

## Healthcare Information Technology: Opportunities in a Value-Based World

The transitioning from a fee-for-service (FFS), volume-based reimbursement system to a value-based care (VBC) system is transforming the healthcare landscape, aligning incentives for providers and insurers, and placing a focus on improving outcomes, reducing costs and improving patient satisfaction. The VBC model raises providers' financial accountability for patient care decisions and encourages risk sharing.

Organizations that have adopted a VBC model are "at risk" if they don't find ways to deliver care more effectively via increased quality, improved patient satisfaction and reduced costs.

***HCIT companies need to take advantage of the structural changes in the marketplace and clearly demonstrate how they can help alleviate customer pain points.***

One way to increase effectiveness is through the use of healthcare information technology (HCIT) products and services. Nevertheless, many vendors of HCIT solutions find it difficult to change clinical and administrative protocols and behaviors that have been institutionalized over many decades under the FFS model. Where the FFS model is still in place, convincing providers to adopt these novel technologies can be even more challenging.

### Meeting the Diverse Needs of the Healthcare Value Chain

HCIT solutions target every element of the healthcare value chain with many applications ranging from workflow optimization and revenue management to care delivery and patient engagement (see Figure 1). However, where the healthcare value chain remains fragmented, stakeholder incentives are not always aligned, and an HCIT solution that benefits the value chain as a whole may not necessarily benefit a specific user group. For example, in a healthcare system where

the acute care hospital and physician offices or long-term care facilities are not integrated across the care continuum, implementing a HCIT solution that better coordinates care and reduces readmissions benefits the acute care hospital but not necessarily the groups that manage the patients' primary care.

For this reason, some pockets of the healthcare value chain may be more primed for disruption by HCIT than others. It is important for HCIT companies to not only understand where stakeholder behavior is most likely to change, but also to examine end-user/stakeholder needs across the entire healthcare value chain and determine how they can best meet those needs (see Figure 2).

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## Cracking the Code: Strategies for Winning in the Marketplace

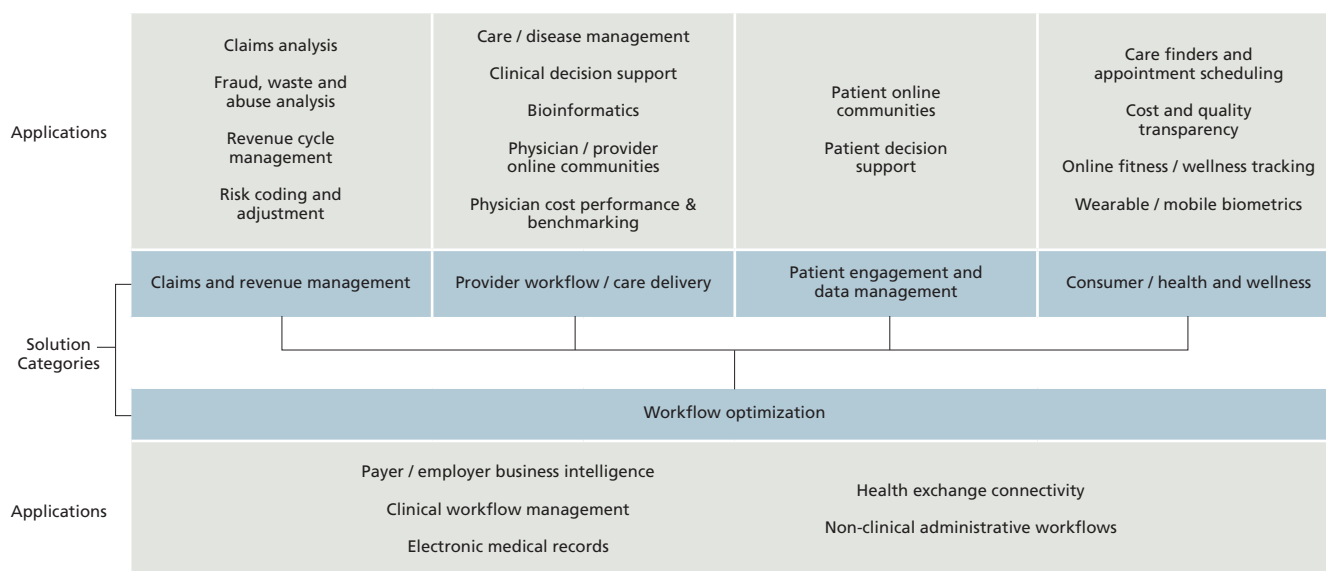
To achieve maximum commercial potential, HCIT companies need to take advantage of the structural changes in the marketplace and clearly demonstrate how they can help alleviate customer pain points. The following are some strategies for success.

**Start with customers that have aligned incentives across the healthcare value chain.** At the top of this list are Integrated Delivery Networks (IDNs), which are vertically and horizontally integrated across the entire healthcare continuum. Other types of organizations that operate under a capitated payment approach, such as Accountable Care Organizations (ACOs) and Medicare Advantage (MA) plans, have also aligned their stakeholder incentives to focus on overall cost reduction and improved patient outcomes. These organizations have already begun to make investments that are enabling them to migrate away from the FFS model, and they are more likely to be receptive to solutions that will allow them to pursue their objectives. HCIT vendors can achieve quick wins by structuring partnerships with organizations that are already embracing VBC.

**Leverage the success of early adopters.** Even for those at-risk organizations that innately stand to benefit from HCIT, not all will readily see its value without tangible evidence. To win over this next wave of customers, HCIT solution vendors need to gather concrete evidence of both efficacy and cost-effectiveness from early adopters. Such return-on-investment (ROI) data will also be of interest to organizations that still operate under a FFS model (such as self-insured employers or commercial payers) but that nevertheless have a vested interest in reducing total medical costs. Approaches to demonstrating ROI include pilot projects carried out in partnership with early adopters and referenceable case examples showing costs avoided (e.g., reduced readmissions), improved outcomes (based on Healthcare Effectiveness Data and Information Set (HEDIS) measures), and other VBC-consistent outcomes such as patient satisfaction.

**Structure viable payment models.** The challenge most HCIT solution vendors face is reducing reliance on the innovation budgets that are a typical source of funding for initial pilot partnerships. Such budgets are not sustainable once commercialization gets underway, and many target organizations do not even have these sources of funds. As HCIT vendors gather effectiveness data, it makes sense

**Figure 1**  
Overview of HCIT Applications



Source: Company websites, analyst reports, L.E.K. analysis

**Figure 2**  
Healthcare Stakeholder Needs and HCIT Solutions

User / Stakeholder	Examples of Needs or Pain Points	Sample HCIT Products and Services That Meet Those Needs
Providers	Improved and rapid access to comprehensive, integrated patient medical information Real-time clinical and financial data	Electronic medical records Care/disease management tools Clinical decision support tools Physician cost performance & benchmarking
Payers	Stratify underlying acuity of individual members Strategies for encouraging behavior change of sickest populations Easier online navigation and decision support for customers selecting health plans	Risk coding and adjustment tools Gameization tools Health exchange connectivity systems, services and solutions
Patients	Greater transparency into provider pricing and outcomes Better access to health information and health / disease management support Ways to automate the health behavior feedback loop with payers and providers	Online patient communities Care finder apps and appointment scheduling Online fitness / wellness tracking Wearable / mobile biometrics devices

Source: L.E.K. analysis

to take a phased approach to developing viable payment models. For customers that need additional incentives to adopt HCIT solutions, vendors can propose a contingency or “risk-sharing” payment model in which they are reimbursed based on improvements in financial run rates. This will give vendors time to assemble the evidence they need to submit a reimbursement code request to the Centers for Medicare and Medicaid Services (CMS). Once the CMS code is in place, a much broader range of buyers will be able purchase the HCIT solution via the mainstream payment process.

## Harnessing Change

HCIT vendors have a significant opportunity to take advantage of the seismic changes that are upending healthcare in this country. Through careful targeting, attention to user needs and a relentless focus on demonstrating benefits, they can set themselves on the path to successful commercialization.

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