



The Emerging Lifecare Model

How consumerism is driving industry collaboration toward health and lifecare as a new strategic platform

AN EXECUTIVE BRIEFING FOR HEALTH PLANS AND HEALTH SYSTEMS

Shifting strategies in healthcare financing and delivery

We believe healthcare as we know it today will experience a fundamental transformation in the not too distant future. We anticipate health services delivered in today's market will move from a relatively static connection of care for consumers to one that embraces consumers throughout their lives. This shift will call upon the industry to develop new ways of engaging consumers and will require the creation of new operating capacities within health systems and health plans alike. We see this transformation revolving around the development of a new consumer-centric ecosystem, one that offers integrated health related services across the full continuum of needs for consumers. This is what we are referencing as the new "lifecare model." We believe this migration toward the lifecare model is a key requirement for long term sustainability of health systems and health plans going forward.

The healthcare industry today

The incremental change we see so prevalent across the healthcare industry today is born from delivering healthcare based on the unique circumstances of individual industry participants, rather than structural needs. Since the initial offering of “pre-paid” healthcare following World War II, the model in place has effectively catered to employer groups via incentive offerings in a wage-controlled environment supported by federal tax code. Characterized by yearly modifications in product design, rate increases and narrowing of networks, the employer group model of coverage fails to achieve sustainable improvement and lacks accountability.

Today’s healthcare delivery and financing model is struggling to meet the demands of both the aging population and, interestingly enough, the expectations of a younger generation. Consequently, these new demands coupled with the lack of accountability are causing healthcare industry executives, employer decision-makers, and consumers themselves to pause and ask for a better approach.

There is substantial pressure to look for alternatives that engage consumers in a more direct approach

to achieve the most appropriate access to care, the most appropriate *outcomes* of care, and the most appropriate *cost* for care.

As the industry aligns its strategic framework to address pressure points and build new approaches,

we are seeing tremendous growth of innovative and disruptive entrants moving into the industry’s coverage, financing and care delivery sectors. Many are niche players entering markets and targeting high-margin services at the expense of existing participants. They are successfully bringing to markets alternative and digitized connections to meet the breadth and depth of services required by a consumer-

driven marketplace. This continuous and often aggressive introduction of disruptive innovation is likely to negatively impact health systems and health plans, and in some cases cause serious damage to their overall financial health while also losing their significance to consumers they currently serve. We see this as a form of disintermediation, but with a twist: health systems and health plans may not necessarily find themselves out of business. Rather, they may become financially marginalized by their lack of consumer-oriented capacity to compete.

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What are the current industry drivers?

National trends underscore the need for a new model of healthcare, one where industry participants inspire healthy living options. Currently, we see four broad industry shifts working relatively independent of one another. Together, these shifts create a confluence that carries the promise of connecting with consumers more efficiently and effectively across their entire life spans.

1. Health plan (payer) consumer shift:

The purchase of healthcare is transitioning to a model that requires consumers to become active participants in their healthcare decisions. This shift is fueled by the growth of consumer-driven health plan models, as well as changes in the employer group market. As a result of the growth of Medicare Advantage, the Affordable Care Act (both on and off the exchange), and to some extent the Managed Medicaid markets, the overall healthcare retail marketplace has grown significantly over the last 10 years.

This rise in consumer-oriented product offerings that provide incentives for taking more control of one's own health needs is a logical progression of bringing the consumer into the decision processes of managing care and being financially responsible for care decisions. Group coverage is not going away; instead the trend is expanding consumer-oriented offerings within employer groups. This includes access to care improvements, financing incentives, benefit enhancements and related services. As a result of this shift, consumers are being asked to play a greater role in the financial responsibility of their healthcare needs.

2. Health system (provider) engagement shift:

The broad industry shift from fee-for-service to fee-for-value has impacted how providers engage with their customers. As value is derived from delivering better outcomes and eliminating episodes of care, providers are building capacity to ensure greater consumer engagement. Under a value-based arrangement, providers are being much more proactive in reaching out to patients with chronic and acute conditions to engage them in managing their conditions.

Rapid health system consolidation—along with outreach into non-traditional consumer delivery arms (e.g., retail store fronts, partnerships with grocery stores, pharmacies and general consumer merchandising stores)—provide a source of broader delivery capacity to consumers, and new and expanded ways to connect with the community.

3. Knowledge shift:

Another fast-growing shift in the healthcare market involves access to information. Consumers today want to be more informed about their healthcare. Almost every disease category has a multitude of websites, support groups, and analytical tools to help consumers become more informed, engaged, and proactive in managing their conditions along the healthcare/sick-care continuum. Some of these knowledge models are broad-based, while others are more disease-specific.

A differentiating success factor will be consumers' ease and access to embracing the health experience. Generational interests are changing the information landscape. For example, millennials have different healthcare consumption habits than previous generations, who view a doctor as the best source of health information. There is no debate that millennials expect the industry to be more relevant to and accommodating of their preference for virtually accessing and consuming information, while baby boomers trust the direct relationships they have with their providers. Success depends on an organization's future capacity to customize the delivery of information to align with each generation's expectations.

The shift in reimbursement toward value-based and population health models is calling upon providers to bring the consumer into the decision-making process, creating greater awareness and engagement.

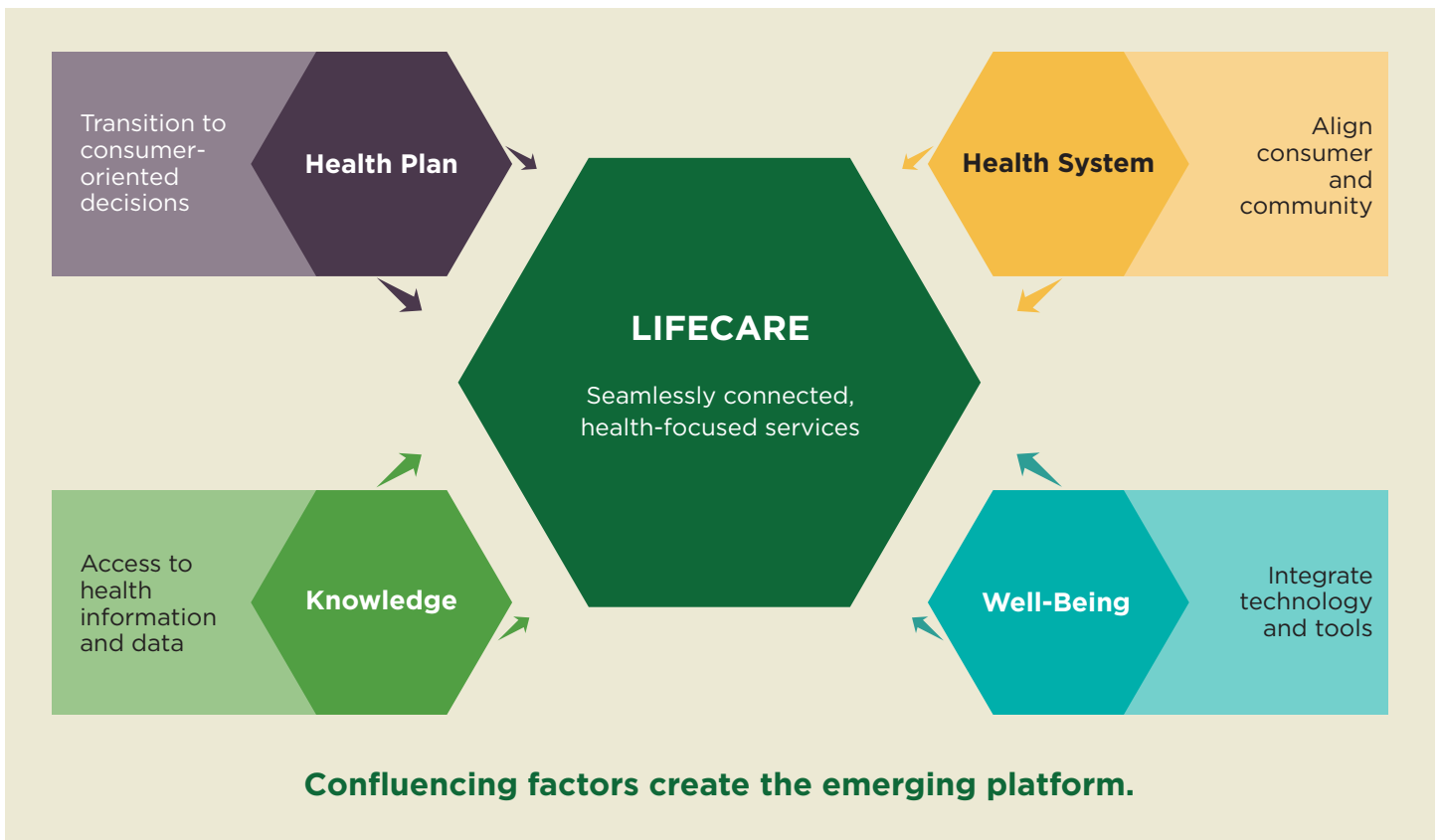
4. Well-being shift:

Supplementing the traditional duopoly of provider/payer engagement is the development of a wide range of products, services, and web/mobile applications that cater to consumers' increasing

desires to maintain an overall healthy state of being. These models have been somewhat embraced by health systems and health plans, despite ongoing skepticism that the tools will change behaviors, which in turn explains why they have not yet become deeply rooted as engagement opportunities with consumers. The motivational factors and support systems behind these sources of well-being data and counsel have yet to be orchestrated as part of a continuum that consumers can

and should connect with in a meaningful, sustainable manner. Most likely, we will see the growth in well-being funded by external (non-healthcare) industry investments. This is telling, in that these new entrants clearly believe there are opportunities to capture and engage with the consumer. The use of technology tools as points of well-being enhancement (e.g., mobile apps, personalized wearable tracking devices and other health-related smart devices) is growing dramatically and has real market appeal to consumers in their desire to achieve a healthy state of being.

Market shifts may eventually coalesce into comprehensive, seamlessly connected, health-focused services that consumers can engage with, when and where they need to.



The lifecare model defined

Lifecare is a single domain that connects consumers and suppliers of comprehensive health services, supported by a consumer-centric platform. Lifecare is designed to deliver a broad array of services and products across the entire consumer health spectrum. The platform is built as a hub, both physical and digital, that facilitates interactions between consumers on one side and suppliers on the other.

From a consumer perspective, lifecare engages those with chronic and acute needs, as well as those who are healthy yet desire engagement to maintain a healthy lifestyle. From a supplier perspective, it engages traditional providers that represent services typically included in medical benefits, as well as those that provide services outside of typical medical benefits but cater to the growing demand of consumerism.

This emerging lifecare model meets the varying consumer demands of today's market shifts by creating a platform through which consumers can engage in their health-related issues on a continual

basis. We see these lifecare services as being provided (and contracted through collaboration arrangements) by a complete range of healthcare entities (e.g., health systems, independent providers, health plans, health technologies, and other delivery service companies). Our belief is that in the long term

winners will build a platform to capture the future state of lifecare by leveraging and engaging with consumers in new and innovative ways.

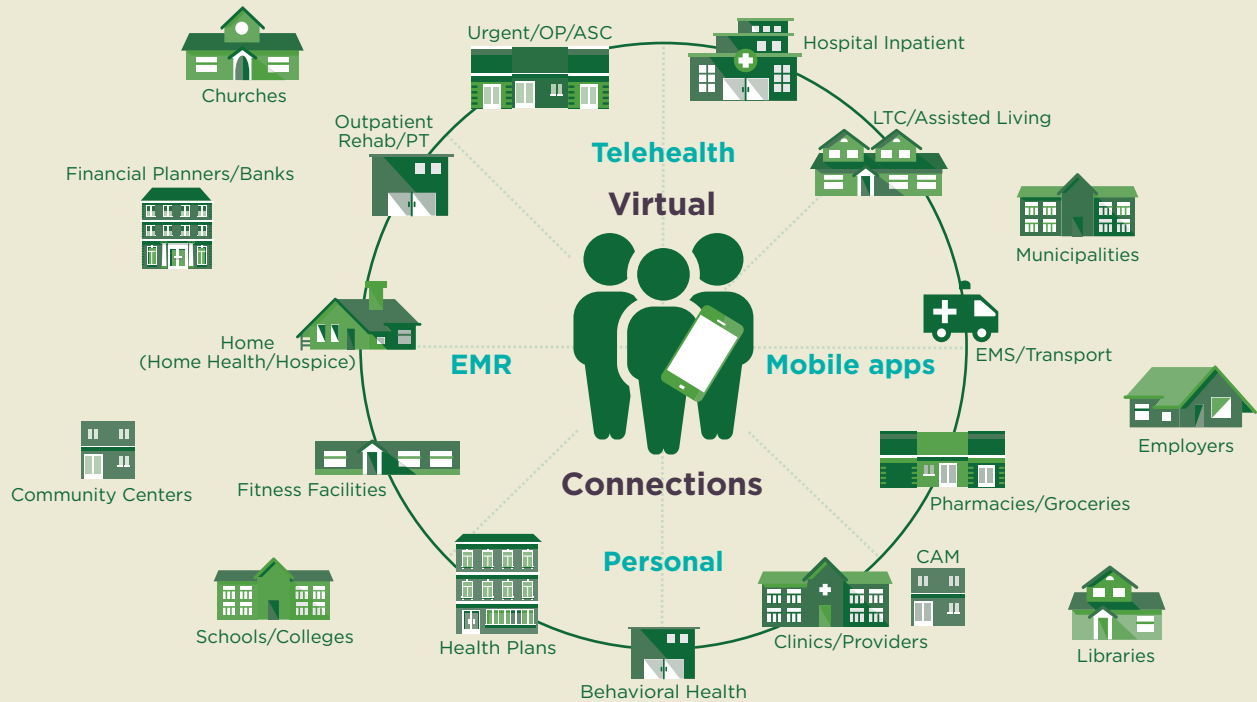
Lifecare integration also represents a remarkable opportunity to transform the 80/20 dynamic, meaning the industry will no longer see 80 percent of its efforts dedicated exclusively to the 20 percent of consumers who are high

care utilizers. The new expectation will be to focus on *all* consumers.

The lifecare model thus creates a platform through which consumers can actively and continuously engage in their health. The model succeeds by leveraging a deep understanding of the consumer to proactively match these services to the health needs and consumption preferences of the individual.

Lifecare is a consumer-centric ecosystem provided (and contracted through collaboration arrangements) by a wide range of healthcare entities.

Connecting community partners in a virtual consumer-centric ecosystem



Envision building an environment where competitors become collaborators working on behalf of the consumer to provide community-based health and life services through public and private partnerships. These partnerships emphasize access to healthy foods, fitness and health education, and they are designed to create an environment where well-being becomes accessible as a natural state of being.

A platform strategy creates a cycle of value-based consumer interactions, one building on the other (a rising tide lifts all boats). The goal of leadership is to

choose the best partners for the platform, including both digital and community partners, expected and unexpected.

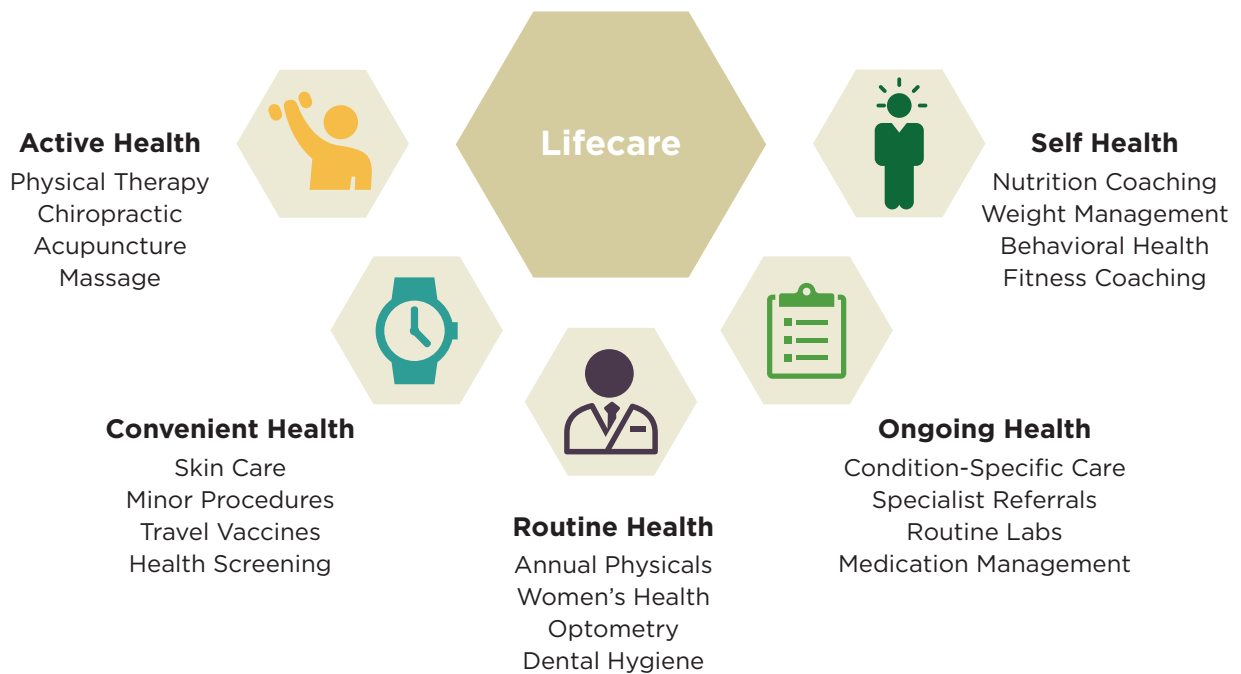
Health extends beyond the walls of the health system or health plan, impacting thoughtful choices at every life opportunity: schools, churches, financial planning, libraries, grocery stores and all other life interactions. Thus, lifecare is about inspiring decisions that encourage a healthy life. Engagement leads to more interactions with all providers, positive feedback and stronger alliances.

Engagement defined in a lifecare model

The most fundamental success variable of the lifecare model will be the level of new engagement achieved—in other words, how effective platform participants are in finding innovative ways to connect with consumers. The transformation of engagement could revolve around how care in a broader context is accessed and/or packaged for consumers to

benefit over time. In an effort to streamline services, the engagement process could be defined as the consumer's ability to be supported through a variety of information sources and receive navigational assistance across a continuum of care throughout the life span.

Healthcare services can be placed in five categories to ultimately reflect a highly evolved process of engagement.



Health System Example

This platform market example exemplifies the significance of the consumer-centric evolution:

Bryan Health - Health & Life Model:

With a goal of keeping people healthy over time, Bryan Health serves as a catalyst for partner hospitals that want healthy lives to take root in their local communities. This approach inspires consumers to make healthy decisions for life through collaborative community health partnerships, underscoring the organizational commitment to better care, improved health and lower costs.

About Bryan Health

Bryan Health is a Nebraska governed, non-profit health system that cares for patients, educates tomorrow's health care providers and motivates its community with fitness and health programs. Bryan Health provides an award-winning network of doctors, hospitals and medical providers to offer effective care; works with industry leaders to introduce leading-edge, proven treatments to our region; and serves rural communities in four states through outreach clinics, mobile services and telemedicine care. With more than 4,400 highly trained staff members, we take our commitment to provide the best care, the best education, the best wellness and recovery services, and the best work environment seriously. For you, we commit to continually move forward, together.

Building a new lifecare platform

Successfully creating a new business model design requires a firm commitment to the enterprise's vision of future success. Much like what has taken shape in other industries, the long-term view and commitment to the new vision wins. Netflix provides a not-too-distant analogy of transformation within another industry that required evolution to successfully enter the consumer market. To simplify the storyline, the path to success was founded on the organization's vision of consumers as the assets of the future, and it was solidified by the way Netflix coveted consumer needs and preferences as the most important factor

in every action the company took. This consumer commitment was the driver of success that enabled Netflix to outlast and outpace its competition.

The sustainable success model of the future also requires a new form of leadership and a commitment to providing integrated lifecare services in the environment where consumers work, live and play. A new vision that embraces the consumer at its core by adopting a lifecare platform can be built from the following three foundational steps.

Three foundational steps toward a lifecare platform strategy

1

Understand changing consumer and buyer expectations.

Consumer expectations are changing rapidly due to today's market forces surrounding cost, access and technology.

2

Redefine the enterprise's strategic vision to embrace the emerging model of lifecare.

Building a **consumer-centric model** of lifecare services requires an organization-wide pivot to offering services that inspire consumers to adopt new, healthy lifestyles. This cultural transition, from viewing consumers as acute-care, revenue-producing patients or risk-bearing members to lifecare platform participants, will fundamentally require a redefined and well-communicated vision.

3

Move quickly in building a new lifecare platform.

Strategic business plans for health systems and health plans should create a sense of urgency in building a new lifecare platform. The market continues to demand greater accountability, which translates to increased demand for innovative solutions sooner rather than later.

Create an ecosystem dedicated to making an impact on health

Today's health plan and health system leaders should envision a future beyond the traditional offering of products and services. They must evolve their mental frameworks to move from products and services to a platform strategy. Developing an ecosystem of collaborators and partners who consider consumer engagement imperative to their success—and who are therefore willing and able to multiply the opportunities

to expand, connect and engage the consumer for lifecare—sets the path to future sustainability for today's healthcare enterprises. Consumers are best served when they are purposefully embedded in the strategic direction of all health participants, from health plans and health systems to medical groups, buyers of coverage, and local community partners.

Health systems and health plans must embrace the future of healthcare as a consumer-centric industry tasked with keeping people healthy for life, rather than simply delivering and financing care when they are not. Only then will they begin to show authenticity in their promises to the consumer, ultimately increasing their overall impact today and for generations to come.

Platform strategy: Bringing the lifecare model to your enterprise

To create your collaborative vision for a successful and sustainable future, contact us to discuss:

- Strategic business planning
- Organizational readiness assessment
- Cultural imperatives for adoption
- Collaborative ecosystem development
- Consumer engagement strategies
- Authentic delivery of the brand promise

About Dobies Healthcare Group

We specialize in healthcare marketing, branding and advertising. It's not just what we do. It's all we do. Since 1992, Dobies Healthcare Group has offered highly specialized expertise in healthcare marketing strategy, branding and creative communications. We create healthier brands across the entire healthcare industry, from hospitals, health systems and payers to medical device manufacturers, distributors, associations and certifying boards. With our strategy-first approach and proven processes that always focus on strategy, we help clients navigate the nuances of an ever-changing healthcare industry. For more information, visit dobies.com.

About HealthScape Advisors

HealthScape Advisors is a nationally recognized healthcare consulting enterprise specializing in bringing strategic actions and sustainable value to our customers throughout their planning processes. We utilize an award-winning data analytics platform to support our network of industry relationships, enabling us to provide superior market driven strategies and innovative problem-solving to all of our engagements. HealthScape clients recognize our ability to focus on the future and our ability to help execute solutions that move their businesses forward as key differentiators. For more information, visit healthscape.com.



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