AHA Data & Insights

FUTURESCAN

Health Care Trends and Implications

2024

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Foundation of the American College of Healthcare Executives
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HEALTH ADMINISTRATION PRESS

Responsible Innovation and the Digital Transformation of Health Care

with Stephen Klasko, MD, MBA, Executive-in-Residence at General Catalyst

Health care is undergoing a seismic shift as technological innovations continue to reshape the landscape. From the explosive growth of telemedicine during the COVID-19 pandemic to new digital solutions that are bridging the gaps between providers and patients, there is little doubt that technology is transforming health care delivery. This transformation is finally addressing health equity issues, especially in traditionally underserved communities. Over the next five years, hospitals and health care systems that invest in and become involved with "responsible innovation" through new and creative partnerships will be the drivers of change and supporters of health equity.

However, health-system leaders must think outside the traditional box to bring innovations to the populations that need them most. The next five years promise to be transformative for health care and hospital systems, with further integration of digital technologies and predictive analytics and partnerships with former competitors and venture capital firms that will make innovation more likely. So how can health systems fund and become part of these digital innovations that will drive meaningful change?

Venture Capital and the Future of Transformation in Health Care

The role of venture capital will continue to grow as health systems embrace technology to improve operations and bring clinical care into the communities. Stephen Klasko, MD, MBA, former president and CEO of Thomas Jefferson University and Jefferson Health in Philadelphia, and executive-in-residence of venture capital firm General Catalyst, sees venture capital's role in driving health care transformation as more focused on responsible innovation,

Stephen Klasko, MD, MBA, is the former president and CEO of Thomas Jefferson University and Jefferson Health in Philadelphia and currently serves as executive-in-residence of General Catalyst, a leading venture capital firm dedicated to building companies that are changing the status quo through responsible innovation. Klasko is a transformative leader and an advocate for a revolution in the health care system in the United States. Passionate about using technology and innovation to eliminate health disparities and promote health assurance, he regularly speaks and writes about his vision for reconstructing the US health system by bridging traditional academic centers and hospital systems with entrepreneurs and innovators.

During Klasko's tenure at Jefferson, his work included reducing health inequity through payor–provider alignment, diversification of the system's portfolio, and partnerships with venture capital firms that were committed to responsible innovation. He believes that these areas are what today's health care leaders must focus on to keep up with the digital revolution in health care that will continue over the next five years and beyond.

which he says is critical to the health care environment. Klasko's current role is to look at areas where "we can turn population health, social determinants of health, predictive analytics, and health equity from philosophy and academics—where they are today—to the mainstream of clinical care and payment models."

Forward-thinking leaders look at how new technologies will affect the social determinants of health and make these innovations a part of their mission and vision. In the past, these digital transformations were viewed as disruptive in the same manner that ride-sharing was disruptive to taxi companies. The traditional health care ecosystem was "stuck in its lanes," Klasko says. Hospitals needed more sick people to fill their beds, payors needed to decrease the medical loss ratio, and venture capital companies created solutions that did not always move the needle. "More recently, venture capital firms like General Catalyst are starting to look at social issues and proacting, as opposed to reacting, to them," he adds.

Cityblock Health, one of the first companies in General Catalyst's health assurance portfolio, is an example of how the marriage between venture capital and community health services provides care to underserved groups. Launched in New York City to deliver personalized primary and behavioral health care and social services to people on Medicaid and to lower-income Medicare beneficiaries, Cityblock Health focuses on keeping people out of the hospital and sharing the savings with health care systems. The company moved care into communities through a network of clinics and developed in-home and virtual care options as well as custom care delivery technology.

The *Futurescan* survey found broad agreement among hospital CEOs and strategy leaders that successful health systems will invest in a development fund to help reduce health care disparities and keep patients from needing in-hospital care. About 22 percent of all respondents are already doing this, and nearly half predict that it is somewhat or very likely that they will do so in the coming years.

Promoting Responsible Innovation

Venture capital firms are looking to identify areas where health care is out of reach and to partner with health companies like Cityblock Health to fill in the gaps. This trend—what General Catalyst calls "responsible innovation"—is likely to continue for the foreseeable future.

"Responsible innovation means that we must look at bringing these innovations to the populations who need them the most," Klasko explains. "Currently, improving access to health care means getting more sick people into the hospitals, but what if we turn the focus to creating health assurance, taking health care to the underserved communities and focusing on keeping people away from the high-fixed-cost hospitals?"

Klasko suggests that health leaders should think about collaborating with companies that are providing services to nontraditional, overlooked, and underserved patient populations. How can hospital systems partner with emerging companies that are filling a critical need in underserved communities, and how can they expand the portfolio of strategic partners for health equity?

He predicts that investments in digital innovations and in companies that will care for marginalized communities will continue to grow over the next five years. Venture capital firms may expand their portfolios with this mission in mind. For example, General Catalyst added Equip Health—which focuses on providing virtual, evidence-based care and treatment for individuals with eating disorders so they can recover at home—to its health assurance portfolio. Another addition was Homeward Health, whose mission is to remove barriers to health care for people living in rural communities through the use of various technologies, including telemedicine, remote monitoring, mobile clinics, and partnerships with community health resources.

The *Futurescan* survey again reflected broad agreement with this prediction. Over 27 percent of respondents are already collaborating with others to address health equity issues, and half of all respondents predict this is somewhat or very likely in the future.

Thinking More Entrepreneurially

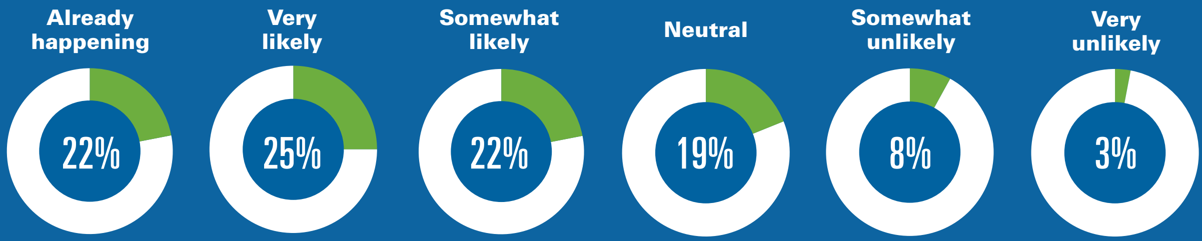
Klasko believes that one should think boldly to keep moving health care forward. It will require a "radical" mindset, he says—radical collaboration, radical communication, and radical concentration on reducing health disparities. With the venture capital space turning increasingly to socially relevant companies that provide digital innovations and solutions to help level the playing field in health care delivery, Klasko recommends that leaders consider strategic collaborations with venture capital and

FUTURESCAN SURVEY RESULTS

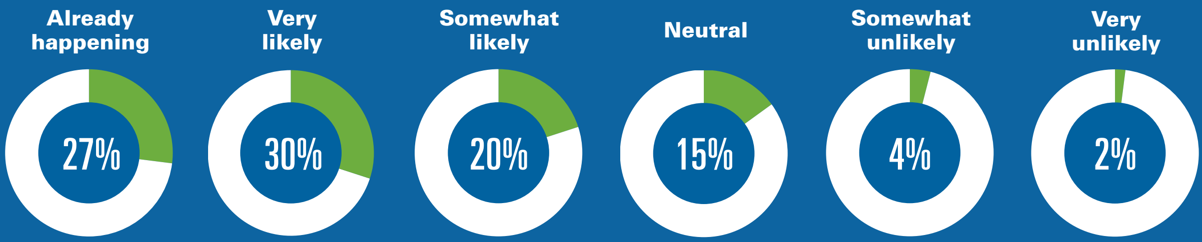
Responsible Innovation

Health care executives from across the nation were asked how likely it is that the following will happen in their hospital or health system by 2029.

By 2029, our hospital or health system will have invested in or cocreated a development fund to reduce health inequities and keep care out of the hospitals (e.g., by addressing social determinants of health and other health-related disparities).



By 2029, our hospital or health system will form joint collaboratives for health equity solutions across regional/geographic areas with various entities to solve health equity issues.



other health partners over the next five years.

"Think more entrepreneurially about partnering with venture capital firms," he advises. "At Jefferson, we worked with the people who believed in responsible innovation and the things we were doing around population health and social determinants."

Tendo, a health care software company, provides an example of a partnership between a health system, a digital technology provider, and a venture capital firm that resulted in a solution that addresses population health, access to care, and health equity. In March 2021, Jefferson Health and General Catalyst teamed up with Tendo to launch an engagement platform that connects patients, clinicians, and caregivers throughout the care cycle. Even in these days of electronic health records and connected data, patient health information and medical records still tend to be disconnected, depending on where and when patients receive care. Tendo's digital solution helped Jefferson Health tie together the patient journey into one application, providing a more consumer-friendly experience.

"Tendo came in and listened to the problems we were experiencing at Jefferson (such as reaching patients within our communities), looked at the resources available, and worked with General Catalyst to develop the digital solution we needed," Klasko notes. "They shared our vision of better access and health care with no address."

It is this type of creative partnership, or what Klasko calls "radical collaboration," that health care leaders need to engage in to develop the transformations that focus on health equity over the next five years. "Combining the entrepreneurial, bold spirit of Tendo with the mission-driven, sometimes risk-averse health system perspective allowed us to be measured on how to innovate," he says. "Innovation happens slowly and steadily. Ideally, it is focused at first and then scales loudly."

Klasko cautions that health care leaders and venture capital firms alike must be careful to ensure that the latest innovations do not just make the wealthy healthier: "At Jefferson, we partnered with companies throughout the ecosphere that were looking at getting care out to people no matter what their social and financial situation was. As we talk about the digital transformation of health care, it's incredibly important that leaders look at how these new technologies will affect the social determinants."

Radical Collaboration and Payor–Provider Alignment

So how do hospitals and health care systems afford this transformation and the innovations that are rapidly reshaping health care delivery? Klasko recommends focusing on:

- diversifying a health system's portfolio through innovation,
- creating strategic partnerships and collaborating with health systems and hospitals that were once considered the competition, and
- aligning payors and providers.

"Payor–provider alignment and collaboration with the right strategic partners are keys to succeeding in health care's future. It's very hard to reduce health inequity if you don't have a percentage of premium model," he states.

Klasko did exactly this during his tenure at Jefferson Health, when the health system took an ownership stake in a health insurance plan to address health inequities, shifting away from traditional hospital-based models of care and toward more community-based and patient-centered approaches.

In November 2021, Jefferson Health acquired the remaining 50 percent stake in Health Partners Plans from the Temple University Health System, making Jefferson the sole owner of the not-for-profit health maintenance organization. The acquisition enabled Jefferson to advance its value-based care model while reducing the costs of health care services, particularly to underserved patients and families in the greater Philadelphia region.

Health systems don't necessarily need to buy a health insurance company to align with payors, however. Creative partnerships will be required. Klasko points to the accountable care organization (ACO) created by Jefferson Health and Main Line Health as an example of payor–provider alignment.

"We got together with Main Line's leaders and asked, what if we took this ACO and its huge primary care base and looked at Medicare Shared Savings Plans and Medicare Advantage? So, we partnered with Humana as a co-owner of the ACO. Humana recognized the opportunity for this collaboration and partnership," he says.

Emphasizing that this type of radical collaboration isn't just for large health systems, Klasko also cites several smaller hospitals that banded together in New Jersey to create an ACO as another example of how health care leaders can create payor–provider alignment.

"What if we think about shifting health care from a sick-care model to a model where we collaborate and find the right partners to ensure the health of communities and people?" asks Klasko. He emphasizes that health care CEOs must look at other hospitals and regional health systems not as competitors but as strategic partners.

Becoming Innovative Cocreators

According to Klasko, health care leaders should look at what is going to be obvious in five years and do it now. "The old math of inpatient and outpatient revenue and NIH [National Institutes of Health] funding [for academic centers] no longer works," he says. "Leaders must get involved in the new math of payor–provider alignment and diversifying their portfolios."

Hospital and health systems looking to diversify their portfolios will benefit from becoming co-developers of the innovations being used to deliver care and improve operations, since that not only improves their quality and delivery of health care but also creates an opportunity to earn equity in the technologies and solutions that are co-developed.

Klasko advises health care CEOs to work with their boards to identify ways to invest in and diversify their portfolios, especially in digital innovations. "If you believe enough in a digital technology to use it and to help a technology company develop it, then the chances are it is going to grow. If you have a percentage of this innovation, a $2 million investment can turn into a $10 million one," Klasko explains.

Alignment with Your Hospital's Mission

Klasko is passionate about ensuring that health systems and hospitals align their mission, vision, and values with technological innovation so that all stakeholders—the hospital, community, and workforce—understand the "why" and buy in to the goals.

"At Jefferson, we realized that our original mission—being the premier academic medical center in Philadelphia—didn't reflect the population's needs," Klasko notes. "Being the best wasn't helping the sickest, so we changed our mission to 'We Improve Lives.' The other part of this is tying incentives to improving people's lives, which is why 25 percent of my personal incentive as president of the university and CEO of the health system was tied to reducing health disparities and meeting our mission."

Klasko makes this point: "Don't just talk about health inequity—live it." He emphasizes that it is important not only to invest in innovations but also to participate in them. Health care leaders can ensure that innovations are developed responsibly and that equity is a major factor in incentives and the organization's mission, vision, and values.

Key Takeaways

Health care innovation and digital transformation are forging ahead, and health care leaders who can think outside the traditional ecosystem will lead the way into a new era of responsible innovation and equity in health care. Klasko offers three recommendations for health care executives to consider for adopting responsible innovation over the next five years.

- **Participate in radical collaboration and strategic partnerships**. "Your competition isn't the hospital across the street; these are your collaborators," Klasko says. "Get together around population health. Work with your hospital board so that the CEO payment structure mirrors your organization's mission and vision. Engage your workforce. Then you will be able to institute a digital transformation." He urges leaders to identify the issues that technology can help solve and to align with strategic partners who are making health care accessible to out-of-reach and underserved communities.
- **Diversify your portfolio through innovation, strategic partnerships, and philanthropy, and focus on payor–provider alignment.** "The traditional source of revenue—getting patients into beds—is not sustainable as health care continues to evolve. CEOs and boards must start to get creative and diversify." Klasko adds that payor–provider alignment and collaboration with the right strategic partners will "allow you to talk to payors at different levels about how to work together for more equitable care."
- **Think radically.** "Look at what's going to be hot in five years and then adopt those innovations today. Think about where digital technology can help you now and what innovations can be developed for the future," Klasko says. "Share in that innovation equity and growth to diversify your portfolio. Health care isn't going to progress under the traditional mindset of inching forward to avoid risk at all costs."

Klasko concludes that health care leaders should not "play to tie." He urges leaders, "Play to win. Health care CEOs and boards must be willing to be bold, think differently and take measured risks around health equity and responsible innovation."