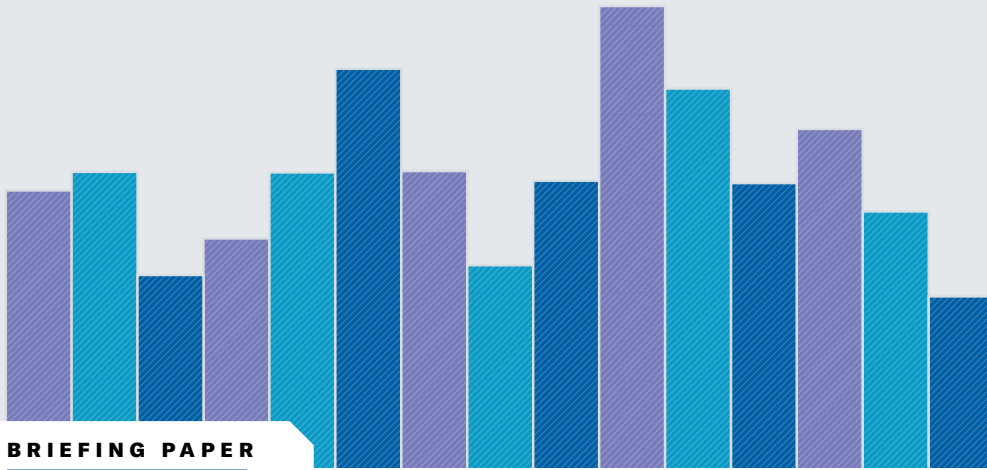




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BRIEFING PAPER

Driving Innovation in Health Care through Strategic Partnerships



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Driving Innovation in Health Care through Strategic Partnerships

Health care decision makers are under extraordinary pressure to enhance clinical and operational processes and accelerate digital transformation to satisfy an increasing consumer appetite for more personalized, improved, and patient-centric health services. On their own, health care leaders say most hospitals and other health care providers lack the financial and technical resources and expertise required to implement new processes and digital capabilities that embody this new reality. Hospitals and health care providers are gradually coming to recognize the need to supplement their already stretched technical and financial resources if they are to advance the delivery of innovative health services. The pressure of Covid-19 only reinforced their inclination to seek more innovation and collaboration in the future.


Senior health care executives, in large part, are aware of and acknowledge their inability to advance digital transformation on their own. According to the Future Health Index 2021 report, which is proprietary research by Philips, 41% of the 2,800 health care leaders surveyed across 14 countries say they need to prioritize strategic partnerships and collaborations to successfully implement digital health technologies. Yet, just 8% of the Future Health Index 2021 respondents currently rank investment in strategic partnerships as a top priority to be prepared for the future. Compare that finding to how respondents see the situation in three years, with 24% ranking investment in

HIGHLIGHTS

Forging **strategic partnerships** now is essential if health care providers are to be ready for the future.

To be successful, strategic partnerships require the parties involved to **provide dedicated resources to the alliance**—something many health care providers and suppliers are still either unable or reluctant to do.

As the benefits of early strategic partnerships take hold, health care executives say there is good reason to expect that such **collaborations between health care providers and commercial enterprises will increase** in both number and scope.



“Strategic partnerships are a long-term investment in which we’re not looking for a vendor to come up with all of the solutions, but for both parties to help each other.”

David Higginson, chief innovation officer, Phoenix Children’s

strategic partnerships as their top priority. But even then, the percentage remains low, as it represents about one-quarter of respondents who believe strategic partnerships will need to be prioritized for future preparation that way.

“The notion of strategic partnerships has not been a part of the tradition in health care,” explains John Glaser, executive-in-residence, Harvard Medical School Executive Education Program. “On the whole, health care tends to be more conservative. There is a progressive digitization of health care that has been slow and plodding.”

Health care leaders’ failure to prioritize and expedite strategic partnerships shows that they may not yet fully understand or recognize the value such partnerships can bring in terms of accelerating digital transformation. But the opportunity for collaboration to enable those leaders to advance their goals is still there. Forging strategic partnerships now is essential if health care providers are to be ready for the future. Health care leaders say such collaborations can help lower costs and create flexible risk-sharing business models, which can, in turn, help increase profits.

Digital technologies ranging from wearable medical devices to artificial intelligence (AI) and predictive analytics are enabling greater operational efficiencies and better health outcomes in an era of increasingly prevention-oriented care. Providers’ greatest challenge now is implementing and integrating these various digital technologies—and sharing the massive volumes of data they generate—to enable the widespread and continuous availability of personalized patient services and care across the health care ecosystem.

Health care is changing constantly, and providers need to be digitally capable and resilient enough to evolve and grow through this continuous evolution.

This report examines health care organizations at the forefront of strategic partnering and the value partnerships are delivering on multiple fronts—clinically, operationally, and financially. It also provides lessons learned by health care organizations on the leading edge of collaboration about what resources and processes providers need to have in place to ensure a successful partnership and reap the benefits of what such an alliance provides.

Rethinking Roles

In contrast to traditional transactional relationships with vendors, strategic partners have a shared vision and work closely together to drive innovation and value, according to The Health Management Academy, a peer-to-peer learning and leadership development organization comprising health system executives. But definitions can vary. At Phoenix Children’s (PC), a pediatric health care system based in Phoenix, Ariz., chief innovation officer David Higginson says, “What we think of as a strategic partnership is what happens between the big purchases. Strategic partnerships are a long-term investment in which we’re not looking for a vendor to come up with all of the solutions, but for both parties to help each other. We look for strategic partners with broad and deep experience and a commitment to pediatric health. We partner not for a particular initiative, but for the

long term, so when the next big thing does come along, we’ve already built up knowledge and trust, which makes us faster and more innovative,” he says. “Strategic partnerships are critical, but you have to be selective and think about what’s critical to you [as a hospital or health care provider].”

As more health care providers partner with health tech companies, Higginson sees the role of chief information officer (CIO) on the health care provider’s side continuing to expand. In addition to implementing technology that enhances operational efficiency, CIOs need to morph their skill sets so they also can derive additional clinical and financial value from that technology. “Software systems are installed. Now, the question is, what are those systems doing for the hospital and how will they make the outcome of a patient’s treatment better?” he says. “The CIO’s role is to drive innovation.”

But the CIO is not operating in a vacuum. Others in senior management roles who don’t understand the value of strategic partnerships can’t be expected to champion them. For Higginson, educating the rest of the C-suite, as well as clinicians and staff, about what is possible with digital technology and about the potential financial, clinical, and operational value partnerships can afford is part of the role a CIO must play.

There are also cultural differences between health care providers and health tech companies that can work to stymie the development of partnerships. Harvard’s Glaser notes that health care providers and commercial enterprises are often like oil and water. One example he notes is how many medical equipment manufacturers and service providers have adopted the Digital Age’s “fail fast, fail forward” mantra, which refers to the practice of iterative development of new products and services. The norm on the health care provider side, by contrast, is to extensively test all new ideas.

Many health care providers also are too small to be of great interest to potential partners on the supplier side, he notes. “A lot of health care providers are small hospitals and doctor practices,” Glaser says. Still, there are global health tech companies that have made the strategic choice to forge partnerships with health care providers of all sizes, focusing primarily on potential benefits rather than the organization’s size.

Suppliers need to know their customers’ operations inside and out for a partnership to work well. McKinsey & Co. notes that some medtechs have strong technical expertise and understand providers’ clinical requirements. In a McKinsey survey of 157 hospital executives across the U.S. and Europe, fewer than 20% of respondents said health care equipment manufacturers and suppliers of devices and consumables understood their hospital’s business. Thirty percent of health care executives said health care equipment manufacturers and suppliers of devices and consumables

did not understand the organizational culture. To help close such gaps, McKinsey recommends that commercial partners do things like observe clinicians to better understand how they interact with monitoring devices and/or process data to make clinical decisions. Some global health tech companies already are doing this.

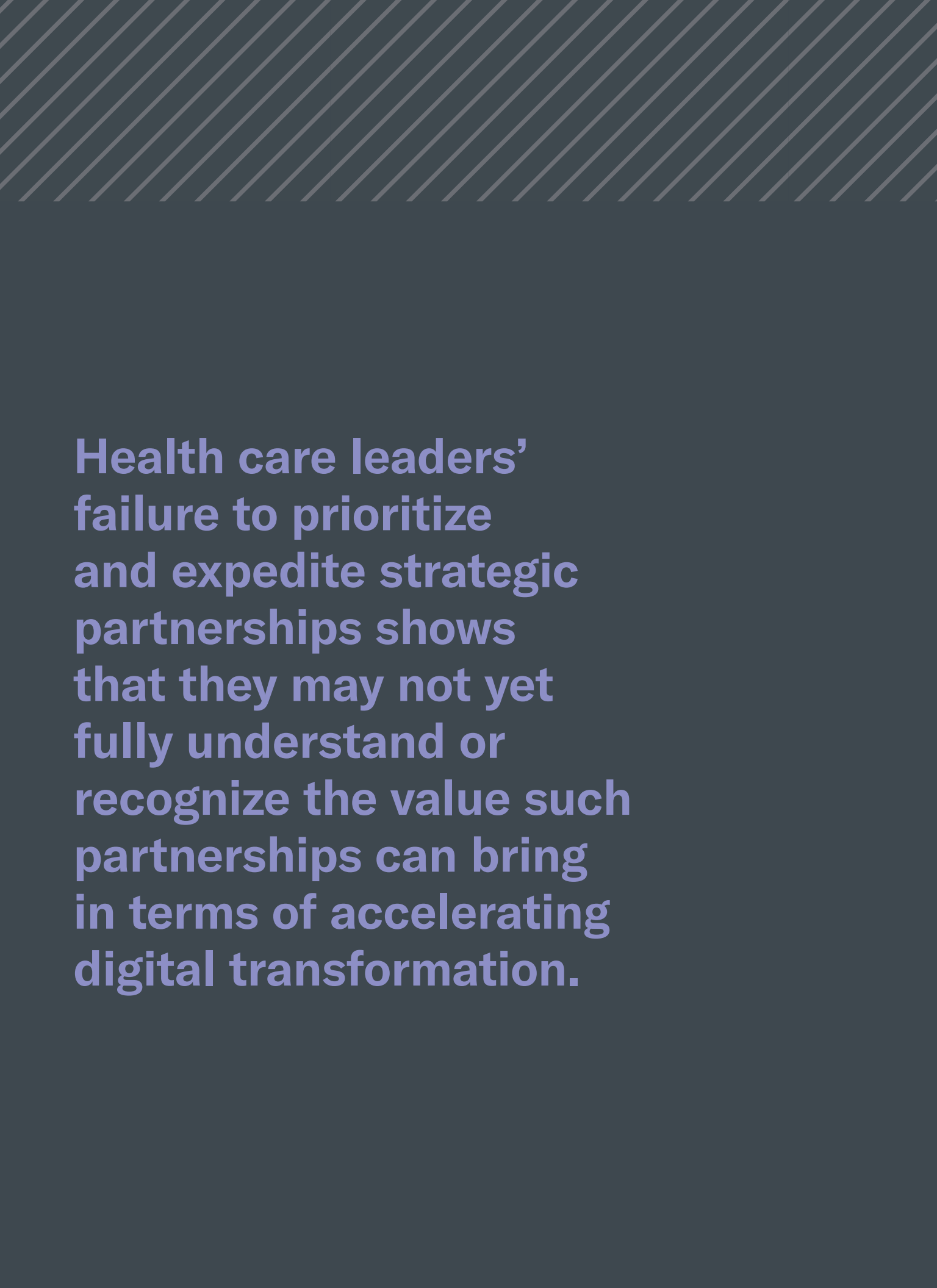
The most successful strategic partnerships provide a structure and process that enables access to care system resources, workflows, and systems. This infrastructure allows commercial partners ready access to the insights they need to better understand a health care provider’s operations and culture. **FIGURE 1**

FIGURE 1

Successful Strategic Partnerships

Key points for health care leaders to consider





Health care leaders' failure to prioritize and expedite strategic partnerships shows that they may not yet fully understand or recognize the value such partnerships can bring in terms of accelerating digital transformation.



In China, where the demand for radiologists outstrips supply, Ping An Healthcare Diagnostics Center has entered a strategic partnership with a global health tech company to jointly develop AI-based products that improve accurate imaging diagnosis capabilities.

Strong strategic partnerships also require the parties involved to provide dedicated resources to the alliance and to use a co-created governance process. At Rennes, France-based Centre Hospitalier Universitaire de Rennes (CHU Rennes), Frederic Rimattei, deputy director general in charge of partnerships, emphasizes that potential commercial partners should be prepared to dedicate resources exclusively to the partnership as well as adhere to a pre-established governance process. “This is a big key to success,” Rimattei says. “The ongoing management of the partnership is very important and has to be negotiated from the outset.”

For example, CHU Rennes positions joint responsibility for sustainability as a foundational part of its strategic partnerships with equipment manufacturers and other partners. The planning includes defining clear and measurable targets, such as minimizing equipment shipping and environmental impact, and/or reducing equipment and data storage power consumption. The idea behind the sustainability within these partnerships, Rimattei says, “is to go beyond traditional practice by considering the entire product lifecycle.”

Innovation Benefits

Once the particulars of strategic partnerships are agreed upon, however, innovation and other benefits—including collaboration and data sharing—can result. For example, a

strategic partner can help a provider organization maximize the value of big investments in state-of-the-art equipment. With a 10% year-over-year growth rate since 2006, innovation and speed are of paramount importance to PC. Demand for magnetic resonance imaging (MRI) tests is one example of just how vital innovation and speed are. “We have a huge demand for MRIs and there is only a certain number of machines. There was also the realization that we just can’t keep buying more machines,” Higginson of PC recalls.

Today, in strategic partnership with a global health tech company, PC is jointly working on standardizing MRI equipment and processes and developing software algorithms to speed MRI test processing times. The arrangement has enabled PC to nearly double throughput on its MRI machines. Phoenix Children’s partner has also derived value, gaining access to important late-phase research and development data on equipment about to come to market. “We’ve been able to find a collaboration point where we’re able to bring our learning and data to the vendor to be incorporated into their products,” Higginson explains.

In China, where the demand for radiologists outstrips supply, Ping An Healthcare Diagnostics Center, an important part of the health care ecosystem of Ping An Insurance (Group) Company of China Ltd., has entered a strategic partnership with the same global health tech company to jointly develop AI-based products that improve accurate imaging diagnosis capabilities. Another vital part of the Ping An Insurance



The implementation of AI to analyze big data, especially in the area of imaging, and to develop new algorithms for medical treatment is at the heart of many emerging strategic partnerships.

health care ecosystem, Ping An Healthcare and Technology Co., is one of China's leading health care services platforms. It has 373 million registered users and has accumulated consultation data from more than one billion visits. Ping An Healthcare and Technology's leadership believes analyzing this data to develop new treatment algorithms can greatly help internal physician teams by reducing the work in the course of diagnosis and treatment. That leadership's position is that this work reduction, in turn, enhances operational efficiency and enables the physicians to accept more consultations.

Collaboration and innovation on research of mutual interest was a primary factor underlying one particular strategic partnership that CHU Rennes entered into over the past few years. CHU Rennes was the first health care provider in Europe to digitize all pathology testing processes and operations. This effort required technology from a strategic partner that enabled the hospital to digitize as many as 200,000 routine clinical pathology exams annually. Previously, all exams were conducted manually, with researchers viewing cross-sections of organ tissue under a microscope. Now that the process has been digitized, researchers are able to leverage artificial intelligence to uncover results they couldn't see previously, plus combine that information with other data to perform predictive modeling and develop new software code that advances quality improvements in patient care.

CHU Rennes could not have achieved these results on its own, says Director General Veronique Anatole-Touzet. "We needed a commercial strategic partner to bring in the digital technology from the outside," she explains. But now that the hospital has the technology, specialized research teams have coalesced around the study of various individual organs, such as the breast and prostate. They are able to share data they could not share before to improve diagnoses and enhance treatments.

This ability to share is also an example of how a single strategic partnership has spawned a growing ecosystem of strategic partners, says Rimattei, Anatole-Touzet's CHU Rennes associate. "Thanks to the original partnership [to digitize pathology processes and operations], we also now have partnerships with several start-up companies that are using our big data to develop new algorithms for different treatments," he says. Another prospective strategic partner, a large pharmaceutical company, has approached CHU Rennes about using its data to study the impact of the company's

medications on tumors over the course of progressive digital biopsy exams.

An additional benefit CHU Rennes has gained from its partnerships is a significant increase in its international visibility and, as a result, its ability to recruit best-in-class medical researchers and practitioners, hospital officials assert.

"Strategic partnerships have made us more attractive to pathologists and anatomists. We are in competition with private enterprises in these sectors," says Anatole-Touzet. "Now, all university hospitals in France want to do the same as we have done. It's a real revolution. The digital technology has changed all of our practices and all of their processes."

Positive Clinical and Financial Impacts

The implementation of AI to analyze big data, especially in the area of imaging, and to develop new algorithms for medical treatment is at the heart of many emerging strategic partnerships. These new and innovative treatments will, in turn, likely drive an increase in strategic partnering, according to Glaser. "We'll see partnerships grow because they have vision and are future-focused. There will be partnerships of all kinds, with technology companies, health plans, and organizations that take care of communities," he predicts.

Strategic partnering can also have a significant positive impact on partners' overall finances. For health care providers in the U.S., this benefit is especially important in the wake of the negative financial impact dealt by the Covid-19 pandemic. As the second year of the pandemic evolves, nearly four in 10 of the nation's more than 6,000 hospitals are expected to operate at a loss for 2021, according to an analysis prepared for the American Hospital Association.

Between March 1, 2020, and June 30, 2020, U.S. hospitals lost \$202.6 billion, according to the American Hospital Association. Commercial partners can bring much-needed equipment and funds to cash-strapped provider organizations. But the bigger benefits are long term and extend well beyond balancing the books. Strategic partnerships offer health care providers a new business model centered on performance, risk-sharing, and shared accountability.

Health care providers won't be the only ones to gain from the partnerships, either. McKinsey cites the opportunity for medtech companies, for example, to work closely with health care providers to furnish not just equipment, but



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also innovative services, often enabled with software, that meet specific provider needs. Such “beyond-the-product” collaborations help hospital executives reduce fixed costs and improve service, while medical technology companies get to tap into new revenue streams—potentially worth some \$44 billion in the U.S. alone, according to McKinsey.

Health care providers, health tech companies, and industry experts agree that this kind of win-win potential is essential for any strategic partnership to succeed. A shared strategic vision is also critical, as is a long-term commitment to the partnership, rather than a focus on executing individual initiatives.

At PC, an unwavering commitment to innovation has also been central to the strategic partnerships the hospital has entered into over the past few years. “Children’s hospitals have to innovate because things that work for adults just don’t work for kids,” asserts Higginson. “We gravitate to companies that can get us to that mission.” Thanks to a strategic partnership with a vendor of digital electronic health record systems, for example, PC researchers have been able to analyze huge volumes of data and develop new algorithms that dictate optimal clinical practices for pediatric patients as they age.

Looking Ahead

As the benefits of early strategic partnerships take hold, health care executives interviewed for this paper say there is good reason to expect that such collaborations between health

care providers and commercial enterprises will increase in both number and scope. More strategic linkages will also likely result because many health care providers simply do not have the financial resources to digitally transform or to grow on their own. “When you’re growing rapidly, you can’t do it all by yourself,” Higginson says.

Strategic partnerships also have a track record of enabling innovation, a universal priority among health care providers. In a recent report titled “Global Top Health Industry Issues 2021,” global consultancy PwC identified strategic partnerships as a key issue for health care providers, health insurers, pharmaceutical and life sciences companies, health tech providers, and other entrants in the evolving health care ecosystem. The research was conducted in January 2021, and involved surveys of more than 10,000 consumers and interviews with health care leaders worldwide. “Governments, pharmaceutical companies, and providers collaborated at an unprecedented level in the effort to develop and manufacture Covid vaccines,” the report notes. “Going forward, health care organizations should explore partnerships that enable innovation, foster supply chain resilience, and advance product distribution. For example, the partnerships and infrastructure put in place to support the efficient deployment of Covid-19 mRNA vaccines could be leveraged to accelerate development of any new cell and gene therapies or mRNA products.”

Still other providers, including CHU Rennes, anticipate expanding in-place partnerships to new areas of research



“Strategic partnerships are akin to placing a bet, which involves risk. But if you have a good measure of confidence in your own team and have negotiated well up front, the lesson for us is that there is good success. We’d like to make more strategic partnerships,” says Frederic Rimattei, deputy director general in charge of partnerships at Centre Hospitalier Universitaire de Rennes.

and clinical treatment. Genetic research and osteo-imagery are two target areas of expansion, says the hospital’s Anatole-Touzet. Under its strategic partnership with the global health tech company, CHU Rennes has collected and analyzed very large data sets and is looking toward developing additional new algorithms that might predict outcomes of various treatments before they take place.

“Strategic partnerships are akin to placing a bet, which involves risk,” says Rimattei. “But if you have a good measure of confidence in your own team and have negotiated well up front, the lesson for us is that there is good success. We’d like to make more strategic partnerships.”

In China, the overall leadership of the Ping An Healthcare ecosystem believes the ultimate goal under an in-place strategic partnership with a global health tech company is to provide physicians and patients with more efficient and convenient services while offering a better user experience. Now, the company provides training and support for physicians and technical personnel. It could also cooperate with Ping An Healthcare Diagnostics Center to do expert imaging diagnosis. Going forward, the health care provider says it will leverage the supplier’s data-enabled technology platform to delve more deeply into the area of precision diagnosis.

At PC, Higginson says he sees “a huge opportunity for digital technology and strategic partnerships in the customer-facing space.” Working with its global health tech partner and

their ambient experience technology, for example, PC is now able to provide a significantly calmer and less frightening experience to young patients undergoing MRIs. In the early months of the pandemic, the hospital, with assistance from the outside, was able to set up digital video systems so that virtual visits could take place. “We put a camera in every single patient room and we did that in two months so families could visit whenever they wanted,” he explains. Looking ahead, Higginson envisions digital signage outside of patient rooms, alerting clinicians and other hospital personnel to updated patient information before they enter the room.

“My number one goal is serving patients well,” Higginson says. “And I do think strategic partnerships are critical to do that. Partnering can go so much further than bringing you technology at a good price. [Partners] can provide access to research, act as a co-developer, and adapt innovations. There is strength in partnerships.”

There is also the potential for systemic health care transformation, according to Rimattei. “It begins with two partners—the hospital and a partner from the industry side—but then it brings all of the health care ecosystem around to the new way of care and technology. [Partnerships] have a transformational impact.”

Endnotes

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