



**BECOMING DIGITAL:
HOW HEALTHCARE EXECUTIVES
ARE APPROACHING STRATEGY,
OPERATIONS AND GOALS—
AND WHERE THEY NEED HELP**

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EXECUTIVE SUMMARY

Becoming—and defining—“digital” has never been easy for hospitals, health systems and other provider organizations. But the need to do so is growing increasingly urgent, with talent shortages, shifting regulatory requirements, financial constraints and the pervasive imperative to deliver quality care and increase operational efficiencies. Today’s providers must find ways to leverage the benefits of digital operating models if they’re to keep up with patients’ evolving expectations in a competitive market landscape.

We surveyed 150 executives and senior administrators at provider organizations around the country to learn more about this. The purpose of our research was twofold: 1) to better understand leaders’ perspectives on digital operating models and their organizations’ progress toward digital capabilities and operations, and 2) to share the resulting insights—and our recommendations based on them with these and other organizations we serve.

Here are our top four takeaways:

1 It’s not at all clear what “digital” really means in healthcare.

Incomplete and/or contradictory definitions of “digital” are a stumbling block in our industry. As you might expect, many stakeholders seem to equate “being digital” with tech and data—have you implemented some fancy (or perhaps even rudimentary—like better WiFi) technologies? And are you capturing some data? If the answers are “yes,” then you’re being digital (enough).

But this is actually a conflation of ends and means. It’s the cultural and operational aspects behind, within and around tech and data that will enable a healthcare organization to be digital. Interestingly, it appears that most leaders instinctively know this; so, while we find that healthcare organizations are making significant investments in technology, we also see that many leaders tend to view cultural change and technological transformation as roughly equal when it comes to notions of “digital.” At the same time, our results show that many healthcare organizations quite clearly favor technological change over cultural or operational transformation.

2 Sourcing innovation, capturing and prioritizing use cases and feedback, and managing change are big challenges for our industry.

Feedback loops compound these challenges. They appear inconsistent and unequally weighted; while patient and clinician feedback is deemed important, it’s infrequently sourced and rarely incorporated in decision-making in sophisticated ways. Effective change management remains elusive. Moreover, innovation is rarely a democratic process, and solutions are left to executives. Commonly, too, there’s a lack of programmatic support for new technologies and initiatives, which essentially dooms them to failure.





3 It's becoming harder to determine what's measurable and how to relate metrics to business value.

To make matters more difficult, healthcare leaders are feeling a disconnect between their everyday business practices and the quad aim (driving down costs, improving clinical outcomes, and providing better experiences for patients and providers). This is not at all to say they are inherently at odds, but rather that a widening gap exists between the key principles of success for the industry and what can be measured, quantified and applied in any given organization, especially in an increasingly digital world.

4 This set of circumstances is exactly what digital is not.

Being a digital healthcare organization is impossible without the following:

- a shared vision and aligned priorities
- focused investment on operating model transformation (as opposed to simply adding new tech)
- consistent, comprehensive feedback channels
- effective change management practices
- broadly applicable notions of value and ROI whose relevance is immediately apparent to both business strategy and all aspects of daily operations.

In other words, there is a way forward, and it must be taken if healthcare organizations intend not only to survive—managing short-term challenges in cost and delivery—but also to thrive. This is a big job: Today's reality is stiffer competition from both traditional players and new, tech-enabled digital entrants looking to swallow up market share.

Read the full report that follows to understand how we arrived at the above conclusions, and to see our recommendations for how to address these challenges.



INTRODUCTION

Consumer expectations of healthcare providers are rapidly shifting from transactional experiences to more complete and cohesive end-to-end engagements. To keep up, provider organizations will need to boost productivity, lower costs, and improve employee and patient experiences—all while meeting increasingly complex and ever-changing regulatory requirements. If they're to succeed, they'll need to harness the full potential not just of technology but of a digital operating model.

Providers also face rising competition from new market entrants, like retail pharmacies and major technology companies. These companies are innovating in ways that may ultimately threaten the very existence of provider organizations as we know them today. The pressure is on for healthcare organizations to transform. They'll need to change how they deliver care, engage consumers, and connect patients and providers. They'll need to increase convenience, efficiency and effectiveness to meet patients' individual needs. It's a tall order.

Achieving these objectives requires sweeping change. Healthcare organizations need to embrace a new way of being. This goes far beyond implementing new technologies to solve longstanding problems. Instead, what we're talking about entails evolving operating models over time in a way that's centered around a single strategic imperative: becoming an adaptive, resilient, digitally enabled healthcare organization. By definition, this is a significant transformation. Architecting this degree of change is never easy, but it is possible. In fact, it's absolutely necessary if healthcare organizations want to avoid spiraling costs and care delivery challenges as they figure out where to focus and how to get wins. Then, they'll need to consider how they can deliver consistently and repeatedly on those wins.

In other words, the kind of transformation that providers need is not in addition to figuring out the pressing concerns of the present moment; it's what's needed to address those concerns in the first place and to create stability for the long term.

HEALTHCARE'S DIGITAL IMPERATIVE: THE STAKES ARE HIGH

To better understand how healthcare stakeholders are thinking about these issues, we recently partnered with studioID to survey 150 executives and senior administrators in hospitals and health systems across the United States, as well as leaders in private practices and other settings. Most participants were leaders in digital, strategy, innovation or marketing functions, while some hailed from care coordination, consumer engagement and patient experience, as well as adjacent departments. Separately, we also conducted in-depth individual interviews with 10 executives from large health systems. Selections of their commentary are included throughout.

Nearly all participants in our survey said that their organization either already had a digital strategy in place or was planning to create and implement one

soon. However, their responses reveal that “digital strategy” means vastly different things to different people. The responses also shine a light on why realizing the hoped-for improvements from digital initiatives—in cost reduction, improved care quality, or better patient and caregiver experiences—remains challenging for many hospitals and health systems. Without clear consensus on what becoming digital means or why it matters, it’s difficult to draw an accurate roadmap that will enable an organization to navigate necessary changes.

At the end of this report, we’ll outline the most important steps to take to realize the revenue-generating, experience-improving value of digital initiatives in healthcare.

DOES YOUR ORGANIZATION HAVE A DIGITAL STRATEGY IN PLACE?



99%

have already implemented a digital transformation strategy, are planning one but have not yet begun implementation, or are planning to build one within the next 12 months.



55%

have already implemented a digital transformation and innovation strategy.

1 IT'S NOT AT ALL CLEAR WHAT "DIGITAL" REALLY MEANS IN HEALTHCARE

Decision-makers in healthcare understand "becoming digital" to encompass an assortment of things, some of which are mutually exclusive or contradictory.

To start with, we asked survey participants which operational changes were essential for building an effective digital strategy within their industry. They were offered an array of possible choices and were asked to select their top three. The responses were broadly distributed across all of the available options, with no single response being top-ranked by more than 57% of survey participants. Almost all of the choices were top-ranked by 30 to 50% of them.

The top three selections were:

- leveraging data and analytics to drive better outcomes in clinical operations (57% of respondents)
- creating new digital products and services (50%)
- leveraging data and analytics to drive efficiencies in business processes (41%)

At the bottom were:

- investing in technology modernization (18%)
- changing care pathways and improving care coordination (22%)
- partnering with third parties, such as retailers or pharmacies, to provide alternate venues for care delivery (29%)

It's clear that finding smarter ways to use data is a high priority for healthcare stakeholders: After all, "leveraging data" was chosen for the top three 148 times, while only 27 respondents selected "technology modernization." Overall, this finding suggests that nearly all of the operational changes we mentioned are viewed as at least somewhat important, but there are disparate ideas about what's most important for creating an effective digital strategy in healthcare.



57.3%

Leveraging data and analytics to drive better outcomes in clinical operations



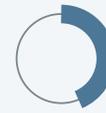
50.0%

Creating new digital products and services



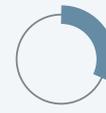
41.3%

Leveraging data and analytics to drive efficiencies in business processes



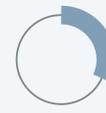
38.0%

Increasing virtual care offerings



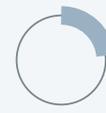
30.0%

Redesigning patient access and contact center models



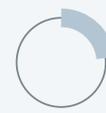
28.7%

Partnering with third parties such as retailers or pharmacies to provide alternative venues for care delivery



22.0%

Changing care pathways and improving care coordination



18.0%

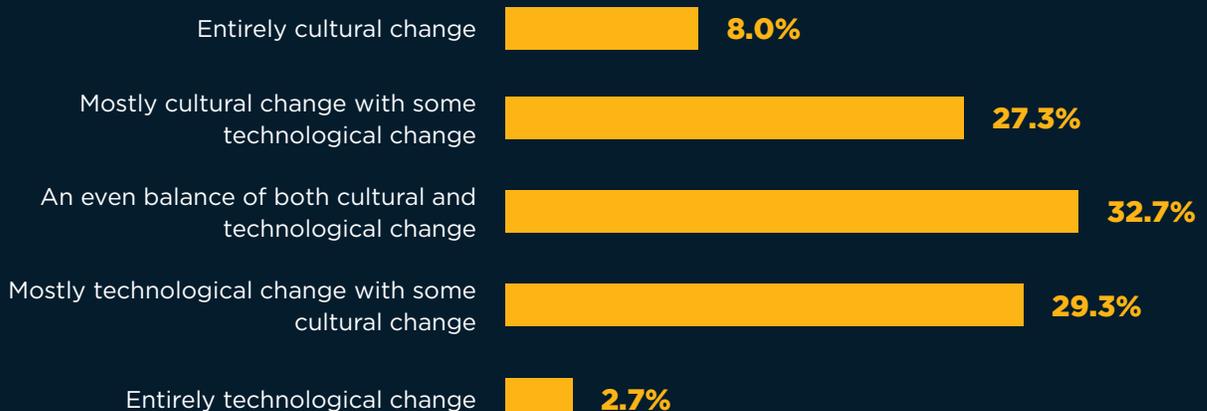
Investing in technology modernization

This notion—that creating and implementing a successful digital strategy in healthcare will involve an assortment of changes in various areas of the business—was also reflected in survey participants' responses to our question about the kind of transformation that becoming digital requires.

To help stratify this and understand how leaders are prioritizing investments of time and resources, we asked participants to indicate whether they believe that becoming digital requires cultural change, technological change or some combination of the two. The majority of responses indicated that stakeholders believe it's a fairly even mix. In fact, 89% said that the change that's needed is neither entirely cultural nor entirely technological. And the largest share of respondents (33% of them) said that it's an even mix of both.

Interestingly, a full eight percent of respondents reported that they believe that only cultural change is necessary for an effective shift to digital, while three percent (perhaps the most die-hard technologists in the group) said that the changes needed are purely technological.

Returning for a moment to the topic of the previous question, we can see that although stakeholders say that they prioritize leveraging data and analytics to drive operational efficiencies and improve clinical outcomes, as well as developing new digital products and services, the types of change their organizations actually want to pursue are more sweeping than better access to data visualization tools or deploying new analytics capabilities in clinical ops.



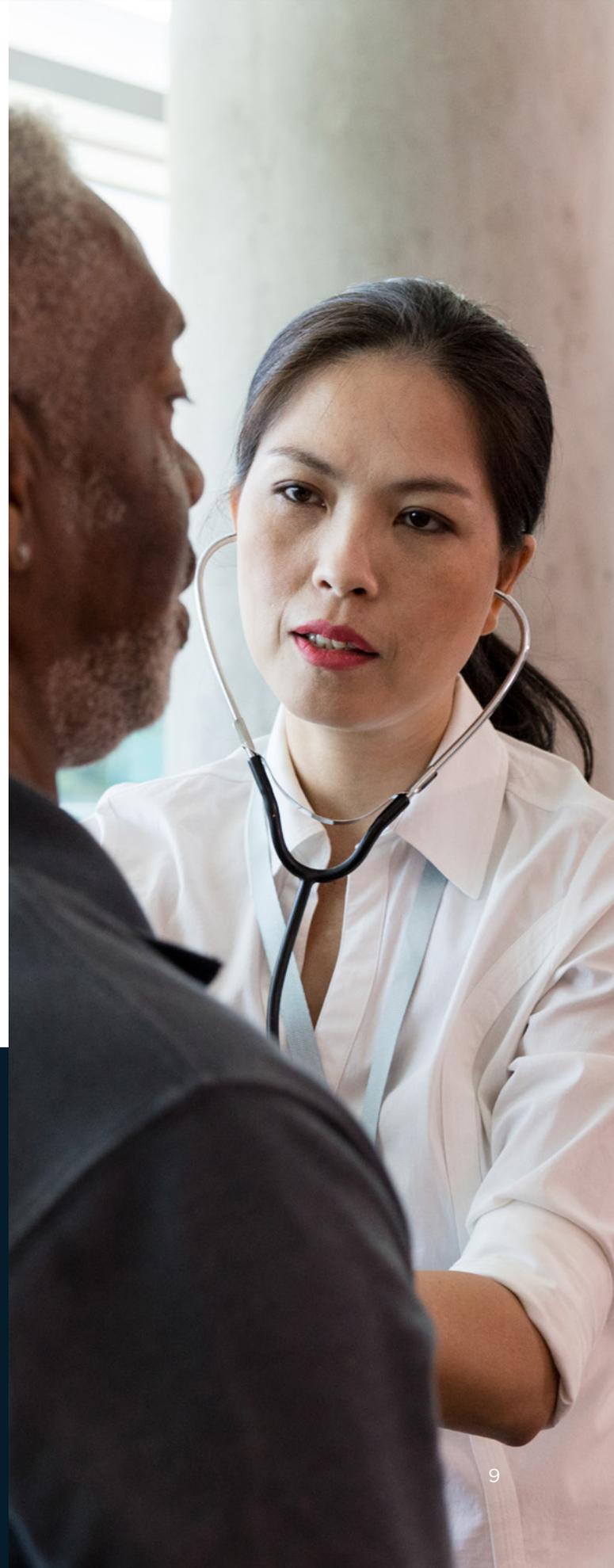
However, when asked what having a digital operating model meant to them, healthcare decision-makers as a whole seemed undecided. We offered survey participants a selection of eight phrases, each articulating a possible definition of “digital operating model,” and requested that they select one to three phrases that they found the most resonant.

Their top choice was “automating (and digitally powering) business and clinical processes where possible to ensure that human efforts are focused on business differentiators and clinical outcomes” (selected by 52% of survey participants). The second choice was “implementing innovative technologies like artificial intelligence (AI), blockchain, remote patient monitoring (RPM) and big data analytics” (49%). Also near the top was “developing the ability to sense, analyze and quickly respond to changing conditions using secure technologies, platforms and a formalized data strategy” (48%).

Note that these top choices all primarily involve technological change. Selections that are more reflective of cultural transformation appeared near the bottom.

The smallest group of respondents (9%) indicated the phrase “having a shared, strongly held vision of how to compete and win in a digital world that guides all decisions” corresponded to their understanding of a digital operating model. Creating “a culture with a ‘fail fast’ environment that encourages measured risk-taking” was seen as an important part of a digital operating model by only 13%. And “actively measuring, rewarding and/or recognizing employees for working collaboratively to achieve business results” was selected by only 17%.

There’s an important disconnect here: in the previous question, most respondents stated that technological change and cultural change were equally important to them, but when asked to elaborate on which specific changes—cultural or technological—were most in keeping with their definition of a digital operating model, they overwhelmingly chose technological ones.





WHAT KIND OF CHANGE IS NEEDED TO BUILD A SUCCESSFUL DIGITAL STRATEGY IN HEALTHCARE?



89%

of respondents said that becoming digital requires a mix of cultural and technological change



ONLY 9%

of respondents believe that having a digital operating model means being guided by a shared, strongly held vision for how to compete and win in a digital world.



61%

of respondents don't believe that having patient centricity embedded in the culture, strategy and processes that guide everything you do is part of a digital operating model.

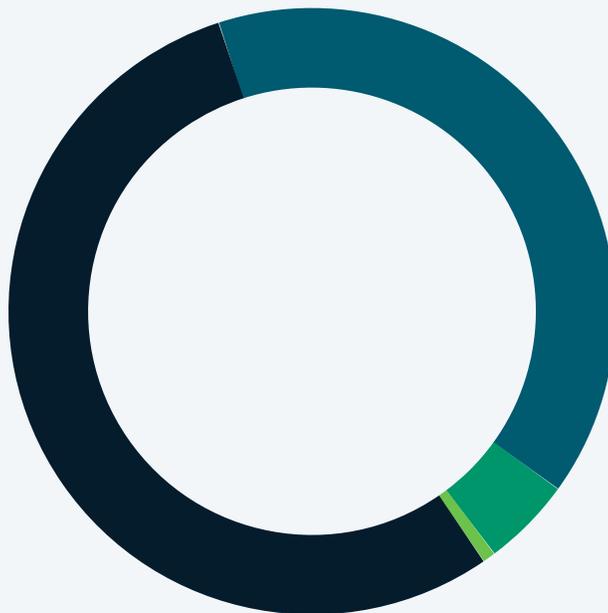
They may not be in agreement—or entirely certain—about whether implementing a digital strategy involves technological transformation or cultural change, but healthcare executives are confident that their organization’s shift to digital is well underway.

To understand what healthcare executives believe about their own organizations’ progress along the path to digital, we asked survey participants whether they already had a digital strategy in place. Their responses were overwhelmingly in the affirmative. Ninety-five percent of survey participants either had already implemented a digital transformation and innovation strategy, or were involved in planning one but had not yet begun its implementation. Within this group, 55% said they’d already implemented their digital transformation strategy, while 40% said they were in the early stages of planning and had not yet begun implementation.

None of the respondents reported that their organization had no plans whatsoever to create a digital strategy.

54.7%

Yes, we have already implemented a digital transformation and innovation strategy



40.0%

Yes, but we are in the early stages of strategic planning and have not yet begun implementation

4.7%

No, but we are planning to create a digital strategy within the next 12 months

0.7%

No, but we are planning to create a digital strategy within the next 1 to 3 years

Although nearly all healthcare organizations seem to be in the midst of some sort of digital transformation, exactly what this entails can differ dramatically among them. It also tends to vary according to the respondent's role and function.

"If you were to ask 50 CEOs what (being digital) means, I think most would say it means getting the patient to use the digital app—in the example of Epic, it's called MyChart—to pay their bills, schedule appointments, interact or enter their medical information," said the former president and CEO of a state-governed, not-for-profit health system.

The CIO of a Florida health system sees digitization quite differently. "I think, from a patient or consumer perspective, it means being able to offer your patients ways to engage with their health that are digital, whether those are web-based or mobile apps," he said. "Engaging means accessing care and making decisions based on information. Another component of being digital can be around how organizations are leveraging data to drive decision-making and changes. Then, I think, it also just means—maybe more loosely—the transition to the cloud."

To further clarify what "becoming digital" entails, we asked survey participants which technological or operational changes they were currently making or were planning to make in the near future. Nearly all respondents said they had already implemented or were planning to implement essentially all of the changes.



Ninety-nine percent of respondents said their organizations had begun leveraging data and analytics to drive efficiencies in business processes, were planning to do so, or had at least started an implementation process. Similarly, 98% said they'd begun leveraging data and analytics to drive efficiencies in clinical processes, were planning to do so, or had already started implementation.

In the same vein, 98% said they'd begun redesigning patient access and contact center models or were planning to do so. Ninety-four percent said their organization had begun the process of creating new digital products and services or was planning to begin it, and 95% said their organizations had increased virtual care offerings or were planning to do so.

Even the changes that were being undertaken least frequently—consolidating with other hospitals or health systems through merger or acquisition, investing in robotic process automation (RPA) and investing in AI-driven solutions to streamline clinical or administrative functions—were still in process in more than 90% of respondents' organizations.

The changes they were most likely to have already made were leveraging data and analytics to drive better outcomes in clinical operations (implemented by 47%), building patient portals or digital front doors to the practice (47%) and investing in cloud computing (43%).

The first changes that healthcare organizations tend to make are technological in nature. These are things like building out a patient portal, moving applications to the cloud and making efforts to use data to improve operational efficiencies. Taking this approach inherently puts organizations on shaky ground because they haven't addressed how the operating model needs to shift for such changes to be sticky and sustainable.

Taken together with the responses to our earlier question about whether becoming digital demands technological change, cultural change or both, these responses suggest that while many stakeholders in healthcare may believe that cultural change is important, technological change is easier to set in motion in the real world.

WHICH OF THE FOLLOWING TECHNOLOGICAL OR OPERATIONAL CHANGES IS YOUR ORGANIZATION CURRENTLY MAKING OR PLANNING TO MAKE IN THE NEAR FUTURE?

	Have already implemented this change	Are in the process of implementing this change	Are planning this change, but have not yet begun implementation	No plans at this time	Not sure
Leveraging data and analytics to drive efficiencies in business processes	42.7%	45.3%	11.3%	0.0%	0.7%
Leveraging data and analytics to drive better outcomes in clinical operations	46.7%	40.7%	11.3%	1.3%	0.0%
Redesigning patient access and contact center models	34.0%	39.3%	24.7%	2.0%	0.0%
Creating new digital products and services	36.0%	42.7%	16.0%	4.7%	0.7%
Increasing virtual care offerings	34.7%	46.7%	13.3%	5.3%	0.0%

2 SOURCING INNOVATION, CAPTURING AND PRIORITIZING USE CASES AND FEEDBACK, AND MANAGING CHANGE ARE BIG CHALLENGES FOR OUR INDUSTRY

Change management remains a major challenge when it comes to being digital in healthcare. So does effectively gathering feedback.

Healthcare leaders believe that lack of effective change management is not among the main reasons digital transformation efforts can fail. Only 12% rated it among the top reasons for digital initiatives to fall short. The second-least chosen option (selected by 27% of respondents) was incompatible technology.

Interestingly, all of the top responses represented cultural issues. Increased administrative burden was cited by 55% of respondents; this can, of course, be a symptom (or result) of poor change management. A misaligned value proposition was cited by 43% of respondents, and lack of organizational commitment by 33%. Keep in mind that, earlier in the survey, only nine percent of respondents said they believed that “having a shared, strongly held vision of how to compete and win in a digital world guiding all decisions” was an important part of a digital strategy.

While healthcare stakeholders might say that culture and technology are equally important parts of a digital strategy, it's also the case that cultural transformation tends to be the place where their initiatives fall short.



54.7%

Increased administrative burden



43.3%

Misaligned value proposition



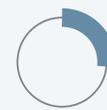
42.7%

Unrealistic expectations



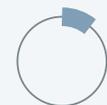
32.7%

Lack of organizational commitment



26.7%

Incompatible technologies and systems



12.0%

Lack of effective change management

We were also interested in change management processes, so we asked survey participants what formal practices their organizations had adopted to smooth their digital transformation. Here, too, several noteworthy contradictions stood out.

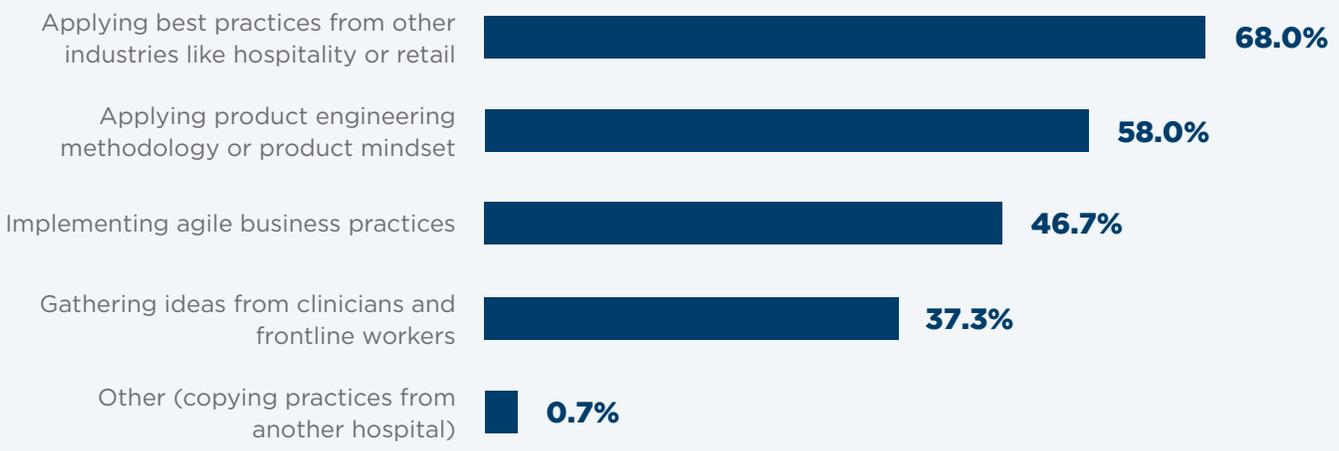
The most commonly cited change management practice (mentioned by 68% of respondents) was “applying best practices from other industries like hospitality and retail,” an intriguing finding for an industry that has highly specific needs and objectives and stringent regulatory requirements.

One interviewee described hiring from outside of the industry as well. “When we were looking for a head of our marketing and public relations department, I brought someone in from the auto industry who had worked with Ford,” said the CEO of a regional health system. “He had also worked with Target and for one of the large national banks. He has a consumer view of the world. He pushes

us and prods us and gets us to think a little bit differently about how to look at consumer data, what the consumer really wants and how to test a lot of things. He does a heck of a lot more than just put ads in newspapers, on the radio and on billboards. His voice has been extremely helpful to us as we’ve thought through, ‘What does the consumer want and how do we become more consumer-centric and less hospital- and physician-centric?’”

Other popular survey responses included applying product engineering methodology or a product mindset (mentioned by 58% of participants) and implementing agile business practices (47%). Only one respondent said that their organization was copying practices from another hospital.

It’s also important to note that only slightly more than one-third of respondents’ organizations (37%) are gathering ideas from clinicians and frontline workers.



We also asked survey participants about changes their organizations were making within the C-suite. The most popular change was creating a chief digital officer (CDO) role (61% mentioned this) and a chief innovation officer (CIO) role (45%).

Only 39% had created a cross-functional innovation team including stakeholders from legal, clinical practice and other areas of the organization.

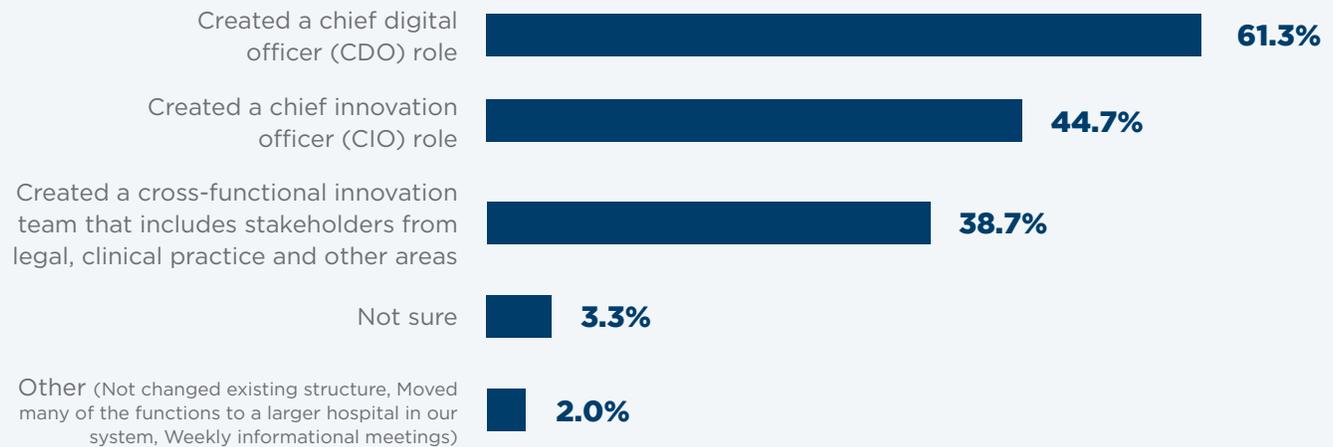
A handful of respondents were not sure if their organization was changing anything at all in its leadership structure. One respondent wrote that their team had implemented weekly informational meetings.



We also wanted to know how important clinicians' perspectives on digital strategy—and their on-the-job challenges—were for healthcare stakeholders' decision-making. We asked respondents about the impact of clinician feedback on their digital strategy.

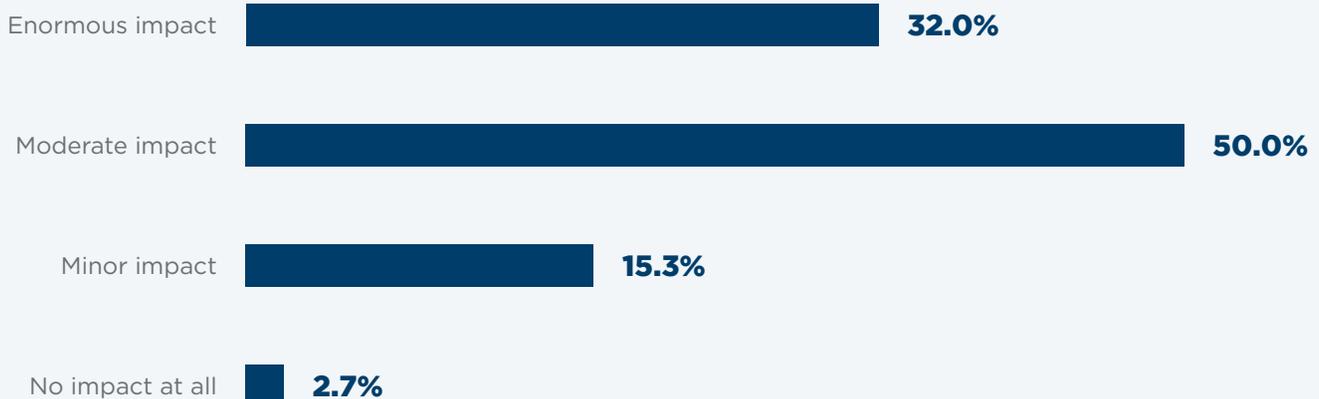
Eighty-five percent said that clinician feedback had either a moderate or an enormous impact on their

digital strategy. As you'll recall from the question we asked earlier, however, only 37% of respondents' organizations had implemented a process for gathering feedback from their clinicians and frontline workers. And 15% of respondents admitted that clinician feedback had a minor impact—or none at all—on their digital strategy.



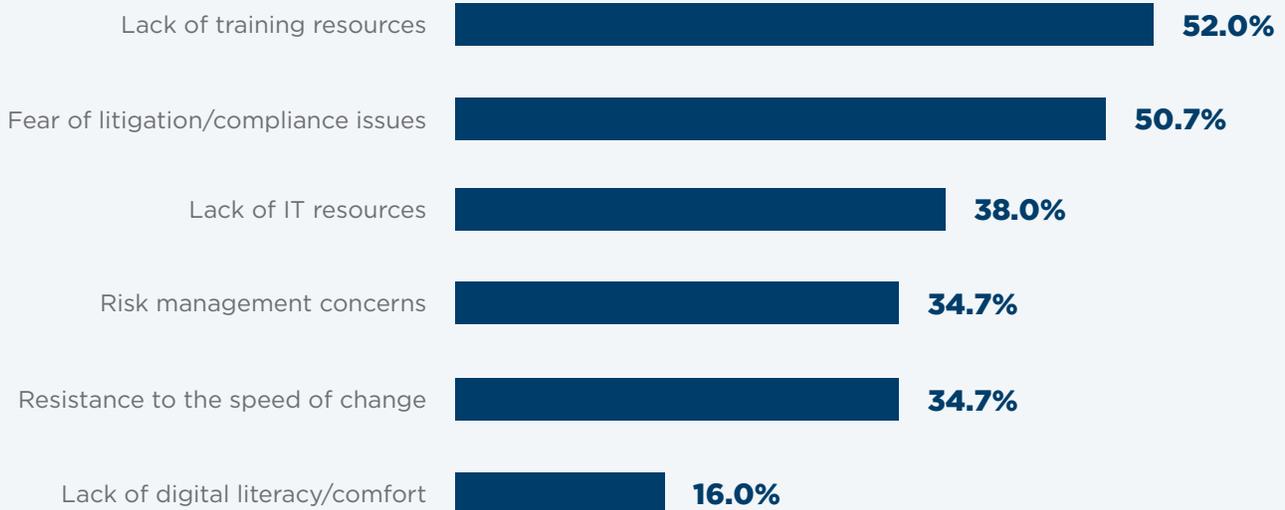
We were similarly curious about the importance of patient feedback. After all, 39% of survey participants did say (earlier in the survey) that embedding patient centricity in processes across the organization was an important part of adopting a digital operating model.

Most respondents (82%) reported that patient feedback had an enormous or moderate impact on their organization's digital strategy. However, nearly one-fifth (18%) admitted that patient feedback had little to no impact on the way their organization went about building a digital strategy.



We also asked about the challenges respondents were encountering when it came to engaging stakeholders within their organization in digital transformation initiatives. The most common response was that a lack of training resources was causing problems (mentioned by 52% of survey participants). Training is an essential component of effective change management, so this seems counter to their previous responses showing that a lack of effective change management is a problem in only a minority of digitizing healthcare organizations.

Also frequently cited (51% of respondents) was a fear of litigation and regulatory compliance issues. Of course, an effective digital healthcare organization is one that has people and processes in place to innovate, support new initiatives and continuously grow, mature and improve. Doing so can both ease the lift of achieving compliance with ever-shifting regulations and make it easier to maintain competitive differentiation, profitability, and patient and provider satisfaction. Achieving this, however, requires high-quality change management along with the right strategic planning around a central, shared vision of what “digital” means for the organization.



3 IT'S BECOMING HARDER TO DETERMINE WHAT'S MEASURABLE AND HOW TO RELATE METRICS TO BUSINESS VALUE

Stakeholders in healthcare generally believe that digital initiatives deliver at least as much value as they're expected to, if not more, but they focus primarily on externally assigned care quality outcomes when attempting to measure this value.

When interviewed individually, healthcare executives described four main areas of digital opportunity: building digital front doors, increasing operational efficiencies, enabling post-hospital care and reducing cybersecurity risk. Responses to our survey were generally aligned with this perspective.

We asked survey participants to rate the extent to which they believe digital initiatives deliver value in four key areas: decreasing costs, increasing the quality of care delivered, improving clinicians' experiences and improving patients' experiences. Respondents overwhelmingly said they believe that digital initiatives do deliver the intended value, if not more:

- 85% said that digital initiatives generally meet or exceed expectations when it comes to decreasing costs
- 91% said that they generally meet or exceed expectations when it comes to increasing the quality of care delivered
- 81% said that digital initiatives generally meet or exceed expectations when it comes to improving clinicians' experiences
- 84% said that they generally meet or exceed expectations when it comes to improving patients' experiences

But do these responses reflect executive optimism, or perhaps a disconnect between perception and reality?

So that we could understand more deeply what "success" means to stakeholders in healthcare organizations, we also asked survey participants which metrics they collect for use as key performance indicators (KPIs) to assess the impact of their organizations' digital strategies.

A significant majority (66%) indicated that they use externally assigned care quality metrics, such as HEDIS measures or STAR ratings, to evaluate their digital strategy's performance. More than half (55%) said they rely on outcome metrics such as mortality rates, hospital-acquired infection rates or readmission rates. Overall, as one would expect, respondents seemed to be most concerned about patient outcomes. Only nine percent considered the organization's revenues to be a meaningful indicator of their digital strategy's effectiveness.

However, when interviewed individually, healthcare executives were much more focused on revenues. They also remarked that it was difficult to align which measures matter and what “good” looks like.

“Everybody points to the triple aim,” said one CEO. “Patient satisfaction, outcomes and lower costs. But no one will ever let you measure or agree upon outcomes that matter. Every time you try to measure doctors, they will disagree with it if they look bad according to those metrics, no matter what they are. ... Unfortunately, I’m a cynic about this. What’s a good outcome? Literally, there’s no agreement in this entire industry.”

The CISCO of a mid-size regional health system lists different areas of concern. “From my discussions with clinical colleagues ... obviously, the number one is that patient outcomes are improving. We’re having fewer fatalities, more satisfied patients, and we’re able to address their complaints in a manner that they’re happy with. Secondly, from my clinical colleagues’ perspectives, I’m reducing fatigue and burnout. I’m challenging employees with interesting growth opportunities.”

**66.0%**

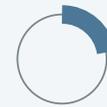
Care quality metrics (such as HEDIS measures, STAR ratings, or HCCs)

**54.7%**

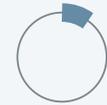
Outcome metrics (such as mortality rates, hospital-acquired infection rates, or readmission rates)

**40.7%**

Staff retention or quit rates

**22.7%**

Digital experience scores (such as Net Promoter Scores (NPS))

**9.3%**

Revenues



We were also interested in what survey participants do with the metrics they're collecting to measure the effectiveness of their digital strategies. What steps do they take in response to these metrics?

The most popular responses—both chosen by just over two-thirds of respondents—were “making hiring and staffing decisions on the basis of deficiencies and successes” and “making decisions about which innovations to move forward with on the basis of previous successes.” Only a minority of survey participants (38%) said that their organizations use prior success in digital transformation initiatives to guide their budgeting decisions.

Taken together, these results beg a few questions: If a majority of healthcare leaders believe that digital initiatives deliver value by reducing costs, what evidence leads them to think that this is the case? Particularly when only 36% of their organizations are measuring costs as a KPI for digital success? In a similar disconnect, 49% of healthcare executives are confident that digital initiatives are delivering the expected value when it comes to caregiver experience, but only 40% consider staff retention rates a measure of the success of those initiatives.



Despite their optimism about digital initiatives' promise, healthcare leaders are guarded about how much impact they believe becoming digital will ultimately have on their organization's bottom line.

We asked survey participants to describe where—on a continuum from “revenue generation” to “cost savings”—the right digital strategy could most benefit their organization. Their responses were fairly conservative: The largest group (49% of respondents) believed they would see somewhat increased revenues and only a small impact on costs, while the next-largest group thought they would see an even balance of cost savings and revenue improvements.

49.3%

Somewhat increased revenues with a small impact on costs



25.3%

An even balance of both cost savings and revenue improvements

8.7%

Moderate cost savings with little impact on revenue

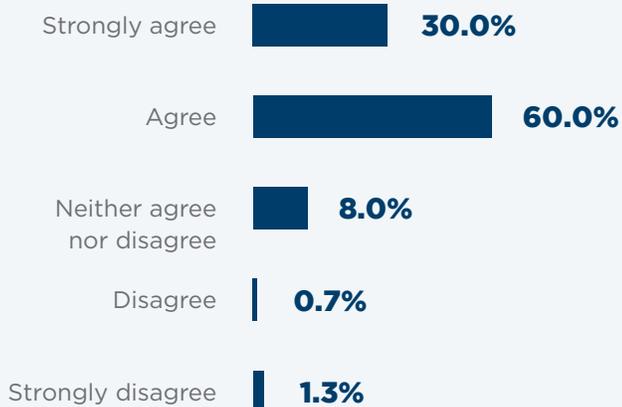
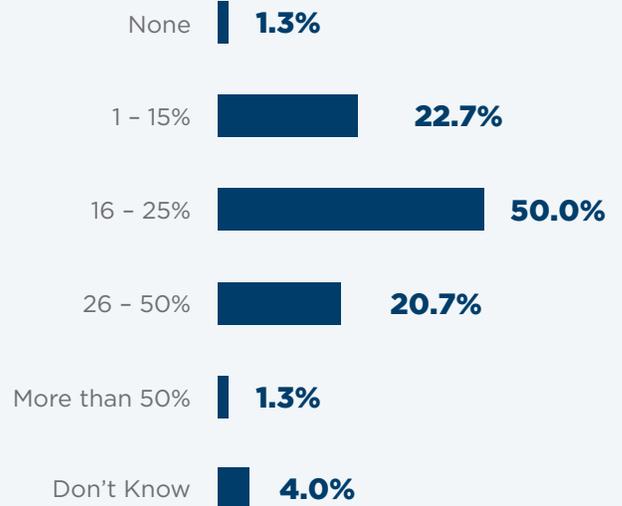
16.0%

Significantly increased revenues with little or no impact on costs

0.7%

Significantly decreased costs with little or no impact on revenues

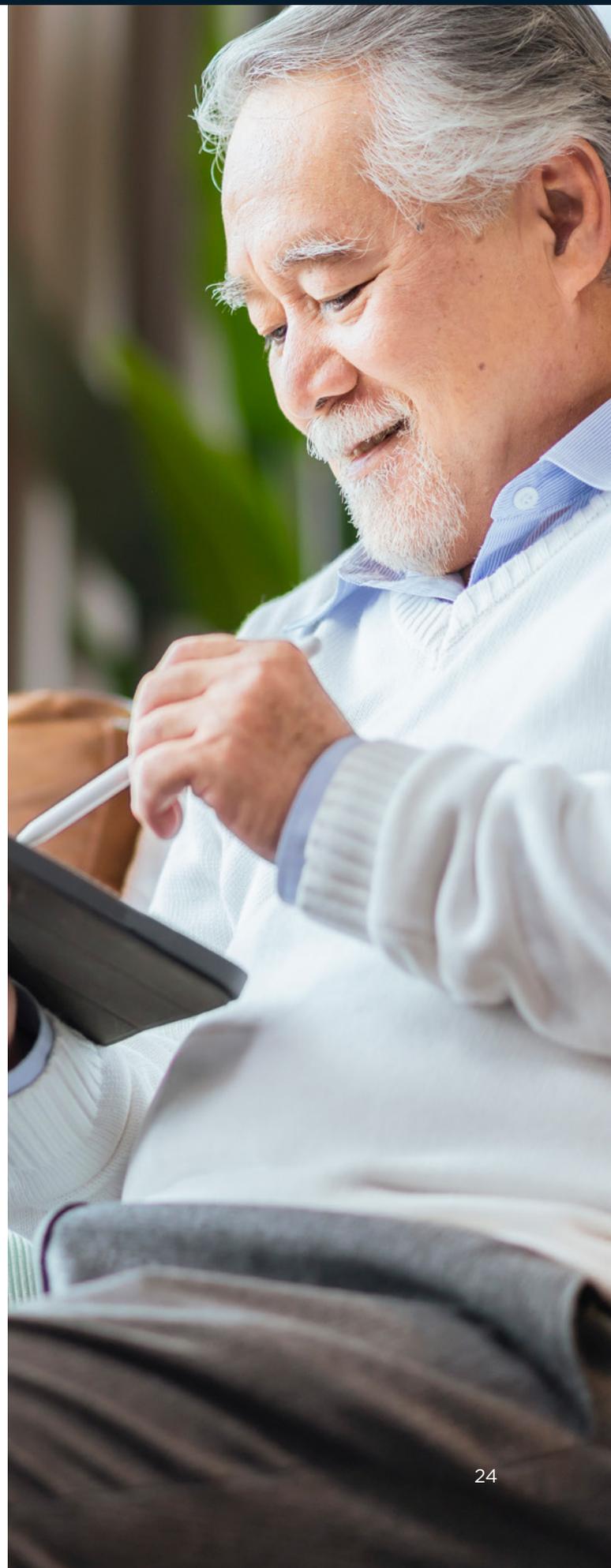
We also asked respondents about their current and longer-term plans to generate revenue in light of the industry's shift to value-based care. Those in the largest group, comprising 50% of respondents, derive 16 to 25% of their revenues from risk-based capitation agreements.



When asked whether maturing their digital strategy will enable their organization to derive more revenue from alternative payment models, however, most respondents (90%) either agreed or strongly agreed.

Despite the widely held belief that digital initiatives will enable healthcare organizations to navigate the shift toward payment models that will likely become more prevalent and lucrative, respondents still believe that successful digital strategy can drive only a modest increase in revenues—with only a small decrease in costs.

What is it, then, about digital initiatives that makes them attractive in the first place? How do stakeholders square their enthusiasm for technology adoption with their relatively pessimistic views about the value that digital initiatives can deliver? It's worth remembering that transformative change cannot deliver the hoped-for results unless it's supported with the right operating model shifts and enabled by appropriate investments in change management. While digital initiatives might have the potential to enable healthcare organizations to derive more revenues from payment models that will become more prevalent in the future, that potential will be realized only if provider organizations can fully harness the power of digital operating models.



4 RECOMMENDATIONS

Digital is not a destination or end point. It is a state of being, a way of operating that permeates an entire organization. Becoming digital requires building foundational capabilities first. In other words, it's not adding more floors to your house; it's getting rid of those leaks in your basement and the drafts from your doors and windows. There's no getting around the fact that people make those changes, and it's no different in an organization. You need to change mindsets and ways of doing things before you can implement data analytics successfully, for example. It's about getting everyone on the same page so you can build the organizational, operational and technological competencies—the baseline capabilities specific to your business and your stakeholders—that will support better experiences, increase revenue, lower costs and improve clinical outcomes, all in measurable ways.

In a nutshell, moving to a digital operating model means establishing the enterprise-wide capacity to quickly identify problems, democratize innovation, prioritize and iteratively test solutions, and implement both qualitative and quantitative feedback loops. In this way, digital is a characteristic of a business—indeed, it is a defining characteristic, affecting everything from how your patient portal is set up to how you manage recruitment and staffing.

The philosophical nature of this concept is likely part of the reason it can be so hard to effectively implement in the day-to-day of a business, especially one as high-stakes and complicated as healthcare. But to get down to the pragmatic application of “digital,” it's critical to focus on the moments that matter for your organization. These could be large or small things, and they'll be different for every healthcare organization. For one it might be ease of appointment scheduling. For another, providing industry-leading cancer care to the patients whose diseases best match the available treatments. Either way, it's a matter of assessing and understanding your organization's identity and composition so you can realistically take steps—small ones, especially at first—to uniquely and tangibly highlight what you do best, what you want to be known for in an endlessly competitive and uncertain environment, and how you surface new ideas and find ways to implement them in actual practice at the moments that matter.



Our view is that becoming digital is actually much more of a cultural transformation than a technological one, and there's no way around this fact. Trying to avoid this truth will simply perpetuate existing problems and throw up barriers to value realization for all involved. This doesn't mean that stakeholders need to build an entirely new culture. It does mean adopting agile processes that leverage data and stakeholder feedback (including patients, clinicians and employees) to do things differently. Ultimately, innovation needs to permeate the entire organization.

This involves building small teams and giving them the freedom to experiment. Teams should receive incentives for speed, not for finding the "right" answers, which can be counterintuitive in healthcare where the biggest decisions have life-or-death impacts. The focus should be on patient experience, and on adopting a bottom-up and outside-in perspective. You can't simply ask the patient how to go about delivering better care, of course, but you can listen to their feedback and take it seriously as you go about making changes. Combine quantitative and qualitative research so that you can see the bigger picture in more granular detail, and focus on piling up small wins.

One healthcare organization that's done this well is Seattle Children's Hospital. Here's an example: Window washers regularly cleaned the windows on the outside of the building. The hospital's environmental services department arranged to have these window washers wear superhero costumes, like Spider-Man, Captain America and others. This surprise "really brightened the day for the pediatric patients and really cheered them up," as [a hospital spokesperson put it](#). This is an example of a moment that matters. It's an opportunity to elevate patient experience in a way that makes people feel cared for, valued and important—at a moment when they would otherwise feel the stresses of being hospitalized.

CONCLUSION

The pressures faced by today's hospitals and health systems continue to multiply. It's not easy to keep up with changing patient needs, reimbursement models, regulatory concerns and staffing issues—not to mention fierce competition from new players in the healthcare market. To drive greater efficiencies and add value—and get ahead—healthcare organizations will need to leverage the many benefits that becoming digital can bring.

Often, though, they'll need help managing large-scale change. At West Monroe, our team is well equipped to help healthcare organizations transform to address today's challenges and realize tomorrow's digital vision. We can simplify, modernize, improve quality and expand access to the complex healthcare ecosystem. We do all of this by partnering with healthcare organizations to better understand—and capitalize on—the opportunities of this dynamic and evolving marketplace.





West Monroe is a digital services firm that was born in technology but built for business — partnering with companies in transformative industries to deliver quantifiable financial value. We believe that digital is a mindset — not a project, a team, or a destination — and it's something companies become, not something they do. That's why we work in diverse, multidisciplinary teams that blend management consulting, digital design, and product engineering to move companies from traditional ways of working to digital operating models — and create experiences that transcend the digital and physical worlds.

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