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Leap to the future of healthcare: Reinvent through business building

In a post-COVID-19 era, healthcare executives are preparing to reinvent their businesses.

by Shubham Singhal and Ari Libarikian

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Reinventing business models and building new sources of revenue have never been more important for the healthcare industry, especially as it seeks to improve lives and livelihoods. As we note in our article, "The great acceleration in healthcare: Six trends to heed," business model reinvention is increasingly becoming essential to deliver greater value to stakeholders in the areas of quality, affordability, access, experience, and equity.

Driven by a combination of rapid development of technology and medical science, market demand, government policy, and financial pressures, the evolution toward new business models (for example, next-gen managed care, the simultaneous fragmentation of sites of care, integration of care around the patient, consolidation of care delivery institutions, technology-enabled healthcare services businesses) is already underway.

The market for new business innovation was moving very quickly pre-COVID-19 and has accelerated during the pandemic. Sensing the significant opportunity for improvement in healthcare and the potential for attractive returns, private equity and principal investors have been deploying substantial capital and attracting talent from within and beyond healthcare (for example, technology), all with a goal of driving rapid new business creation and scale-up.

Healthcare executives must now lead their institutions, designed for methodical and slow change, in a way that reinvents their businesses with the speed of the market. What was previously done in years must now be done in months and that which was done in months in a matter of weeks. Entire new business models in healthcare must now be launched within 12 months, and establishing the discipline and capabilities for business building is a top priority.

Healthcare is not unique in this regard— business building has become a top priority across sectors. Our experience across sectors shows six elements to be essential to and characteristic of a successful business-building organization.

1. *Strongly committing to business building by senior management.* The best business-building organizations have clear, visible, and sustained CEO and senior management sponsorship of the business-building ventures. This commitment is evident by prioritizing business building into corporate strategy, allowing airtime at management and board meetings, and allocating capital to the effort.

2. *Obsessively focusing on value-creation ideas that meaningfully and measurably improve healthcare.* This uses data, talent, distribution, brand, and more, all of which will provide differential capabilities for the new business while still prioritizing quality and access.

3. *Instilling a culture of test-and-learn agility.* Executives must be able to experiment, learn, and pivot with pace, to ensure the best product and market fit that will unlock scaling. Organizations will not get it right at the outset, but will develop muscle over time.

Recognizing the importance of rapid business building, we have developed a focused capability—Leap by McKinsey—to bring together the necessary diverse talent, method, and assets.

4. *Having a bias toward "open architecture" capabilities.* Such capabilities leverage partnerships, ecosystems, acquisitions, and homegrown assets to deliver the value proposition.

5. *Ensuring sufficient organizational distance of the new build from the core.* This distance avoids impeding the new build with processes designed for mature organizations. This element requires balancing talent from the core with new hires, who are bringing in different mindsets and skills.

6. *Establishing dynamic performance management and measurement across time horizons*, with a focus on capability building, data, and milestones in the early days, and not overly indexing financial returns too soon.

Over time, many established companies have tried and failed at building new businesses from scratch. The ones that have figured it out take a rigorous approach that seeks to combine the speed of a start-up with the scale and assets of the core business.

Winning approaches typically begin with a fact-based strategic review of business-building opportunities, grounded in customer needs, competitive moves, and value-creating ideas that move the needle. These initiatives are then followed by a detailed blueprint of the new business (including more specificity of the product(s), the management team, go-to-market model), and then pivoting into building and scaling the new business, which typically involves customer signups, growing revenues, and, often, a new emerging brand in the marketplace.

Healthcare leaders should look to pursue a similar structured approach as they embark on their journey.

Epochal shifts have happened in healthcare before. Many of the largest health insurers at the advent of the managed care era are no longer in the industry and the largest private healthcare institution in the United States today did not exist then. More recently, the growth of managed care in Medicare (Medicare Advantage) and Medicaid has shifted the industry since the global financial crisis. The provider industry is significantly consolidated, and entirely new healthcare services and technology players have emerged. Adept business builders will win this next epoch by improving health and healthcare substantially while creating immense value for their stakeholders.

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