PIVOT POINT CONSULTING
A Vaco Company

Q1 — 2023
MARKET REPORT

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THE RETAIL TRANSFORMATION OF HEALTHCARE GAINS STEAM – AND BIG MONEY

While the pandemic-fueled frenzy of digital health hoopla and billion-dollar start-ups has moderated – **down by over 50% from 2021** – another potentially transformational shift in the market continues full force. The "retail giant" footprints in healthcare continue to expand, as evidenced by the moves of Amazon, Walmart and others in the market in 2022, and their plans for 2023.

These organizations seek to fundamentally change healthcare delivery through breadth and depth of services, as well as logistic and data capabilities. The crystal ball question is: can these goals be achieved, and by whom? Or is this a reactive land grab that will end in fire sales, further fractures to whole person care and higher costs?

Regardless, we are experiencing massive moves in healthcare dollars and delivery. While Amazon, CVS, Walmart and Walgreens have been exploring and investing in healthcare for the past several years, in 2022, these consumer-centric entities amped up investments, acquisitions and partnerships each making multi-billion investments. These entities' market moves and other recent key market changes are highlighted below:

Amazon: One Medical $4 billion

In July, Amazon acquired One Medical, a tech-enabled primary care platform that includes 24/7 virtual care services, chronic care management, in-office primary care, specialty care coordination, behavioral healthcare and home care. This has resulted in off-the-chart member and consumer satisfaction, 90% retention and 300%-member growth rates in five years.

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This is no standalone "buy-in" move by Amazon. One Medical holds partnerships with many large, highly regarded health systems nationwide – from Mass General-Brigham in Boston and Emory in Atlanta to UCSF in San Francisco and Providence in Seattle – and its Iora products are growing quickly for Medicare and Medicare Advantage recipients.

Also, in 2022, Amazon relaunched its virtual care services with a twist on previously failed virtual and employer-based efforts (Amazon Care and Haven). With Amazon Clinic, Amazon is leveraging its logistics and analytics prowess and outsourcing patient care. These services launched in November 2022 and serve 32 states with services for 20 common conditions. While the model aligns with Amazon's core business model, its challenge is attracting both consumers and providers to its platform.

Through modest synergies, One Medical, Amazon Clinic and the existing Amazon Pharmacy can improve access, outcomes and costs. However, as a business model anchored in convenience, cash and common conditions, the model may not significantly address the complex diseases driving healthcare spending and utilization.

CVS: Signify $8 billion

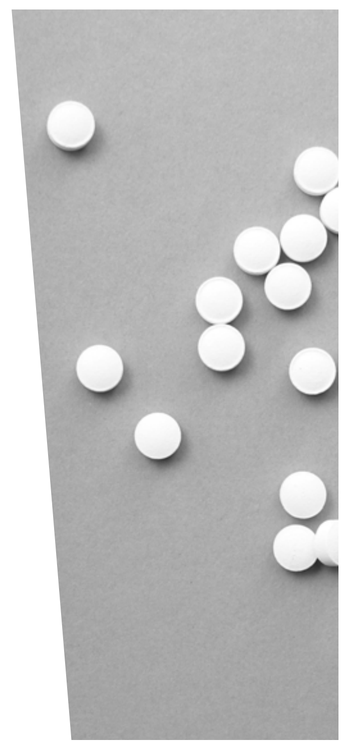
After losing its bid to buy One Medical in July 2022, CVS Bought Signify Health in September 2022 for $8 billion. The deal adds to its growing menu of healthcare services, including more than 9,000 retail drugstores, 1,100 Minute Clinics and the nation's third-largest health insurer, Aetna. With the acquisition, CVS gains over 10,000 contracted clinicians who provide health screenings and basic care. It also brings the highly successful platform marketplace, Caravan, for Medicare beneficiaries. CVS has also signaled continued expansion into the ACA marketplace, in-store clinics and the home market in 2023.

> Now with more than 680 locations, Walgreens is positioned to solidify its role in value-based care programs.

Walgreens: Summit $9 billion

In November 2022, VillageMD, which is majority owned by Walgreens Boots Alliance, announced its acquisition of the physician practice group, Summit Health, for $8.9 billion, with the expectation to close during Q1 of 2023.

Walgreens first invested in VillageMD in 2020 with goal to establish 700 primary care clinics inside its pharmacies. In 2021, the company said it would increase that number to 1,000 by 2027. The Summit Health acquisition brings Walgreens nearly 2,800 primary care physicians, doubling the previous number. It also brings complementary specialty and urgent care capabilities to VillageMD, allowing greater service capabilities and negotiation leverage with payers. Now with more than 680 locations, Walgreens is positioned to solidify its role in value-based care programs.



Walmart

Of the retailer giants, Walmart had the quietest 2022 in terms of splashy acquisitions. Rather, Walmart focused on the expansion of its own clinical footprint, integrating its 2021 acquisition of the telehealth vendor MeMD and a partnership with UnitedHealth to expand into the senior market.

> The company has more than 4,000 stores across the country, with 90% of Americans living within 10 miles of a Walmart.

Walmart is seeking to capitalize on a unique demographic and geographic footprint to further its healthcare position. The company has more than 4,000 stores across the country, with 90% of Americans living within 10 miles of a Walmart. Its expansion of in-store clinics continues as it bets on the convenience of one-stop grocery shopping, clinic pharmacy visits and prescription pickups, especially in rural areas where Walmart stores are a staple of the community. Three key moves in 2022 position Walmart for long-term success:

1. A partnership with UnitedHealth offers preventative services for seniors and virtual care for all ages. The program is starting at 15 Walmart stores in Georgia and Florida with plans to expand over the next 10 years.

2. The launch of the Walmart Rural Health Institute focuses on clinical research innovations and medications for underrepresented communities, including older adults, rural residents, women and minority populations.

3. The provision of free training for store staff enables employees to become community health workers. Of the major retailers, Walmart has the largest proportion of Medicare Part B recipients in the country. These patients often need help with paperwork, access to care and planning. These bridges to the community can serve as a natural conduit for Walmart Health programs and services.

WHAT IS OUR PERSPECTIVE AND GUIDANCE FOR CLIENTS?

From a healthcare delivery and market position, it's clear that "resistance is futile." While some of the retailers' early moves in healthcare failed, like Haven's, or floundered, like the fits and starts of various mall clinics, the pandemic and the broader waves of digital health and consumerism mean these new models of care are becoming a permanent fixture in the healthcare landscape.

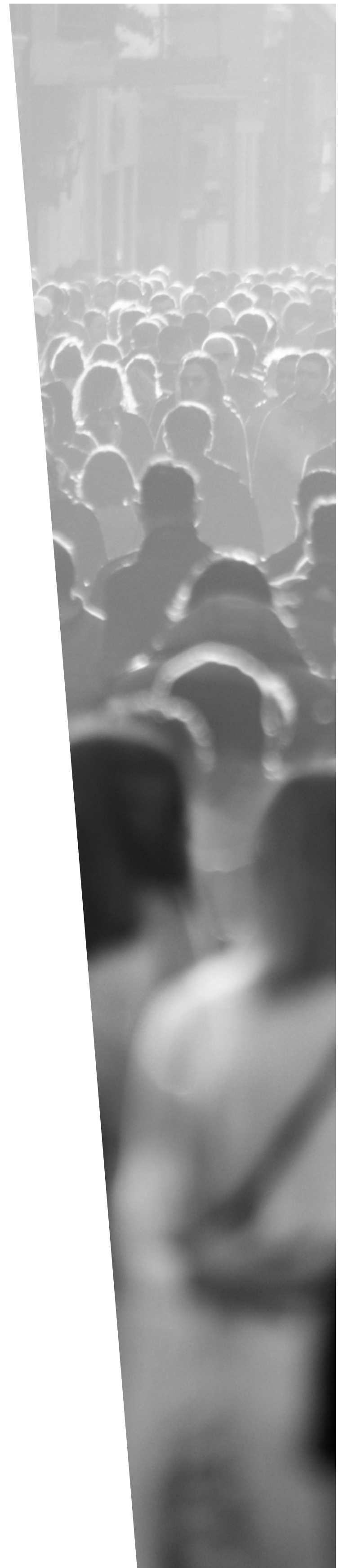
Traditional healthcare providers can no longer position themselves as "traditional." The future of healthcare delivery will be a hybrid of sites and omnichannel modalities. Established providers will need to remake and re-message how they compete in the market. Several keys to this include:

- **Establish and Execute Digital Strategy.** Build and manage a portfolio of curated, rationalized apps and technologies for patients and care givers. Be thoughtful – not every shiny application has tangible value. Invest in understanding industry best practices and build and execute a market-aligned incremental roadmap. This should start at the digital front door and permeate every aspect of the patient and staff experience.

- **Turn Data Into Innovation.** The data residing within and across today's clinical and business systems is more accessible and valuable than ever. The imperative is for provider organizations to invest in the skills and capabilities to mine, manage and make sense of it and have the executive vision and prowess to capitalize on data-driven innovations. Using analytics to inform strategies both helps push the boundaries of how we think and operate and also protects us from risk.

- **Build Provider-Payer-Platform Partnerships.** Notably, none of the retail giants have near-term ambitions of expanding into the hospital or other high acuity sites of care, but these capabilities will always be needed. Chief Strategy, Chief Growth and Chief Information executives should collaboratively build partnerships that solidify and sustain the health systems' core competencies, embrace and drive value-based care and deliver quality outcomes.

NAVIGATING THE SHIFTING TALENT LANDSCAPE



The Great Resignation. The Big Quit. The Great Reshuffle. No matter what you call it, the workforce has undergone a massive shift in expectations, demands and structure and health systems are still figuring out the new "Talent Landscape."

Macro-level shifts in the labor force are challenging health systems to retain top talent and manage a remote workforce. While many employees appreciate the flexibility hybrid or remote positions offer, this can create continuity and engagement challenges that appear across the myriad of tasks, responsibilities and project teams. Consistency and predictability become key drivers for successful outcomes across the enterprise, and in many cases, the shifting talent tides disrupt both. Many health systems are moving models and incorporating Managed Services as a strategic solution for solving the extensive variabilities of today's workforce.

Landmarks on the talent journey

A health system's ability to meet its strategic priorities boils down to its people. Do they have the expertise to identify and fulfill those priorities? The time? The money? Organizations often run into resource constraints when trying to balance innovative initiatives and "keep-the-lights-on" work that is critical to daily operations. This takes time, energy and funding to ensure teams are properly deployed and utilized. Managed Services helps address the growing complexity through:

Flexibility: Every health system has peaks and valleys of support needs. Upgrades, deployments and other initiatives can make it difficult to align team sizes to meet the fluctuating demand. This leads to underutilized staff in some pockets and overworked team members in others. Managed Services can weather those swings in demand and provide a more predictable resource and cost model. By being able to scale staff across engagements, it allows organizations to more aptly align resources with strategic goals.

Breadth of Expertise: Building cross-functional teams that cover the broad range of skillsets required to run a health system can be costly. Health systems are forced to balance teams that are "jack-of-all-trades" to narrowly focused experts across multiple systems. Managed Services provides a scalable alternative. A strategic Managed Services partner covers a broad range of expertise and brings guidance and recommendations on how to utilize each partners' expertise to achieve desired outcomes.

At Pivot Point, we view every Managed Services engagement as a strategic endeavor for our health system partners.

Where will the next need be?

At Pivot Point, we view every Managed Services engagement as a strategic endeavor for our health system partners. We provide clients with a unique ability to align, scale and deliver on their daily needs while helping them plan for and manage to the horizon. As health systems find greater value in Managed Services offerings, we are seeing more technical and operational models leveraging these solutions. This can range from outsourcing health system's scheduling and referral management to technical expertise for migration to the cloud. Reliable Managed Services Providers play integral roles in health systems' strategic plans.

ACCELERATE YOUR DATA INNOVATION JOURNEY

The digital operating model has disrupted nearly every industry. This has been fueled by the digitization of the consumer experience and the ability to innovate using analytics-AI. Industry leaders applied these new insights and capabilities not only to improve legacy service delivery models, but also to rethink delivery models completely.

Those who succeeded redefined industries and thrived. Many who didn't are no longer around; if they are, they struggle to maintain relevance. The biggest winner was the consumer. The book, **Competing in the Age of AI** by Marco Iansiti and Karim R. Lakhani does a wonderful job of describing this revolution. If you want to be nostalgic, Don Peppers and Martha Rogers published a book in the early 1990s describing the world we live in today, **The One to One Future**, which is a timeless read.

We have started this journey in healthcare. Digitizing the patient experience creates jet fuel, and the analytics-AI ecosystem is the engine that powers this journey. Healthcare leaders are using this ecosystem to improve health outcomes, achieve and support health equity, strengthen communities, enrich patient and employee experience, accelerate research, promote growth and streamline operations.

One only needs to look at how companies like Amazon, Expedia and Airbnb reshaped retail, travel and hospitality to appreciate the magnitude of the impact on healthcare. Chen Qiufan, a globally recognized leader in the advancement of AI, noted in his new book, **AI 2041**, that "When we look back in 2041, we will likely see healthcare as the industry most transformed by AI." In addition, Eric Topol has authored several excellent books describing the future of medicine. His latest book, **Deep Medicine,** delves into how analytics-AI is changing the healthcare landscape. In short, the disruption from healthcare analytics-AI will only advance through 2023 and beyond.

With this backdrop, let's honor our reality compared to industries that have gone through this disruption. As far along as we are in our data innovation journey with leveraging analytics-AI, we still have a long way to go. More importantly, we aren't moving fast enough. The good news is that we can accelerate the journey and thrive over the next decade. Practices and technology exist if we look outside of healthcare. Healthcare leaders have already started to build on this experience to accelerate their journey, scale to support demand and demonstrate greater value. If you aren't doing this already, here are 2 important things you can do to accelerate your journey.

Adopt a Federated Operating Model

Over the past three years, more organizations have used a federated operating model and agile methods. Traditionally, operating models are centralized, decision-making is top-down and committee-driven, and the delivery philosophy is plan-and-implement using extrinsic motivation.

Instead of the traditional model, organizations are adopting a federated approach to scale and accelerate delivery. Here, decision-making is bottom-up and happens where the work is done. There are no committees.

"Over the past three years, more organizations have used a federated operating model and agile methods.

Alignment is achieved through frameworks, education and automation. The delivery philosophy is do-and-adapt using intrinsic motivation. Agile methods are used along with product management practices versus project management.
This operating model has proven more significant for innovation, increased productivity and improved employee satisfaction.

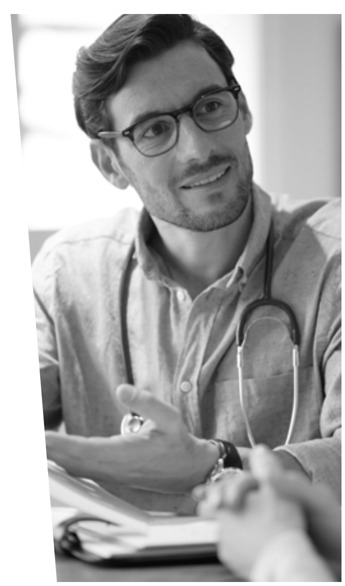
Intrinsic motivation is at the core of the federated operating model and a powerful way to lead that is quite different from traditional leadership. Daniel Pink does an excellent job telling the story in his book **Drive**.

> There are no committees. Alignment is achieved through frameworks, education and automation.

Invest in Self-Service & Automation

The billions invested in analytic-AI products over the past five years are starting to bear fruit. Many of these tools promote end user self-service or the complete automation of business functions. Organizations are using these products to improve access, reduce cancellations, increase OR capacity, reduce or cut the use of opioids, improve the work environment for providers and reduce revenue cycle leakage.

A few notable examples are AdaptX and FutureFlow by BigBear.ai, which offers self-service analytics to providers and clinical operations to support quality improvement and patient flow optimization – all without the need for a data analyst, data engineer or data scientist. Though the resource cost savings are significant, the more notable benefit is that the PDCA cycle decreases from weeks to days, driving more improvements in a couple of months than could have been done a year prior. An excellent example of automation is Cycorp. Their product is taking it to the next level by enabling complete automation for critical steps in the revenue cycle process to reduce backlogs and leakages significantly. There are many more great products available. Get good at knowing how to use them to accelerate your journey.



Create a Single Data Platform

This seems like table stakes. However, few organizations have a single data platform that can support analytics-AI across the enterprise. Often, organizations have one or more data warehouses supporting some of the needs and siloed department solutions support the rest. These solutions can be as simple as Excel-based tools or sophisticated full-featured solutions hosted in the cloud. The results are significant waste and a reduction in the ability to gain economies of scale through reuse. This makes it nearly impossible to develop a single, trusted version of the truth. Additionally, a lack of a single data platform significantly slows the adoption of third-party, self-service and automation tools – or makes it impossible altogether. Another consideration is that this platform needs to scale to many petabytes of structured and unstructured data to support the rapidly evolving needs of the business.

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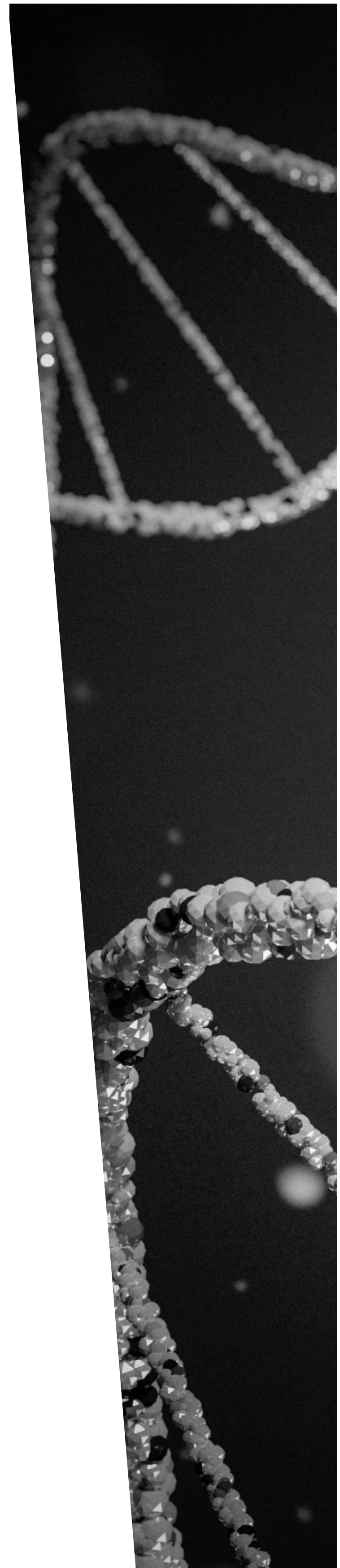
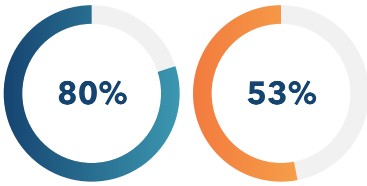


A SHIFT TO LONG-TERM DIGITAL HEALTH STRATEGY

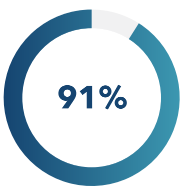
As healthcare organizations look for internal improvements and optimizations as pandemic volumes moderate, many are looking at how virtual care will play into their long-term Digital Health plan.

Several forces will influence this strategy in 2023 and beyond. A primary consideration will be potential changes in reimbursement and coverage for virtual visits. The Covid-19 Public Health Emergency is set to expire no later than the end of 2023, with a possibility of ending as early as January 11, 2023, and coverage and reimbursement for telehealth will see impacts. Additionally, Pivot Point is seeing virtual care optimization being driven by an increased focus on patient experience and by maturing governance structures over the services and supporting technology.

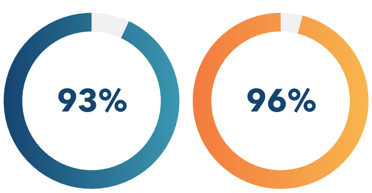
In the face of competition with retail and consumer care, many traditional providers are focusing on improving patient experience – in both digital and in-person encounters.
For example, Cleveland Clinic has found **measurable benefit** in patients and staff satisfaction, care accessibility and physician connection scores:



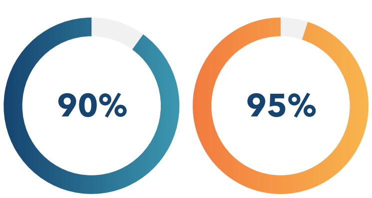
80% of patients agreed or strongly agreed a virtual visit was as good as an in-person visit, with **53% of patients** indicating the experience was better than an in-person visit.



91% of patients agreed the virtual visit made it easy to get the care they needed, and /or the visit saved them time.



93% of patients indicated the virtual care platform was easy to use, and **96% of patients** reported they felt comfortable using the technology.



90% of patients agreed that their clinician was interested in them as a person, with **95% of respondents** saying the clinician helped them create a plan to address their healthcare concern and understood how to accomplish the plan

91% of patients agreed the virtual visit made it easy to get the care they needed, and /or the visit saved them time.

Increasingly, the consumer is pushing healthcare organizations to rethink virtual care models to constantly improve their experience by adding additional content and integration. At the same time, health systems are seeing reduced reimbursement, so they are leveraging the expertise of advisory service firms like Pivot Point Consulting to work through this maze.

Strong governance structures are essential to enacting effective change, as well as successful management, deployment and utilization of telehealth solutions.

> Increasingly, the consumer is pushing healthcare organizations to rethink virtual care models

REVENUE CYCLE – TO OUTSOURCE OR NOT TO OUTSOURCE?

We have been here before. But not this fast. With an **expected CAGR growth of 16% between 2022 and 2032**, we are seeing historic shifts in how healthcare entities respond to the current operational and market pressures of maintaining a well-functioning and compliant billing department. The industry is contracting and the market unpredictable.

Staffing shortages continue to plague the industry – from the front line to the back office. The payer plans and regulatory requirements are increasingly complex. The challenges of Revenue Cycle Management are top of mind for CFOs and CIOs. In a **recent KLAS/Bain study,** 50% of respondents said RCM was a top priority, with outsourcing being heavily considered. **Black Book reported in September 2022** that 70% of providers will seek advisors to optimize their current Revenue Cycle Management systems, including the possibility of outsourcing in 2023-2024.

> 33% of organizations who outsourced their Revenue Cycle operations expressed buyer's remorse.

In many respects, outsourcing appears as a solid strategic option that:

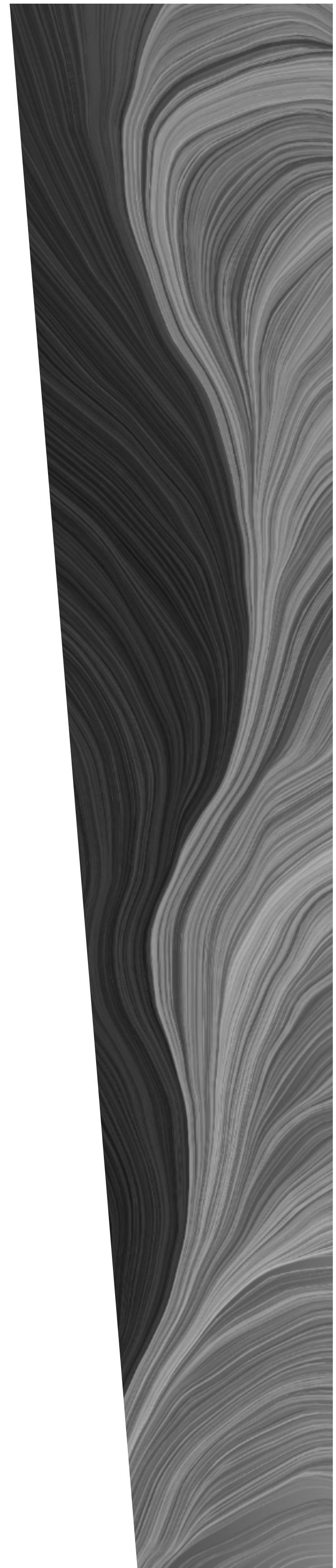
- Taps into a scalable service option, without being burdened with costly staff expense and churn
- Takes advantage of the latest technological advances to create efficiency without the capital investment, long-term commitment or maintenance costs
- Creates illusion of "not my problem anymore"

However, achieving these benefits is not easy. In a **2021 KLAS study,** 33% of organizations who outsourced their Revenue Cycle operations expressed buyer's remorse. Even with the now common risk sharing models, organizations can struggle to achieve the promised ROI through outsourcing. Some reasons include:

- RCM vendor staff turnover requires constant retraining which can result in longer TAT and higher AR numbers, which lowers cash flow
- It's rare that revenue cycle management can truly be turnkey; resources will be required to manage/monitor the performance of the vendor and provide ongoing institutional perspective as payer and regulatory requirements change
- Time, energy and costs consumed by licensing and other contractual obligations required for the vendor's revolving team to access systems and tools
- Costs associated with rebuilding revenue cycle operations, once the pendulum swings the other way, away from outsourcing and back to providing in-house services

When evaluating whether to outsource your revenue cycle functions, either partially or entirely, the CFO and CIO must work together to assess the near-term and long-term cost/benefits. Our perspective in working with clients on RCM outsourcing evaluation is to establish a comprehensive approach in evaluating your revenue cycle operations strategy and current operational strengths and weaknesses. Outsourcing RCM is not a panacea, but it can be a prudent and productive decision informed by careful evaluation and thoughtful transition of technology and services.

RIDING THE WAVE OF COMPETITION WITH CRM



A new wave of competition is crashing against healthcare organizations. Retail giants like Walmart, CVS and Amazon are drawing upon their huge well of consumer data to quickly expand their market reach. Patients, armed with more options, are growing more selective with their providers and how they receive care. A recent survey conducted by the Harris Poll found 69% of patients would consider changing providers for a better customer experience and online convenience.

Healthcare providers are investing heavily in digital health products and services to meet heightened consumer demand and competition. Customer Relationship Management (CRM) platforms are viewed by many as the cornerstone of their patient engagement ecosystem. The North American Healthcare CRM Market is projected to double by 2030. Vendors are responding in kind by expanding their CRM product offerings for providers:

- **Salesforce** is actively developing and deploying new functionality for Health Cloud.
- **Oracle's** acquisition of Cerner has the potential to provide a unified platform between the Cerner EHR and Oracle's CRM.
- **Epic** recently released Cheers and is dedicating many of its resources into growing its offerings.

Healthcare CRM platforms are more than marketing and patient acquisition tools. They can be integral to care delivery, proactive medicine and the patient experience. Like retail giants who rely on extensive data sets to supply a bespoke shopping experience, healthcare organizations are combining CRM and EHR information to build and capitalize on comprehensive patient profiles. Customized outreach can accelerate patient engagement, satisfaction and better outcomes. CRM tools are especially promising for value-based care models and are already improving population health and health equity.

> Healthcare CRM platforms can be integral to care delivery, proactive medicine and the patient experience.

5 Steps to Navigate the CRM Journey

1. **Pause.** Before jumping into another enterprise system selection and implementation, understand your goals and evaluate your organization's maturity and capacity. Are your stakeholders prepared for a new round of transformation?

2. **Set your destination.** Define your short, medium and long-term goals. Ensure stakeholders are aligned on organizational priorities. Develop a cohesive strategy to get the most out of a CRM platform.

3. **Know what you have.** Healthcare organizations often find themselves buying more "bolt-on" products when, in fact, they had not fully implemented the functionality of existing systems. Audit your current capabilities and go from there.

4. **Chart your course.** Determine if you can and should implement your CRM ecosystem incrementally (or not). Align these plans with your strategic goals, organizational readiness and the maturing product landscape.

5. **Begin with integration.** Integration planning should not be relegated to the "design" phase of an implementation. Many organizations find that their products' functionality doesn't support their vision for a cohesive solution. As a result, organizations find themselves adding another "bolt-on" system that only increases an already complex set of solutions.

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We work with healthcare organizations at a “pivot point” in their business who need an experienced partner they can trust. Whether it's consulting, managed services or talent solutions, we're with you all the way.

Contact our team to find out how we can support your organization.

https://pivotpointconsulting.com/