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Tech-enabled services are key to realizing healthcare vertical integration value

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Healthcare enterprise leaders must collaborate with service providers as they vertically integrate (combining multiple segments of the healthcare ecosystem) to address market dynamics. Together they will deliver greater benefits through next-generation technology-enabled services.

US healthcare is at the crossroads of opportunities to address systemic challenges and status-quo, as all attributes of the triple aim (cost of care, health outcomes, and experience of care) track suboptimally. Healthcare funding is shifting rapidly as [self-insured employers offset commercial fully insured enrollment declines](#) and Medicare Advantage grows as populations age, birth rates decrease, and demographics change. The pandemic exposed the possibilities of alternate care delivery such as telehealth, reflecting consumer expectations (telehealth).

Our in-depth market analysis categorizes healthcare vertical integration into three archetypes, each with distinct characteristics and opportunities to be addressed.

Value creation through different types of vertical integration

Healthcare and enterprises in other industries, including notable examples in big tech and retail, explore new constructs to connect the \$4 trillion US healthcare ecosystem in Exhibit 1 and create value. Here we explore three archetypes exemplifying the new constructs connecting the healthcare ecosystem: **The Ecosystem Connector**, **The Orchestrator**, and **The Disruptor**. These archetypes stand in contrast to the integrated closed-loop systems formed by Kaiser Permanente, Geisinger, or Intermountain. The non-exclusive nature of our archetypes has the potential to maximize value by improving all attributes of the triple aim of care.

Exhibit 1: The interconnected US healthcare ecosystem has enormous promise to change the triple aim trajectory



Source: HFS Research, 2023

The Ecosystem Connector seeks to improve outcomes based on its extensive footprint

The ecosystem connector integrates most healthcare funding with most primary and acute care delivery through robust technology and service capabilities, as Exhibit 2 shows. Ecosystem connectors must expand influence, especially at points of care delivery, to better control the triple aim outcomes and replace lost revenues from declining commercial fully insured service lines.

Some high-profile examples include the combinations of United Healthcare and Optum; Highmark Health, which includes health plans, Allegheny Health, and enGen (health IT); and Guidewell Health, including Florida Blue, Sanitas, PopHealthcare, and Onlife Health.

Ecosystem connectors integrate health, wellness, and care to reduce costs and improve health outcomes across all types of coverage, translating into better enterprise margins. Personalized engagement will be stickier when enterprises can create digital, need-based interventions (vs. on-demand) and meet consumers where they are.

Despite several benefits, the ecosystem connector will be challenged to operationalize a paradigm shift to realize benefits. Healthcare enterprises need to shift from a risk-averse financial institution to an empathic consumer-centric organization. **Working with a services partner can provide technology enablement and change management to facilitate the transition.**

Exhibit 2: Ecosystem connector integrates most funding types with most care delivery, particularly acute care



Source: HFS Research, 2023

The Orchestrator seeks to harmonize non-acute care delivery and financial coverage for better outcomes

The orchestrator proactively addresses wellness and primary care to mitigate expensive acute care, particularly for senior populations. This archetype, in Exhibit 3, includes most coverage types and all non-acute care delivery, including services.

The orchestrator expects to drive down the cost of care, improve health outcomes, and replace declining commercial fully insured revenues. The orchestrator will emphasize value through enterprise strengths such as its presence across markets, convenience, and understanding of specific demographics.

The more popular examples of the orchestrator include CVS Health, its pharmacy and health

plans (Aetna); Cigna health plans, care services, and pharmacy (Evernorth); and the combination of Humana health plans, home care (Kindred), and primary care (CenterWell).

The orchestrator addresses the fragmentation in care delivery by integrating primary care with health and wellness to support whole-person care. The combination will aid in avoiding expensive acute care, making engagement a central theme, and increasing the likelihood of sustained improvement in health outcomes.

While the potential impact of the orchestrator is powerful, integrating health, wellness, and primary care requires significant technological enablement that is not in the orchestrator's wheelhouse. **Service provider partnerships can significantly accelerate innovation, AI/ML adoption, technology modernization and operating model transformation to enable seamless consumer experiences.**

Exhibit 3: The orchestrator integrates coverage with non-acute care and associated services



Source: HFS Research, 2023

The Disruptor seeks to apply lessons of success from other industries

The disruptor, shown in Exhibit 3, applies the lessons of its industry, such as retail, financial services, or big tech to healthcare, particularly around consumer centricity, digital first, data optimization, and building a portfolio of products to address consumers' health needs. The disruptors are unafraid to experiment constantly to improve the status quo as they leverage success in managing cost, access, and experience in other industries. They will, for instance, optimize their core assets of floor space, distribution channels, and technology to expand access and fine-tune efficiencies in fulfillment and workflows to improve delivery.

Scaled examples of disruptors include Walmart Health with primary care, dentistry, pharmacy, and various imaging services, and Amazon,

with its recent acquisition of One Medical for primary care along with Whole Foods (nutrition), Amazon Pharmacy, and AWS (tech).

The disruptor will improve access to primary care and medication for the uninsured and the underinsured, positively impacting the long-term cost of care. A retail view of healthcare will drive smarter use of data to meet the consumer's needs and effectively address them directly or through an ecosystem.

The promise of the disruptor is strong, but they are still learning in real time. They have struggled to execute their strategy and have a steep learning curve to navigate the regulatory environment and the US healthcare system while developing the systems to deliver their promise. **Service providers can help disruptors to accelerate addressing workflows, optimize processes, and meet health IT needs, to help increase the consistency and predictability of outcomes.**

Exhibit 4: The disruptor aims to address access and affordability through technology



Source: HFS Research, 2023

The Bottom Line: Healthcare vertical integration will drive demand for tech-enabled services to realize the value of the new business constructs and change the trajectory of the triple aim attributes.

It is encouraging to see the energy and focus of enterprises to reimagine health and healthcare paradigms. Across the archetypes, enterprises are developing ecosystems and recognizing opportunities to bring relevant lessons and expertise together to develop value. Service providers will be critical to the efficacy of the ecosystems to ensure high-quality execution.

Other enterprises, including Apple and Google, are participating in niche areas such as wearables, health-tech stack, and data analytics. Given their influence over the US consumer, we should expect to see more action in the future.

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Rohan leads the Healthcare practice at HFS, bringing to bear his vast experience across the healthcare ecosystem. His experience includes being the Head of Healthcare Strategy at multiple fortune 500 companies, Product Management leader and CIO at two Health Plans. He is passionate about the Triple Aim (improving health outcomes, reducing the cost of care & enhancing the care experience) and believes that health & healthcare is a polymathic opportunity that intersects with every industry and facet of our lives. His well rounded experience & passion brings a practical approach to his analyst role at HFS.



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Nitin is responsible for managing and growing TCS' digital health and wellness business globally as the P&L owner. He has been part of TCS' growth journey for over 25 years and has led growth for TCS businesses across various industries, including healthcare, life sciences, energy, and financial services.

Nitin is a passionate leader focused on helping customers achieve their strategic objectives towards growth and transformation with the power of innovation, digital technologies, and cross industry learning. Being a firm believer in the core values of the TATA group, he has built and nurtured key partnerships while collaborating with diverse teams across several Fortune 100 enterprises.

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HFS Research introduced the world to terms such as “RPA” (Robotic Process Automation) in 2012 and more recently, Digital OneOffice™ and OneEcosystem™. The HFS mission is to provide visionary insight into the major innovations impacting business operations such as Automation and Process Intelligence, Blockchain, the Metaverse and Web3. HFS has deep business practices across all key industries, IT and business services, sustainability and engineering.

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