Redefining Value and Success in Healthcare

Charting the path to the future

Highlights:

- Transformation in the industry is being driven by a fundamental shift in expectations of all stakeholders.

- Healthcare organizations will need to develop new competencies to redefine value for their stakeholders.

- As value becomes understood as a measure of health and well being, organizations that respond to deliver outcomes will succeed.

Executive summary

Transformation of the healthcare industry is finally happening, and with dramatic energy, driven by a fundamental shift in the expectations of all stakeholders – patients, governments, payers, employers and providers. Today, the market is rejecting the three major structural deficiencies that have resulted in the industry's systemic challenges: 1) An over-emphasis on expensive advances in medical technology that yield incremental improvements in outcomes, with inadequate consideration to cost; 2) The myopic focus on capacity for acute care, to the detriment of wellness, prevention and population health strategies; and 3) The use of volume-based reimbursement models.

Most healthcare organizations realize their business models are aligned with one or all of these tenets of a legacy system. They recognize they must reconsider the consequences of their value proposition and its impact on the health and economic vitality of their institution and the individuals, communities and nations they serve. Leaders in the industry are aggressively pushing innovation into the core of their business and service models, not to achieve incremental change, but to fundamentally change their way of thinking about the service they deliver.

Healthcare institutions will need to develop new competencies to redefine their value to their stakeholders. They are thoughtfully assuming and managing risk, and focusing on wellness and outcomes in order to remain viable. As value becomes understood as a measure of health and well-being, organizations that respond are establishing the characteristics for a more coordinated, efficient and purposeful healthcare system to emerge.

We are seeing a blurring of the boundaries between payers and providers, and a greater willingness to assume risk on the part of providers. And perhaps most significantly, we are seeing a fundamental shift away from the volume-based, fee-for-service model that has dominated the healthcare industry for decades, to a more performance-based, outcomes-driven approach.

Introduction

Over the past decade it has become undeniable that healthcare systems around the world — public or private, local or national — are unsustainable. Runaway costs and commitments, aging populations, and outdated business models have created a series of unwieldy and uncoordinated healthcare systems that, in some cases, threaten to undermine entire economies.

Not surprisingly, these dire warnings have been taken seriously by government and industry stakeholders alike. Around the world, debates and legislative mandates are leading to hard choices in an attempt to reign in the economic impact of an industry gone awry. But something fascinating happened while stakeholders expressed their opinions on how healthcare should change. In recent years, driven largely by the demands of a more sophisticated, empowered market, the industry has undeniably begun to transform.

The ultimate form of this transformation is still unknown, and it's likely the changes will continue for years, or even decades, to come. But some of the defining characteristics of this new industry have already begun to take shape. We are seeing payers, from governments to employers to individual consumers, reject the existing system in search of more healthcare value. We are seeing a blurring of the boundaries between payers and providers, and a greater willingness to assume risk on the part of providers. And perhaps most significantly, we are seeing a fundamental shift away from the volume-based, fee-for-service model that has dominated the healthcare industry for decades, to a more performance-based, outcomes-driven approach.

These changes are laying the foundation for a more purposeful and integrated system to emerge. But they are also forcing healthcare organizations across the ecosystem to reconsider their business models, restructure their operations, and redefine what value and success mean for themselves, their consumers and the many stakeholders of this rapidly changing industry. For organizations to thrive in this dynamic environment will require new skills that increase agility, improve efficiency, and pave the way for transformation. Specifically, in IBM's work with healthcare clients around the world, we see new competencies developing, including:

- Collaboration and partnering
- Information proficiency
- Personalization of health
- Talent creation and retention
- Technology enablement

Throughout the industry, there are forward-thinking organizations that are developing these and other new competencies, and using them to reduce costs, increase access, and improve outcomes. They are partnering with unfamiliar allies, focusing on customer service and marketing, and integrating information from across their ecosystems to inform decision making with data. These organizations are preparing for the uncertainty that comes with industry-wide transformation. They are positioning themselves for success. And they are defining the future of healthcare.

An industry in crisis

The science of medicine has never been more advanced or capable than it is right now. In the last half century alone, society has eliminated dozens of life-threatening diseases. We have developed revolutionary diagnostic procedures that can see deep within the human body to detect injury and disease. And we are in the process of unlocking the secrets of the human genome, providing a glimpse of the promise of predicting and managing various common and hereditary disorders. These and other technological advances have combined to increase global life expectancies from 50 to 69 years during that time, a nearly 40 percent increase.[1]

But it is not medical science that is leaving millions of people without access to basic health services, or threatening to bankrupt entire economies under the weight of healthcare costs. Instead it is the poor design and stunning inefficiency of this highly fragmented industry. Over the past 100 years the industry has evolved into a series of independent providers and processes, focusing on intervention rather than prevention, while devaluing primary care and population health. The industry is so fragmented, in fact, that in 2010 economists ranked healthcare the least efficient industry in the world, with more than $2.5 trillion wasted annually (see Figure 1).
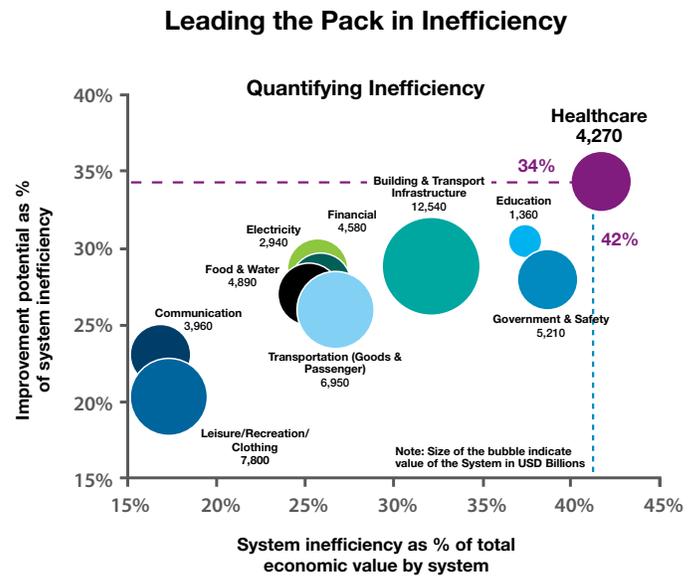

Leading the Pack in Inefficiency

Figure 1: Economists recently estimated that healthcare is the least efficient system in the world, wasting more than $4 trillion a year.

This chart shows 'systems' (not 'industries')
Source: IBM economists survey 2010; n=480

Much of this inefficiency can be attributed to the considerable complexity of the business of healthcare. In almost all developed nations, healthcare is delivered through a diminishing number of primary care physicians, with growing networks of specialists, pharmacies, insurers and hospitals exchanging millions of data forms, diagnoses, prescriptions, referrals and medical research every day. However, the problem with the industry is not just that it is complex. There are plenty of complex systems in our world that run efficiently.

The problem with most healthcare systems is that they are not run as systems at all. There is little coordination of data, care, or services. Diagnoses are based on experiential information, with little or no actual evidence. Financial incentives are based on transaction volume, encouraging providers to see as many patients in as little time as possible. And while our healthcare capacity has grown over the years, as it must, we have not seen a commensurate improvement in either outcomes produced or quality.
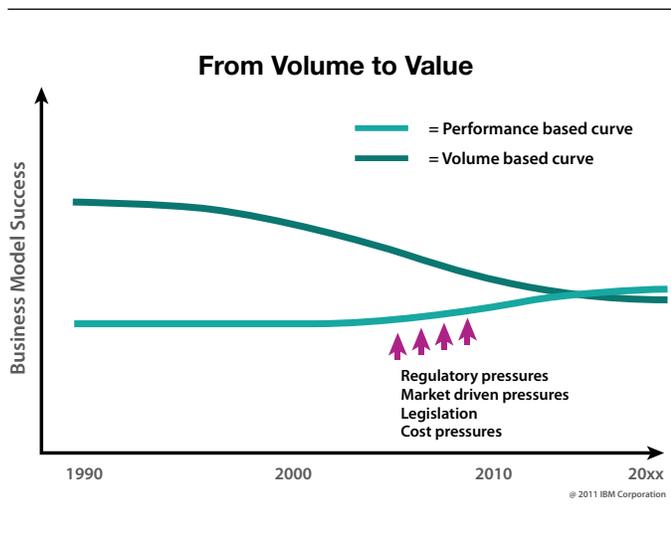
The scale of fragmentation and waste is well understood by most industry stakeholders. But many feel powerless to do anything about it. They see themselves as victims of a system they know to be broken, waiting for some new legislation to fix it. But systems this complex don't transform from the top down. Change happens in a more organic fashion, through the efforts of pioneers *within* the system. Healthcare transformation is happening right now, one hospital, one physician, one electronic health record at a time. And collectively, these changes are bubbling up to the institutional level, rewriting the rules of a system in desperate need of an overhaul.

Rewarding value rather than volume transfers the primary purpose of the system from reactive care to proactive care; from acute care to prevention and wellness.

From volume to value: A long-awaited change

Realigning incentives is a daunting task, heavily dependent on government policy and regulations, many of which are structured for very different healthcare environments and take years to rewrite. Fortunately, things are beginning to change. For example, the UK has taken on alignment challenges by implementing new contracts with providers that align general practitioner earnings with 146 performance metrics.[2] China is experimenting with new incentive systems that favor preventive and primary care. Ontario, with its soaring healthcare costs, has implemented more than 170 'Family Health Teams,' which include family physicians, nurse practitioners, registered nurses, social workers, dieticians, and other professionals who work together to provide health care for 2.7 million Canadians using capitated models of payment.[3]

In these and other ways, the boundaries between payers and providers are beginning to blur, with healthcare providers willing to take on more financial risk and accept responsibility for the health of their patient community. Some payer and provider organizations are already forming partnerships, even merging, to more closely align the payment and care delivery processes. This movement toward more transparency and accountability is creating new payment arrangements that are more closely tied to health outcomes and performance management. It encourages new technologies that access, exchange and analyze patient information to monitor ongoing health concerns. It lays the groundwork for a more patient-centric healthcare model to emerge, with the joint goal of controlling cost while improving health.

From Volume to Value

= Performance based curve
= Volume based curve

Business Model Success

Regulatory pressures
Market driven pressures
Legislation
Cost pressures

1990   2000   2010   20xx

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Figure 2: A performance-based curve is becoming visible in the marketplace and disrupting the industry.

This shift is also enabling widespread changes in the way healthcare is provided, because rewarding value rather than volume transfers the primary purpose of the system from reactive care to proactive care; from acute care to prevention and wellness. Rewarding value drives the adoption of electronic health records, and subsequent sharing of patient data across the healthcare ecosystem. Rewarding value encourages providers to improve access to health services, opening up less traditional, and less expensive sources of care, such as home care, retail outlets, community centers, or telemedicine. And rewarding value reorients the entire system around the health of the patient, promoting personalized care and patient-centric medicine. In short, it lays the foundations for smarter healthcare.

Redefining value requires new competencies

Though mandatory, the journey to smarter healthcare is no small undertaking. No longer is the industry making incremental changes. There is dramatic energy to change of a magnitude never seen before. Such energy is forcing organizations to reconsider their business models, reorient their operations around the patient, and re-imagine the future. It is also forcing them to develop powerful, new competencies that will allow them to meet the new demands of the market. Organizations will need to collaborate with unfamiliar business partners, attract and retain a different mix of talent, adopt new technologies, and in some cases abandon traditional sources of revenue.

For healthcare organizations to survive and thrive in this period of transformation, they will need to make hard, thoughtful and informed decisions about every aspect of their operations and their business. Many healthcare organizations have already begun to develop new competencies to support strategic decision making, while also building the organizational agility that will be necessary to adapt to changing market conditions. In working with hundreds of clients across the global healthcare ecosystem, IBM has identified several essential competencies that are preparing healthcare organizations for the future:

Collaboration and Partnering

Building the tools and skills for collaborating and partnering is essential for working with patients, payers, providers and other stakeholders across the healthcare ecosystem. How organizations engage with others is critical; sharing ideas and information, engaging relationships with a "win-win" mentality and a willingness to reconsider, redefine and reinvent their role. These skills are the basis of coordinated care delivery. But they also help extend one's brand into new geographies and with a flexible business model, allows one to innovate, adapt and collaborate. Many institutions will need to draw upon their heritage to assess and leverage their core values into new partnerships, new ventures and endeavors. Creating more patient-centric, coordinated and accountable care means all service providers must share risks and data, and they must conduct business with partners that cross traditional boundaries.

Information Proficiency

Coordination of processes, use of standard practices and collaboration among stakeholders can only be achieved if you can measure, monitor, and analyze performance data and gain actionable clinical and business insight. Organizational innovators are already implementing smarter decision making using health analytics to publish metrics at the point of care, measuring performance and changing behavior. To improve care, stakeholders will need to coordinate, track and manage performance using new metrics: the health outcomes for the patient measured over a lifetime, and the value of interventions across the care continuum. To do this requires volumes of reliable health and operational data. And it requires organizations to become exceedingly proficient in information management. How organizations capture, store, use and share information is a critical competency in enabling strategy. The ability to access the wealth of information across the enterprise is no longer a luxury, but a necessity, required to correlate cost and quality information and to apply insight back into business processes that can inform action and change behavior.

Personalization of Health

Empowering patients means developing multi-channel approaches, convenient locations, and varied settings to expand access to healthcare services. It means delivering longitudinal and preventative care versus episodic and transactional care. It also means using innovative technologies and data to personalize treatments and engage citizens in their own health management and disease prevention. Regardless of the knowledge we may have of health, medicine and technology, if it doesn't fit into the patient's world, it will never be effective. Providers must understand the characteristics and needs of each individual, beyond condition and medical status, to really understand the patient's care needs and barriers, their service preferences, financial circumstances, habits and level of engagement. To empower patients is not to simply make healthcare more accessible and patient-centric, but create extreme personalization. Extreme personalization means understanding the critical characteristics that inform a patient's choices, actions, and response to their own health requirements in order to reach, serve and influence their participation in their own health management.

Talent Creation and Retention

In an increasingly competitive and resource-constrained industry, establishing programs for talent creation and retention to enable proactive hiring, new skills, and incentives for employees is a strategic necessity. Healthcare organizations must be able to acquire talent that will enable the enterprise to move into new business models it may design and desire. It also means assessing the culture and value set of the organization to understand and leverage its heritage and values into these new models. How will the organization recognize, communicate and reinforce the attitudes and actions that support the realization of new commitments? Resource managers are finding that talent proficiency can no longer be measured across just one dimension, whether that is people, process or technology. Real value comes from individuals whose skills can be deployed across different boundaries of the business. Creating agility includes not only the acquisition of valuable talent, but also continuous learning, skills expansion and the grooming of future managers and leaders. It embraces recruiting and valuing primary care providers across the system. Acquiring new skills around partnership building, systems thinking, and data analytics will be necessary to compete. Those organizations that build talent bases around these emerging skills will be in a better position to achieve success.

Technology Enablement

Technology plays a critical role in enabling healthcare transformation. Technology improves operations, supports collaboration and lays the groundwork for data-driven decision making. The ability to capture, integrate and analyze data across different stakeholders, care settings and geography is essential, as is modernizing infrastructure to increase agility. New modalities, diagnostics and innovative medical devices, as well as the use of telemedicine and remote monitoring, add to technological enablement by increasing access and expertise. Technology eliminates current borders of the business by overcoming barriers such as distance, knowledge or practice. It is a key enabler to transformation, and the healthcare industry must now leverage information technology for advantage as so many other industries have: to innovate their businesses and to eliminate disparities.

Making the transition to smarter healthcare

With new competencies, we can imagine the healthcare industry of the future. The primary purpose of the system will have fundamentally shifted from reactively treating disease to one focused on prevention and wellness promotion. Migrating from episodic and fragmented responses to illness, care delivery will become patient-centric, with services coordinated across the continuum of care. Health consumers will be empowered and engaged as healthcare becomes more personalized and access is made more convenient, from retail outlets and community centers, to remote telemedicine and home health monitoring innovations. Communications from health insurers and health authorities will become more targeted. Health payers and insurers will be perceived as health coaches, providing products tailored to the consumer's needs which guide citizens to more healthy lifestyles and outcomes.

It's a world where funding rewards the outcomes of the system, not the volumes. Precious resources are used effectively, deploying the right skills to the appropriate needs, delivered in the most convenient and cost-effective care setting, simultaneously increasing health quality and safety, while reducing waste and fraud.

In the future, healthcare will become a true "system of systems" that is focused on value, coordinated around the patient, and integrated into our communities. Knowledge will be translated into practice more effectively and faster, with clinicians, researchers and informaticists collaborating across the globe in real time with proven results. And translational science will escalate adoption into new clinical practices, while medical knowledge will be systematically integrated and instantly shared.

How do we make the transition from today's inefficiencies created by the existing volume-based industry into a performance measured, outcomes-oriented, patient-centric system? It means redefining value and success to ensure:

• A more sustainable, cost-effective healthcare system
• Greater collaboration across the ecosystem to improve care quality and outcomes
• Leveraged technology for greater utility for all participants and reduced disparities in access to care

Healthcare stakeholders will need a business plan and strategy. They will need to develop a new style of management that emphasizes greater collaboration and partnering. They must also possess the ability to gain insight from their data to support the development of new competencies to enable delivery of better coordinated, patient-centric and personalized approaches to care.

In our work with healthcare clients around the world, we see many different aspects of this transformation already taking shape, enabled by the competencies described above. Below are just a few of the trends we see, representing a departure from traditional healthcare and offering a glimpse of the future of this critical sector.

Changing business models

Over the last two decades, it has become exceedingly clear that building sustainable healthcare systems will require fundamental changes in the business models of entire enterprises. It is now well understood that organizations — be they payer or provider — will need to increase efficiency and flexibility in order to proactively manage costs, market change, and regulatory demands. They must have greater transparency and accountability. They will need to embrace new incentive models, and innovate accordingly.

We see this happening today. Sometimes it comes in the straightforward form of consolidation and restructuring, such as hospitals buying hospitals, or hospitals acquiring physician networks, or health ministries consolidating regions. But in other cases, we see more aggressive, innovative moves, such as new structural arrangements like accountable care models that focus on outcomes, or cost-sharing and capitation models that help spread risk.

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For example, in November 2011, Highmark Inc., the largest health insurer in Pennsylvania, announced a plan to purchase West Penn Allegheny Health Systems, the second largest healthcare provider in western Pennsylvania, in order to compete regionally. The move is one of the first of its kind, where a US-based insurance company purchases a hospital-based delivery system with the intent to align payment with provision of services.[4] In Germany, new contracts between regional physician groups and public sick funds are rewarding primary care physicians for desired patient outcomes and replacing the traditional fee-for-service point system that was previously used for compensation. In New Zealand, Primary Health Organizations have been created as not-for-profit trusts, funded on a capitated basis and designed to improve the overall population's health.

Around the globe, consolidation and restructuring across the value chain is being driven by changes in payment and regulations. But it is also being influenced by consumer demand and the migration of care beyond the traditional hospital walls. Higher value expectations from buyers coupled with labor and resource constraints is opening the market to innovation — in both care settings and capacity deployment.

One of the cornerstones of these evolving business models is the concept and implementation of a patient-centered care model, or "medical home" (see Figure 3, below). At the foundation of the medical home is the patient's active, personal, comprehensive, and long-term relationship with a primary care team. Providing a team approach to care, combined with care coordination, whole-person orientation and appropriate reimbursement, patient-centered care models are becoming key building blocks to more accountable care and opening up new settings and capacity for care.
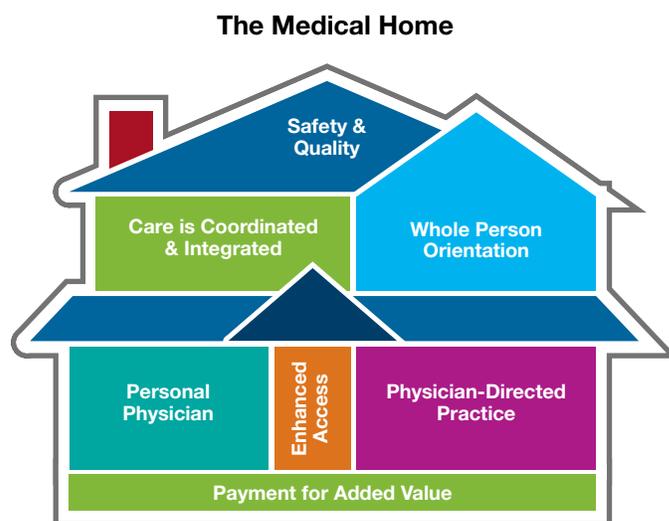
The Medical Home

Figure 3: The cornerstone of accountable care is the patient-centered medical home

Restructuring across the healthcare value chain

In many countries, healthcare services are provided only after injury or illness has taken hold, usually in acute care settings such as hospitals or specialty clinics. Today there is a movement away from this model toward more cost-effective settings such as patients' homes and retail outlets. This shift is being driven by consumer demands for convenience, pressure across the industry to reduce the cost of care and the availability of data, as actionable information, for the first time in history. The shift is being supported by the adoption of electronic health records and advanced communications technology, such as biomedical telemonitoring, which is helping providers deliver medical services across increasingly vast distances to patients who need them. Such systems can also be used to help deliver comprehensive healthcare to patients and consumers at home rather than the traditional office or hospital visit, greatly expanding access to healthcare.

The result is not just an increase in access to healthcare service, but also an improvement of the outcomes, as more preventive care becomes possible. With chronic disease consuming as much as 75 percent of the healthcare resources of developed countries, strengthening, coordinating and extending care delivery is critical in reducing costs and maintaining higher quality of life.[5] Care coordination is essential for changing the way the system is structured, and we see more need for the use of data integration and deep analytics to support the care planning process, care-transitions and the management of care delivery across multiple providers.
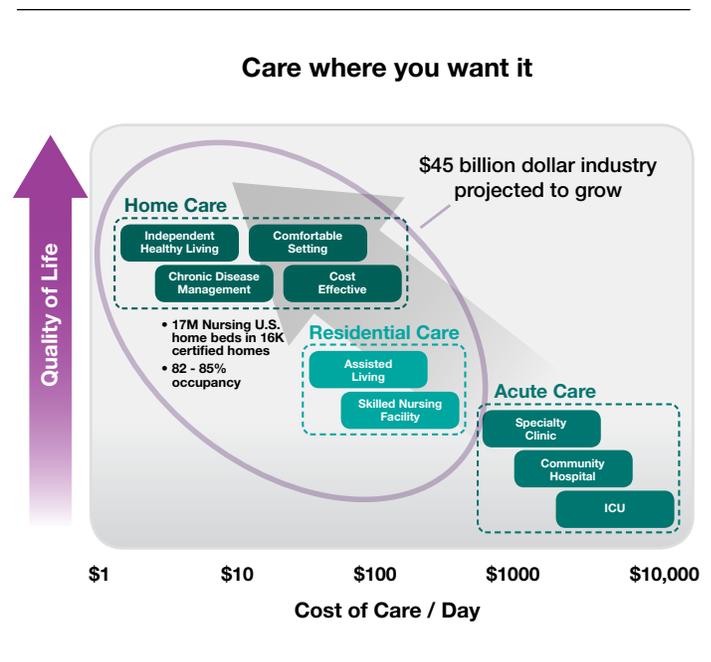
Care where you want it

Figure 4: The cost and quality of care improve as care becomes available in alternative settings.

Citizen access, activation and engagement are increasing as citizens seek care in non-traditional settings such as retail, home, specialty, and ambulatory, and are becoming more connected than ever with an array of providers through easy to use connected devices.

For example, a university hospital in China has implemented a community-wide electronic healthcare record system and diagnostic, treatment and monitoring tools to improve access for patients with chronic conditions and diseases. The system is helping the hospital provide more responsive, proactive care to patients with chronic conditions such as diabetes and high blood pressure.

Patient-centric, coordinated and more personalized care

Whether they are motivated by financial incentives from providers, easier access to healthcare services, or changing cultural norms, patients are beginning to engage more directly in the management of their health and well-being. These empowered customers are demanding value from their providers, and are demonstrating willingness to partner, or "co-create", with providers to optimize their health outcomes.

Patients are taking a more active interest in their health because they can. Today, technology is enabling providers to increasingly take on the role of health advocate, encouraging patients to track their own health metrics, such as blood pressure, weight, or glucose levels. As more non-traditional care settings become available, patients can practice more preventative health. New technologies like portals, smart phones, kiosks and connected health devices empower patients to monitor and maintain their own health. Low-cost devices that are simple to use are enabling real-time monitoring, and less frequent visits to the doctor, by seamlessly connecting devices to the internet to up- or download monitoring data to remote care providers.

Institute for Applied Telemedicine

The Institute for Applied Telemedicine (IFAT), a part of the Heart and Diabetes Center NRW based in Germany, put in place an integrated telemedicine solution that provides uniform access to electronic healthcare records using an information portal and secure website. Medical staff readily track patient diagnoses and current treatments to coordinate efforts across locations and organizations. In addition, patient health statistics are captured by monitoring devices at home, these results subsequently being published to the portal. With a patient's complete medical history and up-to-date vital statistics, medical staff can more closely monitor and support patient health.
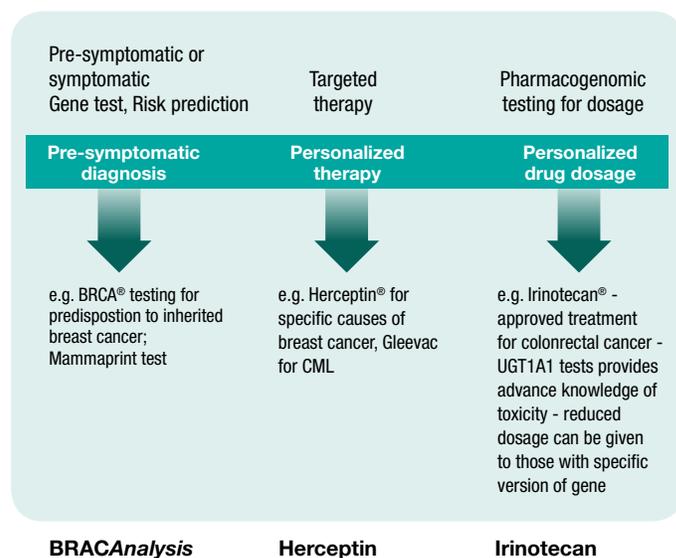

Figure 5: Examples of genome based personalized medicine in use today.

Healthcare is steadily advancing toward the promise of evidence-based, personalized medicine for lifetime health maintenance and disease prevention through a convergence of information technology and medicine. Innovations in life sciences are targeting new treatments and biologics through advances in genomics, proteomics, and regenerative medicine, which holds the promise of saving damaged tissues by stimulating the body's own repair mechanisms. As the cost of genomic sequencing falls, and as the ability to analyze healthcare information improves, genomic testing is becoming a more accessible and important tool for personalizing healthcare. (see Figure 5). Detection of risk for not only treatment but disease prevention is now possible, while maintenance of health status becomes easier for consumers to manage.

The Rizzoli Orthopaedic Institute in Bologna, Italy is using the latest analytical tools to better understand the complex interplay of genetic factors in hereditary bone diseases. As pioneers in stratified medicine and treatments for chronic illnesses, Rizzoli Orthopaedic has developed an analytics capability to gather diverse and detailed information on specific cohorts of patients, and to use this base of information as a means to drill deeper into the genetic dynamics of hereditary diseases.

Consider the pharmacy benefit managers who are encouraging doctors to use evidence-based genetic tests to determine whether drugs will work for particular patients — saving money and reducing harm from avoidable adverse reactions. And with the varying, yet successful demonstrations of targeted therapies such as Herceptin (for specific forms of breast cancer), Gleevac (for specific forms of leukemia), and recently announced Vemurafenib (designed for treatment of one of the most aggressive forms of skin cancer), personalized medicine brings promise for new efficacious treatment regimens.

In 2006, IBM was a founding member of the Patient-Centered Primary Care Coalition (PCPCC) with several large U.S. based employers with the objective to reach out to the American College of Physicians, the Academy of Family Physicians, and other primary care physician groups in order to:

(1) facilitate improvements in patient-physician relations

(2) create a more effective and efficient model of healthcare delivery

To achieve these goals, the PCPCC has become one of the major developers and advocates of the patient centered medical home (PCMH) model in the United States. It is believed that such a model can ultimately lead to better medical care for patients and lower overall cost. IBM has been leading the way towards such a shift in healthcare reform, which has now become a national movement that is driving the transformation in healthcare delivery. The goal is the establishment of a "medical home" for every patient, centered on strong patient-physician relationships and comprehensive primary care.

Interconnected and interoperable

For an industry that is so reliant on information, healthcare is woefully behind many, less information-intensive sectors. Nondigital and digital healthcare data are being generated at unprecedented rates. Doctors face the onerous task of storing, organizing, accessing, and integrating large amounts of patient data. For example, doctors face unprecedented growth in new medical papers, journals, and clinical trials which are published each week, making data management both a stressor and a solution to the healthcare system's crisis.

The move to performance-based systems is playing a large role in driving the adoption of modern healthcare data management systems, designed to support best practices, efficient operations, and informed decision making. Already the amount of data managed by hospitals and ambulatory providers is expected to quadruple by 2015, to 665 terabytes.[6] As standards evolve, and healthcare data is shared across the healthcare ecosystem, the real value of the data will increase immeasurably.

Consider Peking University People's Hospital, which built an evidence-based, patient-centric care system enabling cooperation and resource sharing towards improved patient care. The system will provide better clinical decision support at the point of care by offering a comprehensive view of a patient's health data, as well as best practices from previous diagnosis, treatment and research.

At Sainte-Justine Hospital Research Center, the largest pediatric hospital in Quebec, Canada, and well known for its pediatric research, the organization has created a continually updated reservoir of clinical and genomic information to accelerate research. By integrating patient information into a powerful research support tool, automated workflows keep clinical databases current, enabling the hospital to channel more of its efforts and resources to core pediatric research.

We also see progress being made towards interconnectivity and interoperability, largely through government funding and initiatives. In the US, meaningful use of electronic health data is being encouraged through regulations and incentives to help create a private and secure electronic health information system. In Canada, the Infoway-Pan Canadian Electronic Health Record system has developed a 2015 road map to develop a nationwide electronic health record system, with 50 percent progress already achieved. The European Commission's ehealth Action Plan has undertaken pilot actions to equip Europeans with secure online access to their medical health data by 2015 and by 2020, to complete widespread deployment of telemedicine services.

Technology is also allowing healthcare providers to create more efficient, flexible organizations that proactively manage cost, market and regulatory requirements with greater transparency and accountability. Healthcare organizations and ministries eager to take cost out of their administrative processes are benefiting from supply chain management, distributed processing and infrastructure enhancement.

Workforce dynamics

The healthcare industry is becoming truly global. As a result, recruitment, training, and retention of top talent has never been more competitive. In some low-income countries, more than 50 percent of highly-trained health workers leave for better job opportunities abroad. Over the last 30 years, the number of migrant health workers increased by more than 5 percent a year in many European countries. All the while, the field of medicine is becoming more progressive as a new generation of students enter the profession, demanding more flexible hours and a better work-life balance.

In such a competitive labor market, proactive hiring, skill mentoring, employee incentives and satisfaction are increasingly important. Organizations are already working within labor and resource constraints to actively retain and develop skilled resources by offering unique talent retention value propositions. A professionally rewarding and supportive environment is a key part of the strategy.

The result of this is a laser-like focus on talent by healthcare CEOs. In fact, the IBM 2010 CEO study found that 79 percent of healthcare provider CEOs are looking to people skills to realize their strategy over the next five years. And 68 percent of payer CEOs said the same. CEOs are mounting global talent searches, offering unique talent retention programs, and making workforce wellness a high priority.

CEO Five-Year Focus

	Healthcare Provider CEOs	Healthcare Payer CEOs
Client Intimacy	89%	95%
Insight and intelligence	88%	82%
People skills	79%	68%
Industry model changes	63%	55%
Enterprise model changes	60%	55%
Risk management	60%	52%
Revenue model changes	55%	45%

Figure 6: The IBM 2010 Chief Executive Officer Study revealed the priority that CEOs from healthcare providers and payers are placing on attracting and retaining the right workforce skills.

Given all these trends, we believe that over time, healthcare will begin to operate as an efficient and highly functioning system, designed around patients to deliver greater access, better quality, and reduced costs. But to be successful in this dynamic and competitive environment, healthcare organizations will require new and different skills. They will need to quickly evolve their business models, form new partnerships, and redefine value and success for stakeholders.

Conclusion

The ultimate goal is to improve health and well-being for individuals and society. The healthcare industry is now within an unprecedented period of change. For healthcare stakeholders to either stand still or perpetuate only incremental optimization to legacy paradigms can only accelerate an organization's possible demise. The industry can expect a relentless pursuit to value that is being defined on an entirely new axis.

In this age of transparency, realization of value will be recognized, and inability to deliver will be exposed. As value becomes understood as a measure of health and well-being, organizations that respond to deliver outcomes will succeed. They will do so with a better understanding of clinical evidence and greater clarity of what is needed to improve health; for the specifics of the individual and for their communities, to ultimately promote a more coordinated, aligned and efficient healthcare delivery system of the future.

This is an exciting time for the healthcare industry, and many organizations are embracing the opportunity. Change done well has the potential to truly reinvent care, outcomes and cost, providing a great foundation for the future. Now is the time for healthcare organizations to do the hard work of reassessing their capabilities, their infrastructure, their talent, and their partnerships in order to compete. It is important to ask the hard questions of your organization, such as:

- How are you redefining value and success for your health system/organization?
- To what extent is your health system organization evolving to a value-based model?
- What competencies must you develop?
- How will you know how much progress you are making?

IBM brings together two essential bodies of knowledge and resources to help your organization answer these questions and continue the transformation of the healthcare industry: deep expertise in managing and integrating complex systems that has helped transform the world's retail, financial, and energy industries; and broad expertise in life sciences, bioinformatics and the full spectrum of healthcare disciplines.

With more than 8,000 employees dedicated to healthcare, including more than 60 medical doctors and 350 healthcare professionals, IBM has completed more than 3,000 successful healthcare transformation initiatives, ranging from small hospitals to national healthcare projects. IBM holds more than 600 patents in the life sciences, healthcare and medical device fields. We have been an active participant with governments working to lay the foundations of a 21st century healthcare system. Together with our healthcare clients and partners, IBM is redefining value and success in healthcare to help build a smarter healthcare industry.

For more information

To learn more about smarter healthcare, please contact your IBM marketing representative or IBM Business Partner, or visit **ibm.com**/healthcare.

[1] World Bank, "World Development Indicators: Life Expectancy", last modified November 9, 2011, http://www.google.com/publicdata?ds=wb-wdi&met=sp_dyn_le00_in&tdim=true&dl=en&hl=en&q=global+life+expectancy+statistics

[2] Martin Marshall and Peter C. Smith, "Rewarding results: using financial incentives to improve quality," Quality and Safety in Health Care 12, no. 6 (2003): 397-98.

[3] Ontario (Canada) Ministry of Health and Long-Term Care, http://www.health.gov.on.ca/transformation/fht/fht_mn.html

[4] Pittsburgh Tribune-Review, "Highmark, West Penn Map Out Plan," November 4, 2011.

[5] Centers for Disease Control and Prevention, "The power of prevention: reducing the health and economic burden of chronic disease," 2003.

[6] Enterprise Strategy Group, January 2011.

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