



How digital technology will make care more productive and more personalized



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The Leadership Institute - February 2017

Strategy | Consulting | Digital | Technology | Operations



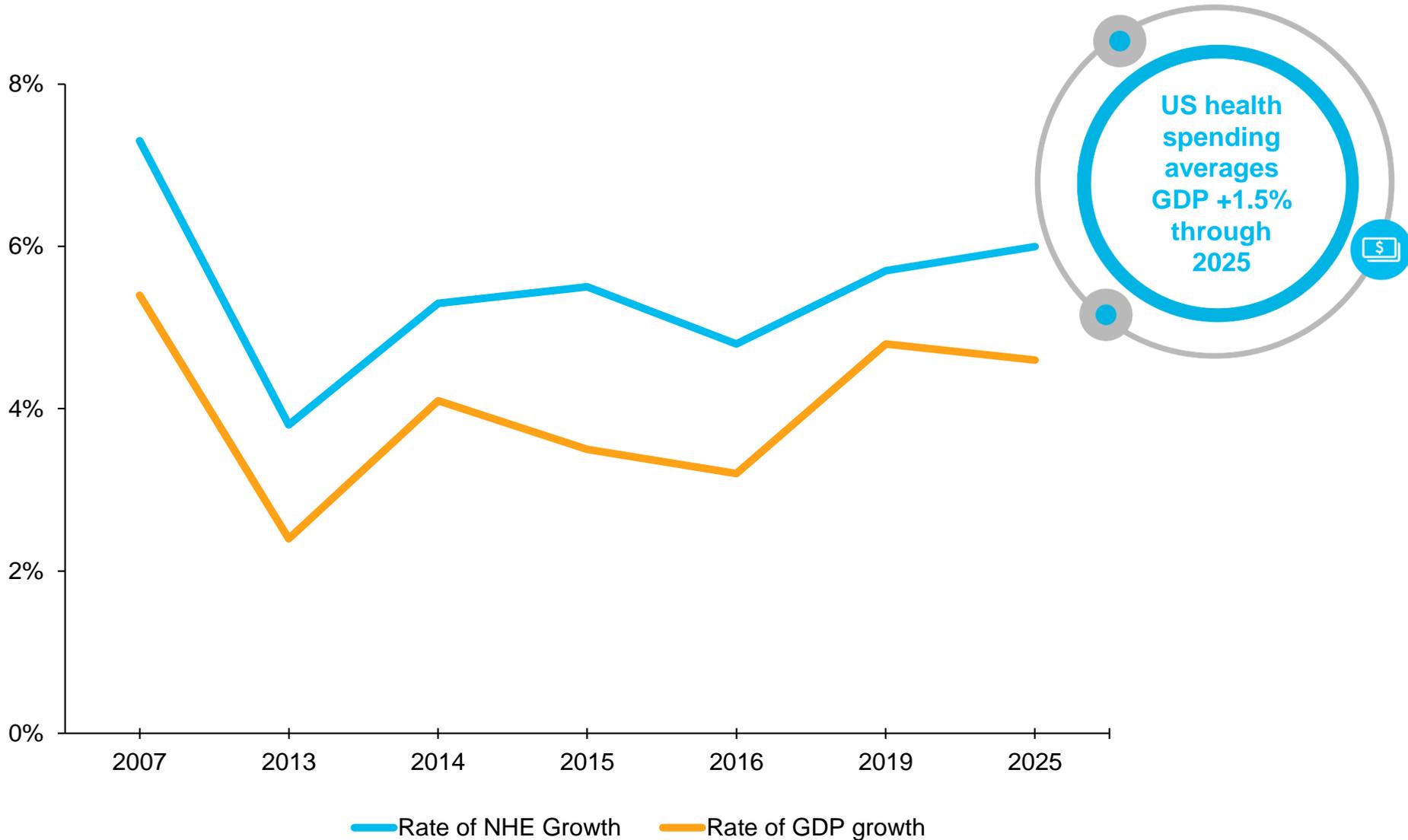


“If something cannot go on forever, it will stop.”

- Herbert Stein

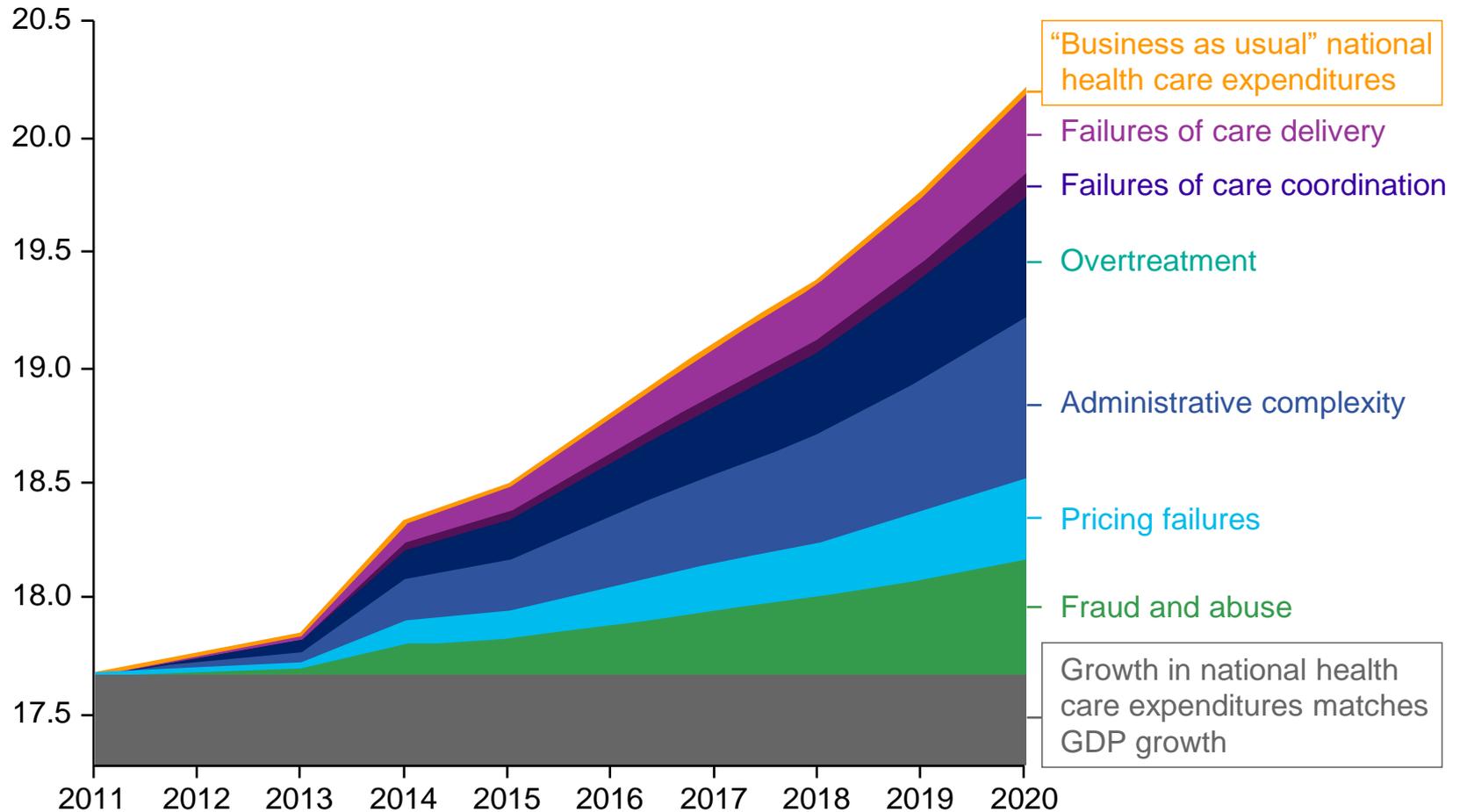
Former chairman of the Council of Economic Advisers,
Presidents Nixon and Ford

US healthcare spend grows at GDP + 1% to 3%



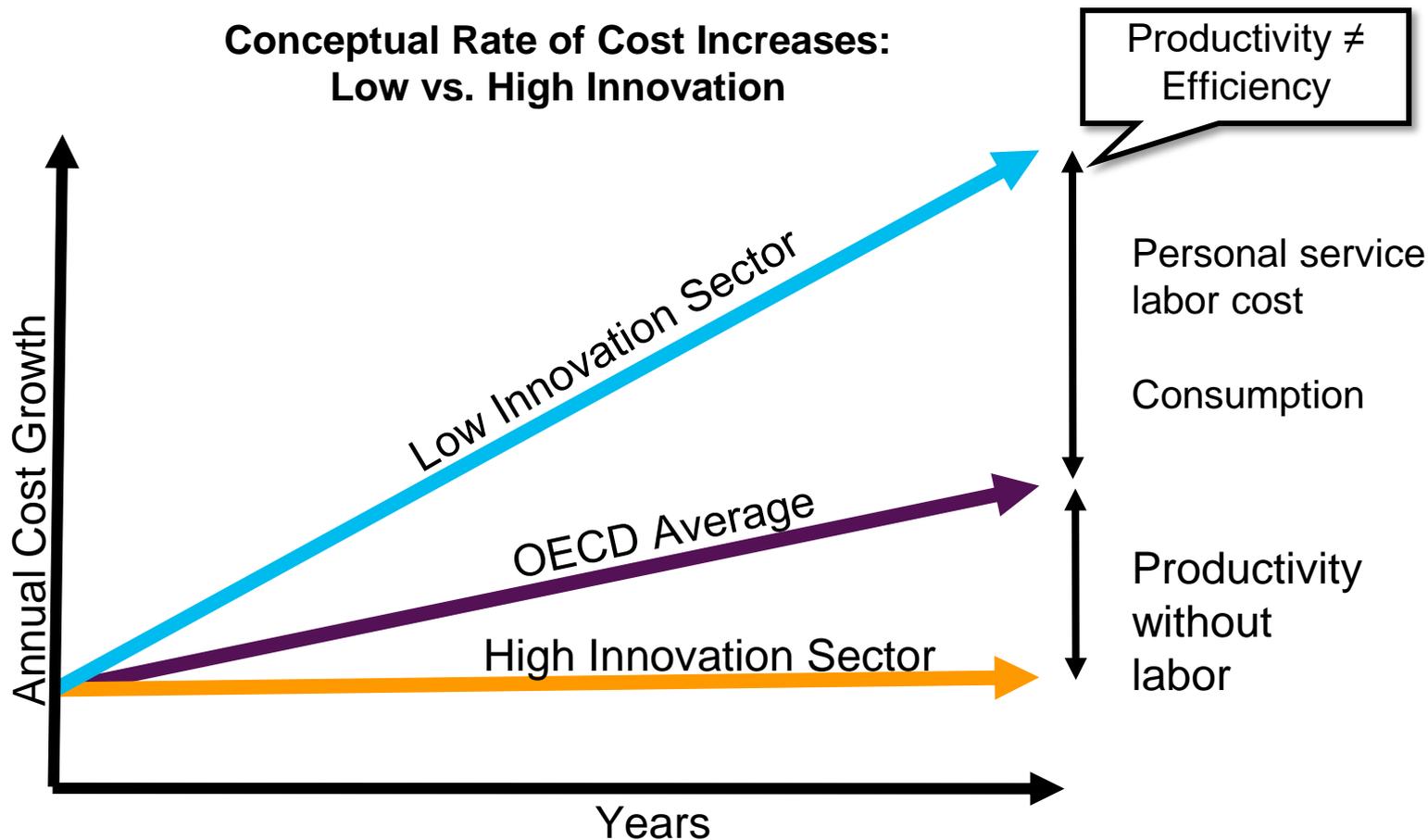
Non-clinical sources of “waste” exceeds clinical sources

Annual US healthcare expenditures, as % of GDP



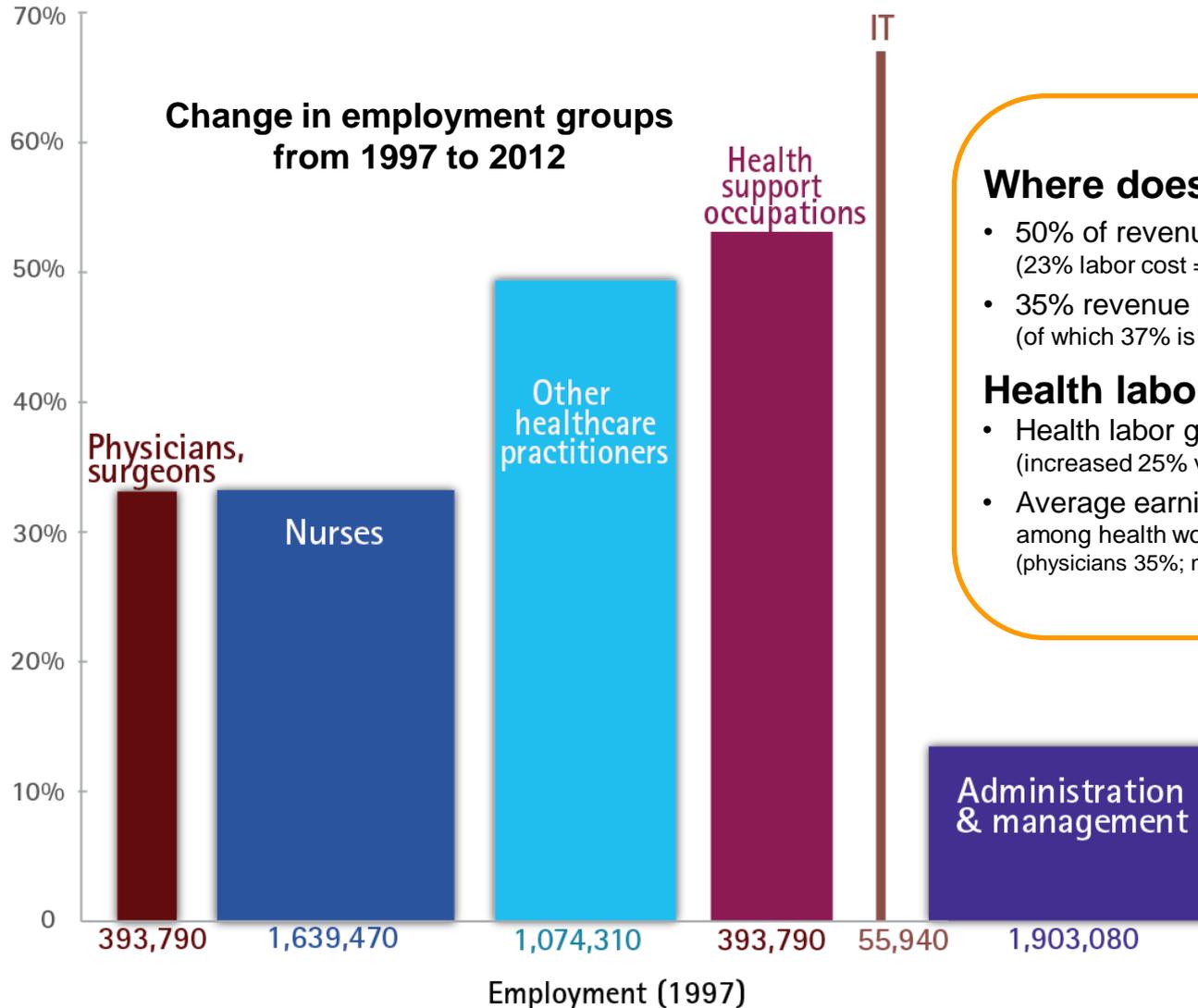
Expert labor costs are unsustainable

Without innovation, cost of unit care growing faster than GDP due to its reliance on expert labor.



Healthcare labor force is growing quickly

Clinical and non-clinical labor growing faster than rate of US job growth



Where does the money go?

- 50% of revenue paid for worker compensation (23% labor cost = physicians + nurses)
- 35% revenue paid for services and supplies (of which 37% is professional + technical services)

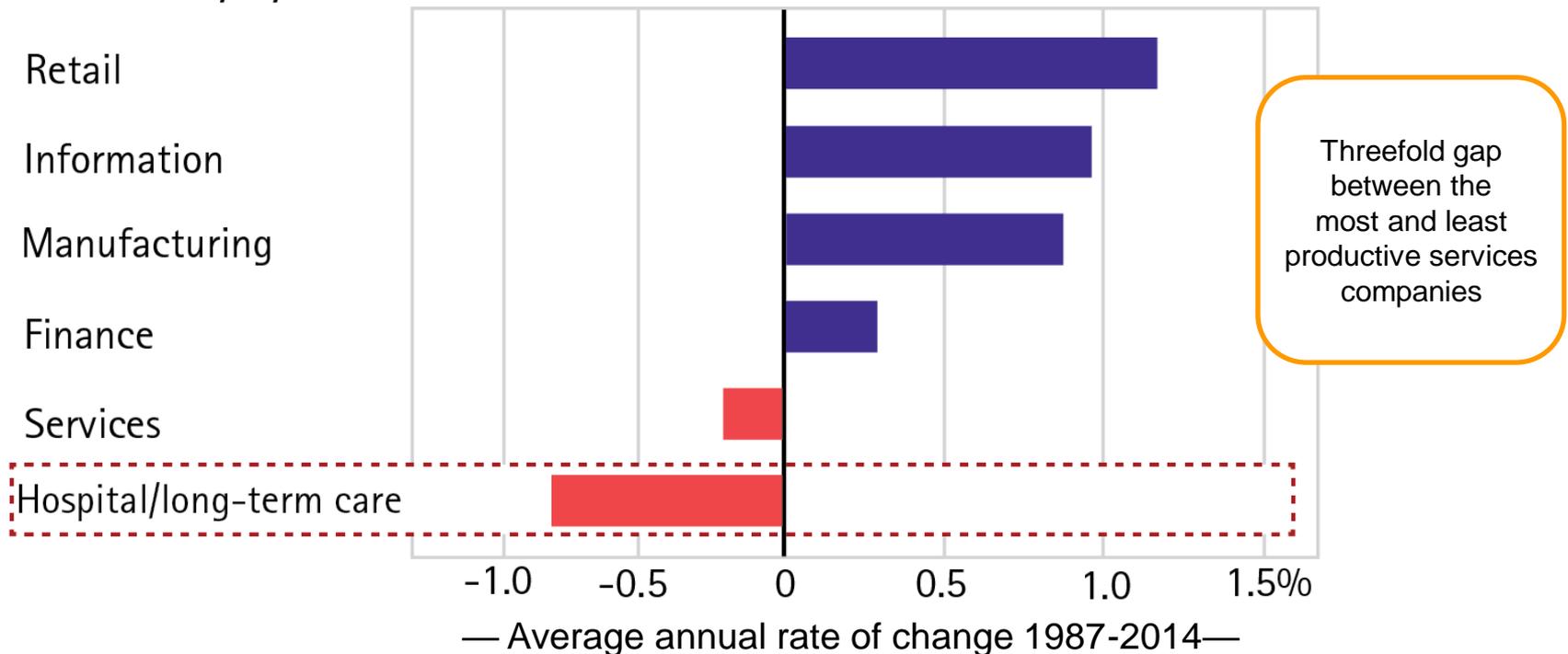
Health labor vs. overall economy

- Health labor growing faster than economy (increased 25% vs. 11% across U.S. economy)
- Average earnings rising nearly 2X faster among health workers (28%) vs. overall economy (15%) (physicians 35%; nurses 31%; management 25%; IT 13%)

Healthcare has been losing productivity

Services productivity has declined overall since the 1980s, especially in healthcare

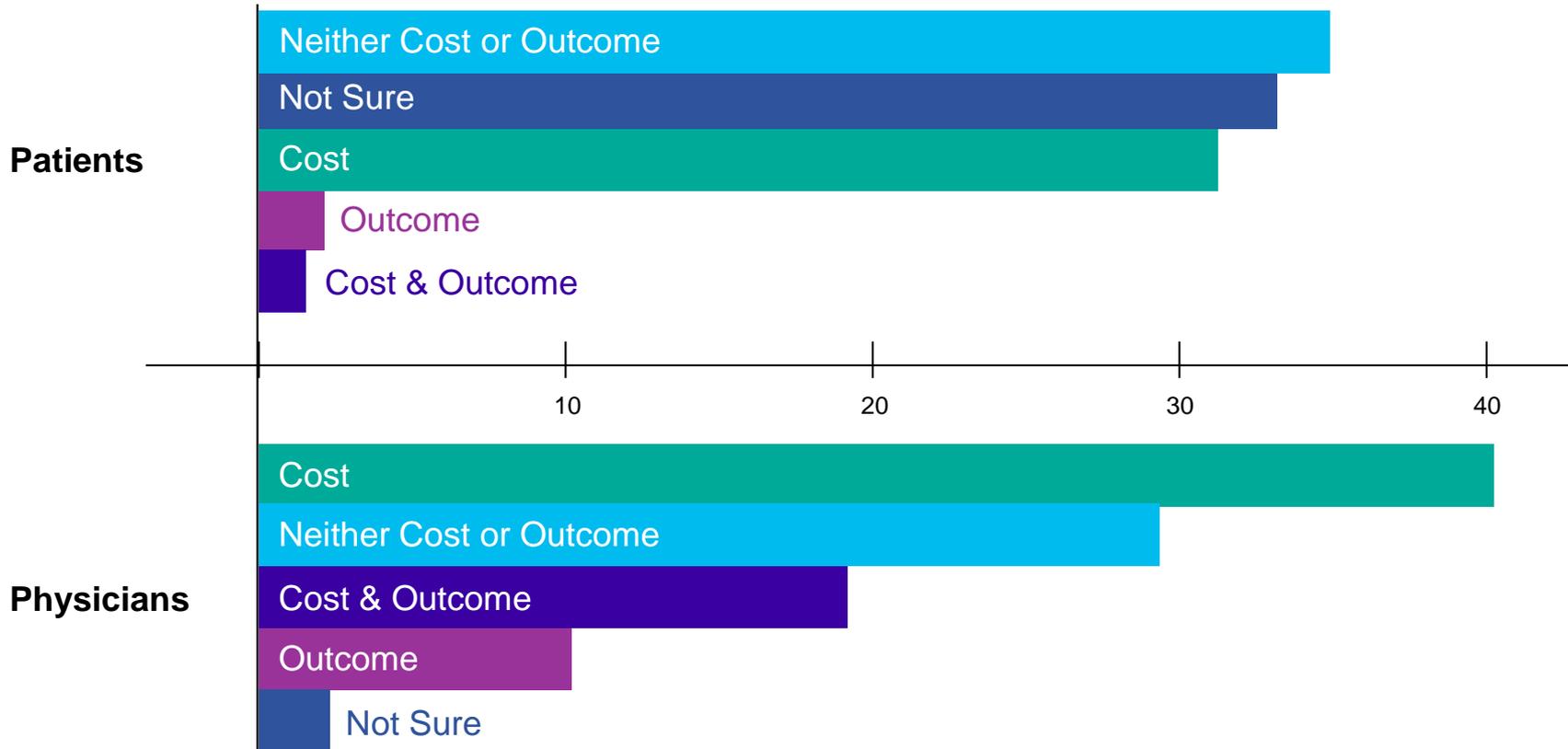
Productivity by selected sectors



Source: Brookings Institution; WSJ, While the Services Sector Booms, Productivity Remains Elusive, November 2016

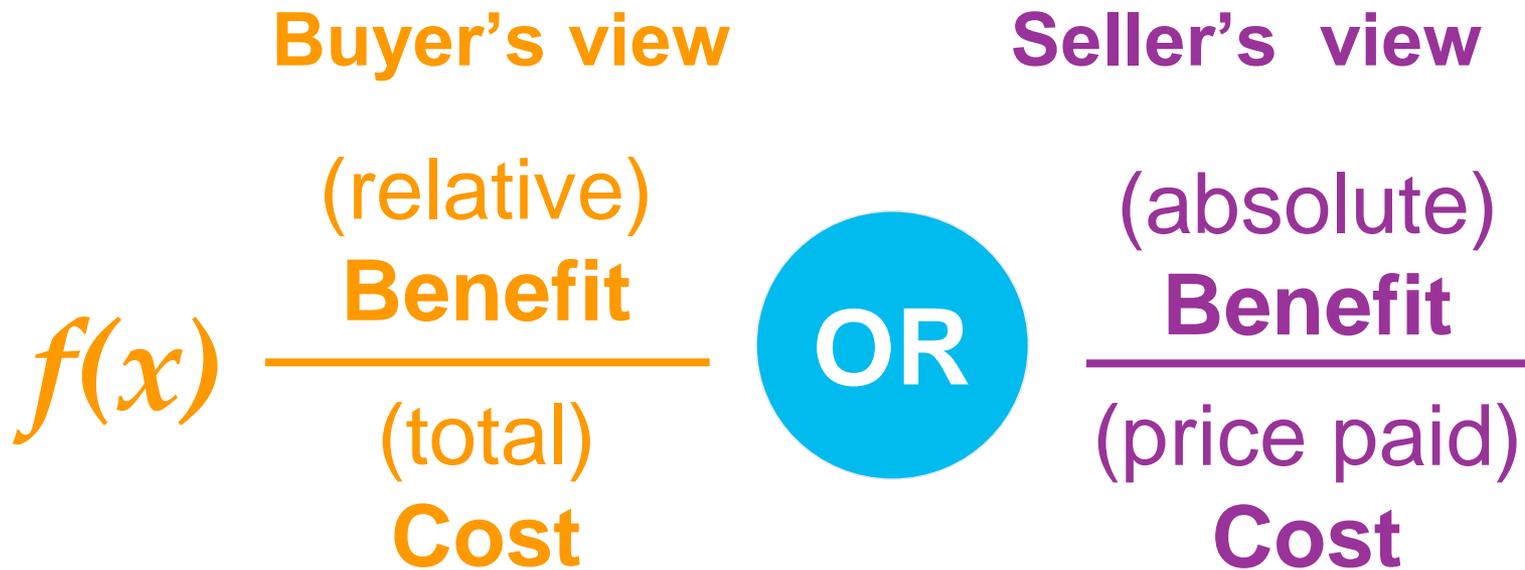
Value is neither cost nor outcome for patients

“In your own words, how would you define “value” in healthcare?
Please be specific.” (unaided response)



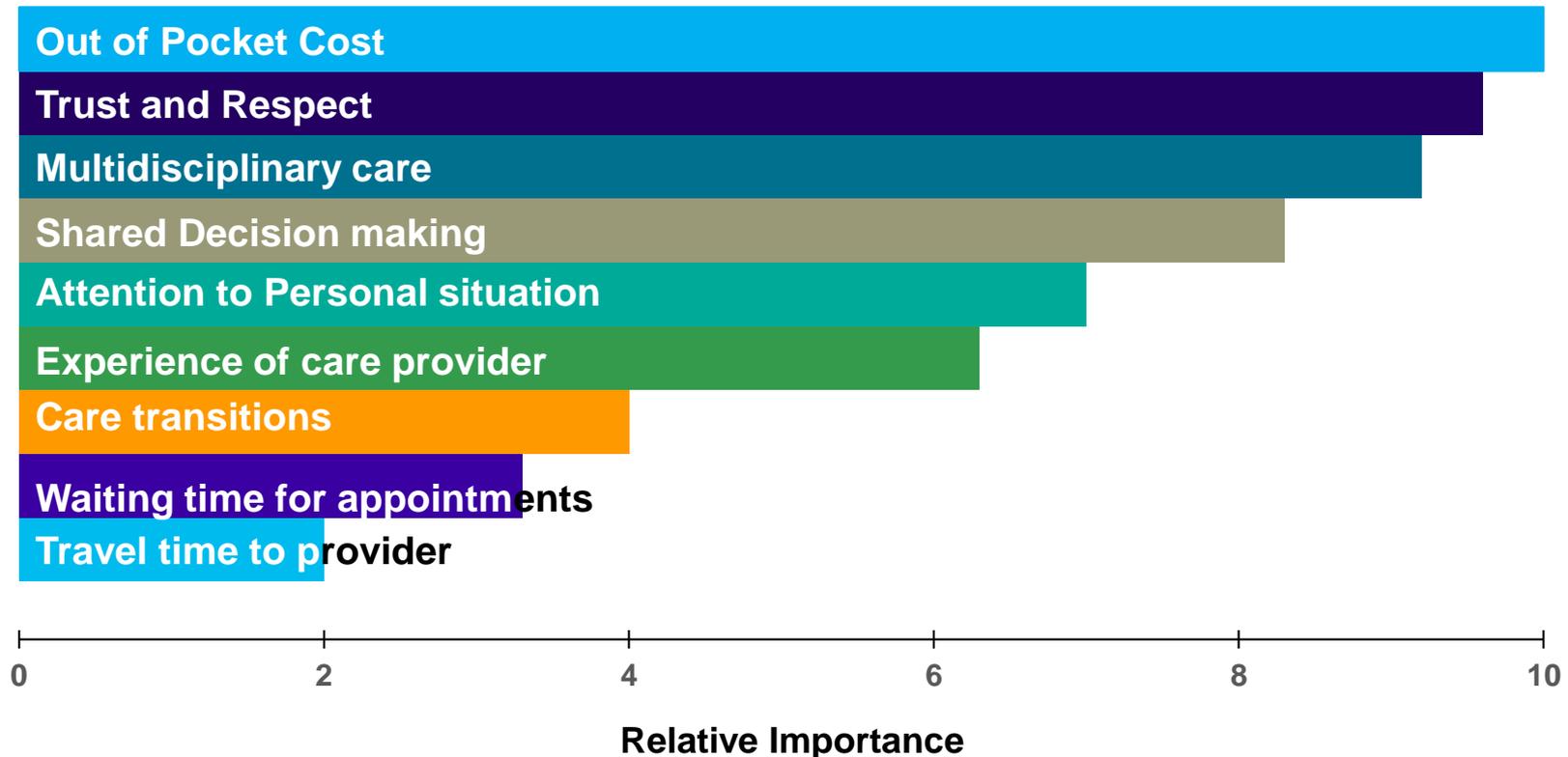
Value to buyer is not the same as to seller

Getting your money's worth...



Cost and trust dominate patient preference

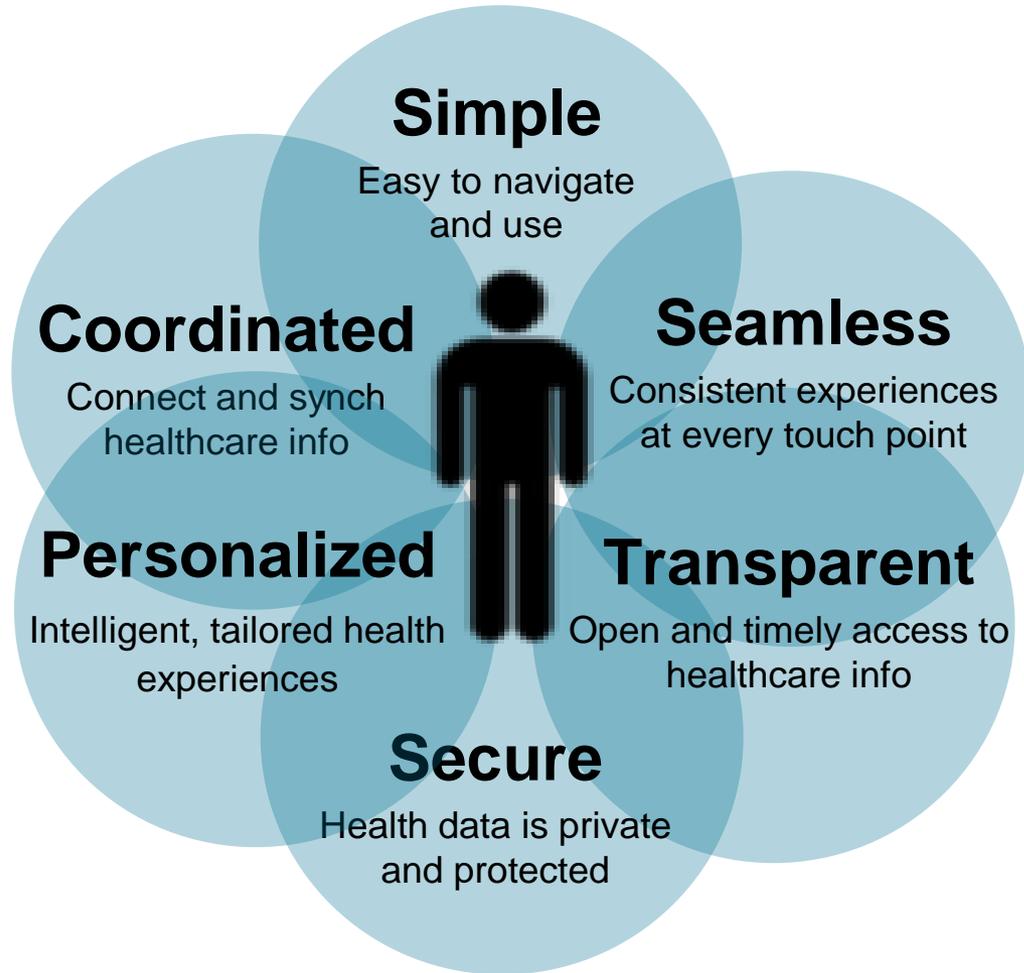
Top patient preference for select health system attributes



3,900 Respondents asked to rate 21 attributes for 3 scenario (current health, new lung cancer diagnosis, diabetes)

Care and compassion

The qualities of services that empower people today will drive expectations and inform the services of tomorrow



Competition and expectations are coming from everywhere



DIRECT COMPETITORS

Sell products or services that directly compete with ours



EXPERIENTIAL COMPETITORS

Sell experiences that replace ours



PERCEPTUAL COMPETITORS

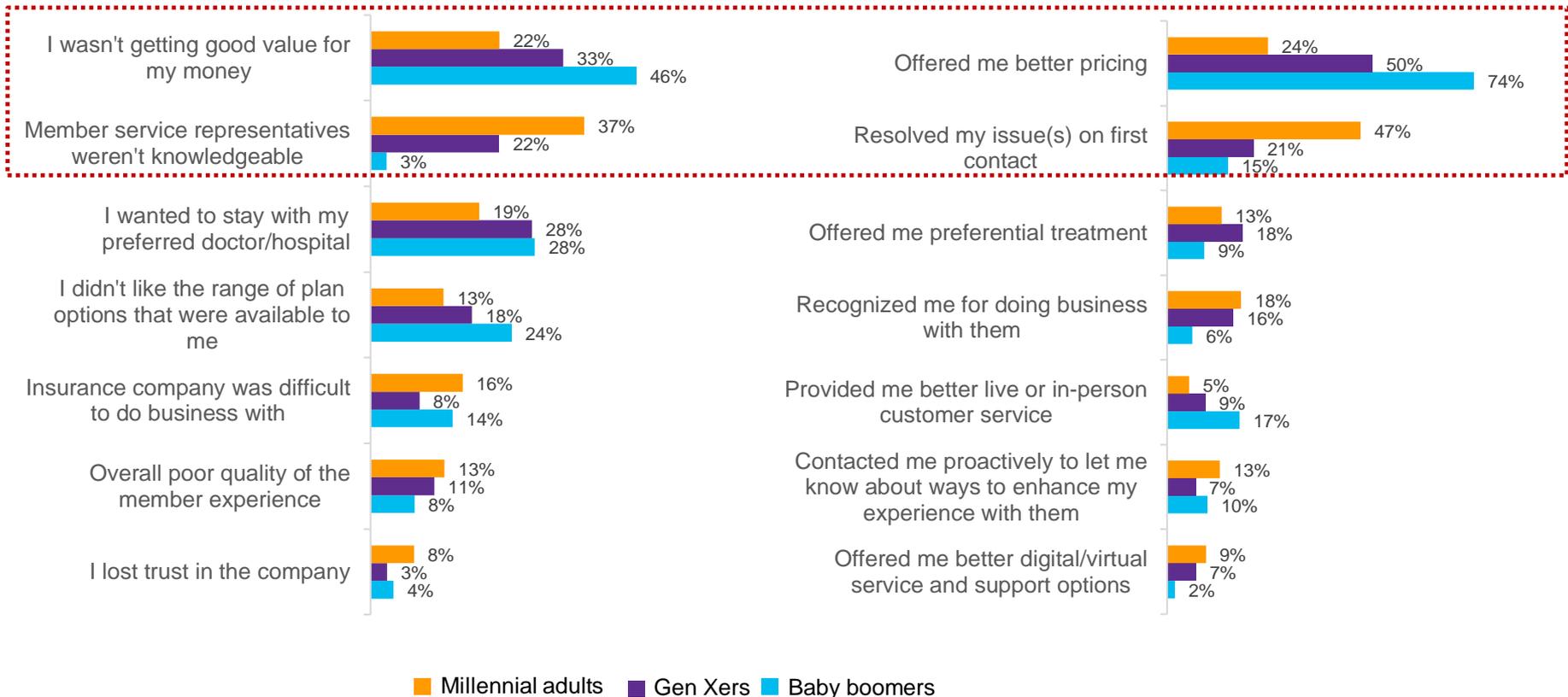
Change expectations our customers have

Millennial adults place more value on service than price

Various factors affect switching behaviors across segments, including experiences with live help (Millennials) and receiving the best value (Gen Xers)

Reason(s) for switching health insurer:

Actions that could have prevented the switch:



Base: HIX members who chose to switch insurers; Questions:1) Which of the following best describes the reason(s) why you switched insurance companies? 2) What could the health insurer have done differently in order to keep you as a customer?

Healthcare will become more virtual

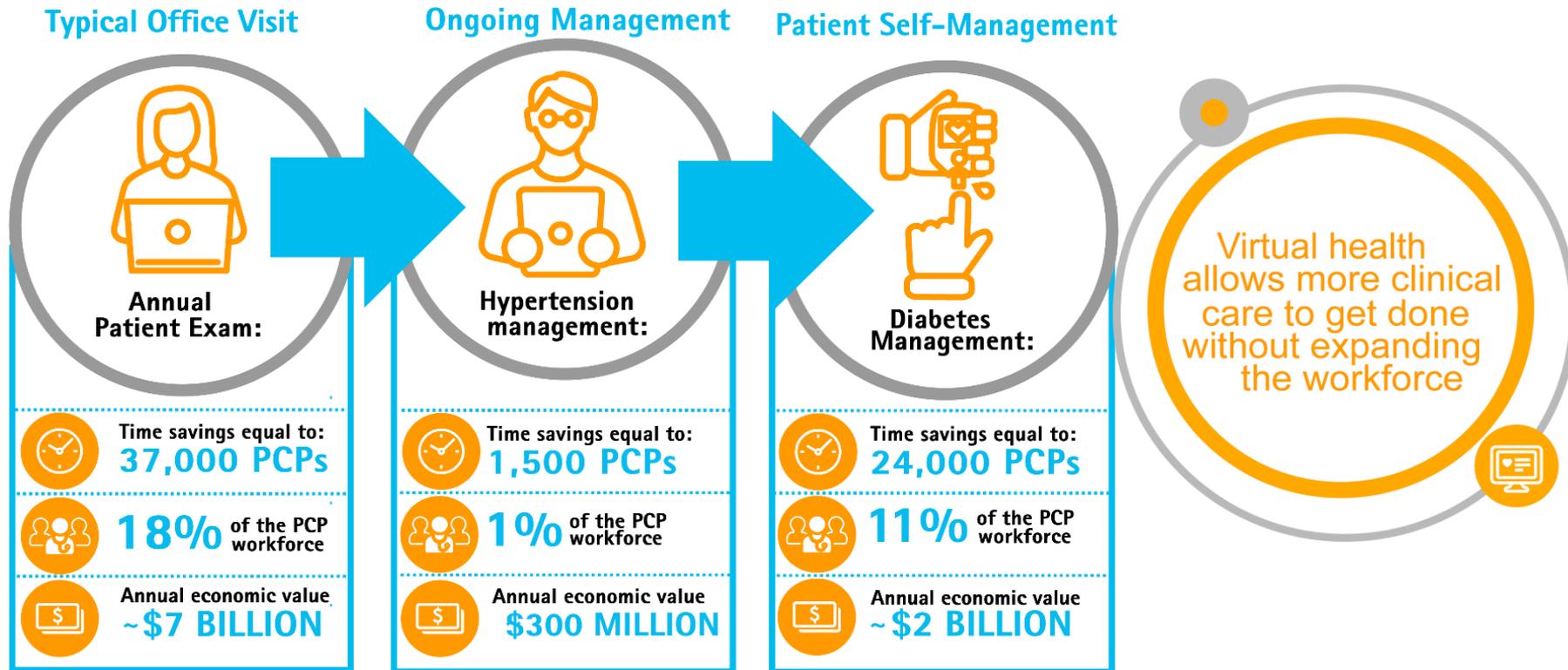
Virtual health benefits the already served, not just the underserved

- Matching supply to demand
- One to many
- Asynchronous
- Augmented experience
- Digital Therapy



Virtual health tools unlocks productivity

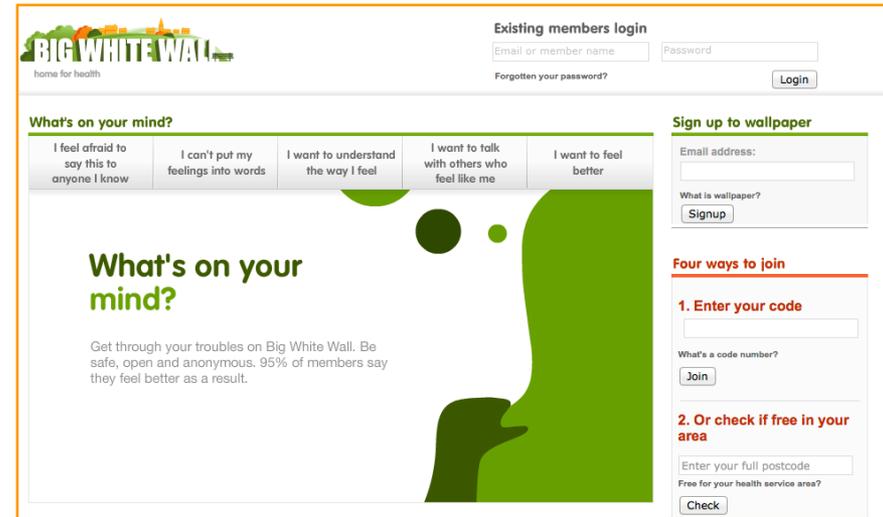
Three uses of virtual health among primary care physicians



Social Software

Delivers healthcare while increasing self-care and self-service

- Business-class social networks
- Self-service platform
- Community created content
- Gaming

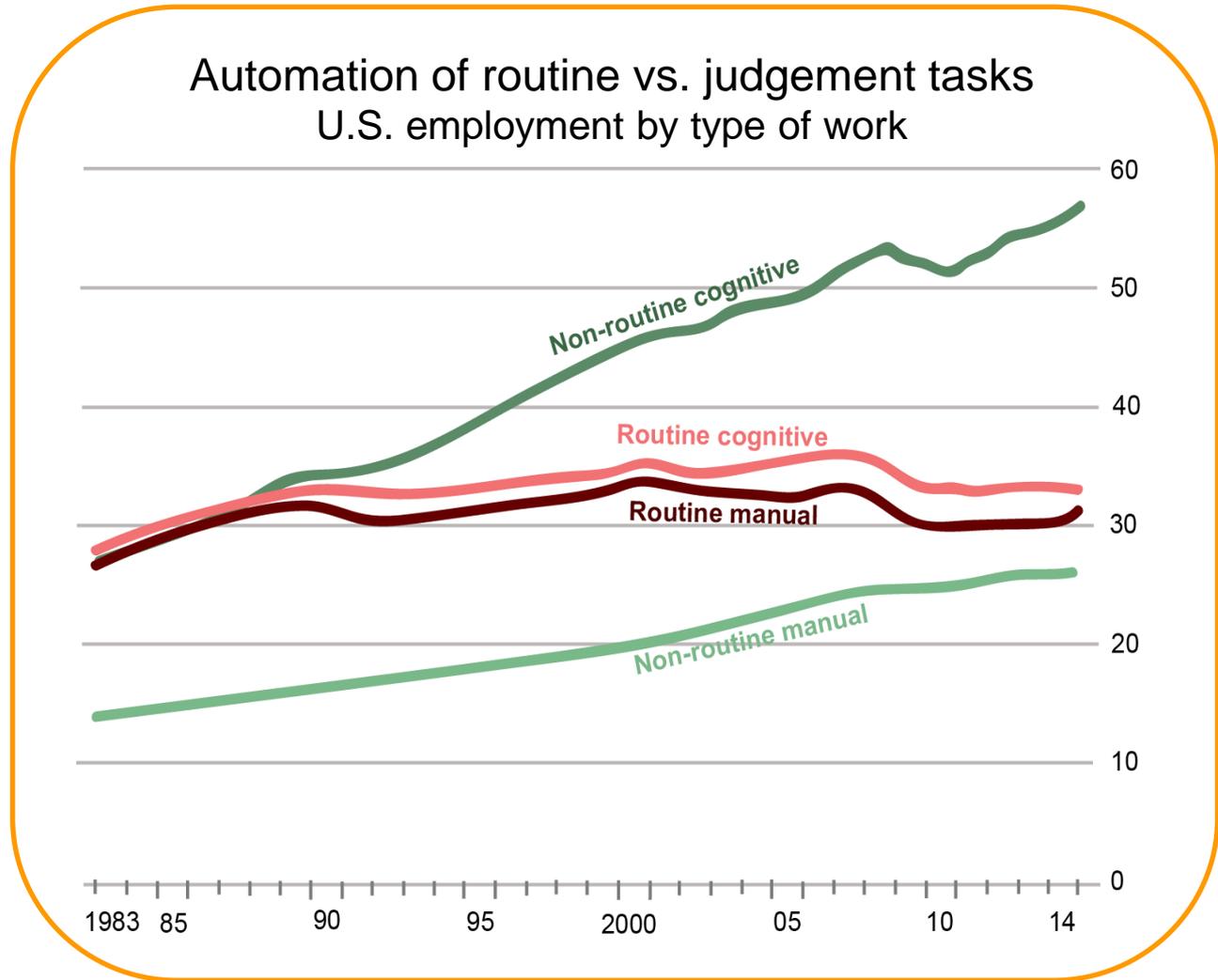


The screenshot shows the Big White Wall website interface. At the top left is the logo "BIG WHITE WALL" with the tagline "Home for health". To the right is an "Existing members login" section with fields for "Email or member name" and "Password", a "Login" button, and a link for "Forgotten your password?". Below the login section is a "What's on your mind?" section with five buttons: "I feel afraid to say this to anyone I know", "I can't put my feelings into words", "I want to understand the way I feel", "I want to talk with others who feel like me", and "I want to feel better". To the right of this section is a "Sign up to wallpaper" section with fields for "Email address:" and "What is wallpaper?", a "Signup" button, and a "Four ways to join" section. The "Four ways to join" section includes: "1. Enter your code" with a text input field and a "Join" button; "2. Or check if free in your area" with a text input field for "Enter your full postcode" and a "Check" button, and a checkbox for "Free for your health service area?". The main content area features a large green silhouette of a person's head and shoulders with the text "What's on your mind?" and a sub-headline "Get through your troubles on Big White Wall. Be safe, open and anonymous. 95% of members say they feel better as a result."



Artificial Intelligence

- Intelligent automation
- Humans + machines
- Social + character skills matter



Will these professions become automated?

Probability of automation of select professions

< 1%

Audiologist
Choreographer
Dentist
Elementary teacher
Physical therapists
Physician, surgeon
Psychologist
Public relations
Social worker

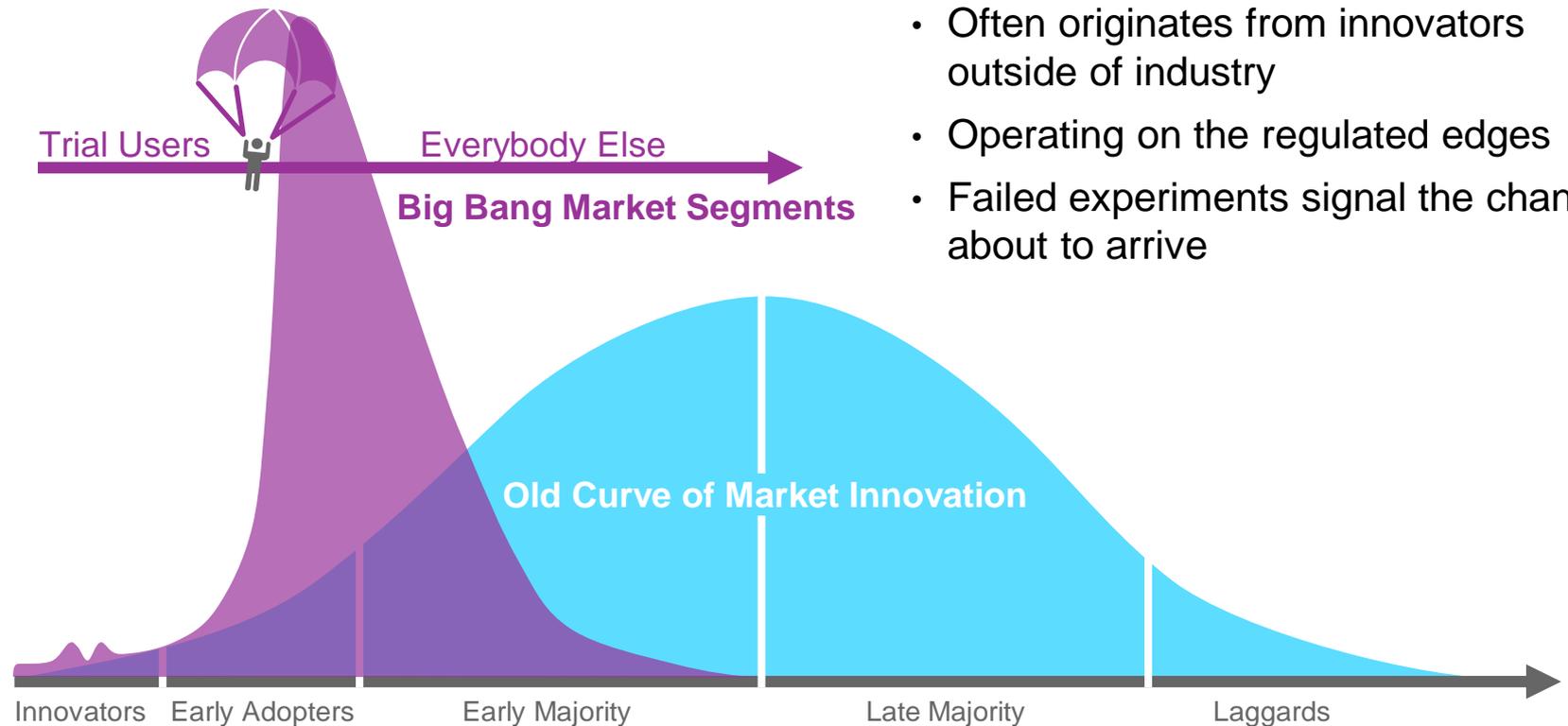
> 98%

Brokerage clerk
Insurance underwriter
Legal secretary
Loan officer
Procurement clerks
Referees, sports officials
Tax preparers
Telemarketer
Watch repairer

47% of U.S. employment at risk for automation

Pace of adoption

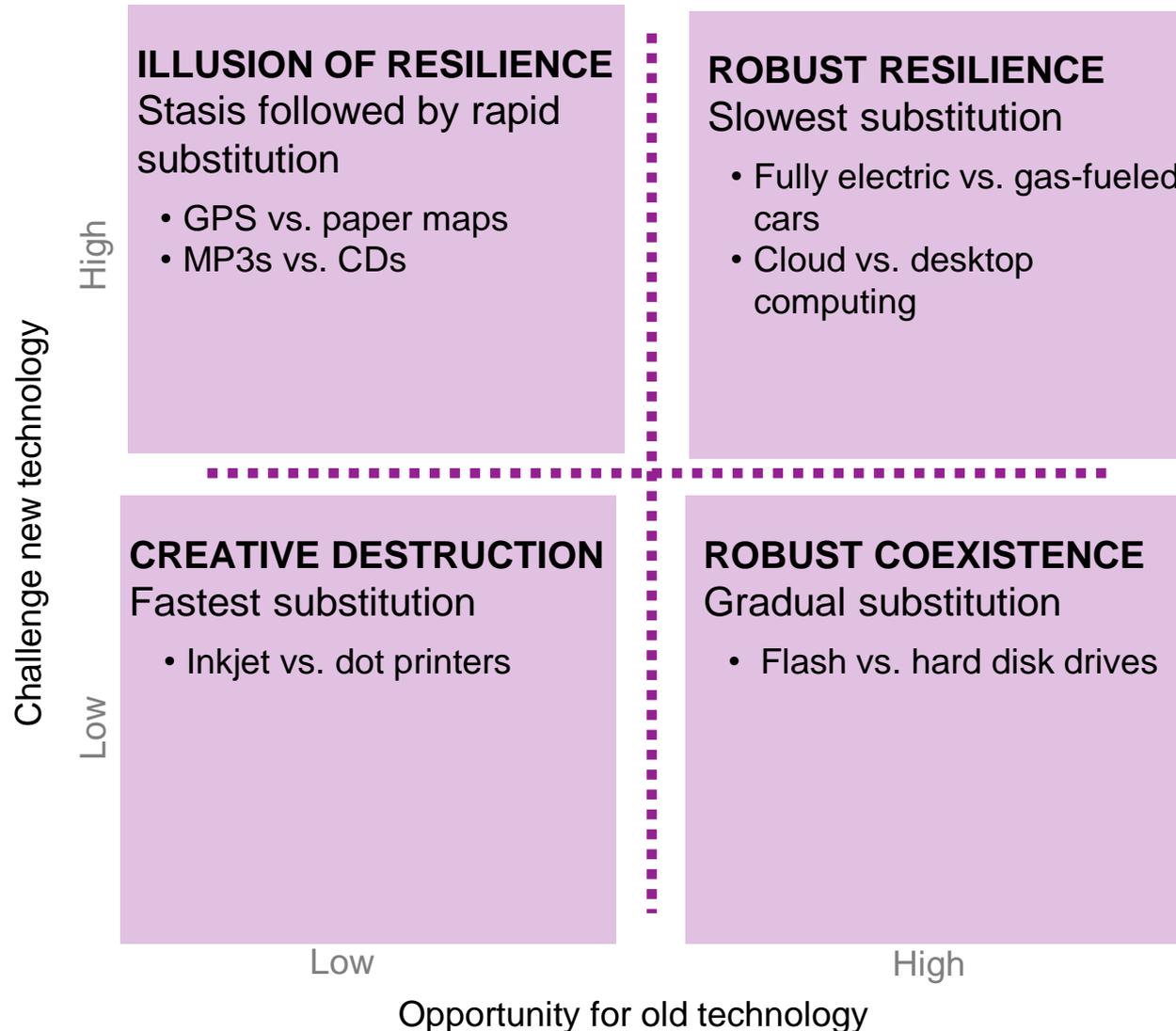
The Shark Fin adoption curve is gradually then suddenly



- High volume of seemingly random market experiments
- Experiments take place in market
- Often originates from innovators outside of industry
- Operating on the regulated edges
- Failed experiments signal the change about to arrive

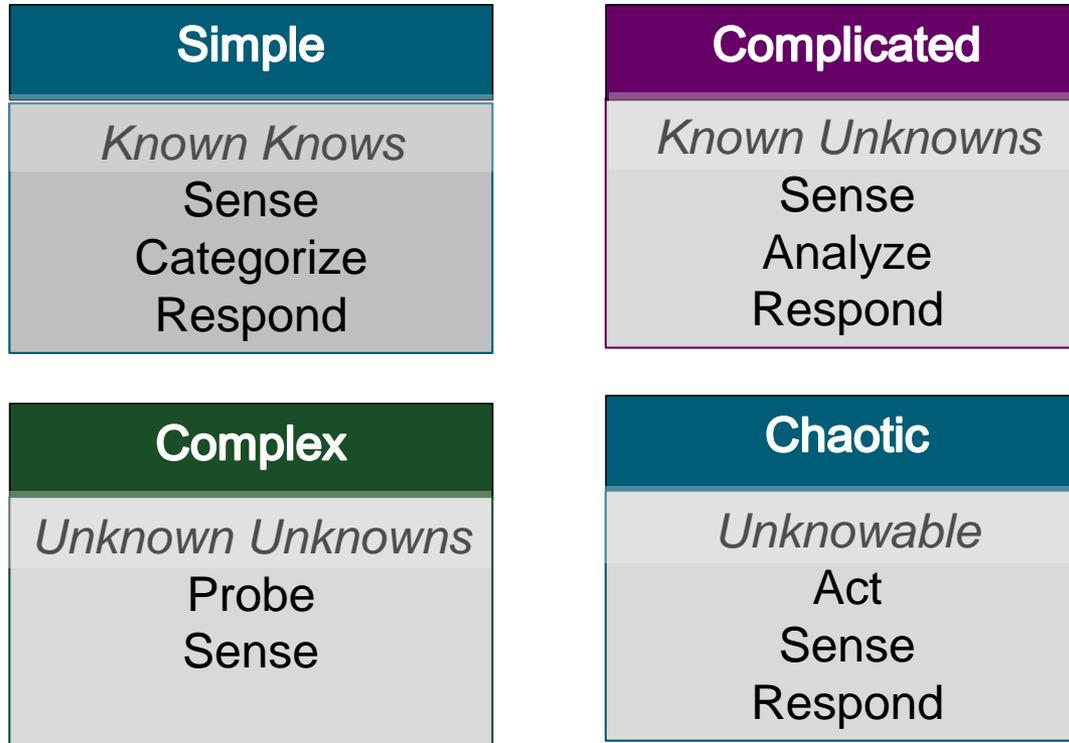
How fast will new technology replace old?

Pace of substitution is determined by fit into technology and business model ecosystem



Services innovation requires experimentation

Digital technology enables services is more unknown unknowns



Laennec Stethoscope



“That it will ever come into general use, notwithstanding its value, is extremely doubtful because its beneficial application requires much time and gives a good bit of trouble, both to the patient and to the practitioner because its hue and character are foreign and opposed to all our habits and associations.”

- *The London Times* 1834

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