SPIGIT®

DRIVING HEALTHCARE INNOVATION:

THE 6 FORCES OF TRANSFORMATION

Healthcare, like many industries, is going through a transformation.

Some call it disruption. Others call it evolution. No matter what you call it, one thing is certain: it affects the entire healthcare industry, from hospitals to insurance to pharmaceuticals.

But this begs two very important questions: What forces are driving change in healthcare? And how are the world's leading companies adapting?

That's exactly what we'll cover in this ebook. More specifically, we'll dig deeper into topics such as:

- The forces that are causing transformation in healthcare and pharmaceuticals
- What innovation actually means in these industries
- How leading companies like UnitedHealthcare and Pfizer are tackling innovation

By the end of this ebook, you'll have a firm grasp of what's happening in healthcare and how innovation can help your organization deal with this transformation.

Let's get started.

Healthcare Transformation Isn't Coming, It's Already Here

In Spigit's 2016 crowdsourced innovation benchmark study, in which we analyzed the innovation landscape and what makes leading innovation programs successful, a Senior Manager of Innovation at one of the world's largest pharmaceutical companies shared an understandable concern:

Take Apple for example.

Apple's latest app, appropriately named Health, allows people to track their heart rate, calories burned, blood sugar, cholesterol, and more. And it gives any fitness or wellness app the ability to feed it data creating a central hub where an individual can have a 360-degree view of their health.

Apple also released a development kit for developers to use to create apps that allow medical researchers and doctors to collect data for studies.

Technology is ushering in new possibilities in healthcare.

This is one of the reasons why companies like UnitedHealthcare and Cambia Health Solutions have begun to think differently about their businesses and market opportunities and the role innovation plays in their success.

To better understand the mindset of these leading companies, let's first explore what exactly is causing healthcare transformation.

Companies that you would never expect to become competitors are becoming new market entrants in healthcare.

Driving Force #1

Dissatisfied Consumers

81%

Dissatisfied with their healthcare experience

81% of consumers in the U.S. are dissatisfied with their healthcare experience.

This alarming statistic is according to a study conducted by Prophet and GE Healthcare Camden Group.

The study goes on to show a significant gap between the healthcare experience consumers believe they are receiving and what providers believe they are offering.

63% of providers said they believe they're delivering a quality patient experience. But, that doesn't align with consumer's opinions. Only 40% of consumers surveyed said they receive this.

PROVIDERS

63%

Delivering a quality patient experience

40%

Received this

CONSUMERS

Something's not adding up. What's causing this gap?

Peeling back the layers of healthcare, you start understanding where things are going wrong - pharmaceutical companies increasing prescription drug costs and long wait times for patients, to name a couple.

Prescription drug costs

Long wait

It's also important to note the era we live in order to understand consumer behavior.

Throughout day-to-day life, technology has put the power back in the hands of consumers, literally and figuratively.

Whether it's ordering a latte ahead of time using Starbucks' app or having groceries delivered using TaskRabbit, consumers have more flexibility into how they get things done, when, and where.

When it comes to healthcare, consumers want the same type of experience and flexibility. They want:

Convenience

Easy access to medical records and doctors

Personalization

Key takeaway:

Convenience, easy access, and personalization. These are the demands and experiences consumers expect from healthcare companies.

Driving Force #2

Increasing Cost Sharing

Employee out-of-pocket costs have doubled in 5 years.

According to a 2015 study by PwC, employers offering high-deductible health plans grew almost 300% since 2009. The study goes on to show that the amount of consumers who decline medical care has risen to 40% in 2015.

What does this mean?

Cost-sharing is slowing down the use of health services to the point where consumers are questioning whether secondary tests in certain situations and services in general are even necessary essentially foregoing medical care.

Ultimately, this impacts employers.

If employees aren't using the medical plans and services that their provider supplies, it's costing the employer money. And as the PwC study points out, employers are increasingly reliant on cost-sharing to manage the use of services and costs.

Consumers who decline medical care has risen to

40%

Key takeaway:

Soaring employee out-of-pocket costs have increased the number of consumers declining medical care.

Driving Force #3

Skyrocketing Prescription Drug Costs

The Wall Street Journal highlighted the struggle many patients go through trying to figure out how to afford prescription drugs.

In the same year, The Washington Post reported that nearly 60% - or 3 in 5 American adults - take a prescription drug.

Why is this significant?

Back in 2013, CVS Health released a report that stated specialty drug costs were expected to quadruple by 2020 from $87 billion dollars to approximately $402 billion dollars.

It's safe to say that prescription drug prices are soaring and will continue to do so.

Not surprisingly, rising costs are putting consumers in a difficult financial position and create a domino effect. If consumers aren't buying prescription drugs, healthcare facilities won't carry them, which then impacts distribution for pharmaceutical companies.

$402
BILLION

$87
BILLION

But consumers aren't the only ones feeling the pain.

Research by the Tufts Center for the Study of Drug Development found that the cost to develop and win marketing approval for new medical drugs had skyrocketed to 2.6 billion dollars for pharmaceutical companies. This is largely due to increases in out-of-pocket clinical costs, such as increases in the cost for inputs used for development, and higher failure rates for tests on humans.

The cost of developing a new medical drug does come with risk.

Due to the mounting costs, pharmaceutical companies are forced to raise prices in order to afford research and development. However, because of this, they risk making life saving prescription drugs out of reach for the average consumer.

The climbing costs have prompted pharmaceutical companies, such as Pfizer, to take action and find new ways of reducing costs for taking a new drug to market while maintaining the value they provide to consumers. More on this later.

Key takeaway:

Skyrocketing prescription drug costs are causing a domino effect that negatively impacts consumers all the way up the chain to pharmaceutical companies.

Driving Force #4

Healthcare Complexity

According to the Consumer Financial Protection Bureau, 52% of all debt collections are medical related. This translates to 43 million Americans having unpaid medical debt on their credit report.

It's easy to dismiss these stats and conclude that people don't have the ability to pay back their debt, but that's not the case.

A large chunk of consumers with medical debt pay other financial obligations on time. So the question is, why is medical debt not being paid?

One answer may be how uninformed consumers are about their medical expenses.

Medical billing and third-party reimbursement processes can be complex and easily cause confusion. A consumer that isn't clear on who to pay, for what amount, or whether payment was the responsibility of the individual rather than the insurance company is a recipe for missed payments.

This is the type of issue that health insurance companies are looking to solve by adding more transparency to the equation.

DEBT

43 million

UNPAID MEDICAL DEBT

Key takeaway:

The complexity of medical billing and third-party reimbursement processes has sparked health insurers to create solutions that help consumers understand what's needed from them and when.

Driving Force #5

Access and Digital Transformation

Why do people use Uber? Convenience.

Open the app, tap your location, and voila... there's a car ready to take you to your destination. Convenience plays a large role in the patient experience too.

In 15 major U.S. cities, including New York and Los Angeles, the average wait time for an appointment is 18.5 days and 19.5 days if you're seeing a family physician.

Increasingly, consumers want more control over their healthcare. They crave the ease of use and personalization they get from consumer products, like Netflix, without sacrificing quality of care.

This behavioral trend has opened the door to new market entrants who are focused on delivering the exact experience consumers want. 2015 alone saw over $1 billion in funding for healthcare startups, including Doctor on Demand who received $50 million to expand its virtual doctor visit platform.

Digital transformation is changing how healthcare companies have to approach patient health and experience.

18.5-19.5
DAYS
Average Wait time

Key takeaway:

Digital transformation has made it critical for healthcare companies to match, or exceed, consumer expectations.

Driving Force #6

Healthcare Reform

Reform also plays a significant role in the transformation of healthcare.

Whenever reform happens, it affects patient, employer, and provider. Sometimes for better, sometimes for worse.

Cambia Health Solutions experienced both first hand. You'll hear more about their story later.

When the Affordable Care Act was passed in the U.S. in 2010, it opened up the floodgates. New technology companies were able to enter the market with relative ease. Their aim was at improving areas where established healthcare companies were missing the mark - patient experience, for example.

New market entrants can be both a blessing and a curse. On one hand, they can make you rethink and retool your business making it stronger in the long run. And on the other hand, if you're not prepared, they can leave you in the dust.

This is just one example of just how disruptive reform can be.

Worse   **Better**

R E F O R M

Key takeaway:

While healthcare reform can be a disruptive force, it's important that healthcare and pharmaceutical companies not wait for disruption to happen before they start thinking about retooling their businesses.

Innovation:
the What and Why

With these six driving forces in mind, what role does innovation play in transforming healthcare and pharmaceutical companies?

When the word 'innovation' is used, it often conjures up images of a new product or service that has significant impact - also known as growth or breakthrough innovation. Disease fighting drugs are a good example of this type of innovation in healthcare. The iPhone is an example in the consumer world.

But the reality is, innovation means more than that.

First and foremost, innovation has a different meaning for every company. While one company might consider a new medical device an innovation, another might see reducing clinical trial costs through improving processes as an innovation.

Both are right.

Yes, there are instances where a product or service can make a significant impact that can be felt throughout an entire industry, but that's not an everyday occurrence. Instead, what happens more frequently is incremental innovation - or small improvements to existing products, services, processes, or methods.

To illustrate incremental innovation, we look no further than what companies are doing to combat the impact of increased cost sharing.

Innovation:
the What and Why

As PwC's research found, health plan expenses are causing consumers to shy away from utilizing healthcare services. To fix this issue, companies are partnering with independent organizations to create tools that bring more transparency to the decision making process in order to help consumers make informed choices, such as an online healthcare comparison tool that allows consumers to shop for medical services.

This is an example of incremental innovation because, while it may not make a big splash in the media, it makes a difference in the long run. Consumers armed with the knowledge to make informed medical decisions solves a major issue for employers and healthcare providers.

Whether it's incremental or growth innovation, the only way to transform business and meet the needs of patients or consumers is to innovate. There's no way around it. Luckily, there are several healthcare and pharmaceutical companies that are forging a new path to follow.

Innovation
is the prerequisite to meeting the changing needs and expectations of patients and consumers worldwide.

Healthcare Innovation:
A Peek Inside
Innovation Programs

Leading healthcare and pharmaceutical companies, like Pfizer and UnitedHealthcare, are blazing a new trail for their peers by adopting crowdsourcing to drive their innovation efforts.

What is crowdsourced innovation?

It's using the collective knowledge and experience of your employees, providers, patients, and researchers, to uncover new ideas that can positively impact business, whether that's reducing the cost of clinical trials, developing breakthrough treatments, or improving the patient experience.

When you take this approach, as you'll learn shortly, the results can be remarkable.
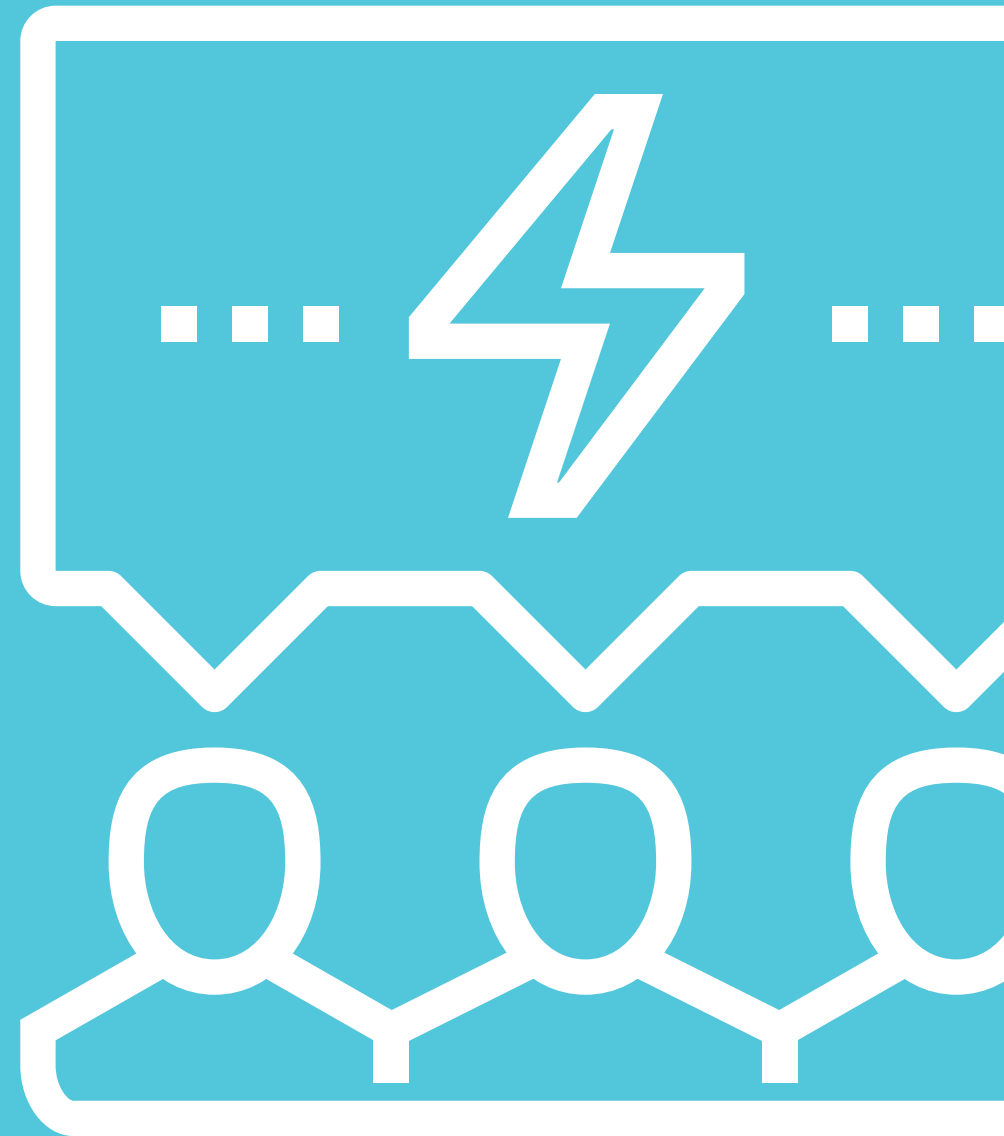
UnitedHealthcare

UnitedHealthcare is the largest health and well-being company in the U.S.

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With more than 165,000 employees serving 85 million people worldwide, they were sitting on a treasure trove of healthcare knowledge that was being underutilized.

The question is, with a workforce that large, how are you going to unlock all of those ideas and create a way for everyone in the company to collaborate?

UnitedHealthcare decided to use Spigit's innovation management software to streamline the process of collecting ideas and bringing them to life.

Why Spigit?

As the largest vendor and leader in innovation management according to Forrester, Spigit's software allows you to easily collect ideas, surface the best ones, and manage the process of bringing them to market. And in UnitedHealthcare's case, they used Spigit to harness the ideas from the people that knew their business best - employees.

165,000
employees

85 million
People worldwide
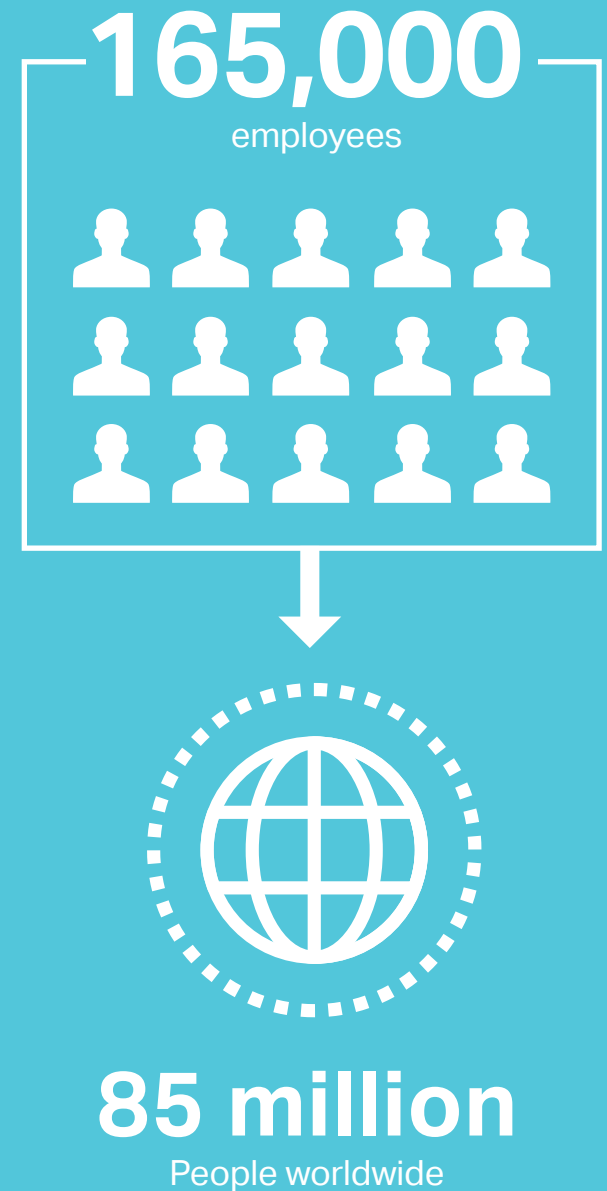
As a result of their efforts, UnitedHealthcare has been considered the number one innovator in healthcare by the likes of Forbes. And they've fostered a culture of innovation that permeates throughout the organization, "By using an innovation platform that connects people and ideas, we have a system in place to encourage and capture new ideas. We are then able to create diverse teams around those concepts, helping UnitedHealthcare to radically transform innovation engagement and enhance the health care system," says Greg Hicks, Director of IT, Open and Collaborative Innovation.

Creating a culture of innovation is a hot topic. And there's a good reason for this.

Having a culture where creativity is celebrated, collaboration is a priority, and ideas rewarded, ultimately creates an environment that fosters innovation.

If you look at the likes of Google and Facebook, these are the characteristics that make their culture so open and innovative and their company a desired place to work. UnitedHealthcare is no different.

Having a culture where creativity is celebrated, collaboration is a priority, and ideas rewarded, ultimately creates an environment that fosters innovation.

Pfizer

With over 77,000 employees, Pfizer is one the largest pharmaceutical companies in the world. But even the largest companies have hurdles to overcome when it comes to innovation.

Pfizer was sitting on a wealth of industry knowledge and passion just waiting to be used. But they didn't have an effective way of enabling their employees to contribute ideas.

When you're a company that's leading the charge in lifesaving medicines and vaccines, you can't afford to allow ideas to stay just that, ideas.

Like a true innovator does, Pfizer took on the challenge.

Using Spigit, they tapped into their entire network of healthcare experts to uncover ideas that would have never seen the light of day if Pfizer hadn't taken a proactive approach to innovation.

The results?

New innovative therapies for deadly infections, new antibodies for lupus and high cholesterol, and next-generation therapies for cancer. They were also able to find new ways to **reduce the cost of clinical trial for one drug by 60%.**

This is the power of CROWDSOURCED INNOVATION.

Cambia Health Solutions

The story about how Cambia Health Solutions transformed their business in the midst of reform and increasing competition is pretty remarkable.

To truly understand how far Cambia has come as a business, let's go back in time to where it all began.

Cambia's roots go as far back as 1917 when health insurance was born in logging camps and mills. Loggers and their families would pool funds together to help each other with medical needs such as injury or illness - a community healthcare fund if you will.

For decades, Cambia had been serving its community as a health insurance provider. But with indications of industry transformation happening, that all changed.

What happened?

With healthcare reform in full swing and other market disruptions happening, Cambia knew they had to change the trajectory of their business or face the very real possibility of being left behind.

In order to change the company's heading, they knew they needed to think differently if they were going to see their vision of transforming healthcare become a reality.

1917

Health insurance was born in logging camps and mills

INNOVATION FORCE

Cambia started an innovation program called Innovation Force using software that they quickly outgrew. In order for Innovation Force to meet the company's desired results, they needed an alternative solution that could scale alongside their efforts.

That's when they turned to Spigit.

Strengthening their innovation program with Spigit, Cambia was able to:

File 10 provisional patents

Create 6 new healthcare businesses to add to their growing portfolio

Generate $171 million in new revenue

Ultimately create more value for consumers

A remarkable business transformation.

For Cambia, these new market opportunities were sitting there all along in the form of ideas just waiting to be unlocked. Imagine what's waiting for you within your company.

Conclusion

The needs of patients and consumers are changing. And they're changing fast.

Tucked away within your company are ideas that can solve problems, revolutionize your business, and transform the healthcare and pharmaceutical industries as we know them.

Companies like UnitedHealthcare, Pfizer, and Cambia Health Solutions are seizing the opportunities that crowdsourced innovation presents. And by being proactive, have put themselves in a position to create more value for consumers.

At the end of the day, good ideas can come from anyone, anywhere, at any time. All that's needed is a mechanism that allows those ideas to surface.

Spigit Innovation Management Software

Spigit crowdsourcing software for innovation management allows healthcare and pharmaceutical companies to draw on the skills and expertise of employees, suppliers, and researchers in order to solve and execute upon business demands and create significantly better results than are typically found by individuals or small teams. Spigit customers include Pfizer, UnitedHealth Group, and Adventist Health.

Spigit helps healthcare and pharmaceutical companies:

Improve patient experience and value

Identify risks and blind spots early

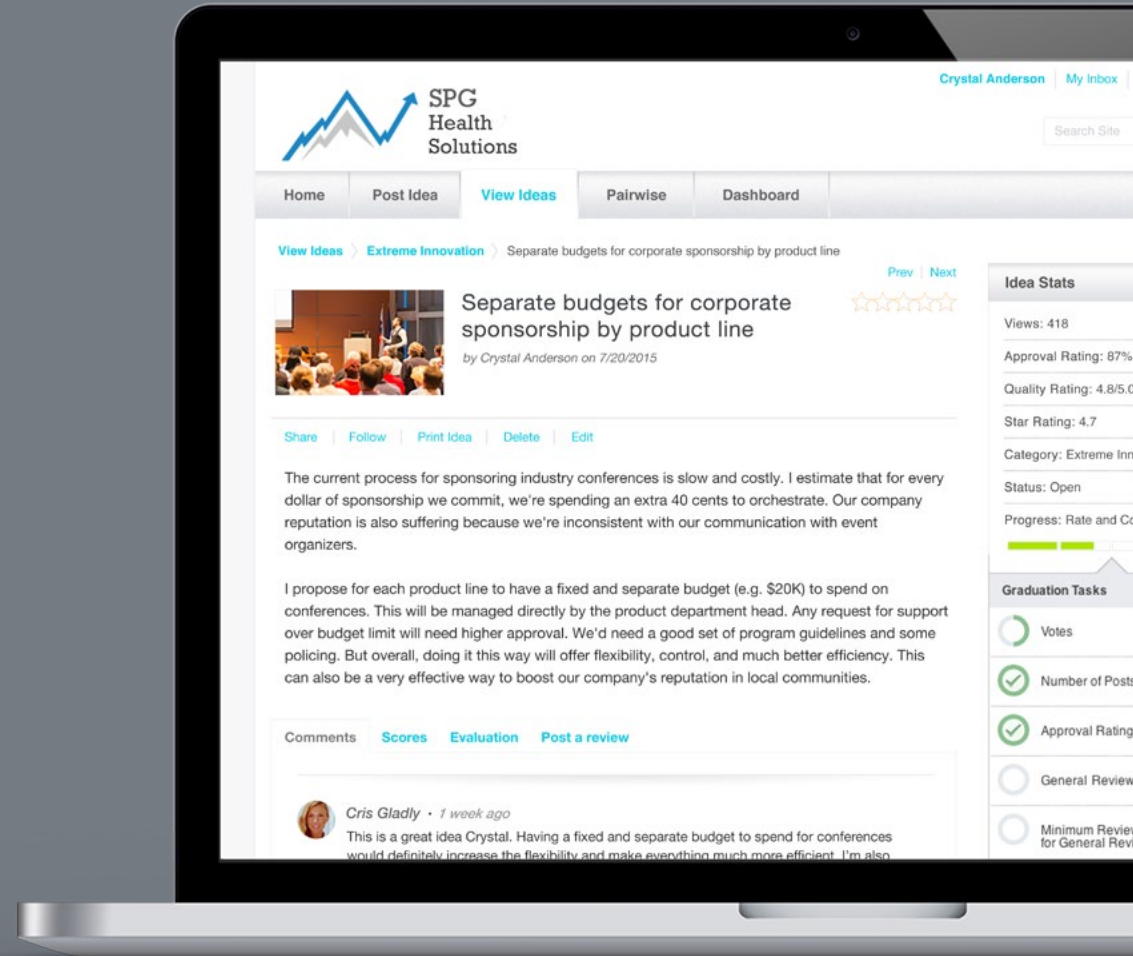Accelerate time to market for new drugs and solutions

Reduce cost of failure

Streamline processes

Spigit is the leading choice for healthcare and pharmaceutical companies because it enables real-time, global innovation that's safe, scalable, and repeatable.

About Spigit

Spigit is the market leader in innovation software for the enterprise. Spigit has powered innovation and process improvement for large enterprises in industries including financial services, manufacturing, healthcare, and energy. Spigit's cloud software enables organizations to engage their employees, customers, and partners to invent new products, optimize processes, and build cultures of innovation. Global companies who partner with Spigit have already generated over $1 billion in increased revenue and over 200 patents. Spigit's proprietary automation, patent-powered algorithms, and highly configurable, secure, and multi-lingual platform makes Spigit the only solution that will scale seamlessly across the enterprise. Spigit is headquartered in San Francisco with offices in the USA, UK, France, Germany, and Australia.

Learn more at www.spigit.com.

Learn More About Spigit