

# DISRUPTION: DEAL WITH IT



Jonathan Manis

Former SVP/ CIO, Sutter Health

Becker's Health IT + Revenue Cycle Conference

September 19-22, 2018

# SUTTER HEALTH

- One of the 5 largest NFP health systems
- 32 +/- hospitals, hundreds of ambulatory clinics and sites of care
- \$13B annual revenues
- 55K+ employees
- 12,000+ physicians
- See ~4M pts each year (1K/ hour)
- 1 of every 100 babies born in the US
- 1 of every 100 patients treated in US
  
- California, Oregon, Nevada, Hawaii
- Napa, Sonoma, Sacramento, **San Francisco, Silicon Valley**



# SERVICE AREA



- **EHRs**
- **Healthcare Reform**
- **CPOE**
- **“Meaningful Use”**
- **ICD10**
- **HIPAA**
- **ACOs**
- **HIEs**
- **Blah, Blah, Blah...**



THE  
**PERFECT STORM**

- 
- **Telehealth**
  - **Cyber/ Security**
  - **Genomics**
  - **Precision Medicine**
  - **Blockchain**
  - **Predictive Analytics**
  - **Population Health**
  - **Robotics**
  - **Patient Engagement**
  - **MACRA/ MPS**
  - **Machine Learning**
  - **Innovation**
  - **Remote/ Virtual Care**
  - **Retail**
  - **BIG DATA**
  - **Artificial Intelligence (AI)**
  - **Blah, Blah, Blah...**

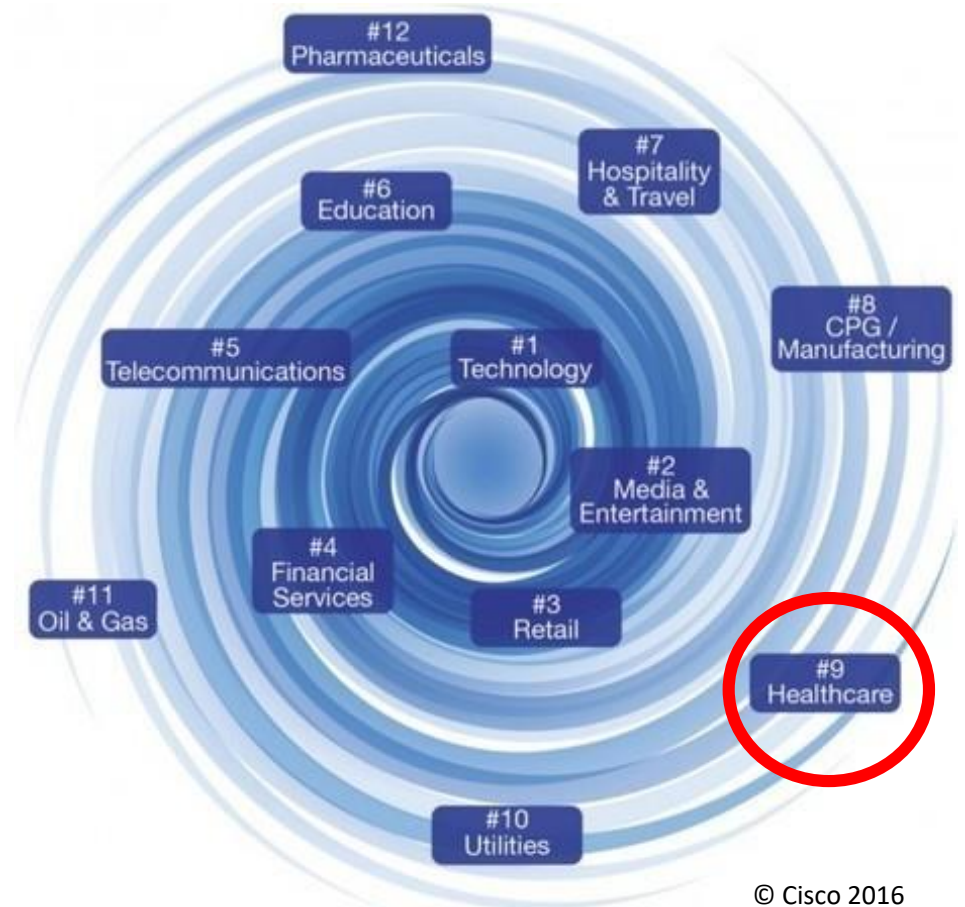
---

THE  
**PERFECT STORM**

---

# “DIGITAL” HURRICANE

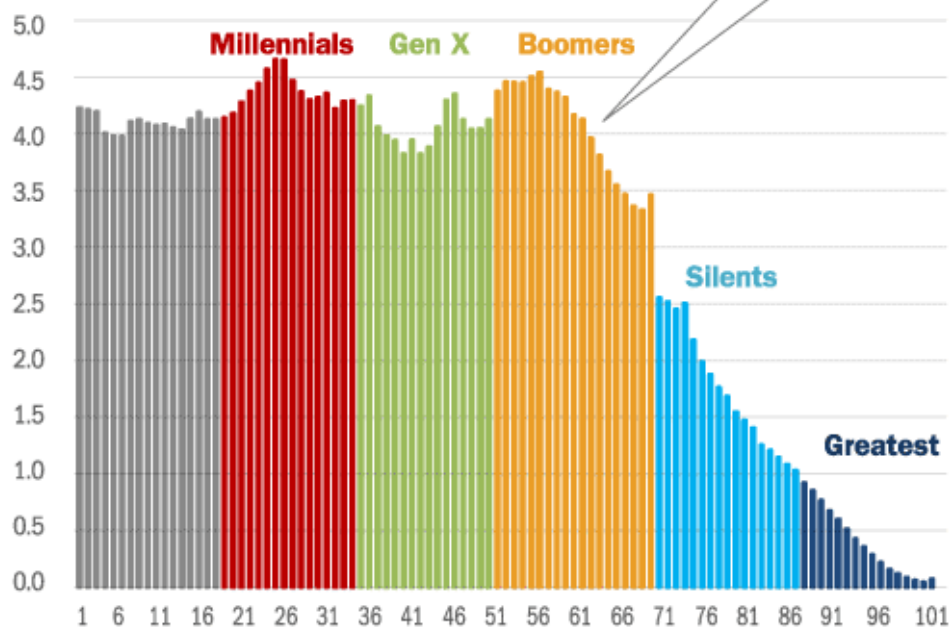
- A force that **pulls everything toward the center**
- Industries may **dissolve and recombine**
- At the center, **all value that can be digitized is digitized**
- Chaotic: objects are drawn to the center with **exponentially increasing velocity**



© Cisco 2016

# WHY IS HEALTHCARE LAGGING?

Population of the U.S. by generation  
(in millions of residents)



Source: US Census Bureau © January 2015 The Financial Brand

## No need to change!

### Gen X/ Millennials Expectations

- ✓ Born into digital age
- ✓ Having own babies
- ✓ Off of parents insurance
- ✓ Caring for aging parents



# MILLENNIALS/ GENX – TOP DISLIKES

- Paper Napkins, Fabric Softener, Bars of Soap
- Designer Clothes and Handbags, Traditional Retail Stores
- Golf, Football, Baseball, Gym Memberships
- Motorcycles, Automobiles, Oil Products
- Diamonds, Banks, Homeownership, Home-improvement Stores
- Yogurt, Cereal, Casual Dining Chains, Beer
- Everything about Healthcare

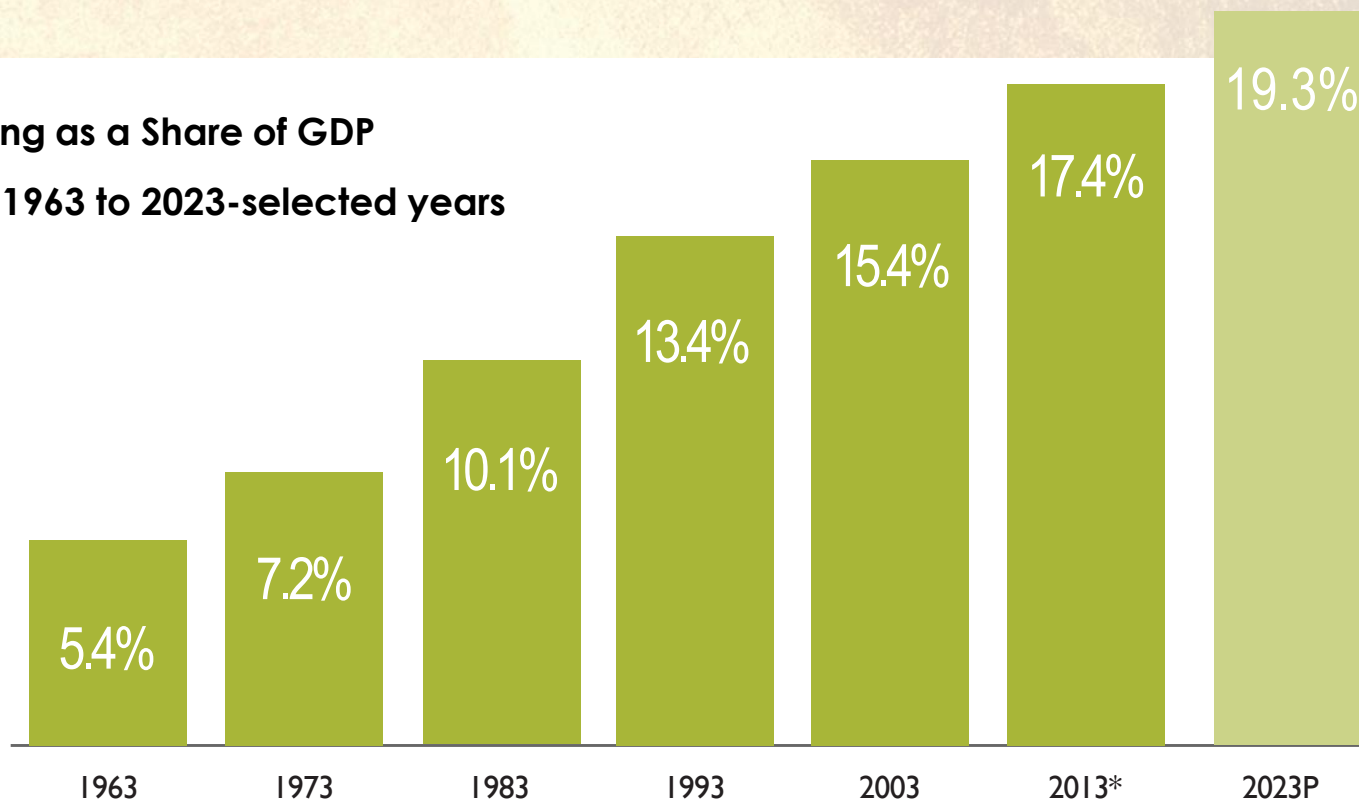




# WE HAVE A REAL PROBLEM

## Health Spending as a Share of GDP

United States, 1963 to 2023-selected years

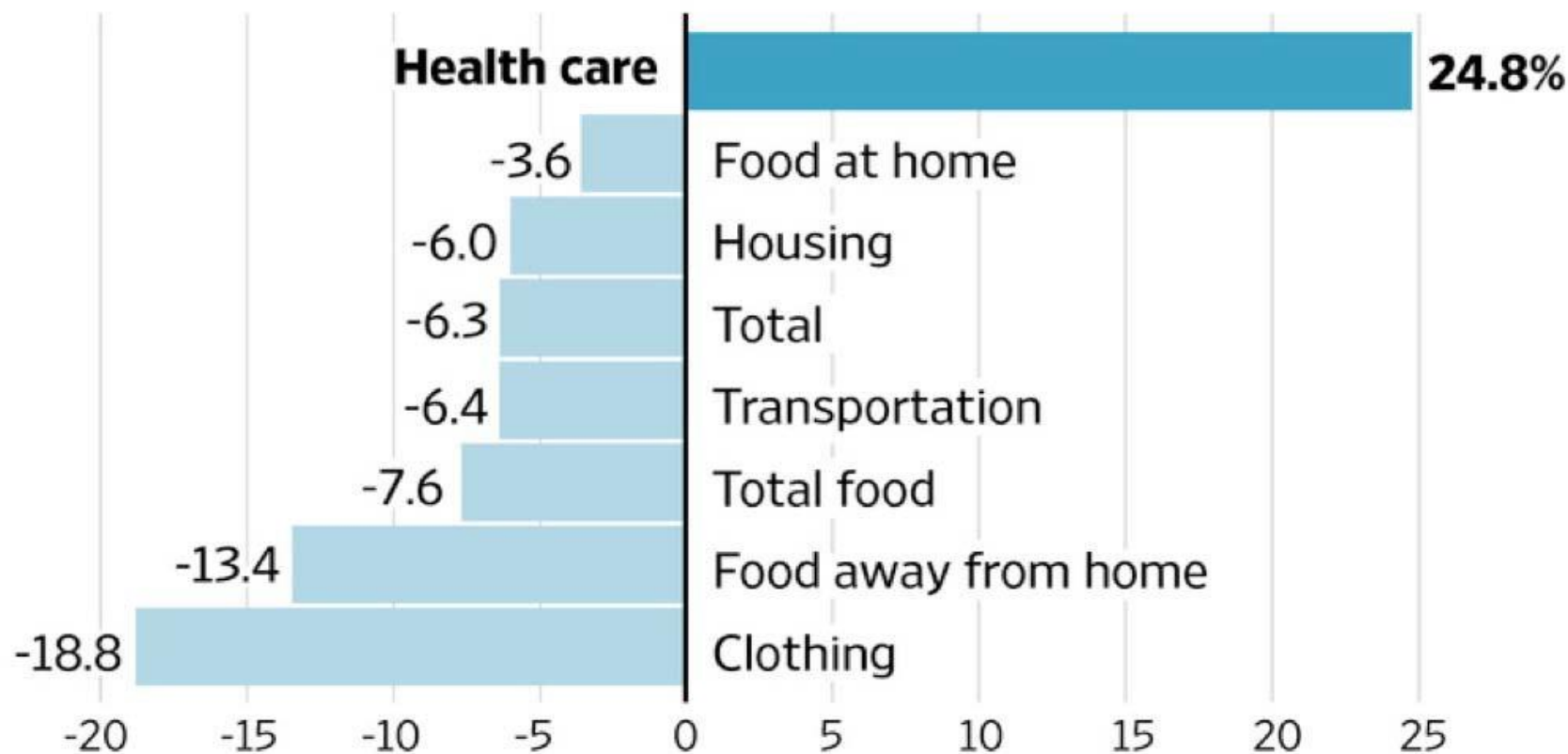


\*2013 figure reflects a 3.1% increase in gross domestic product (GDP) and a 3.6% increase in national health spending over the prior year. See page 27 for a comparison of economic growth and health spending growth.

Notes: *Health spending* refers to national health expenditures. Projections shown as *P*.

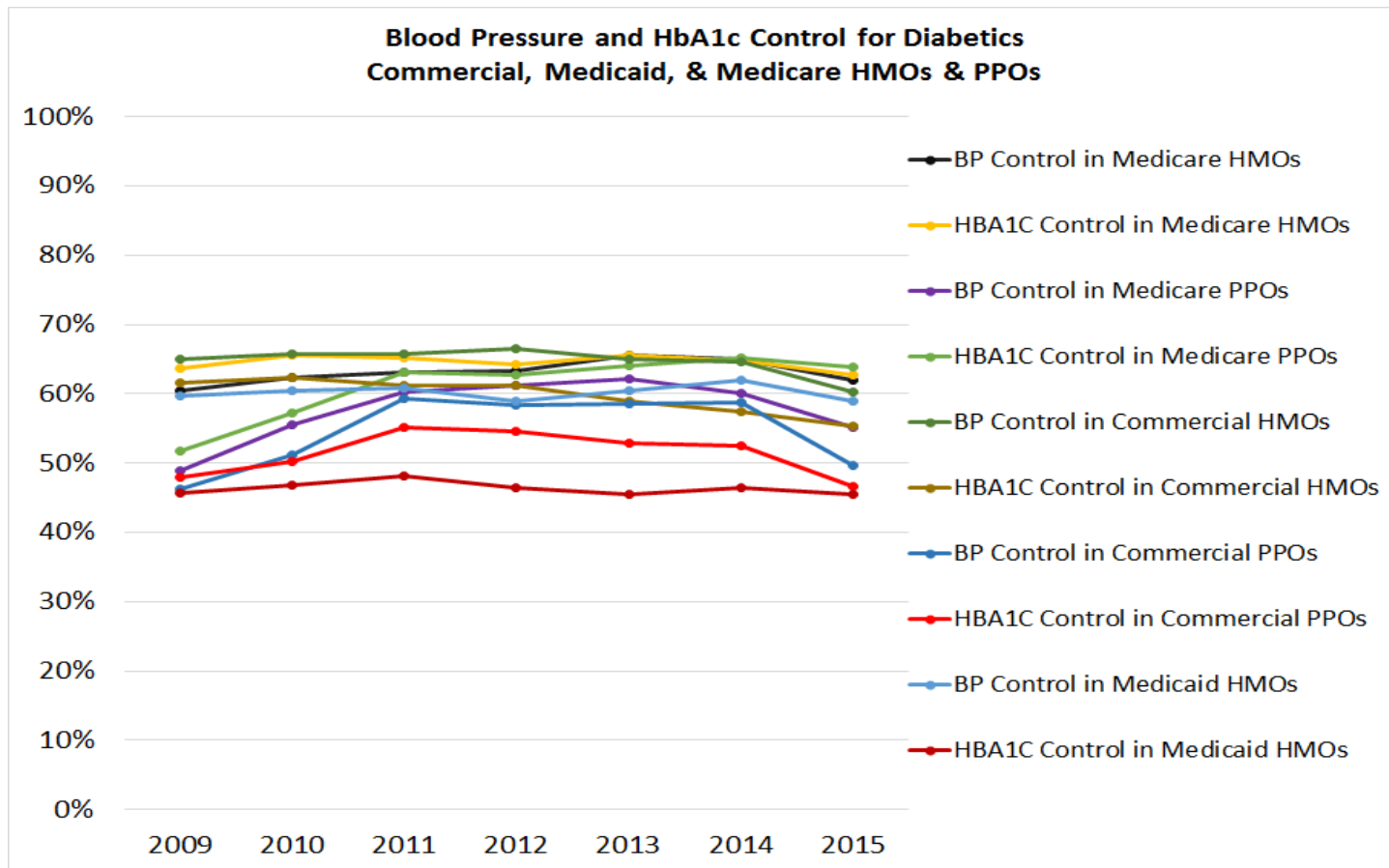
Source: "National Health Expenditure Data," Centers for Medicare & Medicaid Services (CMS), 2014 (historical) and 2015 (projections), [www.cms.gov](http://www.cms.gov).

# PERCENT CHANGE IN HOUSEHOLD SPENDING ON BASIC NEEDS (2009-2016)



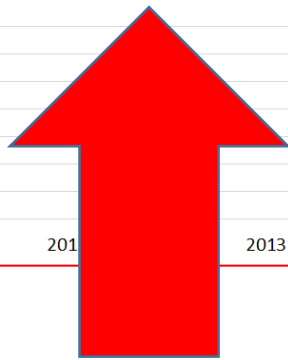
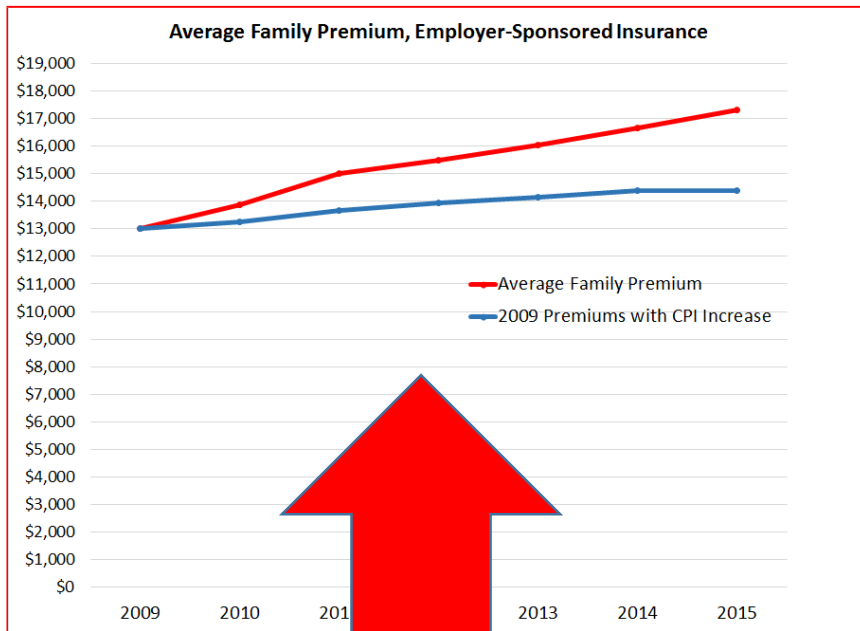
Source: Brookings Institution, Wall Street Journal

# QUALITY IS DECLINING

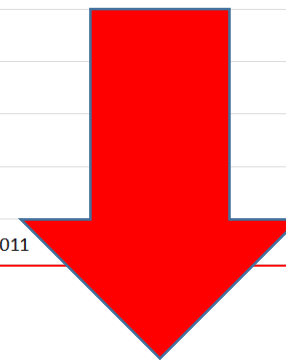
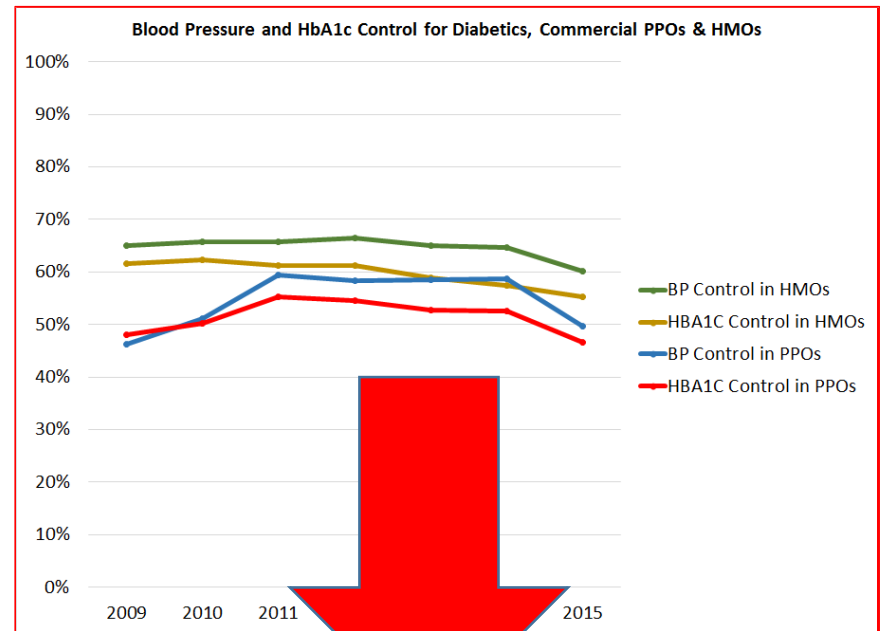


Source: NCQA The State of Health Care Quality 2016

# HEALTHCARE “VALUE” IS LOWER TODAY THAN 6 YEARS AGO



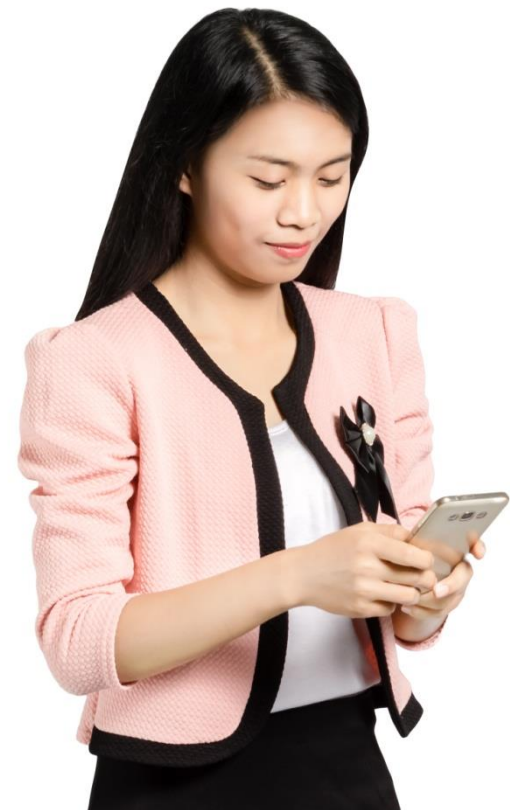
**Cost**



**Quality**

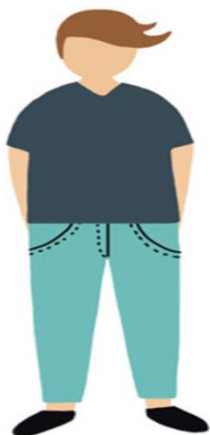
# HEALTHCARE SERVICE IS AN ANACHRONISM

- Intense reliance on **closed data systems, paper and manual processing in a digitally-connected, mobile, cloud-based age**
- The lack of industry and interoperability standards results in a **lack of reliable data and actionable information**
- Our operating model and workflows are **centered around the convenience of the supplier rather than the consumer**



# OUR EXPECTATIONS ARE CHANGING

"I don't know how to drive - but I drive all the time."



Alex, 22

"I don't log on - but I'm always connected to my friends and family."



Leslie, 60

"I never go to the doctor - but I see my doctor every week."



Sundeep, 51

"I'm always shopping - but never in a store."



Dawn, 32

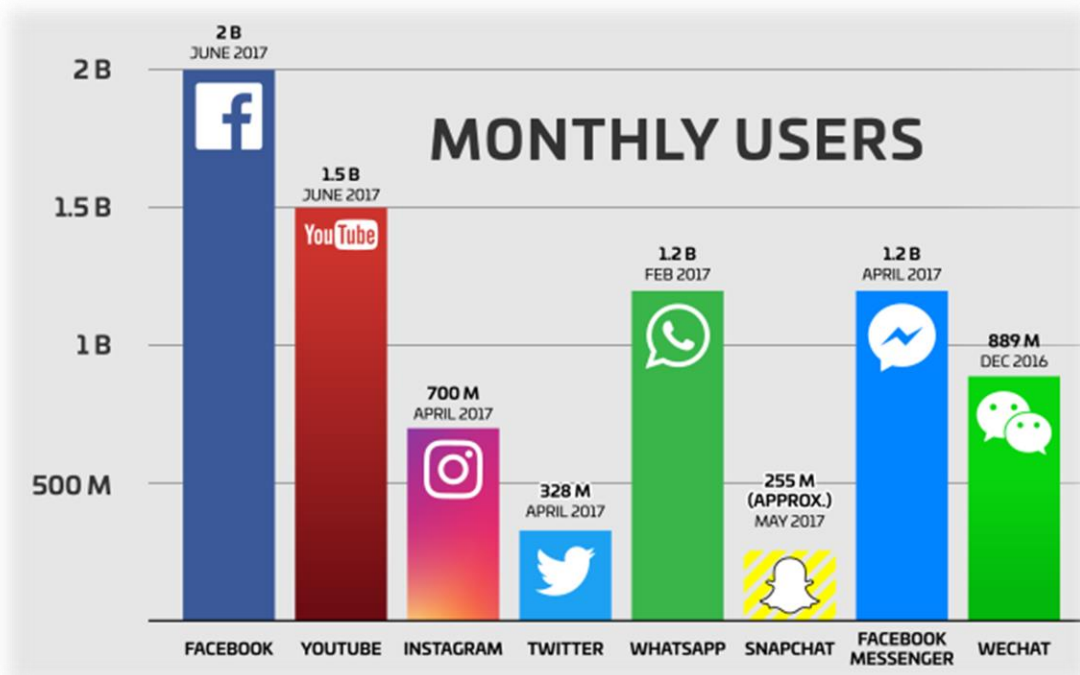
"I don't want to feel like I have a disease - but I do need to manage my diabetes."



Juan, 75

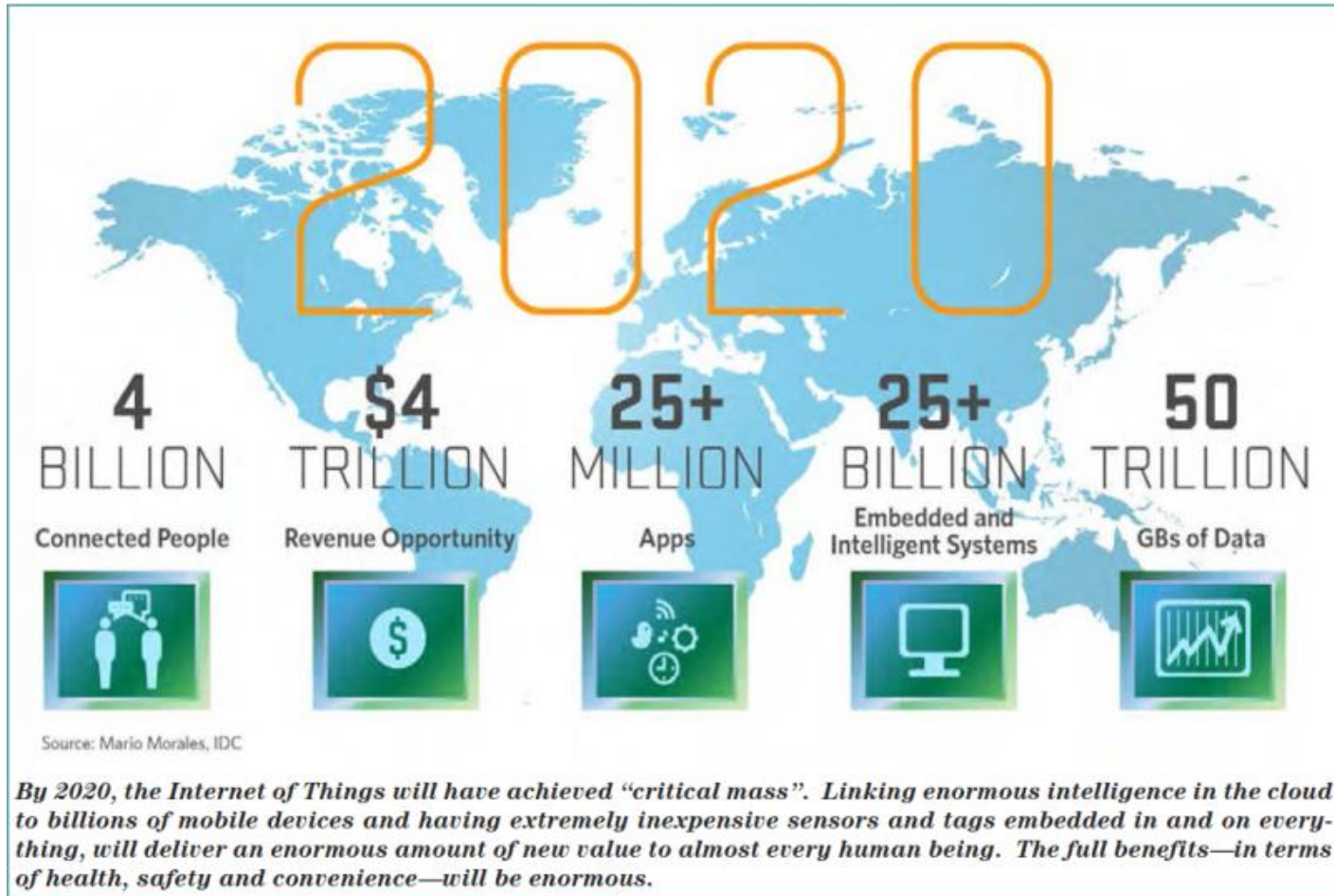
# MOBILE AND EVER-CONNECTED

- Average person checks their Smartphone **over 85 times each day**
- Average person spends 285 minutes per day on their Smartphone – **almost 5 hours (2,800+ “touches” each day)**
- **700M+ active** Instagram Users
- Instagram, Snapchat, Twitter -- **more than 15 posts per person/ per day**
- Our world and everything in it will be digitally connected – **just scratching the surface**



**- 76% of 18-29 Year Olds Actively Use Instagram**

# THE INTERNET OF THINGS (IoT)





# DIGITAL HEALTH FUNDING

2011-H1 2018



Through just the first 5 months of 2018, the largest influx of venture capital on record invested in **"Digital Health."**

## TOTAL VENTURE FUNDING

## # OF DEALS



Source: Rock Health Funding Database

1: Shaded portion shows projections for entire year of 2018, assuming current funding pace continues.

Note: Only includes U.S. deals >\$2M; data through June 30, 2018



# BLASPHEMY!

***Healthcare is a retail industry and that doesn't know it's a retail industry.***



# DIFFERENTIATION/ TABLE STAKES

Today's consumers **EXPECT** and **ASSUME** high quality

Today's consumers **EXPECT** and **ASSUME** access and convenience

Today's consumers **EXPECT** and **ASSUME** exceptional service

- ✓ - Important
- ✓ - Necessary
- ✓ - **INSUFFICIENT**

Today's consumers will **BUY** on price – **LEAST EXPENSIVE**



In the next 3 years, 89% of health care provider organizations expect to compete *mostly* on the basis of **CUSTOMER EXPERIENCE.**



Gartner 2017

## Pearl of Wisdom # 1

***Stop worrying about  
“DIGITAL DISRUPTION.”***

Digital technology is **NOT** disrupting healthcare. Competitors using digital technology to connect with CUSTOMERS in order to enhance their EXPERIENCE are disrupting healthcare.

# Digital Disruption

## Social is Business



- 86% Stop doing business
- 94% Will pay more for great experience
- 26% Post negative comments

## Sophisticated Customers



- "Engage me everywhere."
- "Meet my expectations."
- "Know me. Wow me."
- "Understand and reward me."

## Cloud



- 2014 **51%** of workloads in the cloud
- 2020 **1/3** of all data in the cloud
- 87%** of organizations using public cloud

## Data Explosion



- 90% Created within the last 2 years
- 50X Growth by 2020
- 2012 **9 Billion** Internet Devices
- 2020 **50 Billion** Internet Devices

## Rise of Mobility



- 50.3%** of ecommerce traffic coming from mobile
- 78%** Mobile Data Growth

## 20-Year-Old Legacy Applications



## Pearl of Wisdom # 2

***Dump capital  
investments in IT;  
the future is an  
operating expense.***



# CUSTOMER EXPERIENCE IS THE GAME



UBER

World's largest  
taxi company

Owens NO

~~Taxis~~



World's largest  
Accommodation provider

Owens NO

~~Real  
estate~~



World's largest  
Phone companies

Owens NO

~~Telco  
infra~~



World's most  
Valuable retailer

Owens NO

~~Inventory~~

**facebook.**

Most popular  
Media owner

Owens NO

~~Content~~



World's fastest  
Growing bank

Owens NO

~~Actual  
money~~

**NETFLIX**

World's largest  
movie house

Owens NO

~~Cinemas~~



World's largest  
Software vendors

Owens NO

~~Apps~~

## Pearl of Wisdom # 3

***Disruption is not about  
doing different things;  
disruption is about  
doing things differently.***

# RECENT EXAMPLES

15 years ago Travel Agents would claim that you cannot book vacations online – “it needs a personal touch and experience”



10 years ago you would not dream of banking online – “it’s not safe”



5 years ago few people would buy groceries online



# DOMINO'S PIZZA – CONVENIENCE!



# YOSHI – MOBILE GAS STATIONS



## Pearl of Wisdom # 4

**Think like a service customer, not like a service provider.**

# **Massive Shift from Diagnosis and Treatment to Prediction and Prevention**



# CLEAR AND PRESENT DANGERS

## 1. Denial Disruption:

Any customer-centric venture that offers *predictive or preventive* health and wellness services

- We are DENIED the opportunity to treat paying patients

## 2. Delight Disruption:

Any customer-centric venture that offers *diagnosis or treatment* services specifically designed to DELIGHT the customer or enhance the customer experience

- Bested in terms of Access, Convenience, Quality, or COST



COULD BE

ebay 'ed

OR

amazon 'ed

- ✓ Medical and clinical services **are becoming commoditized**
- ✓ Physician relationships **no longer sacrosanct**
- ✓ Emergence of “health brokers”
  - ❑ Act as third party to **curate and coordinate health care**
  - ❑ Own the relationship (Amazon, Travelocity or financial advisor)
  - ❑ Don't own the products or services
  - ❑ Consumer choice based on: **WHAT THEY WANT**
    - **Quality is ASSUMED**
    - **Convenience/ location/ immediacy of service**
    - **Service/ online ratings/ social media reviews**
    - **Cost**
      - **Coupons**
      - **Off hours discounting**
      - **Loyalty programs/ status points**
      - **“Gold” and “Platinum” Programs**



# amazon Strategy

1

Provide the best customer experience

2

Make it easy to manage health and wellness

3

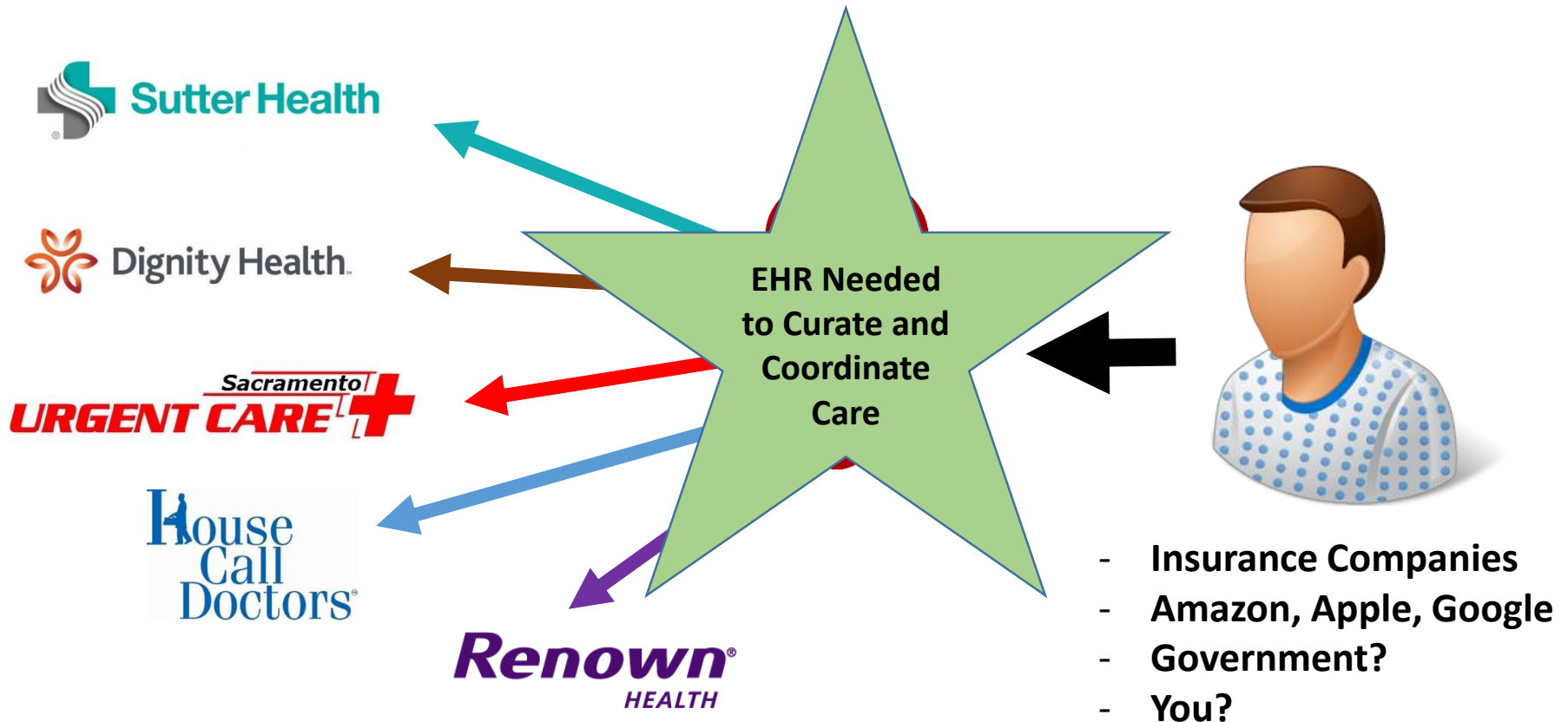
Become the new “front door” for health and wellness services by owning the consumer relationship and brokering for services

# HEALTH SERVICE BROKERS

## Health Service Provider

## Broker

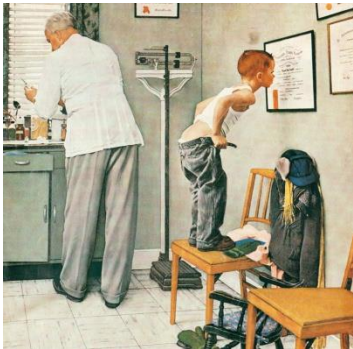
## Patient/ Customer




# “DISINTERMEDIATION”



amazon *Prime*



# THE FORCES OF F.A.N.G.

facebook 

amazon

NETFLIX

Google



# SERVICE LINE DISINTEGRATION

## “CHERRY” PICKING

- Cosmetic Surgery
- Oncology
- Birthing Centers
- Ophthalmology/ Optical
- Dialysis
- Ambulatory Surgery
- Walk-in/ Urgent Care
- Retail Labs/ Pharmacy
- Focus Factories (cancer treatment, hip replacement, bariatric, etc.)
- Next? Primary Care
- Others?



**Commercial  
Boutiques**

**Low Risk  
High Margin**



***Hospitals and health systems will be left with high acuity, high risk, low margin services – emergency; complex surgery; intensive care; end-of-life...***

# INNOVATION/ TRANSFORMATION

***“Nothing prompts evolution more than the threat of extinction.”***



# THE ANSWERS ARE OUT THERE





# NEW HEALTHCARE PARADIGM



**Personalized**

**Location Agnostic**



**Self-Service**



**digital health**

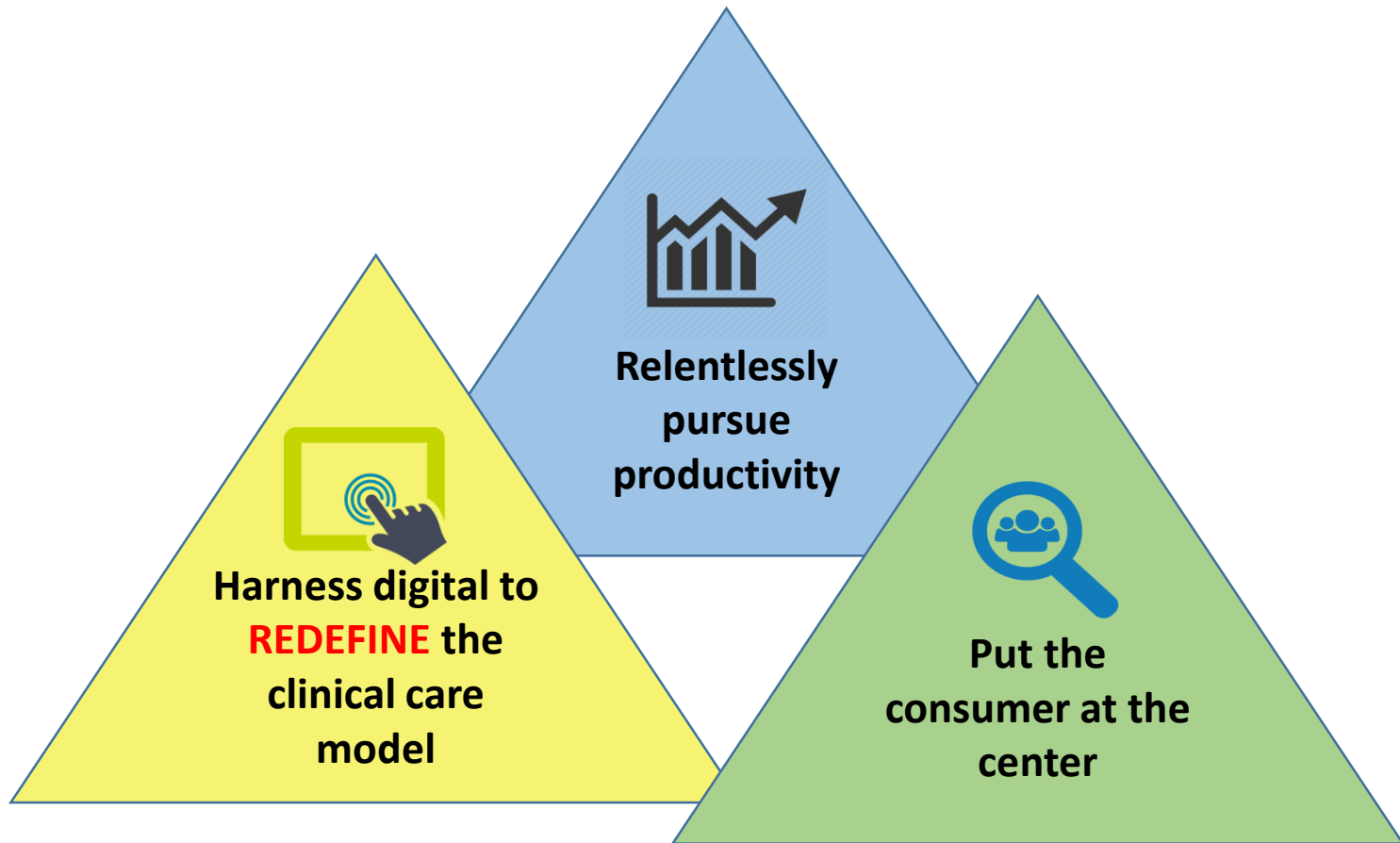
**Virtual**



**83%**

The Remote Experience, Rand Corp., 2016

# THREE TRUTHS FOR SUCCESS



## Pearl of Wisdom # 5

*There is NO MAGIC.*

# ***THERE IS JUST LEADERSHIP***

*There are no quick, easy or inexpensive solutions to the multitude of challenges we face as we work to support our already complex, and rapidly changing health care environment. To address our challenges, our very best response must always be **COURAGEOUS LEADERSHIP.***



# LEADERSHIP TO EXHIBIT NOW

- Healthcare is not the way we would build it if given a clean slate
- Healthcare needs leaders - recognize and embrace the challenge
- Become intolerant of the status quo – a “Champion for Change”
- “Strange bedfellows” – partner outside healthcare
- Recruit/ hire disruptors, (ie; retail, service, hospitality, etc.)
- Create “Innovation Incubator”
- Get out of your office

# MODERNIZE IT OPERATIONS

- Secure foundational systems and practices
  - Stabilize your systems
  - Virtual, Cloud, Mobile
  - Security vulnerabilities/ hardening
- Become agile
  - Application rationalization, simplify!
  - Lean programs
- Start something, anything!
  - Show value immediately
  - Keep executing on small wins, celebrate the small wins!

# STEAL FROM DIGITAL NATIVES

## Digital Native Approach

- “Good Enough” versus “Perfection”
- Operate at a different “clock speed”
- Address culture and mindset throughout the transformation agenda
- Challenge organizational norms
- Rapid capability building using internal, partner and “gig” approaches

## Application to Healthcare

- Launch “minimum viable” versions and iterate
- Use agile sprints for shaping designs and delivery efforts versus traditional project management
- Consumer experience are the core of every stage; hire “cultural amplifiers” from outside the industry
- Stand-up integrated, cross-functional delivery clusters and insight factories across the enterprise
- Partner with 3<sup>rd</sup> parties and digital disruptors to speed capabilities versus custom software builds

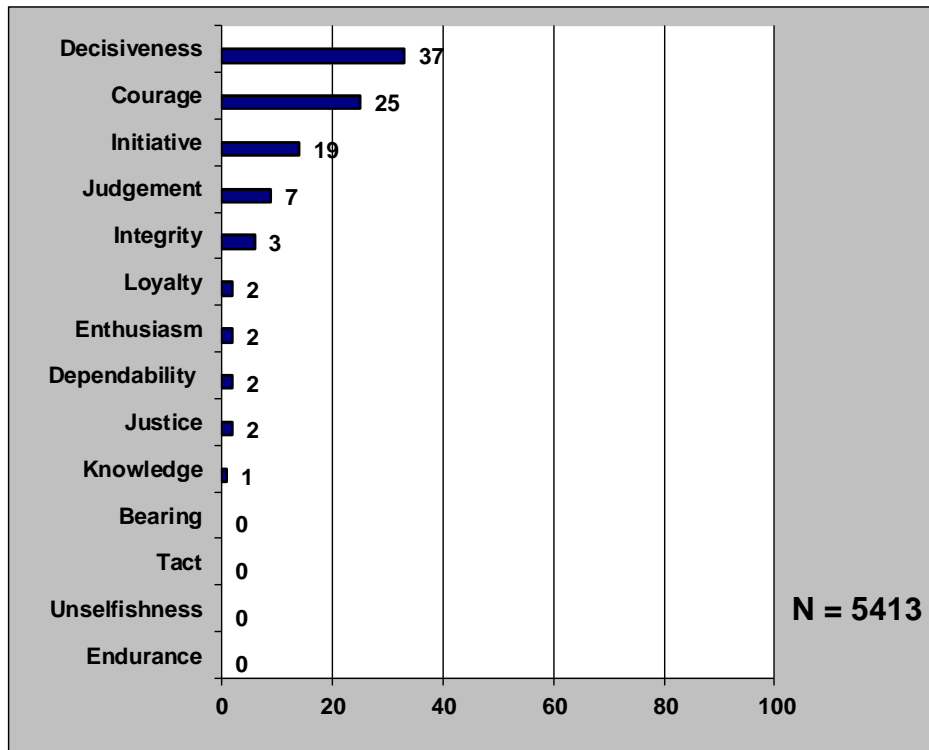
# LEADERSHIP TRAITS

(CENTER FOR LEADERSHIP STUDIES)

- Judgement
- Integrity
- Loyalty
- Decisiveness
- Tact
- Endurance
- Justice
- Knowledge
- Bearing
- Unselfishness
- Courage
- Initiative
- Dependability
- Enthusiasm



# LEADERSHIP TRAITS VALUED



- Executive Survey (2016)
  - All Industries
  - Corporate Boards
  - Corporate CEOs
  - Corporate Leadership Teams
- Rank Order the Leadership Traits
  - Desirability
  - Specific Recruitment or Promotion Criteria
  - Most Highly Valued

Percentage of Respondents Listing an Individual Trait as **“Single Most Highly Valued”**

## Pearl of Wisdom #6

***Be bold. Be aggressive.  
Go on the offensive!***

# THANK YOU!

**Questions?**

**Comments?**

**Concerns?**



# Contact Information

**Jonathan L. Manis**

9844 Wexford Circle  
Granite Bay, CA 95746  
(916) 886-1756

**[Jonathan\_Manis@yahoo.com]**