Reports

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Trends for Scaling Innovation in Health Care

Insights from health system leaders on aligning, structuring, and empowering innovation within their organizations

Center for Connected Medicine

The Academy
The Health Management Academy

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Introduction

How Do Health Systems View, Foster, and Scale Innovation?

Innovation is a key focus at many health systems, which are under pressure to improve outcomes, reduce costs, and provide a better consumer experience. Innovation can take many forms at health systems, including the adoption of new technologies, development of innovation divisions, investment in data analytics, and many other strategies, processes, and tools. The Center for Connected Medicine (*CCM*) partnered with The Health Management Academy (The Academy) on research to explore innovation at health systems. The research is focused on how C-suite leaders view innovation at their organizations.

This key findings' report contains a synopsis of trends on how health systems are scaling innovation and a look-ahead at what the innovation perspectives and strategies of today may mean for the health systems tomorrow. It is structured to provide action items for efficient scaling of innovation at health systems followed by supporting findings.

The research unearthed many wins for health systems pursuing innovation initiatives. Systems are aligning around their organizational definitions of innovation, which facilitates orientation for innovation and an opportunity to reinforce organizational goals. Support for innovation is lauded from the top of health systems, with boards and C-suites backing innovation efforts. The emergence of structural formations, processes, and defined innovation budgets are signs of commitment to shepherding and scaling innovation. Lastly, health systems are actively partnering with external parties for technologies, products, and expertise to supplement their strengths.

The findings also present several potential risks. Health systems may make consideration of employees and workflow in decision-making around innovation secondary. Alignment with goals, capital investment, clinical outcomes, and forecasted return on investment (ROI) all ranked higher as key criteria for decision-making around innovation than impact on workflow and availability of staff. Along a similar track, innovation examples shared by executives in the qualitative interviews focused primarily on patient engagement and clinical outcomes, as opposed to employee experience or internal innovation. Executives charged with innovation may be under pressure to deliver near-term financial return, which could deter longer-term investment strategies, disregard indirect value, and put staff second. Read on for key findings and click to read the full *Accelerating Innovation* report.

Methodology

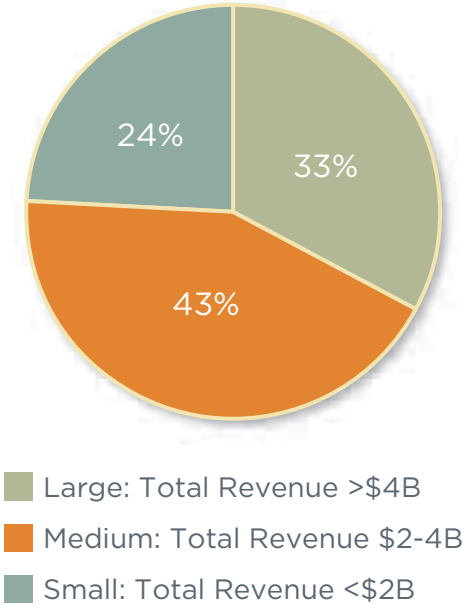
The Research Had Two Components: A Quantitative Survey and Qualitative Interviews.

In October 2018, The Academy conducted an online survey of C-suite health system executives regarding their organization's approach to innovation. The 21 respondents included Chief Strategy Officers (CSOs), Chief Operating Officers (COOs), Chief Information Officers (CIOs), Chief Innovation Officers, and Chief Financial Officers (CFOs).

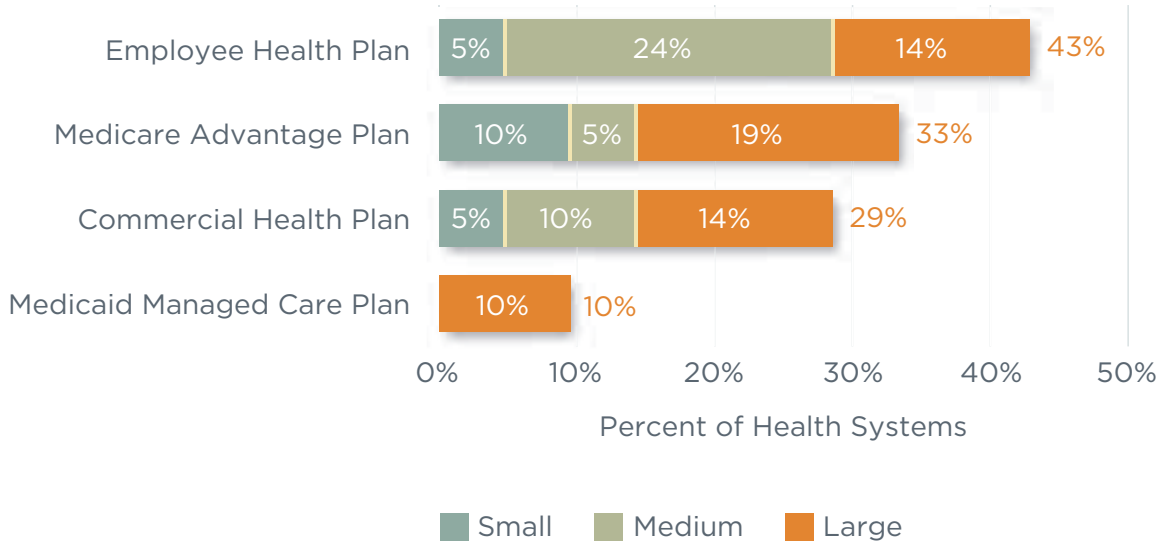
Following the quantitative assessment, The Academy conducted qualitative interviews with 15 C-suite executives covering their organizational strategies and priorities around innovation. Interviewees included health system COOs, CFOs, CSOs, CIOs, Chief Innovation Officers, Chief Medical Officers (CMOs), and Chief Quality Officers (CQOs).

This report includes the perspectives of 29 health system executives from 28 unique health systems across both the quantitative and qualitative assessments.

Health System Size



Health Plan Ownership



Practices for Scaling Innovation

Action for Innovation

The practices below were gleaned from the innovation research conducted by The Academy and the CCM, and are intended to support effective scaling of innovation at health systems. Read on for the research findings and analysis that inform these practices.

Define innovation

Set a system-level definition for innovation, with C-suite buy-in

Empower decision-makers

Allocate a dedicated budget and appoint an executive with decision-making power for innovation strategy

Align with goals

Ladder up innovation initiatives to health systems' strategic goals

Simplify sign-off

Reduce number of individuals involved in decision-making around innovation to increase speed of scaling of innovation

Structure people + process

Create a formal innovation department and scaling process to support efficiency across health systems

Maximize strengths

Maximize strengths and capabilities of health systems and elect partners for their unique abilities

Key Findings

Trends for Scaling Innovation and Supporting Findings

Define innovation

Set a system-level definition for innovation, with C-suite buy-in.

The majority of health systems have a set system-level definition for innovation. Many that do not yet have an approved definition noted that this is something their organization is working toward.

- **Two-thirds of responding health systems have a system-wide definition for innovation (67%).**
- **Health system definitions for "innovation" suggest a quest for new value that leads with problem-solving and is underpinned by technology.**

Align with goals

Ladder up innovation initiatives to health systems' strategic goals.

Innovation may be charged with creating new value, but the research suggests decision-making around innovation is heavily connected to alignment with existing organizational goals.

- **The top criteria for innovation decision-making at health systems was alignment with stated goals.**
- **The top driver of innovation at health systems was generating additional revenue.**
- **The top functional areas for innovation at health systems were:**
  - **Access.**
  - **Information technology/data analytics.**
  - **Patient/consumer engagement.**

Structure people + process

Create a formal innovation department and scaling process to support efficiency across systems.

There is a correlation between health systems that have structure and processes surrounding innovation, and the ability to implement and scale innovation quickly.

- **Two-thirds of health systems report they implement and scale innovation somewhat or very slowly (62%).**
- **Most (88%) health systems that report they can implement and scale innovation "somewhat quickly" have a formal process in place for doing so, compared with 23% of health systems that report scaling "somewhat slowly" or "very slowly."**
- **Health systems with a defined innovation department are more likely to have a formal process in place for scaling innovation across the health system than systems without an innovation department (60% vs. 36%).**
- **Less than half of health systems have a formal process for scaling innovation or a formal innovation department (47% and 48%, respectively), and just over a third (38%) said they can scale somewhat quickly. Zero respondents said their organization can scale innovation very quickly.**

Empower decision-makers

Allocate a dedicated budget and appoint an executive with decision-making power for innovation strategy.

Large health systems are most likely to have a separate department dedicated to innovation, compared to small- and medium-sized systems.

- **Half of health systems have a separate department for innovation, with larger health systems being most likely to have a division for innovation (71%).**
- **Most health systems with an innovation department also have a defined innovation budget (80%). Those with a defined innovation budget are most likely to have a universal budget structure (72%), vs. project by project.**
- **Systems with a separate division are more likely to have a single executive in charge of innovation, as opposed to multiple executives. It is most common for an executive in charge of innovation to report directly to the CEO (44%).**

Simplify sign-off

Reduce number of individuals involved in decision-making around innovation to increase speed of scaling of innovation.

There is a correlation between limited parties involved in innovation sign-off and the ability of health systems to implement and scale innovation quickly.

- **Organizations that report being able to arrive at decision-making around scaling innovation somewhat quickly did not list the board as a key stakeholder involved in the process; the board was listed as a key stakeholder by systems that ranked their speed of scaling innovation as somewhat or very slow.**
- **For those able to move more quickly, C-suite and service line leaders were the highest cited decision-makers involved in scaling innovation.**

Maximize strengths

Maximize strengths and capabilities of health systems and elect partners for their unique strengths.

Health systems seek to maximize their strengths and supplement by partnering to fill in gaps.

- **Systems utilize a variety of methods for enacting innovation, including internal initiatives (86%), partnerships (76%), and software and technology (67%).**
- **The most common external partners are technology companies (67%) followed by academic institutions (52%).**
- **Systems without a formal innovation department were more likely to partner with payers and medical device companies than systems with a formal innovation department.**

Defining Innovation: A Quest for Value

Define innovation

The majority of health system executives (67%) report their organizations have a set definition for innovation. While definitions vary, most focus on new approaches to problem-solving that create additional value, particularly for patients. While there are no clear associations between a respondent's title and the corresponding definition of innovation, it is evident that a health system's approach to innovation is reflective of its system-level priorities and overall strategy. This suggests having a common definition of innovation is one way to underscore system-level priorities and ensure synchronization around strategy.

Innovation is Defined as:

> "Discontinuous or breakthrough change creating **new value** or improved **results** to customers and stakeholders."
>
> – CSO

> "Ideas which can lead to significant **value** for patients, colleagues, or our communities."
>
> – COO

Learnings from the Past Define Innovation Today

Awareness of issues created by health care's history of implementing point solution technologies appears to have had an impact on how health systems approach identification and implementation of new solutions today.

"Technology" was seldom cited in definitions of innovation provided by survey respondents. However, technology clearly underpins innovation: words such as "quantifiable" and "results," and an emphasis on measurement and value, suggest a connection to data, which is intrinsically linked to technology.

But health systems today are first and foremost thinking about problem-solving and creating new value, rather than leading with tech.

Another learning ingrained in how health systems regard innovation today is an emphasis on quantifiable results and measurement in organizational definitions of innovation. Transparency and data are important to the evolution of health care, and that is evident in how innovation is defined at health systems. This may be a reaction against the opaqueness of health care's analog era.

> "A fundamentally different approach to solving a problem that has **quantifiable** outcomes."
>
> **– Chief Innovation Officer**

> "Doing things differently from the past with **sustainable results**."
>
> **– CFO**

Alignment with Organizational Goals Key to Decision-Making

Align with goals

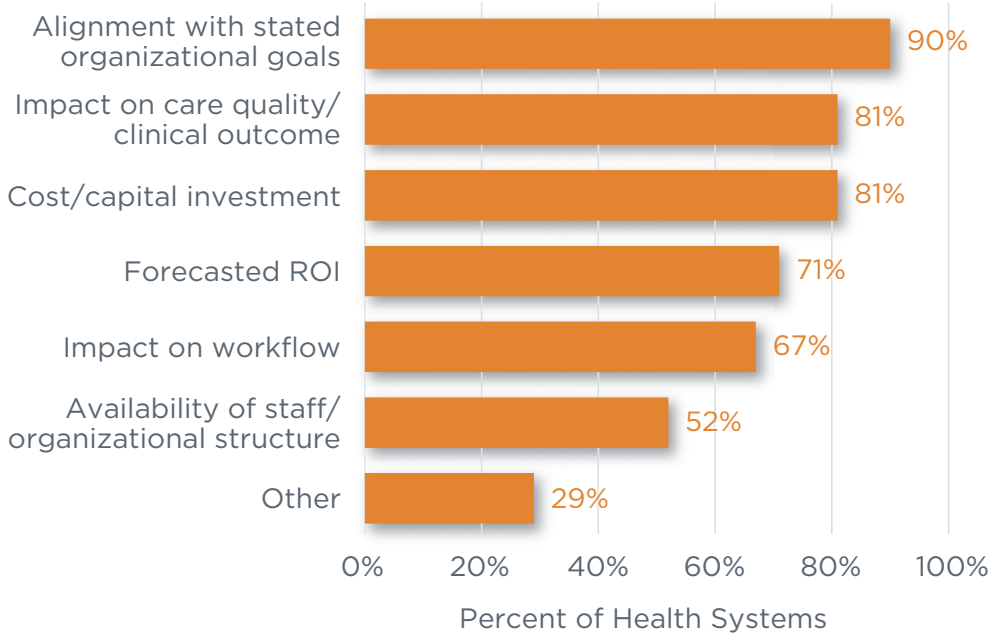
Clarity surrounding organization goals, much like clarity around an organization's definition of innovation, appears integral to effective decision-making for innovation activities. Findings also suggest health systems may first consider innovation at a "big picture" level, evidenced by the higher consideration of alignment with goals, capital investment, and clinical outcomes. Meanwhile, internal, pragmatic, and logistical elements are secondary, evidenced by the lower ranking of workflow and availability of staff/organizational structure. Considering recent media focus on physician burnout and other studies that have shown improved success rates of innovation adoption with clinician buy-in, it may be surprising to some that these criteria ranked toward the rear.

Friction Between Doing Things Differently and Supporting Existing Goals?

One question unanswered by the research is whether systems are relying on innovation to introduce new ways of thinking or doing things, or if the primary purpose of innovation is to streamline and enhance existing processes. The high ranking of alignment with stated goals either suggests innovation is expected to render new solutions and information without overturning stated goals, or that systems view the purpose of innovation as supporting existing goals and not transforming those goals.

> **"Must be a solution to an existing problem, measurable, and a fundamentally different approach."**
>
> **– Chief Innovation Officer**

Key Criteria for Decision-Making Around Innovation



Revenue Generation is Top Strategic Driver

Align with goals

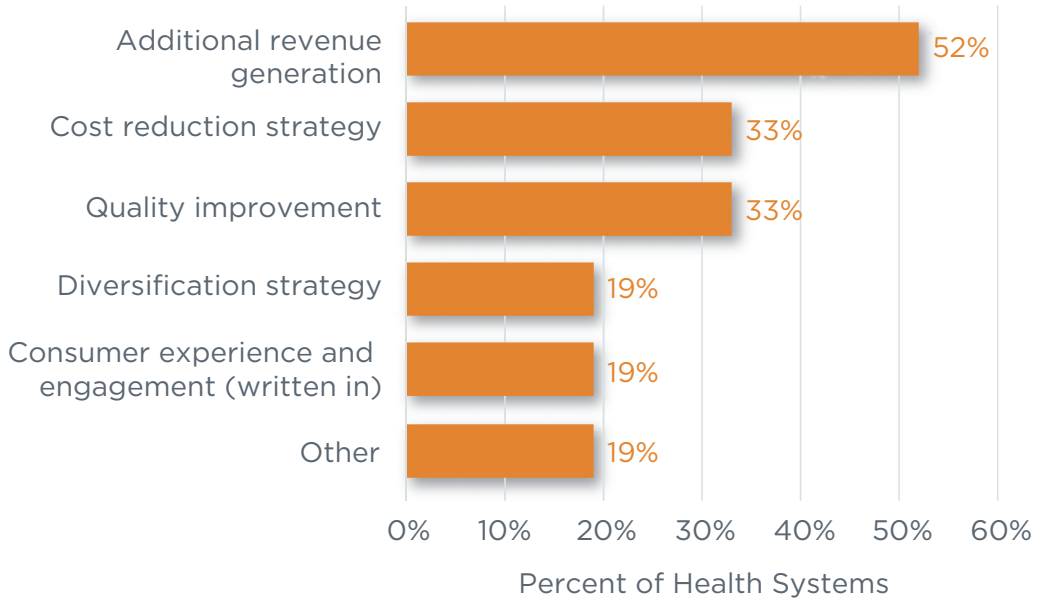
Shrinking revenue at traditional health systems is the result of sweeping industry changes, including lower reimbursement, migration of care to outpatient settings, and what patients expect from their health care experience. The resulting squeeze has health systems looking to innovation as a means of revenue generation. Cost reduction ranks lower as a driver of innovation, possibly because mature health systems have been trying to reduce costs for years. With the low-hanging fruit picked, health systems are seeking new revenue streams.

Strategic drivers in the "Other" category include consumer experience and engagement, physician experience, culture, and the transformation of care delivery. Notably, the most commonly identified strategic driver from the "Other" category was consumer experience and engagement, (19%) which was written in. This underscores the increasing prioritization of consumerism among health system executives. Executives often point to the use of technology as a means to improve the patient experience and satisfy changing consumer expectations.

> **"Digital health is now part of our system strategy. This focus includes additional revenue generation, cost reduction, quality improvement, patient activation, and operational improvement. We see it as a key competitive differentiator."**
>
> **– CSO**

Primary Strategic Drivers of Innovation

(Select two)



Define the Components that Comprise Value

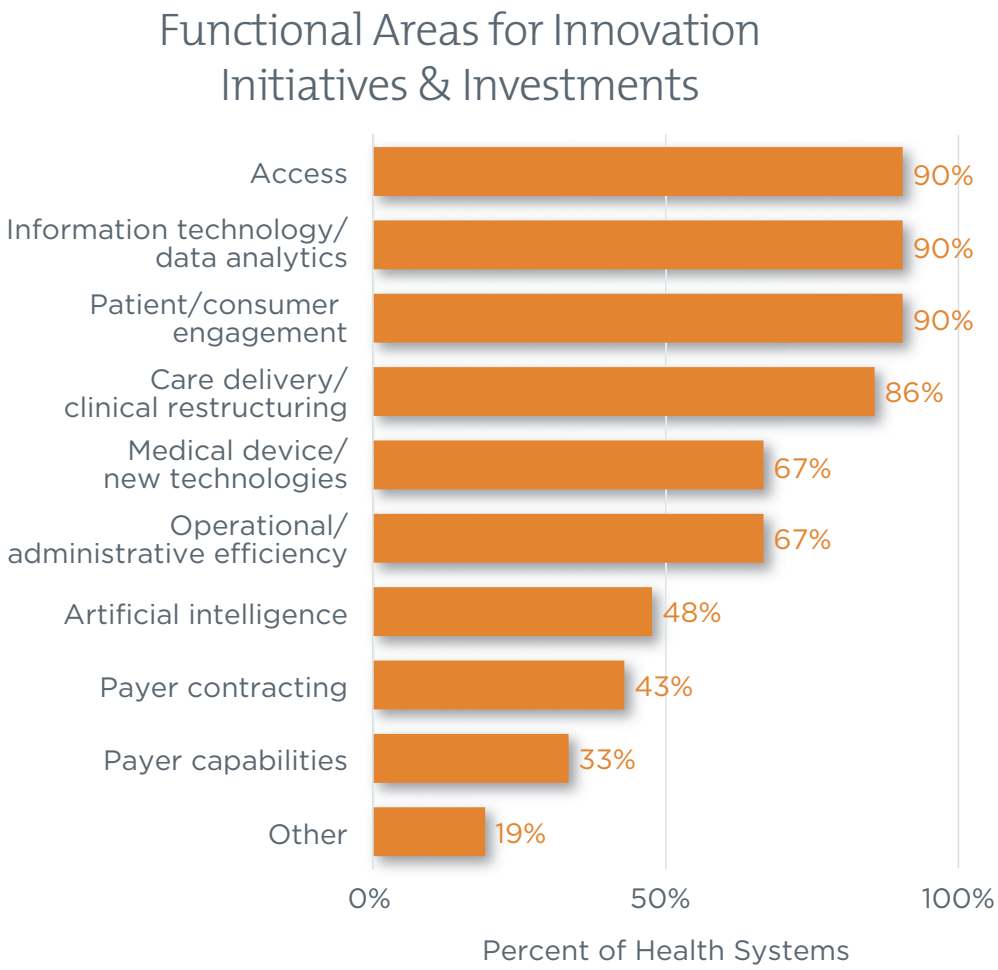
Align with goals

Deeply intertwined with the concept of revenue generation is timeframe for ROI. ROI can be near- or long-term; direct and quantifiable or indirect, akin to the quality of a health system's "stickiness" with consumers, developed through quality experiences and challenging to quantify.

Clues as to how health systems may be thinking about innovation and timeframe for ROI can be inferred from other findings. It seems possible that health systems may be focused on near-term results because the top driver of innovation at health systems is generating additional revenue, there is an emphasis on measurement and value in health system organizational definitions of innovation, and top functional areas for innovation initiatives seem connected to present-day transformation.

Respondents listed access, information technology/data analytics, and patient/consumer engagement as top functional areas for innovation. It is notable that payer contracting and payer capabilities are both low on the functional areas for innovation initiatives and investments. Despite industry transition to value-based care and the shifting of risk from payers to providers, it appears health systems are not yet prioritizing new tools to manage risk.

In addition to defining innovation, it may be important for systems to define the components that comprise value and get clear on near- and long-term benefits of innovation initiatives.



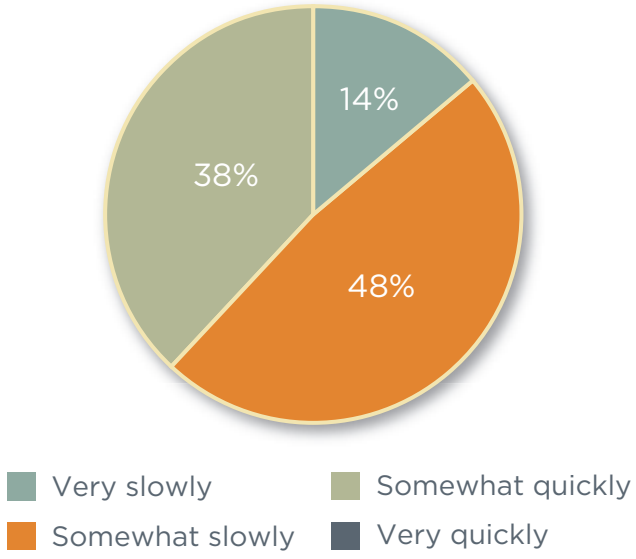
Structure Speeds Scaling

Structure people + process

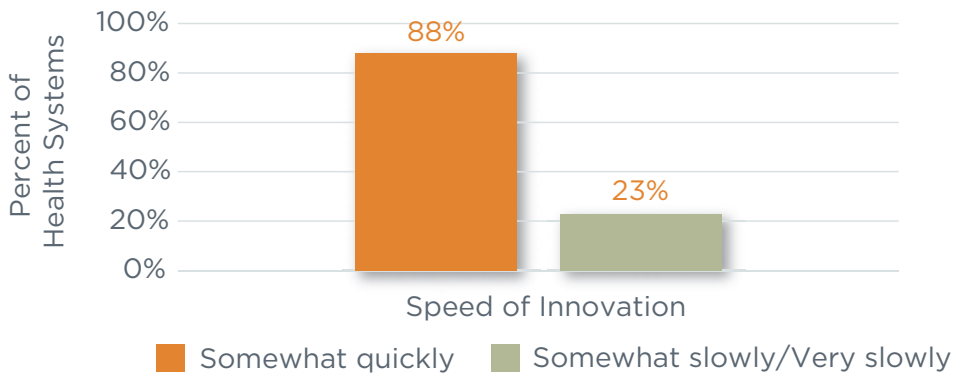
Structure correlates to speed of scaling innovation — which may be telling in an environment where digitization and maximizing data are paramount. Only a third of respondents said their health systems can scale innovation somewhat quickly (38%). However, health systems with a defined innovation department are more likely to have a formal system-wide process for scaling innovation; those more likely to have a process were more likely to say they could scale somewhat quickly as opposed to slowly or very slowly (60% vs. 36%).

There is opportunity for all health systems to improve efficiency scaling innovation, as zero survey respondents said their health system can scale very quickly, and half of systems do not have a defined innovation department. It is important to execute due diligence and be confident in decision-making, and it is also important to be able to execute within a timeframe that ensures the innovation will be viable and valuable.

Speed of Implementing and Scaling Innovation



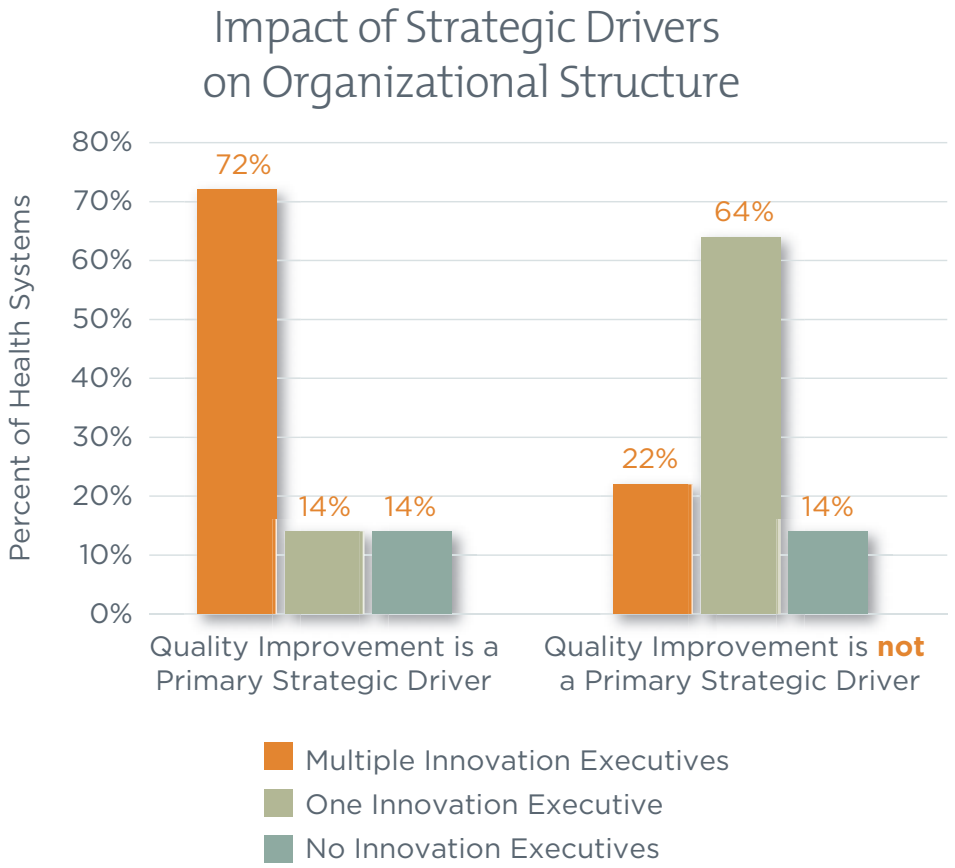
Health Systems with a Formal Process for Scaling Innovation



Quality Improvement Activities May Require Multiple Executives

Structure people + process

Priorities and responsibilities of innovation executives vary greatly based on the identified needs of the organization. For example, health systems for which quality improvement is a primary strategic driver of innovation usually have multiple executives leading innovation. Alternatively, organizations for which quality improvement is not a primary strategic driver are more likely to have a single executive leading innovation activities. This seems to indicate that quality initiatives are more dispersed throughout the organization and require the leadership of multiple executives across functional areas in order to scale. Other strategic drivers, such as revenue generation and cost containment, may be better suited for more centralized oversight by a single executive.



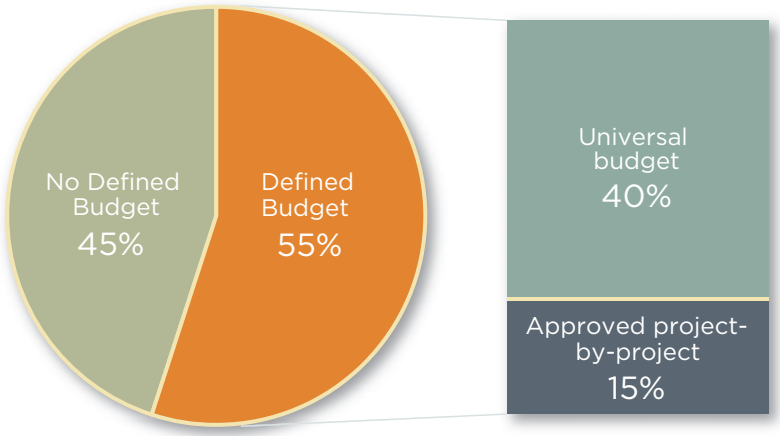
Health Systems with Dedicated Department, Budget, and Leader are Effective

Empower decision-makers

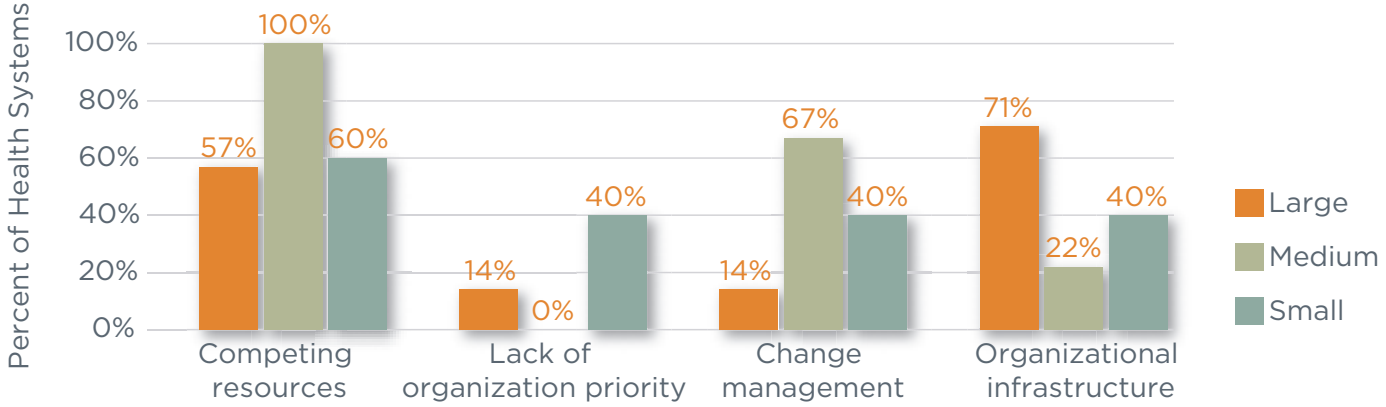
A universal challenge for health systems of all sizes seeking to scale innovation across their system is competing resources. One strategy to preserve resources is to allocate an independent budget. Large systems are most likely to have an innovation department, and 80% of those with a separate department have a separate, defined budget for innovation.

Yet, 45% of health systems do not have a defined budget for innovation. Just over half of responding health systems (55%) have a defined budget. Of those with a defined budget, the majority have universal budgets (72%) as opposed to project-by-project funding approval. This may facilitate more efficient decision-making and provide innovation teams and departments with greater empowerment to move initiatives forward.

Innovation Budget



Top Challenges for Scaling Innovation



Systems with Innovation Departments Commonly Have One Innovation Leader

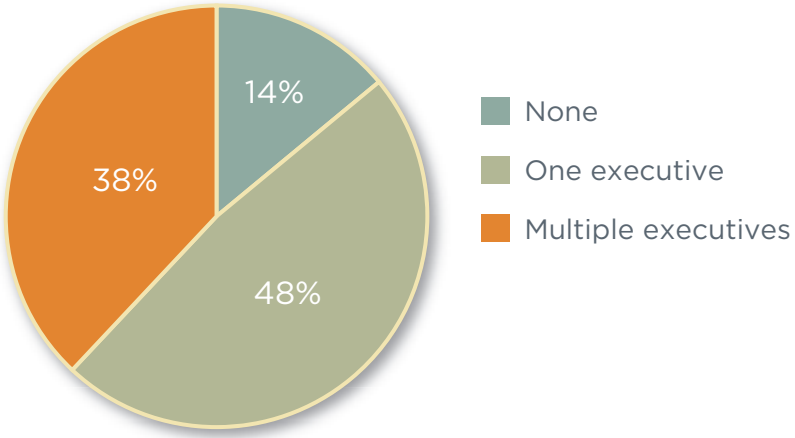
Empower decision-makers

Almost half (48%) of health systems have a defined department dedicated to innovation, with large health systems being the most likely to have an innovation department (71%).

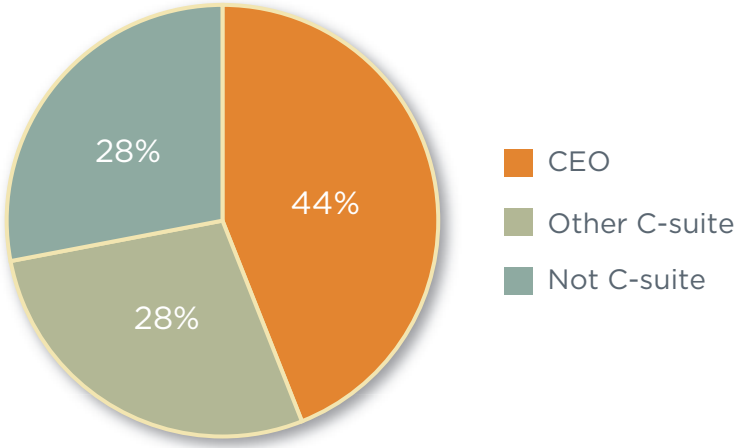
Most health systems that have a defined innovation department also have a single executive responsible for leading innovation initiatives. Health systems with multiple executives leading innovation tend not to have formal departments of innovation.

Executives overseeing innovation most commonly report to the CEO (44%), and those that do not are divided between reporting to other C-suite and non C-Suite (28%).

Executive Responsible for Innovation Strategy and Initiatives/Oversight



Individual to Whom Innovation Executive(s) Report



Innovations Scale More Quickly with Fewer Stakeholders

Simplify sign-off

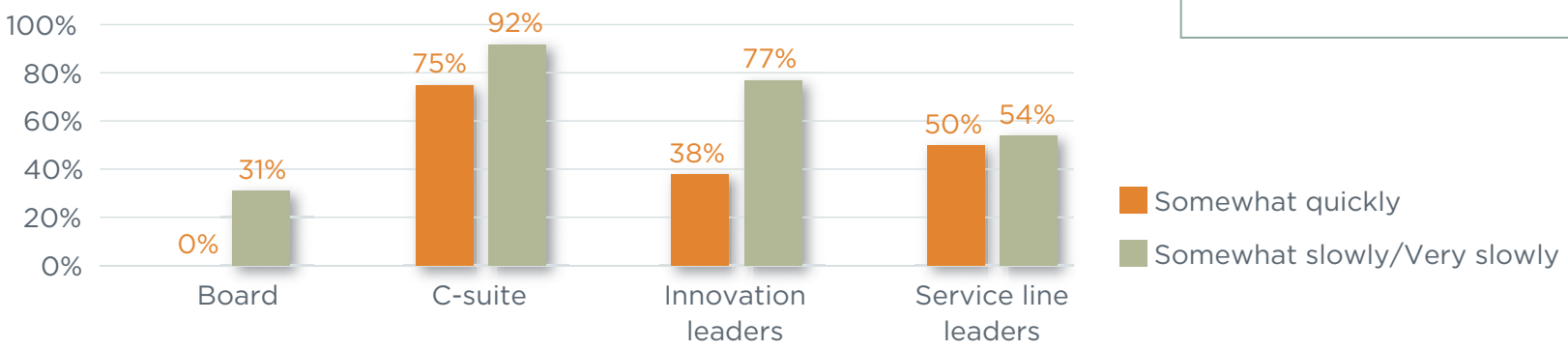
Findings show a correlation between a limited number of parties involved in innovation decision-making and systems that said they could implement and scale innovation somewhat quickly. Organizations that report being able to arrive somewhat quickly at decision-making around scaling innovation did not list the board as a key stakeholder involved in the decision-making process. The board was listed as a key stakeholder by organizations that ranked their speed as somewhat or very slow.

For those able to move more quickly, C-suite and service line leaders were the highest cited decision-makers involved in scaling innovation, followed by innovation leaders.

Through qualitative interviews, some executives said boards are supportive and want to see efficient transformation. Cohesion and alignment at a strategic level may buck the need for board involvement in initiative-level decision-making surrounding scaling innovation.

> **"Board approval is not really required because the members of the board are completely aligned with our department. The current board chair is a digital health tech startup guy, and he's always pushing us to move faster. They don't want to slow us down."**
>
> **– Senior Vice President, Strategy & Business Development**

Key Stakeholders Involved in Decision-Making Around Scaling Innovation



Health Systems Most Frequently Partner with Technology Companies

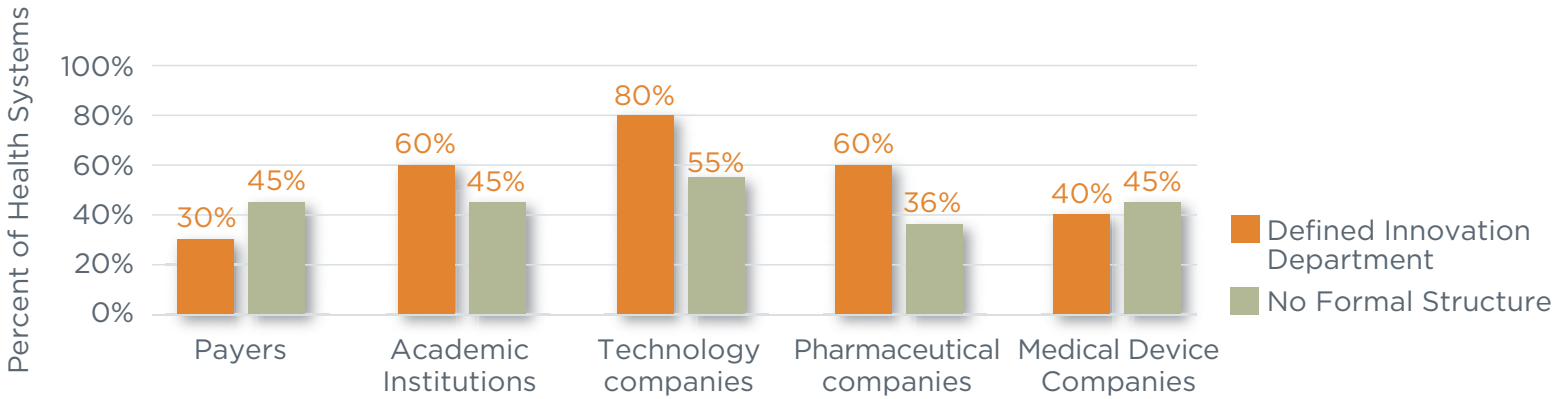
Maximize strengths

While health systems are focused primarily on enacting internal innovation initiatives (86%), they are also ready to maximize the strengths of partners for the benefit of their employees and their patients.

Technology companies are the most common partners of health systems (67%), followed by academic institutions (52%), pharmaceutical companies (48%), medical device companies (43%), and payers (38%). Biomedical and consulting firms were also mentioned as innovation partners. Systems without a formal innovation department were more likely to partner with organizations that have historically offered swift and enticing incentives — payers and medical device companies.

Organizational structure is the top challenge cited by large health systems when it comes to scaling innovation. Part of the challenge is that as the needs of the organization change, it can take significant time and investment to develop a workforce to meet those needs. Systems either must hire new talent to meet emerging data and technology requirements, invest to develop internal talent, or outsource to organizations that offer that know-how. While certain innovations may make sense to build in-house, systems must consider life-cycle management; resources are needed to develop, stand up, and maintain solutions. Partnership can be a viable option.

Key Stakeholders for Organizations with Formal Innovation Departments



About the Authors

Center for Connected Medicine

The Center for Connected Medicine (CCM) is a gathering place where those seeking to drive improvements in health care through technology come to connect and inspire each other, both in the real and digital worlds. The CCM, jointly operated by GE Healthcare, Nokia, and UPMC, connects and inspires leaders and innovators through original research and industry analysis, virtual events, and on-site experiences. Learn more at connectedmed.com.

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Click to read the full *Accelerating Innovation* report.

The Health Management Academy

The Health Management Academy (The Academy) brings together top health system leaders and innovators to collectively address the industry's biggest challenges and opportunities. By assisting member executives to cultivate their peer networks, understand key trends, develop next-generation leaders, and facilitate partnerships, they are better positioned to transform healthcare. The Academy's membership includes C-suite and principal leaders from approximately 100 of the nation's largest integrated health systems and 90 forward-thinking health services companies. In a rapidly evolving healthcare environment, these executives recognize that collaboration, partnership, and best-practice sharing will mutually accelerate growth and improve performance in ways that benefit both patients and communities. The Academy is uniquely focused on health systems with significant scale and community impact. Often participating organizations are the largest employers in their communities and are vital assets of their local economies. Member health systems own or operate 1,800 hospitals with over 333,000 beds and approximately 324 million patient visits annually. With over $561 billion in total revenue, Academy health systems employ 3.7 million people, including over 200,000 physicians.

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