



Four Keys to Successful Digital Transformation in Healthcare

By Prashant Srivastava and Claire Grosel

Hospital systems and other care providers have stepped up IT spending in the wake of the pandemic, making digital transformation a top priority. To generate the best long-term results from this spending, organizations should consider steps such as aligning on a vision, identifying gaps in services, and ensuring that transformation efforts are integrated into their comprehensive master plans.

A digital revolution has remade healthcare, transforming patient experiences with services like online self-scheduling, telehealth, and information sharing through wearables. At the same time, technological leaps like predictive analytics, internet-connected medical devices, and artificial intelligence promise greater efficiencies through more integrated and personalized treatment while reducing provider burnout.

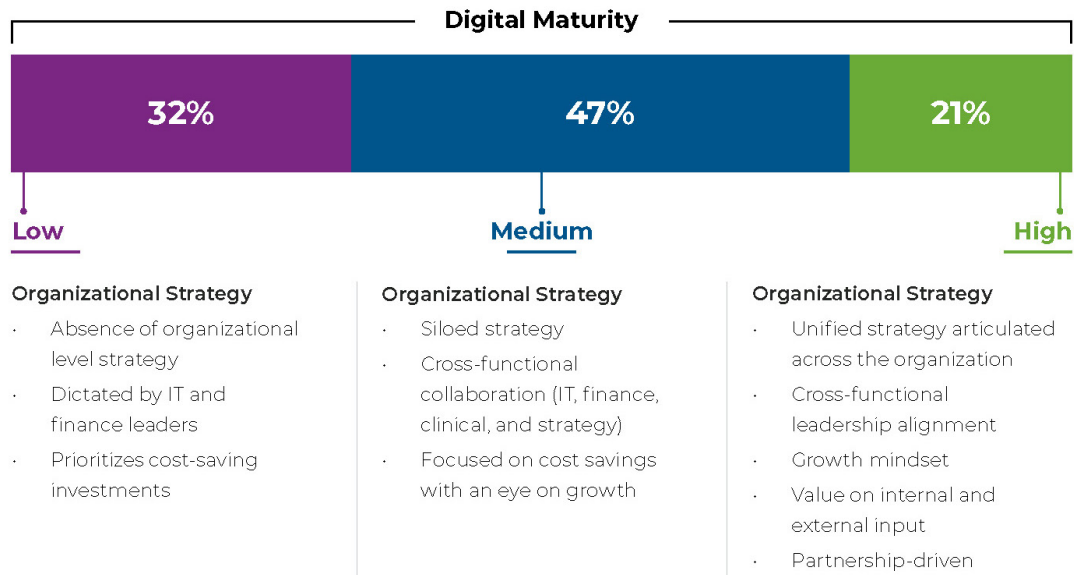
The COVID-19 pandemic resulted in a significant boost in such investments as organizations made digital transformation a top priority, increasing technology spending as they sought tools to meet the needs of the moment. This market has been growing at around 18% a year, fueled by spending

on digital health-related software and hardware and the demand for mobile services from patients, and is expected to surpass \$152 billion in North America by 2027, according to the firm Precedence Research.¹

However, many organizations still approach these investments on an ad-hoc basis instead of as a core element of sustained, long-term strategy. **Research** by our colleagues at Huron Consulting found that one-third of providers were considered low maturity in their digital transformation efforts, lacking an organizational-level strategy and unsure of the benefits of large-scale effort. Almost half were medium maturity, hampered by siloed strategies and a fast-follower mindset as opposed to digital leadership.

Figure 1: The Healthcare Digital Maturity Archetypes

Huron's analysis identifies three digital maturity archetypes with distinct differences in digital mindset and strategy for how they approach digital, technology, and analytics.



The level of caution is understandable. Healthcare providers are highly regulated organizations that must put patient care and health outcomes first. And many are facing tremendous financial challenges in the wake of the pandemic. However, with startups disintermediating traditional entry points like advance primary care and behavioral health, and nontraditional players like the tech giant Amazon pushing into the industry, it is crucial for organizations to make digital an integrated element of long-term strategic and capital planning.

We outline four steps organizations can take to establish a transformation framework that draws from the perspective of patients to set goals and envision a roadmap that aligns stakeholders. Organizations already undertaking digital initiatives can use these insights to take stock, ensuring targets are appropriate and strategy is sound. The goal is to help providers see beyond short-term, one-off technolo-

gy investments and understand how they can better integrate this spending into their strategic vision.

1. Develop a vision of a digital future.

The overarching goal of digital transformation is to better connect data, technology, people, and processes to improve operations, improve the delivery of care, and reduce friction in the relationship between caregivers and patients. Without leadership alignment around expectations and goals, however, these initiatives risk becoming more time consuming and less likely to deliver results.

One innovation team within a national health plan confronted such challenges arising from a lack of alignment, grappling with fragmented perspectives on what constituted digital in terms of technologies, target audience, intervention purposes, and timeframes. This misalignment created confusion

and hindered progress. To overcome these obstacles and create a common vision, the team took the following actions:

Identified unanswered questions. The innovation team identified unresolved questions such as: What is our target patient group? How are we defining virtual-first? What technologies count as digital, and what is our definition of hybrid care? What groups within the organization will be involved in this effort? How are we defining success in terms of profitability, cost reduction, increase in revenue, and patient engagement?

Conducted trend analysis. The team studied emerging trends, focusing on the so-called tech stack, which encompasses the backend and front-end technologies used to manage operations. The research sought to illuminate two key things:

- What are the most important drivers to be successful for a given element? For instance, for patient-facing tools, what is a good enough experience? And who among peers is doing it the best today?
- How do you create a system that enables an organization to be nimble in partnering with start-ups? And how do you evaluate start-ups for their ability to easily partner with them?

Held strategic dialogues. Senior leaders had discussions to address opposing viewpoints and identify areas of agreement on the most uncertain, yet impactful trends. These dialogues fostered a shared vocabulary, ensuring an understanding of the organization's digital future, while establishing a baseline definition of the market, which facilitated decision making and set a foundation for future investments and strategic focus.

By taking these actions, the organization was able to improve its market focus, narrowing its targeted patient population, while also establishing a methodology for evaluating decisions around going forward with partnership opportunities with start-ups. Providers can also use this process to establish alignment and clarity in goals, preparing for an ever-evolving landscape and opening the door to improving their business model as well as more efficiently delivering healthcare services.

2. Understand what your customers of the future want.

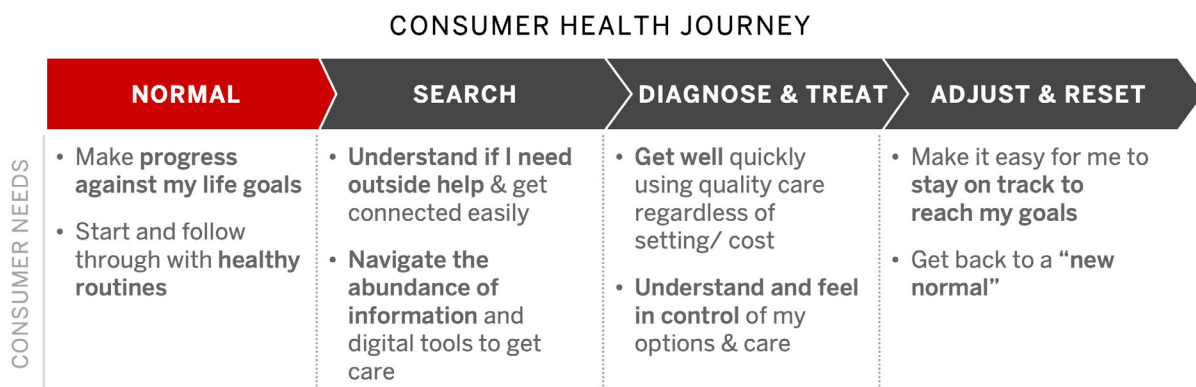
There is a tendency to think of technology first when considering digital transformation, or to fall prey to the “shiny object” syndrome, focusing on the latest and newest innovation. Many companies understand that successful initiatives often derive their goals by prioritizing unmet problems of consumers, or what is known as “jobs to be done,” an approach that probes why people make the buying choices they do and why they embrace some innovations but not others.

Jobs to be done is an instructive starting point given how quickly patient preferences are changing. While the pandemic accelerated changes, healthcare was already in a state of disruption as new categories of companies catering to individual solutions were growing in popularity. Patients are increasingly demanding and choosing convenience, and this will become even more important as digital goes beyond simply replacing in-person interactions.

One rapidly expanding healthcare company found itself in such a predicament, lagging competitors in adopting digital capabilities while failing to align its multiple digital efforts across organizational silos. The company, which grew out of a retail pharmacy chain, found it was relying too heavily on its brick-and-mortar footprint, and was not effectively reaching its patient community amid a crowded market

Figure 2: Steps in a Consumer's Health Journey

A consumer health journey map provides a visual tool illustrating the relationship a patient has with the organization over time, providing insight for healthcare providers as they seek to understand how to best provide services.



of care options. While it offered numerous solutions to a diverse customer base, it was uncertain about its future priorities.

Working with experts from Innosight, the company analyzed its capabilities and developed a deeper understanding of its market, illuminating gaps in its offerings. This included studying its competitors and interviewing customers while engaging with external experts and conducting research. The process showed where there were commonalities across the company's silos and unearthed pain points for its target market, resulting in a list of customer opportunity areas that required attention.

This initiative produced a number of important results. For instance, the company made the search function easier for patients accessing their care options and also developed a new partnership framework, identifying areas where partners could accelerate speed to market versus using developers or other experts to produce solutions in-house. The company was also better able to understand which areas of expertise it could outsource, such as its data cloud platform and single-customer-identifier system.

This approach to addressing unmet needs is not limited to customer-facing jobs to be done. Other organizations have applied the methodology when seeking to reduce the burden on care providers, enhance technology's connection to patients, and support enterprise leaders with operational visibility and streamlined systems. By prioritizing solutions based on the stakeholder's unmet job to be done, institutions can develop a short list of priorities, aligning their solutions with specific needs.

3. Assess capabilities and gaps for future growth.

Another important step is to conduct a gap analysis, which enables organizations to examine their performance and identify the differences between the current state of services and processes and where they want to be in the future. A gap analysis is a common exercise in commercial environments, particularly when it comes to establishing a framework for digital initiatives.

A holistic assessment helps identify gaps and capabilities, providing insight into key organizational

strengths and weaknesses. It can optimize the use of resources, from time and money to materials, and help in better responding to fast changing regulatory environments and high demands around patient care, service quality and cost control. It can also provide insight into a leadership team’s mind-set.

This was the case with a major system in the southern U.S. in a hotly competitive market. The system realized that to achieve its ambitions to better meet patient needs, it needed to broaden its reach into its community to improve health outcomes. First it aligned on a vision and prioritized jobs to be done, then it performed a gap analysis against best digital practices, reviewing elements such as core technology interoperability, advanced analytics and automation, digital-first care, and provider adoption.

After determining what needed to be enhanced, or built, or simply discarded, it categorized its priorities: first, those that were must-do improvements; second, those considered still strategically important; and third, the most aspirational. Next, it assessed its capacity to accomplish goals, identi-

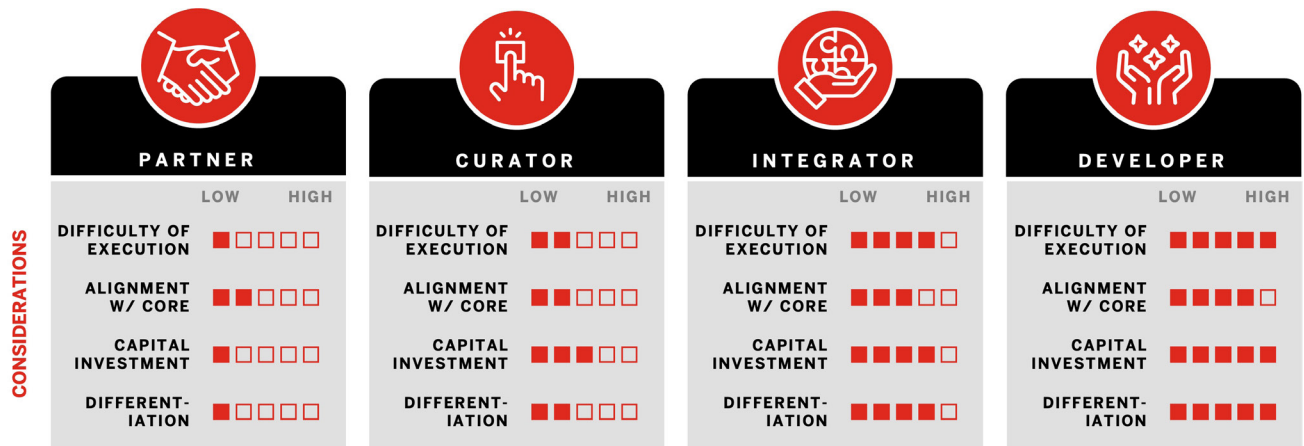
fying constraints, and measuring change readiness looking at factors such as agility, capital, time, and bandwidth. It also created a consumer journey map, which helped assess the customer experience from multiple perspectives.

The provider was able to set priorities across all departments, including legal, administrative, and human resources, focused on enabling the best patient experience goals. It then took steps to boost access to virtual care, improve patient engagement online along with remote monitoring, and develop a personalized digital companion for patients to own more of their health journeys. It also deployed new analytical tools to plumb unstructured data like patient feedback from web sites and apps as it sought to improve patient journeys. One result was that no-show appointments were reduced by 20%.

Providers can benefit by fully addressing the impact and uncertainty that comes with any change to their care model, whether it’s moving from in-person to virtual-care or making care pathways more patient-focused and less clinician-focused, which represents a meaningful paradigm shift. By using a

Figure 3: Archetypes for Developing Healthcare Capabilities

Healthcare providers have a continuum of options to consider as they determine how to develop and implement new technologies, from outsourcing to external partners to hiring software engineers.



thoughtful approach to assessing capabilities, they can create differentiation by optimizing and transforming elements of their patient offerings, delivery resources, and care design.

4. Make digital a central element in master planning.

Comprehensive master planning is not just about building new facilities and campuses. It's dynamic, offering a long-term guide for future development that aligns an organization's strategy and priorities while guiding its ongoing conversation about capital spending. It is also iterative, adjusted periodically to reflect changes within the community the providers serve.

Ideally, it's not about what needs to be built. It's about addressing the future needs and vision of a health system, as well as its role in the community and desire for improving patient experiences.

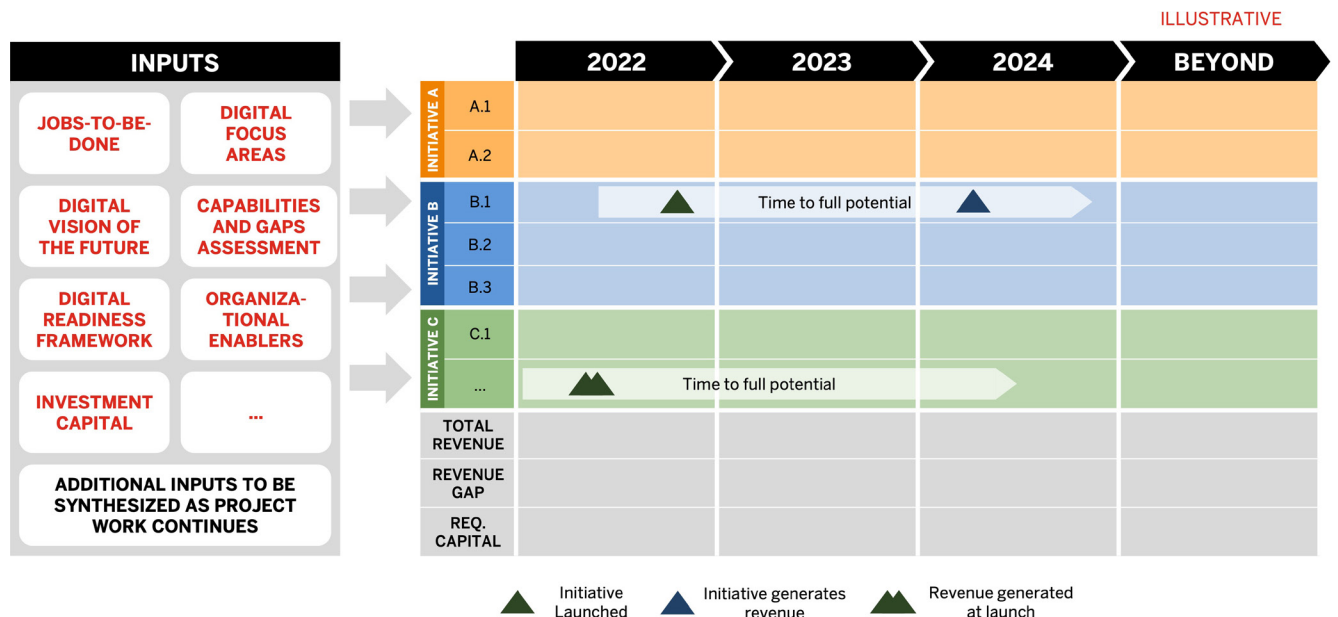
Such planning can also inform efforts to develop a system's governance model, execution model, and operations model while informing broader strategic transformation goals.

Increasingly, master plans are based on strategic business planning and data analyses that embrace new technologies, promising to not just improve building design but impact patient outcomes. By incorporating digital transformation initiatives into master plans, organizations can establish a road-map that coordinates investments with the functional requirements of a hospital system, informing efforts to upgrade and repurpose facilities while improving overall design.²

Incorporating digital initiatives into comprehensive master planning can also help ensure that capital commitments to technology investments are sustained over a multiyear period, and not done on an ad hoc basis. This is crucial for organizations as

Figure 4: Elements of a Healthcare Digital Master Plan

Healthcare organizations are structuring digital master plans as part of their comprehensive master planning process in order to coordinate investments and design the most efficient facilities and services.



they seek to respond to threats from new entrants that are disrupting the industry.

A pertinent example showing the importance of sustaining investments comes from e-commerce, where Walmart, the world's largest retailer, found itself a laggard as consumers embraced internet sales, trailing far behind Amazon as it dominated the emerging industry segment. In 2008, Walmart ranked 13th among online retailers in the U.S., while Amazon was first. Today, it's the second largest online retailer by market share.³



Watch our **interview** with Walmart Chief Technology Officer, Suresh Kumar.

Walmart not only launched a massive and sustained investment into its e-commerce operations, but it also overhauled its entire organization, making digital transformation central to its omnichannel retail strategy, including its brick-and-mortar operations. This included launching an idea incubator, acquiring tech startups and e-commerce companies, and continually investing in areas like supply chain to improve operational and cost efficiency as well as cloud technologies to transform data into actionable insights.

Healthcare leaders can find inspiration in terms of developing a master plan that envisions a future where technology touches every element of an organization's operations, both virtual offerings and revamped brick-and-mortar-based services. By making digital central to planning, they can also benefit from sequencing digital priorities, striking

a balance between things that can be fixed today, such as online scheduling functionality, and more consequential investments, such as developing predictive analytics functions.

The challenges for hospital systems and other care providers as they increase their technology spend are steep. The four-part framework can help providers maximize benefits from their investments by making digital an integrated element of long-term strategic and capital planning.

ABOUT THE AUTHORS



Prashant Srivastava is a Partner at Innosight.



Claire Grosel is a Manager at Innosight.

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ABOUT INNOSIGHT

Innosight is a strategy and innovation consulting firm that helps organizations navigate disruptive change and manage strategic transformation. Now a member of the Huron Consulting Group, we work with leaders to create new growth strategies, accelerate critical innovation initiatives, and build innovation capabilities. Discover how we can help your organization navigate disruption at www.innosight.com.

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ENDNOTES

1. Precedence Research, *North America Digital Health Market Size to Surpass US\$ 151.88 Bn by 2027*, Feb. 9, 2022.
2. Health Facilities Management, *Embracing new patient technology in planning and design*, Dec. 1, 2020.
3. Howard Tiersky, *Taking on Amazon: How Wal-Mart Embraced Digital Transformation to Keep the E-Commerce Race Alive*, Aug. 8, 2023.

Key Takeaways

1. **Align** on a shared vision of a digital future through strategic dialogues
2. **Understand** what your customers of the future want using jobs to be done
3. **Assess** current capabilities to identify gaps for future growth
4. **Make** digital a central tenet in the business and strategic plan