



To Survive, Healthcare Data Providers Need to Stop Selling Data

Most data-driven healthcare IT (HCIT) providers aren't going to survive. Their business models are at serious risk of failure in the next three to five years. To beat those odds, they need to evolve dramatically, and fast, to a point where they are not selling data at all.

Like any number of industries, healthcare is being transformed by the explosion of low-cost data. In healthcare, the transformation is driven in large part by electronic medical record adoption and digitization. There have been many benefits. End users can take advantage of quantities of newly available information to solve problems in population health, clinical decision support and patient engagement, among other applications. And ease of access means ease of market entry: Emerging data providers can get on their feet quickly and create new sources of competition. For example, AiCure and Propeller Health are using very different methods to generate patient medication adherence data. Competition leads to better offerings and more choice. What could go wrong?

Plenty, actually. End users can be overwhelmed by the flood of raw data and reports that may not fit well with their existing workflow or answer their specific question. And for data providers, ubiquitous availability of information and low barriers to entry mean that the competitive advantage gained from the data itself can be quickly eroded.

Yet too many HCIT providers are still pursuing that data-centric advantage. The bulk of HCIT investment supports startups that sell data — clinical or operational information that is otherwise difficult for clients to obtain or to organize. These firms regard data as the source of business value. But as more data and more data providers flood the market, a competitive position based solely on data becomes impossible to defend. Consider the move by the Centers for Medicare & Medicaid Services to publish extensive Medicare enrollment and utilization data, and to make it accessible and easy to interpret via the CMS website. Information that would once have been proprietary — and premium-priced — is now widely available, for free. CMS's move illustrates a broad trend. Increasingly, for most HCIT firms, data is a commodity.

What's a data provider to do?

One solution is to become the authoritative source for a particular kind of information. Some firms have managed it, in healthcare and in other arenas — think of QuintilesIMS as a source of pharmaceutical sales data, Nielsen as the authority on TV viewer habits and the U.S. Census for information about U.S. demographics. In theory, a healthcare IT provider can follow their lead and try to corner the market on a data set. But to do this in today's landscape is a tall order. The same dynamics we've described — widespread access, low costs, low barriers to entry, commoditization of data sets — mean it's an open question whether this strategy can work. A better option is to evolve from providing data to providing insight.

To Survive, Healthcare Data Providers Need to Stop Selling Data was written by **Harsha Madannavar**, **Todd Clark** and **Joseph Johnson**, Managing Directors at L.E.K. Consulting.

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Executive Insights

Companies moving in this direction aim to solve problems within a use case, for example, decision support. They might focus on a specific population such as cancer, diabetes or Alzheimer's patients, and a specific insight about disease progression, pain management or treatment options. They address an underlying stakeholder need such as managing the total cost of care. Clients get what's really needed — raw data transformed to support better decisions. And HCIT providers escape the commodity trap.

The marketplace is rapidly moving in this direction. IBM established its Watson Health business unit to apply cognitive computing analyses to healthcare and in 2016 announced plans to acquire [Truven Health Analytics](#) for \$2.6 billion. IBM plans to leverage Truven's vast data collection — sourced from more than 8,500 insurers, hospitals and government agencies — to support specific use cases, using Watson's analytical capabilities. For example, some Watson Health initiatives focus on improving oncology diagnostics and identifying the most effective treatment protocols for specific cancer patient subgroups.

Another solution provider, [Proteus Digital Health](#), is engaging with health systems to provide insights into actual use of medication and resulting health patterns. Understanding treatment effectiveness for at-risk patients — in particular for patients with uncontrolled hypertension and diabetes — is a priority for many health plans. Proteus analytics support patient and family engagement and care-team coaching to drive clinical improvement. Other data analytics services based on accurate medication-intake information, in combination with physiological measures, also promise to improve clinical decision-making, reduce doctors' workload and improve outcomes.

The transformation from data provider to data analytics services is hard. It requires significant changes in business models, staffing and management approach. But we believe it's the only option. The late economist and marketing professor [Theodore Levitt](#) famously said, "People don't want to buy a quarter-inch drill; they want a quarter-inch hole." In healthcare, providers don't want data; they want solutions that lower costs and improve outcomes. HCIT firms that deliver those solutions are the ones that will be around in five years' time.

About the Authors



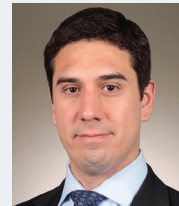
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