How Healthcare Enterprises Must Approach Digital Transformation Priorities in 2022

Findings from Damo Consulting's research and annual survey on healthcare digital transformation priorities

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Summary

The strategic priorities for health systems are access and ease of use, managing population health, and improving operational efficiencies at the organization level.

Health systems see the biggest competitive threats to their business from retailers and VC-financed digital health startups.

COVID has created a new set of priorities that did not exist 18 months ago. Ease of access is the top priority in 2022.

Health systems are investing in enterprise-class platforms for scale and impact, and deploying innovative solutions for differentiated capabilities (e.g., voice-enablement, face recognition). However, they are confused by the large number of possible solutions out there for digital health. Leading healthcare organizations are embracing the cloud to position for agility and scale in future.

There is no consistent organizational model for digital transformation leadership. For many organizations, other than a number of point solutions deployed in an ad hoc manner to meet evolving needs in the wake of the pandemic, there is no comprehensive set of goals for digital health.

Size and scale can be an advantage or a drag on pace of transformation: large national organizations can commit significant investments to multi-year programs, but smaller, nimble organizations can deploy solutions more quickly to accelerate digital engagement with patients and consumers.

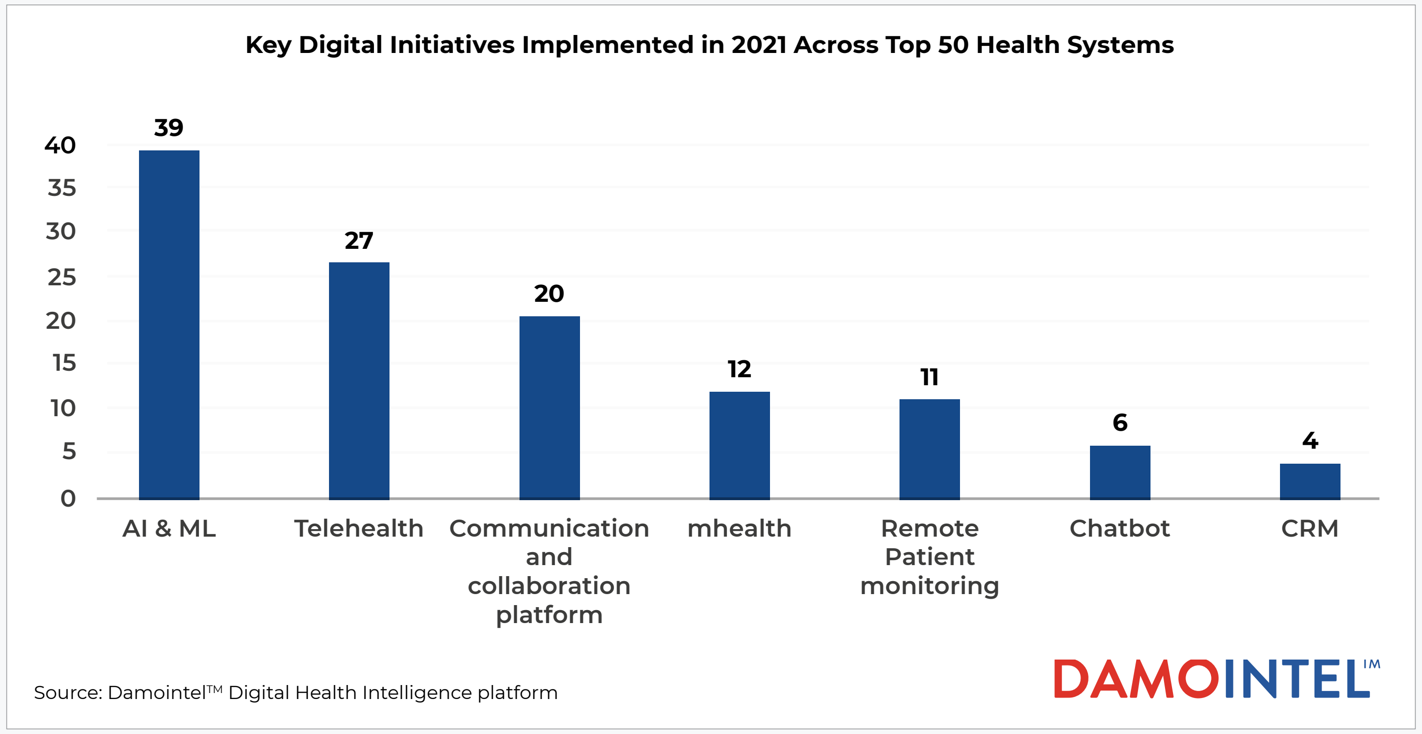
The “Great Resignation” has created unexpected staffing and retention challenges for CIOs. Many are looking at expanding consulting partners and looking at global talent pools to address their needs.

The top digital health priorities are ease of access and virtual care

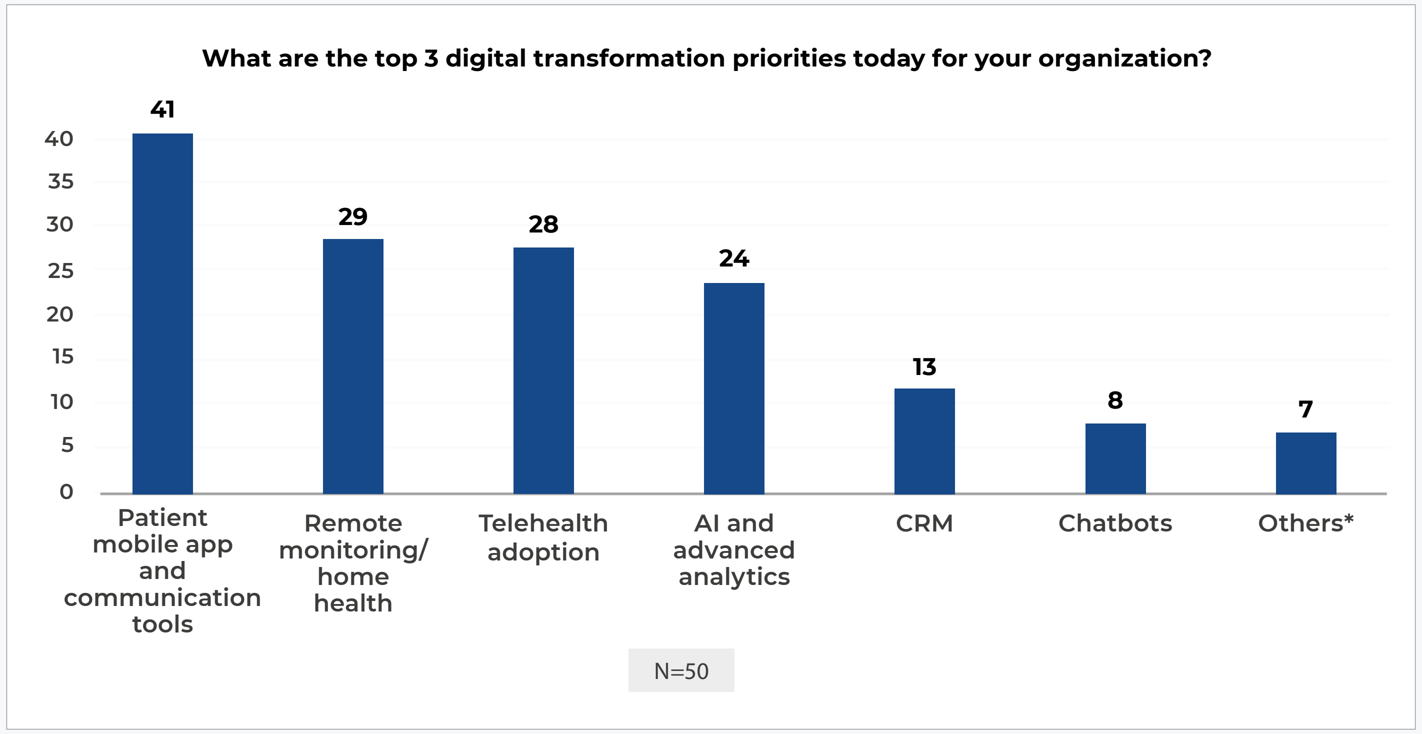
Our annual survey of healthcare CIOs* indicates a strong focus on building mobile apps and developing patient communication capabilities across multiple modalities, closely followed by remote monitoring and home health programs. Improving telehealth adoption is a high priority, especially as telehealth and virtual visit volumes have tapered off since the pandemic heights in 2020. The significant investments in telehealth technology platforms made to date assume that a large percentage of in-person visits for primary and urgent care can be shifted to telehealth or a virtual visit.

An analysis of the top initiatives launched by health systems in 2021, obtained from our DamoIntel™ digital health intelligence platform, indicates that the top focus areas are pretty much the same across large organizations and others. However, AI tops the list of priorities for the leading health systems. Many healthcare organizations have rolled out patient-facing mobile applications focusing on ease of access to care; care navigation, scheduling and reminders, medications, insurance eligibility, and payment gateways are among the high-impact use cases. The use of emerging technologies such as voice and conversational interfaces such as chatbots is growing. However, healthcare executives indicate that their organizations are still trying to get comfortable around the idea of non-human interactions with patients and constituents. The use of chatbots, particularly for COVID screening during the pandemic and to get patients scheduled for the vaccines, has enabled health systems to improve efficiencies, reduce wait times, and increase savings by eliminating labor costs.

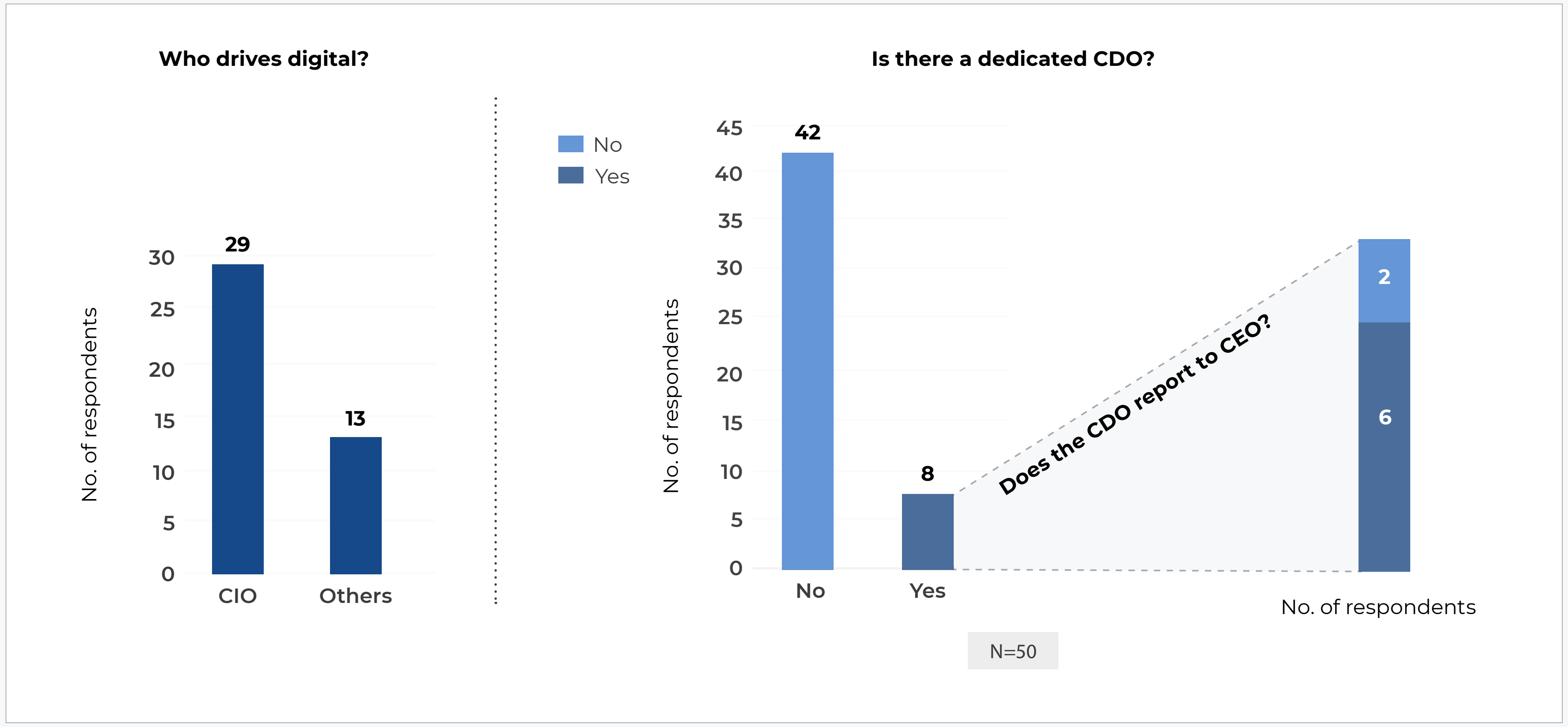
Digital maturity varies significantly across healthcare organizations, even among larger organizations, while smaller organizations struggle to emerge beyond EHR-based digital strategies. There is also a significant impact on the pace of transformation from the after-effects of large-scale enterprise systems implementations. Many systems are struggling to accelerate the pace of transformation due to organizational fatigue from new EHR implementations or upgrades. Many emerging technologies, particularly AI, are not living up to their expectations yet. The current reimbursement model remains a challenge for virtual care models such as remote patient monitoring (RPM) and telehealth.



"COVID has definitely changed our priorities. The entire paradigm of our priority has shifted due to the nature of COVID. And some of these things were not on our list at all 18 months ago."



The CIO drives digital transformation in most cases; a number of health systems have dedicated CDO roles reporting to the CEO

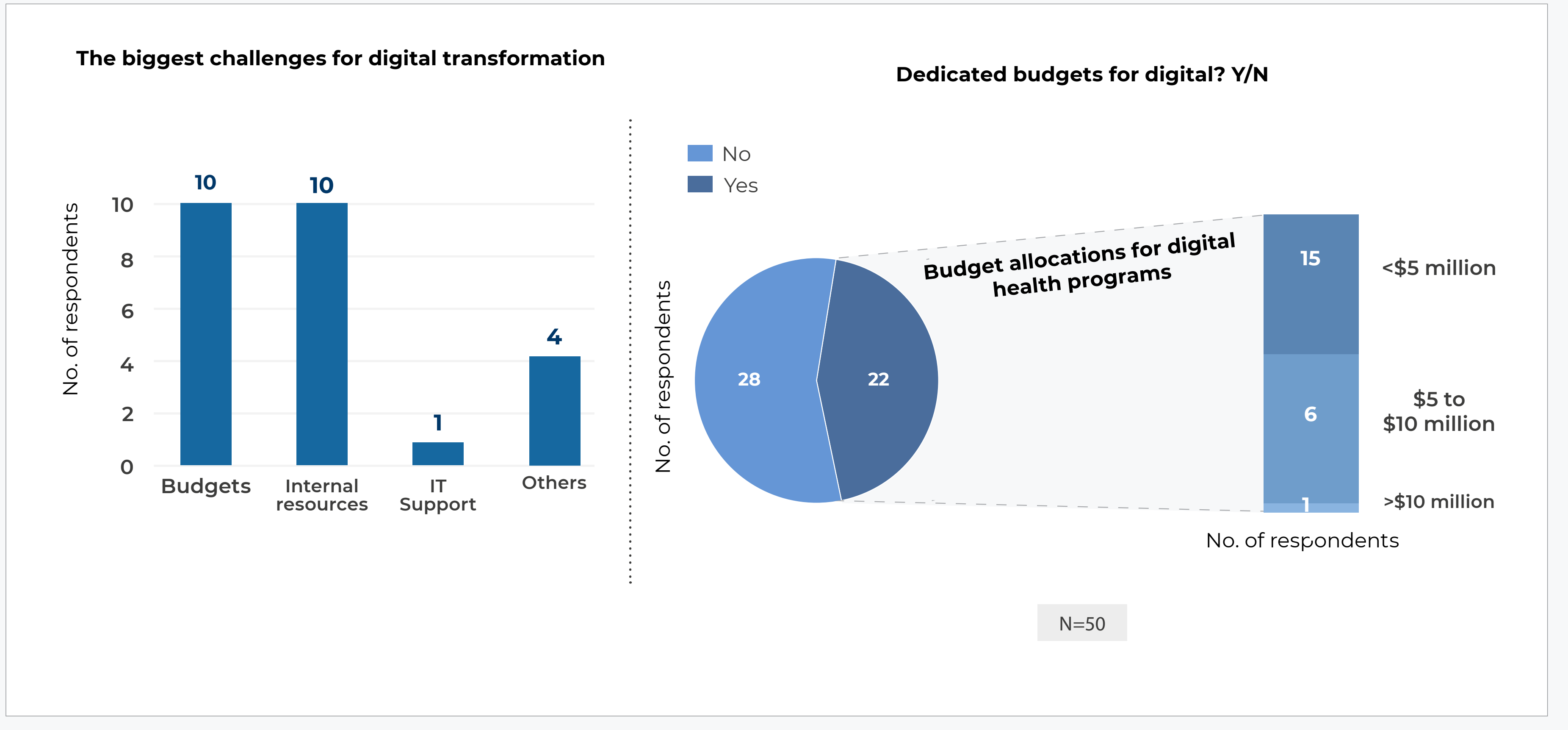


Our assessment of healthcare organizations that have taken Damo's DigiM™ digital maturity assessment indicates a strong correlation between digital maturity and the organization model for driving digital initiatives. Organizations at level 4 (the highest level in the 4-stage maturity model) have appointed dedicated Chief Digital Officers (CDO) to drive digital transformation, often collaborating with other senior leaders, including the CIO. Our annual survey indicates that a relatively smaller number of organizations have dedicated CDO positions, and in most cases, the CIO drives digital transformation. In organizations with a dedicated CDO, the role mostly reports directly to the CEO, indicating high importance to the digital function. Damo's advisory work indicates that organizations without a dedicated digital function or a direct reporting relationship, the CEO struggles to gain momentum with digital health adoption among patients and caregivers.

Regardless of the org model, most of our survey respondents indicated strong cross-functional leadership and alignment for digital transformation initiatives. They also indicated broad adoption and support for digital health among patients and caregivers.

"Digital transformation involves everybody."

Budgets and resources are the biggest challenges to accelerating digital transformation



The biggest challenges to accelerating digital transformation are inadequate budgets and internal resources to support transformation initiatives. The budget question is often debated within organizations that try to balance strategic priorities and ROI considerations. Large, enterprise-scale initiatives usually involve significant investments, including cloud migrations and CRM implementations that can be multi-year programs. Our survey respondents also indicate the lack of internal resources as a challenge. 2021 was the year of the “Great Resignation,” which has hollowed out many IT departments in the wake of new opportunities that offer significantly higher pay and the option of remote work. In response, healthcare organizations have started looking more closely at offshoring and global workforces to support their operations.

As with all things in healthcare, budgetary allocations depend on some form of eligibility for reimbursement in the predominantly fee-for-service environment today. Despite the shift towards risk-based contracting models, nearly half the respondents in our annual survey indicated that they do not have adequate budgets for their digital health investment needs for the next three years.

One organization we have worked with found itself with a budget that was almost entirely spoken for by ongoing multi-year contractual commitments to existing solutions, leaving little for new investments. However, the budget allocations indicated by survey respondents may not tell the complete story since many large-scale investments are funded through IT or other budget sources.

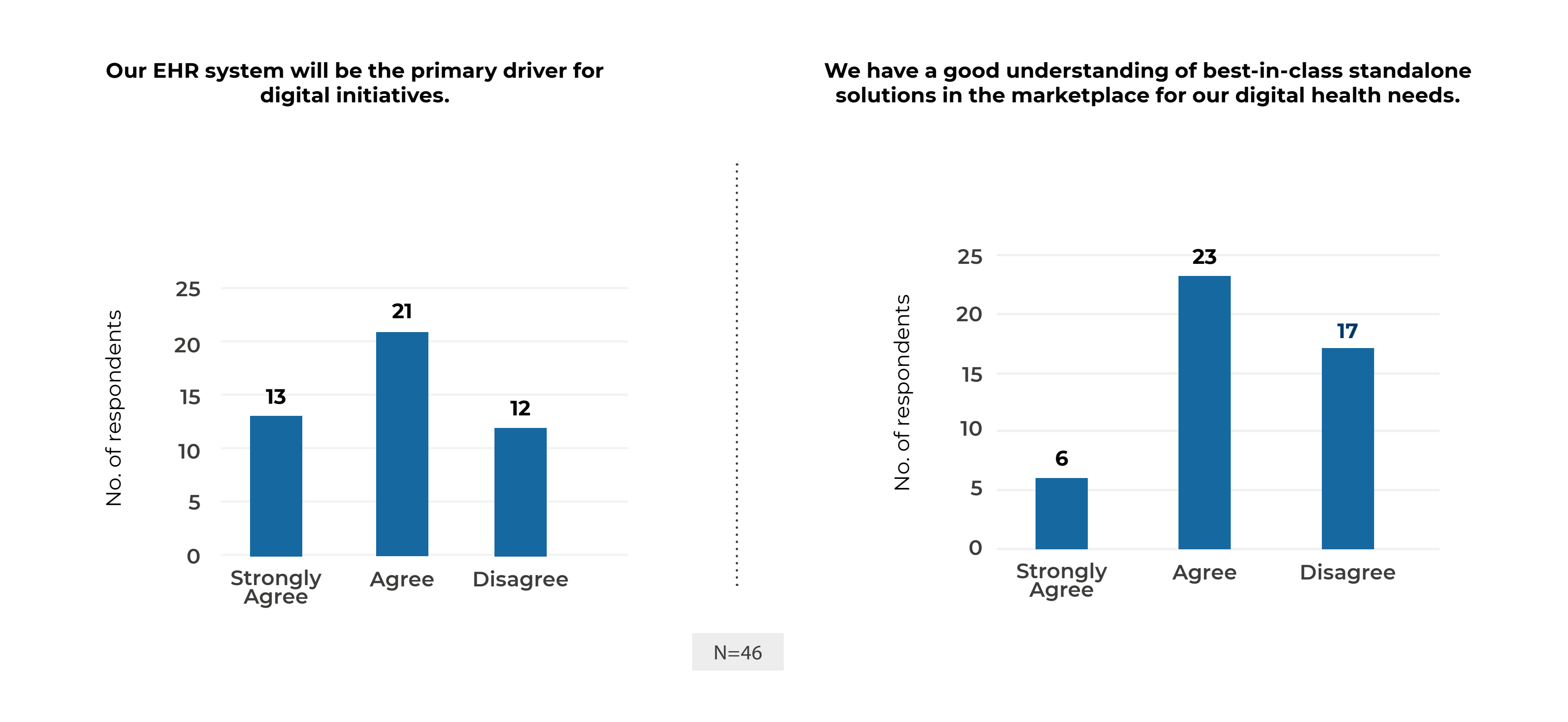
The definition of digital varies, and dedicated budgets for digital health are often meant for front-end solutions that enable telehealth and access to care. The cost of technology implementations differs as well. Point solutions for digital front door initiatives are usually in low single-digit millions. In contrast, large-scale transformation initiatives such as cloud and CRM often run into tens of millions of dollars.

One significant development in 2021 was the rapid increase in employee turnover as part of the "Great Resignation." Healthcare CIOs have reported that their IT team is being hollowed out as employment options increase for talented staff who often get a substantial increase (up to 80%) in compensation along with other perks such as remote working options. Healthcare executives outsource more of their IT work to service partners and consulting firms. They are more actively exploring global sourcing models for increased labor pool access and lower costs.

Healthcare organizations have a general idea of where they're going or what they need to do but lack the appetite or ability to implement large-scale changes. The lack of a reimbursement model for many digital modalities, including telehealth and RPM, is a deterrent for organizations that are yet to develop mature risk management processes for capitated models of care delivery. At the other end of the spectrum, healthcare organizations launching multiple large-scale transformation programs without robust governance structures find themselves challenged due to a lack of internal capacity and the vendor's ability to scale up rapidly.

"It feels like I'm chasing something and I'm not exactly sure what I'm chasing."

The digital health solutions marketplace is crowded and confusing



Nearly two-thirds of the survey respondents indicated that the EHR platform is the primary driver for digital initiatives. Healthcare and technology executives confirm the strong organizational desire to increase returns from committed EHR investments as a factor in making digital health technology decisions. However, over half the respondents also indicate a good understanding of available best-in-class standalone solutions for digital health needs. Our experience confirms a growing trend of healthcare organizations looking beyond EHR systems for best-in-class tools to enable digital front door and virtual care capabilities.

A sizeable number of respondents indicate a lack of understanding of stand-alone solutions. Our research points to a vast and confusing landscape of digital health solutions with overlapping capabilities and relatively low product maturity. A constant refrain from healthcare executives is the inflated marketing claims of younger companies backed by venture capital under pressure to demonstrate growth and new client acquisitions. Many digital health solution providers are operating at sub-scale and are choosing to be acquired by larger technology firms or merging to create scale economies and maintain market relevance.

“As a health system to get into a relationship with digital health solution provider, one is being excessively cautious about not getting involved with somebody who then six months from now doesn’t exist. ”

Approaching digital priorities in 2022

Develop an enterprise roadmap

Develop a digital transformation roadmap and identify the near-term priorities for your marketplace; consider competitive forces including non-traditional players as well as digital-first healthcare providers.

Focus on experiences

Focus on creating outstanding online experiences for patients in 2022; "choose wisely, choose carefully" when it comes to selecting technology partners to implement the digital vision.

Implement strong governancee

Elevate digital to a CEO and board-level priority and assign a dedicated leader to accelerate transformation. Implement a robust governance framework for digital transformation, involve cross-functional stakeholders for alignment and support.

Pace yourself

Digital transformation programs are complex and it can be challenging to take on too many concurrent programs, especially in a tight talent market.

* An online survey of healthcare executives, all CHIME members was conduct by Damo Consulting in Q4 2021.

Authors

Paddy Padmanabhan
CEO
paddy@damoconsulting.net

Dr. Joyoti Goswami
Principal Consultant
joyoti@damoconsulting.net

Kaushik Dutta
Head of Research
kaushik@damoconsulting.net

GET IN TOUCH WITH US

Write to info@damoconsulting.net

Visit www.damoconsulting.net

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Damo Consulting provides digital transformation advisory services to enable healthcare organizations navigate the technology-enabled transition to telehealth and virtual care. We bring deep industry knowledge, market insights and technology skills to help develop and implement enterprise digital roadmaps. We work with healthcare IT and digital health firms to develop and execute market growth strategies.

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