In Sickness or In Health

How the healthcare sector must evolve to create total value

System Stuck

People are worth more to the healthcare sector sick than healthy. Current payment systems are supply driven and reward treatment, rather than prevention or outcome-based interventions. The payer is the centre of the current healthcare system, not the patient, and the result is that both parties and the wider economy are losing out.

Today, new approaches have emerged that are more collaborative, cost and resource efficient and ultimately, more financially sound. These are set out in this article.

The challenges the current system faces are well illustrated by the fact that as many as 50% [1] of patients don't adhere to their prescribed therapy, at a shared cost to pharmacists and health insurers of $478bn in the United States alone [2] – and that's before accounting for the costs of lost productivity and employee absence due to illness, which remain an externality to the industry, picked up by the public purse or employers.

Even in areas where the shared benefits are obvious, with big incentives to resolve this challenge, healthcare systems seem unable to adapt to change.

Current systems remain largely closed, highly siloed, and resistant to creating the right environment and framework for 'value based healthcare' [3] (VBHC). Currently industry research assessments suggest that only two out of 25 developed countries (Sweden, UK) have a very high or high alignment with VBHC. [4]

GoodBrand carried out a study of healthcare sector expert opinion this year, focusing on one advanced healthcare market, Germany, to understand what prevents the industry from innovating to contribute to addressing wider societal needs. In line with the findings of other studies, we identified four barriers preventing current treatment-based payment systems and healthcare structures from adapting.

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[1] World Health Organisation
[2] Capgemini Consulting 2012, Estimated Annual Pharmaceutical Revenue Loss due to Medication Non-Adherence
[3] Value based healthcare aims to increase the value that is derived from the resources available for a population (BMJ)
[4] International study from Economic Intelligence Unit initiated by Medtronic in 2016

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Four Barriers

1 / Failure to incentivise VBHC interventions

“Our health system only rewards medical interventions (diagnostic or therapeutic) that are carried out and does not reward those that are prudently avoided”

Prof. Dr. med. Andreas Sönnichsen / Institute of General Practice and Family Medicine, Witten/Herdecke-University

“Health insurances are not incentivized to invest more than legally required for prevention programmes, they are economically rather disadvantaged if they focus on prevention”

Dr. Elisabeth Siegmund-Schultze / Expert in managed care, health economics & health insurance management, founder of ‘medicoles’, Member of Healthcare Shapers

2 / Fear of loss of control, share and profit when collaborating across sectors

“There is no capability to collaborate and no entrepreneurship in pharma”

Hanno Wolfram / 40 years in Pharma Marketing & Sales, Founder Innov8 GmbH, Member of Heathcare Shapers

“A collaborative and integrated approach is necessary in order to address existing structures and embrace the specific culture of the different stakeholders in resolving complex challenges; this can best be achieved by creating regional accountable care systems with a shared savings model who are built on existing provider structures who already cooperate to some degree.”

Dr. h. c. Helmut Hildebrandt / Founder and Chairmen OptiMedis GmbH (Integrated Care Region Gesundes Kinzigtal)

3 / Focus on compliance rather than health economic impact and innovation

“Pharma lawyers are often very cautious to approve patient adherence programmes because of the Pharma Codex. The internal approval process is complicated and time consuming because it involves the internal lawyer, the compliance department and the business leader”

Peter Teich / former CEO of Healthcare at Home UK, Marketing Expert for Patient Adherence Programs, PTC - Consulting in Healthcare, Member of Healthcare Shapers

“Evidence based medicine is in crisis, because a lot of the data is science garbage. 85% of all health research is worthless, more than 50% is not transferable and more than 50% is distorted by publication bias.”

Prof. Dr. med. Andreas Sönnichsen / Institute of General Practice and Family Medicine, Witten/Herdecke-University

4 / Innovation gaps in patient-centricity, digitisation and new business models.

“There is little knowledge about the patient and adherence in pharma. Many adherence programmes do not work because there is a lack of professional knowledge from call centres. For successful programmes you have to understand patient structures and the needs of patients and relatives”

Peter Teich / former CEO of Healthcare at Home UK, Marketing Expert for Patient Adherence Programs, PTC - Consulting in Healthcare, Member of Healthcare Shapers

“New health suppliers like Facebook, Amazon, Google, WhatsApp push into the market and degrade traditional health suppliers to subcontractors for new software leaders or put them under pressure if they are not themselves or in cooperation able to provide their customers with useful digital products and currently only a few are able to do so.”

Rolf Stuppardt / Stuppardt Partner Consultancy, Publisher & Chief Editor of the magazine ‘Welt der Krankenversicherungen’

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Unlocking opportunities

So how can the sector evolve to overcome these barriers, and create 'total value': to benefit both the private sector and wider society?

New game-changing systems and players have emerged, that point towards a new model for success, combining innovatively financed, coalition-based solutions that create total value. Here, success is measured in terms of wellness, as opposed to revenue from treating the sick.

We have found that challengers setting out to make a difference in healthcare need to combine the following three actions.

1. Create a collaborative ecosystem

All stakeholders including service payers need to be more open and imaginative in defining their role in a more holistic system of healthcare. In some cases, this may spur a redefinition of role, but it will always require partnering with other agencies and service providers, which will challenge existing paradigms and unsettle 'comfort zones'

Case Study: Health Leads
Launched in 1996 as a test program in Boston, Massachusetts, Health Leads has become a $17.5 million organization serving patients through hospital clinics and community health centres across the United States.

It works with healthcare providers to establish interventions that address patients' unmet social needs. Patients who visit partner hospitals or clinics are screened for social problems likely to affect health, such as inadequate nutrition or a lack of access to utilities. Patients are then referred to a trained team, who use Health Leads Reach, the organization's proprietary social needs case and resource management tool, to search for and connect patients to local social service organizations to help with their non-medical needs.

In 2016, more than 16,000 patients and their families were connected to social service resources. Health Leads-supported clinicians were 70% more likely than their peers to report that their clinic had adequate support in securing needed resources for patients. An internal evaluation also found that chronic conditions improved when social needs were better met, with meaningful improvements in risk factors like patient cholesterol and blood sugar levels. [5]

Health Leads example shows that understanding the importance of connecting and integrating the multi-faceted needs of individual patients is likely to deliver better outcomes compared with specific solo interventions.

Successful cross-sector approaches do not happen automatically. They need high commitment, management resource and neutral intermediaries to bring the stakeholders together, stimulate innovative thinking and facilitate holistic and sustainable solutions.

[5] Deloitte High-value health care: Innovative approaches to global challenges

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2. Deploy scalable patient-centric models that leverage technology

Technology is a source of data-driven, continuous improvement and a disruptor in improving patient experience and adherence. Fortunately, this meets the demands of healthcare sector organisations that need to be more proactive and service oriented, informing patients about their conditions and ultimately mitigating the risk of conditions becoming more chronic.

Case Study: Kaiser Permanente
Kaiser Permanente showcase how technology can be used 'downstream' in improving patient experience and driving better health outcomes. Since 2004, the care consortium based in Oakland, California has invested more than $4 billion in HealthConnect, a health information system geared towards optimizing patient experience and giving them the tools they need to manage their own health.

Their web-based portal, enables patients to review their medical records, schedule appointments and consult healthcare professionals through e-mail, video and audio technology. Patients can also receive automated messages with prompts intended to foster adherence to treatment regimens, as well as reminders to aid in appointment scheduling.

Further, Kaiser Permanente has reported that many of its regional systems already conduct more than half of visits virtually. For urgent but non-life-threatening cases, they report satisfaction rates of over 90% for patients who receive care and advice by phone or secure video. Diabetes patients who used the portal to order medication refills also showed a 6% improvement in medication adherence, as well as lowered LDL levels, compared to patients who did not use the system. [6]

As part of the strategy development process healthcare providers should not only integrate technology into their customer proposition, but ideally co-develop and open-source these next generation tech solutions. The improved outcomes have the potential to attract additional co-investment.

3. Establish new innovative impact finance solutions

As the for-profit sector seeks to address wider public health issues and internalise industry externalities, there will be openness and willingness to co-invest against multiple outcomes. Whilst public sector funding may be shrinking in many countries, public funds will be available for proven interventions and new blended capital structures can serve to bring in other sources of capital.

Case Study: Nurse-Family Partnerships
In South Carolina, 27% of all children are born into poverty, and more than half are born to low-income mothers. For mothers this means they are more likely to experience poor birth outcomes. For infants, there are links to severe adverse effects on cognitive development, future health and wellbeing.

Increasingly 'impact investors' are exploring opportunities to unlock the social and economic value inherent in better public health outcomes. The Nurse-Family Partnerships initiative in South Carolina is funded by a social impact bond.

Following a successful pilot, a six-year Nurse-Family Partnership programme was launched in 2016 to support 3,200 mothers and their children. Here, registered nurses work with low-income, first-time mothers to improve maternal health, promote healthy child development and help families achieve economic self-sufficiency.

Its goals are to reduce preterm births, reduce child hospitalisation and emergency department visits due to injury, improve spacing between births, and increase the number of first-time mothers served in the poorest communities. Upon evaluation of the health outcomes for participants in the program, the state will reimburse funders if the program meets its goals.

This presents a powerful example of financial innovation to unlock total value, as well as public/private collaboration. Local foundation and private sector funders provided $17 million of the upfront capital, with Medicaid providing an additional $13 million.

In their innovation roadmaps healthcare providers should consider new ways of sharing risk and return with new sources of capital from the outset. Again, this will require working with new partners in social finance and will demand both a tighter discipline on setting outcome KPIs in addition to clearer articulation of the business case, delivering social as well as economic outcomes to all investors.

[6] Deloitte High Value Healthcare: Innovative Approaches to Global Challenges

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Impact-led Innovation

At GoodBrand we believe it's possible for the private sector to work with the public sector and civil society organisations to create a people-centered healthcare industry that creates total value. By this we mean, capturing the economic value of sustained and long-term good health of citizens – for society, the economy and for individuals – while still incorporating the economic value of treatment when ill health does occur.

Through our Sociovation® process we identify impact-led opportunities and design solutions. Further, we have experience in acting as an intermediary to build pilots for scaling, expertise in innovative financing and a low-risk approach to gaining experience and competence in innovative and collaborative health focused ecosystems.

As new solutions emerge, stakeholders in healthcare now have a choice. It will be possible to put the patient at the centre of our healthcare systems instead of the payer; and redefine the patient as a person with discretionary needs as a citizen, consumer and patient.

Stakeholders can either defend their existing business model and continue to focus narrowly on delivering products, rather than solutions. Or they can show they understand that today's environment requires collaborative approaches, different health ecosystems, new business and financing models; and ultimately better patient outcomes. The system will not continue in its present form as the costs of inaction are too high. Those that seize the opportunity will win and shape the future of healthcare.

Sabine Kraus,
Partner Germany

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Research Methodology
We conducted 24 interviews, with stakeholders in the healthcare and pharmaceutical sectors. These included patient advocates, politicians and executives from the health insurance, healthcare provider and pharmaceutical industries. They were conducted over the phone or face to face, with a duration of 20-60 minutes each. The research was conducted between March and May, 2017.

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