

Fostering Transformative Innovation in Healthcare

Utilizing an Innovation Framework

Transformative innovation in any industry can happen by accident: A thought out of the blue; an unexpected result; an accidental discovery; a note from a customer. However, a better, more sustainable approach is to create a methodology that can lead to intentional innovation on a regular basis.

The Innovation Framework is a response to this significant need in the healthcare industry. It is a methodology that, if followed, can lead to transformative innovations in products, services, processes and applications. This white paper from McKesson in cooperation with Innosight, a global strategy and innovation consulting firm, describes the Innovation Framework methodology, offers a history lesson in transformative innovation, and provides visualizations of the methodology that will assist in applying the Innovation Framework to the myriad challenges facing healthcare leaders today.

The Case for Transformative Innovation

The growth in national healthcare expenditures has moderated. Since rising 6.3% in 2007 to \$2.3 trillion, the increase slowed to 4.7% in 2008 and has hovered below 4% annually from 2009 through 2012, when national healthcare expenditures reached about \$2.8 trillion. Despite the moderation in healthcare spending increases, research studies confirm that the industry’s performance has not improved as measured by clinical quality, patient safety, and overall patient and community health status. The United States was paying a lot more each year for the same results. Now it’s paying a little more each year for the same results. But it seeks to pay less each year for better results. McKesson and Innosight believe that the only way to make that leap to a healthcare system based on value — one that pays less and generates better outcomes — is through system-wide transformative innovation in all phases of healthcare delivery and financing.

The Innovation Framework

The Innovation Framework is a methodology that assists healthcare leaders in coming up with a transformative innovation that will change a part of healthcare delivery or payment model in their respective market.

The first step in the framework is recognizing that a proposed innovation cannot be successful in a vacuum. An innovation exists in a co-dependent ecosystem of four business catalysts: technology, business model, market adoption strategy, and policy. These could be viewed as the four building blocks of transformative innovation.

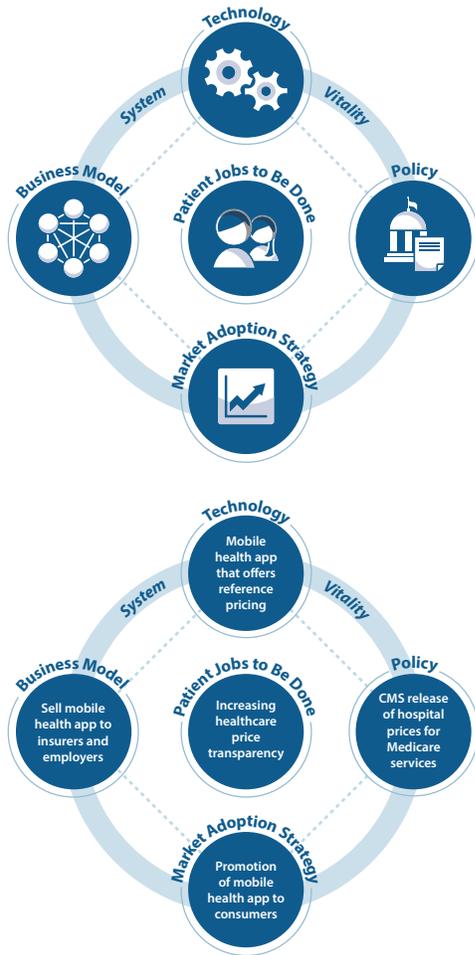
At the center of these four driving forces of transformative innovation is the task at hand. In healthcare, the task at hand is defined as the patient job to be done, or the unsatisfied need of the market. As in other industries, government policy can advance a new technology that, with a sustainable business model and effective market adoption strategy, can satisfy an unmet need of the market and do the patient job that needs to be done. All four catalysts work in concert to enable the transformative innovation to take place.

Consider healthcare information technology as an example. Government policy rewards healthcare providers for buying, installing and utilizing healthcare IT in a way that meets specific “meaningful use” criteria. In turn, health IT vendors build healthcare IT systems that meet the government’s meaningful use criteria and successfully market them to healthcare providers. The providers use the healthcare IT systems to satisfy the unmet need of the market, and that is improving patient care through the use of healthcare IT, which is the patient job to be done.

The graphic below illustrates how the four business catalysts — technology, business model, market adoption strategy, and policy — flow around the co-dependent ecosystem with the patient job to be done at the center of that dynamic. To demonstrate how that co-dependent ecosystem operates in the real world, we placed “increasing healthcare price transparency” at the center of that dynamic as the job to be done and identified the technology, business model, market adoption strategy, and policy that would work in concert as business catalysts to enable that transformational innovation to occur.

Four Forces Drive Transformative Innovation in Healthcare

Four business catalysts — technology, business model, market adoption strategy, and policy — operate in a co-dependent ecosystem that enables a patient job to be done.



Source: McKesson/Innosight

Patient Jobs to Be Done

The first graphic provided one example of a patient job to be done, or unmet need in the market: increasing healthcare price transparency. Other current and urgent patient jobs to be done, or other unmet needs in the market, include reducing avoidable hospital readmissions, improving patient medication adherence, and decreasing administrative and clinical variation. But the patient jobs to be done are as diverse as patients themselves. That diversity is made more pronounced as patients have different needs: functional, emotional and social.

The starting point for transformative innovation is identifying the

functional, emotional or social unmet need of the patient. That is the patient job to be done. This approach by prospective innovators is the key to spotting growth opportunities and generating solutions. So how do would-be innovators define the patient job to be done? According to the Innovation Framework, healthcare leaders must ask and answer the following nine questions:

1. Who is the customer?
2. What problem are they trying to solve?
3. Why do they care about solving it?
4. In what circumstances are they trying to solve that problem?
5. What is the process they use to solve the problem?
6. What alternatives did they consider?
7. Why did they select the option they selected?
8. What do they like about this option? What don't they like?
9. What barriers do they face?

By answering the nine questions, healthcare leaders can begin the process of developing a system-level solution that successfully addresses the patient job to be done.

Using improved medication adherence by health plan enrollees as an example, the graphic below demonstrates how healthcare leaders can arrive at the appropriate patient job to be done by asking and answering the nine questions. After the patient job to be done is defined, then healthcare leaders can determine the technology, business model, market adoption strategy, and policy that will enable the specific patient job to be successfully transformed.



Defining the Patient Job to Be Done

Healthcare leaders seeking transformative innovation in their respective markets must ask themselves nine questions to appropriately define the patient job to be done. The nine questions to be asked are listed at the left. To the right are possible answers identifying improving medication adherence as the specific patient job to be done.

1. Who is the customer?	Health Plans
2. What problem are they trying to solve?	Lack of adherence by members to prescription medication regimen
3. Why do they care about solving it?	Increasing adherence improves member health status and lowers health costs by eliminating unnecessary physician visits and hospital admissions
4. In what circumstances are they trying to solve that problem?	Member education
5. What is the process they use to solve the problem?	Value-based insurance design
6. What alternatives did they consider?	Workplace wellness programs
7. Why did they select the option they selected?	Positive member response to financial incentives in benefits plan
8. What do they like about this option? What don't they like?	Low cost to administer but may limit other covered benefits
9. What barriers do they face?	Employer reluctance to change employee benefits plan

Source: McKesson/Innosight

Market Conditions as Innovation Enablers

Like innovation itself, patient jobs to be done can't occur in a vacuum. Prioritizing them and solving them are the result of various environmental conditions surrounding the patient. For example, when the primary breadwinner in a single-income family loses his or her job along with the family's employer-based health insurance coverage, the family's situation changes and so, too, does the range of available healthcare service options they have. They may abandon their trusted primary-care physicians and instead use their local hospital emergency department for non-emergent care. They may make the switch not because they feel the ED is a better choice but because their circumstances have dictated that they spend their scarce money on food and shelter and avail themselves of "free" healthcare.

These conditions change on a macro level as well, forcing whole segments of the healthcare market and its stakeholders to pivot to a new set of options and choices. After surveying the most impactful trends in healthcare, three critical conditions are most likely to enable transformation within a region. The three conditions are alignment, value and venue.

- Alignment: Are the region's stakeholders working together to find solutions for a patient job to be done?
- Value: Are better outcomes for less cost the driving force behind competition in the region?
- Venue: Can care be delivered in a wide variety of settings by a wide variety of capable caregivers?

Simply put, when these three conditions are present, the ground is fertile for transformative innovation in healthcare.

Using avoidable hospital readmission as an example, the graphic below demonstrates how healthcare leaders can identify whether the three conditions — alignment, value and venue — are present in their region, making it fertile ground for transformative innovation. They also can identify the strategies to create those conditions if one or more are lacking and threaten to serve as barriers to positive change.

Is your market ready for transformative innovation in healthcare?

Three market conditions are critical to enable transformative innovation to take place within a region. The conditions are alignment, value and venue. Here's how they would work in concert to create an environment conducive to reducing avoidable hospital readmission as the patient job to be done.

Alignment



Q: Alignment: Are the region's stakeholders working together to find solutions for a patient job to be done?

A: Yes, hospitals are collaborating on strategies and sharing information on best practices that result in fewer unnecessary hospital readmissions.

Value



Q: Value: Are better outcomes for less cost the driving force behind competition in the region?

A: Yes, led by Medicare, an increasing number of public- and private-sector payers are incentivizing providers to reduce unnecessary hospital readmissions.

Venue



Q: Venue: Can care be delivered in a wide variety of settings by a wide variety of capable caregivers?

A: Yes, appropriate and effective post-acute care as well as greater involvement by primary-care physicians are essential to the goal of reducing unnecessary hospital readmissions.

Source: McKesson/Innosight

Conclusion

The Innovation Framework offers healthcare leaders a pathway for transformative innovation in healthcare. The first step on the path is recognizing and identifying the four business catalysts — technology, business model, market adoption strategy, and policy — that work in concert in a co-dependent ecosystem to form the building blocks for innovation. The second step on the path is defining the patient job to be done, or unmet patient need in a market, that forms the center of that ecosystem. And the third step on the path is facilitating the three market conditions — alignment, value and venue — that make a particular region ripe for transformative innovation.

Transformative innovation is vital to the long-term success of the healthcare system as it transitions to one striving for better outcomes at lower costs. By following the Innovation Framework, all healthcare leaders have an opportunity to contribute to that evolution.



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