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Will health systems lead the way or lose the edge?

Between where the market is pushing them and how rapidly technology is advancing, health systems are on the cusp of a transformation the likes of which they have not seen before.

We surveyed more than 250 health system C-suite executives to discover their views on what's driving change now and over the next decade, as well as how they expect changes to affect their organizations—and how they will respond.[1] Leaders anticipate an evolving healthcare landscape in which most or every aspect of the healthcare ecosystem will look significantly different, including a doubling of alternative care settings in ten years.

While they agree that change is inevitable, health system leaders don't agree on what patients want and how to deliver it. Looming competitive threats make this lack of alignment a liability. This is critical given the competitive drivers emerging in healthcare—human-centered experience and value transparency. Health systems that don't respond appropriately risk a continuous erosion of the perceived and actual value they deliver, which can translate into loss of growth and eventual shrinkage.

At a fork in the road

Health systems have been slowly changing over the years—expanding outpatient footprints in service of high-margin inpatient procedures. They are locked in an arms race of hiring, acquiring and affiliating with providers in order to increase referrals for inpatient services to grow revenue.

> Consider that between 2012 and 2018, the number of physician practices acquired by hospitals increased by 128%.[2]

But incrementalism will not work anymore.

The rules of competition were changing rapidly before the pandemic and are still accelerating today. Patient expectations have shifted and will continue to do so. New care model start-ups and health payers are investing in innovative provider services centered on patients' experience and cost transparency expectations. Health systems that hold on to a supply-side management approach to healthcare services and continue their current trajectory risk being left behind in this unprecedented transformation.

A new era of humanizing healthcare to improve access, experience and outcomes is dawning. Health systems can still have a pivotal role to play in building it, yet our survey reveals a lack of clarity and consensus among leaders about the road ahead. Does it run through experience or cost transparency—or both? The question calls to mind baseball legend Yogi Berra's famous quote: "When you come to a fork in the road, take it." If health system leaders take his ironic advice, they will end up going nowhere.

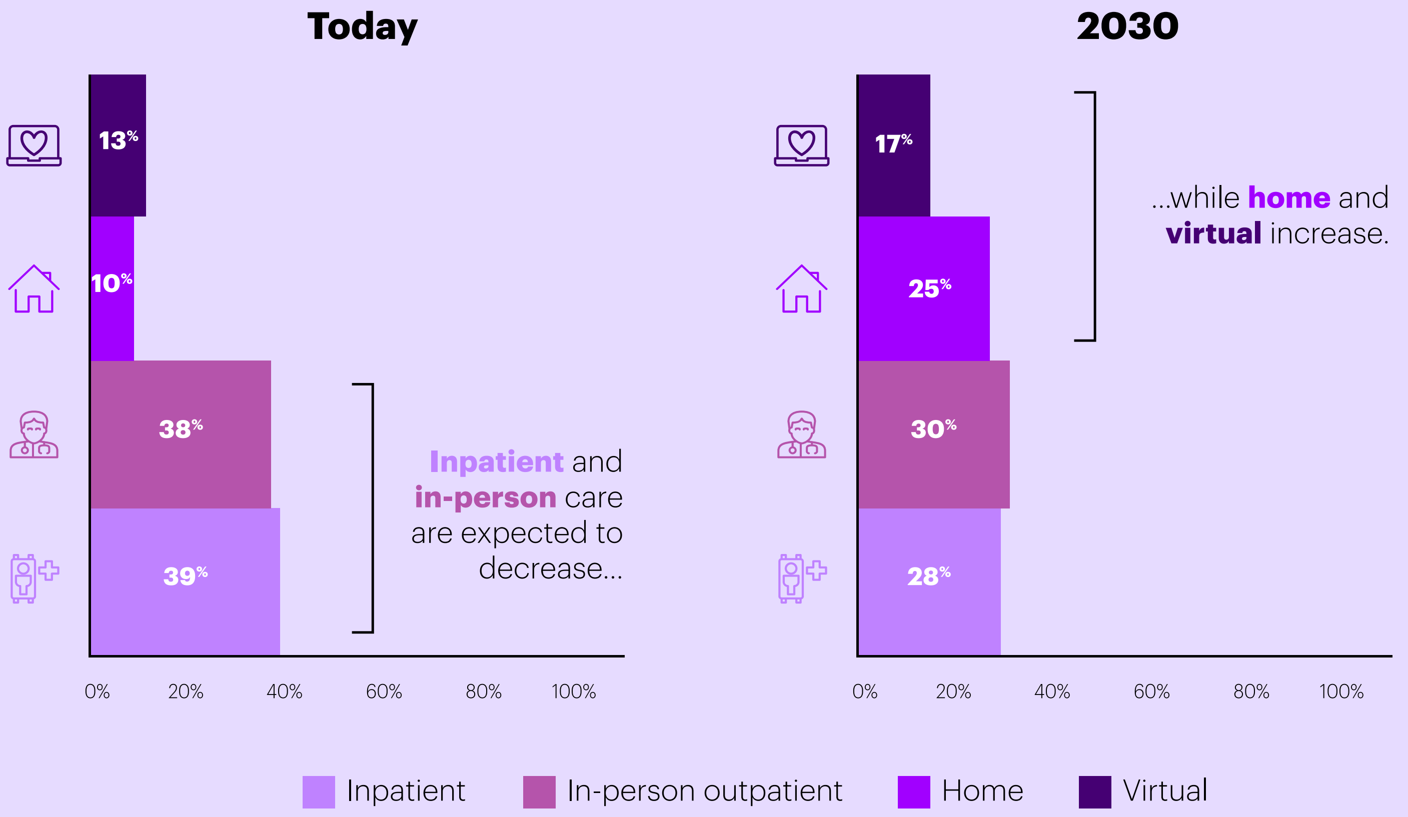
Leaders see writing on the wall

Most health system leaders expect the healthcare landscape to evolve. Most (79%) executives—including 85% of CEOs—see substantial or transformative change ahead.[3]

Consider these leaders' views of the growth of alternative care settings (which include home health and virtual health) over the next decade, for example. They expect these models to roughly double by 2030 from 23% to 42% **(Figure 1)**. This finding suggests that they see the combination of consumer demand and competitive pressures driving the continued growth of care delivery models that provide better experiences at greater value.

> 85% of CEOs see substantial or transformative change ahead.

Figure 1: Health system leaders anticipate big changes in where care will be delivered over the next decade—with home and virtual care nearly doubling



Question: For your organization, in what environments does care take place now? In the next ten years? N=259.

Source: Accenture 2021 Health System of the Future Survey.

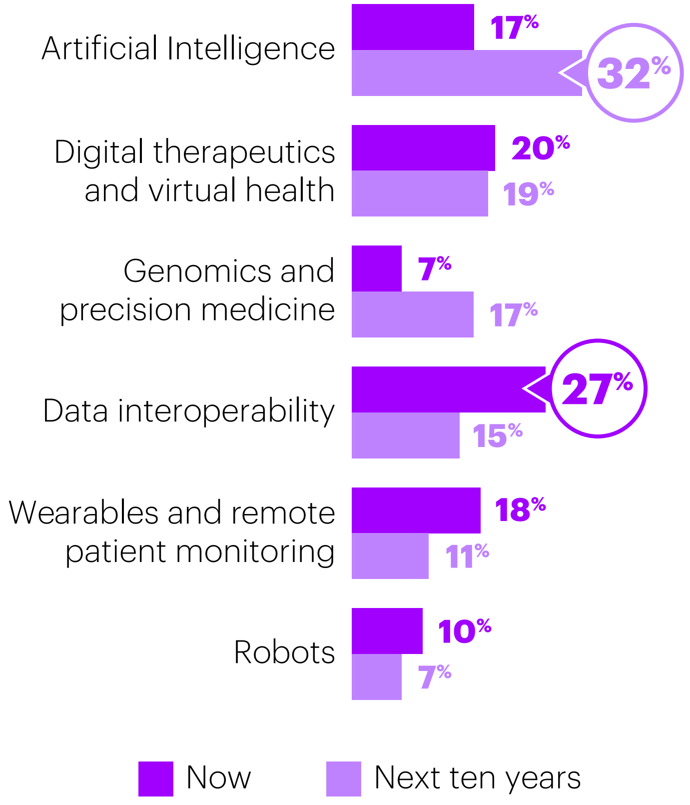
But change is closer than these leaders think

Health system leaders are also becoming attuned to the technology advancements driving health system business model transformation, although they may be underestimating the timeframes involved or the extent of the changes ahead. Leaders most commonly cite data interoperability as a critical influence today—27% select it as a top factor.

But while half (49%) believe artificial intelligence (AI) will take over as the leading driver, 32% believe that will not be the case until 2030, **(Figure 2)**. What many may not be aware of is that 56% of healthcare organizations say that AI is actually in "wide use" today.[4] Many providers are already using AI in their own processing of claims and coding, often through outsourced vendors.

As data access improves through migration of EMR and other operational data to highly-secure cloud, AI will become routine, rather than exotic. We expect this to begin scaling substantially within the next three years, which will drive the next wave of value from data and is foundational for more predictive and human-centric care. Clinicians are the most bullish on AI; 77% are already using or express interest in it.[5]

Figure 2: Health system leaders say that data interoperability is currently driving transformation, but believe that AI will not grow in influence until 2030



Question: What technology advancements are driving health system business model transformation? Now and in the next ten years? (Top Rank %) N=259.

Source: Accenture 2021 Health System of the Future Survey.

Misalignment among leaders

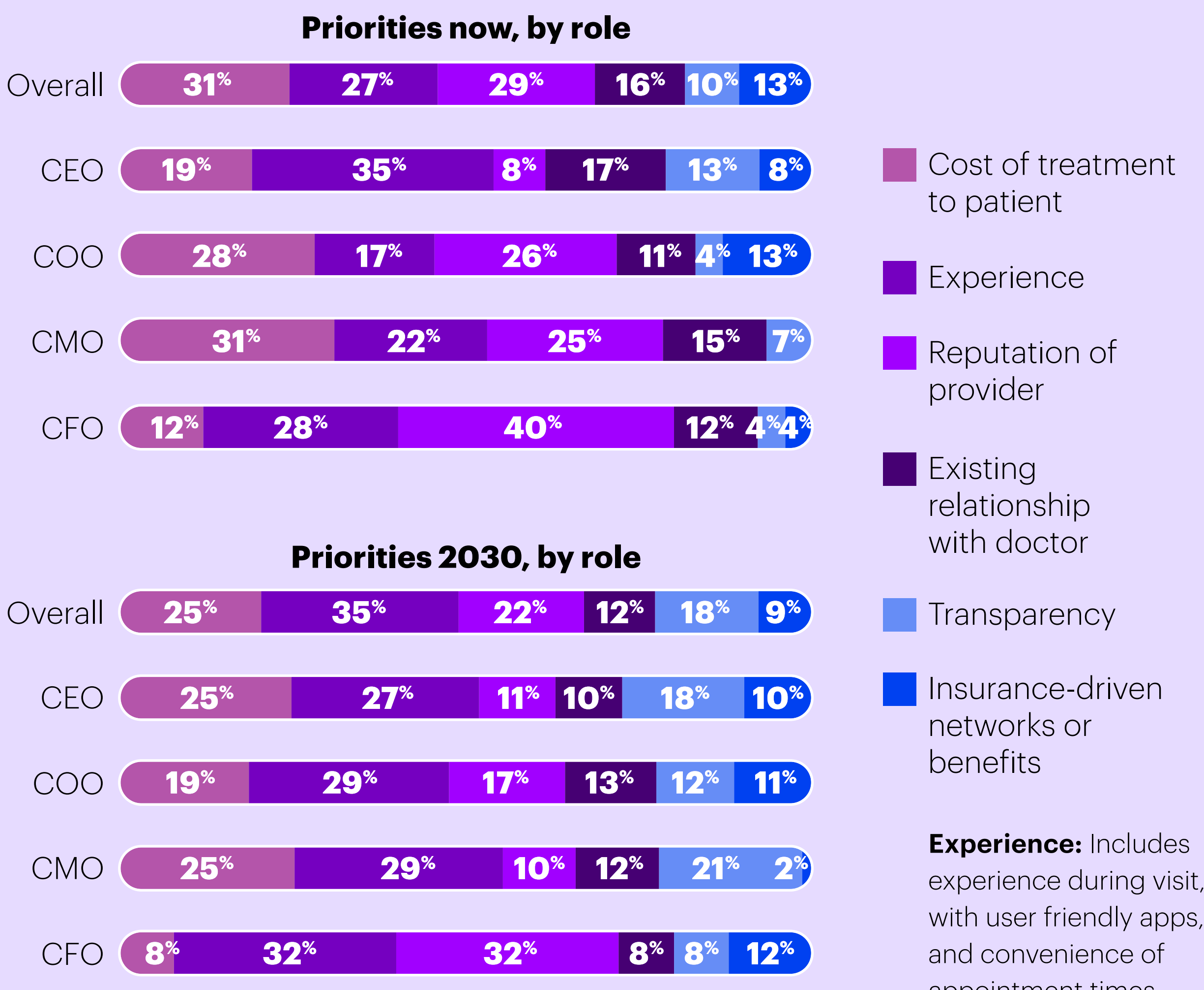
Health system executives clearly believe that the future will be different—in everything from care settings to technology advancements. In fact, CEOs expect the most change. But the C-suite as a group does not agree on what matters the most to patients today—or what will matter tomorrow.

For example, some leaders think that people prioritize cost over experience now and will not prioritize experience-driven factors[6] the most until 2030. But a deeper look at role-specific responses reveals that executives' views vary widely **(Figure 3)**.

Even more problematic is that CEOs' views are sometimes diametrically opposed to those of others on the executive team as whole. CEOs think that people prioritize experience-driven factors now and will value cost more in the future. This lack of clarity around what people value—on what the narrative of the health system of the future should be—casts doubt on the industry's ability to come together and deliver a model that fuels competitiveness.

> The C-suite does not agree on what matters most to patients today—or what will matter tomorrow.

Figure 3: Health system leaders do not agree on what people prioritize when they select providers



Experience: Includes experience during visit, with user friendly apps, and convenience of appointment times and locations.

Transparency: Includes transparency around cost and about care.

Question: What do you think your patients are prioritizing most when selecting services from a provider? N=259. (CEO, N=52; COO, N=53; CMO, N=68; CFO, N=25)

Source: Accenture 2021 Health System of the Future Survey.

Believing one thing, doing another

There is also a disconnect between what health system leaders believe that people want, and **how** they are differentiating their organizations today and in the future.

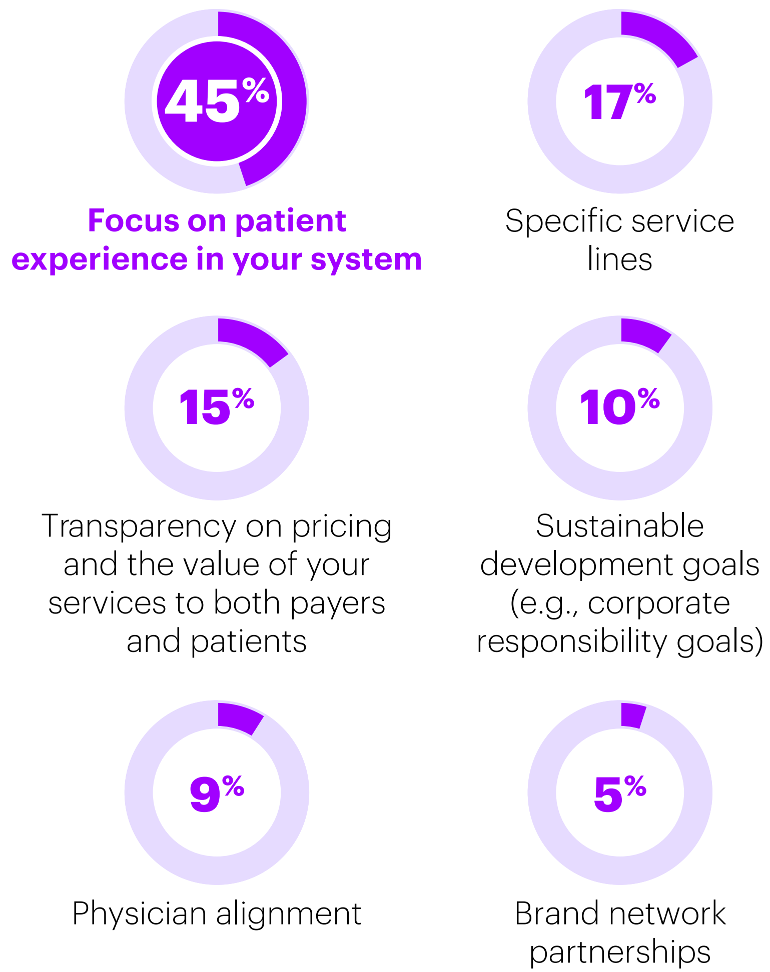
As noted in Figure 3, most of the C-suite believe that people prioritize cost when selecting a provider. Yet they are not differentiating based on value transparency: Just 15% prioritize pricing transparency and the value of services to patients and payers **(Figure 4)**.

And while 45% of health system leaders prioritize patient experience to stand out among competitors, our experience suggests that few are incorporating clearly popular virtual technologies and home-based services into their delivery models in a meaningful way, possibly still inhibited by payment models.

There is clearly incongruity between thought and action.

This incongruity could reflect the tension between the CEO and the rest of the leadership team. Consider another possible explanation. Addressing pricing transparency is the more challenging transformation for health systems. It involves significant impacts on the revenue model and payer contracting, among other areas. So health systems may focus on experience transformation to drive meaningful change while avoiding these challenges.

Figure 4: Most health system leaders view experience as the top competitive differentiator although they believe that patients prioritize cost in selecting providers



Question: What differentiators does your organization prioritize to stand out among competitors? N=259.

Source: Accenture 2021 Health System of the Future Survey.

Making a tough competitive landscape tougher

This organizational misalignment between awareness and action has consequences beyond C-suite disagreements. One in four health system leaders reports that it is the biggest barrier to being more patient centric—a massive liability for provider organizations and the people they treat.

Health systems that do not humanize healthcare and are not patient centric cannot deliver the best experiences. People feel this acutely, as experience matters to them. **When asked what factors are most important to a positive experience with a medical provider, people most commonly cite clear explanation of their condition and treatment, providing emotional support and listening and understanding of their needs, and well-coordinated care and communication between medical providers and their personnel.**[7]

Thirty-four percent who had negative experiences switched providers or treatments and were less likely to seek medical care the next time they needed it.[8]

In addition to patient care, health systems that aren't aligned around what matters to patients could struggle as competitive incumbents and new entrants fill the void. Most leaders (83%) think vertically integrated payers and outside-of-market health systems are the biggest threats, followed by in-market health systems. The problem with this perspective is that it's tied to the traditional competitive model.

> Most health systems leaders think that vertically integrated payers and outside-of-market health systems are the biggest competitive threats.

Competitiveness is not guaranteed

CVS Health, **Amazon Care** and **Walmart** have all recently announced they are moving into direct provision of primary care. One reason is that traditional systems' failures to provide services in these areas with a human-centric focus has opened the door for these industry behemoths to deliver a differentiated experience at a lower cost.
And encroachment into key specialties is not far behind. Our survey results suggest that many industry executives don't see this coming. How can they face these competitive forces without alignment around what patients want—or how to address their needs?

Traditional systems still have some competitive advantages, but these are not permanent. In a truly human-centered model, comprehensiveness and continuity are critical dimensions of experience that systems can build on as differentiated capabilities. But these have historically been largely potential assets, rather than fully realized assets. Now is the time to realize that potential.

In addition, market economics matter greatly. Value transparency is a critical competitive differentiator in areas with high Medicare Advantage penetration, a few very large, dominant employers or payers, or overall declining economic growth. Markets where cost risk is shifting to providers more slowly are those with intense competition for skilled workers, little provider competition, and high payer margins.

Take action: From new rules to new rewards

Health systems should take action to preserve their competitiveness in line with the new rules of competitiveness. The place to begin is by making changes across three critical opportunity areas.

1 | Rally around human-centered experience.

Health system leaders often believe they focus on experience today, but most are not aligned to what patients actually want. They should shift from traditional views of patient experience—improving access to drive revenue—to truly reimagining every aspect of the patient journey around individuals. This means using design thinking approaches to conduct end-to-end journey mapping around the needs of defined patient segments. A health system did just that in rethinking its constellation of outpatient care centers. This led to new archetypes of delivery environments: a center of excellence for chronic conditions, a "one-stop-shop" for families offering primary care and common specialties, and several others. It's not just the services that are different. It's **how** they are organized around the needs of patients, rather than the needs of the system that is different.

2 | Improve understanding of value.

People measure value in healthcare in terms of how good the experience is, its convenience, and its cost, in that order. The concept of quality of the care is also largely derived from these elements. They irony is that there is so little cost transparency in what is arguably the most important service that anyone pays for. People have less and less patience for the traditional smoke and mirrors around healthcare pricing. They want the same cost and experience information that they get in nearly every other transaction they make. Health systems can offer this by providing intuitive, Amazon-like shopping experiences so patients can make informed decisions. This can include combining transparent cost, quality and experience information all in one place, instead of forcing consumers to go through myriad sources and tools to get the information they need. Value will need to be communicated in ways that are relevant and specific to the unique needs of local markets.

3 | Prepare for intelligence-driven transformation.

The convergence of market forces and technology advancement makes it possible to bridge the gap between humanizing experiences and value transparency. The ability to abstract data and processing to the cloud supports predictive visibility into patients' individual clinical journeys. This transforms everything possible about care delivery. Providers can be predictive, rather than reactive. Clinicians can intervene within their own workflows, reducing friction and improving outcomes at lower cost. Administrators can improve decision-making and interventions in capacity management, patient routing, and staffing. In the near term, AI can enable anticipating patient journeys to offer up services when and how they are desired. Moving forward, AI can transform value delivery by predicting health risks and targeting care interventions to reduce unnecessary cost and improve care outcomes. To be a part of this future, health system leaders could track how market and technology forces are intersecting and develop forward-looking strategies and smart investments—or risk their future competitiveness.

The more that leaders align around what the health system of the future looks like, the more competitive they can be. And the better they can serve people. After all, when you are at a fork in the road, you can't reach a destination until you choose a clear direction.

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About the Accenture 2021 Health System of the Future Survey

In June 2021, Accenture worked with research firm Dynata to survey 259 US health system C-suite executives. This group was primarily comprised of CEOs, Chief Medical Officers, Chief Operating Officers, Chief Financial Officers and Chief Innovation Officers from health systems with greater than $500M in annual revenue. These executives largely represented multi-hospital systems, integrated delivery networks (IDNs), and stand-alone hospitals. The goal of this research was to understand drivers of change in the state of healthcare and ways in which health systems are responding.

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