

SEIZE THE OPPORTUNITY IN THE FACE OF UNCERTAINTY AND INSTABILITY

Huron's 2018 Healthcare CEO Forum Report

At Huron's 2018 Healthcare CEO Forum, some of the nation's top health system CEOs came together to discuss their transformation journey. These forward-thinking individuals shared the obstacles they face due to policy and regulatory uncertainty, and greater demands of consumers in how they want to engage with their healthcare organization.

The CEOs in attendance were challenged to assess how they could become a disruptive force in the changing healthcare industry. This challenge came from innovative leaders who have been disruptors in their own respective industries including Mark Bertolini, orchestrator of the merger of Aetna and CVS; George Blankenship, who spearheaded Apple, Tesla and Gap's consumer-centric transformations that created innovations like Apple's Genius Bar; and Roy Davis, who pioneered new approaches to underperforming businesses as a senior executive at Johnson & Johnson.

The innovative leaders shared how they found success by not just creating a better version of the current business, but by creating a new business model that delivers a better consumer experience. These leaders' innovations enabled their companies to reduce the reliance on the legacy business while developing new models of future growth. The healthcare CEOs highlighted similarities to their industry, recognizing that developing an entirely new way of meeting consumers' health needs isn't about a better, cheaper or more efficient way of offering healthcare services. They must address consumers' unmet or emerging



needs through innovations that will build their brand and have positive financial implications. The CEOs noted that new, non-traditional entrants in the industry are doing just that, putting incumbent organizations like their own at risk of becoming obsolete if they don't transform.

The lessons shared by the innovative leaders fueled a strong sense that now is the time to act.

Deliver Valuable Experiences for Consumers

The success of any new product or service depends on consumers. [Jeff Bezos has said](#) that the only thing that's disruptive is consumer adoption. New entrants aren't disruptive. What's disruptive is consumers who make the choice to change their buying habits. Similarly, companies don't establish the value of a product, consumers do.

To consumers, value and price are not the same. Value is what they deem a service to be worth, and they're willing to pay more if they feel that the experience is meaningful. To create value, identify consumers' "[jobs to be done](#)" (what they're trying to be accomplish or achieve) and the barriers they must overcome. Instead of focusing on designing a service, focus on designing an experience that entices, informs and engages consumers.

For instance, if a consumer wants to improve their health they may find more value in the purchase of an [Apple Watch](#) for \$400 compared to a \$40 copay for a physician visit. An Apple Watch provides tangible metrics and enables them to track their fitness goals while an appointment with their physician may leave them without a clear direction for what to do next and a sense of frustration if they feel their voice wasn't heard by their provider.

Attendees discussed new models of care like [One Medical](#). Some consumers are willing to pay the \$199 annual membership fee because they see value in the benefits which include longer appointments, email communication with providers and same-day appointment scheduling. This shows that the kind of healthcare experience consumers want isn't necessarily cheaper, but one that provides them greater value. Apple focuses on consumers' unmet needs as they create entirely new offerings. The Genius Bar spawned from

Apple's recognition that technology is confusing for consumers. Rather than hiring technology experts for a customer service phone line, they hire people who are not technology experts to staff the Genius Bar. This creates a new kind of experience, where the complex nature of technology is simplified for

the consumer as non-technologists explain seemingly complex products and services. The concept of Apple's Genius Bar brings consumers into the stores even when they aren't intending to buy a product, and the added interaction helps solidify the consumer relationship.



Tesla's stores focus less on selling cars and more on bringing consumers into their stores for a unique experience. Although they actually can't buy a car in the store, consumers are engaged as they use touchscreens to design their dream car. Ultimately, this informs consumers about their product while creating a relationship so that when they need a car, they already feel connected to Tesla.

For CEOs, who often feel like they must do more with a smaller budget, the notion of value, not price, can be a breath of fresh air. A focus on value shows that it's not only about the price of a service or incurring higher costs by doing more. It's about doing things differently and rethinking the entire healthcare experience by addressing consumers'

needs in a way that leaves them satisfied. An emphasis on a holistic approach to truly understanding and addressing consumers' core needs will serve as a foundation for a high-value, differentiated and potentially transformational offering.

Decide Where to Focus Investments

As the CEOs looked for ways to establish a new consumer-centric business model, the importance of experimentation was discussed. Experimentation can be guided with a focus on optimizing the core business to create growth in the present while creating a new business model that will drive future growth.

This concept can serve as a guide in making difficult decisions around resource allocation.

While many within organizations will have innovative ideas, the CEOs were cautioned to be selective in where they place their bets for success. Focusing on hundreds of ideas and funding each won't necessarily yield a clear decision on where to go next.

To enhance the likelihood that your strategic goals and future business needs will be met, follow these guidelines:

1. Start with a blank slate. Don't guarantee funding for existing services and programs. Instead make them show value before continuing to fund them.
2. Look at the current spend. Funds are often trapped in places that don't need all the funds that are allocated to them. Find these areas to free up funding for other initiatives.
3. Add by subtracting. Use funds freed up from existing offerings to fund new growth opportunities.

4. Be selective. Rather than funding every idea, prioritize and fund only the most compelling projects. This focus on funding strategic investments will ultimately allow success or failure to be realized more quickly.
5. Assess investments based on opportunity. Look for new markets and look at markets in a new way. Don't look at markets only in terms of geography or demographics, but rather new ways to provide care.
6. Measure success based on the return on the capital deployed. If an idea can't produce the desired results, cut it, and if it's showing promise, increase investments to establish the viability in market more quickly. Just like existing service lines are held accountable for a profit, investments for the future should be held to the same standard.

The CEOs were challenged to focus internal efforts on a few priorities and place bets where they'll deliver the most impact rather than trying to cast a wide net across all of healthcare. They were also encouraged to look for new

FOCUS YOUR INVESTMENTS

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Measures success based on return on capital deployed.

markets to enter outside the traditional boundaries of the healthcare industry.

This requires knowing the consumer and truly understand their needs and ambitions. There is no one right answer or solution and the success of one healthcare organization may not lead to success for others. Waiting for others to unlock a new business model is not the path to success, instead leaders must pursue their own transformation.

Lead Through Uncertainty

The innovative leaders shared how they have led transformative change and offered advice to the attendees for stepping into uncharted territory. None of them knew what the exact path to success would look like, or what the right business model would be, but they opted to act rather than respond to market trends. The CEOs were reminded that leading during a transformation is not easy, nor does it come with a clear roadmap. The

innovative leaders' success helped to reinforce that transformation is achievable. The attendees discuss some of the most valuable things a leader can do during a time of uncertainty. These included:

- **Identify new ways to fulfill your mission.** Keep your mission in mind during strategy development and as you look for new business opportunities to better meet your consumers' needs.
- **Be visionary.** Define and align your teams with the future environment five to seven years out and work backwards in establishing a plan for success at that time. This creates clarity around the future enabling the ideation of innovation solutions that aren't bound by the constraints of the present.
- **Make courageous decisions.** Don't be afraid to do something that's difficult or risky.
- **Be selfless.** Think about the good of the organization above yourself.
- **Establish authenticity.** Let your team see who you truly are.

LEADERSHIP SKILLS FOR TRANSFORMATION

- Identify new ways to fulfill your mission.
 - Be visionary.
 - Make courageous decisions.
 - Be selfless.
 - Establish authenticity.
 - Have conviction.
 - Have confidence in those you lead.
 - Be a silent leader.
- **Have conviction.** Know what you want your organization to be, even if you don't have a definitive plan for getting there.
 - **Have confidence in those you lead** and their decision-making abilities.
 - **Be a silent leader.** Establish the mission, lead by example and rally employees around your vision so they can bring forth ideas that will create tomorrow's business model.

Being a leader who possesses these skills will encourage employees to engage in creating a consumer-centric business for the future.

Throughout the event, the CEOs were challenged to respond to consumer demand in a new way by aligning their strategy with evolving consumer needs. They were reminded that this is not easy, but a leader who is engaging and compelling can align their organization around the development of innovative solutions that meet consumer needs in a way that has never been done before.



Key Takeaways

The future of healthcare is not about a better version of the industry today, success will require an entirely different business model that can be successful in the future. Leaders need to recognize that the industry is in a state of disruption, have the conviction to make decisions that put their organization on a path to better meet their consumers' needs and continually reevaluate their plan to stay ahead moving forward. This requires a continued focus on optimizing the existing core business while simultaneously investing in the creation of an entirely new business model for the future that addresses consumers' unmet needs. To do so you must:

Think differently.

Look at the community you serve and your consumers, consider how you can own their healthcare relationship by meeting their health needs in a way that fits their lifestyles.

Plan differently.

Put everything on the table. Reassess what truly provides value today and what needs to be invested in for the future as you redefine the healthcare experience from being hospital-centric to consumer-centric.

Act differently.

Pursue transformative business strategies and place bets on those opportunities that appear to yield the most success as you create your business of the future.

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