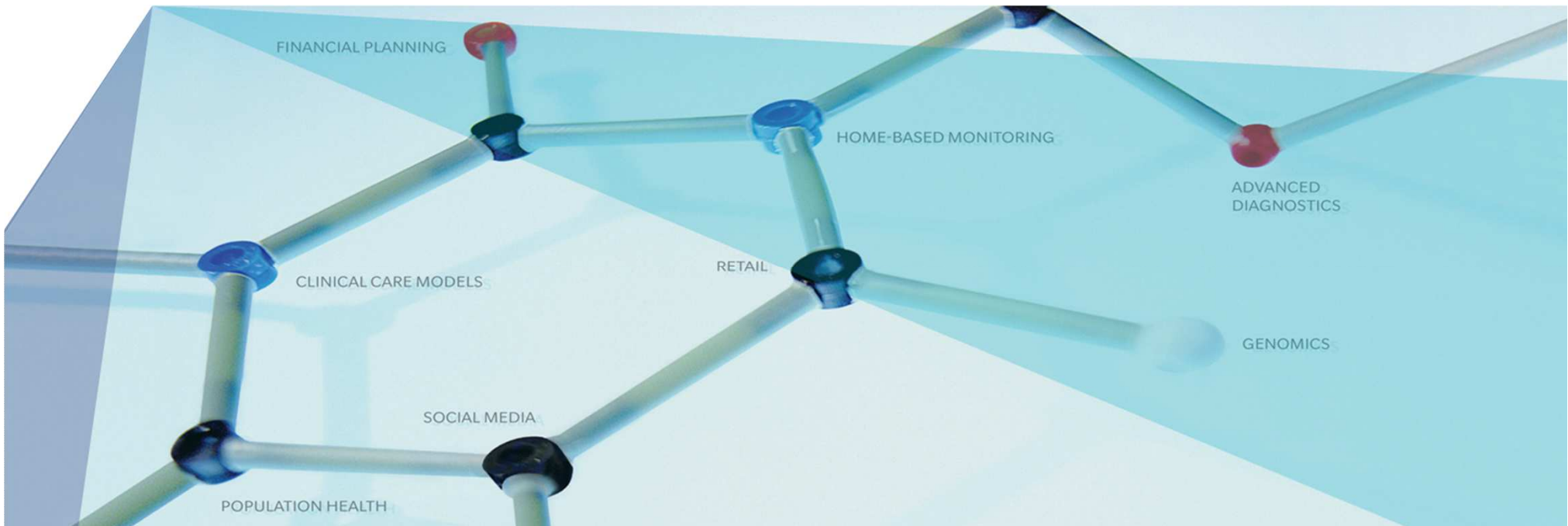
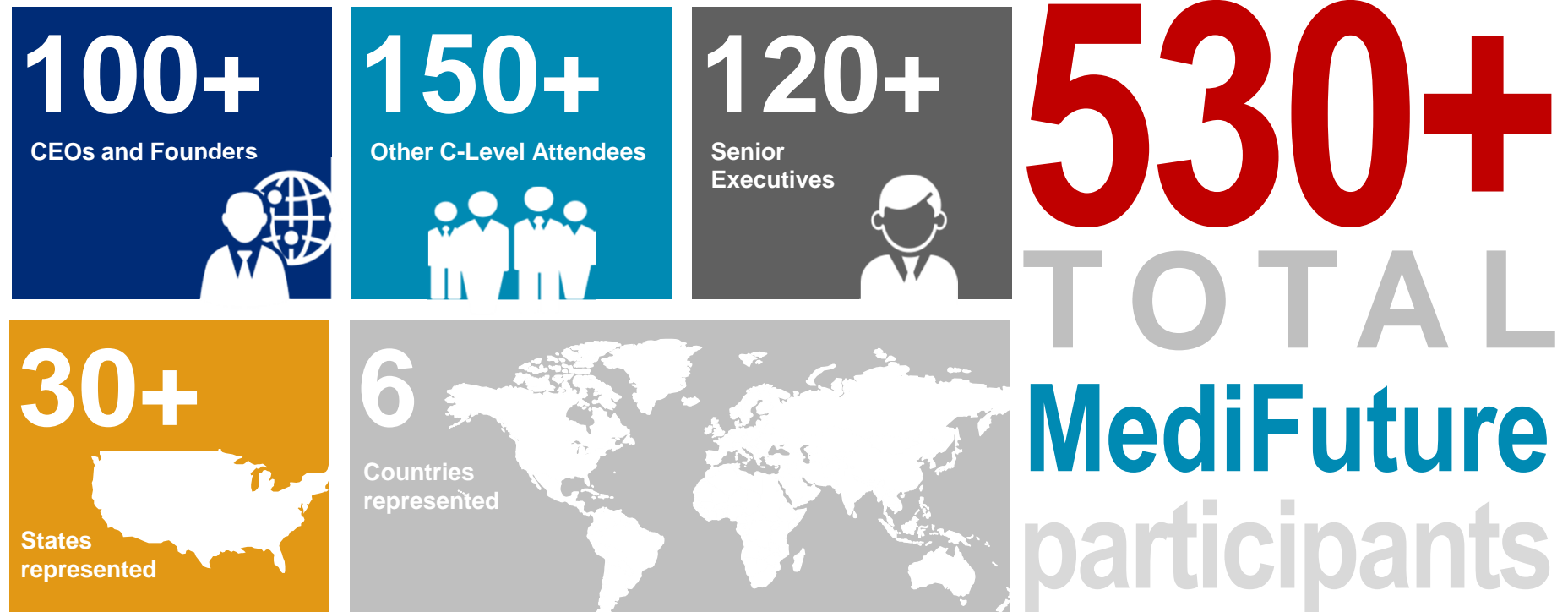


MEDIFUTURE Executive Summary

SEPTEMBER 2014



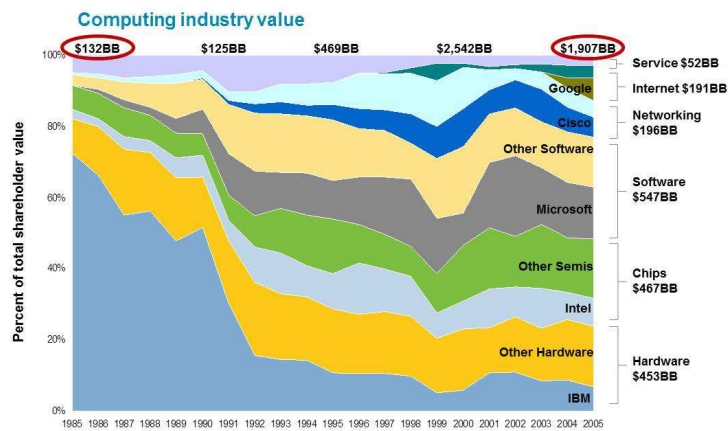
MediFuture convened 500+ executives and key influencers committed to transforming the health market



“Amazing quality of attendees! It's great to reconnect with established leaders and meet new folks working to make the transformation to Health Market 2.0!”
– Jeff Margolis, CEO, WellTok

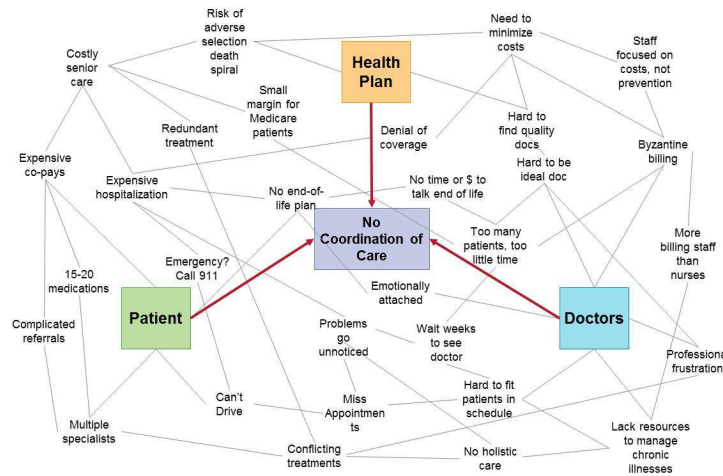
Adrian Slywotzky kicked off the conference by introducing Value Migration[®] – and the concept of ‘no profit zones’ emerging when value migrates and industries collide...a looming event in healthcare

Value migration: As business designs change, the value universe expands and value shifts to others in the economic neighborhood



Source: Thompson Datastream; All US public companies in Hardware, Semi Conductor, Software, IT Services, Internet & Selected Telecoms Equip. ICD subcategories.

Consumer hassles: Even the toughest hassle maps (U.S. healthcare) are opportunities



4 Questions to Consider

- What other important new business models are emerging?
- How effective are they at solving the consumer's hassle map?
- Which ones do a great job for consumers and investors?
- Which ones would you invest in? And why?

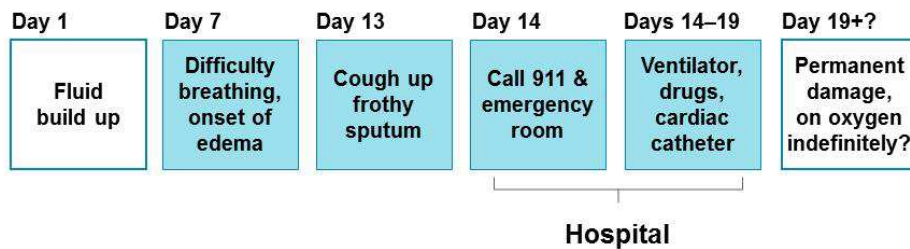


“Fee for service is an evolving no profit zone.”

Adrian inspired the audience to create winning business models that move swiftly to address consumer hassles through innovation and collaboration

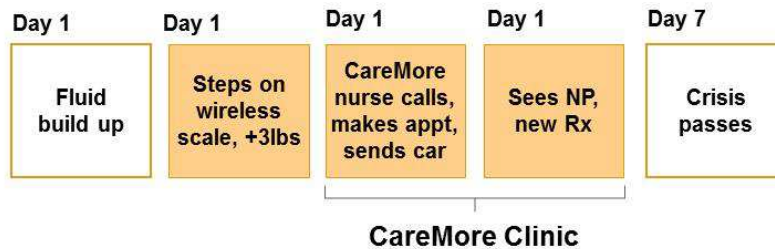
Hospitalizations for CHF patients: CareMore's innovative model drives substantial value for all constituents – most importantly the consumer

Fee-for-service



- Impaired quality of life
- Cost: \$25,000 +\$200/mo for oxygen

CareMore



- Quality of life maintained
- Cost: \$600
- **56% FEWER READMISSIONS**

Who wins?

- Incumbents who pivot in a fast, focused way, and who play 30% defense + 70% offense
- Hassle map fixers
- Newcomers with the BEST new business models
- Those who have mastered the art of collaboration
- The most aggressive exporters
- The CONSUMER

Tom Main introduced the Patient to Consumer Revolution and what emerges when the health consumer joins the conversation – Health Market 2.0

THE PATIENT TO CONSUMER REVOLUTION

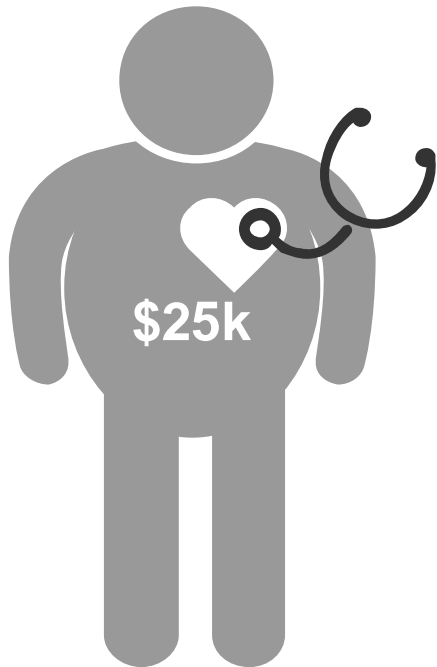
- WE WANT TO UNDERSTAND WHAT MATTERS ABOUT OUR HEALTH
- WE WANT FEEDBACK AND TOOLS TO HELP US LIVE LONGER AND BETTER
- WE WANT TO BE ABLE TO MAKE INFORMED DECISIONS ABOUT HEALTH SERVICES
- WE NEED TO BE ABLE TO STRETCH OUR DOLLARS BEYOND THE BENEFIT PLAN
- WE NEED OUR CARE TEAM TO TREAT US HOLISTICALLY & HELP US LIVE BETTER
- WE WANT ANYTIME & ANYWHERE ACCESS TO CONVENIENT CARE



“Demand trumps supply for the first time in healthcare.”

Health Market 2.0 builds upon the fundamentals of Health Market 1.0 – the population health principles

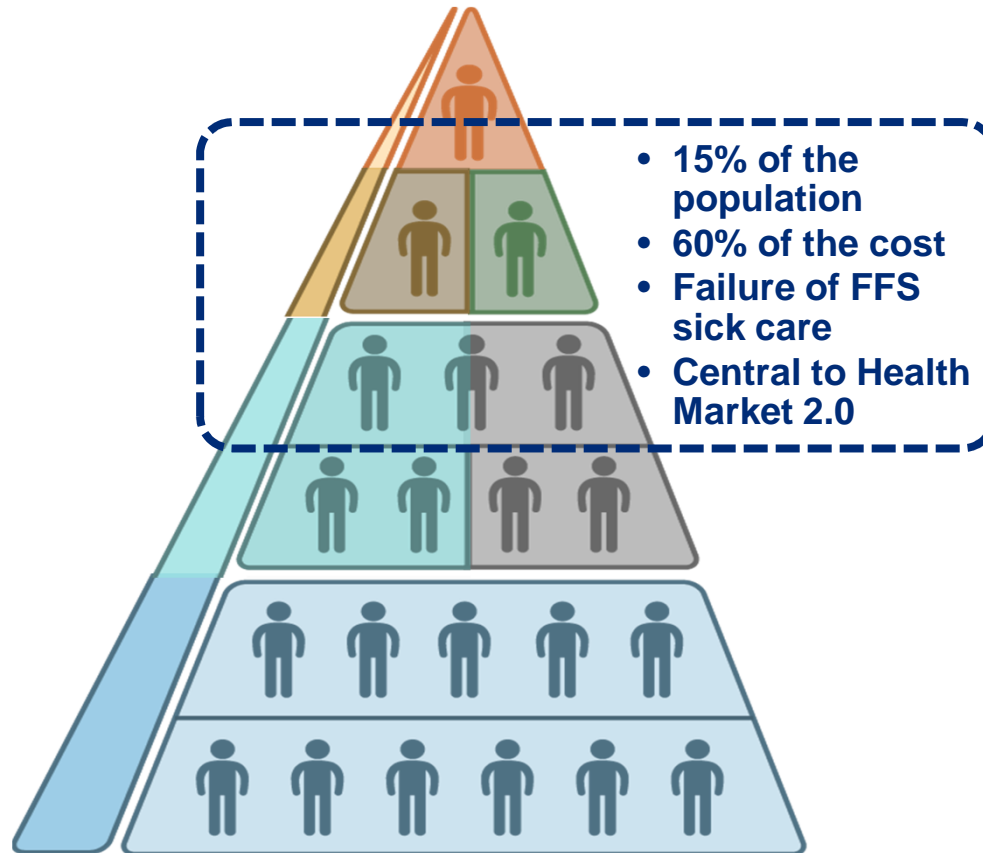
Meet FRED 1.0



\$25k

HONDA
HYPERTENSIVE
OBESE
NON-COMPLIANT
DIABETIC
ADULT

POPULATION HEALTH PYRAMID




Meet FRED 2.0



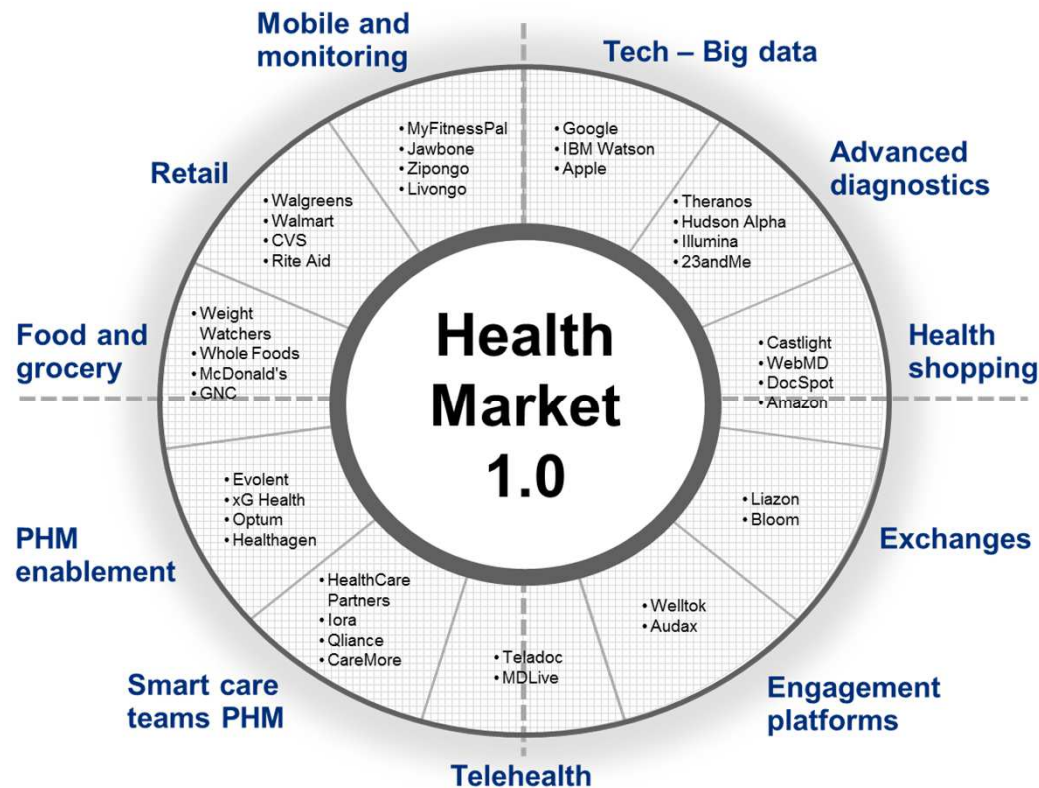
\$10k

LIFESTYLE MEDICINE
ENGAGED
CONNECTED
COMPLIANT
LIVING BETTER
MORE GOOD YEARS

Health Market 2.0's power is undeniable, creating unheard of, but achievable value

	Health Market 1.0	 HEALTH MARKET 2.0
Total cost reduction	20%	40%
Trend reduction	3%	5%
Consumer experience improvement	25%	300%
Value rotation	\$100 BN	\$1 TN
Rate of innovation and diffusion	100X	1,000X
Extra years of good living	3	10

The revolution is already happening – from the outside in



- **200 million+** consumers engaged in their health through wearable devices, apps and web services
- **Billions** in corporate/strategic investment – IBM, Google, Apple, Samsung, GE, Walmart, etc. – **exponential growth** in PE funding
- **100** new predictive biomarkers and **1,000** under R&D
- Close to **100,000** mobile health apps, with the top 10 generating over **4 million** downloads per day
- **1,600+** retail-driven convenience clinics and virtual health broadly available everywhere

Tom then shared powerful insights to consider as incumbents develop strategies to thrive in Health Market 2.0

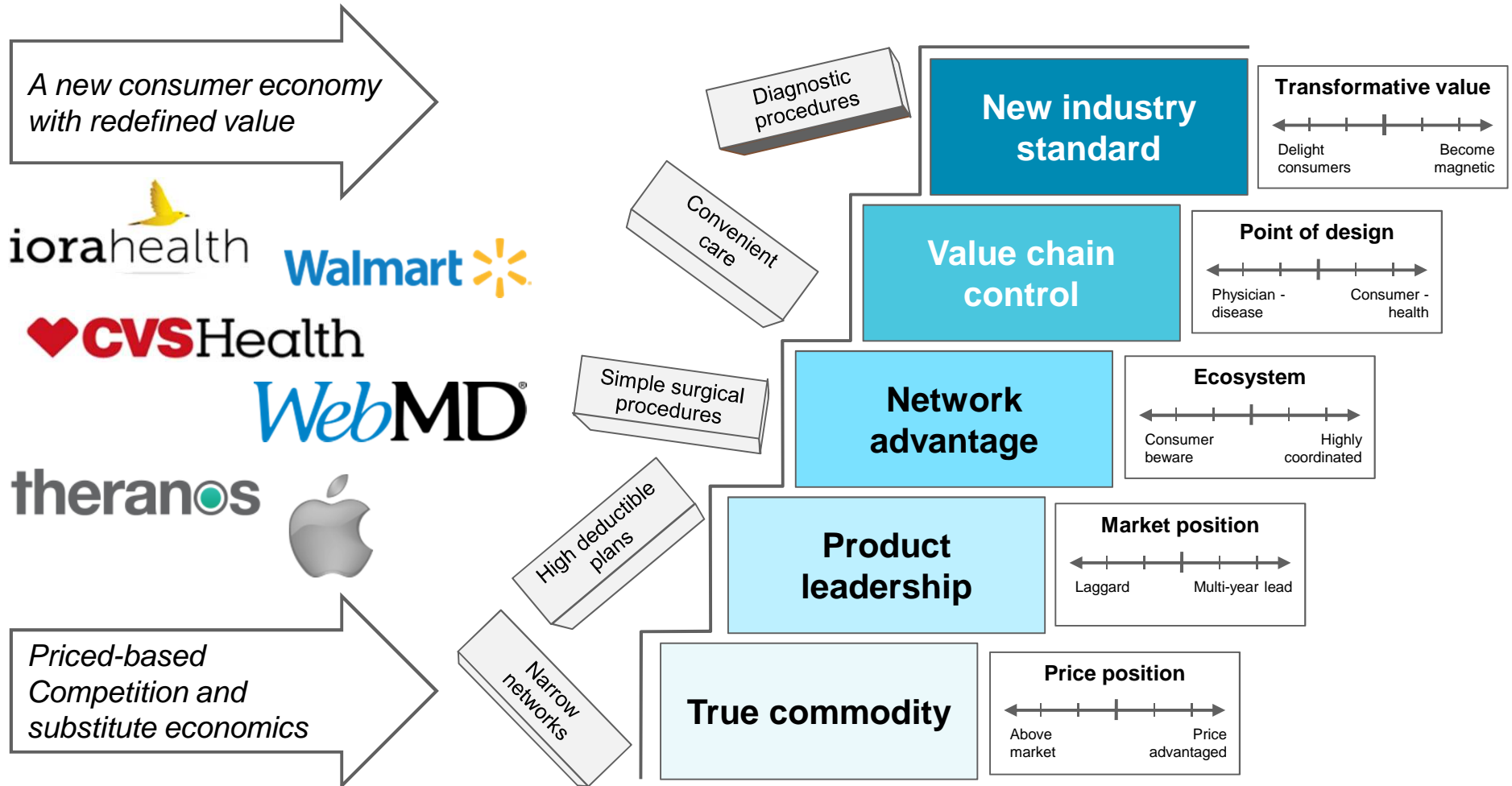


UNLOCKING THE INCUMBENT'S DILEMMA



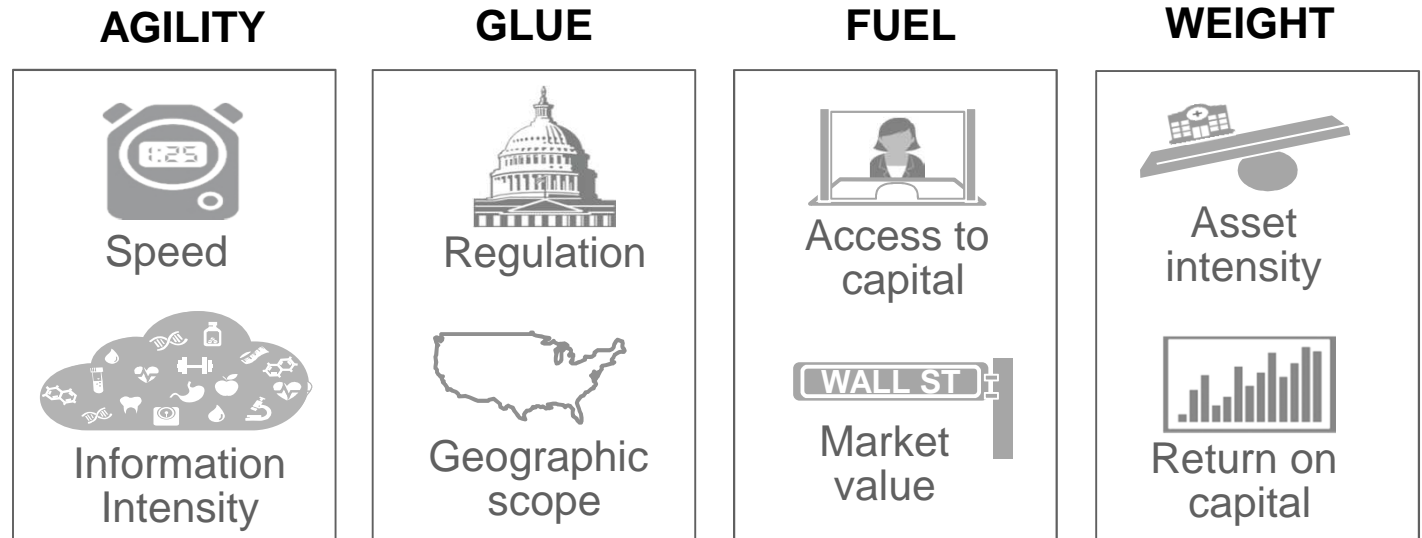
“Leadership – the scarcest commodity.”

Incumbents need to understand their positioning – and know when proven winners are becoming commodities



Incumbents must understand the new playing field – new players are more agile, less entrenched, have better access to capital, and less baggage

A capital markets perspective



Incumbents

1 new operating theatre a decade

1 dollar of capital for a dollar of revenue



Adjacencies

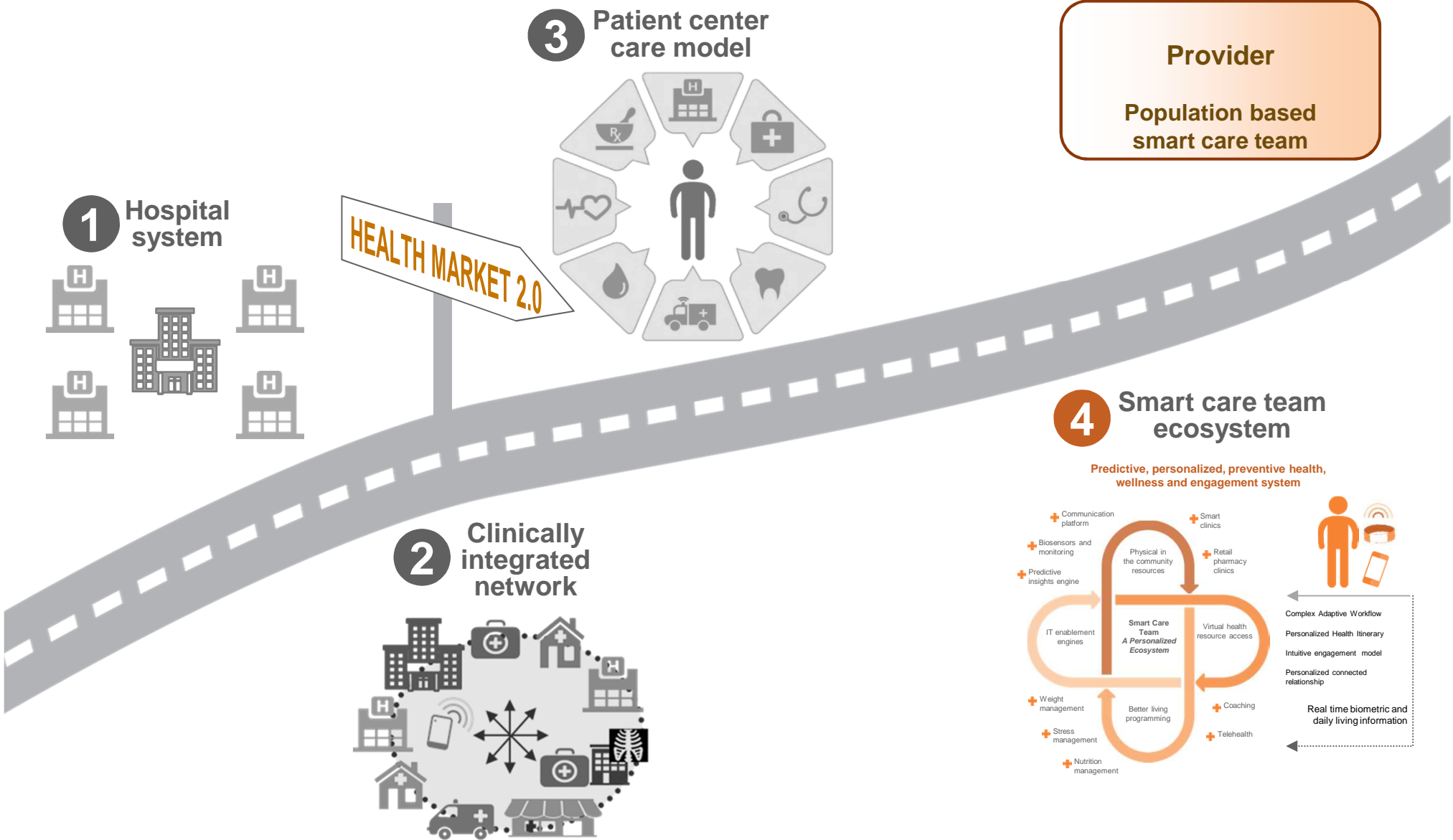


New Players

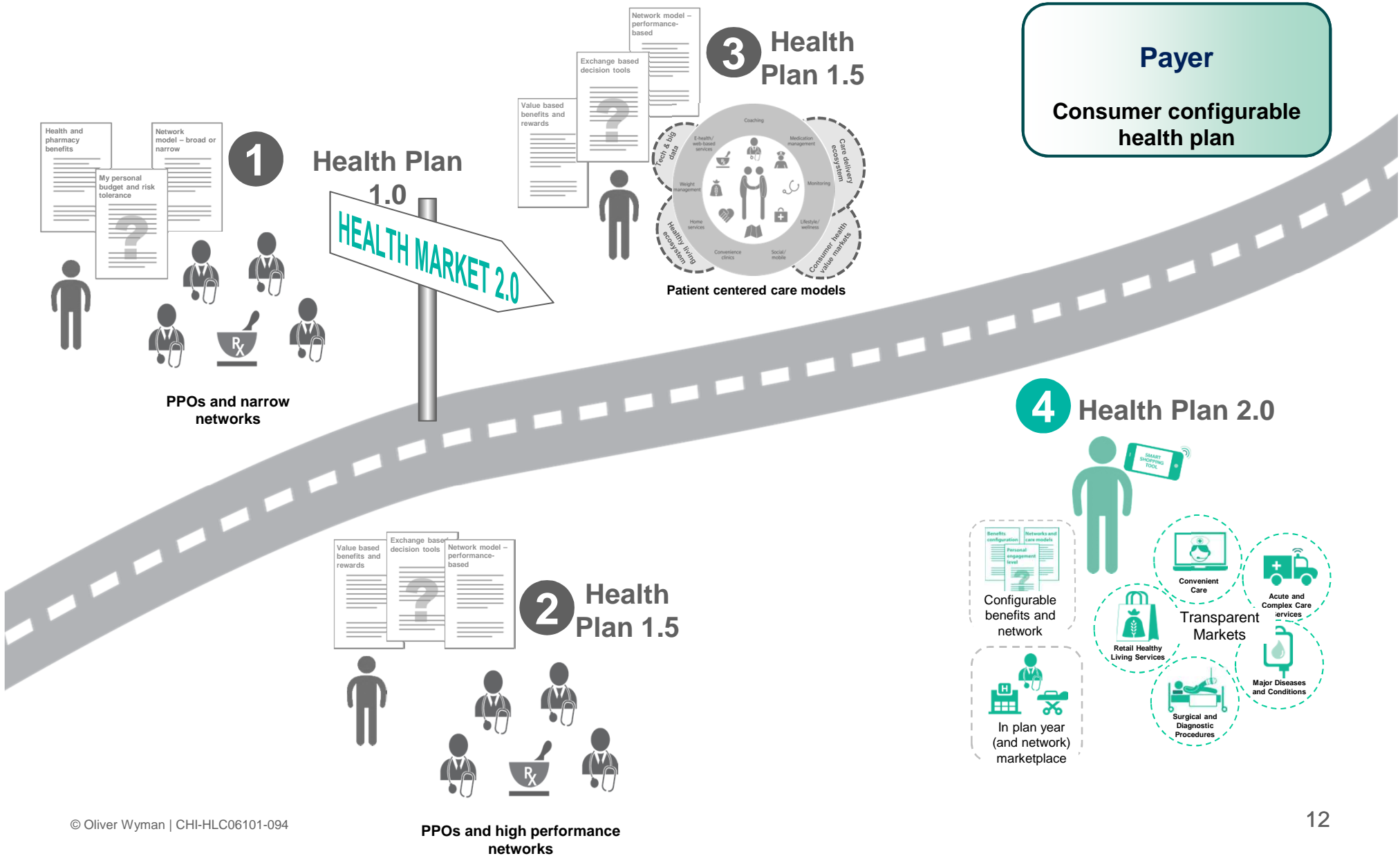
25 new product releases a year

5 cents of capital for a dollar of revenue

Providers should run **skip-generation** plays – 70% offense and 30% defense...

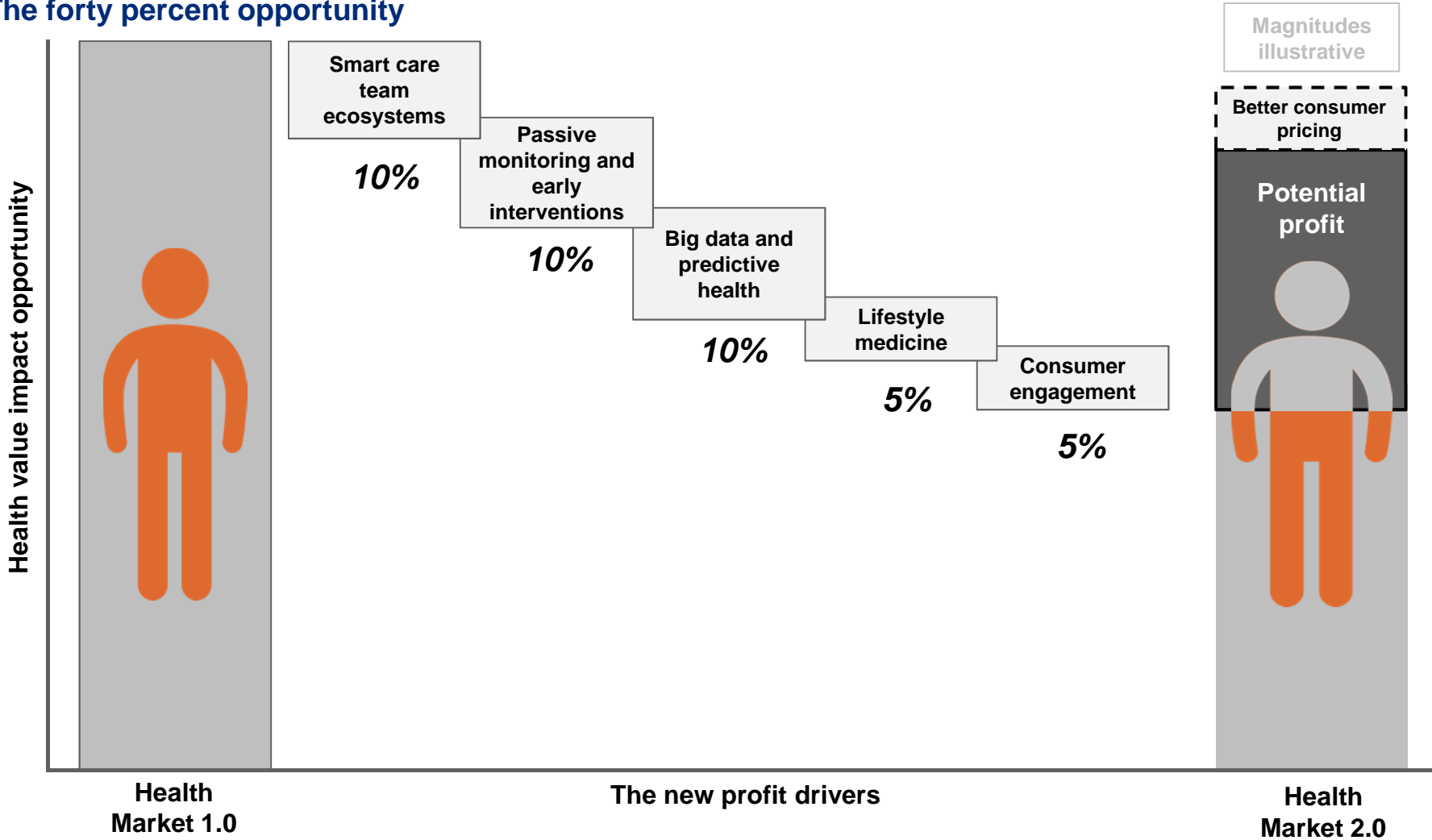


...as should Payers – 70% offense and 30% defense

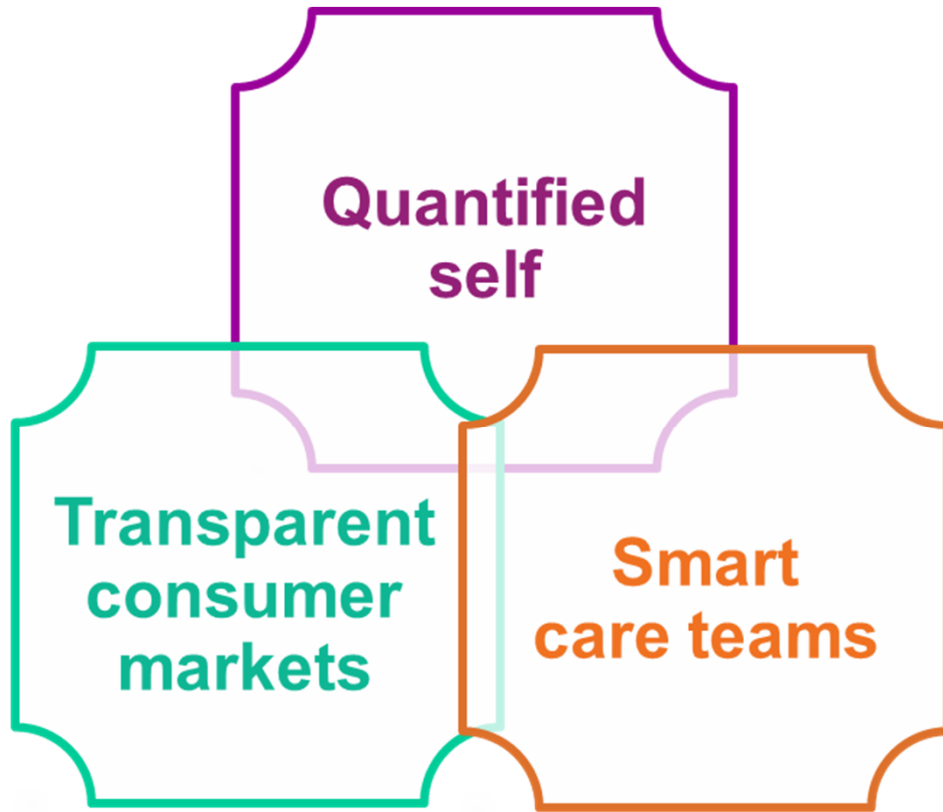


Incumbents must master the new profit levers to win in Health Market 2.0

The forty percent opportunity

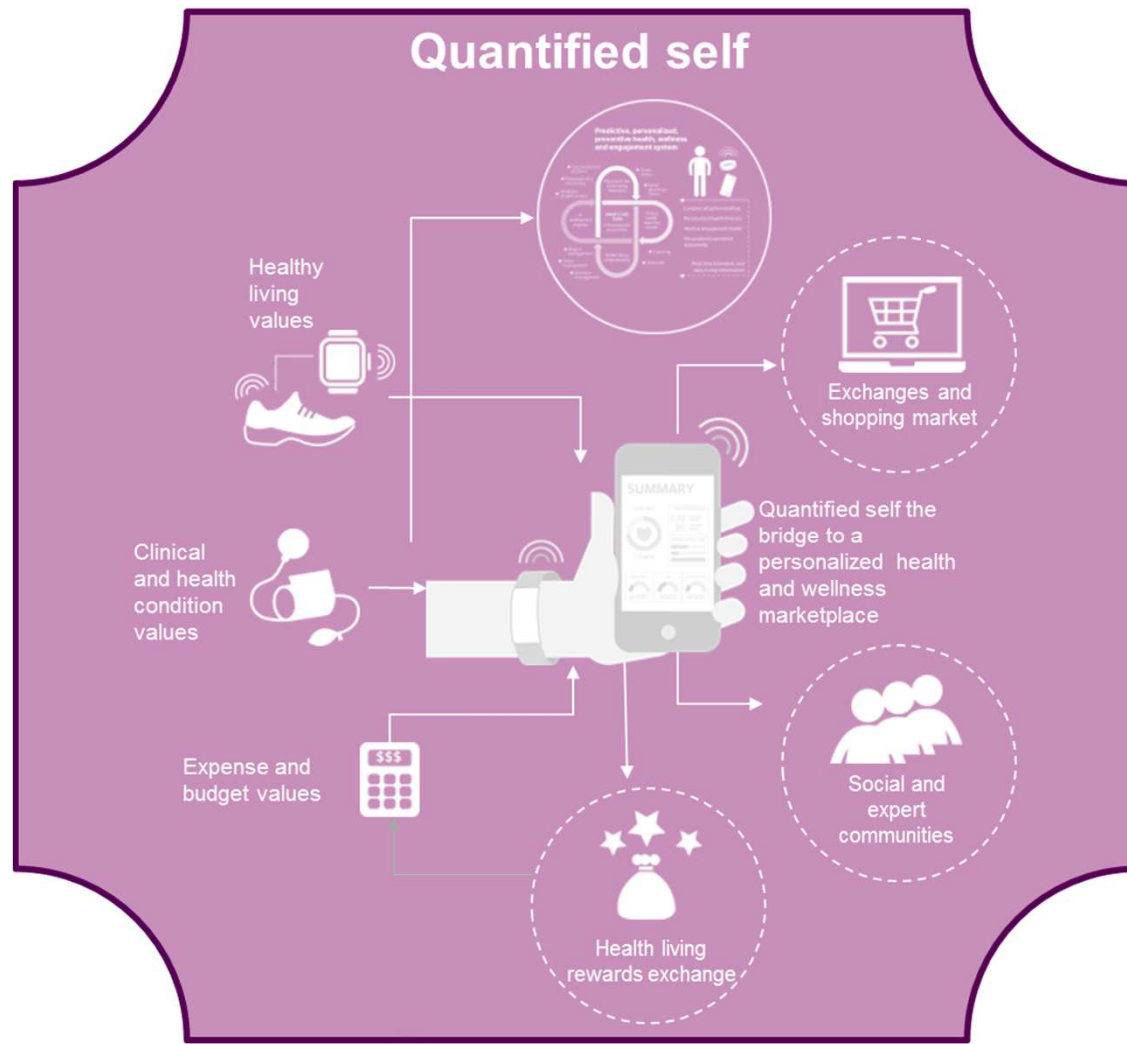


We are already on the journey toward Health Market 2.0, through three transformative and interconnected elements which resonated throughout MediFuture



CHANGING THE CONVERSATION

Quantified self – elevating consumer understanding of what matters about their health and transforming consumer expectations of the marketplace



- Changing consumers' health IQ and engagement level through **real time health/living feedback** via a common sense mobile app
- Heightening consumer engagement through **rewards and social communities**
- Shifting smart care team relationships from **reactive to preventative** through shared real time health/living values and active engagement
- Stretching the value of your health benefits plan by trading healthy living values in the **transparent shopping market**

Quantified Self in action at MediFuture (1 of 2)



“

Cognitive computing will allow computers to understand natural language, generate and evaluate hypotheses, and adapt and learn.

”



– Brenda Dietrich
IBM Fellow & VP Emerging Technology, IBM

“

Information is a key driver in the consumerization of care.

”



– David Schlanger
CEO, WebMD



As an Innovation in Action participant, Jointly Health demonstrated how it leverages big data to predict the onset or exacerbation of chronic conditions and medical events

 JointlyHealth



Welltok illustrated how integrated rewards can motivate individuals to change behavior, all while getting attendees to engage with a little core strengthening

Quantified Self in action at MediFuture (2 of 2)



At the Jawbone exhibit, participants experienced how the Q-Self can be personalized through a platform approach – you can even do “Quantified Other” and track your dog!

“

Quantifying healthcare doesn't make people healthier – smart interventions make people healthier.

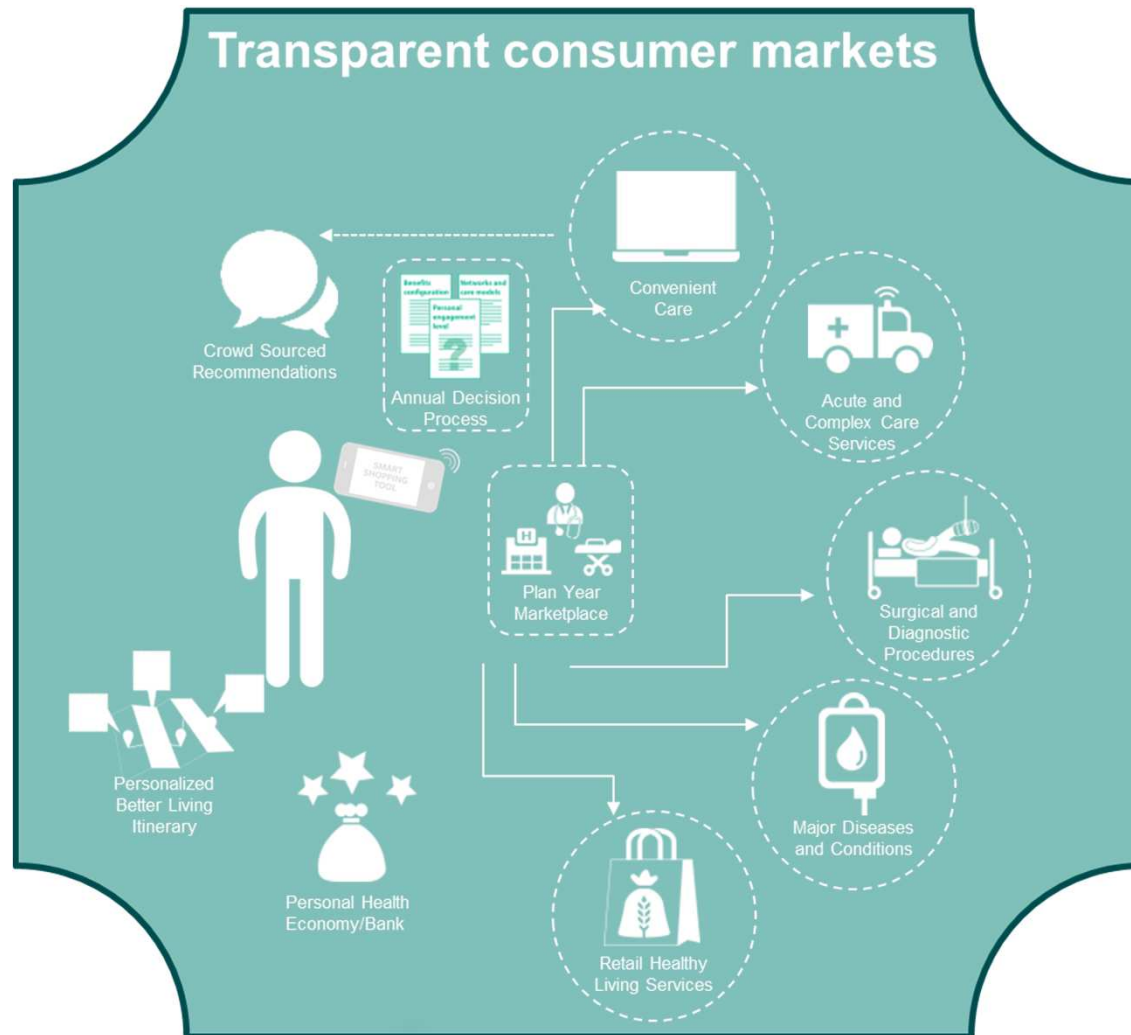
”

– Christine Lemke
Co-Founder, The Activity Exchange

In the Innovation in Action session, BioScanR demonstrated how its novel device that monitors several vital sign in real-time informs early detection and diagnosis.



Transparent consumer markets – empowering consumers to make informed, value-based decisions about their health and shifting the basis of competition



- Consumers with advanced decision tools building **personalized configurable health solutions** during annual enrollment
- Consumers shopping in a **price and value transparent market**
 - Starting with convenient care
 - ...and adding diagnostic and basic surgical procedures
 - ...and health and wellness products and services – using benefits, flex, cash and rewards dollars
- Over time consumers and families having **better information** for making treatment decisions regarding serious diseases and complex care

Transparent Consumer Markets in action at MediFuture (1 of 2)



GuideWell and HealthSpot presented a new, transparent access point for consumers – they can book appointments online with the physician they want, when they want and know upfront what the cost will be.

Meet the Millennials



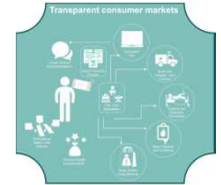
“

I had a great experience – I had a sinus infection, but it was really bad and I went to the ER. They did every test imaginable, but I had insurance so it was covered.

”

Transparency in health will certainly impact Millennials' attitudes on health care and drive a dramatically different perspective on getting "every test imaginable"

Transparent Consumer Markets in action at MediFuture (2 of 2)



“

There's this intense public demand right now for price transparency and soon to follow is going to be a demand for quality transparency to be coupled with that price transparency.

”

– Marty Makary,
Surgical Director, Johns Hopkins

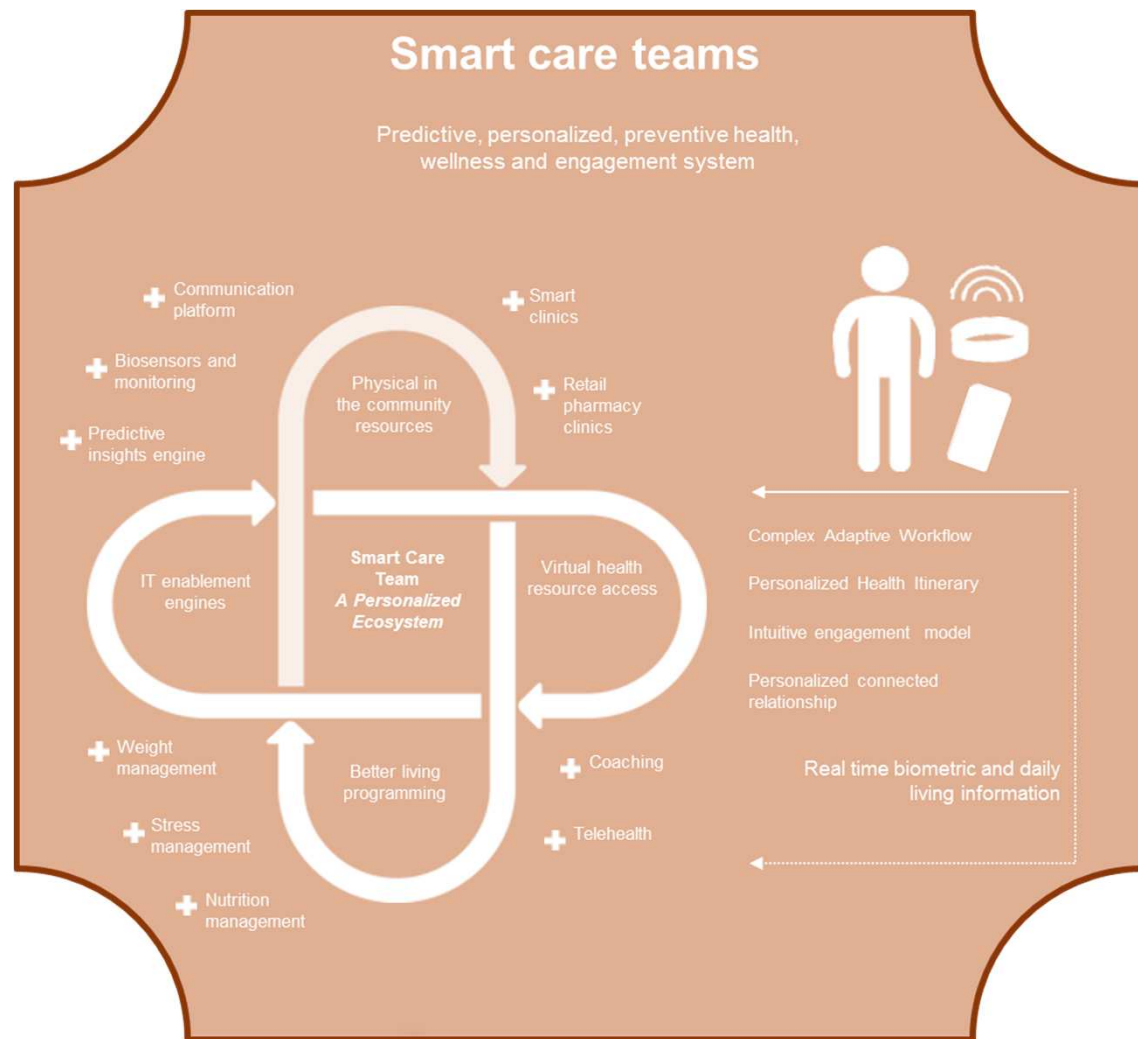


In the Innovation in Action session, WiserTogether demonstrated its personalized treatment comparison solution that helps consumers choose better treatments – most effective in outcome, most personally suitable, and most cost-effective and affordable.



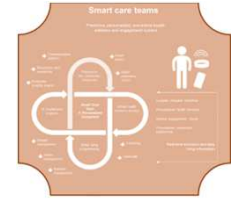
Doug Johnson with Ultramatics showcased his companies its Benefits and Beyond platform, an intelligent app that uses Watson technology to help consumers pick the right plan based on their preferences.

Smart care teams – consumer-centered ecosystems enable real-time, always connected personalized health and shatter the old value paradigm



- Building the foundation with full **multi-skill team composition** and a **consumer better-living culture**
- Adding virtual **anytime, anywhere** access plus better living programs – bridging health and wellness
- Diving into daily living relationships with the consumer through passive monitoring, real time feedback – **prevention becomes expected**
- Building in **near perfect diagnostics** with personalized treatment plans, behavioral segmentation models and advanced predictive capabilities
- Building world class disease, acute and complex care **partnerships** and managing the full population ecosystem with **global budgets**

Smart Care Teams in action at MediFuture (1 of 2)



“

42% lower cost in managing Medicare patients under CareMore model – amazing!”

”

– Rebecca Chiu
Dir. of Business Development, MedHelp

CareMore illustrated how its Smart Care Teams provide supportive care throughout a member’s health journey – from integrated remote monitoring to extensivist support to seniors’ focused gyms.



Livongo Health’s cloud-based glucometer and coaching integrated with Iora Health’s re-imagined primary care provided a glimpse at what the future could be like for patients with diabetes.



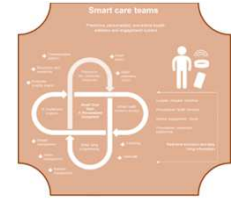
“

The clinical care model is changing rapidly, with an intensive investment in upstream components of care delivery.

”

– Craig Samitt,
Former CEO, HealthCare Partners

Smart Care Teams in action at MediFuture (2 of 2)



In the Innovation in Action session, eTect presented its novel smart pill technology that tracks medication adherence.

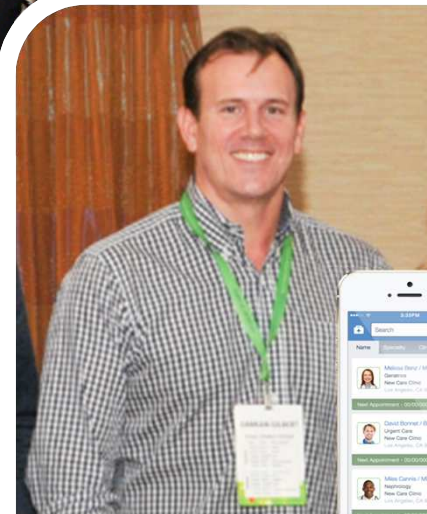


“

Smart care teams can make a big impact for Medicaid recipients and other disadvantaged populations. Qliance has been delivering our model of care to thousands of Medicaid members for two years with results that outstrip the incumbent providers by a large margin.

”

– Erika Bliss
CEO, Qliance



Damian Gilbert, CEO of TouchCare and Innovation in Action presenter, showcased his company's elegant, user friendly app that connects patients to their physicians for virtual consultations.



Key MediFuture insights

- 1 **Value migration** expands the market and **shifts value to new players** – many incumbents will miss the opportunity or find themselves in a **no-profit zone** if they don't adapt quickly
- 2 Mobile tech, wearables and social networks are **changing the consumer's expectations** for personalization, access, experience and engagement
- 3 As **demand trumps supply** much of what we have perfected in our largely B2B2c model will become significantly less relevant
- 4 **Consumer transparency will shake the foundation of the market**, exposing practice variation and massive price-to-value mismatches, while shifting the basis of competition
- 5 **Skip generation plays** are possible through **partnerships and new consumer ecosystems** – incremental defensive strategies are likely to have significant unintended consequences
- 6 Much of the **innovation is already in-market** – just in pieces and unevenly distributed
- 7 New entrants have business designs that **create massive new value, bypass incumbent models, go direct to consumers and are not constrained** by geographic boundaries
- 8 **Leadership** is the scarcest commodity

Continue the dialogue with Oliver Wyman – and accelerate the journey to Health Market 2.0

Oliver Wyman has partnered with leadership teams across the industry to support and inform transformative strategies – getting started:

- 1 Have Oliver Wyman bring **the learnings from MediFuture** to an upcoming **leadership meeting**, driving alignment on vision and culture

- 2 Tune your 70% offense formula – have Oliver Wyman work with you to identify and evaluate opportunities through a **Health Market 2.0 scenario workshop**

- 3 Are you ready to go? Participate in the Oliver Wyman **Health Market 2.0 organizational assessment** and establish your baseline

- 4 Hold a half day workshop with Oliver Wyman and **market constituents / innovators** to understand how to partner to create an ecosystem

- 5 Hold a workshop with Oliver Wyman to understand what it takes to create a **magnetic consumer experience**, and build the strategy for your organization

“

If you're not irritating somebody, you're not really innovating.

”

– Dr. Rushika Fernadopulle, Iora Health
At MediFuture

THE OLIVER WYMAN HEALTH INNOVATION CENTER

Oliver Wyman launched a Healthcare Innovation Center (OWHIC) dedicated to promoting positive change in healthcare. OWHIC will champion innovation by disseminating proven innovations; envisioning market-based solutions to today's and tomorrow's challenges; and establishing a cross-industry community of thought-leaders to share and shape ideas.

OWHIC is an integral component of Oliver Wyman's Health & Life Sciences practice, which serves clients in the pharmaceutical, biotechnology, medical devices, provider, and payer sectors with strategic, operational, and organizational advice. Deep healthcare knowledge and capabilities allow the practice to deliver fact-based solutions.

If you have any questions on OWHIC or the ideas and research in this report, please contact us at owhic@oliverwyman.com.

For more information, visit www.oliverwyman.com/healthinnovationcenter.

Follow OWHIC on Twitter at #OWHIC.

Join the OWHIC LinkedIn group to continue the dialogue: [OWHIC LinkedIn Group](#)