

Technology-Enabled Consulting in Health Care

Self-disruption – incorporating technological deployments into management consulting – is critical for the industry to continue to provide value to health care organizations. Here’s how and why.

In industry after industry – music, publishing, news, legal services, IT, and increasingly health care – service and revenue models are shifting. At the same time, customers across sectors are coming to expect on-the-spot, anywhere access to answers, as well as service that emphasizes prevention over a reactive “break-fix” approach.

Consulting is not immune from this tidal shift in business models, and traditional service relationships may fall prey to customer expectations that cannot be met by outmoded approaches. As *The Harvard Business Review* writes, “Disruption is coming for management consulting.... Now incumbent firms are seeing their competitive position eroded by technology, alternative staffing models, and other forces.”ⁱ

Technology is central to this shift, because it’s the convergence of cloud-based applications, sophisticated data analysis fueled by Big Data, and increasingly smarter Artificial Intelligence (AI) platforms that is powering this newfound ability to foresee problems and forecast business outcomes. (How prepared clients are to take advantage of this newfound ability is another question entirely.)

For better or worse, this isn’t tomorrow’s trend; it’s today’s reality, one that has already begun to take shape. Take consultancy giant McKinsey and Co. as an example: they have established a new technology-focused segment called “McKinsey Solutions,” which, in their own words, is about leveraging “Internet-inspired personalization and simplification.”ⁱⁱ

Many in the industry are focused on keeping up and hedging against external disruption. According to Forrester Research, by 2020, asset-based, technology-enabled consulting will change revenue and service models, while traditional, pure strategy projects will “shrink rapidly.”ⁱⁱⁱ

Fortunately, forward-looking management consultants can reap ample benefits from this shift. For example, ongoing and/or embedded “analytics teams can help the firm stay ‘top of mind’ and generate leads for future work.”^{iv}

But where does that leave other consultant groups, particularly those who may specialize in particular sectors or niches? What’s the value of this shift for them, and what’s required to undertake it successfully? This paper will address those questions.

Why is **self-disruption** so critical? Outmoded business models just can't keep up, especially in complex sectors like **health care**.

Data analytics and management requires the right use of technology.

Consultant firms are seeing greater competitive demands placed on them. Consequently, a strategy-only approach, implemented in isolation from proper technology tools, is not sufficient to meet these challenges, especially when working in complex industries that are subject to extreme market, regulatory, and internal pressures.

In order to provide maximum value, all consultant teams must have strong support from an analytical team that can mine big chunks of data efficiently for the purpose of generating insights and supporting recommendations. Consulting work is rarely cookie-cutter; rather, each project is idiosyncratic, with different client capabilities, technologies, and infrastructure. As such, the analytical team and underlying technology capabilities must be flexible enough to accommodate many different and unique engagements and environments.

In other words, if the only tool readily available to a hospital or medical group is Microsoft Excel, and they're trying to perform high-level analysis, they will fail. Such programs are purely reporting platforms: reactive, static, locking usable information behind raw numbers. Even the most knowledgeable and adventurous users cannot forecast, predict, or read trends through those systems. Nor can the technology itself read between the lines to figure out what's happening on the ground as compared to organizational strategy, because spreadsheets cannot measure those gaps.

But technology that *can* exist: dedicated, specialized platforms powered by algorithms sophisticated

enough to be called AI. Consultant firms that equip themselves with such systems and tools can then offer a comprehensive, start-to-finish platform for both creating and implementing strategy.

Better yet, these systems can help consultant firms gather and parse data on an ongoing basis for existing clients, so that they can produce real-time answers at need. Each engagement turns faster, more focused and smarter, and can satisfy customers who need a solution *today*.

The old-school, strategy-only approach cannot produce analysis quickly enough.

Inadequate technological solutions mean that when major management firms try to offer a solution, they can take dozens of people six months to complete. By that time, the client and/or market has already shifted: some of the business assumptions have changed in the last six months. By definition, services that take that much time cannot provide *real-time* solutions.

That kind of service delivery falls out of step with modern customers, who demand anywhere, anytime access to fresh, real-time answers.

Technology-enabled consulting, by contrast, quickens the process. Because data has already been captured, or can be collected and analyzed quickly by smart software, consultancies can reduce the cycle time of delivery to a month and the cost by three-quarters.

For example, physician compensation is an extremely hot topic that poses a perennial problem for health care groups. Poor compensation management can alienate providers while delaying or reducing the

payoff from investing in these valuable team members. In many cases, this contributes to major recurring losses per provider. Physician compensation strategy, plan development, and administration are all extremely time-consuming, cost-intensive, and headache-inducing activities. These activities can easily be streamlined and optimized when technology-enabled solutions are deployed. These solutions can have powerful and valuable impacts: one full-service hospital, for instance, was able to reduce their compensation calculation, adjudication and reconciliation process from half a day every 2 weeks to under a single hour.⁹

Healthcare problems are getting more complex, and the complexity is beyond human grasp.

The physician compensation example above also illustrates another reason why technology is

becoming increasingly critical: business models are growing sufficiently (and increasingly) complex that even consultants with niche-specific expertise cannot fully solve today's problems with manual intelligence alone. The human mind can only see so much.

Which means, unless you have the right technology in place, you cannot assess all of the risk in a complex field of business.

Fortunately, complexity can be limited by looking at historical trends in a meaningful way. The right technology can do that – and can do it in a consistent, reliable, timely way. But technology alone is not enough. Technology firms can deliver analytics, but not insights. That's why so many health care organizations can find themselves in situations where they are "data rich and information poor."

So, what does it mean to marry technology to consulting? We'll look at that question next.

Technology firms can deliver analytics, but not insights. The technology deployed only executes the strategy.

What does "technology-enabled" really mean?

First, let's understand that technology and consulting represent two different areas of specialty. Consultant firms can deliver insights that technology firms cannot, but they struggle to arrive at analytics in a timely manner.

In the absence of a technology-enabled consultant, the client would have to interact with two separate teams to get the answers they really need.

For example, the consultants at Milliman have access to a wealth of data, but they have to purchase the data to be able to get answers. Other consultants

might have to use other means to procure the information they need, like compensation and productivity surveys, only to yield information that's 12-to-18 months out of date and, in most cases, simply self-reported. How can hospitals innovate long-term with questionable-quality data that is routinely a year or more old?

Technology is only going to be as effective as the readiness of the client to incorporate it into their culture and daily workflows.

If the client does not have the right *culture*, leaders, organizational structure, reporting, incentive alignment, etc., then the technology solution (EMRs, Pop health tech, reporting tech, etc.) will be

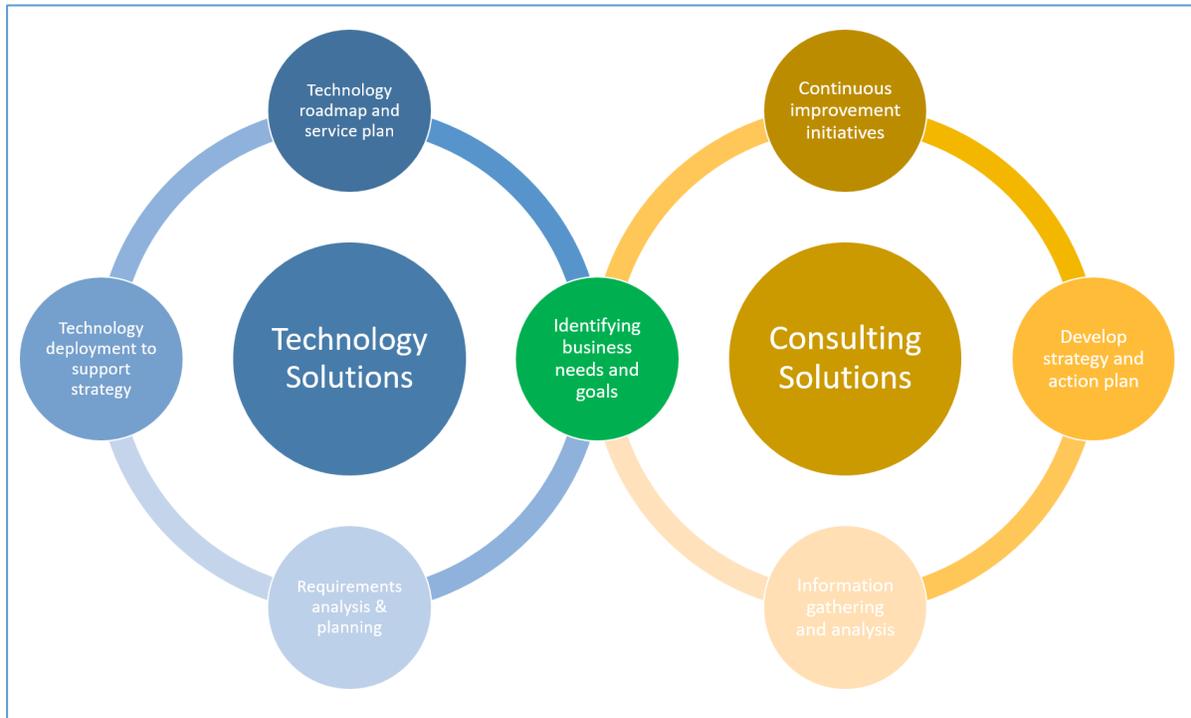


Figure 1. The strategy and technology components of technology-enabled consulting feed into each other in a feedback loop of continuous improvement for clients and continuous business engagements for consultants.

underutilized and ineffective. Technology will fall short every time without the appropriate buy-in.

Management consultants familiar with health care still have an advantage.

It's not as beneficial for health care organizations to deal directly with a technology firm, as opposed to a consultant firm that uses technology to enable their consulting.

That's because technology is (and should be) only used to execute the strategy; technology is not used to change the entire business process. The business process is changed through strategy, and technology aids in execution.

That's the reason we call it "technology-enabled consulting" and not "technology-consulting," because technology can only be an enabler. So those firms in the domain will find that their experience continues to be extremely relevant. Technology cannot replace the expertise of strong medical consultant firms, and

the boots-on-the-ground operational knowledge base they've obtained through years of experience.

To illustrate this principle, let's take a closer look at the physician compensation management example. The results stemming from a poorly designed process can be quite problematic. Heavily manual processes can require entire days to complete, may not happen at all, and often result in human errors. But it's the strategy behind compensation planning that often creates the real headaches.

For example, executives might make idiosyncratic compensation offers in an attempt to lure high-value providers to their organization ("special deals"), but that could leave administrators wrangling with 10 or 20 separate compensation models – and even more individual variations. Not having a clearly defined compensation philosophy that ties back to key principles and strategic priorities can be detrimental in today's uber-competitive physician space.

Optimizing compensation requires both strategy and technology. Strategically, organizations can

standardize models, consolidate contracts, streamline processes, and more. It's also key to establish performance benchmarks for rewards: an Advisory Board survey of 3,711 physicians found that fewer than half – only 46% – thought they were recognized by their organization for a job well done – a critical component of attracting and retaining providers.^{vi}

These strategies then need a technology platform that supports them, e.g. by tracking individual relationships at a granular level of detail, automating reconciliation and other processes (which can happen at a click instead of taking days), matching payments to performance, triggering alerts when fair market value should be reviewed, etc.

In a case like this, strategy comes first. Technology cannot identify the reasons; it only helps if the strategy is right. In fact, technology divorced from strategy yields compromised results. For example, many health care facilities have experienced painful EHR rollouts, often because their tech vendor supplied a system that worked independently of the strategy established by management consultants. When technology and strategy fall out of sync, the client pays the price.

The customer only benefits meaningfully when strategy and technology combine for the right reasons to maximize the benefit. When strategy and technology work in tandem, the solution becomes self-sustaining.

Meanwhile, the **revenue model** shifts to match the technology-enabled consulting model with **sustainable, recurring income.**

Earlier we described an example of technology-enabled consulting shortening engagements by months and reducing costs by hundreds of thousands of dollars. A management consultant firm might reasonably note, “Doesn't that mean a decrease in income for us?”

No. Herein lies the value of self-disruption: you can produce greater value for clients while taking advantage of a marketplace opportunity.

External disruption means clients begin adopting providers who offer the cheaper, faster, better technology-enabled solutions. Your client base shifts out from under you.

By contrast, self-disruption means you use proprietary technology to lock customers into ongoing, continuous or recurring service that keeps them up-to-date with the market at all times – and

provides you similarly continuous revenue streams. You can also price for value rather than hours.

This is why Forrester predicts “increased license, subscription, retention and equity contracts” is the future of consulting.^{vii} Under such payment models, consultants still have consulting hours on the front-end or offered on a recurring monthly or quarterly basis, but they will also be a recurring charge for the technology deployments that support the strategy.

This model improves client retention. Once the technology component is built into the consultant's practice, the client will turn to them first because they have all the real-time and historical information on-hand, plus the technology to maximize the use of it. The consultant will be continuously, meaningfully engaged with the client. If a software component is embedded into their solution, and they plug their client into that software, they're providing better,

actionable information to the client while remaining engaged with them forever.

The advantages of this revenue model are bilateral: customers can benefit as well. For one thing, it normalizes and flattens the expense while delivering consistent, reliable service and real-time solutions. A 2015 survey by Ventana Research has found that this revenue model not only strengthens top line revenue, it improves customer satisfaction and experience (see figure).^{viii}

Service delivery improves simultaneously: today's business dynamics are changing so fast that any strategy solution given to the customer will only be applicable for today or, maybe, tomorrow. After, the drivers and variables have changed too much.

A consulting model that can keep up with the lightning fast pace of today's healthcare industry simply serves customers better.



This is the future of service in management consulting. But how can consultant groups **incorporate the technology aspect?**

Primarily through hiring, acquisitions and partnerships. Forrester, in *The Future of Consulting Through 2020* report, notes that "McKinsey and other high-end strategy firms are already building up delivery assets through hiring, acquisitions, and partnerships. In addition, firms that are known for strategy, but already have delivery capabilities, are beefing up as well. PwC, Deloitte, KPMG ... have all acquired firms with strong delivery capabilities."^{ix}

In general, the approach is to find individuals or teams who understand the strategy side and also have the technology to execute the strategy. It's the same basic approach that major technology firms like Google or Apple take when acquiring technology

startups. For example, Facebook, famously paid \$1 billion to acquire Instagram for the same basic reasons. Facebook users like to share and view photos through the service, but Instagram offered a superior technology, particularly in its mobile app. Facebook, in turn, wanted to keep those users on its own site, and furthermore wanted the increased data provided through their usage. By acquiring and incorporating Instagram, Facebook "self-disrupted" before an independent Instagram or another service could start pulling users away.^x

Today's management consultants can serve their own best interests in the same way. Self-disruption is ultimately about value: embracing the shift toward

gain sharing and retainers to hedge against the loss of traditional project-based work. The good news is that opportunities abound for the organizations willing to seize them, and getting started is not as difficult as it may seem. Here are four best practices for successful self-disruption:

1: Form or acquire an “autonomous business unit.”

The Harvard Business Review argues that these acquisitions should be free from reliance on the parent organization.^{xi} By not reporting to the business being disrupted, the new unit can adapt more flexibly to the marketplace and incorporate new technologies and processes with fewer hurdles.

2: Populate that unit with leaders with relevant experience.

If you have such leaders already in-house, you’re ahead of the game. However, be prepared to look outside of your organization as well. Disruption means *different*, and in-house leaders often have the subject matter expertise but lack the technology

experience. Success requires leaders who will have dealt with fundamentally different and specifically technology-oriented challenges.

3: Develop a new profit model.

Each organization must determine how it will align its profit model with its new service methods. The normal formulae may not apply, and generating profit under a new approach may depend on entirely new variables. The technological leaders you hire should be able to help with this step.

4: Commit to it.

Organizational leaders – up to and including the CEO – must understand the new business unit and its service model. Further, they must be willing to protect the unit against in-house threats: resistance from individual managers and workers, insufficient resources provided by the parent organization, etc. With commitment from leaders, tech-enabled consultants can not only survive but thrive.

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Isaac Ullatil is the Principal and CEO of Hallmark Healthcare Solutions. He has over 20 years of experience in management consulting for healthcare and IT services and have served in progressive leadership positions. He assists health systems in Physician compensation administration and management, workforce management and Lean Six Sigma implementations. His experience encompasses a variety of strategic, business process reengineering, and organizational improvement projects, with a particular focus on improving outcomes by merging the right strategy and technology.

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