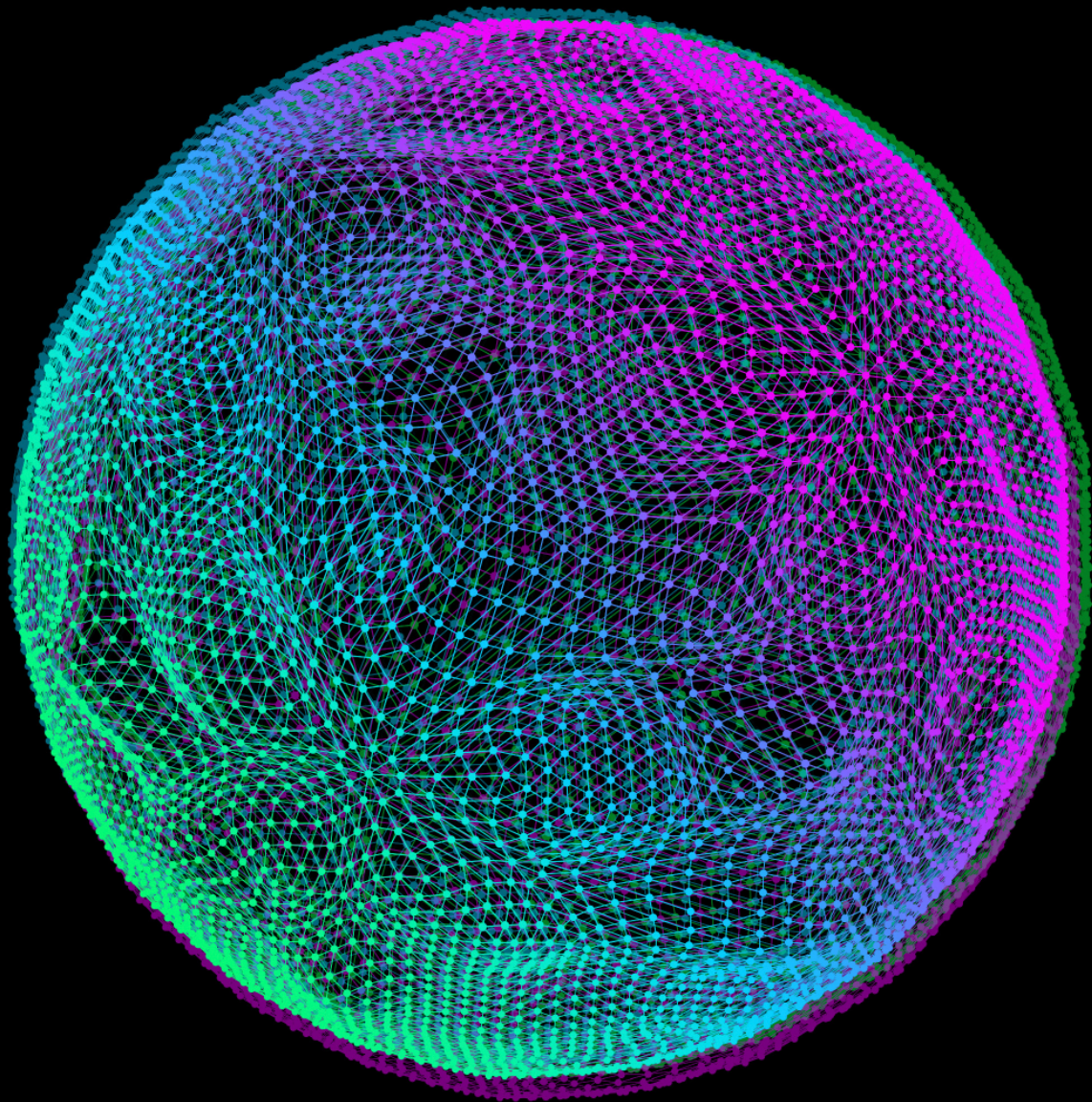


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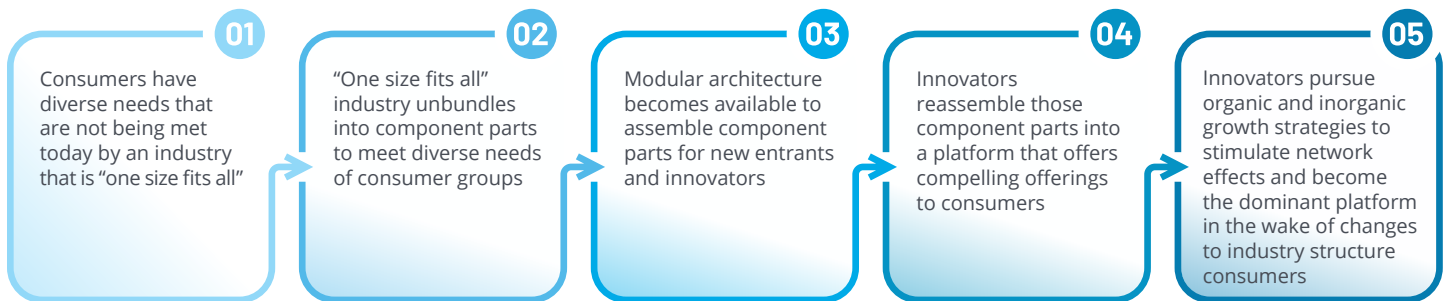
Reimagining health care delivery:
Partnerships propelling new care models

Leveraging platforms to accelerate health care personalization

In the face of escalating care expenses,¹ critical labor shortages,² pervasive health disparities,³ unpredictable health outcomes,⁴ and an overwhelming tide of consumer discontent,⁵ the conventional paradigms governing health care delivery and financing stand shattered. Much like the transformative shifts observed in industries such as television, banking, and transportation, the health system is due to undergo massive changes. This requires a fundamental unbundling and rebundling—unpacking a provider’s full range of services and identifying customized options based on a patient’s medical needs—of the health value chain in new ways. This shift is essential not only to align with the evolving demands of consumers, but also to yield desired outcomes and establish a sustainable framework for substantial cost reduction.

Deloitte’s 2021 paper, [The power of networked ecosystems: How platforms can be a force-multiplier in health](#), demonstrated how new business models like platforms can cocreate goods and services, enable wider customer reach, provide access to new capabilities, and increase revenue (figure 1).

Figure 1: Platform business journey



But how can incumbents benefit from their core while preparing for the newly emerging market?

From pipelines to platforms:

How empowered consumers have driven unbundling and rebundling—and what it means for health care

Many companies still struggle to understand the impact of “empowered consumers” on business; but when they emerge, entire industries are often rewired to satisfy their idiosyncratic needs.

The empowered consumer has proven to be highly engaged and proactive.⁶ TV viewers, for example, changed from passive observers to marketers—social media influencers. In fact, they tend to polarize into distinct communities and trust authority less. Newspapers were unbundled by blogs and classified ad sites. The news is now served by an ecosystem of blogs, videos, etc. that cater to a fragmented consumer base.

Digital enables unbundling of information and content and the formation of new bundles to create value for the consumer—rebundling. The same change is taking place in health care.

And companies that can cater to “bundle” their products or services to distinct communities have prospered. Consider Amazon with its “people like you” algorithms, or Airbnb with homes that fit your aesthetic.

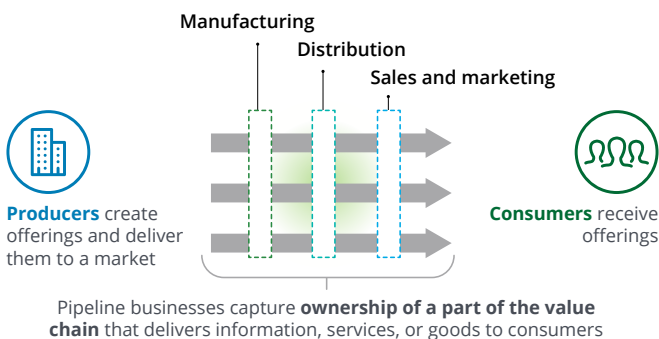
COVID-19 accelerated change of existing care models that were previously “one size fits all” (e.g., primary care). These newer care models considered the needs of underrepresented populations and reimagined the services to provide them to all populations. However, health care is different in that the consumer is not the sole buyer of health services. Thus, businesses in health must adhere to the dynamics of the industry.

While these experiments in unbundling care delivery were welcomed, they also contributed to growing fragmentation. These care models addressed only low-to-medium-complexity cases, underscoring the need for them to partner with the right specialty care providers to achieve scale and reduce the cost of care. While some of these models were able to shoulder risk in terms of pay for performance, per member per month (PMPM) with risk sharing, bundled payments, or sub-capitation, the majority of these companies lacked the experience, balance sheet, and ability to control significant medical cost levers.

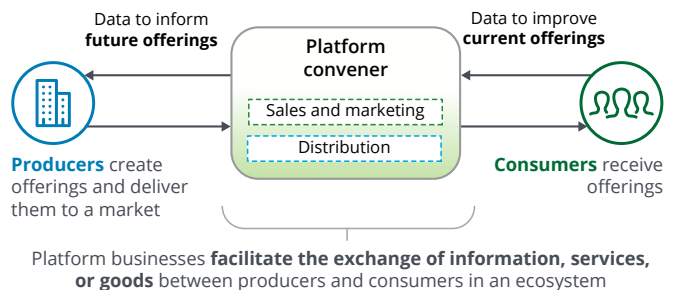
Enter ‘reassembly’—the formation of partnerships between the innovators that have customer loyalty and digitally enabled products, and the incumbents that have scale and expertise in the delivery of complex care. Similar to what we’ve seen in media and retail, the reassembly of the health care industry is being catalyzed by a different business model: the platform business. Many companies are organized as pipeline business models,⁷ delivering value in a linear fashion from the production of a good or service to the delivery of that good or service to the consumer. Pipelines seek to own all parts of the value chain. A platform business does not; rather, it has the infrastructure to facilitate the exchange of information, services, or goods (figure 2).

Figure 2: Platform business models are rewiring the value chain

Pipeline businesses



Platform businesses

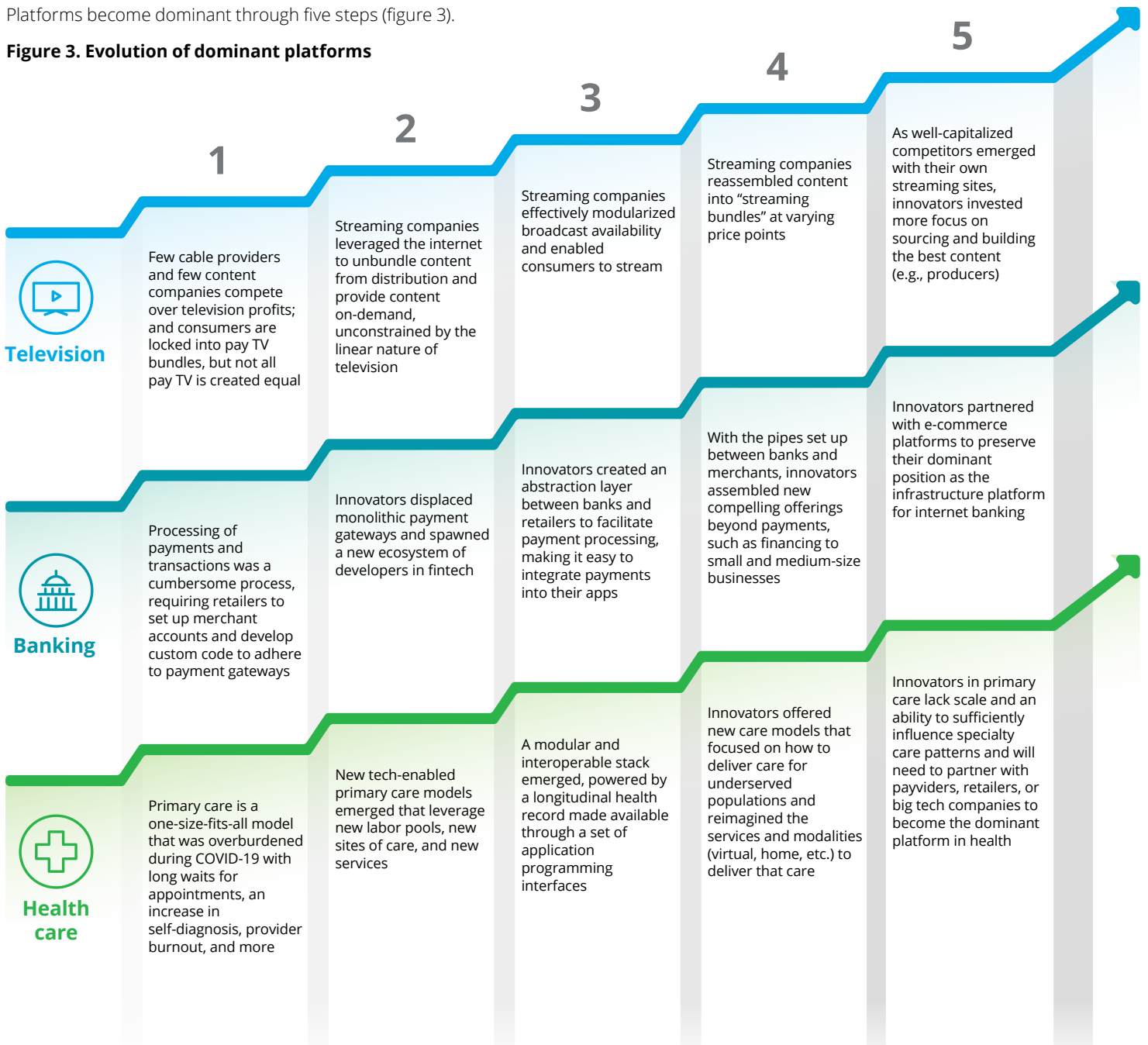


Platform businesses create more economic value by facilitating meaningful connections through an ecosystem to make an underutilized asset more accessible. In health care, platforms are emerging to make consumer-centric care more accessible, and the starting point is primary care.

Platforms typically unbundle a one-size-fits-all system that no longer works. In this respect, platforms are unbundling a primary care model that is designed for the entire population but leaves consumers dissatisfied and is constrained by a monolithic legacy system.⁸

Platforms become dominant through five steps (figure 3).

Figure 3. Evolution of dominant platforms



Can primary care become the platform to serve up improved health care?

Primary care needs an overhaul to align to the demands of diverse communities

Historically, health systems have employed a one-size-fits-all care model, using the same care model for all patients regardless of population—literature demonstrates that the availability and quality of primary care is associated with higher health status; every additional 10 primary care physicians (PCPs) were linked to an increased life expectancy of 51.5 days.⁹

However, the current primary care system is strained.

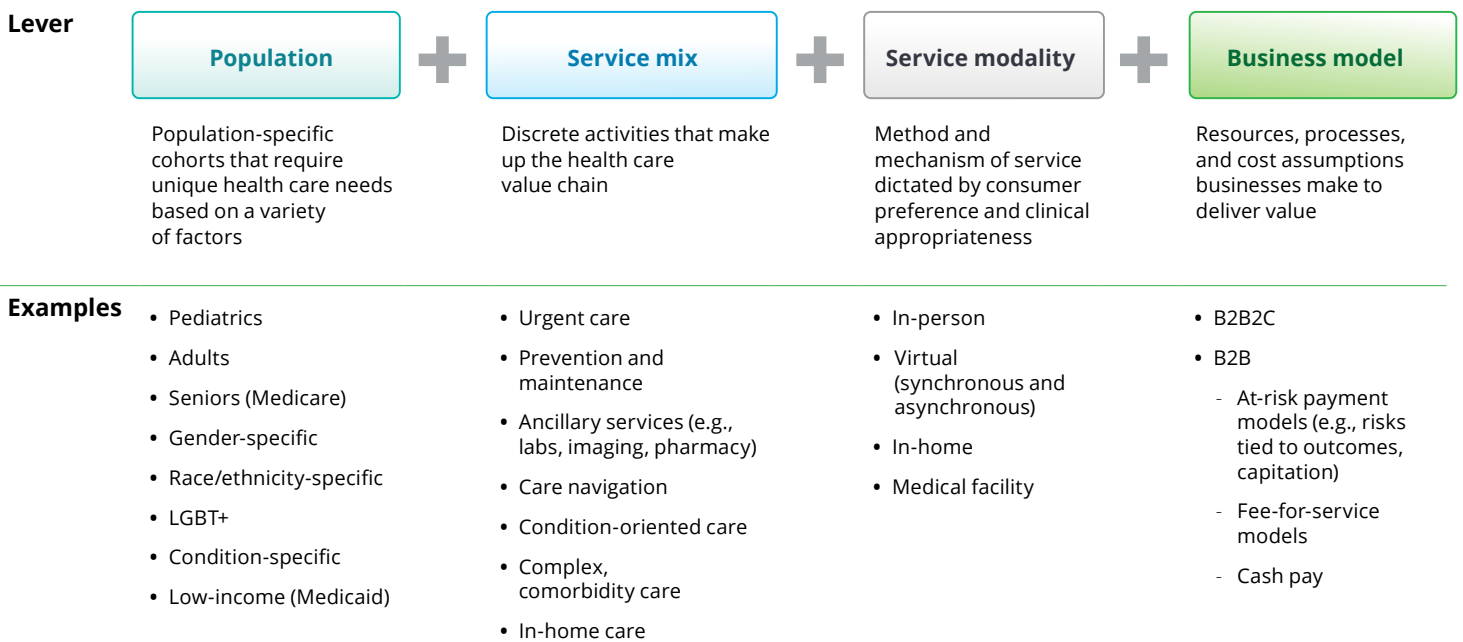
Reimbursement rates continue to decline. Physician labor will likely be further strained as PCPs retire and fewer medical schools generate primary care doctors.¹⁰ Research shows that a majority of Gen Zers and millennials do not have a PCP.¹¹ And alarmingly, only three-quarters of Medicare beneficiaries have a regular PCP.¹² Andreesen Horowitz Partner Julie Yoo writes, “Like any broad platform that provides services across different sectors, eventually, there comes a point where tailoring products and services to specific segments of the population will better serve their unique needs ... primary care needs to be unbundled.”¹³

Fortunately, the tech stack for health has become increasingly mature, and many of the capabilities required to develop new care models can be procured in the marketplace—for example, symptom triage, urgent care, prevention, and chronic condition management.

Consider the different components of primary care and how it can be unbundled and rebundled to create value for consumers (figure 4):

- **Population:** Certain communities have care needs specific to their demographics (e.g., senior primary care, women’s care).
- **Service mix:** Much of primary care can be provided as discrete services (e.g., urgent care, chronic condition management). Further, in an increasingly virtual-first world, the boundaries between primary care and specialty care are porous, and innovators can provide relevant primary care and specialty care for the community they serve (e.g., dermatology, behavioral health for Gen Z populations¹⁴).
- **Service modality:** There is not a single ideal modality for care. New care models need to meet consumers where they are and could consider using underutilized clinicians to do this economically (e.g., emergency medical technicians, or EMTs, in the home for seniors). For Gen Z and millennials, the preferred modality might be virtual.¹⁵
- **Business model:** The delivery of primary care services can occur through various business models including B2C, B2B, B2B2C, and B2C2B. Primary care innovators can tailor their business model and craft risk-based agreements, depending on the size of their population and partnerships they form in the ecosystem.

Figure 4: Bundling of services across population, service mix, service modality, and business model

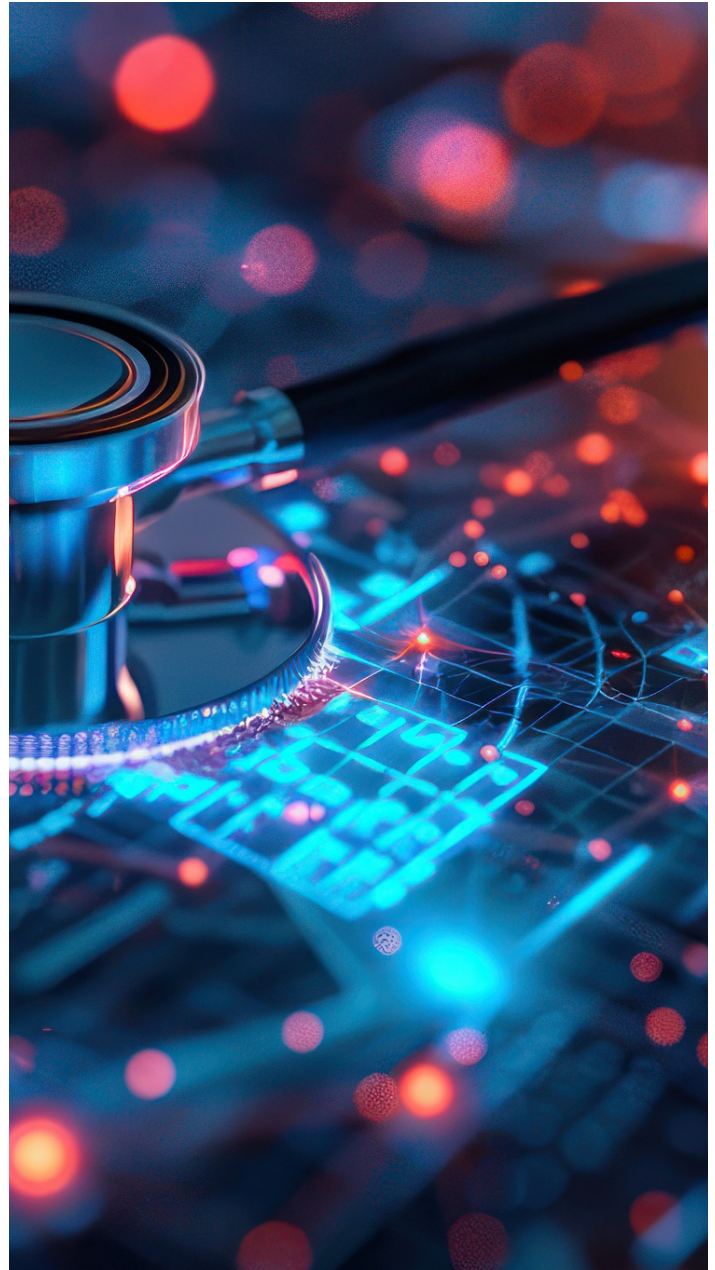


Many tech-enabled primary care companies have suffered recent setbacks. As less revenue is to be expected from risk adjustments, Medicare Advantage primary care players will need to consider how to create more value for their populations. Tech-enabled primary care players serving commercial populations should consider how to scale their model while reducing the cost of care. As an example, a platform business model can be used to help modularize the key functions of care delivery, which would allow care to be delivered anywhere regardless of physical boundaries.

While a strategy centered on different care models for different populations appears costly; over time, customer acquisition costs should decline, customer lifetime value will increase, and health outcomes will improve. Why? Because when one tailors a product to a distinct community, there is a higher level of trust; people tend to trust those who make decisions consistent with their lived experiences¹⁶—and may be more likely to refer the product or service to another person like them.

Chief Strategy Officer of Providence Health Sara Vaezy prophesizes a decentralized health care ecosystem and says, “as payviders, tech-enabled services, new entrants, and big tech all are providing health care services, care delivery is becoming increasingly decentralized and organized around ecosystems tailored to specific sub-segments of consumers ... a sustainable future for health systems will require partnership across the continuum of care ... health systems can’t be the expert at everything, and these partnerships allow systems to leverage specific expertise to deliver the best care at the best cost.”

It will not be enough to build a tech-enabled service people love. To capture an outsized share of profit pools, innovators should drive satisfied consumers to higher-quality, lower-cost providers in the value chain and improve health outcomes. This requires assembling partnerships with entities that provide complex specialty care like health systems. Sara reinforces that a platform model can assemble these partnerships and potentially reduce customer acquisition costs.



Who will be on the podium?

The race to build platforms in health care

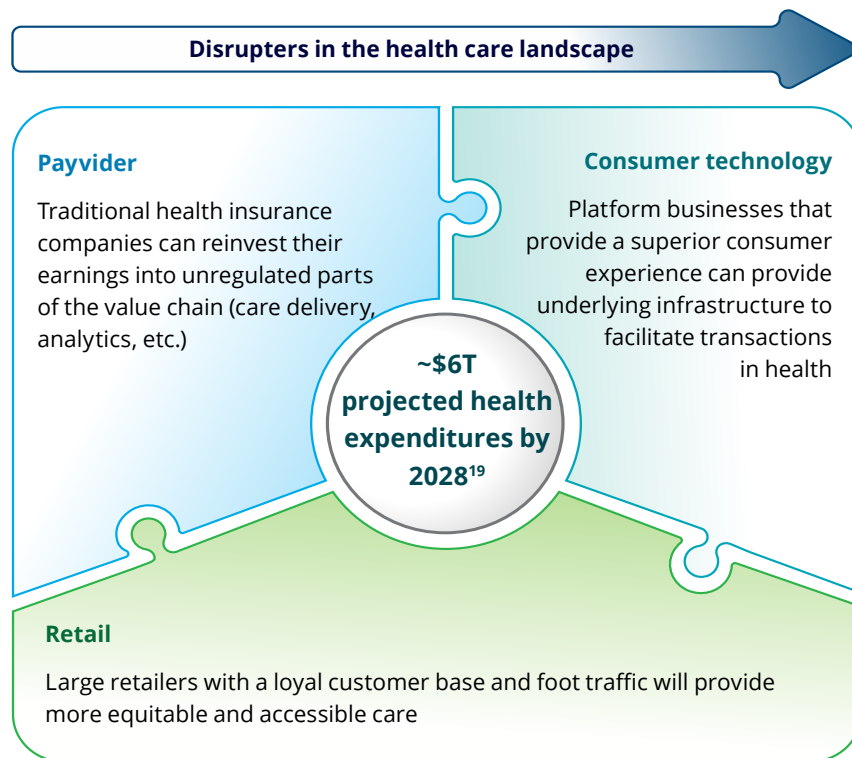
A platform mindset is capable of connecting disparate assets and creating powerful learnings between them

A platform mindset in health means:

1. Patients are guided to different sites of care (virtual, physical, home) and matched with different care programs.
2. Providers are enabled by plug-and-play tools and analytics to support the transition to value-based care (VBC).
3. Advanced analytics can unlock powerful learnings and identify when patients deviate and may be at risk.
4. Most importantly, the platform won't seek to own everything but instead may own the infrastructure for other partners to transact on.

In recent years, payviders, consumer technology companies, and retailers are embracing a platform mindset in health, and they are all positioned to capture an outsized share of the profit pools (figure 5).¹⁷

Figure 5: Disruption in health will come from platform businesses¹⁸



Three different actors are emerging as potentially dominant platforms in health: payviders, consumer technology, and retail.

Each is striving to evolve its strong footing in primary care to become the dominant platform in health and ultimately influence specialty care on its platform. Here's what we're noticing in the marketplace:

- **Payviders** are traditional insurance companies and vertically integrated health systems that have reinvested their earnings from insurance into other parts of the value chain (care delivery, analytics, pharmacy, etc.).
To achieve the network effects experienced by many platform businesses, you need a tech chassis to efficiently move consumers into other products and services. As an example, **Elevance** launched **Carelon**, a platform business dedicated to providing technology and services to other plans.
- **Many consumer tech companies** are native platform businesses with high net promoter scores (NPS), but which traditionally didn't influence the health care value chain.
- **Retailers** have a captive customer base—more than 230 million people enter **brick-and-mortar stores** every week.²⁰ Currently, retailers operate distinct businesses in retail, pharmacy, health, etc. A modern technology stack and a formidable presence in care delivery would position them as a platform in health. In a pharmacy example, Walgreens has recently revamped its clinic strategy to focus on geographically dense markets and to enhance its ability to transition providers to value-based care.
- **Payviders, consumer tech companies, and retailers are all striving to become the dominant platform in health, and they possess a strong footing in primary care.**²¹ From there, a platform business can aggregate specialty care providers onto the platform, including new innovative care models.

While some health systems have lagged in their adoption of platform businesses, they possess powerful characteristics that can catalyze such a transformation. They are trusted by their patients and well positioned to navigate them to the appropriate partner and site of care in the ecosystem. Some national health systems and destination medical centers have capitalized on these tailwinds and launched platform businesses in care at home, hybrid care, and research.

Virtual-first specialty care companies are creating consumer value (e.g., increased access to care) across a number of diseases. However, these specialty care offerings should be aggregated onto a platform to control costs and improve outcomes long term. It is plausible that payviders, consumer

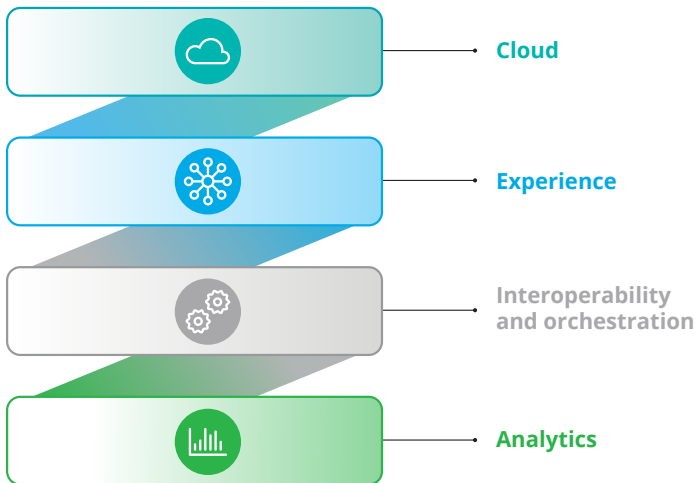
tech companies, and retailers may seek to aggregate many low-acuity specialty care companies and append them to their platforms in primary care, reconstituting parts of the ecosystem.

Platforms need a plug-and-play technology architecture

Traditional companies are often constrained by scarce resources, while platform companies are typically better positioned to **amplify their potential by convening an ecosystem of partners.**²²

This calls for a significant **adjustment in technology architecture.** The architecture should include the following features:

- **Experience layer:** Deliver an omnichannel experience that can plug-and-play different innovators.
- **Analytics layer:** Embed federated learning to preserve data privacy and infuse algorithms and AI where possible to scale scarce labor and improve decision-making.
- **Interoperability and orchestration layer:** Power interoperability through a longitudinal health record, and orchestrate communications to the patient, provider, and caregiver at the appropriate time and modality.
- **Cloud-based layer.**

Figure 6: Technology architecture for platform models

A stepwise approach to a plug-and-play architecture is possible and requires careful calibration of the partners and use cases (areas for focus) to generate adoption and quick wins that build support for catalyzing the flywheel effect. User adoption is critical to unlock the ambitions of a platform business.

It is recommended to take a “thin slice” approach and start with a sub-population of patients and tailor experiences involving third-party partners to consumers. If consumers are satisfied, the platform could then feasibly be able to offer additional services to serve the needs of the consumers.

Fundamentally, platform businesses partner with an ecosystem of innovators to achieve network effects, and this is powered by a plug-and-play infrastructure to allow integration into diverse partner tech stacks. Many organizations think signing a contract with an innovator can solve their problems. In reality, most of these contracts fail to achieve their stated ambitions, as the innovator is not provided with enough resources to be successful.

A plug-and-play platform should have the following components:

- A recommendation engine to match the patient with the appropriate innovator analytics to identify unmet needs for the consumer/patient
- A longitudinal health record that spans clinical, claims, social determinants of health (SDOH), consumer-mediated, etc.
- A marketing engine that executes enrollment campaigns across modalities
- A deep level of integration based on consistent data standards and architectural patterns (e.g., bidirectional, software development kits)
- Transparency of experience in connected workflows (e.g., provider can see if their delegated patients are actively engaging with their digital therapeutic)
- A feedback loop and learning framework that continuously refines campaigns, actions, pathways, etc. based on outcomes achieved

What does health care want to be next?

The reassembly of care poses existential questions for the industry

Companies across the industry—plans, providers, medical device providers, and health tech companies—should seek to answer key questions to help define their role in a network of ecosystems.

- What does it mean when a payvider, consumer tech company, or retailer is consulted on where patients go for their care?
- Is there a tipping point where a nontraditional health care entrant becomes more trusted after so many convenient interactions?
- When patients are guided to different modalities, what happens to traditional inpatient modalities with high fixed costs?
- How can health systems respond to disruption posed by payviders, consumer tech companies, and retailers? What happens to the health systems' profit pools?
- What does it mean for the economics of care as more payviders embrace VBC?
- How can the increasing demands of personalization in care be balanced with the need for scale?

In a rapidly changing industry, key players can simulate what may happen to their profit pools as platform-backed ecosystems influence where the consumer goes for their care and how they are treated. These companies should decide which assets they possess that are valued by others and whether they can build a platform or join an existing platform-backed ecosystem.

Answers to these questions will require experimentation.²³ One can test whether their offering is viable in an ecosystem through a curated set of partners called a minimal viable ecosystem. A concerted strategy, a reliable set of partners, and a deliberate technology stack can help secure one's positioning in the ongoing reassembly of health care.



Contacts

Simon Gisby

Principal
Deloitte Transactions and Business Analytics LLP
+1 917 599 8550
sgisby@deloitte.com

Jen Radin

Principal
Deloitte & Touche LLP
+1 646 420 8350
jradin@deloitte.com

Jeanette Yung

Principal
Deloitte Consulting LLP
jeyung@deloitte.com

Neal Batra

Principal
Deloitte Consulting LLP
+1 212 618 4891
nebatra@deloitte.com

Boris Kheyn-Kheyfets

Senior Manager
Deloitte Consulting LLP
+1 917 376 8213
bkheynkheyfets@deloitte.com

Andrew Tucci

Manager
Deloitte Consulting LLP
+1 516 581 7578
andtucci@deloitte.com

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