

Improving Innovation Consumption at Your Organization





CONTENTS

- 03:** Overview
- 04:** Program Approaches
- 05:** Establishing an Innovation Intent
- 06:** Sourcing & Selection
- 09:** Conclusion

Improving Innovation Consumption at Your Organization

The healthcare industry is facing unprecedented challenges to improve quality and access to care while lowering its costs. These challenges intensify the need for innovation and the adoption of new solutions.

Unlike other industries, healthcare does not rely on marketplace competition to be the main driver of innovation. While other industries compete against one another on a regional, national, or global level, health system competition is local and oftentimes, hyperlocal. This intense organizational focus on nearby patients and competitors often inhibits health systems from taking a broader perspective on technologies or opportunities, and reducing the impetus to create, rather than consume innovative offerings.

Health systems need to embrace digital health technologies, but the process of assessing and selecting best-fit solutions is challenging, time consuming, and often haphazard, providing little incentive for organizations to produce innovations of their own. As health care becomes increasingly digital, building innovation competency as a bare minimum is no longer sufficient. Organizations need to develop and align their innovation efforts to support their strategic, operational, and economic models.

Healthbox has observed the many ways in which different organizations take on the position of innovation consumers, producers, and in some cases, a hybrid of the two.

Organizations that consume innovation search for solutions on the market that solve their specific problems. In the last year, digital health funding reached \$5.8B, a \$1.4B jump from 2016, as more organizations enter the innovation consumer realm.¹ On the other hand, organizations that produce innovation develop internal programs to address their pain points.

Listening to presentations at HIMSS or the JP Morgan Healthcare conference, you could leave with the impression that most healthcare organizations have robust innovation programs. However, in 2017, of the over 2000 hospital systems in the US, Becker's Hospital Review recognized only 58 hospital systems with innovation programs.² At Healthbox, we firmly believe that innovation programs aren't just for the brand-name hospitals of the world, but rather are something that should support the strategic goals of all hospitals, leaving significant opportunity to build new innovation programs.

In this report, we will delve deeper into external innovation programs and how a balance of both innovation production and consumption can serve to significantly benefit an organization's innovation strategy.

- IN 2017 -

\$5.8B

was invested in digital health funding.

58

hospitals were recognized as having internal innovation programs.

325,000

health-oriented applications were available on the market.³

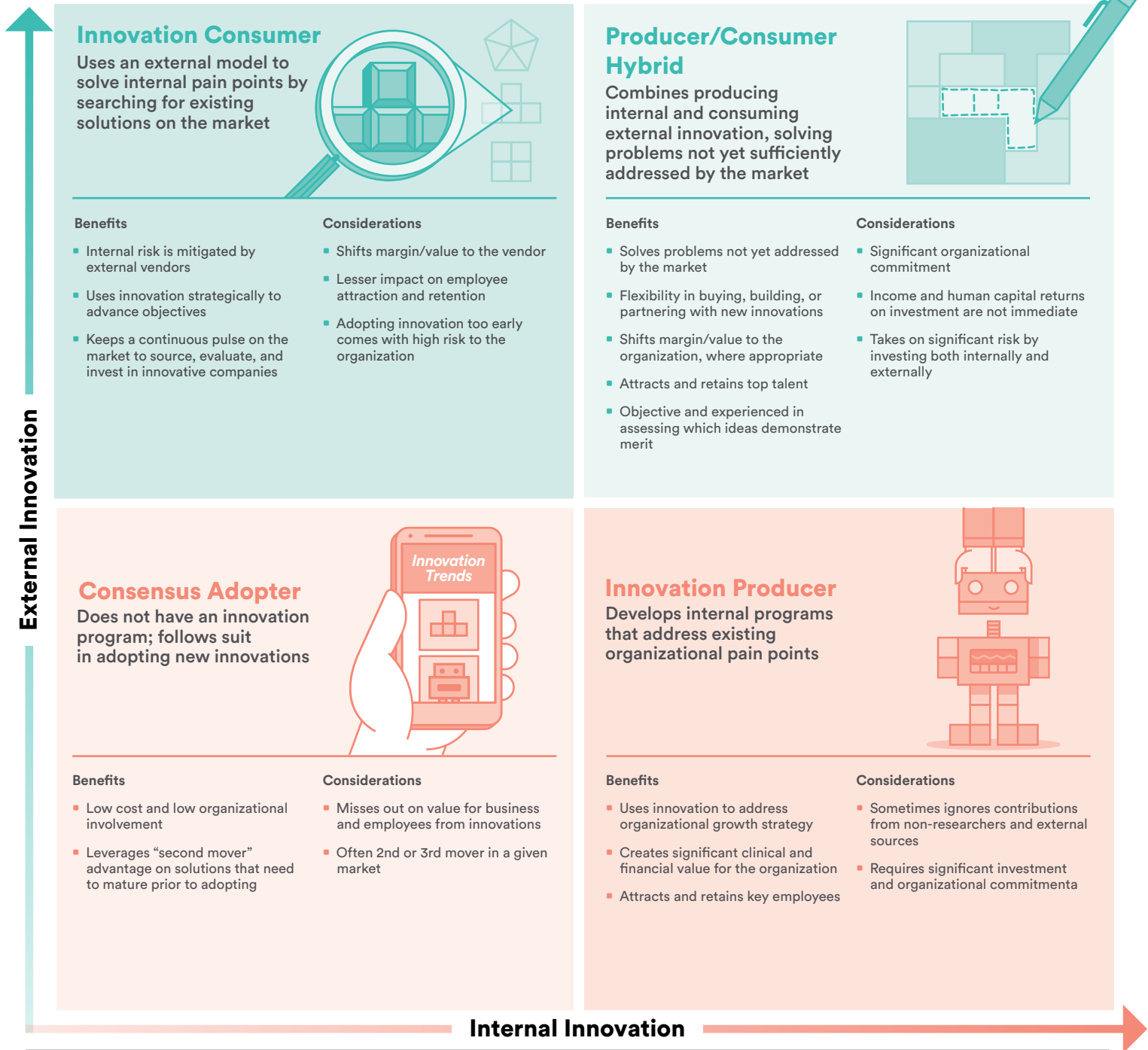
³ <https://research2guidance.com/product/mhealth-economics-2017-current-status-and-future-trends-in-mobile-health/>
(<https://tinyurl.com/y9vsk8bc>)

¹ <https://www.healthcare-informatics.com/news-item/patient-engagement/rock-health-digital-health-venture-funding-reached-6b-2017> (<https://tinyurl.com/y7bwq6t8>)

² <https://www.beckershospitalreview.com/lists/58-hospitals-and-health-systems-with-innovation-programs.html>
(<https://tinyurl.com/yalmvys6>)

Depending on an organization's priorities and willingness to take on risk, innovation programs may differ in several key areas. Consider the following graphic, outlining four different types of organizations, each with a varying level of involvement in innovation. While not every organization will fit perfectly within the boundaries of these categories and an innovation program that works for one organization may not work equally as well for another, the following are key considerations that all organizations should keep in mind when choosing to develop an innovation program in any form.

Innovation Program Approaches: Benefits and Considerations



Establishing an Innovation Intent

Innovation efforts must start with an understanding of the problem that your organization is solving. Innovation is not a strategy or a destination unto itself, but rather a tactic that may be useful in executing a strategy. Without a clearly defined strategy and a specific challenge to be addressed, innovation efforts are at best viewed as distractions, and at worst, as pet projects to be cut when budget tightening is required. We call the clear articulation of why an organization is devoting resources to an innovation strategy an “innovation intent.” This intent is more detailed than headline marketing phrases that describe how innovation enables your organization to remain competitive. Rather, it specifies particular tactics for advancing innovation, including the decision on whether to consume or produce new technologies, as well as particular specialties or operational metrics in which the organization aims to be a leader. It is entirely possible, and often prudent, for your innovation intent to outline both consumption and production tactics for different service lines or operational metrics. For example, some organizations may select several well-regarded service lines as areas for producing new innovations, while leveraging innovation consumption techniques to achieve operational and quality metrics.

An innovation intent lays the foundation for an effective innovation program. The choice to be an innovation consumer has several potential benefits. For additional details on the upside of being a producer of innovation, please see the companion report, [“Producing’ a Successful Innovation Program for Your Organization.”](#) First, many of the technological risks are shifted to and/or mitigated by the vendor, leaving the organization to focus on their core strengths, such as clinical expertise. By tapping a pool of digital health entrepreneurs and experts beyond your own employee base, your organization will have access to a wider variety of solutions. Finally, adoption of external technology will likely result in a faster time to implementation and results than if the solutions were built internally from scratch.

Part of defining the challenge will be choosing which metrics will be used to measure the success of the solution. These metrics should follow traditional goal-setting qualities, including specific, measurable, and relevant to the broader strategic goals of the organization.

| Innovation Program Metrics | |
|--|--|
| INPUT METRICS | OUTPUT METRICS |
| <ul style="list-style-type: none"> • # of ideas evaluated • # of pilots • # of implementations • # of challenge areas addressed by adopted solutions | <ul style="list-style-type: none"> • Cost reduction/avoidance (i.e., reduced readmissions/LOS, # of safety incidents avoided, clinician time saved, etc.) • Improved patient satisfaction • Improved employee satisfaction and retention • Increased market share of relevant patients • ROI • Time from problem identification to vendor selection • Time from vendor selection to go live • % of potential users enrolled on or using solution |

Choosing the Right Solution

Beyond selecting your innovation tactics, settling on an appropriate challenge to address can be a barrier to successfully achieving your innovation intent. In many healthcare organizations, diverse sets of stakeholders are involved, or at least interested in a decision. Having both clinical and administrative advocates for each project to help navigate these bureaucracies is essential. If the project will need significant IT resources, it is best to include the perspective of the IT team early on. Use your advocates expertise and understanding of the history of the problem to understand the context in which it exists. Ask for interviews with potential users and beneficiaries for your solution who are aware of the current challenges to develop a well-defined perspective.

Once priorities and problem areas are established, organizational leaders can begin a systematic search for companies using resources such as CapitalIQ, Lucro, and articles from trusted industry media outlets. If your organization has a high degree of comfort with earlier stage companies, recent venture capital investment announcements and portfolio companies of relevant incubators, challenges, accelerators, and venture firms also can provide insight into the newest technologies and companies. While most focus areas will be outlined in the innovation intent, staying up to date on broader technology trends from these sources, conferences, and industry publications can lead to unexpected opportunities, as well as a depth of knowledge that allows you to place new solutions in context.

Cedars-Sinai has been a prominent example of a health system using an accelerator model to access healthcare innovations from outside their organizations. Launched in 2016, the program invites a cohort of startups to spend three months in a shared working space, collaborating with the Cedars-Sinai team to further develop products and establish partnerships. Thus far the program has brought 28 startups into the system, providing each with funding, a clinical champion at Cedars-Sinai, and other resources, giving the organization access to cutting edge innovations and interest the long-term success in these solutions.

Within the **Blue Cross Blue Shield Association**, 34 of the 36 plans have participated as limited partners in Blue Cross Blue Shield Venture Partners. The group has exposed the various limited partners to innovations on the market not only through the dozens of investments made over the past ten years, but also by holding innovation days where members are introduced to both portfolio companies and other relevant innovations.

The process of adopting a new technology is inherently risky. Be diligent in understanding your organization's appetite for risk, as well as the risks involved with each potential solution. For potential solutions, be vigilant in cutting through marketing descriptions to understand how the claims and conclusions are made. Are the claims plausible, credible, or proven? If proven, how analogous was the test setting to your organization? For claims that are only plausible and credible, which metrics will be affected if the claims do not hold?

| Weighing the Evidence | |
|-----------------------|--|
| CATEGORY | DESCRIPTION |
| Proven | Experimental results published from a randomized controlled trial or in a peer-reviewed journal |
| Credible | Theoretical evidence in literature, plus anecdotal evidence from pilots; Level of experimental rigor unclear |
| Plausible | Theoretical evidence found in published literature, but not specific to the solution |
| Unsupported | No evidence shown to support claims |

Depending on the organization, a solution with many plausible, but unproven claims may still be a candidate for selection. In such cases, accountability is critical for the continued success of both the buyer and the vendor. Many digital health solutions have not been rigorous in gathering evidence of their ability to improve the objectives of the quadruple aim. This has led to the rise of companies such as Evidation Health and NODE Health, who work to raise the bar of evidence for digital health solutions by helping solutions quickly track outcomes and by allowing users to share pilot outcomes, respectively.

Implementation

Once initial diligence has been completed, key stakeholders should be gathered to evaluate the merits of each potential solution and make a selection. At a minimum, the relevant clinical and administrative champions for the project should be involved, plus guidance from the IT liaison.

If stakeholders have been involved correctly during the decision-making process, then once a selection is made, progress toward implementation of the solution should move forward with strong support. While obtaining the necessary approvals from legal, compliance, IRB, or other relevant groups takes months in the best of circumstances, if a standardized process is established and the appropriate stakeholders have been engaged and supportive early in the project, the organization will be able to move much more quickly. When possible, it is also advantageous to negotiate a Master Services Agreement before the pilot, so that if the pilot is successful, the solution can be quickly scaled across the system.

Successful implementation of digital health solutions is difficult. Project managers need to be skilled in both operational and change management. The types of clinicians and other users willing to dedicate time early in the process to giving interviews tend to have a higher than average willingness to accept change and try something new. When implementing with a larger group, managers need to be sensitive to changes in workflows and whether users feel supported and comfortable when using the new tools. Poor change management can doom even the best picked solution.

Conclusion

We've seen that the most effective innovation consumers have a clear strategy and understanding of how innovation supports their strategy. Their innovation efforts are well-defined and organized, taking risks while still holding innovations accountable. We have profiled Cedars Sinai and The Blue Cross Blue Shield Association's external innovation programs, which are well aligned with their respective organizational innovation intents. These programs empower organizations to access expertise beyond their own employees, quickly discover and select solutions on the market, and improve key outcomes and metrics in an organized accountable process.

However, a fast-adopting program focused purely on innovation consumption is not the right option for everyone. Other organizations may have strategies and innovation intents that are better served through a hybrid of innovation production and consumption.

While acknowledging that organizations may face varying budgetary constraints to invest in an innovation program – it's critical that institutions start exploring the varying ways they can enter the innovation playing field now, as a producer, consumer, or both (i.e., hybrid). Establishing the right balance of producing and consuming innovation from the marketplace is not an exact science, but when executed thoughtfully, can pay long-term dividends and ensure achievement of the quadruple aim.



About Healthbox

Healthbox is a healthcare innovation services firm that leading organizations trust with decisions on when and how to build, buy, or partner. Founded in 2010, we were the first to combine investing experience and consulting services in a way that is strategic, objective, and actionable for providers, payors, and others across the industry. Our unique perspective and expertise drives innovation from inside organizations and out to produce lasting impact with our partners. We are proud to work with healthcare leaders who share our passion for building, harnessing, and advancing solutions to empower the reinvention of healthcare.