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Now, Near, and Far: Planning Through Disruption in Healthcare

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To see the future of healthcare, look through the windshield of a Ford.

Within the past year, Ford Motor Company announced that it is terminating production on most lines of its passenger sedans to focus on higher-margin trucks and SUVs. In October, Ford announced that tariffs and trade tensions had cost it $1 billion in profit, and its stock price neared a nine-year low. The company is in the midst of a $25.5 billion restructuring, and massive layoffs—up to an estimated 12 percent of its global workforce—are likely.[1] Ford executives anticipate a future where demand for the company's current products is much reduced.

Populations continue to migrate to congested urban centers. Ride-sharing services, motorized bikes, and electric scooters are challenging the traditional model of car ownership in these urban cores. Tech companies and Ford's auto industry competitors are racing to perfect the technology that soon could bring fleets of battery-powered, self-driving vehicles to the streets. Car making suddenly seems less relevant in a transportation future that likely will be defined by software and mobility service platforms.

Facing disruption of his company and industry, Ford Motor Company's CEO Jim Hackett has turned to a framework he developed in his previous role as CEO of Steelcase. This framework challenges companies to work simultaneously in three time dimensions: the now, the near, and the far.

- **Now.** Be successful in the now and simultaneously make the critical pivot to the far. For Ford, this means ending sales of sedans in the U.S. to free up $8 billion to support investment in electric and autonomous vehicles.
- **Near.** Place bets on the future and pivot resources to support those bets. Ford will transform its remaining fleet of F-150s and SUVs into electric vehicles with autonomous features.
- **Far.** Envision a future state and future role, knowing that any prediction is uncertain and subject to change. Ford must develop the right portfolio to support multiple modes of transportation working together in connected, consumer-centric systems.

Even though Ford has developed a powerful intellectual and strategic framework to guide its transformation, it faces challenges of enormous complexity in making the pivot from now to far.

First, it must be able to look outside its current business and conceptualize a future that is radically different. The culture and talent required to succeed in the far also may be completely different from what is required in the now. Many bets are being placed in transportation and mobility services, but no one has a clear vision of what comes next. And a company culture 100 years in the making can be difficult to change.

Second, Ford must get the timing right. People are not going to suddenly stop buying cars in favor of scooters—timing of the transition to the far will be uncertain. Moving too soon means sacrificing the profits still to be made in the now, and thus limiting the resources needed to invest in the near and far. Moving too late risks giving competitors the upper hand.

Third, the scale of the pivot needed to transition from the now to the far might simply exceed the financial and intellectual capital that Ford is able to bring to bear to support a new business model or out-compete a better equipped competitor. Ford faces competition not only from other automakers, which are facing the same pressures as Ford, but also by well-funded and technologically savvy competitors, including Alphabet and Uber.

The fates of one-time industry leaders such as Blockbuster, Borders, and Kodak illustrate the huge challenge companies face in reinventing themselves for an unpredictable future. These companies were unable to successfully respond to disruption not because of ineptitude, but because it is so difficult to focus simultaneously and successfully on three timeframes with three different sets of requirements.

The Now, Near, and Far in Healthcare

Legacy health systems face their own existential threats. Their business model developed around hospital-based services, and the intense financial and human capital needs of hospitals gave them some protection from competition. Health systems built networks of primary care physicians to help ensure a referral stream of patients needing higher acuity, hospital-based care. Advances in medicine and technology started to move care outside of the hospital walls. Health systems responded by building outpatient services bolted onto their core inpatient business. This is healthcare's "now."

The more care that can be removed from high-cost hospital settings, the more it becomes open to competitors whose interests lie in unbolting primary care and outpatient services from health systems and providing it in low-cost, high-convenience settings—both physical and digital—that emphasize consumer experience. High costs, lack of convenience, and poor consumer experience are real vulnerabilities for legacy health systems. And if new market entrants are successful in unbolting primary care and outpatient services, they also will gain significant influence over where patients needing higher acuity inpatient services go for their care. This is what health systems face in healthcare's "near."

Competitors are moving in on a healthcare industry that remains largely local and small in scale. Even though there has been much hospital and health system consolidation activity in recent years, even the largest health systems are dwarfed by the scale of new competitors that bring national presence and exceptionally deep pockets to the table. The recent merger of CVS Health and Aetna created a company with $240 billion in combined revenue and 10,000 retail locations, described by CVS Health CEO Larry Merlo as a "new front door to healthcare."[2] UnitedHealth Group, with more than $201 billion in annual revenue for 2017, has targeted 75 markets across the country for expansion of primary care services through its Optum unit, which is positioning its digital health platform, Rally Health, as "our digital front door for the consumer."[3] In comparison, the largest health system in the country, for-profit HCA, has approximately $43 billion in annual revenue. On the not-for-profit side, CommonSpirit Health, formed by the merger of Dignity Health and Catholic Health Initiatives, is now the largest health system, with combined annual revenue of around $28 billion—roughly one-tenth the annual revenue of CVS Health and Aetna.

Although their plans are less certain, tech giants with their own deep pockets have strongly signaled their interest in moving into healthcare. Amazon has partnered with JPMorgan Chase and Berkshire Hathaway to form Haven, a not-for-profit venture the companies established "to create better outcomes, greater satisfaction, and lower costs for their U.S. employees and families."[4] JPMorgan Chase CEO Jamie Dimon said, "We don't expect progress in the immediate future—like a year or two—but if we come up with some great stuff, we're going to share it with everybody."[5] Alphabet recently hired David Feinberg, who was CEO of Geisinger, one of the nation's leading health systems, to lead the various health initiatives that are being developed within Alphabet's Google unit.[6] Apple is developing "AC Wellness" clinics that initially will serve its employee population, and released an updated version of its Apple Watch with an FDA-approved electrocardiogram monitor app. These companies certainly will be involved in shaping healthcare's "far."

Although the far is uncertain, legacy health systems have the advantage of hindsight in understanding what disruption might look like. When companies such as Optum and CVS Health talk about a "digital" or "new" front door to healthcare, they describe a fundamental part of the internet economy: the movement of services from an old platform (the retail store, the physician office) to a new platform. Amazon started by removing the sale of books from the physical platform of the bookstore to Amazon's website, which has since expanded exponentially to connect buyers and sellers across a vast array of products. Other companies have disrupted industries with digital platforms that connect consumers with service providers: Uber for ride-sharing, Airbnb for lodging, GrubHub for restaurant meals.

Once a digital platform has been built, it can be scaled up at little cost and expanded into other services. Uber, for example, wants to become "the Amazon of transportation"[7] by developing a multi-modal transportation platform to compete in the same area of mobility services that legacy automakers envision as their "far." Uber has already added electric-assisted bikes and scooters to the transportation options that can be accessed through its app.

An emphasis on convenience, access, and experience is shared across the platforms of digital disruptors. Very few of them produce the "content" (the products or services) that is offered on their platforms, at least not initially. Instead, they focus on making the connection between consumer and content as seamless as possible. In doing so, they generate intense customer loyalty, which drives more and more transaction volume on their platforms. Increasingly, web- or app-based platforms are becoming the basis of a broader ecosystem, as voice recognition technology and digital assistants proliferate in consumers' homes and automobiles, and on their devices. Platform owners also are expanding their ecosystems back into physical locations reimagined to seamlessly connect with their digital services

(for example, following its acquisition of Whole Foods, Amazon now offers in-store grocery deals to Amazon Prime members).

Legacy companies within the disrupted industry see the strength of the old platform—the stores where products were sold, the city streets where cab rides were hailed—weaken as more transactions move to the disruptor's new platform. They must compete by supplying content on the disruptor's platform, creating or collaborating with an alternative platform that competes with the disruptor, or some combination of these options.

Competition among content providers on a disruptor's platform also commoditizes the products or services that the content providers offer. A content provider thus must compete on the price of the commoditized content, or demonstrate some other value that appeals to consumers.

While not all healthcare services will move to a digital platform, disruptive innovators will be testing the limits of which services can be delivered digitally. Digital platforms also will be introduced to disrupt the means by which consumers connect with providers of healthcare services. Platforms will feature round-the-clock access and capacity that is scalable to meet demand. To the extent the digital platform becomes a "front door" to the healthcare system, the platform owner gains influence over the consumer's subsequent healthcare choices. These choices might include retail locations, ambulatory surgery centers, or other care sites also controlled by the platform owner or a partner organization, within a broader ecosystem accessed through the platform.

Platforms might be owned and operated by health systems, health plans, or new market entrants. They might seek to disrupt legacy organizations' existing business models, seek to collaborate with legacy organizations, or both. They might focus on niche services or connect consumers with a full range of healthcare providers and services. These are among the uncertainties of how healthcare's "far" will unfold. But the "far" requires health systems' attention now.

Finding a Role in the Far

Health systems already face the now and the near outlined in Figure 1; they must simultaneously prepare for the far. Their first step is to define the organization's desired role in the far, which may include being a content provider, owning a platform, or some

Figure 1. Now, Near, and Far for American Healthcare

Now	Near	Far
Complete ownership of inpatient care	Continued consolidation, with average transaction size growing	Division between platform owners and content providers
Robust and profitable outpatient segment bolted onto inpatient model	Division of industry into more distinct groups of inpatient or outpatient providers	Movement of outpatient services to digital platforms
Geographic and face-to-face orientation	New entrants (e.g., Optum, CVS Health, Amazon) focused exclusively on outpatient services	Build-out of broader ecosystem that enables multiple points of care access, controlled by the platform owners or partner organizations
Revenue pressure from payers	Legacy health systems forced to defend profitable outpatient flank, while continuing to support inpatient flank	Platform owners influence consumers' content choices
Struggle to manage costs	Diminishing inpatient volumes	Hospitals are cost centers
Largest systems at $10-$20B in revenue	National health systems form to compete with new entrants	A few platform owners compete on a regional or national basis

Source: Kaufman, Hall & Associates, LLC

combination of the two. If they choose to be a content provider, they must also decide what will make them an *indispensable* content provider. If they choose to be a platform owner, they must decide whether they will go it alone or collaborate with other companies.

Multiple factors will drive an organization's decision on its desired role (see Figure 2). Will it focus on a local market or operate on a larger regional or national stage? Will it offer broad-based or more specialized services? What are its points of differentiation from a consumer perspective? To what extent has it already experimented with value-based payment and alternative care delivery models? What relationships would it want in a new, platform-based healthcare economy? Answers to these questions will differ widely among different organizations, but all must place bets on the future and their desired role in it.

Becoming an indispensable content provider.

Content providers in a platform-based vision of healthcare's "far" will be in a position similar to a vendor on Amazon's retail platform today. And like these vendors, the greatest risk healthcare organizations will face as content providers on a platform is the risk of commoditization. They must consider how they will differentiate themselves from other content providers, and how these points of differentiation will make them indispensable to both the platform owner and the consumers it serves.

Becoming indispensable depends on the organization's ability to differentiate itself from its competitors, and price, quality, convenience, and experience all will be points of differentiation. An organization's success as a content provider, however, ultimately will be defined by consumers' preferences for the content provided on one platform over another. Simply being a content provider on any platform will not be enough: Organizations must be sensitive to which platforms consumers prefer. They also must work to differentiate themselves sufficiently, both to secure a role as content provider on the consumer-preferred platform and to be a preferred content provider on that platform.

Becoming a platform owner.

This is a significantly more resource-intensive role, which will require both a large financial investment to develop the platform, and sophisticated in-house technical and digital capabilities. Given the resources required to build a platform capable of competing with other platform companies—which likely will operate on a regional or

Figure 2: Factors Influencing the Desired Role of a Hospital or Health System

Market and Geography	Service Focus	Points of Differentiation	Value-Based Payment Position	Relationship with New Platforms
Local	Niche	Cost	Wait and see	Participant
Regional	Broad-based	Quality	Testing	Partner
Statewide	Tertiary/complex	Access	Catalyst	Developer
Multi-state	Outpatient-focused	Experience		
National				

Source: Kaufman, Hall & Associates, LLC

national scale—this option will be difficult to achieve, even for large health systems that have a strong regional or national presence.

Organizations that pursue a platform ownership strategy may decide they can develop sufficient resources to go it alone, or they may seek to collaborate or partner with another organization. For example, a health system could partner with larger platforms to augment the services it is able to provide in its market. Some health systems already have partnered with national telehealth providers, such as MDLIVE and American Well, to offer white-label telemedicine platforms that provide after-hour services or can reach more remote patient populations.

The decision to become a content provider or platform is not necessarily an either/or choice. Organizations may decide that the best strategy is a combination of approaches. In retail, some companies have built their own platform that features the full range of their services, and have offered a more limited inventory as a content provider on another platform. Tiffany's sells the full range of its products on the company's own platform, but offers a more limited selection on the luxury fashion platform, Net-a-Porter. Similarly, a health system may develop a platform that provides access to a full range of services for consumers in its primary service area, but feature specific, highly rated specialties on a third-party platform that operates on a wider regional or national basis.

Addressing the Capabilities Gap

Once a health system has defined its desired role for the far, it likely will run up against a hard reality: few health systems today have anything near the capabilities they will need to succeed in the far, regardless of their desired role. In a recent survey of the state of consumerism in healthcare, only 23 percent of respondents said they were using digital tools to engage consumers, and an even lower number—17 percent—reported that e-visits were widely available for consumers. In the words of one survey respondent: "The traditional healthcare industry is so far behind in terms of meeting, much less anticipating, consumers' expectations, that I fear for our ability to adapt quickly enough to remain relevant."[8]

Adapting quickly to build the capabilities needed to succeed in the far is one of the most difficult challenges health systems face. Many capabilities will be required. Those that will present the greatest challenges include:

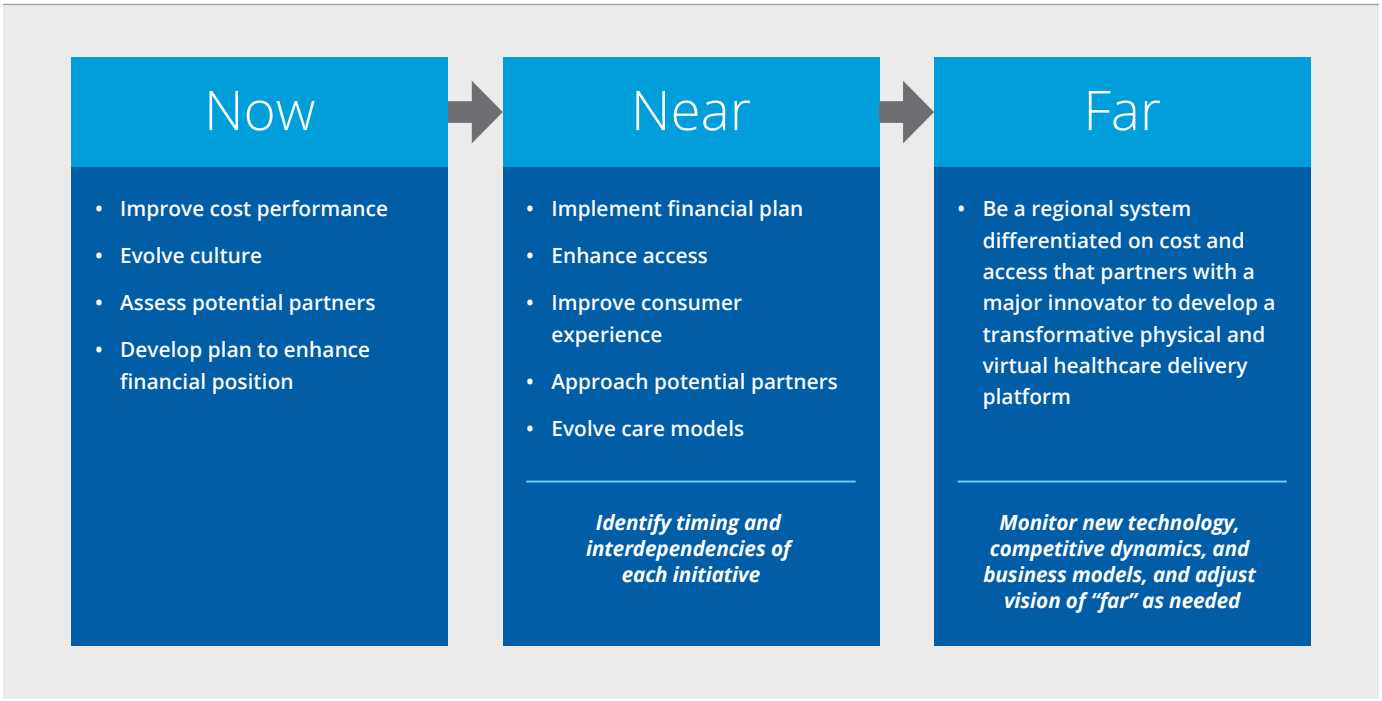
- **Digital capabilities:** The availability of features such as online scheduling services, telemedicine and other virtual care options, and patient access to their medical records and test results will be table stakes for all health systems. Those that pursue a role as platform owner will need highly sophisticated capabilities to design, build, and maintain a digital platform, and will have to compete with others to secure this talent.
- **Access:** Consumers will expect access to facilities across the geography of a market, as well as access to virtual care or extended service hours at facilities. Both convenience and immediacy of access will be priorities. This will require staffing models and expectations for clinicians—including physicians—that are very different from today.
- **Consumer experience:** Long wait times, confusing billing statements, and a lack of transparency are all part of the consumer experience in healthcare's now. Health systems must learn to gather and act upon in-depth information about consumer preferences and expectations for when, where, and how they want to experience and engage with services and providers.
- **Cost performance**. Nearly one in three health system executives in a recent survey said their organizations have established no cost-improvement goals for the next five years.[9] This is a recipe for disaster. Price will be a key differentiator, and those health systems that have not gotten serious about tackling high costs will be among the most vulnerable.
- **Financial position.** Health systems face competitors with massive financial resources at their disposal. One of the most compelling reasons to go after costs now is to build the balance sheet strength and access to capital needed to invest in the talent, digital technologies, and innovation that competition in the far will require.
- **Culture:** Risk aversion and incremental change will not take a health system where it needs to go. Leadership must build a culture that takes risks, fails fast, learns from its mistakes, and moves forward.

Health systems that make a frank assessment of where these capabilities currently stand will find significant gaps between the current state and future needs. If the gap between future need and current state is too great, or health system leaders believe that the time needed to close the gap is too long, they may need to reexamine the organization's desired role. More importantly, leaders need to define the organization's strategic priorities, identify the resources it needs to pursue them, and get started closing the capabilities gap now.

Mapping the Pivot from Now to Far

This is the biggest challenge health system leaders face: They must train their organization to look across the three time dimensions of now, near, and far simultaneously, to stage its strategies, ensure its initiatives are driving toward a clear goal, and time its pivot from now to far.

Figure 3. Mapping Progress Across the Now, Near, and Far



Source: Kaufman, Hall & Associates, LLC

Figure 3 shows how a health system that has placed its bets on the far might map its strategic priorities across the now and the near. There are no set time periods that define now, near, and far. The pace of change will vary in different markets, and an unforeseen catalyst could easily accelerate the pace in a market that currently is moving slowly toward the far.

Nonetheless, healthcare leaders should define at the outset what they believe are appropriate timeframes for the three dimensions, based on their assessments of the pace of disruption within their markets, and the time needed to close the gap between the current state of organizational capabilities and future needs. They also should recognize that the pace of change will require them to implement multiple strategic priorities simultaneously.

Each strategic priority also must be backed by specific initiatives to drive success, and metrics to measure progress toward realizing the priority. Defining initiatives and metrics is, however, just a start. Health systems must be sensitive to several factors that might impede their progress or require them to change course.

Interdependencies of initiatives.

As health system leaders put initiatives into place, they also must step back and take a comprehensive view of initiatives across the organization. Where are lines of dependency between or across initiatives? To what extent is the completion of one initiative a precondition for the success of another? If one initiative fails, what will the impact be across other initiatives?

It is highly unlikely that any organization will be successful across all the initiatives it puts into place. Instead, success will depend on another interdependency: whether the organization has built a culture that can fail fast, learn from its mistakes, and move forward on a corrected course.

The pull of the now.

One of the hardest forces for any company to escape is the pull of the now. There always will be a temptation to set aside work on a future that seems both distant and uncertain, in favor of work that sustains a current business model—but doing so risks leaving an organization unprepared and overwhelmed when the gap between the now and the far closes.

Health system leaders can use several tactics to counter the pull of the now. They should define separate metrics that track progress toward near and far goals in the now. They should regularly monitor progress toward goals across all three dimensions. They should consider establishing separate teams dedicated to work on the near and the far, free from the distractions of the now. And they should reward individuals accountable for achieving near and far goals in the same way they reward individuals who achieve goals in the now.

A changing vision of the far.

As a health system becomes more invested in its commitment to pivot from the now to the far, its work will be complicated by the simple fact that the far will always be uncertain. Organizational leaders must get comfortable with the idea that they cannot seek what does not exist.

Instead of seeking certainty, health systems must place bets on the uncertain, building both diligence and flexibility into their processes. Leaders must regularly revisit their vision of the far and the organization's desired role in it, and quickly make any needed adjustments to that desired role, strategic priorities, and initiatives if their vision of the far changes significantly.

Management guru Peter Drucker said, "The greatest danger in turbulent times is not the turbulence, but to act with yesterday's logic." The new logic for health systems is to look forward from the now to the far, charting a course that will meet the turbulence of disruption head on.

Endnotes

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