



## The future of health: The federal government's role in driving transformation

### **The context and the opportunity**

Everywhere, health has become a central issue for government agencies. The pandemic has redefined health—especially public health programs, capabilities, agencies, funding, and outcomes—as a core responsibility of elected leaders and public policymakers.

Health is now seen as deeply embedded in our national security, economic outlook, and quality of life. Elected leaders and public policymakers have a special interest in fixing the shortcomings in our

public health programs and agencies—shortcomings that COVID has made clear in varying ways.

Those shortcomings run from structural to financial. Today, agencies with a significant public health portfolio may often find themselves fragmented, reactive, and disconnected from the industries they regulate; poorly prepared for crisis; and, of course, underfunded. Inequities in health access and health outcomes by race, ethnicity, and socioeconomic status have widened.

At the same time, and independent of COVID, we have seen a massive transformation in the potential for American health care to change and become more efficient, interoperable, effective, accessible, responsive to community needs, equitable, and caring. Our health care system—especially our public health capabilities—is in need of transformation; the seeds for that transformation are already being laid today.

However, this transformation is not a given. In addition to the global pandemic, public agencies face a decades-long backlog of funding needs; ongoing preventable chronic disease epidemics; the growing threat of climate change; and pervasive inequities that threaten our health, longevity, and trust in government and its leadership.

This paper explores how public health agencies can overcome these barriers and position themselves for this transformation. Deloitte believes that federal and public players in the health care system—payers, providers, networks, regulators—will play an outsized role in bringing about this transformation and will benefit from that work.

The key dimensions to the future of health are:

- **Exponential opportunities** – Trends such as additive manufacturing, AI, biomedical engineering, data liquidities, and quantum computing may seem remote to health, but they will directly impact the quality, affordability, and accessibility of physical, mental, and other health services.
- **Consumer empowerment** – As consumers gain more real-time and accurate information about their health, they will be empowered to focus more on well-being and prevention. The rise of wearables, for example, has led to meaningful changes in personal fitness habits and awareness of key indicators, such as rest, respiratory rate, and heart rate variability. The consumer is increasingly the driver of health-related decision-making and will expect accessible health care records, diagnostic tools, virtual visits, consumer data, personalized care, and health equity.

- **Anti-status quo** – Amid all forms of transformation, one common denominator will be the bias toward change. General hospitals will cease to play their central role, traditional insurance such as primary medical financing will end, mass-produced and non-targeted pharma will fade away, and—most critically for federal agencies—public health will be re-envisioned with a greater focus on accelerated innovation and improved trust and equity outcomes.

These three dimensions will likely drive transformation in the health care system everywhere, so no single participant—especially one as essential as the federal government—can afford to ignore any single dimension.

Each major player should decide where to act, when to act, and how to act. Those decisions will help determine, to a meaningful extent, the power and influence federal agencies have over health care transformation.

In our view, these transformations can be meaningfully positive and additive. We have previously identified how the benefits of transformation could lead to major outcomes in improved wellness. Those improved outcomes could, in turn, produce a [well-being dividend](#) across our economy of roughly \$3.5 trillion by 2040—savings that will largely come in the form of better management of chronic conditions, greater efficiencies in the delivery of preemptive and clinical care, more equitable and inclusive distribution of health care investments, and a slower rate of growth in health spending at all levels. This dividend is expected to be shared among all major players in the health care system, including federal agencies.

### **The federal government's unique role**

The federal government has always been an outsized player in the health care system as a payer, funder, and provider. Government agencies can shape the course of future health care through the implementation of regulation, testing, innovation, financial incentives and disincentives, consumer supports, and, as we have seen, through its management of major public health crises.

Relatedly, health costs are a significant driver of the federal government's finances and fiscal outlook. At the same time, future health costs have always been assumed to rise faster than overall inflation, especially as the population ages, chronic illnesses and degenerative diseases increase in the population, and the availability of ever-more sophisticated forms of health care and therapies are introduced.

Therefore, the transformation of health by way of technology, consumer-centricity, and a bias toward fundamental disruption is likely to impact the federal government and its agencies.

In fact, the federal government stands to benefit meaningfully at the center of the trends that are reshaping and transforming health. And the federal government and its agencies can accelerate or at least support these trends; shape them or be shaped by them; and, with targeted approaches, greatly capture the savings, efficiencies, quality enhancements, and improved outcomes that are promised. More than any other player in the health care system, the federal government will be the prime factor in the future of health. Therefore, federal agencies will need to consider how government will respond to the major trends we foresee.

In the following section, we spell out these trends in detail and then discuss how agencies may have to respond to them with specific workstreams and initiatives.

The federal government stands to benefit meaningfully at the center of the trends that are reshaping and transforming health.

## Re-envisioning public health: Six themes for federal agencies



### 1. Health as a national security priority –

The COVID-19 pandemic proved, beyond any doubt, that the government has a primary responsibility to protect the well-being of US citizens from threats to public health. In addition, health is now a major factor in broader global security issues, and the federal government by definition should view emerging health crises overseas as a threat to our national security, whether they come in the form of viruses like COVID or Ebola, endemic diseases like malaria, or the destabilizing impacts of malnutrition.

No other entity can be counted on to respond coherently to a public health crisis; nor can any other entity be relied upon for necessary funding

and coordination of research. In addition, the federal government is uniquely positioned to build and maintain a resilient supply chain for critical crisis response—or at least promote health care readiness and supply chain efficiency.

Just as citizens count on the federal government to play the central role of sourcing a standing army while also funding necessary research and purchases of advanced weaponry, there now stands a near-certain expectation that the federal government will pay for whatever is necessary to protect public health. The current [National Disaster Medical System](#) is a solid model on which to base and scale future federal efforts. In short, health care readiness is no different than any other core security readiness—it is how the government protects the homeland and the life and prosperity of its citizens and provides for the well-being of all its people.

As we have seen before in this nation's recent history, national security can often drive policymakers to see fresh security and defense-related challenges in a new light. For example, after the Soviets launched Sputnik, science and math education at the local and state level was seen as a national security imperative. After the 9/11 attacks, the travel and banking industries were seen as major fronts in the global war against terrorist groups. Today, agencies with a significant public health portfolio now realize that the nation's security depends on their work—because it does.



## 2. Cross-industry and cross-sector partnerships

– The federal government has proven at its best to be an effective convener of key participants in the health care system—but there are opportunities to optimize this effort. The leading role the federal government played in supporting human genome research—and [resolving disputes](#) within research circles—is one of the most critical accomplishments for public health in the last generation. That said, federal coordination and convening of public health and private health authorities is not uniformly successful.

Certain approaches must be adopted by federal health agencies, no matter their area of focus:

- Build accelerators and “sandboxes” where regulators, government payers, and private companies experiment with new technologies in an open and innovation-focused way;
- Collaborate with the private sector on digital health technology in particular, similar to the Software Precertification Program for SaMDs;
- Collaborate with NGOs and other nonprofits to address local and national health care gaps and needs;
- Promote the Accelerating Medicines Partnership, which includes the NIH and FDA along with NGOs and patient advocacy groups, to coordinate funding and research into new diagnostics and treatments;
- Build cross-industry capabilities to help promote better health outcomes through the use of programs similar to the National Emerging Special Pathogens Training and Education Center (NETEC), which has proven effective during the pandemic; and
- Leverage existing private-sector health infrastructure—such as the nation’s robust retail pharmaceutical industry—to build deeper resilience and efficiency.

Whether in the development of new therapies or new wearables, federal agencies with regulatory oversight can offer input earlier, prioritize tests and research, streamline trials, and expand their own internal resources in specific areas of interest. These signals can greatly stimulate private-sector investment and cooperation and lead to better outcomes.

Federal coordination and convening of public health and private health authorities is not uniformly successful.

The opportunity presented by new technologies to guide therapeutic and clinical approaches is massive—federal agencies will need to adjust. For example, some will need to evaluate how emerging therapies can be put into use more quickly and at scale. Some may also need to invest more into their own IT as an essential step toward better integration with emerging technology providers. Some agencies may want to establish centers of excellence in areas of special interest—similar to the FDA's Digital Health Center of Excellence—to share knowledge and innovate regulatory approaches.



### 3. Technology and data bedrock – So

much of modern health care will be built on a common set of standards, interoperable data systems, and core technologies—all of which must be significantly funded and supported by the federal government. Consider the impact of effectively funded and deployed electronic health records (EHRs). The same course can be taken in other technologies to drive take-up in the private sector of interoperable data, the use of data-driven decisions at the clinical level, and a focus on efficiencies and potential savings.

In addition, the federal government can focus on its own regulatory structures to make possible the greater use of technology and the enablement of process improvements. For example, the federal government could focus on supporting robotic process automation to promote more accurate, effective, and timely clinical treatment and

public health options. And behind any focus on technology as an enabler, the federal government can provide a valuable and much-needed buttress for cybersecurity. The government's capabilities in this area are often far greater than those in the private sector, and as a neutral player in the data marketplace, it can provide valuable proactive threat analysis on AI applications and protection of AI source data and algorithms—essential to the ethical design and governance of AI technologies. This capability may prove particularly useful in the wearables market, where sensitive private data is being collected in ever-expanding ways, therefore presenting a risk to privacy. Any cyber failures in this emerging space could prove disastrous to the long-term viability of technologies, which, we believe, are going to promote wellness, consumer-centricity, better health outcomes, and better clinical decisions.



#### 4. Agencies are catalytic innovators –

Early-stage innovations in health care—as in all technologies—require funding and knowledge-rich catalysts that have the luxury of long time horizons before capturing the value of early investment. In that sense, federal agencies should consider modeling themselves on venture investors in early-stage health technologies and ecosystems. By doing so, they will be more likely to capture the well-being dividend.

Though they are not private-sector players, federal agencies and payers are well suited to play the role of catalyst. The US Department of Health & Human Services' Biomedical Advanced Research and Development Authority, for example, was established more than a decade ago and has contributed meaningfully to the development and purchase of medical countermeasures that respond to various medical and related threats or events. In the same manner, the Advanced Research Projects Agency for Health (ARPA-H) represents the kind of effort federal agencies will need to deploy in the absence of traditional research and commercial investment. Just as the NIH is a \$30 billion-a-year funder of basic research essential to long-term gains in health-related technologies and capabilities, the federal government's ARPA-H can play a vital role as a first and best funder, an early-stage reviewer of data, a forecaster of how innovations will affect health-related technologies and opportunities, and a convener of new health ecosystems (similar to the role it played in building the internet's initial institutional cooperation).

Agencies with a significant role in reviewing research and providing guidance to emerging technology can provide greater flexibility in grants, more real-time reviews of incoming research data, and investment and guidance in the scaling-up process. Some agencies may find the close regulatory linkages and presence found in other market segments (agriculture, banking, etc.) to be a valuable analog, if not exact for health care.

Government agencies can provide feedback loops so that regulators and private-market players are exchanging valuable information more rapidly. This would require regulators to adopt “soft law” mechanisms to adapt quickly to changes in technology and business models and to handle issues as they arise with a bias toward promoting innovation, not stifling it.

Federal agencies should consider modeling themselves on venture investors in early-stage health technologies and ecosystems.



**5. Public trust is the currency** – In an era when public trust in government institutions [is near historic lows](#), it is essential that public health authorities focus on building and sustaining trust through consistent and effective action, a focus on all citizens, and efforts to combat misinformation and deliberate disinformation—especially in crises.

This a multidimensional challenge. First, public health authorities should make clear they support the well-being of all citizens and not just those with political power. By placing equity—defined as a focus on equal treatment and equal opportunity—at the center of all public health decisions, public health agencies will likely be able to build trust among groups traditionally underrepresented in health care decisions. Agencies should consult closely with communities most sensitive to their decisions and actions—consider the [High Impact Service Providers](#) initiative, which aims to elevate service performance and the customer

experience at dozens of major federal agencies and programs. Also important is addressing the role of outside actors who [drive a wedge between the public and health experts and authorities](#).

Agencies must not assume that their say-so is taken at face value or even reported to the public accurately; each agency, especially those with a significant public health portfolio, must engage the public proactively and regularly; build its own direct channels to the citizenry; work with schools, faith-based organizations, community groups, and others to present vital health-related information; and combat any efforts to misinterpret or misrepresent their actions. Finally, public health authorities will likely accrue trust as they focus on doing their work well and in a transparent fashion. That means prevention of fraud, coordination across government, adoption of user-friendly and digital-first platforms, and a results-based orientation.

In many cases, federal agencies may need to champion—and honor—consumer rights when it comes to access to information and insight into policy intentions, goals, and outcomes. Federal agencies not used to a consumer-driven focus will need to adjust culturally and programmatically and adopt new modes of serving the public, just as they seek to protect the public in the private sector.



## 6. Community-centered care and health equity

– Increasingly, the future of health will be shaped at the [community](#) level, where local organizations will build capacity, address systemic racism and inequities, view health care outcomes on a social basis, and pay closer attention to prevention and self-management of chronic conditions. The federal role in all these trends is manifest—what’s more, federal agencies will often have to take a leading role in supporting community-based health care delivery and infrastructure, enabling access to data-driven health at the personal level and supporting better health habits and well-being for all citizens. Agencies will need to provide resources and solutions where there are none right now. They will also need to focus on fitness, nutrition, social determinants of health, prevention, self-management of chronic conditions, and greater overall consumer empowerment.

Federal agencies that fund major public health programs will need to spend more time and energy looking at the social determinants of health and whether their programs are doing enough to close outcome gaps clearly associated with socioeconomic or demographic status. For example, a federal agency whose programs are critical to rural populations will need to pay special attention to all subgroups of rural populations to be sure they are all equally served.

## Conclusion

Amid the COVID pandemic, federal agencies remain under immense pressure to deliver against often shifting expectations. But even when the worst moments of the pandemic pass, the federal government will retain a major and outsized role in the health of the nation and, importantly, will be able to guide its transformation toward a system that is more digital and more consumer-centric.

That work will take shape across three major areas:

### 1. Assess your readiness for the transformation in health care:

Every agency needs to evaluate where it stands as the trends shaping health care take root. Can you say your current programs and priorities are “transformation-ready” or “transformation supporting”?

### 2. Define the priority areas where you need to play:

Determining where your agency can be most proactive will yield a set of strategic goals that are achievable and impactful.

### 3. Build greater capacity for future transformations:

Addressing near-term priorities will allow your agency to think and act more boldly to shape the transformation of health care today.

We recommend focusing on the following key trends:



**Health as a national security priority**

Build and maintain a resilient supply chain—especially onshore capabilities—for your agency's priority issues and mission (i.e., emergency readiness, medical countermeasures, support for crisis care services, delivery of vital supports).



**Cross-industry and cross-sector partnerships**

Create and support an ongoing dialogue with key industry stakeholders on interoperability and innovation.



**Technology and data bedrock**

Establish a "sensing" mechanism that participates regularly in discussions on emerging trends in health care.



**Agencies are catalytic innovators**

Establish initial funding of basic research essential to long-term gains in health-related technologies and capabilities.



**Public trust is the currency**

Create more transparency in decision-making.



**Community-centered care and health equity**

Build enduring and sustainable community relationships to address social determinants of health, and establish measures that track your performance toward health equity.

## Authors



**Neal Batra**

Principal, Deloitte Consulting LLP  
nebatra@deloitte.com



**Jason Wainstein**

Principal, Deloitte Consulting LLP  
jwainstein@deloitte.com

# Deloitte.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

**About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.