## center voices

## Health Care 2.0 and Beyond

A three-stage framework can help boards to identify information technology priorities

By Pam Arlotto

hile the fee-for-service payment system remains profitable for many hospitals and systems, most agree that high-performing organizations in the future will be part of accountable, connected systems that promote health and provide population-based care. Rather than rewarding volume, new reimbursement incentives will focus on cost, quality and outcomes.

The evolution to value-based care will be accelerated by weaving digital capabilities into the fabric of new business, care delivery and reimbursement models. Most health systems already have made substantial investments in information technology, but the health care field has yet to experience a fundamental business model transformation like those that have taken place in the banking, music, transportation and retail industries. Legacy information systems designed around the historic silos of hospitals, physician practices and post-acute services create complexity and barriers to agile decision-making. But forward-looking boards will recognize IT's potential and assume a leading role in aligning new business strategies with emerging digital capabilities, balancing innovation with risk management and overseeing longterm returns on investments.

A three-stage transformational framework can guide boards as they seek to understand how IT-enabled health care is evolving and help them to assess their organization's progress [see Transformational Framework, Page 35]. For most, the shift from feefor-service health care began during a period we will refer to as Health Care 1.0. With incentives from the HITECH Act and meaningful use, health systems and physicians adopted and deployed electronic health records.

Now, most organizations are in the second stage, Health Care 2.0. Clinical integration, patient engagement and population health management strategies are crucial. Data-driven, cloud and smartphone-enabled technologies will drive fundamental change in the health care business model. Opportunities abound for faster and continuous access to care, greater transparency in costs and outcomes, and connectivity across the care team and with the patient. Organizations must build new competencies in informatics, analytics, transformation and innovation while rethinking their IT and

quality operating models.

Some organizations already have begun to make the move to Health Care 3.0. In certain aggressive markets, it will be months, not years, when the transition to full value-based payment is complete. Clinically integrated provider groups will accept more risk and become accountable for the outcomes and total cost of the care they provide to their patients. IT will eliminate geographic distances between provider and consumer and change the way they interact. Data will provide insight into real-time care decisions and guidance on standardized clinical protocol design as well as precision medicine. Hospitals must make investments with longer-term payoffs to support this transition.

Some boards and executives have steered away from discussing technology, deeming it too technical for strategic discussions. More progressive boards have added members with technology backgrounds, others have delegated IT discussions to the audit committee or received updates in conjunction with the annual capital plan. But Health Care 2.0 and beyond will require a different perspective. Rather than seeking to understand technology, these pioneering boards will explore the broader business issues surrounding the shift to digital. These include:

Customer service: Amazon, Apple and Uber are redefining consumer expectations and preferences across industries, and health care will not be immune. Patients will expect integrated Web, mobile and in-person service, and they will want it available anytime and anywhere. Trustees should urge their organizations to experiment and expand their services in ways that make the customer experience high-touch and high-tech. Boards should ask management:

- How are we gaining a better understanding of consumer preferences for receiving care?
- What is our strategy for integrating evolving consumer preferences into care delivery?

Competition and partnerships:



Center Voices comes from the American Hospital Association's Center for Healthcare Governance.

## Transformational Framework

These three stages represent a digital health transformation framework for hospitals and health systems.

STAGE	IT STRATEGIES
Health Care 1.0 (2010)	EHR implementation; patient portals
Health Care 2.0 (2015)	Interoperable systems; mHealth and telemedicine; business intelligence; cloud-based technologies; cybersecurity; social media
Health Care 3.0 (2020)	Care management platforms; biosensors; predictive and prescriptive data mining; precision medicine
Source: Maestro Strategies LLC, 2015	

New competitors are offering services traditionally provided by hospitals and physicians, or encouraging health, wellness and prevention to reduce or delay the need for care. Walgreens is expanding on a strong community physical presence to include a variety of online offerings. Payers such as Aetna, Cigna and United are acquiring digital solutions that put them closer to the consumer and expand their ability to drive healthy behaviors and

manage chronic disease. Rather than face disintermediation by these new entrants, boards will encourage partnership conversations. Boards should ask management:

- What competencies do we need to form partnerships with nontraditional health care providers?
  - What is our retail strategy?

**Security and risk management:** The growing number of cyberattacks, including those on Target, Sony Pictures

and Anthem, drives home the legal, financial and personal risk of a security breach. Boards are acknowledging the fiduciary nature of their responsibility to ensure that cybersecurity is part of the enterprise risk management strategy. Boards should ask management:

- What steps have we taken to assess and address cybersecurity issues?
- How should boards continue to monitor these issues?

The specifics of each health system's strategic direction will drive the digital discussion. By asking business impact questions, boards will prepare their health systems for Health Care 2.0 and beyond. T

For a more detailed description of the transformation framework, go to www.greatboards.org.



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