



Health care beyond crisis:

Eight forces that will define the future





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The coronavirus disease 2019 (COVID-19) has upended our economy, supply chains, public safety nets and the health care system. Across the health care industry, stakeholders have rapidly and drastically begun to respond by leveraging technology, refining workflows and encouraging new behaviors.

On one hand, this experience has revealed the profound risks of disconnected or disjointed systems and methods. On the other, it has amplified the demand for tools that help adapt to change or disruption. It calls for strategies that sustain a long-term effort of transformation with predictive, holistic views that can anticipate market demand and short-term pivots.

While we all work together to prepare for another surge, or recover from the immediate aftermath, it is without question that we are forever changed. Health care leaders have been grappling with industry overhaul for some time, but the danger and breadth of this pandemic has accelerated change into previously unseen speeds. As uncertainty abounds, leaders should look for these key indicators with a comprehensive view that can best anticipate the future environment and guide intelligent action.

Optum Advisory Services has culled insights from across the industry to assemble a holistic point of view that:



Identifies the new forces shaping health and health care dynamics



Examines the risk and requirements of segment interdependencies



Reinforces the growing demand for greater agility

The following pages outline our perspective about the forces that will shape the future of health care.

Mapping an altered landscape

Our early involvement in COVID-19 response efforts engaged perspectives from stakeholders across the health care landscape including health plans, providers, life sciences, employers, government agencies, consumers and those previously less engaged in our health care system. This has allowed us to build a 360-degree perspective on the impact of the crisis and the windows of opportunity for recovery.

This point of view is also informed in part by the reopening and recovery work we are performing in a variety of settings all across the country. Our work employs market-leading and geographic-specific forecasting and demand models for both health plans and providers, continually refined with the freshest data and analytics.

Using multi-payer data assets and proprietary, artificial intelligence (AI)-driven prediction models, we are assessing supply chain stress points, forecasting pent-up consumer demand and evaluating where the market is shifting. We are also developing data-driven, dynamic surge analyses to forecast clinical resource needs and evaluate the financial impact down to the county level.

Detailed financial projections and scenario modeling have given us a glimpse into potential new cost structures, the impact on funding sources and assessments of returning volume.

This data, modeling and breadth of industry experiences has led us to the following insights.

Three anchor realities drive features of our macro environment



Economic impact

A significant economic pull-back exemplified by high unemployment will result in a slow recovery and broad economic retrenchment. This economic contraction will impact health care funding, spending (health care, discretionary and otherwise), market pricing, employment and overall economic growth.



(Longer) impact duration

The immediate impacts of COVID-19 will be felt for at least one to three years, requiring persistent distancing and resulting in recurring outbreaks. Any potential flare-ups, combined with pent-up consumer demand, will tax provider capacity and supply chain resources. No doubt epidemiological analysis will impact decision-making and will require organizations to pivot and adapt based on oscillating disease prevalence. Beyond the direct implications, additional compounding impacts will be seen and will add both complexity and corresponding cost considerations.



Radical, permanent change

The influence of financial realities, shifting policy, consumerism, smart technology and out-of-industry disruption will leave health care permanently altered. Some volume may be gone for good, while other aspects, such as wide adoption of telemedicine and other digital initiatives, are here to stay.

Eight macro environmental features have emerged

As we observe the foundational changes in the broader national landscape, we see these eight dynamics emerging around the health care industry.



A deeper look at foundational changes

These eight forces will require new strategies to meet industry dynamics.

1 Economic limitations

Significant unemployment, business reconfiguration and a slow return to economic stability and growth will shrink the health care dollar in every market. The federal and state governments, as well as employers and consumers, will have significantly less to spend on all services including health care.

Unemployment will increase the number of uninsured and underinsured. This will force many consumers to make hard decisions about their health care spending and what needs they prioritize. Providers will need to re-examine their services, pricing and payer mix to make sure they align precisely with the needs and preferences of their population. Health plans will see shifts in membership across lines of business as a result of massive loss of employer-based coverage.

2 Consumerism

Consumers control over \$370 billion in out-of-pocket health care spending.¹ And with current unemployment levels, another 30 million individuals could shift onto the health exchange. Health care costs are an issue, and a majority of consumers are now concerned about making trade-offs in their spending in order to be able to afford services they value most. As consumers carefully choose where their dollars go, organizations may need to reshape their strategies to address what consumers are still prioritizing. Understanding and preparing for the needs of the consumers you serve will be important for earning their loyalty and their health care spend.

Shrinking health care dollars combined with new market entrants will create stiffer competition for winning over the right volume of consumers. And some of these new competitors are very consumer savvy. Many health organizations are unfamiliar with the different attitudes and behaviors consumers have when choosing, engaging and paying for their health care. Organizations that can anticipate a consumer's health priority, serve them in a way that matches their lifestyle and deliver at a price they can afford will earn their business.

3 Reconfigured delivery models

The industry's responses to contagion concerns have disrupted care settings, health priorities and the traditional health care delivery model. Online tools, telemedicine, mobile services and remote monitoring have been rapidly adopted as alternatives and complementors. As a result, health organizations will have to reorganize around the success of these digital channels and adjust their overall approach and pricing to match. This should enable a more holistic view and conversation about care coordination.

At the same time, nontraditional market entrants should be positioned to understand consumer needs and present options to offer convenient, low-cost alternatives through retail channels. This will further erode the share of wallet for traditional health organizations unless they can adjust and offer just as competitive convenience and pricing.

Data will be generated across a growing spectrum of digital platforms. And services will be delivered through an expanding set of nontraditional channels. This will make it harder for any one entity to see or own the whole consumer relationship. These trends will only further accelerate the democratization of data throughout the industry

4 Decreased total cost of care

The pressure to decrease total cost of care (TCOC) has been mounting for years. With federal and state governments now facing significant, long-term shortfalls, this has reinvigorated these pursuits significantly. And as consumers bear more of the costs and explore their choices, affordability will be a mandate to stay competitive.

With limited dollars available across the board, these pressures are likely to increase the shift to value-based models. Organizations still anchored in fee-for-service may see a radical disruption in their balance sheets, while those already on the value-based journey may have operationalized continual efforts for cost-saving and have the contracts to match.

These economics impact anyone paying for health care. Elective services have declined, and moving forward organizations will not be able to manage the expense of offering services that don't meet a critical demand. This may force all health organizations to re-examine and refine their networks and service portfolios to ensure they truly match the needs of the health consumers in their market.

It's not just the clinical aspects under scrutiny. The cost equation requires examining the administrative burden as well — both from payers and providers.

5 Demand for advanced analytics

Preventive, well-coordinated care across a network of providers and over the lifecycle of the consumer depends on the timely exchange of information, intelligence and insight.

The need to lower costs, personalize treatment and prove quality will increase at a greater rate. Therefore, so will reliance on advanced analytics, predictive modeling, AI and natural language processing. But interoperability of information across a health ecosystem is where the value scales.

With a shortage of clinicians and an explosion of health data, decision-makers across the industry will see increased demand for the support of connected, intelligent information systems. This connectivity will allow all stakeholders to help predict risk and bring the full capabilities of their health ecosystem forward in response.

Some systems will be able to afford this independently, while others will negotiate access through strategic partnerships and value-based financial arrangements.

6 Value chain reorganization

Industry performance has been hampered for decades by waste, unnecessary cost and a disconnected care experience. Purchasers and especially consumers have long sought simple, affordable and convenient experiences. This gap in the value chain opened the door for out-of-industry competitors to step in and capture a share of the health care dollar. COVID-19 has created enormous expectations for safe, consistent, cost-effective alternatives in health care delivery. Traditional organizations need to be able to reliably meet this demand or risk losing business to new market entrants who will.

Meaningful reorganization within the health care value chain will inevitably occur. Those organizations in "survival" mode may find themselves better suited for partnership or closure, and those who may be well diversified may divest of their under-performing assets.

7 Holistic risk considerations

Moving forward, business as normal will no longer be enough. To survive this industry shift, organizations must prepare for and respond to a broader range of risk. Factors that will impact risk levels include unpredictable demands on the health system, rising consumer control of spending, out-of-industry competition, a shrinking health care dollar, and the expansion of digital health — just to name a few.

Financial limitations and unemployment levels will emphasize the value of a more proactive, preventive approach to health — especially when caring for people facing complex or chronic conditions. COVID-19 economics are likely to create more pressure and more opportunities to look upstream at all factors that influence health including social determinants of health (SDOH).

Stakeholders in each market or region can collaborate to share data and create clear pictures of their communities to recognize the full set of factors that contribute to health concerns and costs. This insight creates a valuable platform for innovation. Organizations that have market intelligence, are able to collaborate and are ready to move quickly to address risk will gain dramatic market relevance.

8 Regulatory refinement

Regulatory changes are the most difficult to predict, adding more pressure to health organizations to stay ready to respond to these changes. It is anticipated that the health care regulatory environment will be more relaxed. And as a result of significant budget pressures, we expect reprioritization at federal and state levels. But with the uncertainty of the coming election, the long-term ambiguity of COVID-19 and the staggering growth in unemployment, the regulatory impact on health care organizations is still a wild card.

How health organizations can prepare for the future

There's growing pressure for more business agility. The good news is that health leaders are already familiar with the foundational shifts happening in the industry. The challenge is that the expectations driving these adjustments has been exponentially amplified, and the need for speed and agility have never been more acute.

Here's what leaders can expect over the next 6 to 18 months:

1. Acceleration of existing trends and activities.

The pandemic has fast-tracked many trends and activities already in motion. The very nature of a crisis accelerates activity and accentuates key priorities. Many if not most of the underlying shifts in health care remain the same. But COVID-19 economics mandate that the industry achieve those goals on a faster timetable.

Eliminating unnecessary costs, improving outcomes and increasing satisfaction for clinicians and consumers is an economic priority. And each market stakeholder controls a piece of the market pie — which is further threatened by new market entrants. The ability to combine organizational energies into a high-performing arrangement will separate the winners from the losers.

2. Shortened planning cycles

To stay responsive, organizations will need to shift from thinking mainly in terms of three- to five-year plans and move to monthly check-ins and quarterly planning cycles.

Most everyone has a crisis-response team in place, and many are already in the throes of revising strategies and opening select services. A shortened approach to business planning can be a natural extension of these activities. The disciplines acquired for short-term planning cycles and preparing for disruption will help organizations remain flexible and anticipate additional shifts as they go forward.

3. A need for ongoing flexibility in staffing, operations/supply chain and delivery

Each market is likely to experience fits and starts as it copes with its own pandemic dynamics, local populations and economic realities. Sudden and unpredictable demands on staff and supply chains will be more of the norm versus seasonal events.

Leaders may need to re-examine their organization to determine which core capabilities they need to prioritize to fulfill their mission, and which can be removed or outsourced.

As digital tools take hold and consumers influence more decisions, staffing and operations will need to be able to adjust to match without adding disruption to workflows.

Leaders in health are working overtime to solve these issues. While no one can predict the future, now is the time to design ways to work smarter — not harder. With a dedicated team, organizations can create a culture of change, build an ecosystem that can shift and adapt at speed and become more comfortable with ambiguity.

QUESTIONS TO ASK

As you begin to map a path forward, here are some core questions to consider:

IMMEDIATE



- When do we anticipate our market entering a state of recovery? What should we be prepared for in the immediate term?
- What services should we prepare to bring online? On what timeline? How do we decide? How do we operationalize?
- How will our commercial environment and payer mix change? How will this impact our near-term liquidity and longer-term financial/capital planning?
- How will we change our care delivery? (e.g., telehealth, staffing/workforce)
- How will we engage with partners differently than we did in the past (e.g., SNFs, specialty pharmacies, labs, physician groups, payers, non-traditional participants)
- How are our current value-based contracts impacted? What will our future path to value look like?
- How will we think differently about understanding, engaging with, and retaining our consumers?

LONGER

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Strengthen your team

With breadth of industry knowledge and depth of experience, Optum Advisory Services is uniquely positioned to offer comprehensive COVID-19 support across a wide range of interconnected strategic and operational domains.

Our team of consultants is ready to help you design your organizational response to the current environment and enable a secure future.

Meet our experts



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**Learn how Optum Advisory Services
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Source

1 Kaiser Family Foundation & Peterson Center on Healthcare

<https://www.healthsystemtracker.org/indicator/access-affordability/out-of-pocket-spending/>



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