

2020 **DIGITAL**
Annual
Conference

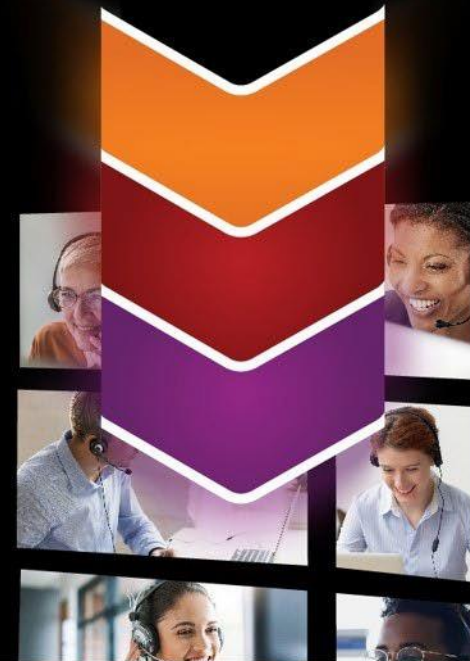
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What's New in Acute Care Innovation Strategies – Trends and Applications

Brian McGough – Managing Director, Ziegler

Neil Borg – Senior Managing Director, Ziegler

Stan Lynall – Vice President, OSF Ventures



Today's Presenters



Brian McGough

Managing Director, Ziegler

Brian has extensive experience in Healthcare Finance and is responsible for advising hospitals and health systems across financing, advisory transactions and innovation strategies.



Neil Borg

Senior Managing Director, Ziegler

Neil is a co-founder of Ziegler's Mergers & Acquisitions practice and advises companies across Healthcare IT and Services completing over 100+ transactions. In addition, Neil is responsible for Ziegler's principal investing activities in these same sectors.



Stan Lynall

Vice President, OSF Ventures

Stan is VP of Venture Investments at OSF Ventures. He leads the effort to invest in devices, diagnostics, emerging digital solutions and service companies to improve patient outcomes and reduce cost.



Today's Agenda

Section 1: Introductions

Section 2: Health System Industry Update and Opportunities

Section 3: Various Definitions of Innovation

Section 4: OSF – Example of a Health System's Innovation Directives and Operational Structure

Section 5: Conclusion and Q&A

Why are Hospitals Focused on Accelerating Innovation?

Legacy Organizational / Operational Approach

- Internally Focused. Traditionally more focused operationally and less focused on considering innovative solutions and executing them
- Limited, Organized Information Flow. Often not in the innovation solution opportunity and information flow
- Corporate Initiatives Misalignment. Governance structures and accountability plans often ignored innovation solutions as key goals
- Minimal Bandwidth. Less ready and organizationally positioned to assess solutions opportunities when presented
- Innovation Catalyst: Greater hospital / system urgency increasing around solution assessment and deployment outcomes
- Key Opportunity: Hospitals continue to be the key lynchpin of care in any community and have the opportunity to be a partner for all health / wellness needs throughout one's life

Health Systems are also Facing Broader Challenges

Even PRE-COVID, macro trends and themes were numerous and complex

Evolving Care Models

- Population Health Management
- Tech Enabled Solutions
- Advances in TeleHealth & E-Health
- Emphasis on Care Coordination
- Population-Specific (Medicare / Medicaid eligible)

Market Changes & Consolidation

- Provider Consolidation & Partnerships
- Broadening of Ambulatory and Community Assets
- Expansion of Retail Medicine
- Innovative Partnerships with Changing Entrants
- Rise in Narrow Network Relationships and Products

Evolving New Payment Models

- Declining Reimbursement
- Value Based Payment Models
- IP to OP Revenue Shifting
- Direct Employer Contracting
- Development of Health Plan Strategies

Rise in Consumerism

- Transition from Patient to Consumer
- Consumer – Directed Health Plans
- Expectation of Price Transparency
- Patient Demand for Real-Time & Convenient Access
- Customer Mindset - “Always remain connected with patients”

Although Certain Trends Provide Wide Ranging Innovation Opportunities

Provider-Based Payment Reform

- Increasing participation in ACOs and bundled payment contracts
- Increasing provider accountability for patient-centered care delivery and outcomes
- Movement to value-based reimbursement models and shared risk
- Accelerating payor/provider convergence and coordinated partnering requirements

Caregiver / Labor Shortages

- Providers in key specialty areas in short supply; expected 120K MD shortage by 2032
- Lack of qualified labor contributes to increased costs to attract and retain talent
- Slow progress updating licensing laws to match modern healthcare
- Necessity to leverage all providers – from physicians, to nurses, etc. at maximum efficiency

Changing Demographics

- US Census Bureau expects more Americans over the age of 65 than under age 18 by 2034
- Managed Medicaid population greater than 60M
- Drastic need for the US to improve its infrastructure and access for care
- Increasing understanding of the importance of multicultural sensitivity in healthcare

Consumerism in Healthcare

- Tech-savvy consumers demand greater access to convenient, affordable healthcare
- Growing calls for pricing transparency as consumers shoulder larger % of HC costs
- Retailers (e.g. Walgreens, CVS, Best Buy) and tech and consumer product conglomerates (e.g. Amazon, Google, Apple) exploring new ways to participate in healthcare delivery

**Opportunities
for New and
Innovative
Technologies
and Services**

Systems Also Revisiting “Value” of All Service Lines

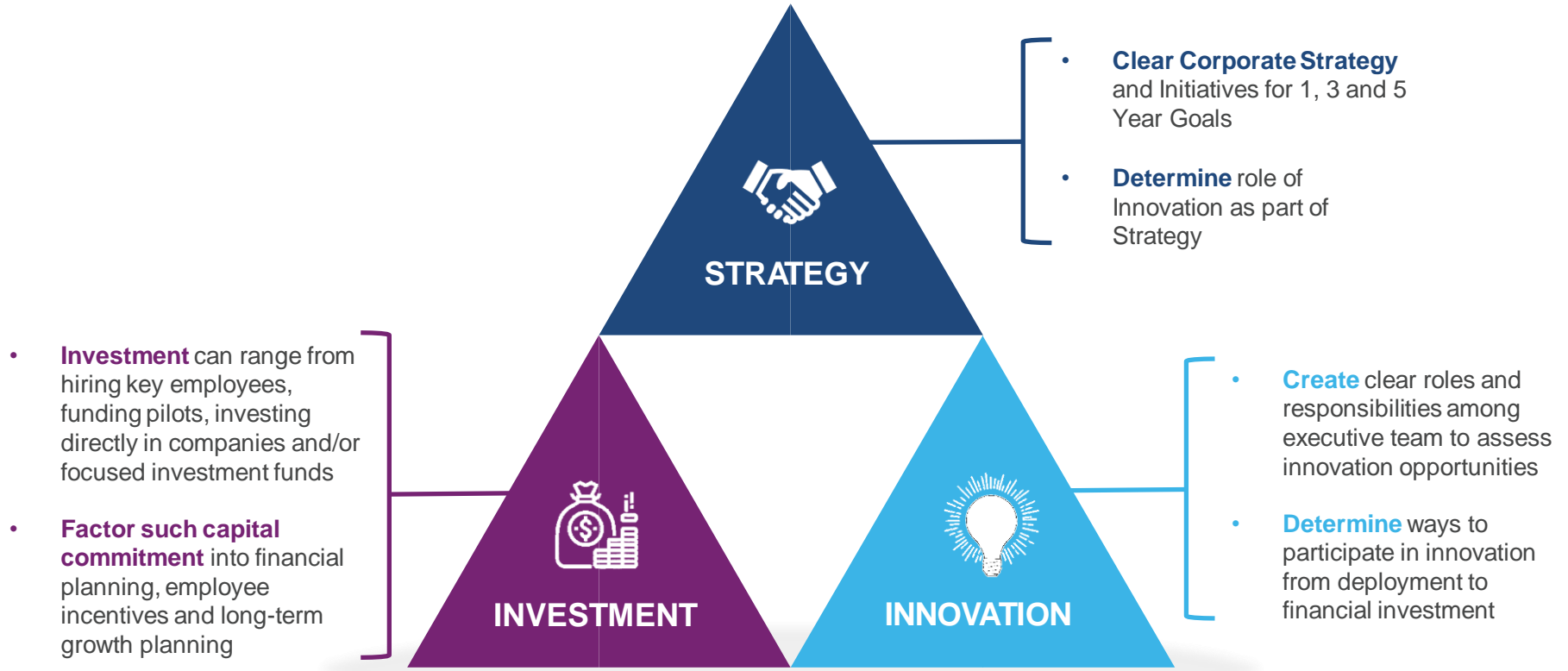
Integrated Health System Asset Reviews Across their Healthcare EcoSystem



- Focus on a comprehensive healthcare approach by integrated health systems to evaluate strategies and service lines
- Hospitals and systems continue to look to optimize their operations and coordinate their various businesses in a move to value-based care and financial sustainability
- For each of these domains, it is important to assess known best practices, technology-enablement opportunities, domain expertise and defined strategies, to debate internally and drive informed decision making
- In such a review, organizations have core strengths and need to understand which to **solely manage**, which to **partner around (i.e. JV)**, and which to **monetize** or **divest**

Various Definitions of Innovation

Pillars of Health System Innovation



Successful Approaches to Innovation

- Engagement. Solicit and engage outside parties to promote innovation strategies and tactical plans
- Determine Organizational Goals. Evaluate through multiple lenses: driving revenue, driving cost savings, or enhancing overall organizational performance and operations
- Internal Processes. Create defined intake, assessment and implementation process for ideas
- Measurement. Develop dedicated metrics to assess, measure and prove solution effectiveness
- Peer Partnerships. Lead by framing partnerships with other hospitals and community organizations
- Executive Sponsorship. Ongoing reinforcement by executive and clinical team leadership and, as appropriate, aligned compensation and career development paths
- Financial Planning. Assess opportunities in parallel with financial implications (CapEx planning, investments including venture concepts, etc.)
- Decision Making. Ultimately need to assess whether to build, buy, or partner as innovation opportunities support any corporate strategy initiatives

Collaborate, Collaborate, Collaborate!

Examples of Varied Innovation Approaches

RCM

Spin-out



Acquisition



Partnerships



HIT

Spin-out



Partnerships



Healthcare Services

Merger / Acquisition



Joint Venture



Pharmacy



Innovation Lab and Diagnostics

Innovation Lab



Diagnostics Spin-outs



Payor / Provider Partnership



Hospital Venture Investing Approach

Hospitals pursuing venture opportunities across all segments in healthcare

- Creates opportunities for hospital and health systems to rapidly grow their understanding of emerging solutions – more critical than investment return; strategic value/learning
- Permits hospitals access and introduction to venture investing teams and learn / share venture funds best practices
- Creates venture opportunities for hospitals in quickly emerging solutions; without venture exposure hospitals may not learn about or be exposed to on their own
- Pilot and trial opportunities become available to hospitals
- Venture funds initially focus on providing capital to early stage healthcare focused innovative technology and other solution providers

Spectrum of Health System Venture Investing

Investment alternatives differ by level of resource commitment, investment focus and decision-making power

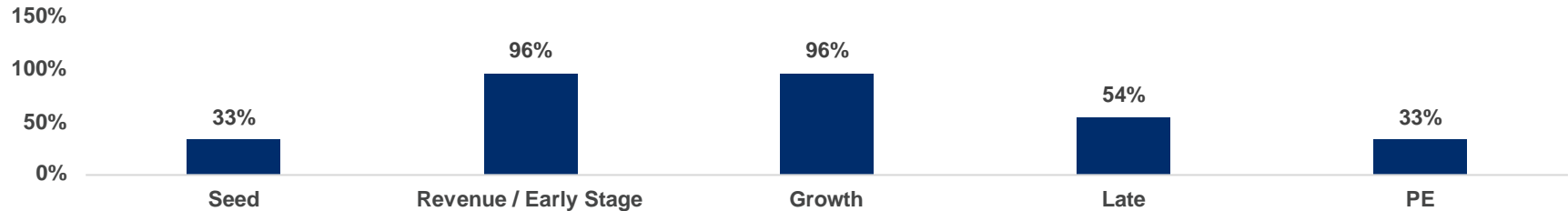
Hospital/ Health System Resource Consumption	Low	High
	<ul style="list-style-type: none"> No/minimal internal staff commitment Rely mostly on analytics from external parties 	<ul style="list-style-type: none"> Requires dedicated in-house, investment-focused team Internal responsibility to generate investment-related analytics

Typical Decision Maker	N/A	Investment decisions are segmented and/or made primarily by external parties	Investment decisions are made internally
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Potential Investment Approaches	Traditional diversified investment portfolio	External healthcare incubators and/or accelerators	Become a "Limited Partner" in a venture fund managed by:			Invest directly without a "formal" investment fund	Develop an internal innovation lab or local accelerator program	Invest directly by establishing a "formal" investment fund
Representative Organizations			A) another health system	B) an experienced venture investor	C) a consortium of strategic parties			
		Accelerator Incubator Hybrid Model 	 	 	 	 	 	

Limited Partner Approach

Health Corporate Venture Capital Deal Stage



Example Health System LPs in Funds Managed by Another Hospital / 3rd Party

Ascension Ventures Limited Partners



Heritage Group Limited Partners



Participants in the Healthcare Industry Space

Health system venture funds emerging as significant force in healthcare investing

Private Equity



Venture Capital



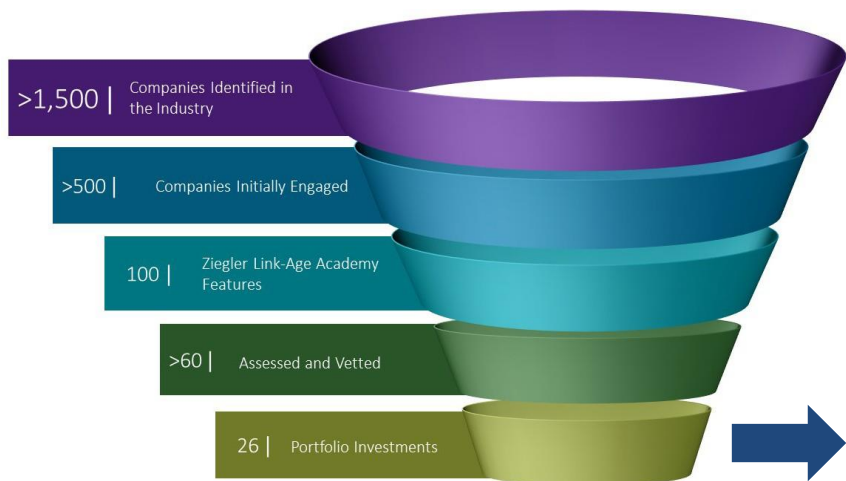
Strategic Investors



Ziegler Linkage Funds - Portfolio Company Pipeline

Scanning the Acute Care Technology and Senior Services Landscape

GENERATING RETURNS, both financial and strategic, for organizations across the healthcare and aging services landscape that have a significant interest in finding innovative solutions to improve the independence, quality and cost of care, and overall lives of the aging population.



Investment Example:

Description	Investors
<ul style="list-style-type: none"> Developer of healthcare technology designed to measure Social Determinants of Health in patients. Platform manages data fusion, analytics and visualizations of community and individual SDOH risk, allowing organizations to prioritize and match targeted social interventions to the specific needs of socially and clinically complex patients. 	

OSF – Example of a Health System's Innovation Directives and Operational Structure

OSF Snapshot – Our Imperative

Mission

In the spirit of Christ and the example of Francis of Assisi, the Mission of OSF HealthCare is to serve persons with the greatest of care and love in a community that celebrates the gift of life



Vision

Embracing God's great gift of life, we are one OSF ministry transforming healthcare to improve the lives of those we serve



Quality and Safety

- Systems of Care & Service Lines
- Appropriateness of Care
- Excellence in Clinical Outcomes
- Delivery System Redesign

Person-Centered Service

- Patient & Mission Partner Experience
- Workforce Planning, Recruitment, Retention & Wellness
- Patient Directed Care
- Transparency

Affordability & Sustainability

- Aggressive Cost Management & Revenue Realization
- Emergency Preparedness

Quality and Safety

- Employer Relationships
- Payer Partnerships & Products
- Partnership Development

Virtual Care (Where I am)

- Breakthrough Innovation
- Digital Transformation and Advanced Analytics
- Precision Medicine

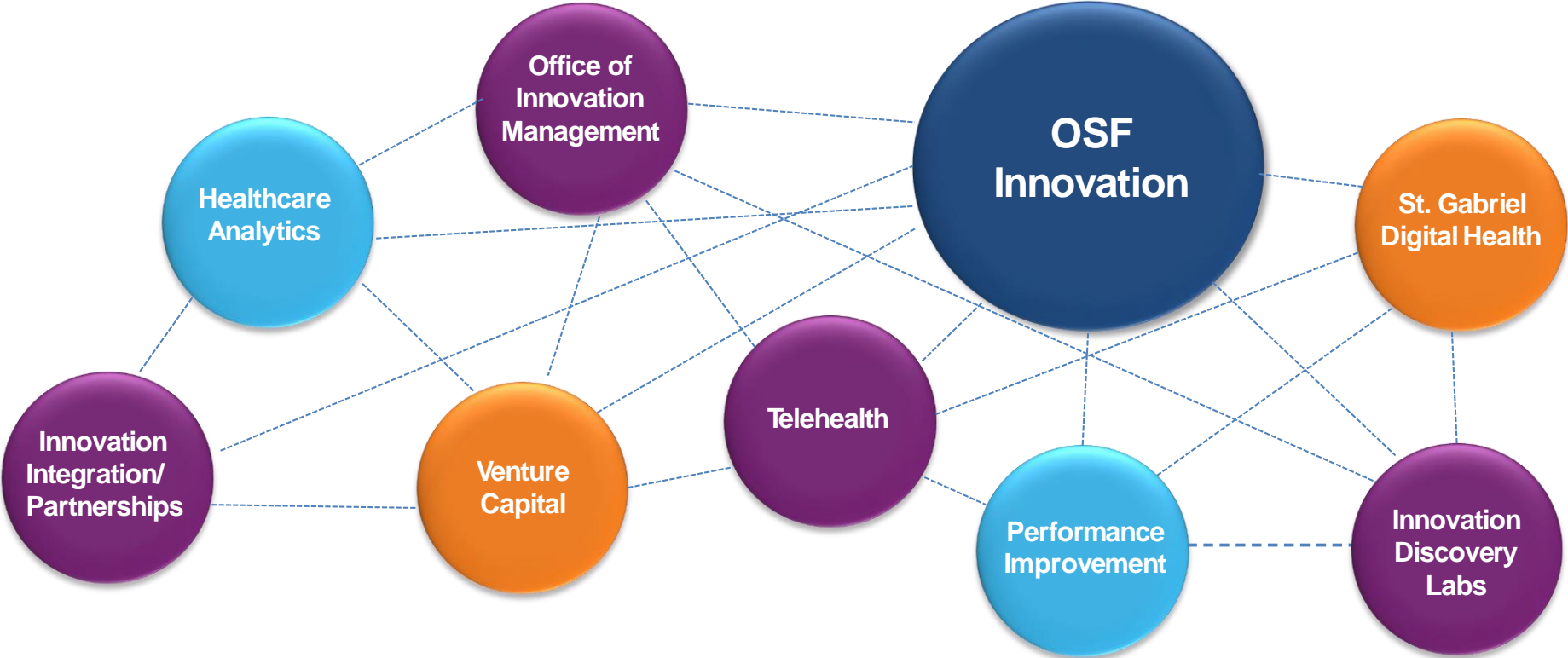
Investing in Innovation

OSF Ventures invests financially and operationally in opportunities that will improve patient outcomes, enhance patient experience and reduce the cost of healthcare.

We believe in not only investing financially, but also strategically through comprehensive collaboration



OSF Healthcare Innovation Teams



Strategic Expectations of Venture Program

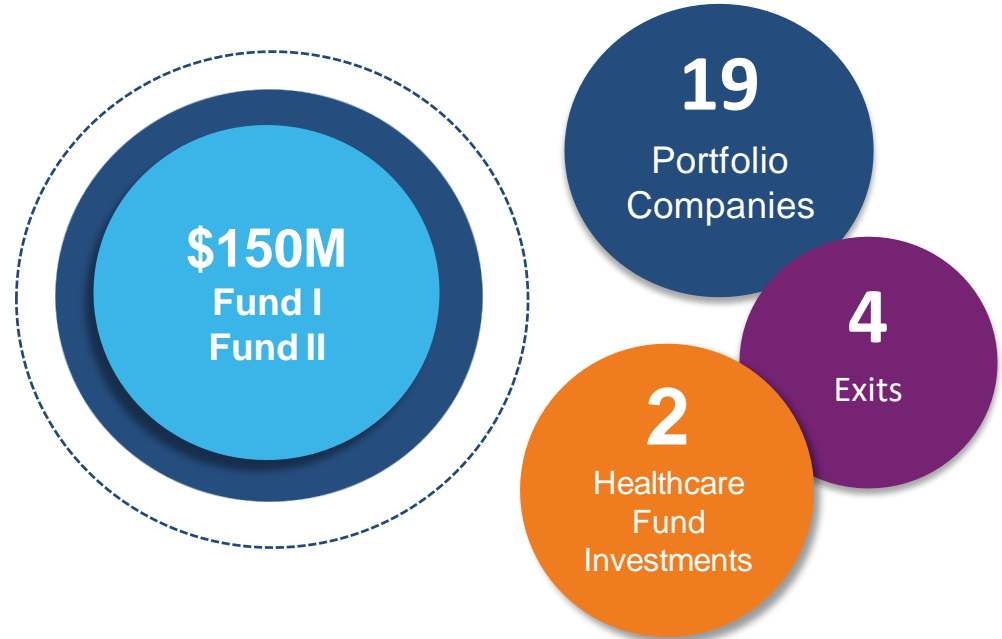
A fundamental aspect of the OSF Venture program is the focus on the strategic benefits available to us as an investor, including:

- Favorable pricing as an early adopter
- Linkage to solutions that assist in solving key objectives
- Customization opportunities that improve the value proposition to OSF as a customer
- Co-development opportunities that create more meaningful solutions for OSF HealthCare
- Early access to disruptive and/or breakthrough solutions
- Financial rewards for value creation

OSF Venture Investment Metrics

Investment Philosophy

- Externally focused
- Invest in medical devices, digital solutions and health care services
- Initial investment of \$1.5-2M
- Total investment of \$3-5M over life of investment
- Prefer to join investment syndicate with qualified lead investor
- Require observing board seat



Digital Transformation and COVID Application Partners

Representative Companies from OSF Innovation / Venture Portfolio:



Saint Gabriel Digital Health



Digital Experience Center

Tools, methods and processes to make your clinical preparation and overall health care journey easier, more convenient and seamless.

(Before)



Digital Care

Tools, methods and processes to make your on-going treatment and/or post-treatment more personalized, convenient and seamless.

(During and After)



On-Demand

Tools, method and processes to make the one-time only, short-term health care needs more convenient and seamless.

(One Time Only. Immediate. Short-term.)

Select Pre-COVID Innovation Initiatives

Digital Front Door

Digital Care Management Tools

Broad Digital Care Access

- Urgent Care and self-service scheduling for same day primary care
- Virtual ambulatory specialty visits
- Virtual ICU monitoring
- Virtual hospitalists

Virtual Advanced Care Initiative

- Chronically ill and comorbidity patients
- In home monitoring tech
- Digital Visits (phone / video)



Utilize Platform to Expand Specialty Services

- Tele-neurology consults
- Tele-pediatric cardiology consults
- Tele-neonatology consults
- Inpatient specialist consults

COVID-19 Digital Resources

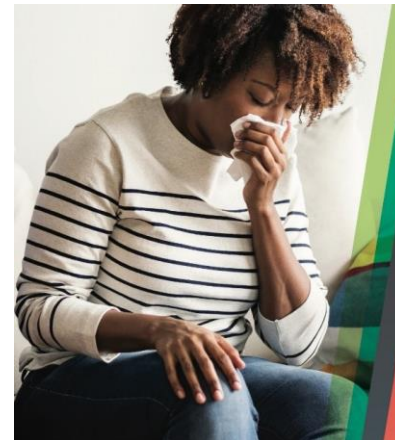
Community Engagement Tools

- COVID trained chat bot
- Text service (educational and triage)
- 24/7 call center with nurse triage



Pandemic Health Worker Program

- Boots on the ground
- In home monitoring kit
- Daily digital and telephone solutions
- RN and licensed providers oversee care



Hospital at Home

- Elevated home care
- Full interdisciplinary care team
- Access to specialty consults

Innovation / Summary / Conclusion / Observations

- Health systems and hospitals from large to critical access hospitals are continuing to seek innovation / tech enabled solutions for clinical and non-clinical needs
- With lean administrative teams, hospital teams are seeking efficient ways to access emerging innovation solutions and learn
- Innovation applications have only become more actively considered since the pandemic; the pace of innovation solutions being deployed has accelerated
- Hospitals are seeking nontraditional partners to provide a better care and more efficient solutions for patients

Questions

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