

XCentium Trends Report

As demand for new mechanisms to engage with healthcare consumers continues to grow, so will investment in the space.

XCENTIUM



TRANSFORMING THE HEALTHCARE EXPERIENCE

COVID-19 caused rapid adoption of experience innovations, but will the pace of change sustain?

Before the COVID-19 crisis, leaders in the healthcare industry slowly began to recognize that healthcare digital transformation, driven by improving the healthcare experience, can build trust, increase profit, and, most importantly, improve individual and population health outcomes.

Well-known for glacially slow acceptance of technological change, the healthcare industry had begun to move beyond the digitization of medical records and into the adoption of a broader array of innovations to the patient's experience. This second wave of digital transformation was driven by regulatory incentives, competition, and an eye towards well-funded silicon-valley challengers.

Hospitals and healthcare systems also began to recognize the value of leveraging segmented and personalized communications to achieve objectives like reducing the number of unneeded and costly emergency room visits and improving outcomes with follow-through on post-procedural care. In general, extending the continuum of care by helping healthcare consumers make more informed decisions before, during, and after their visit to a doctor.

But then, everything changed.

By mid-2020 hospitals around the globe were operating above capacity and seeking new ways to manage the needs of their patients. To mitigate the risk of being completely overrun, many institutions experimented with an unprecedented use of digital by moving the front door to care out to their website. By allowing individual patients to triage their symptoms with COVID-19 self-diagnostic tools, hospitals created a little breathing room so they could better focus care on those who needed it most.

This era also saw explosive growth in the adoption of virtual care via telehealth technology.



COVID-19 accelerated changes to the Healthcare Experience.

Remarkably and to their credit, amid the most significant pressure test our healthcare system has encountered in generations, Healthcare industry leaders pivoted incredibly fast in 2020. As a result, there was unprecedented growth in the adoption of healthcare digital experience innovations. As demand increased beyond what was ever previously imagined, a normally risk-averse cohort of digital leaders adopted new systems at a record pace to meet demand.

Beyond self-diagnostic tools, healthcare systems adopted virtual care at breathtaking speed. In April 2020, overall telehealth utilization for office visits and outpatient care was 78 times higher than in February 2020.

Although driven by the pandemic, this pivot was accelerated by 3 key factors:

1. Increased willingness to use telehealth among patients.
2. Increased willingness to leverage telehealth among providers.
3. Rapid regulatory changes that allowed increased access and incentives.

In fact, as early as February of 2020, the CDC issued guidance advising persons and health care providers in areas affected by COVID-19 to adopt social distancing practices and went so far as to specifically recommend health care facilities and providers offer clinical services via telehealth.

Interestingly, it is predicted much of the pandemic-driven wave of technology adoption will prove to be little more than a stop-gap measure. First, the current generation of software for virtual care was not always so easy to use. Second, the largest cohort for hospital services in 2021 still prefers a good old-fashioned visit to the doctor's office, even as the pandemic persists and evolves into new variants.

There are also institutional obstacles that need to be resolved for telehealth to reach its true potential. These include geographical regulations, licensure issues, and access to high-speed internet.



COVID-19 accelerated our adoption of virtual care. We needed a way to safely serve patients who really didn't need to be seen in person.

– Alan Shoebridge,
Director of Marketing and
Communications, Salinas Valley
Memorial Healthcare System

However, now that the industry has received a healthy dose of change, it is expected to catch on in the long term. The provider space saves tremendous amounts of time, money, and resources when they successfully divert unnecessary, physical visits. This allows better in-person care for those that really need it while lowering the cost of healthcare for everyone. It also allows them to provide care for previously un- and underserved populations, a priority for the provider space.

But the next generation of telehealth will be about much more than doctor visits intermediated by a glowing rectangle.



Investment meets the moment (and future demand).

According to the widely referenced Rock Health 2020 Market Insights Report, digital health venture funding nearly doubled in 2020, at \$14.1 billion. In 2019, digital health venture funding reached \$7.4 billion, which was down from the previous year, signaling a slowing of interest in the sector. And, with \$6.7B already invested in Q1 2021 the upward trend continues.

When classifying deals by value proposition to the healthcare consumer, on-demand healthcare was the most funded in category 2020, with \$2.7B total funding across 68 deals, supporting a connection between the pandemic and accelerated investment.

With promises including see a provider now, take control of your health, or same day prescription delivery, it's easy to understand why it is predicted that demand for on-demand healthcare will continue to grow long after COVID-19 has passed. Although older healthcare consumers make up a larger share of the current market, as predicted across every other industry, younger healthcare consumers base their expectations for healthcare on leaders in customer experience across all industries. They expect more convenience, more control, and more connection.

The health tech funding infrastructure has been laid, but we're still at the very beginning of a trillion-dollar opportunity.

– **Cofounder,**
health-focused venture fund



An Apple a day keeps the doctor closer than ever.

Among startups the health tech industry incumbents are watching, some of the most interesting and well-funded are spinning out of the Silicon Valley giants including Google, Apple, and Amazon.

Apple Health and their open-source competitor Common Health are focused on building a robust platform ecosystem with a singular focus on increasing the volume, frequency, and recency of health metrics shared between doctors and their patients while giving healthcare consumers more control over their health data.

Both ecosystems allow people to securely download, store, and access medical records on their devices and share them with other apps and services. This functionality enables individuals to control their health records more effectively and connect data about behavior, context, medical history, and status.

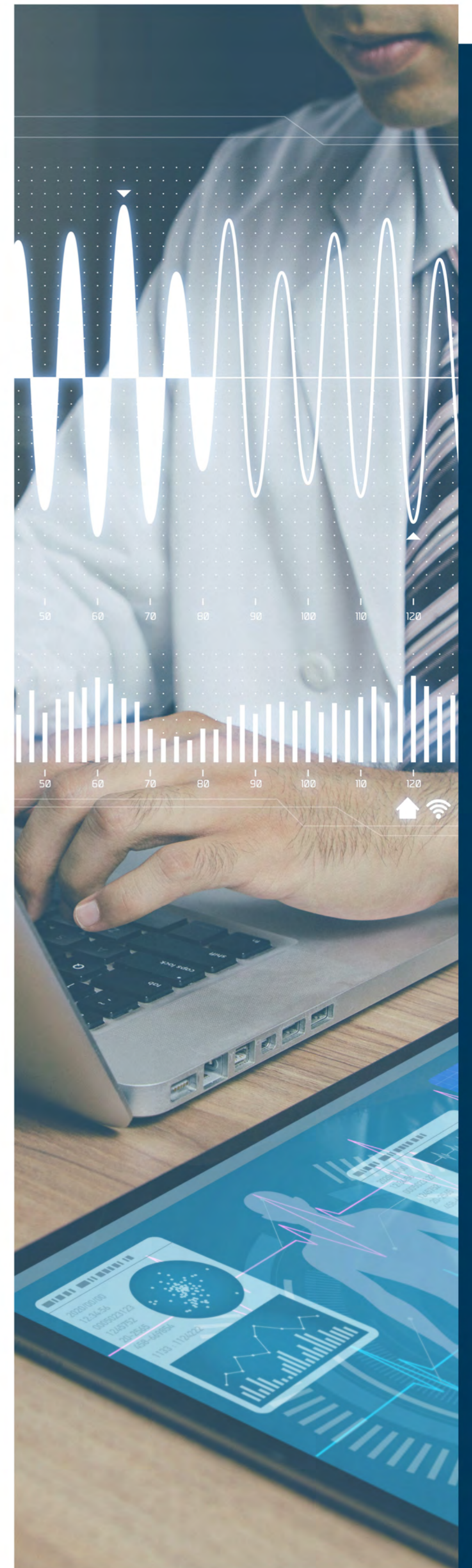
Offering individuals access and control over their medical records increases agency in decision-making around care and, for an increasingly mobile population, decreases friction when switching providers. This efficiency gives healthcare consumers more time with their doctors on the stuff that really matters.

Interestingly, they also give patients the ability to provide family members and other trusted individuals with access to their information. For anyone who has lived through the experience of trying to get information from caregivers in a crisis, this is a welcome and meaningful feature.

Both apps also offer unmatched integration with other devices and sensors such as the respective digital watches.

Promising that healthcare has never been so convenient, Amazon Care follows a familiar strategy for the brand. Their foray into healthcare is entirely focused on improving the overall experience while increasing access to healthcare through convenience.

Beyond technological innovations, Amazon is following their standard recipe for success by aggregating supply and then offering a better experience than the incumbent business model. They do this by offering seamless engagement with providers in wellness, preventative medicine, primary care, and continuing care. Observers of Amazon's strategy will no doubt recognize this strategy and we predict it is the earliest stage of yet another industry to be disrupted by their presence in the market.



Looking ahead.

The shift to outcome-driven healthcare will accelerate changes in how data is collected, analyzed, and used. These changes will spark additional need for technology as participants in the industry come together and share patient data for the purposes of improving population health. Creating and working with data operations on a scale necessary to achieve results will be no trivial task. However, when the results are saving and lengthening healthy lives, the effort is certainly worthy.

As this technology takes root and the network effects of processing all patient data simultaneously unfolds, it will only be a matter of time before it demonstrates better results than individual clinicians.

As providers recognize the superiority of results in a regulatory environment that compensates for positive outcomes, we can expect to see a drop in the doctor to patient ratio. Once this trend begins, financial expectations will kick-in and drive towards once unimaginable healthcare experiences. It would not be surprising if voice-enabled, networked home assistants like Siri and Alexa make healthcare diagnoses and treatment recommendations within the next decade.

Conclusions

Prior to COVID-19, had you asked which way the wind was blowing with regards to adoption of digital technology as a component of care in the provider space, I would have told you it was inevitable, but the timeline remains unclear. Today, there is a new twist on the old proverb: Necessity is also the mother of innovation. As demand for new mechanisms to engage with patients continues to grow, so will investment in the space.

The biggest obstacles were once inside the healthcare industry and regulatory environment. Now, with those things out of the way, access to high-speed internet, the internet of things, and shifting consumer sentiments are more relevant points of friction. But these things are on their own, unstoppable date with ubiquitous adoption, having nothing to do with the healthcare industry.

There are little doubt healthcare consumers who grew up prior to the internet will cling to older models for care. However, as younger generations, far more open and accepting of digital, age into greater need for healthcare there is less doubt the industry will be almost unrecognizable when compared to the traditional office visit business model.

From our perspective the only open question is who will be on top when the dust settles: Traditional healthcare systems or the tech giants?

