Health Business Transformation

Solving the agility vs. affordability paradox

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Accenture research reveals that healthcare executive teams are not guiding and directing their organizations to fully harness innovation to balance agility and affordability—which is critical to create sustainable business models.

Healthcare is acutely aware of the tension between agility and affordability. On one hand, traditional players must become more agile to compete with nimble new entrants, adapt to changing consumer expectations and keep pace with technology-driven disruption. On the other hand, they must also control costs in a post-pandemic environment where affordability issues have taken on a new sense of urgency and complexity.

Herein lies the paradox. Payers and providers are caught between two competing priorities. Pursuing them seems like an either-or proposition. But agility and affordability in healthcare do not have to be mutually exclusive—if healthcare organizations fully harness innovation to create a future-ready business model.

Agility + affordability = Business sustainability

As part of Accenture's healthcare C-suite research program, we spoke with 23 payer and provider leaders to understand their innovation focus. We explored how they are designing their innovation agendas and investment strategies to respond to disruption and deliver on business priorities and technology needs.

Although healthcare executives acknowledge that innovation is "an environmental demand," many have a situational focus on the strategic fit of innovation for a specific need. Few extend their focus beyond this to the full value story, rarely analyzing and quantifying the financial and business impacts of innovation as a whole.

This approach is a liability in an industry in the throes of disruption—accelerated by the COVID-19 pandemic. There's only one way for healthcare organizations to break out of the agility vs. affordability paradox and achieve business sustainability. It takes an innovation strategy that's in lock-step with the business strategy so that organizations can use innovation with purpose to create resilient business models.

> "Innovation should support acceleration or further push to your strategic agenda."
>
> **Regional health plan chief strategy officer**

Healthcare innovation at the speed of necessity

At the beginning of 2020, no one could have imagined that innovation could become a bigger focus in healthcare than it already was. Then COVID-19 defied imagination and raised the stakes even higher.

Healthcare executive teams had to mobilize fast to respond to the crisis—doing everything from scaling virtual care and creating member and patient hotlines to building capacity in hospitals.[2] Sheer necessity created an urgent need to innovate to meet unprecedented challenges and surging demand.[3] As it turns out, necessity is not just the mother of invention, it is the mother of innovation too.
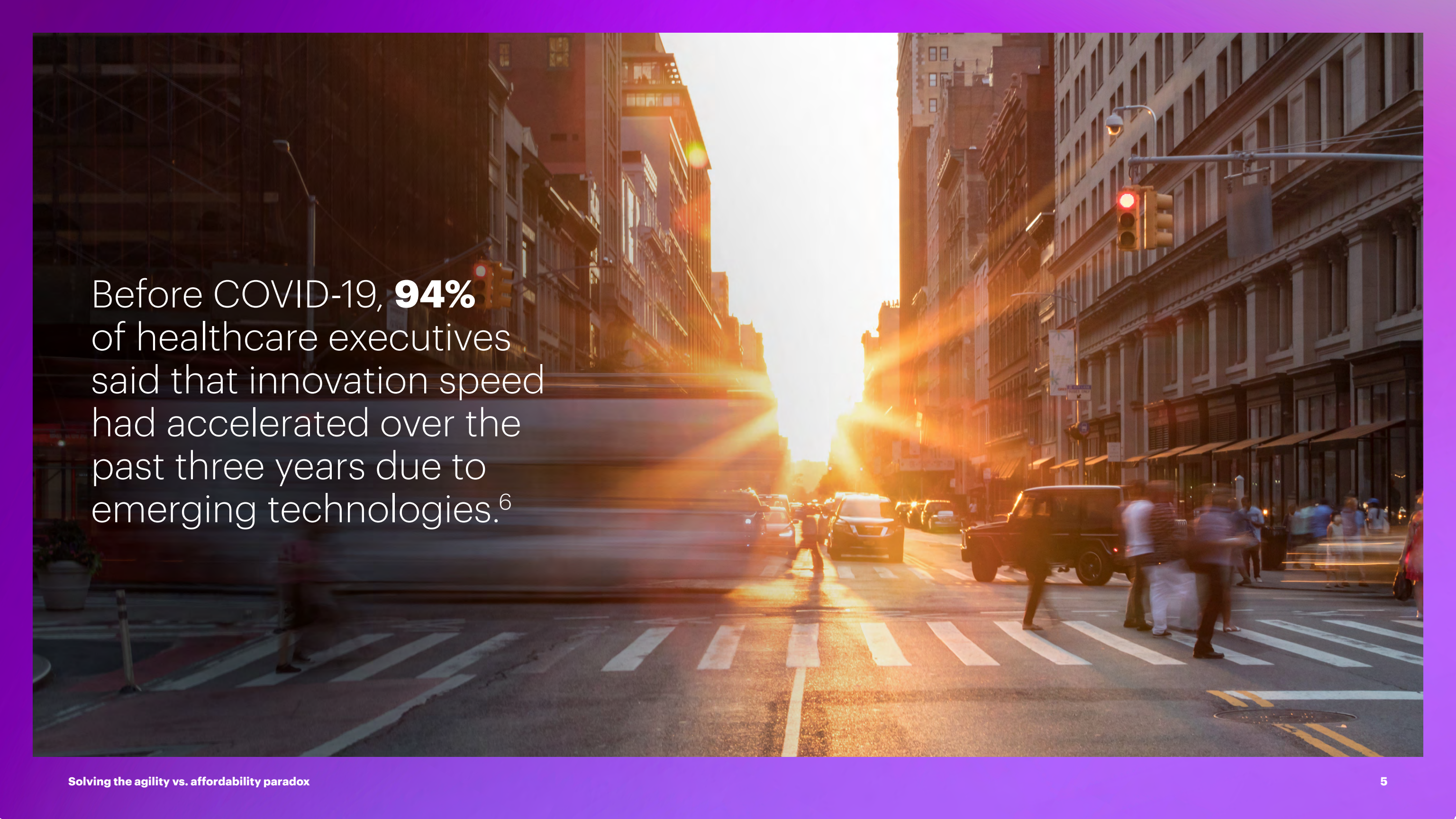
The pandemic has fast forwarded innovation in healthcare. Take telemedicine, for example. Since the pandemic began, telemedicine visits have skyrocketed. At the Cleveland Clinic, these visits soared from 5,000 visits in February 2020 to a record-breaking 200,000 visits in April 2020.[4] Rapid change like this has left providers evolving new ways of working on the fly, and payers scrambling to change their benefits design to respond. It's just one example of how innovation initiatives that were on the edge of an organization just months ago are now in the core—central to future sustainable business models. What was the future is now the present.

Moving forward, the industry must innovate to provide reliable care at a distance, offer flexible and affordable benefit options, support remote workers, strengthen business continuity and improve preparedness for the next crisis.[5] And the already lightning-fast pace of innovation will likely get even faster.

In this unprecedented environment, healthcare executives have choices in how they think about and approach innovation. This makes the results of our research especially timely, and it makes balancing agility and affordability more important than ever.

Before COVID-19, **94%** of healthcare executives said that innovation speed had accelerated over the past three years due to emerging technologies.[6]

Action starts with definition

From incremental to breakthrough to disruptive, there are many types of innovation in healthcare. But what the industry doesn't have is a universal definition of the term itself.

When asked to define innovation, healthcare executives offered a range of conceptual definitions. Some were unable to define innovation at all. Many healthcare executives focused instead on enablers like culture, funding and talent or particular niche approaches to innovation over an all-encompassing definition. An executive at a large health plan is working to "figure out" the definition of innovation across the larger company. A health system executive never uses the term innovation, and instead, focuses on becoming patient centered.

The lack of a clear, shared definition of innovation is more than a matter of semantics. It is a symptom of a larger problem. It underscores the difficulty that healthcare executives are having shaping an actionable innovation strategy and operationalizing innovation as part of a sustainable business model. As one health system executive explained, they are "worried about disruptive change," but are "not sure where to look in the industry for where disruptive change is going to be." This signals a lack of awareness of the innovation landscape and a challenge in tying the innovation strategy to the competitive, consumer and regulatory dynamics shaping today's healthcare environment.

Innovation and invention are not the same. Inventions do not always have a use or a return. Innovations are new and novel solutions to unaddressed needs that create measurable business value.

Healthcare executives had even more difficulty articulating the financial and business-driven motivations for innovation. They seldom quantify financial and business impact of innovation initiatives. Many leaders are not looking at innovation as something that creates business value. For those who do, measuring the value and maturity of innovation is notoriously complex.[7] In healthcare, outcomes like behavioral change in patients, upstream vs. downstream impact and physician adoption are tricky to quantify. Considering that high-growth companies have the discipline to tie innovation rigorously to financial performance, this value gap is a weak link.[8]

Value is being trapped

With limited capital and investment capacity, healthcare executive teams are making trade-offs to fuel innovation at scale across their organizations. Determining the best moves is never easy.

Not surprisingly, healthcare organizations have different operating models to manage and fund innovation. Leaders typically maintain a portfolio of investments with a balance between core and new business opportunities.[9] For example, a regional health center has two Business Units. One brings new ideas and models to address issues in the core business. The other identifies new business models and revenue streams outside of today's core business. A national health plan dedicates resources to the areas of "running the core," "growing the immediate," and "transforming the future."

The healthcare executives we interviewed stated that most assets are tied up in the core business. Restricted access to capital has created new ways of working, such as standalone innovation centers and efforts to fully embed innovation into organizational DNA. These efforts include investments in radically re-architecting culture, building teams with "learning" mindsets, developing a human-centered approach to problem solving and supporting a spirit of experimentation.

"If you don't balance the core with the new, then you will fail and not be able to finance the innovation agenda."

Health plan chief information officer

Our conversations with healthcare executives also reveal that tension is mounting between core and expansive new business efforts. Innovation pays the price in the form of trapped value.[10] What happens is this: The link between core business and innovation is often unclear. So much so that innovation is viewed as something outside of the foundational elements of the business. This is a significant barrier to scaling innovation, which is already a challenge. As one healthcare executive explains, "Our ability to scale innovation is limited by access to capital and business case support."

Healthcare organizations can free themselves from this dynamic. The key is in selecting a fit-for-purpose operating structure for innovation that accounts for the level of disruption an organization wants to absorb, the skills and flexibility of the workforce, market realities and the availability of capital. There is no one-size-fits-all approach. And no matter the model, leaders should expect a healthy tension between "the core" and "the new." Think of it like managing a microcosm of balancing agility and affordability for the business overall.

Making bold moves pays off

Traditional players need aggressive plays as mega competitors raise the bar on innovation in healthcare. This means finding the perfect set of technologies to amplify impact by unlocking trapped value and creating new sources of value.

Healthcare executives we interviewed feel the heat from non-traditional competitors like Amazon and Walmart that have the technology, agility and scalability to bring game-changing solutions to market fast. They also feel the weight of consumer demand for secure, useful and trusted digital services.[11] To respond to these pressures, health executives report that they are seizing on technology as an enabler of holistic innovation, rather than as the sole solution to improving cost, accessibility or quality of care. Case in point: A large health plan is advancing its cloud platform in an effort to bring new flexibility to its capabilities and create a meaningful competitive advantage.

At the same time, economies and industries are being reshaped by "exponential technologies"[12] that promise repeated doublings in improvement of both price and performance over relatively short intervals, as often as every year or two. The exponential technologies of the past decade have "democratized" technology, making it faster, cheaper and less risky for new entrants and incumbents to bring new solutions to market quickly. But opportunity does not come without investment. Limited capital and technical debt prevent healthcare organizations from fully investing as they would like in the tools and systems to support innovation powered by these modern technologies.

"The CIO is trying to pivot the organization to think about technology as a solution to business issues rather than simply a necessary infrastructure enabler."

Health system senior vice president of strategy & innovation

Moving past this issue means leveraging existing and emerging technologies in new ways to multiply impact. This "combinatorial innovation" is about the whole being greater than the sum of the parts. One way that healthcare organizations are doing this is by creating Alexa skills. It's an approach that leverages a collection of open source API interfaces and cloud, machine learning and enterprise resources to improve consumer experiences. Healthcare players have built a range of Alexa skills—from tracking prescriptions ordered for home delivery to making urgent care appointments.[13] In fact, Best Buy Health's new Lively Flip phone includes Alexa voice services designed to help seniors get easy access to telehealth and emergency services.[14]

Healthcare executive teams that leverage non-traditional partnerships can also get more innovation horsepower at less cost. Market makers are perfecting this approach, working with start-ups or Big Tech with a joint value proposition so they don't have to build in-house innovation capabilities that exist somewhere else. Take the Froedtert and Medical College of Wisconsin health network, for example. To reduce the number of in-person prenatal visits for pregnant patients during the pandemic, the network is collaborating with Babyscripts—an obstetrics virtual care platform—and Xealth—a digital health platform. This integration made it possible for the network to roll out its virtual maternity health offering much faster than it could have done alone.[15]
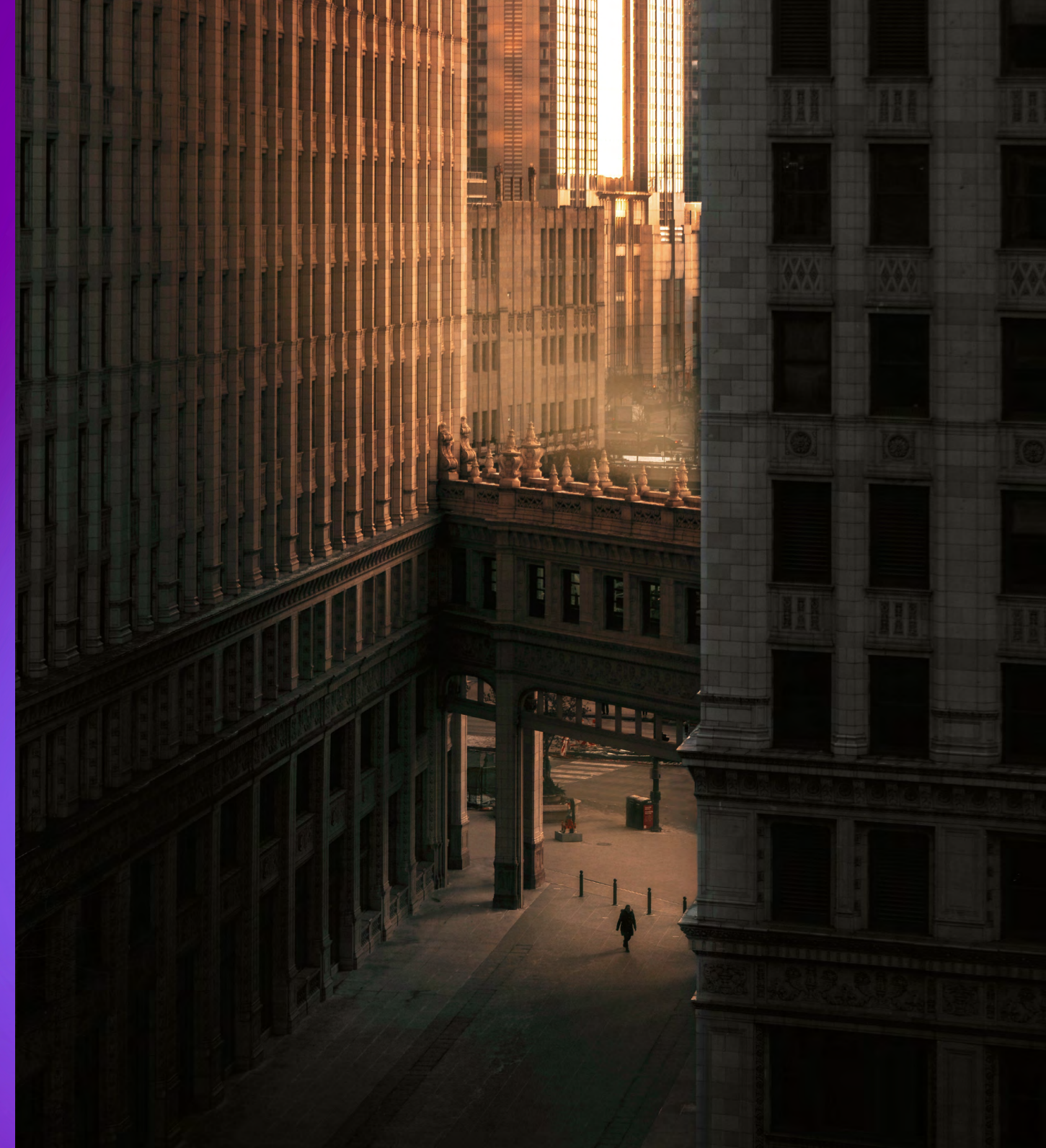
There's no turning back

Before COVID-19 reshuffled the healthcare innovation landscape, it was an "us and them" or "have and have-not" environment.[16] While this will not fully disappear moving forward, things will change.

Healthcare executive teams can use innovation to build on the gains they have made to respond to the crisis. It's about innovating to balance agility and affordability. Making it happen starts with these five fundamentals.

01
Develop strategic clarity and commitment

The CEO should lead the effort to develop an innovation strategy that supports new business and care models. He/she is well positioned to bring unity to the organization while changing it. Ensure that goals are clearly stated and shared from the outset.

02
Work backwards from the customer

Innovation worth the investment reflects a deep understanding of the customer problem using human-centered design problem solving methods. This means assessing why current solutions fail—and what the true potential of new solutions is to go beyond solving a problem to changing the game.

03
Deliver value with an intelligent operating model

A fit-for-purpose operating model underpinned by an integrated data platform is at the core of the organizational construct. Operations must be grounded in a human and machine collaboration where machines power value creation and humans set the strategy and build the necessary infrastructures.

04
Get results with agile ways of working

To drive innovation, healthcare organizations need to "innovate" ways of working as well. A key part of this is functioning as an agile, product-focused organization. This is as much about a software culture and mindset at the core of the organization.

05
Set clear, multidisciplinary governance

Strong governance is critical. Ensure that it focuses across disciplines and functions—as well as ecosystem and partner relationships. Continually assess and adjust for legal and ethical exposure.

Innovation is on the move in healthcare. More than ever, it is key to respond to customers and compete in rapidly changing markets as a matter of survival.

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About Accenture's C-Suite Research Program

Accenture's C-Suite Research Program outlines the key themes that will reshape the role of health plans and providers in the future, and identifies a blueprint to help organizations secure a winning position. As part of the research, Accenture met with 23 health executives. Discussions covered five main topic areas: defining innovation, innovation focus areas, organizing for success, financial impact and innovation results. The authors would like to thank Sarah McCauley, Sho Lin Chen and Carol Lee as key contributors on our CEO research team.

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