. The **remote monitoring system** is able to detect emergencies, locate Rosa and dispatch emergency insulin and antibiotics via **their nearest partner pharmacy**

This will mean a marked shift from largely acute-care hospital assets, to virtual and retail "doors to health." Business and technology systems will combine these assets, consumer solutions and human care teams with cutting edge clinical and behavioral science, artificial intelligence, product design and information systems.

Similar systems already drive consumer interactions in other industries. For example, financial institutions seek to build lifelong relationships with consumers and their families through personalized banking services, investment advice and credit products delivered virtually. Healthcare will follow: Projections indicate that as many as 50% of all physician office visits could be virtual by 2024.

The economic prize will shift to the lifetime value of the consumer, as health networks seek to build trusted lifelong relationships enabled through technology, scale and behavioral insights. Significant value will be unlocked through enhancing the "Return on Experience" that will inspire loyalty as well as drive new revenue streams and savings generated by management of holistic health and well-being. Reimbursement will continue to be both fee-for-service and value-based. However, health organizations in IHN 3.0 will take on significantly more risk as they scale, acting as guarantors of consumer health and well-being. Cost reduction will play a vital role in enabling personalized care, with networks seeking to remove more than 25% of their existing cost base.

What's your IHN 3.0?

Achieving IHN 3.0 will require significant investment, capability shifts and cultural changes for healthcare providers along all elements of the strategic agenda:

- **Consumer Experience:** Enhanced lifetime loyalty by providing a personalized and coordinated consumer experience, including design and launch of personalized health products for both direct recipients of care and other community members
- **Care Model:** Personalized care and wellness delivered through a comprehensive range of physical and virtual assets over a lifetime for consumers and their families
- **Operating Model:** Evolution from acute-care hospital centric to integrated networks at scale that are driven by strategic collaborations and alliances
- **Risk:** Ability to handle risk at scale for multiple payers and employers, with bigger networks, even though reimbursement will continue to be both fee-for-service and value-based
- **Technology:** Creation of health platforms that bring together AI expert systems, advanced analytics, engagement and consumer tools, care team and medical technologies, as well as operating models to enable dynamic decision making, personalization and health outcomes
- **Care Teams:** Development of truly interdisciplinary, personalized care teams for every consumer
- **Cost:** Comprehensive transformation releasing over 25% of today's operating and capital cost base, which will involve driving virtual health, automation (with humans performing the most sophisticated care delivery activities) and a lighter asset footprint

As markets evolve, so will the strategies of each health organization, in line with its legacy, strengths and market realities. For example, today's Experience Leaders[1] are heavily focused on making their existing services more accessible and user-friendly. Tomorrow, they will look to create new experiences, settings and offerings that inspire consumer loyalty over their entire lifetimes. Doing so will require greater strengths in areas like consumer engagement and customer relationship management (CRM) – but could also create new revenue streams such as subscription fees.

Not every health organization today will become an IHN 3.0, but every health organization will probably join one. This will require a multitude of dynamic decisions based on continuous and rigorous analysis of their competition, partners, reimbursement and regulations.

[1] PwC HRI – Provider Systems of the Future

Uncertainty around these decisions is high, however leaders have increasingly sophisticated tools at their disposal to help them understand future scenarios and make more informed strategic decisions in the progression to IHN 3.0.

Evolution to IHN 3.0 will occur across regulatory scenarios. For example, in a single-payer scenario, margins will continue to decline, making scale and cost reduction more important. Along with a hyper focus on cost of care, Millennial, Gen X and Z demand for digital access, content and treatment will likely accelerate the evolution of 3.0. In this scenario, there will be even larger networks with super regional or even national footprints, as state boundaries no longer matter and employer relationships change.

In future articles we will highlight in-depth perspectives on the business and economic model for IHN 3.0, the consumer experience and predicting behaviors with sophisticated modeling approaches, virtual health and technology considerations, as well as cost transformation in IHN 3.0.

Contacts

Gary Ahlquist
Principal, PwC Strategy&
gary.ahlquist@pwc.com
Chicago, USA

Igor Belokrinitsky
Principal, PwC Strategy&
igor.belokrinitsky@pwc.com
San Francisco, USA

Patrick Maher
Principal, PwC Strategy&
patrick.maher@pwc.com
San Francisco, USA

Mike Cohen
Principal, PwC Strategy&
mike.cohen@pwc.com
San Francisco, USA

Vaughn Kauffman
Principal, PwC
vaughn.a.kauffman@pwc.com
Cleveland, USA

Gurpreet Singh
Principal, PwC
gurpreet.singh@pwc.com
Chicago, USA

Sundar Subramaniam
Principal, PwC Strategy&
sundar.subramaniam@pwc.com
New Jersey, USA

Siddharth Doshi
Director, PwC Strategy&
doshi.siddharth@pwc.com
New York, USA

Nissa Shariff
Director, PwC Strategy&
nissa.shariff@pwc.com
Toronto, Canada

Alena Taylor
Director, PwC Strategy&
alena.taylor@pwc.com
San Francisco, USA

About the authors

Gary Ahlquist is a senior advisor to healthcare executives and boards on strategy, governance, organization, M&A, operating model transformation, diversification and cost reduction

Igor Belokrinitsky is an advisor to the healthcare industry. He works with mission-driven hospitals and not-for-profit health insurance companies to develop new consumer-centric, market-driven strategies for delivering and financing health care

Patrick Maher is an advisor to the healthcare industry. He helps hospitals and health insurance companies develop enterprise and functional strategies for healthcare organizations in the context of a more value-focused, consumer-centric future healthcare environment

Vaughn Kauffman is an advisor to the healthcare industry. He focuses on the rapidly evolving global healthcare ecosystem that creates new opportunities and value propositions for incumbents and new entrants

Siddharth Doshi is an advisor to healthcare executives on new enterprise and growth strategies, operating models and cost transformation

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