

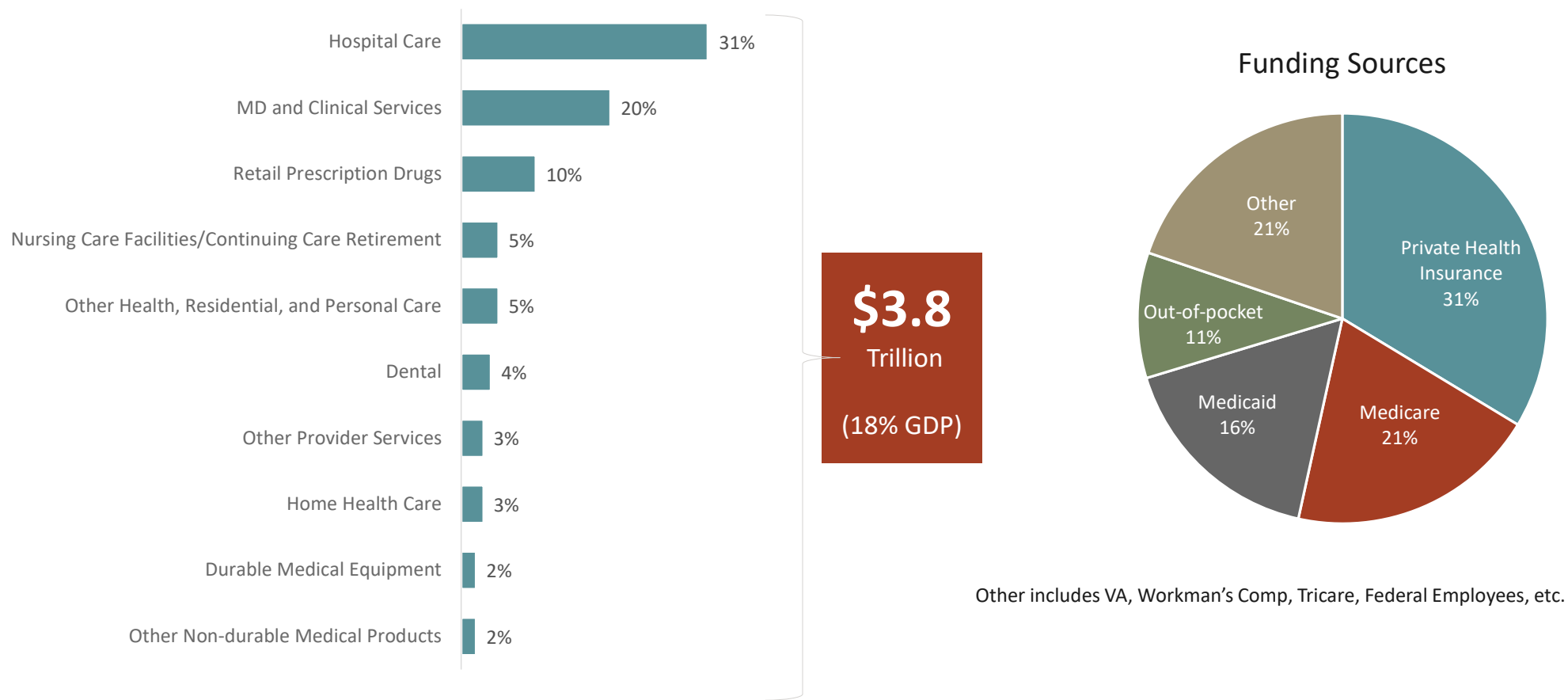


MASTERING THE HEALTHCARE ECOSYSTEM

Lessons for New Healthcare Marketers

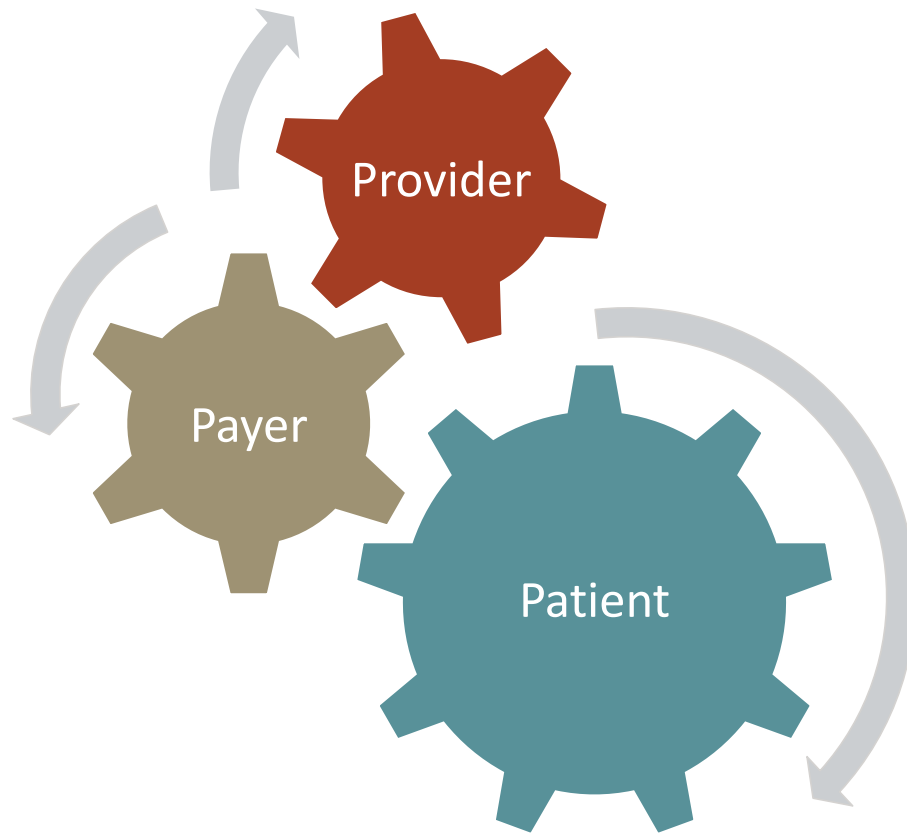
StandPoint[®]
RESEARCH WITH A POINT OF VIEW

U.S. Healthcare Spending



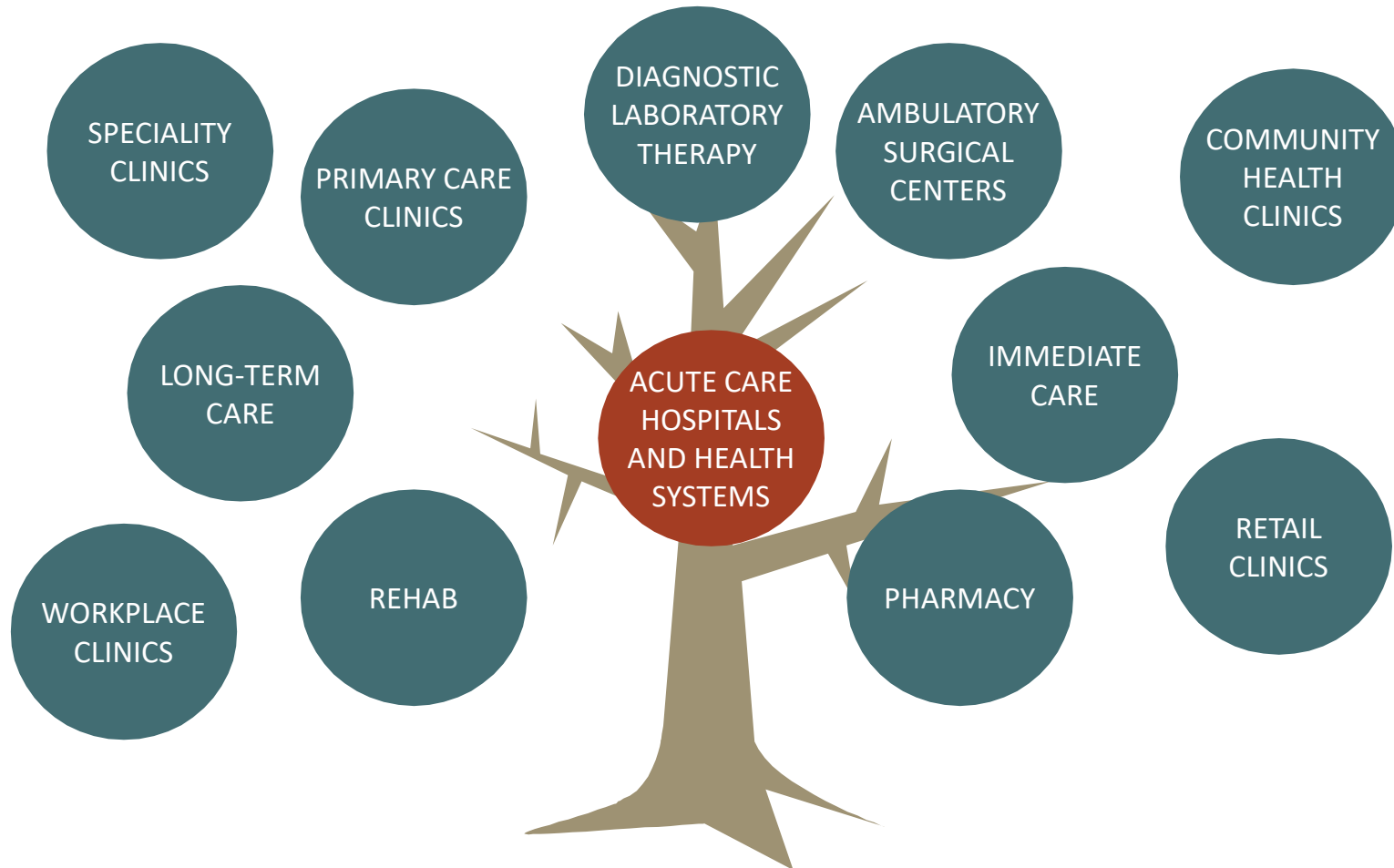
Source: *National Health Expenditures*, CMS, 2018

Three Realms of Healthcare

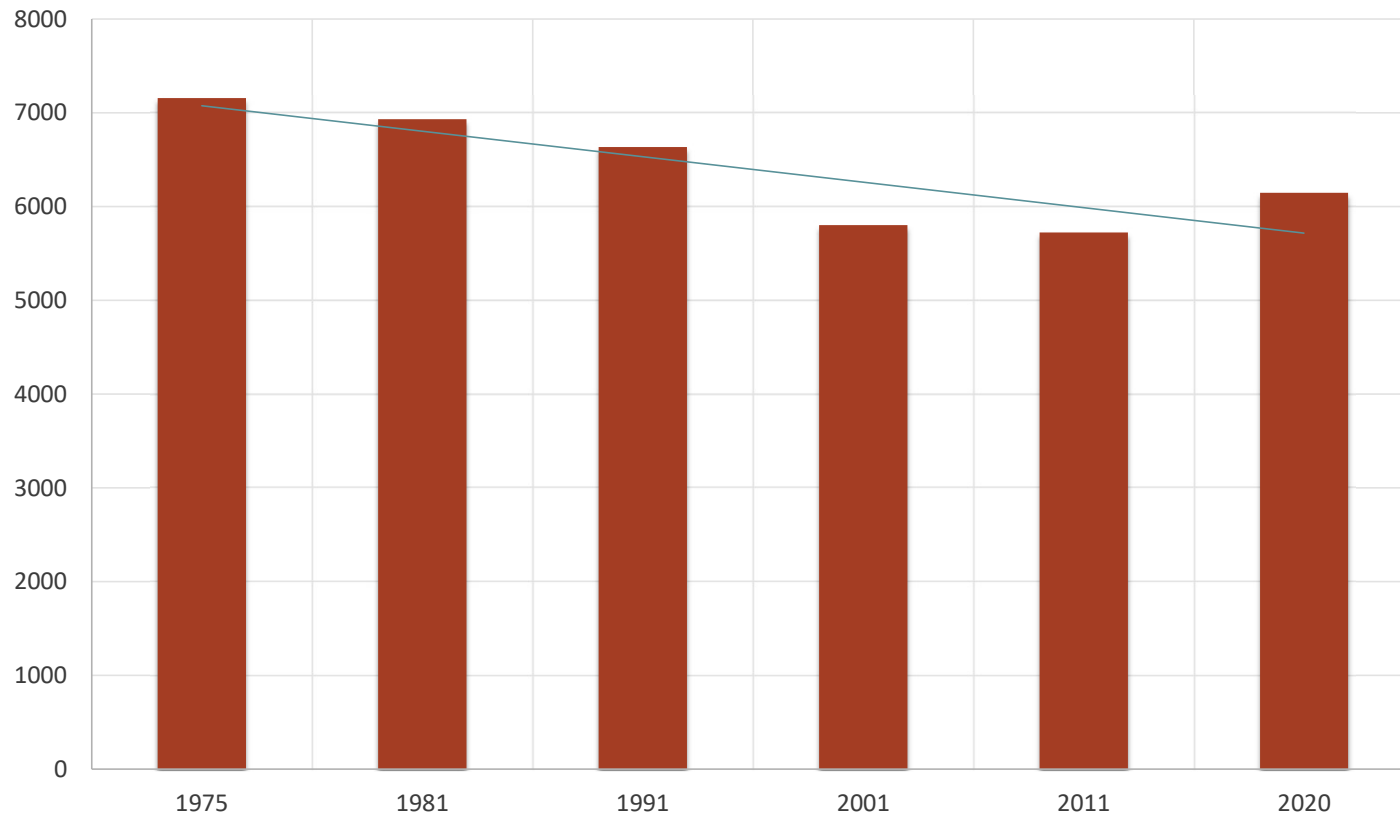


Medical Provider Ecosystem

All boils down to decisions of roughly 940,000 actively practicing in the U.S. The number of decision makers continues to slowly decline.



Number of U.S. Hospitals by Year (1975 – 2020)



Source: American Hospital Association

By the Numbers

	1975	2011	2020
Hospitals (total)	7156	5724	6146
Beds (thousands)	1466	924	924
Average	~205	~161	~150
LOS (days for community hospitals)	7.7	5.4	5.5
Employees (thousands for all hospitals)	3043	5195	5662
Average	~425	~907	~921
Outpatient Visits (thousands)	254,844	754,454	766,076

Source: American Hospital Association

Delivery Systems – A Tale of Two Hospitals

Rural

- Largely dependent on Medicare/Medicaid funding
- Declining average number of beds
- Declining volumes

Independent vs. Scale

- Top 40 US health systems had margins 17% higher than other health systems and 33% higher than independent hospitals
- In locales where health systems had 50% market share, these facilities had margins 30% higher than facilities owned by health systems with less than 25% market share or independent hospitals with similarly small market share

Average facility EBITDA by system market share in that facility's CBSA, 2016^{1,2}



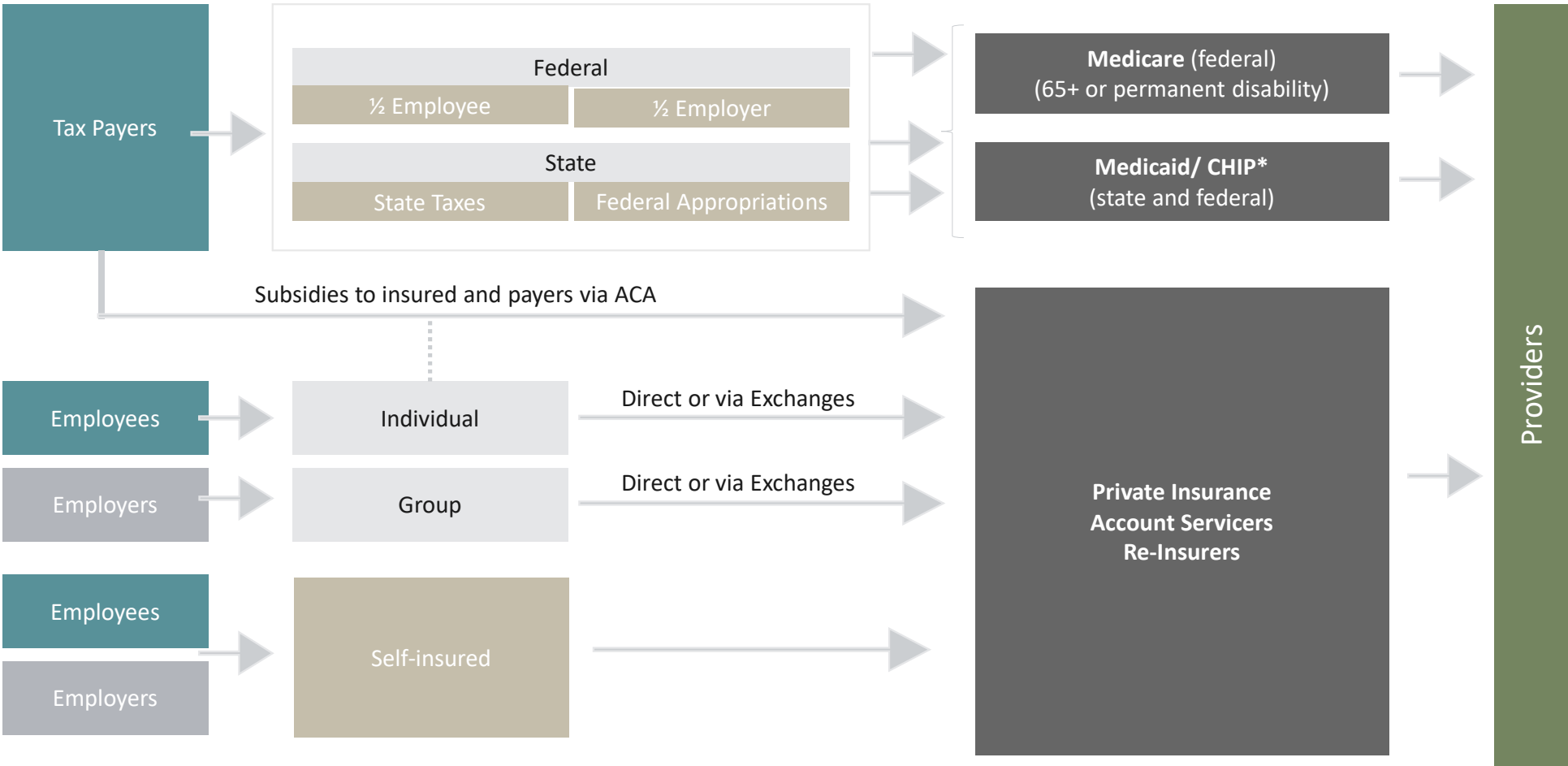
CBSA, core-based statistical area; EBITDA, earnings before interest, taxes, depreciation, and administration.

1 Excludes rural hospitals, hospitals without reported revenue (e.g. government-owned psychiatric facilities), and hospitals with margins above 50% and below –50%.

2 Industry EBITDA margin is 10.6%. Market share is based on admissions.

Sources: American Hospital Association hospital survey; Medicare cost report data and McKinsey analysis based on Capital IQ and Pitchbook data.

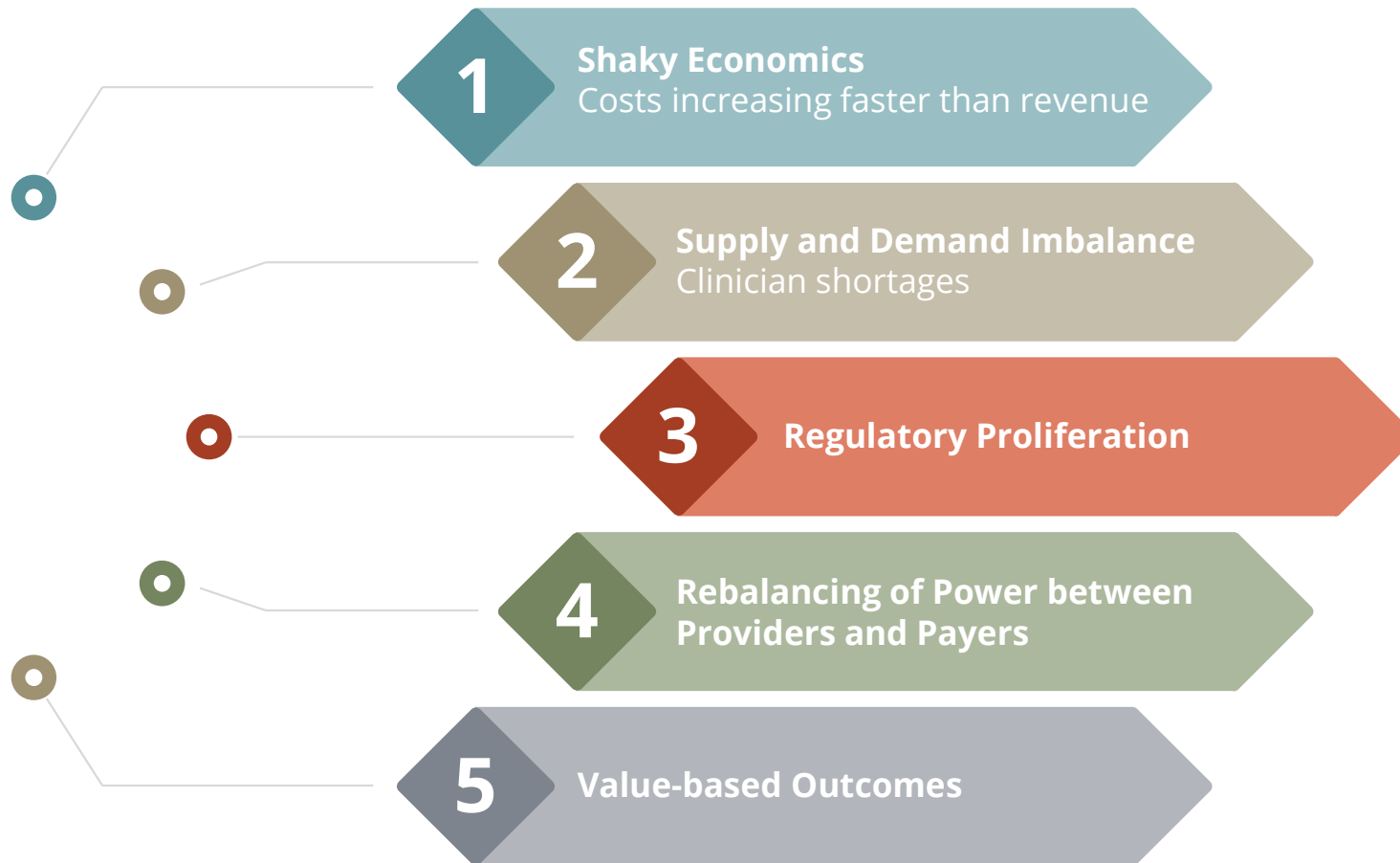
Payer Ecosystem



*Indigent, covers 71.4 million people or 21% of the population. Eligibility is based on income and varies by State. In Georgia, maximum income for an individual is approximately \$25K

Macro Drivers

For Hospitals



THE FACTS

125 million people live in a metro area where a single provider has greater than 25% market share

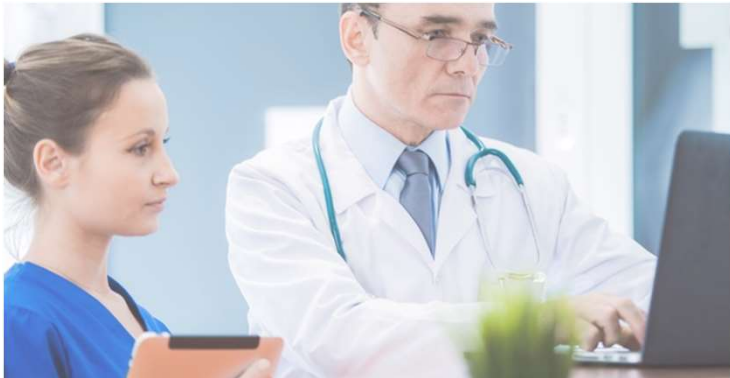
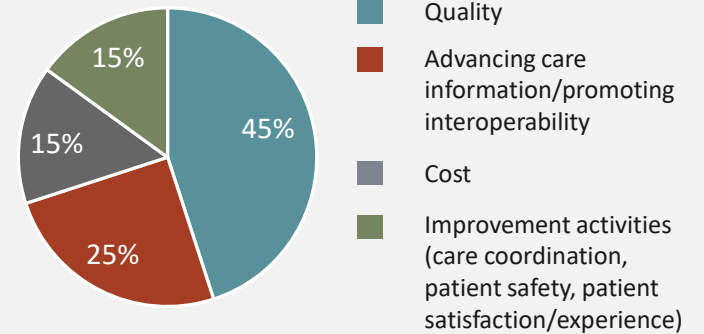
40% of U.S. physicians are employed in practices that are fully or partially owned by hospitals

More on Value Based Outcomes

Medicare Quality Payment Program

Merit-based Incentive Payment System (MIPS)

- Builds on traditions FFS
- Rewards provider for delivering high quality care and achieving better outcomes
- Participating providers earn a bonus based on a score consisting of 4 metrics →



Alternate Payment Models (APMs)

Allows clinicians to receive financial bonuses and higher payments in the long-term if they have a significant percentage of their practice in risk-bearing, coordinated care models

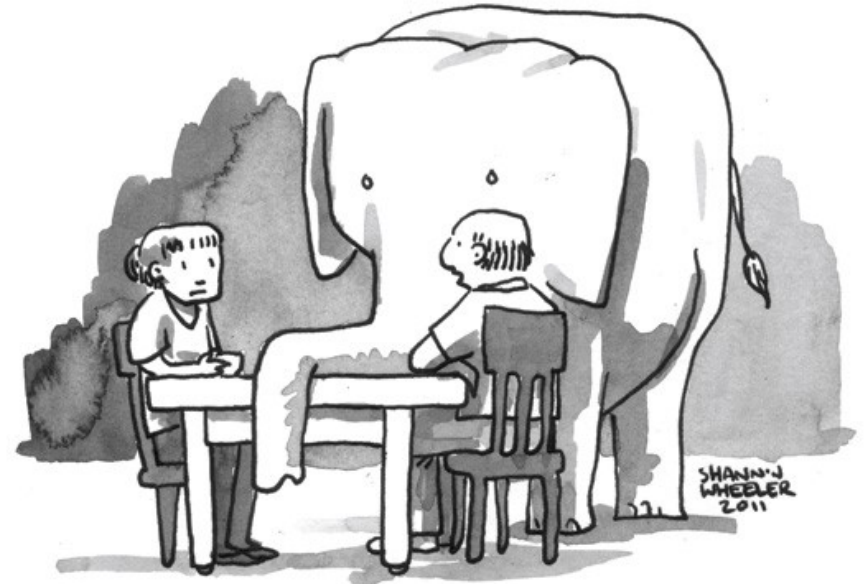
The Elephant(s) in the Room

The big unaddressed problems in healthcare:

Palliative
Care

“Train
Wrecks” and
“Frequent
Flyers”

Patient
Behavior



"HONESTLY? I PREFERRED WHEN WE
DIDN'T TALK ABOUT THE ELEPHANT"

FACTS



1. 75% of your healthcare spending will be in the last year of life
2. Sickest 1% account for 20% of all healthcare dollars
3. 10% to 15% of an individual's health status is attributable to care; the rest is behavior, genetics, and social determinants

Priority Strategies / Post Pandemic

Revenue Growth

- Recover lost volumes / deferred elective surgeries
- Expand service lines
- Right-size telehealth

Clinician Experience

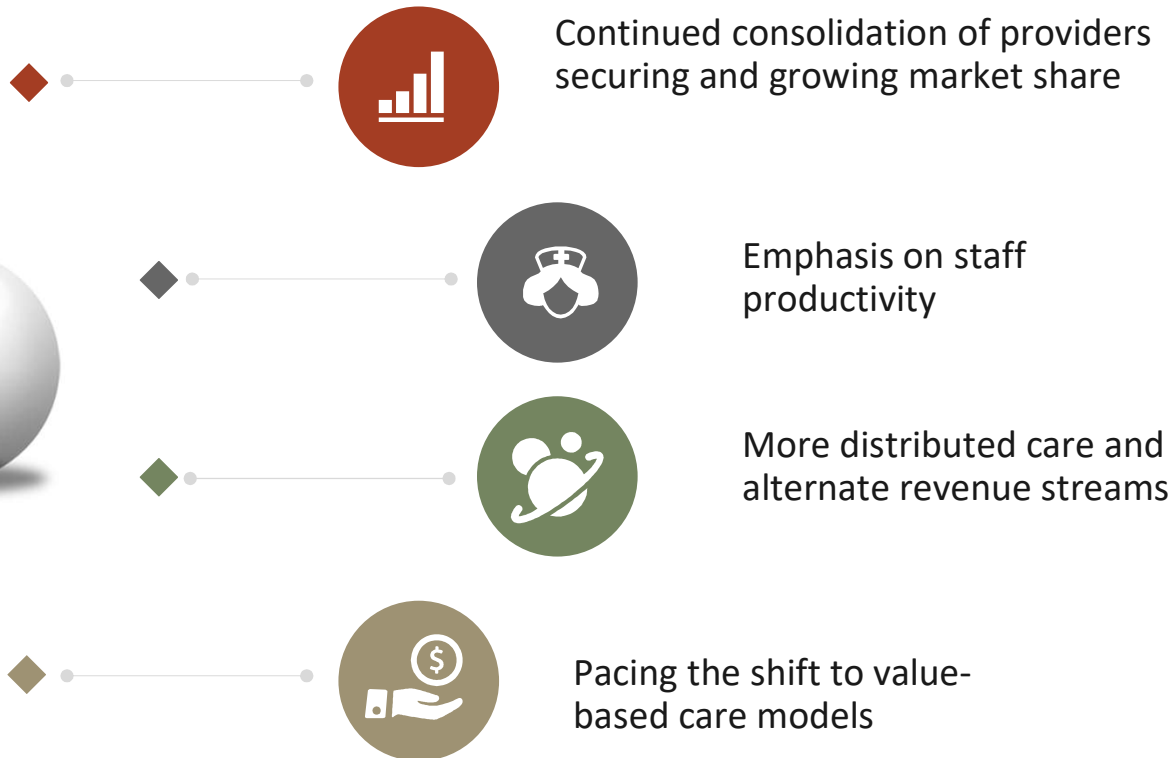
- Reducing administrative burdens
- Addressing burnout and mental health challenges

Staffing

- Driving more efficiency
- Talent retention
- Improving workplace culture



Crystal Ball

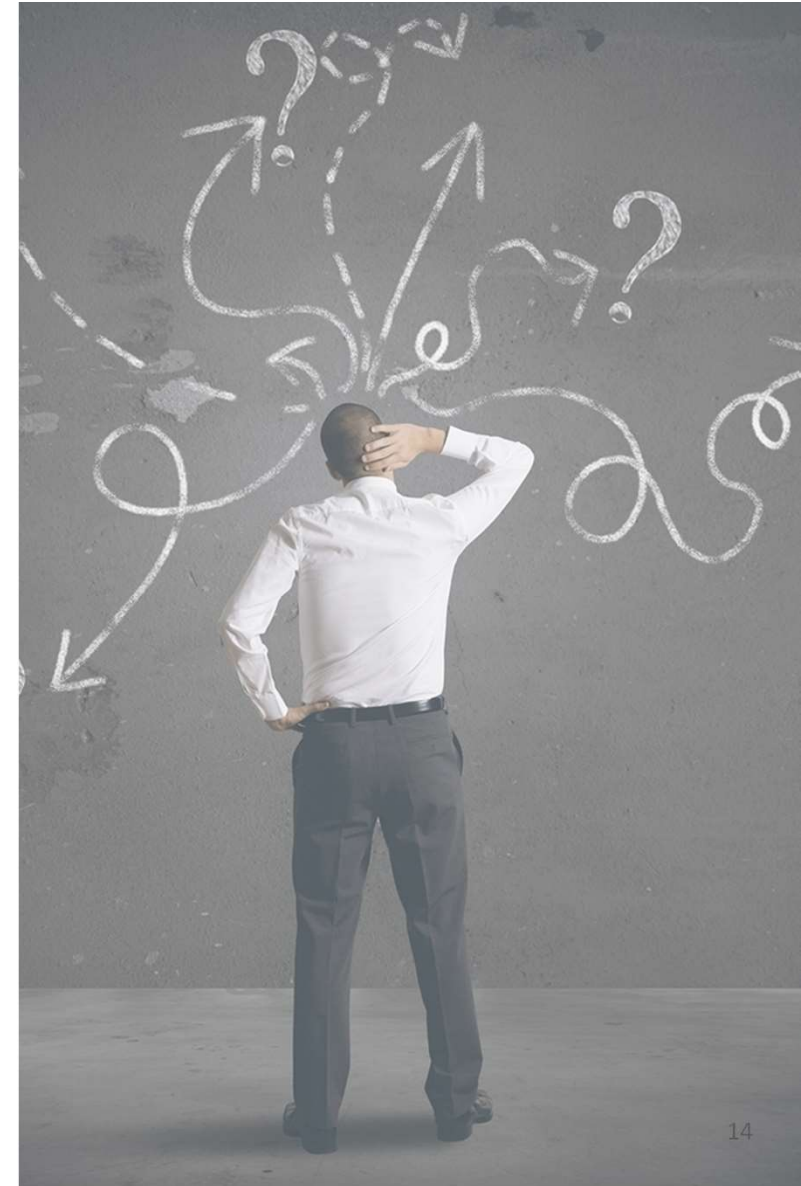


FACT

The ROI can be 3 times higher for ambulatory surgery centers than for hospital systems

Path to Purchase Changing

- Declining automatic buy from GPO contract list—evaluate data for best long-term value
- Evaluating clinical benefit and economic benefit
- Evidence driven – claims must be substantiated
- Doctor-to-doctor comparisons or facility-to-facility comparisons showing best practice outcomes
- No longer believe that buying latest version of something is the only means to achieve quality outcomes/newer is not always better
- Old days: influence the doctor on the “latest and greatest.”
Today: more and more products do not come into hospital unless reviewed and vetted by a standards committee of MDs.



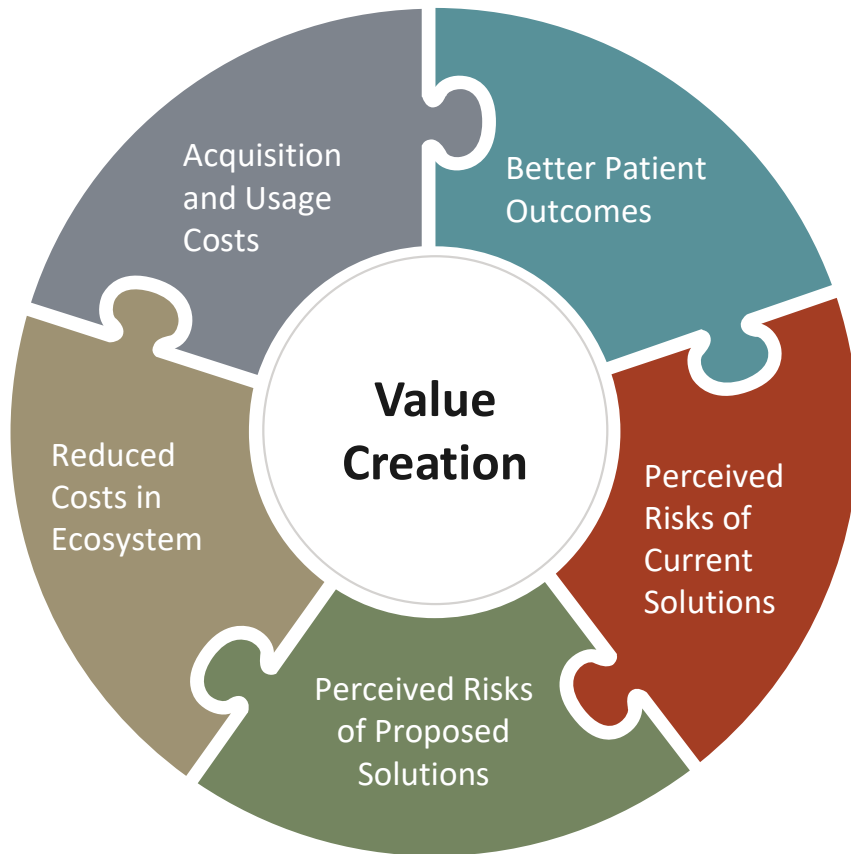
Path to Purchase Changing (continued)

- Physician preference items under increasing scrutiny and evaluation
- Physician preference can still matter, especially if certain doctors refer a huge volume of cases to the hospital
- Lay off the features. What are the benefits? And, benefits beyond the clinical?
- Degree to which suppliers engage clinicians, resource directors, and division directors
 - Educational tools and programs to facilitate adoption
 - Partner with supply chain managers
 - Make conversion easy
- Ecosystem of influencers: quality committees, data analysts, supply chain departments, infection control
- Value-based purchasing
 - Used to be acquisition cost and quality
 - Today: quality, outcome, safety, cost, employee satisfaction
 - What is value relative to patient: more accurate diagnoses, quicker turnaround time for ER, etc.

FOR THE RESEARCHER AND MARKETER



Lesson 1: Master the Value Creation Framework



Assessing the potential of new products and new technologies relies on understanding how better patient outcomes will be achieved, the tradeoffs in new costs vs. reduced costs in the ecosystem, and perceived risks of current and proposed solutions

Lesson 2: Master the Ecosystem



The exhaustive **PATIENT JOURNEY** and all the **PEOPLE** and **RESOURCES** that patient care consumes

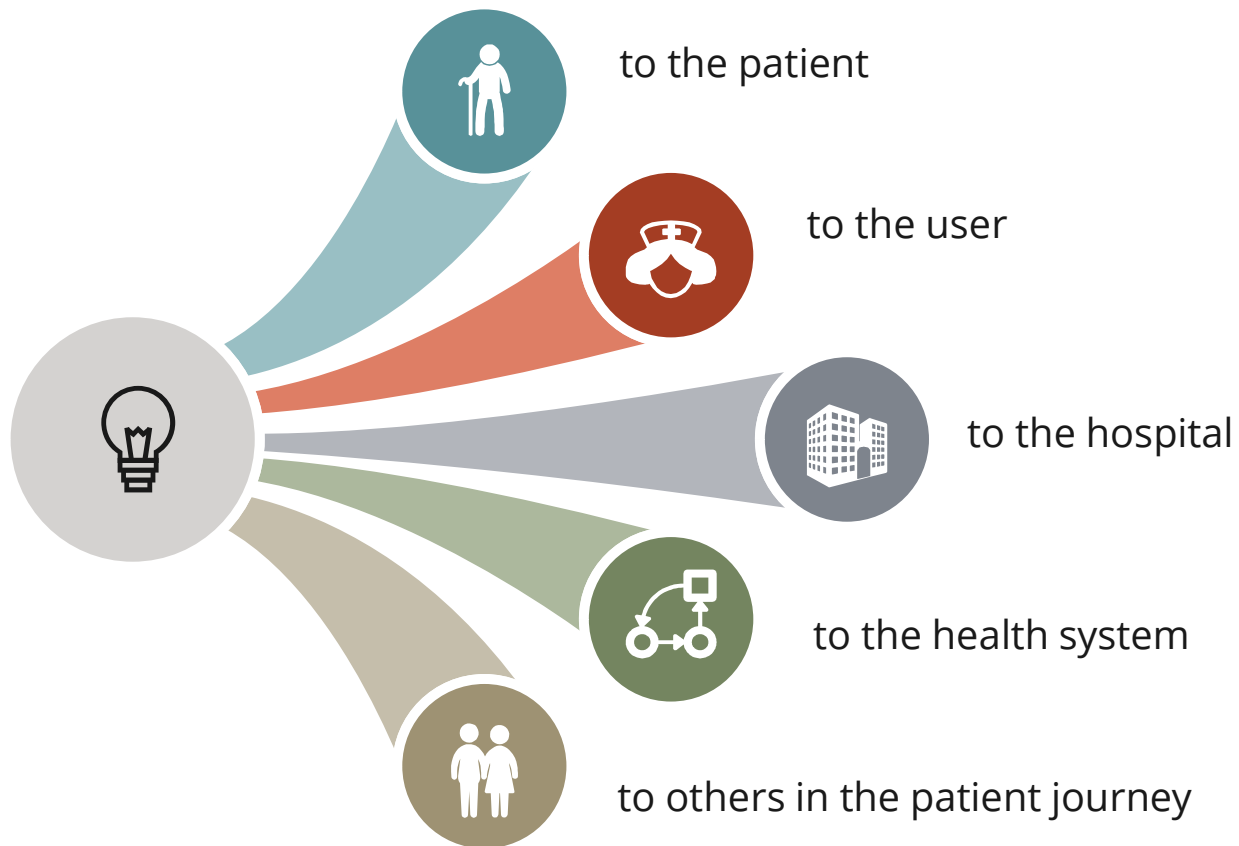
- Look for opportunities to simplify and/or reduce resource consumption
- Increase utilization
- Shift to lower tier of care

Know the **DECISION ECOSYSTEM** and identify the **KEY INFLUENCERS**

- Individual motivations
- How to build an advice-based relationship



Lesson 3: Focus on the Benefits of Your Innovation...



Lesson 4: Segmentation and Precise Targeting Matters



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Questions & Next Steps

THANK YOU



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