



**CENTER** *for* **MEDICAL**  
**INTEROPERABILITY**®

# Procuring Interoperability: Opportunities and Strategies

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*January 30, 2018*

# Competitive Forces in **Today's** Health Technology Marketplace *Deter* Interoperability

## Threat of New Entry

- High barriers to entry due to capital intensive industry structure
- No government incentives available for interoperability
- Business case for interoperability not yet been demonstrated
- No market demand for interoperability



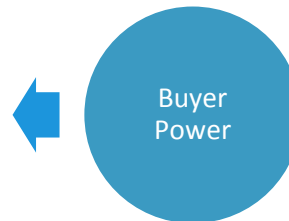
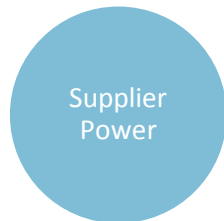
## Competitive Rivalry

- HITECH and Meaningful Use fell short of intended goals
- 21<sup>st</sup> Century Cures Act penalties have limited impact
- Suppliers thriving in current market and are not required or incented to change products
- No private investment in interoperability at scale



## Supplier Power (EHR, medical device, and proprietary middleware companies)

- Few companies control market share and can drive up prices
- Switching costs are high for buyers
- Supplier industry has higher profitability than buyer industry
- Government subsidizes EHR purchases



## Buyer Power (Health Systems/ GPOs and Patients)

- Buyers have limited bargaining power with suppliers
- Buyers do not demand interoperability and have not proven business case
- Limited IT and CapEx budgets



## Threat of Substitution

- Duopoly makes substitution difficult
- Nature of product suites makes switching cost and time prohibitive for buyers



Porter, Michael E. "The Five Competitive Forces That Shape Strategy." *HBR* (2008)

# Competitive Forces in **Tomorrow's** Health Technology Marketplace *Reward Interoperability*

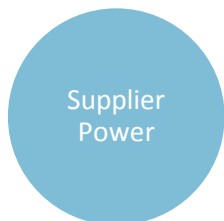
## Threat of New Entry

- Access to health care data lowers barriers to entry
- Value-based payment models reward interoperable solutions
- Robust quality/outcomes standards create marketplace for clinically integrated IT solutions at all levels of care



## Supplier Power (EHR, medical device, and proprietary middleware companies)

- Suppliers win by designing products and solutions that meet all goals of health systems and patients
- Access to data diversifies supplier marketplace
- Plug-and-Play technology lowers buyer switching costs



## Competitive Rivalry



- Non-healthcare service providers (Apple, Amazon, Google) have technology capabilities, scale and market penetration to compete with existing vendors and do not need government or industry capital
- Data liquidity enables proposition for personalized medicine and population-based analytic solutions

## Buyer Power (Health Systems/ GPOs and Patients)

- Aggregate purchasing power allows buyers to specify requirements for IT products and negotiate prices
- Commoditized platform model reduces COGS and improves quality and business performance to sufficiently justify CapEx investment



## Threat of Substitution

- New product complements and substitutions emerge and displace middleware and proprietary models



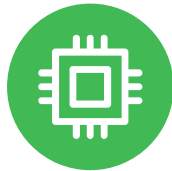
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# We have the *WILL*, Now what is the *WAY*?

The opportunity to be successful is going to require that we change industry dynamics—in a *transformative* way



Convene providers and health systems to look at this problem at a technical level



Develop a trusted platform model that is neutral, accessible, commoditized and scalable



Involve clinicians and providers in technology design



Build the business case for adoption

# A Patient's Journey



- 35 y/o female s/p CTX/ XRT (11/2002-6/2003) for Hodgkin's Lymphoma
- Over 450 unique encounters (at least 7 H&Ps incorrect)
- 20+ primary and specialist physicians
- 15+ Health Systems/ physician practices
- 40+ Distinct EHR, radiology, billing systems
- 14 DVDs with image studies
- And I am one of the "organized" patients!



# THANK YOU

Accelerating the seamless exchange of information to improve health care for all