



C-suite check-in: New research findings on the state of health care





The most valuable insight comes from leaders on the front lines, responding to rapid change happening every day. In December 2020, Optum surveyed perspectives from across the industry.

We pulled insights from more than 161 health care leaders from health plans, providers and life sciences. 60% of respondents came from the C-suite, with 25% from the vice president level and 16% from the senior vice president level.

Key findings

- Where we are making progress
- What challenges still exist
- How partnerships have changed
- 2021 investment priorities



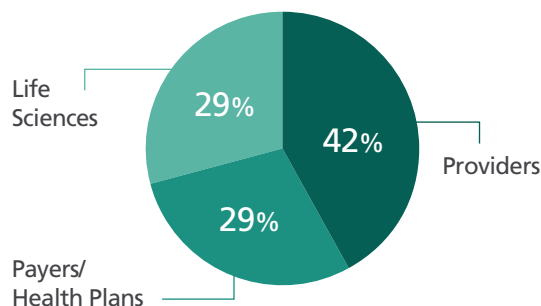
Survey Methodology

Format:
**Online
blinded study**

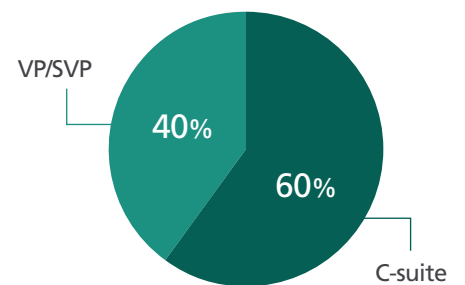
Length:
10 minutes

Number of
respondents:
161

Respondents by market segment:



Respondents by job level:



Where we are making progress — and where we are not

There is consensus among health plans, providers and life sciences that the health care industry has made progress in care delivery innovation in 2020. Yet results also show progress is lagging in the associated mechanisms to sustain it, mainly care payment and funding evolution.

COVID-19 has mandated dramatic changes in care delivery and cross-industry partnerships. It has exposed the human and financial costs of the nation’s health inequity. And it has accelerated change — forcing us to shift to virtual health, flexible staffing models and in-home care.

But many questions remain. Changes in consumer coverage, policies, macroeconomics, untended disease states and new market entrants continue to disrupt the landscape.

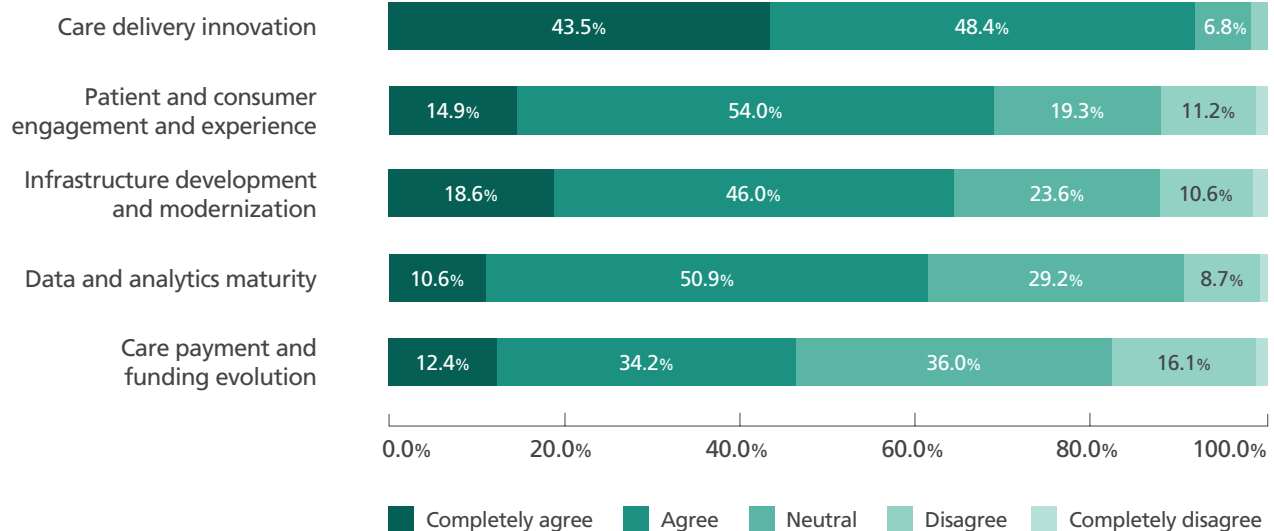
Leaders must respond to daily crises while keeping an eye toward the future. In 2021, leaders want to understand what innovations have momentum, and what opportunities might still emerge. They also want to harness the energies of change to guide their organization forward.

The following report shares C-suite perspectives and industry analysis about what changes have solidified and how leaders can react.



161 responses

“In 2020, the health care industry has made progress in...”





Care delivery innovation: Progress

A full 89.1%, including all executive segments, believe the industry had made progress in care delivery innovation — which includes virtual health, in-home care and avoiding unnecessary care.

Much of the technology associated with care delivery innovation has been here for some time. But COVID-19 forced adoption and showed how well it could be embraced by both patients and physicians. The crisis has also shown us ways to refine regulatory rules, adjust the prior authorization processes, activate a remote workforce, and invest in artificial intelligence and machine learning. Additionally, it has forced reexamination of payment and perceptions of value for virtual care delivery.

One ongoing opportunity is to increase capacity and access to care — especially through the primary care channel. By finding the right balance of in-person and telehealth visits, physicians and RNs can lower costs, offer more patients easy, convenient access to care and increase the volume capacity of the healthcare system. Providers can increase their value-based population, which offers more reliable revenue. For example, in-home programs — such as providing diabetics with a free glucose monitor and a coach — can save money because it keeps the patient healthy at home. It can save clinicians (and patients) time spent attending a traditional visit and can keep the patient and provider continually connected.

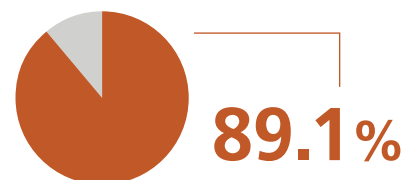
Another ripe opportunity is using digital and virtual channels to integrate mental and behavioral health with traditional health care. When done effectively, addressing mental health can impact how well these patients manage other health conditions.

But aligning incentives, reconciling payment and responding to an evolving regulatory environment remain the key to success. We need to address the incentive problem in 2021 for care innovations to be sustainable.



“These innovations give us the opportunity for ongoing engagement with consumers. The priority is for us to ensure that interactions with our patients are consistent across all our channels — digital, telephonic and in-person.”

— **George Sauter**,
Chief Strategy Officer,
John Muir Health



A full 89.1%, including all executive segments, believe the industry had made progress in care delivery innovation — which includes virtual health, in-home care and reducing unnecessary care.



Patient and consumer engagement: Good progress

73.2% believe the industry had made progress in patient and consumer engagement and experience. This is second highest after care innovation.

Part of this improvement relates to the fast adoption of telehealth and investment in patient portals, as well as, broadly, mobile connectivity and connection. The channels were launched, and the providers are working to integrate the associated data into their EMRs. But to achieve the greatest return, health organizations will need to invest in consumer segmentation and continued adoption of these modalities, as well as new ones. Then they can develop the personalized care plans and associated engagement strategies that improve outcomes and reduce costs.



Infrastructure development: Some progress

64.6% believe the industry had made progress in infrastructure development and modernization.

Organizations have been modernizing their infrastructure for several years. But they are still learning what kind of bandwidth is necessary to support widespread use of this new technology. We need to learn what will be the required capacity for virtual care and how infrastructure, care pathways and payment mechanisms should align.



Data and analytics: Some progress

63% believe the industry had progressed in data and analytics maturity. Like many of these areas, change has been occurring for several years.

Today health organizations are still learning how to derive insight from incoming data and use it to drive meaningful actions. Leaders will need to reorganize their systems to accommodate the hybrid physical/virtual world we now live in. There is now even more data to capture and new ways to use it. The challenge is to appropriately share and reconcile data so that it can inform clinician action at the point of care and change member or consumer behavior at key inflection points.

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In 2021, leaders will focus on integrating digital tools across the entire consumer experience.

Health plans and providers can reach their patients and members to strengthen preventive care. They can expand their capacity to connect more people with a more fully integrated experience. They can measure and demonstrate the ways these innovations increase satisfaction — for both physicians and patients. These innovations will require infrastructure to support the data and analytics that can help guide integrated care and resolve outdated payment structures.



Care payment and funding: Some progress

61% believe the transition to value-based care is accelerating — but not evenly across the industry. Respondents gave care payment and funding the lowest marks.

The pandemic unlocked some payment restrictions allowing for more virtual health, telehealth and in-home care. But from a business standpoint, it's not enough to innovate. The financial incentives for preventive programs that keep patients out of the doctor's office need to be consistent for widespread use of digital health tools by providers. Payment innovation must keep pace with care innovation. And as we see in these results, leaders recognize that care payment and funding evolution is not keeping pace.

Before COVID-19, many provider organizations that were in fee-for-service contracts were not getting paid to cover their costs of virtual services. While in the current environment many providers have achieved payment parity across virtual and in-person visits, the future of this payment remains uncertain. Providers will want to take a step back and determine their actual cost structures going forward, potentially re-evaluating aspects of their physical footprint that make care delivery more costly. This will strengthen their discussions with health plans about payments.

As we move into 2021, all leaders — including the Centers for Medicare & Medicaid Services (CMS) — will see what a steady state of virtual volumes looks like and what it costs. As all stakeholders start to understand this cost structure, it will provide a new perspective on value-based care compensation. The payment models with virtual care will evolve and contracts will normalize around those models. Even though adoption by both physicians and consumers has been high, part of the long-term impact depends on the legislative and regulatory environment.

Sustainable and equitable health system: Need more progress

All respondents believe we need to make more progress toward a sustainable and equitable health system. Yet each segment believes they are doing more to advance sustainability and equity than other segments are doing.

This may mean that stakeholders don't currently experience a holistic view of the issue as it's difficult to separate health inequities from other inequalities. Housing, nutrition, transportation and income all impact health, quality of life and lifespan. But the outlook for each stakeholder includes only a partial perspective.

Another challenge is being able to quantify elements of inequity. Only then can we develop the key performance metrics related to their resolution and effectively address their impact on health outcomes.

COVID-19 didn't create new issues of inequity; it exacerbated existing ones. Many of our essential workers are also low-income workers who face greater COVID-19 exposure. Those who come from lower socioeconomic groups have a very different life expectancy from people who have more resources. Housing, nutrition, transportation and health literacy have significant impact on health and health outcomes.

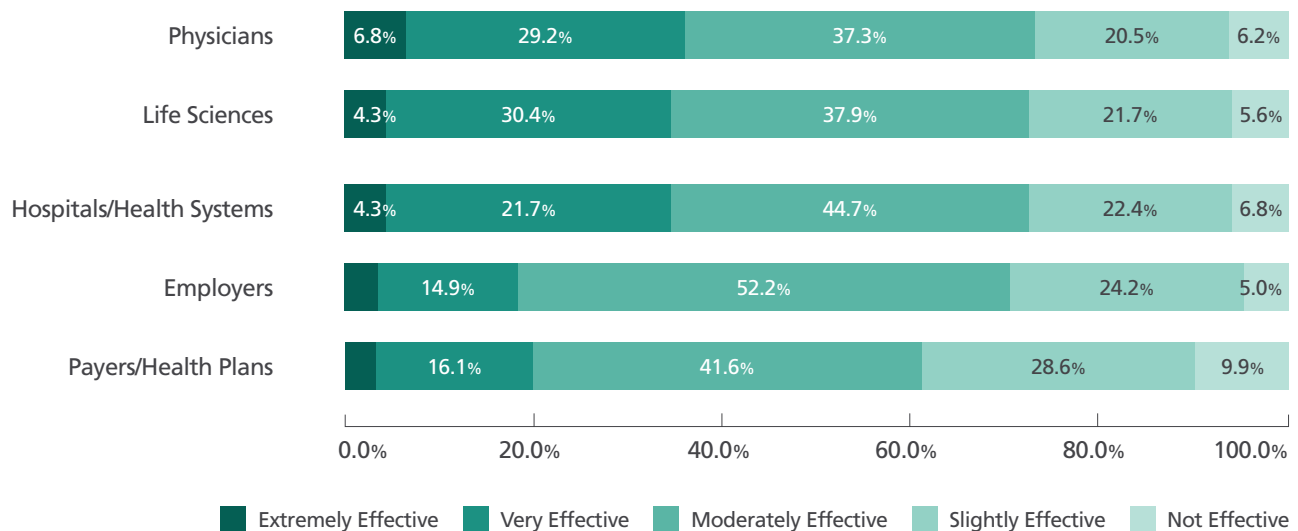
"I think many of them [providers] have been and still are in crisis mode, where their revenue went down so much — so that some health plans had a temporary windfall because of lower utilization."

— Mitch Morris, M.D.,
Chief Executive Officer,
Optum Advisory Services



161 responses

How effective have each of the following entities been moving towards sustainable and equitable health care?



There's also the issue of trust. It's important for consumers to have providers they can trust so they stay engaged in following their care programs. Getting consumers to come back for care may depend on how much trust their providers can build with them over the next few months.¹

Resulting unemployment created more pressure and also pushed many people off commercial insurance onto Medicaid or into the ranks of the uninsured. This shift into Medicaid — now the single largest insured population — will pressure state and federal budgets and will impact the revenue mix of provider and health plan organizations.

Financial sustainability is a top challenge for both providers and life sciences and may become a growing one for payers. There is increasing financial pressure on state government. And, for those that have insurance, premiums are high because they are subsidizing the cost of others who don't have insurance or are on Medicaid plans.

We will see improvement when people have access to physical and behavioral health care regardless of insurance. But real equity comes when we meet the basic needs of nutrition, housing, transportation and health literacy. The question still remains how to get it done.

Making progress toward a more sustainable and equitable health system will require a holistic approach. Solutions will draw from multiple perspectives encompassing community, cultural, behavioral and medical insight.

“We're seeing tremendous, tremendous growth in Medicaid and ACA membership. And that's going to put pressure on state and federal budgets. And ultimately, that's going to impact the revenue mix of both provider organizations and hospital-based systems, as well as the revenue mix for health plans.”

— **Craig Savage,**
Senior Vice President,
Payer Practice Leader,
Optum Advisory Services

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As enrollments increase, the pressure is on Medicaid and Medicare programs to lower their total cost of care.

Part of the solution can come from realigning the balance of funding and focus spent between traditional health care and social agencies. And part of the solution will come from broader acceptance of value-based payment models. To set priorities, stakeholders will want to quantify their cost and exposure for leaving these populations at risk. Then they can identify new ways to prevent health conditions from emerging or advancing earlier.

Health leaders can begin with populations they understand and are already serving in innovative ways, such as Medicare Advantage and Managed Medicaid. They can measure how telehealth, virtual care and in-home services save money and support preventive care. They can measure how much happier people are using these tools rather than facing the time and expense of going to a doctor's office. These care innovations address some of the social determinants of health (SDOH) issues and can be blended with other data and value-based care activities for a more holistic approach.

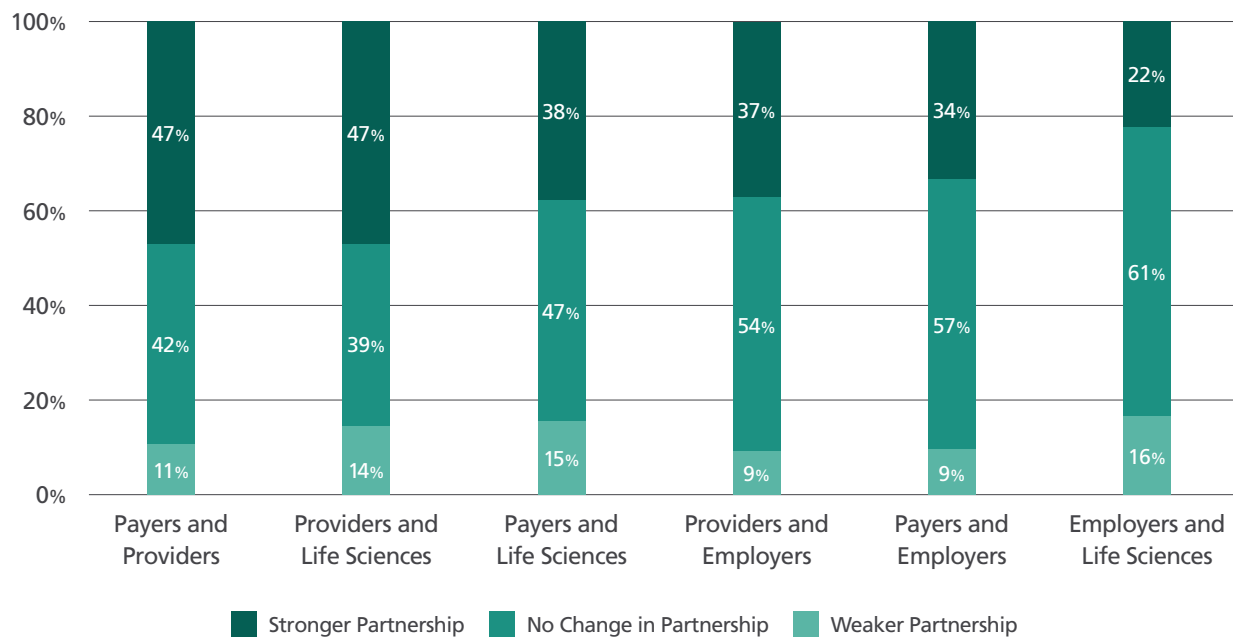
Partnerships have improved

47% believe payers and providers have a stronger partnership as a result of COVID-19.



161 responses

How have the various entities fared in partnering as a result of COVID-19?



For providers, part of this perception is likely due to the relaxation of prior authorization rules and cost measures along with rebates provided by health plans. There continues to be a lot of goodwill extended during this COVID-19 crisis that can lay the groundwork for future dialogue and collaboration. Health plans and providers came together out of necessity and found opportunities to remove some of the friction in the relationship.

Providers will continue to leverage partnerships not just to help them through this crisis, but also to help them expand their digital capabilities. As providers embrace more care innovation, they will have more insight to share with health plans and employers that can help lower costs and expand preventive programs.

Health plans have invested heavily in data, technology and infrastructure. They can assist providers as they accelerate their digital transformation by helping them access, understand and integrate data into their organizations. Health plans can also consider the demands they make that cause downstream implications to providers.

With new market entrants, market consolidation and economic pressures on the rise, traditional health organizations are relying on partnerships for vertical integration, economic stability and defending their market share.

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If expenses rise significantly in 2021 as people re-engage the system after a long period of deferred necessary care, tensions may return.

While many insurers seem to be in good financial shape, experts say that plans face continuing uncertainty, and one actuary suggests that pandemic related financial risk has met or exceeded the conditions of his modeling's worst-case scenario.² The pandemic is not yet over. And providers with any significant fee-for-service contracts are still facing a financial challenge. This will put new pressure on partnerships and prioritize those that can prove high quality and low cost with strong consumer engagement.

Disintermediation is going to be an ongoing threat for traditional health organizations in 2021. Health plans and providers are at risk of being disrupted. But they are also sitting on a gold mine of data, integrated health care services and ample reserves. By working together in a meaningful way, partnerships can start to prove advancement on the Quadruple Aim.



“In Arizona the payer community partnered with the Arizona Medical Association to develop some basic approaches to coverage of telehealth. We would review the executive orders coming from the governor’s office or the federal dictates to make sure that we were aligned as a body of healthcare providers and making the best care available to people within the state of Arizona. I think those types of creative partnerships have been very valuable and I hope they’ll continue.”

— **Darren Wethers,**
Vice President, Clinical Operations,
Blue Cross Blue Shield Arizona

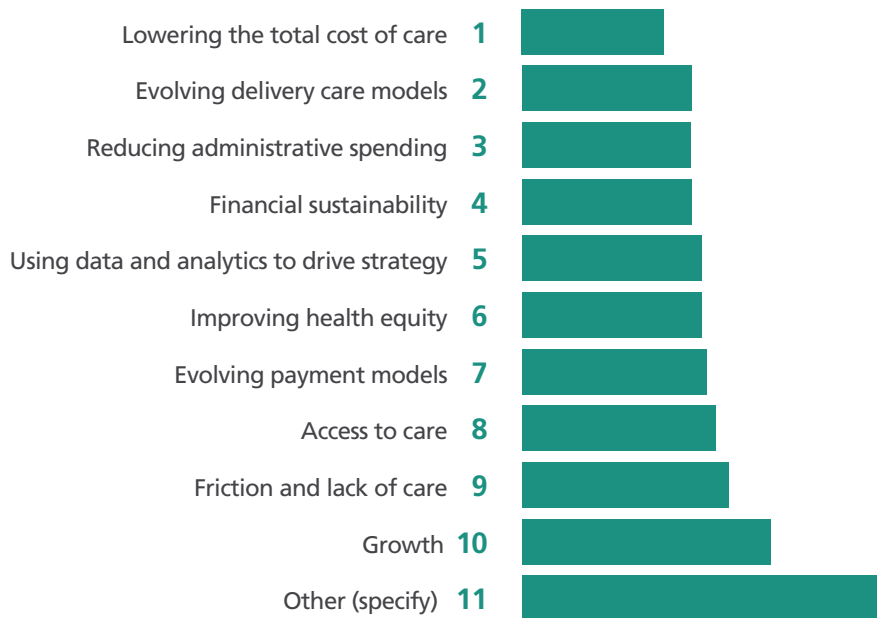
Greatest challenges facing the industry

Increasing affordability is a top priority across health plans, providers and life sciences. Even though respondents agree that progress had been made in care delivery transformation, their evolution still brings challenges. Reducing administrative spending also falls in the top three challenges for payers and providers.



82 responses

What are the great challenges facing the health care industry today? (Rank)



“What the pandemic did was unlock some of the restrictions on innovation and allowed us to get a little more creative about serving people’s needs directly. And a lot of it was expressed through telehealth and virtual, but it also allowed us to do some other things like linking behavioral health and the social determinants of health.”

— Mitch Morris, M.D.,
Chief Executive Officer,
Optum Advisory Services

Optum Advisory Services analysis

Following a year that was significantly disrupted by medical care abatement and the direct cost associated with the treatment of COVID-19, health care costs in calendar years 2021 and 2022 are expected to return to more pre-pandemic levels.

Unlike 2020, the return of delayed care and continued additional COVID-19 related costs (such as vaccine administration and ongoing COVID hospitalization costs) are expected to offset any continued postponement or elimination of non-emergent care. The result is an expected acceleration of trends from a historically low level in 2020, to trends in 2021 and 2022 that exceed any other two-year trend period measured in the past decade. As 2022 progresses, a more typical cost trend pattern is expected to return, with trends returning to more normal levels.

Price transparency around pharmaceuticals will help employers and consumers influence price and cost. When people can save money by choosing a high-quality, low-cost provider or medication, it creates pressure on the rest of the market to reduce their price and associated costs.

Moving forward, growth will be defined by lowering costs and improving margins to permit investment in change. To do that will require having a broader impact on the community versus doing more things to the same number of people.

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Strategies for removing friction in the system map the path to lowering cost.

As technology gets smarter and as the financial pressures increase, we expect to see more movement toward technology-enabled value-based care for better managing populations, including at the most appropriate site of care. Evidence-based guidelines and platforms for data sharing can help speed prior authorization for necessary care. And getting the proper treatment approved the first time also reduces unnecessary care.

Early action around SDOH and preventive care is still one of the largest opportunities to increase affordability of care. Social determinants can drive as much as 80% of health outcomes.³ This topic is expected to gain more momentum in 2021.

The new administration's impact

Respondents felt that the incoming Biden administration represents an increased focus on health equity, industry consolidation and value-based care. But they did not believe the new administration will accelerate alignment of health plans and providers. However, value-based care is the forcing mechanism that brings health plans and providers together. And respondents agree that the government is likely to accelerate that by rewarding those who are able to reduce the total cost of care in a manner that is consistent with the Quadruple Aim.

While there have been tremendous changes in leadership over the past decade, the priorities of CMS and government funding have been consistent. There remains bipartisan agreement that the current cost of health care is unsustainable. And the government will continue to monitor the impact that industry consolidation and health inequities have on health outcomes and care costs.

Health inequities have been brought into sharp focus — especially as federal and state governments continue to cope with COVID-19. The Department of Health and Human Services (HHS) will prioritize vulnerable populations and the health care workers who serve them. Even once the crisis has passed, the impact of isolation on polychronic patients will remain a long-term risk to government programs.

“The government has no choice but to find ways to spend less on Medicare. It’s a clear priority of the federal government, and one of the few issues to have bipartisan support.”

— **George Sauter,**
Chief Strategy Officer,
John Muir Health

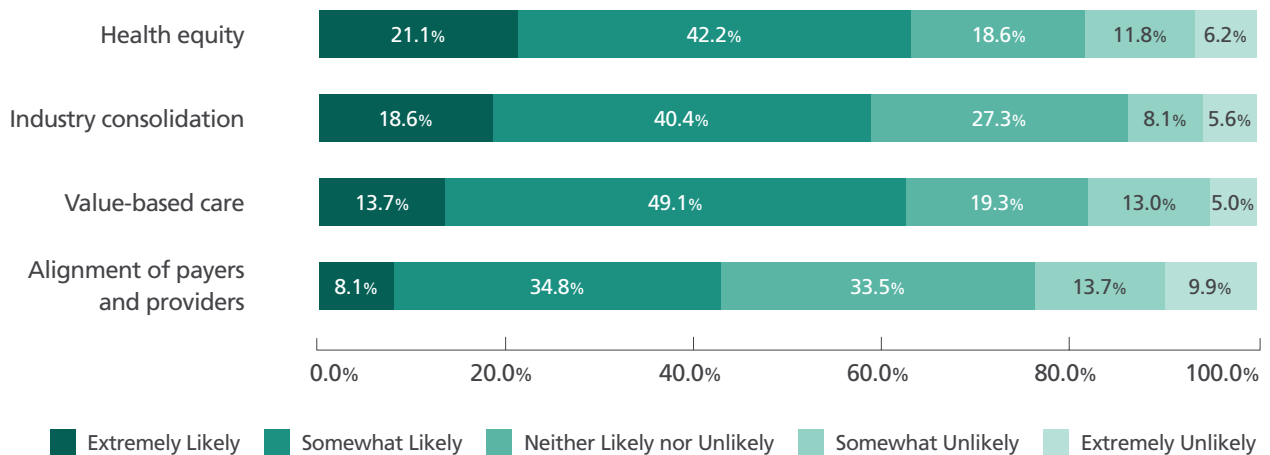
This year, with the House and Senate so closely divided, we don't expect major legislation to impact the industry. But we can look to the Centers for Medicare & Medicaid Services Innovation Center (CMMI) to be reinvigorated. This could include bringing forward more payment model innovation and further support for virtual and in-home care delivery.

And as mentioned earlier, the financial pressures will motivate the administration to look more at the total cost of care in Medicare Advantage and Managed Medicaid. If we simply maintain traditional Medicare, the government will have to cut back on benefits.



161 responses

With a new administration coming into office, describe your attitude towards industry acceleration on the following:



Investment priorities for 2021

Digital is the highest investment priority for all segments, with 57% of respondents ranking it as such. The lowest priority is back-end processes and systems, with only 25% of respondents ranking that as a top priority.

The pandemic opened the door for a fresh set of competitors to enter the market. These digital-first newcomers saw the market opportunity not just in telehealth but also in staking out territory as a digital gatekeeper, guiding consumers to the health services within their environment and thus directing the spend.

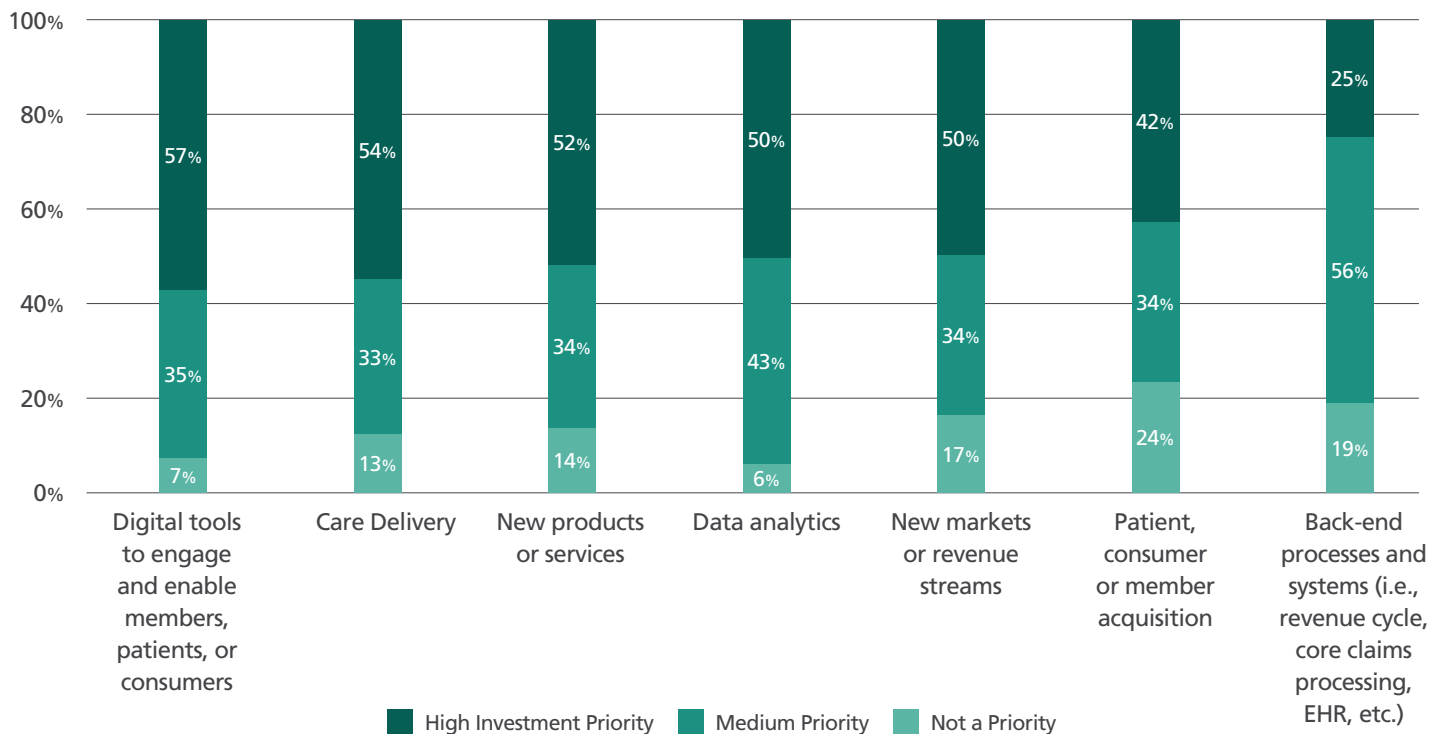
The digital experience bar has been set for consumers — especially in middle and younger age groups — by other industries. They are accustomed to being able to ask questions, purchase services, experience products, and make payments from their mobile device or laptop. And now that consumers recognize that health care can be achieved through these channels, they are going to expect it.

But new market entrants don't have integrated offerings, longitudinal data or established care pathways. Health organizations can take the digital-first approach and aim for real-time delivery of integrated care. The future will be full of daily consumer engagement with digital health tools. Their response to this question shows that respondents recognize that integrating virtual and in-person services is where the competitive landscape sits.

An immediate business opportunity is with consumers who are entering Medicare. Organizations that can help them stay healthy at home can earn these relationships for decades. Developing a convenient — and sticky — digital front door is essential for players in this highly competitive space.



As you consider your capital budget planning for next year, categorize your investment priorities into high, medium, and low.



Conclusion

It's appropriate that leaders are focused on the momentum for digital innovation. It is proven to lower cost and appeals to consumers and physicians. We've made progress in the adoption of telemedicine, virtual health and in-home care, but we still need to invest in the payment mechanisms to sustain them.

We still have a way to go toward a sustainable and equitable health system — as well as lowering the total cost of care. Progress is most likely to come from properly aligned strategic partners that can adequately assess and manage a broad spectrum of risk.

Today and over the long term, we can use the knowledge gained from data to help us advance into new markets, build new revenue streams, acquire more customers and move toward a more equitable health system.

Contributing experts



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Chief Strategy Officer
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Sources

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