



Health Care Strategy Insights: Scenario Planning

***About the authors:** Ryder Riess and Sally Bogus are health care strategy leaders who pioneered Deloitte's Health Care Scenario Planning & Strategy response for the COVID-19 pandemic. This editorial represents their perspective on how organizations can use scenario planning to help clarify uncertainties, orient to a future state, and set priorities for response, recovery, and thrive.*

During the first few months of the COVID-19 pandemic, health care organizations were focused keeping the doors open to meet unprecedented community needs, supporting staff with limited resources, navigating public / private resources, maintaining financial buoyancy and learning day-by-day how to fight the ever-changing virus. Strategy became a 24-hour cycle and organizations were making decisions at light-speed, often bringing long planned initiatives to scale at an incredible pace in the face of need (e.g., scaled virtual solutions). As some geographic areas move away from the initial peak of cases, CSOs are able to come up for air from the immediate COVID-19 response phase and shift focus to [resetting their strategies, even in a time of great uncertainty](#), by leveraging scenario planning.

No one can predict what the future will hold, but scenario planning can help organizations prepare for what *could* happen by enabling the creation of dynamic strategies that take risk and agility into account. Currently, CSOs are focused on four key uncertainties: degree of regulatory change, economic impact, consumer behavior, and drivers of health and equity. Each of these includes a unique set of signals:

- 1) **Degree of regulatory change:** Regulations that loosened reimbursement and privacy barriers to virtual health served as an unexpected catalyst to innovation. CSOs are determining the implications of their strategy if these regulatory

changes are rolled back versus cemented. In addition, organizations must consider how they can push for additional regulatory shifts to increase patient access to critical services (such as reimbursement for behavioral health) and what implications the upcoming election will have on the future of the U.S. health system.

- 2) **Economic Impact:** Unemployment rates continue to rise, causing an increase in the uninsured, underinsured, and Medicaid populations. Health plans in particular, are considering the implications to their membership volumes and the overall risk profile of their current and potential future member base. Hospital systems, on the other hand, are struggling to maintain margins in this environment and are planning for scenarios in which federal financial aid may or may not continue and these economic conditions persist.
- 3) **Consumer Behavior:** Fear of COVID-19 exposure combined with increased economic and social instability has resulted in many patients deferring routine, non-emergent care. This is resulting in decreased patient volumes for some systems, as well as sicker admitted patients (with higher in-patient census) for others. CSOs are considering if/how long these trends will continue and how to plan for the financial and health outcome impact of patients who have deferred care and will likely require more intensive treatment in the near future.
- 4) **Drivers of Health and Equity:** The COVID-19 pandemic is magnifying the profound impact racism has on individuals' and communities' health and well-being as a result of the disease itself, its economic impact, and systemic racism inherent to the U.S. health care model. Organizations are actively working to remove systemic racism and inequity from their care models. However, they must also monitor how other organizations and regulators are reacting as the future is dependent on the decisions of all players in the health care ecosystem.

Scenario planning is not a 'crystal ball' approach, rather it is an ongoing and iterative process that enables prioritization of key decisions and portfolio strategy. CSOs' views on where the market and industry are trending will influence the organizations' future strategy. Once potential future scenarios are established, CSOs can begin to answer the following strategic questions:

- How should we alter existing / create new investment decisions across our strategic portfolio of initiatives?
- How should we create balance across core to transformational initiatives and at what level of human / financial investment?
- How *many future scenarios* will have to be considered and how will we know when to shift again?

These questions help determine strategic stances in response to perceived risk and opportunity in and across several future scenarios, leveraging signals to adjust as more information is received. Based on conversations with clients about future scenarios, we see five key portfolio strategies emerge. Specifically, organizations that believe there is a clear line of sight for a future scenario are 'doubling down' and choosing to "**Bet-The-**

Ranch” by going ‘all in’ for one big investment. On the other hand, organizations that believe there are levels of high uncertainty across multiple future scenarios will choose **“Core & Satellite”** to hedge against uncertainty and react quickly to change as needed. Other strategies include a **“Balanced”** approach, **“Equal Hedges,”** and **“Experiment and Pilot,”** as described below.

PORTFOLIO STRATEGIES

BALANCED: invest similar levels across scenarios, and focus on options that would work out well in all scenarios

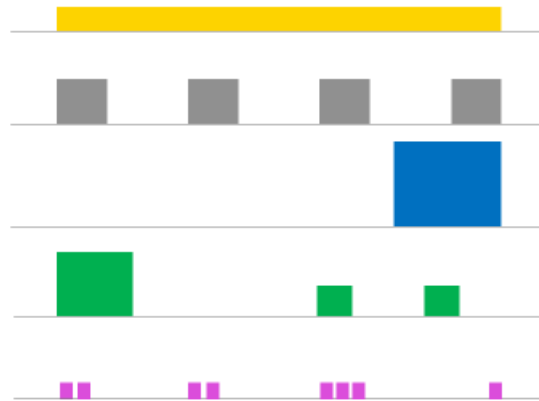
EQUAL HEDGES: make several distinct investments of relatively equal size across a number of the scenarios

BET-THE-RANCH: make one big investment that a certain future will happen, and then do all you can to make that scenario a reality

CORE & SATELLITE: place one major investment, with one or more smaller investments as hedges against uncertainty

EXPERIMENT & PILOT: run small-scale pilot projects and experiments to learn more about one or more scenarios, and to plant seeds for larger investments later

ILLUSTRATIVE EXAMPLES



Crafting a portfolio strategy based on future scenarios enables health care organizations to find balance in potential future truths, by acknowledging the uncertainties that exist. **Now, more than never, in a landscape of true uncertainty due to COVID-19, CSOs must continue to monitor market signals to inform scenario planning and prepare their organizations for a new future of health care.**

Thank you, and please let us know if you have feedback or suggestions. We look forward to hearing from you!

Please reach out to Ryder or Sally with any additional questions.



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