

Dual Transformation Strategy Discussion

The Leadership Institute Roundtable

February 15, 2019

Scott Powder, Chief Strategy Officer

AdvocateAuroraHealth



Advocate Health Care



Aurora Health Care®

Outline

- Our View of the World
- Transformation 2025 Strategy
- Operating Model Implications
- Initial Observations

The Challenge of Dual Transformation...



Dilbert.com DilbertCartoonist@gmail.com



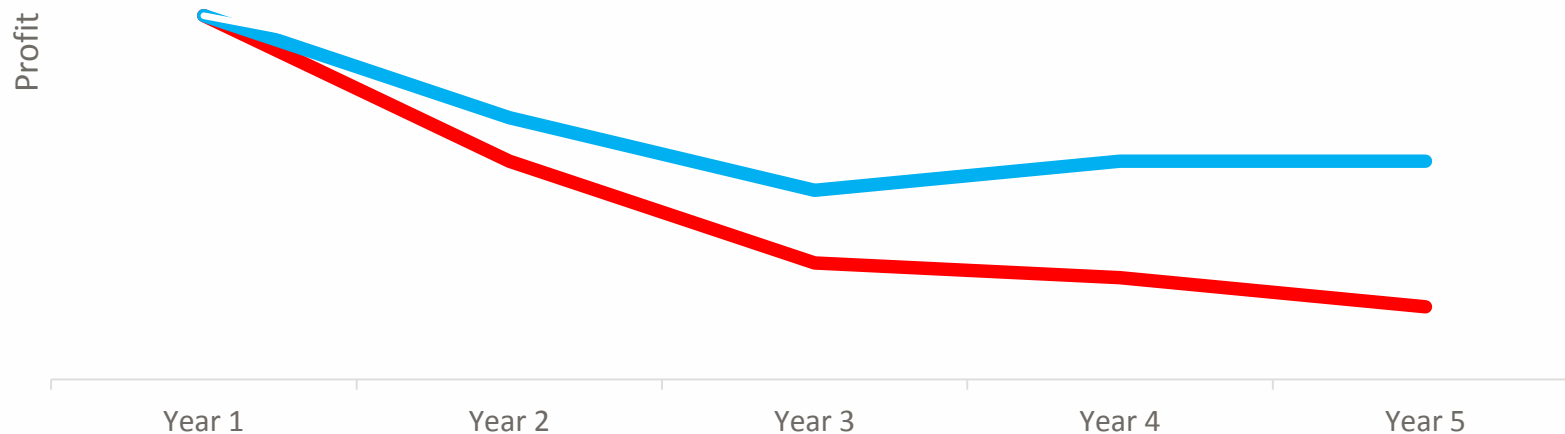
7-31-12 ©2012 Scott Adams, Inc./Dist. by Universal Uclick



Our View of the World

1. Our core business (care delivery) will experience permanent and inexorable declines in profitability
2. The erosion is occurring now
3. Transformation of the core is necessary to moderate but is unlikely to fully mitigate the decline

The Case for Dual Transformation

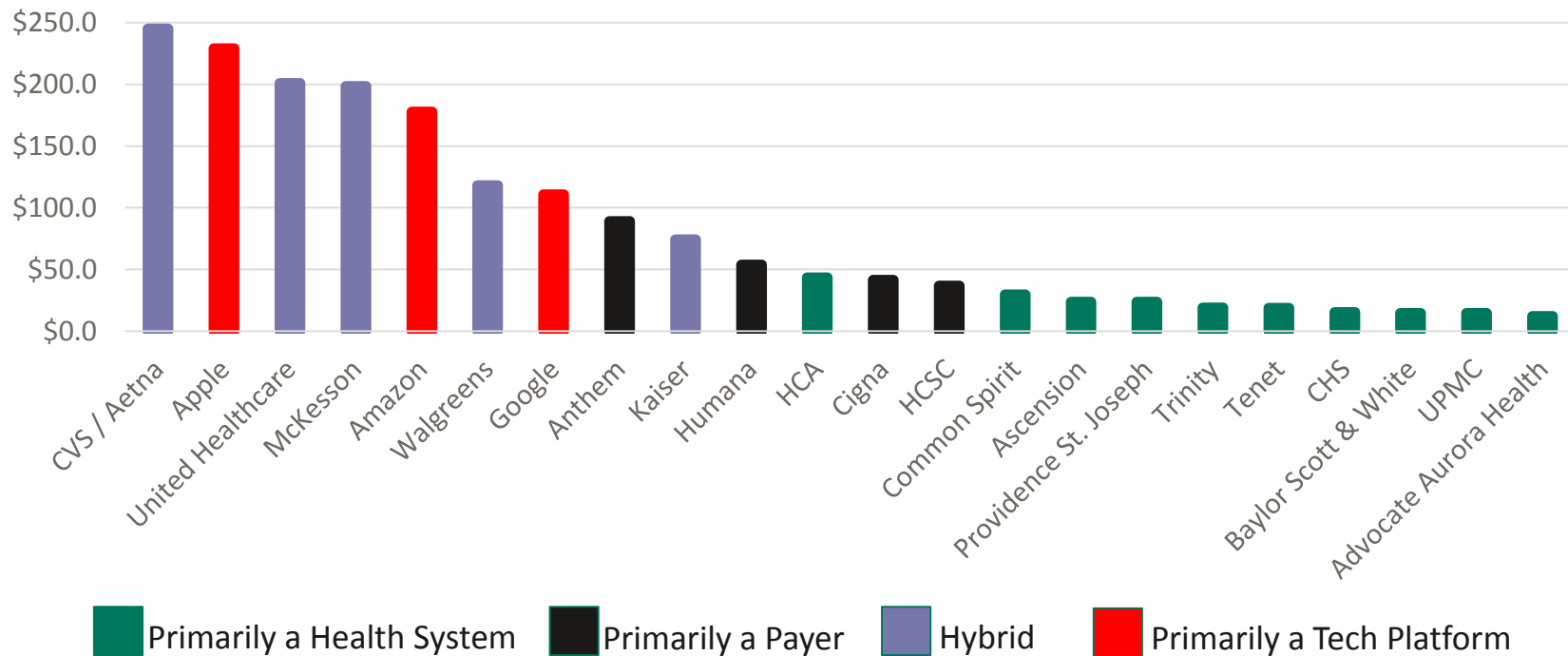


Disruption...This Time It's Real

- Technology
- Consumer Defection
- Competitive Landscape

Competitive Landscape

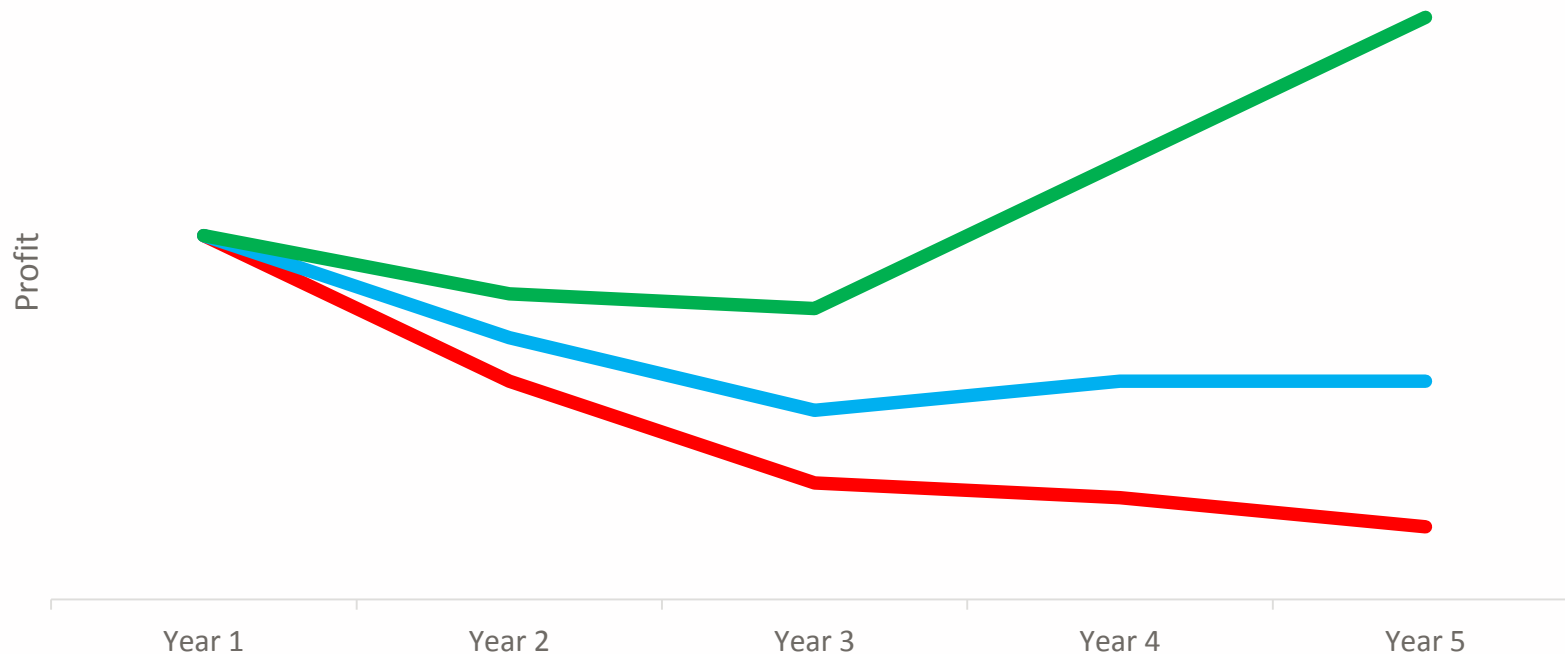
Total Revenue (billions)



Conclusion

AAH must simultaneously transform its core business and pursue innovative/new sources of growth and profitability

The Case for Dual Transformation



Transformation 2025

We Help People Live Well

Transform the Core

Consumer-First

Whole Person Health

Transformation A

Transformation B

Safety & Health Outcomes

Growth

Affordability

Consumer
Experience

New
Consumer
Businesses

Whole Person Health
Platform

Enabling Capabilities

Culture

What is Whole Person Health?



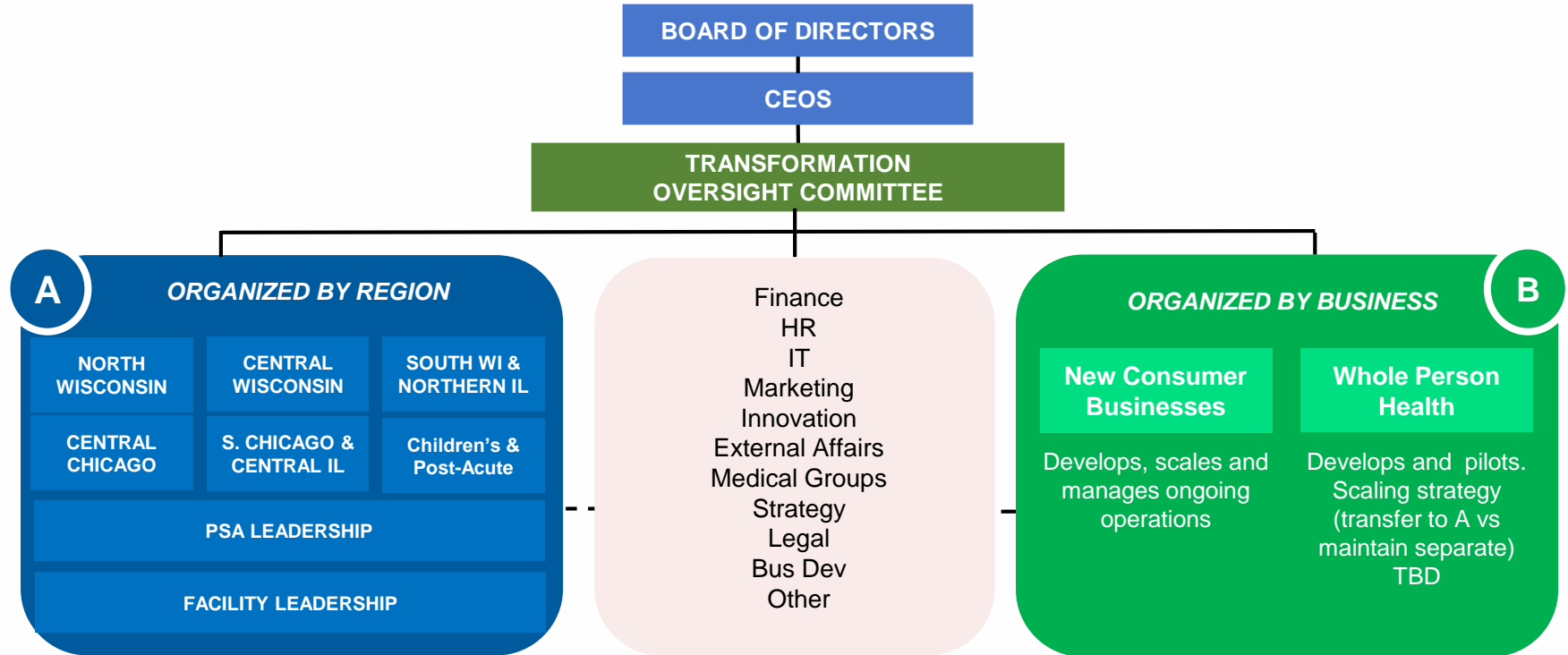
Requirements

- Deep consumer insights
- Risk-based reimbursement
- Human-centered design
- Different settings
- Digitally enabled
- New partnerships

Other Strategy Elements

- 2025 goals and numeric targets
- Initiatives for each strategy
- Capability gap analysis
- Master plan
- Projected financial impact
- Resource requirements
- Communication plan

Operating Model Implications



Initial Observations

- Governance implications
- Separation of A and B required
- Significant capability gaps exist
- (More) scale is a prerequisite
- Multiple capital formation strategies necessary

