

A “Broken Event”



Final Report

A Summary of the “Broken Event”

Venue: Chandos House, London

Date: Sept 10th 2013

KEY MARKET DEVELOPMENTS

Peer groups were asked to propose the most significant developments in the market by 2020. The proposals from the SME group are listed below.

SMEs

1. Self-monitoring - health/wellbeing apps are readily available
2. Healthcare and cost reduction have been effectively linked
3. Government has issued a mandate for change
4. Private healthcare has grown with the demise of statutory provision
5. Smart TV and videoconferencing are readily available
6. Activity monitoring through “wearables” is common place
7. There has been a significant increase in private payment for healthcare

Introduction

The challenge to global healthcare systems is growing and digital healthcare is widely predicted to play a critical role in supporting the change to new and sustainable models. Whilst the challenge grows, the adoption of digital healthcare is limited and commercial success is scarce. Clearly, there is a massive and unmet need; the market is broken.

The “Broken Event”

D Health invited 40 leaders, representing the key market groups in the field of digital healthcare to a day-long event on Sept 10th 2013 to address three questions.

- What will the market look like in 2020?
- What is the nature of the dysfunction in the market, preventing growth?
- Is there a model which can create a new market dynamic and therefore accelerate growth across Europe?

During these sessions, D health shared its insight and invited discussion to promote consensus and common understanding.

Purpose

This document, reflects the conclusions from presentations and discussions at the “Broken Event” but also incorporates post-event feedback from the delegation following review of the draft document and provides consensus on:

1. the current dysfunction affecting the digital healthcare market
2. anticipated market trajectory



Market Trajectory

D Health illustrated some of the trends and drivers that underpin the need for change in global healthcare systems. It was proposed that adoption/deployment rates of digital healthcare solutions must increase dramatically in order to cope with the scale of the forthcoming challenge. Price points must reduce dramatically to support an increasingly service-led, mass market although new product opportunities will arise. Given the low rate of adoption evident in recent years by statutory providers, it is predicted that new players (private providers, insurers, third sector organisations and “the high street”) will drive the development of the market, with the statutory sector maintaining a steady trajectory.

The delegation was divided into peer groups and asked to predict the three most significant developments in the market by 2020. The peer group's predictions are listed in the side bars.

Dysfunction in the Market

The dysfunction in the market “is no one’s fault and everyone’s fault”. With this in mind, D Health presented its’ understanding of the views of the key market groups, illustrating dysfunction and inviting discussion from representatives at the event. This document makes explicit the dysfunction highlighted within the slides and also from ensuing discussions.

The market has not developed as quickly as many would have anticipated. There are two main reasons for this lack of progress as described below:

1. There is extensive dysfunction in the market
2. The market is in an early phase and as such, inherent and essential aspects required for the market to progress are either in their infancy or are absent; a paradigm shift is required.

This document therefore lists the dysfunction and makes comment on the required paradigm shift.

KEY MARKET DEVELOPMENTS

Predictions provided by
Corporates Developers

1. Citizens will have the power and will drive the market through social enterprise and social productivity.
2. Phones purchased over the counter will have health, wellness and care apps as standard.
3. Money will be made by companies depending on who can provide the best means of filtering the data produced and received.
4. NHS and council/public sector providers will start to fail due to service demand vastly outweighing service provision.
5. Industry must seek public engagement through segmentation of the population to drive behaviour change.
6. Citizen led community engagement
7. Rewards/penalties from funders/insurers e.g. car insurance reduced if part of health programme.
8. Regulations should nurture safe, efficient and effective innovative solutions to enable populations to satisfy health and care needs.



Dysfunction



Endemic Dysfunction

Dysfunction in the market is wide spread. The following section describes the nature of the current dysfunction.

This is a novel market with unusual dynamics which in itself presents challenge. A shift to more preventative, predictive, personalised and participatory models of healthcare requires major change to global healthcare systems and also to the mind sets of those who deliver services. It also presents challenge to companies who seek to support this shift who must design their offerings in a more user-centric way and work with buyers to establish new ways for the money to flow effectively in order to create a functional market.

The following text lists the dysfunction made explicit from the D Health slide presentation and from discussion at the "Broken Event". The order is not representative of emphasis or priority:

- Technically oriented companies with sub-optimal business plans limit the likelihood of achieving commercial success.
- High cost, capital equipment is being sold into a market which out of necessity will become low cost and service-led.
- Sub-optimal design of products by companies has often not taken into account the "end user" therefore value has not been delivered. As a result:
 - There is caution from service providers in embracing such approaches
 - A legacy of mistrust between industry and statutory providers has emerged
 - Citizens provided with such products have often not embraced them as predicted

KEY MARKET DEVELOPMENTS

The predictions provided by the Service Provider group are listed below.

Service Providers

1. Self-empowerment; citizens have taken ownership of their own health and wellbeing
2. Inter-operability of systems and technologies is seamless for users and providers
3. Secure and confidential data handling has instilled trust and confidence in citizens



- Sub-optimal planning and design of digital healthcare services has resulted in small scale, unsustainable pilots. By definition, well planned and designed services would be successful and mainstreamed (or if deemed unfeasible will have been “killed early”).
- There is now debate about the efficacy of digital healthcare even though, in every other field/market, ICT is used to deliver quality, safety, efficiency and efficacy without question.
- The legacy of mistrust hampers efforts to develop new relationships between industry and statutory providers; a new relationship is considered essential in order for the statutory sector to be effectively supported by industry in this field.
- In addition, the “yes/no” process associated with procurement also hampers the development of this relationship.
- A lack of urgency: In some segments of the statutory sector there is opinion that
 - “We have always coped, therefore we will cope with the tsunami”.
 - Industry is scare mongering about the scale of the challenge in order to create a market.
- Buyers are often inexperienced in this sector and turn to suppliers for guidance, resulting in adoption of sub-optimal solutions.
- Requirements are frequently not fully appreciated by buyers, so are not well defined in contracts leading to sub-optimal delivery.
- Challenges faced by small companies in other sectors (lack of critical mass, lack of commercial reach) are compounded within this novel and challenging market.

KET MARKET DEVELOPMENTS: COMMENT

As a senior and informed delegation, it is unsurprising to see a list of predictions that correlate closely to the dysfunction highlighted in the subsequent session on the day.

It was clearly challenging for the groups to select just three major market developments, perhaps because of the wide range of factors that currently inhibit market progression (which either act as obstacles to be overcome or are qualities that are largely absent from the current market).

Of note is the fact that there is little commonality between the three lists. This perhaps illustrates the different view-points of the different groups and/or the wide range of factors required to support a successful market.



- The current market (which is relatively small but dominated by statutory providers) cannot support business plans based on disruptive initiatives or consumer offerings and therefore businesses operating such business models will struggle to secure investment and sell into the market.
- Business models offering efficiency in established processes to statutory service providers may appear more viable however selling into statutory providers is extremely challenging for small companies due to:
 - Procurement issues
 - Lack of uptake/demand
 - The size and complexity of such providers
 - Solutions that work in one country's system may not translate effectively into another
- Businesses that operate on models based on selling to statutory service providers, may struggle to gain investment if there is instability introduced by government into the statutory sector.
- The lower ceiling on investment funds is typically in excess of the requirements for most digital healthcare companies; there is a mismatch between the needs of many small companies and the selection criteria used by investment houses.
- Experienced management teams are looked on favourably by investors, however, whilst experienced business managers are present in digital healthcare companies, very few individuals have track records in the field.
- Small companies, who in other markets are viewed as the main source of innovation, typically provide only part of a solution in this field which provides challenge to the company and service providers alike.

A SHIFTING PARADIGM

A paradigm shift is required in the provision of health and care. The citizen has been a compliant party in letting healthcare "be done to them". Going forward, and inherent within digital healthcare, is the requirement for elements of responsibility and control to be "handed to the citizen".

Digital healthcare will play an important role in the transition from unsustainable healthcare systems to sustainable systems. If digital healthcare does not become inherent in statutory service provision in time to address the coming challenges:

- gaps in service provision will occur
- these gaps will be filled by new players offering novel products and services



- Setting the issues of poor design and poor business modelling to one side, it is not that small companies do not offer value (in terms of technical and commercial innovation). It is simply a case that this value cannot be validated as it is in other markets (through success or failure in the market), because there are many factors preventing small companies selling, beyond whether they provide “good products or services”. It is therefore impossible to know which products and services offer most value, therefore the market is unsighted as to which are the most effective business models and technical solutions.
- Corporate's strategies for investment and acquisition are hampered by this lack of market validated business models and technical solutions.
- This lack of market validation (of business models and technical solutions) prevents other organisations from pursuing established and successful approaches (because there are no validated approaches).
- In other markets (for example the life science market), small companies that are not successful leave a legacy of IP in the form of patents which can be purchased by other companies. In the digital healthcare sector, IP is typically in the form of knowhow which is less able to be transferred to new players if small companies are dissolved. Currently this is a very challenging market for small companies therefore innovation is frequently lost to the market.
- The regulatory landscape faced by developers is both complex and fluid.
- Consortia working, utilising the expertise and offerings of diverse players, is required to develop comprehensive digital healthcare solutions, however, to date, the models used to form such strategic relationships have not resulted in significant market progression/penetration.
- Governments are sighted as to the challenges facing global healthcare systems but face a number of dilemmas:
 - To date, there has been little evidence that governments can positively influence statutory providers to embrace digital healthcare.

A SHIFTING PARADIGM

With low cost and high levels of adoption required, along with a paradigm shift in citizen ownership and responsibility, aspects of the market will mirror the established high volume retail markets.

The aspects of the digital healthcare market which need to become high volume retail markets by nature will require the discipline known as consumer psychology. This discipline can be used to create products and services that are valued by the end user and that will effectively benefit their health and wellbeing even if the primary value to the end users is not the benefit to their health and wellbeing.



- The necessary shift away from hospital based, centralised models to dispersed, community based models (within which digital technology can play a significant role) offers politically attractive aspects (convenience, efficiency and efficacy to the general public) but also political risk (down-sizing of hospitals, informing the general public of a looming crisis in healthcare).
- In geographies where statutory providers dominate healthcare delivery, there is political risk in either promoting or even accepting that healthcare will have to be delivered by other providers to complement statutory provision.
- There is no demand for digital healthcare from the general public (even though the need is growing) largely because of a lack of awareness of:
 - The growing crisis in healthcare provision
 - The potential of digital healthcare
 - Many sub-sectors within the general public place value on other aspects of their lives above their own health and wellbeing.
- When citizens do become aware of digital healthcare, there will be concerns about privacy of personal data.
- Where there is free/heavily subsidised healthcare, there is little incentive to adopt positive healthcare related behaviour.
- The commercialisation of digital healthcare has largely drawn on historic experience of developing and selling healthcare products to established service providers, however, the paradigm shift to more participatory healthcare requires learning from high volume consumer retail markets.

A SHIFTING PARADIGM

New players offering novel products and service will include:

High Street Retailers:
Pharmacies, consumer electronics, health and fitness outlets, supermarkets

Patient & Community Groups

Housing Associations

Charitable Organisations

Insurers

Private Healthcare Providers

These new players will drive growth in the market and provide social and economic benefit, closing gaps where statutory provision is stretched and promoting healthier living for all age groups.



- Digital Healthcare represents a very different approach to healthcare and as such is challenging to established service providers. Whilst senior decision makers in statutory healthcare organisations understand the potential offered by digital healthcare, change is hampered by “a middle layer” within such organisations based on a belief system which gives rise to resistance through:
 - Fear of change
 - “The comfort of familiarity”: Resistance to move away from established practices
 - Insufficient education and training in use and benefits
 - Fear of “being replaced by ICT”
- Where digital healthcare initiatives have met with some success (in the statutory care market for example), companies selling into the statutory sector remain wedded to a high cost, capital based model and therefore resist market change.
- There is opinion that the benefit from investment in digital healthcare initiatives is not returned to the budget holder in statutory service providers.
- A dilemma exists in developing products and services for the statutory sector in that the buyers are not end users. The need of the buyer and user may be different and result in value being lost when the end user does not embrace that purchased for them.
- Interoperability (of services and technologies)



The D Health Catalyst

THE CHALLENGES AHEAD FOR THE UK

By 2020, the Office for National Statistics predicts that people over 50 will comprise almost a third (32%) of the UK workforce and almost half (47%) the adult population.

Modelling carried out for the Government office for science in 2007 showed that if the trend continued unchecked, 60% of men, 50% of women and 25% of children could be obese by 2050.

The number of people diagnosed with diabetes in the UK rose from 1.4 million in 1996 to 3.1 million in 2010, and by 2025 it is estimated that it will rise to more than 4 million, a 29 per cent increase

By 2030, the number of older people with care needs in the UK is predicted to rise from 2.5 million (2010) to 4.1 million – an increase of 61 per cent.

In Scotland, if prevalence rates remain the same, the total number of people with COPD will rise by 33 per cent between 2007 and 2027.

It is estimated that there are more than 570,000 people with dementia in England, and over the next 30 years that is expected to more than double to 1.4 million.

But this is just a glimpse of a global phenomenon.



A new dynamic...

Conclusion

In the face of unprecedented challenge to global healthcare systems, the European digital healthcare market has shown limited growth due to two factors:

1. Extensive market dysfunction. Dysfunction is low level but endemic; numerous factors collectively add up to a formidable barrier to progression.
2. A paradigm shift, as described in this document, is required (which itself is a form of dysfunction).

Our current healthcare systems are commonly described as unsustainable. As pressure on our healthcare systems increases, demand will outweigh the ability to deliver effective healthcare unless more efficient approaches are adopted (delivering quality and safety) of which digital healthcare offers the greatest potential. Uptake of digital healthcare by established service providers has however been minimal and the rate of adoption is unlikely to increase significantly due to their size and complexity.

As such, the market is constrained and it will remain so unless a new dynamic emerges. If not, the ramifications will be serious:

- Valuable innovation will be lost if small companies cannot prosper.
- Corporates will focus their efforts on other market segments if only niche markets are available.
- Gaps in service provision will exacerbate as pressure increases on established healthcare systems.
- The market will not be ready to provide new solutions (low cost products and services) to meet increasing levels of need.

The Catalyst has been designed to pre-empt this unfortunate prospect by creating a new market dynamic where novel products and services are delivered by new players, working alongside established providers. A select cohort of organisations willing to overcome dysfunction, able to support a paradigm shift and supported by a novel accelerator model, will create a positive dynamic that will ultimately lead to effective and sustainable healthcare systems.

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