



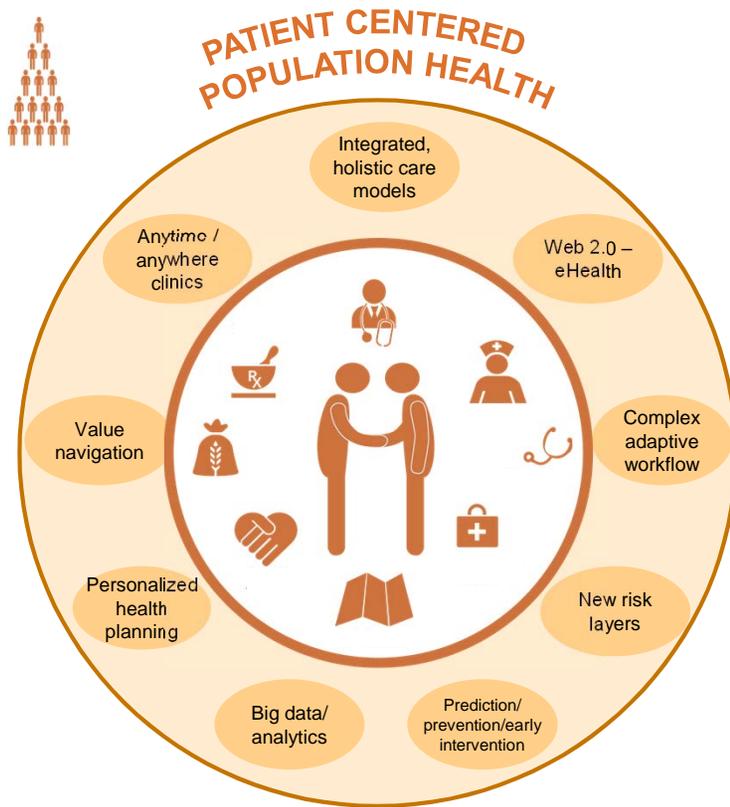
The Future of Consumer-centered Health Prepared for NIHCM

February 4, 2014

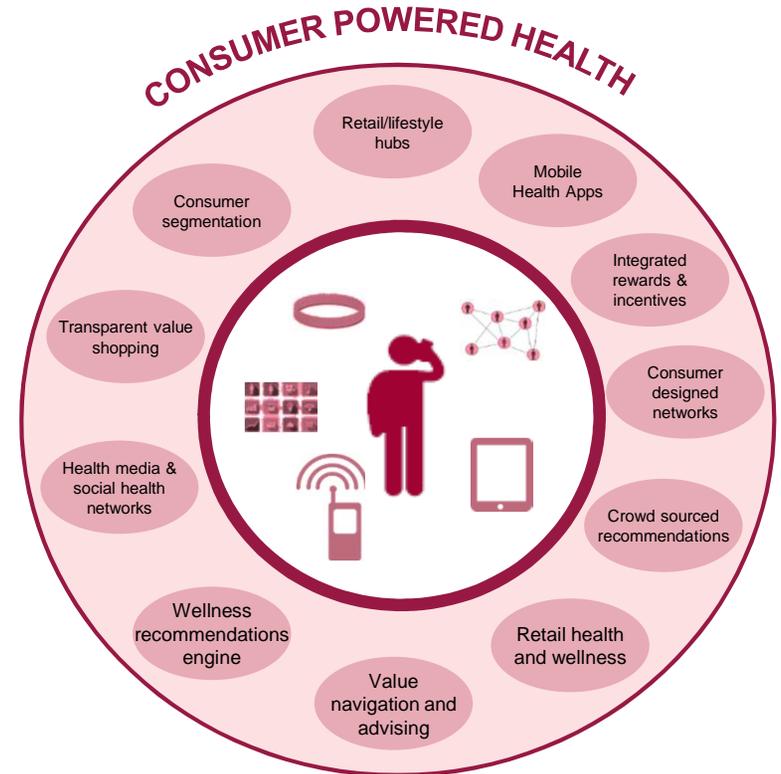
Setting the stage: Signposts for change and major opportunity....

- 1 Consumer dissatisfaction with the healthcare status quo will continue to grow** (i.e., consumer awareness and accountability rises with growth defined contribution, public and private exchanges, prevalence of high deductible and limited network plans)
- 2 Consumer power and voice is on the rise** (i.e., reset expectations bar with greater consumer choice and web/social/mobile, crowdsourced data and transparency tools spotlighting value; population health managers benefit from active consumer engagement)
- 3 Tidal wave of tech and retail-based innovation starts to address large unmet consumer needs** (e.g., simplification, transparency, convenience, decision tools, VBB)
- 4 The B2C market will grow with shifting societal norms towards healthy living and significant leaps in engagement technology**
- 5 Incumbents are getting a wake-up call with a competitive race to 'own the consumer' with non traditional players** (e.g., Walmart) making big bets and driving shifts in existing businesses

The Healthcare 2.0 marketplace will have two macro innovations



- New generation of players **redefine care delivery and patient experience** around total value
- Leads to the creation of **new population segment-based care** models & entire ecosystems
- **Redistributes revenues and profits** amongst incumbent and new players



- As consumers shop for themselves their **expectations rise**
- Seek out **novel health & wellness products and services** that are: intuitive, transparent, personalize, and technology-enabled
- Leads to **changes to all aspects of the consumer experience** - shopping, products, networks, engagement models, and incentives

We believe a consumer-centric, value based healthcare marketplace can produce truly transformative results...

20% total cost reduction

5% trend reduction

25% consumer value improvement

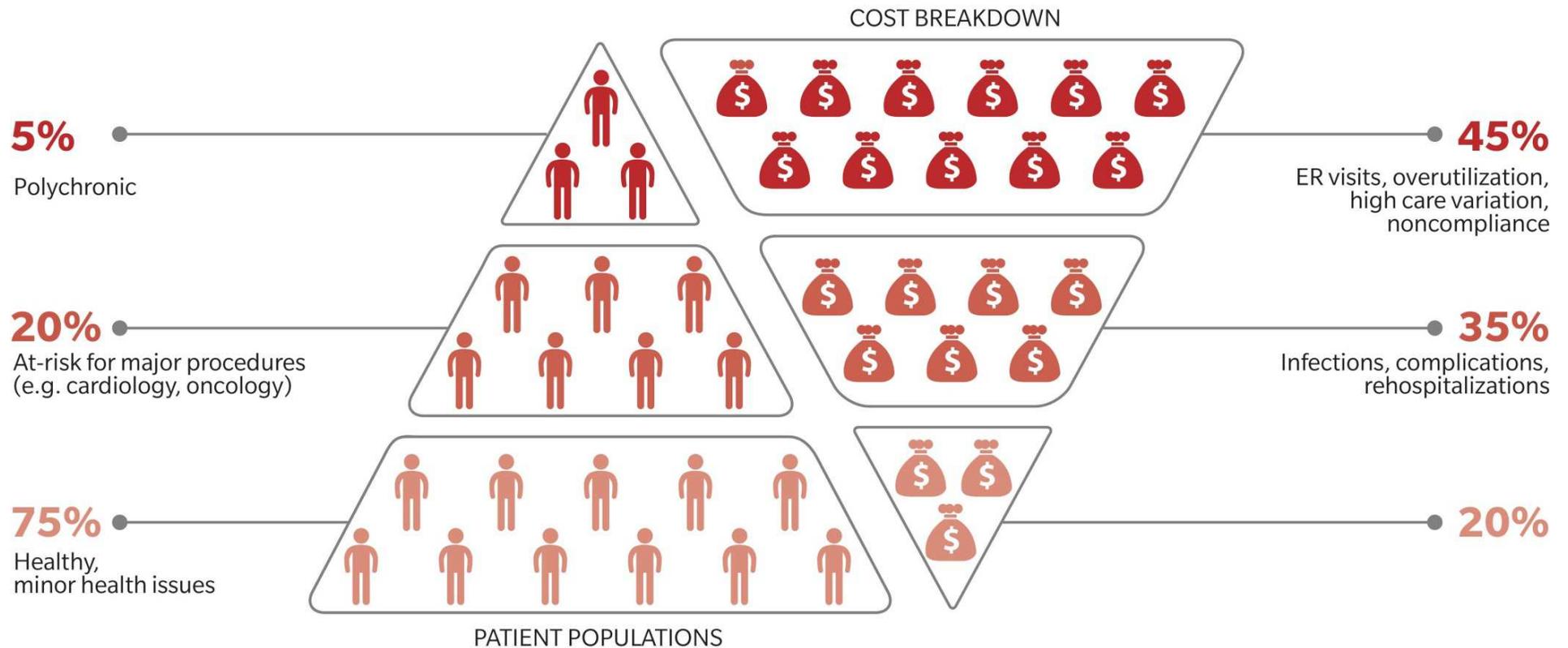
\$7 TN of cost reduction over ten years

\$1 TN of value rotation

1,000X the diffusion rate

Patient-centered population health: Pyramid Value Redistribution

By preventing expensive hospitalizations among “top of pyramid” patients, we can free up savings to invest in preventative care for those “at-risk”



As these market innovations take hold the traits and fundamentals of the market will change the basis for competition

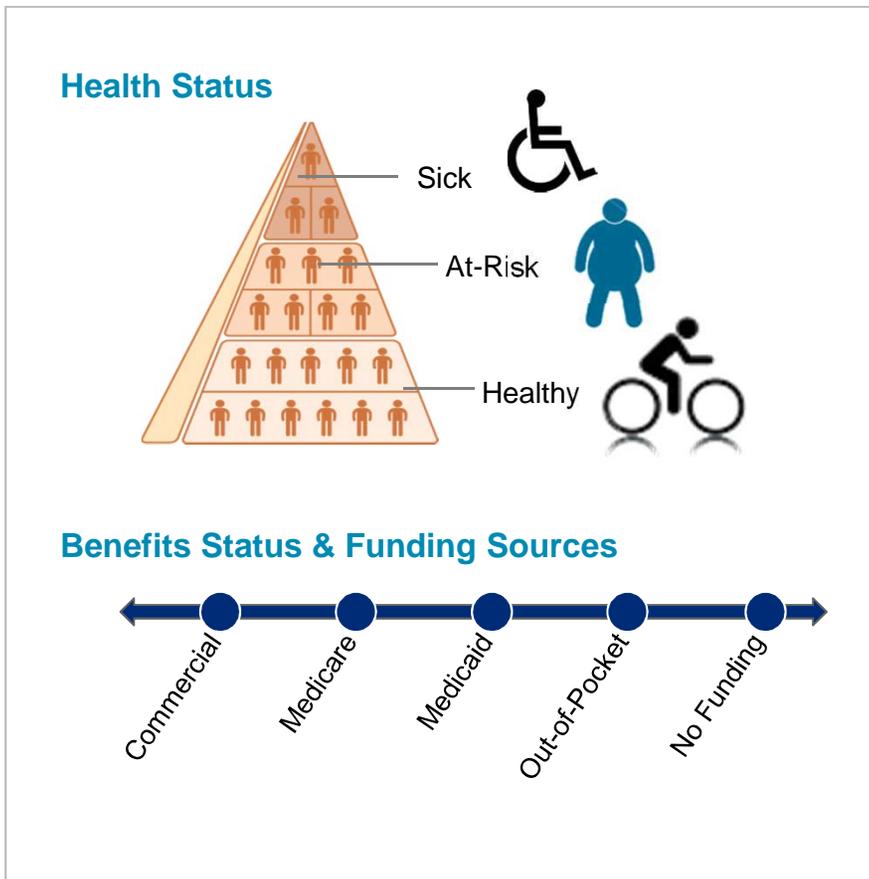
From Healthcare 1.0...		...To Healthcare 2.0
Solo-sport orientation		Ecosystem-based
B2B		B2B2C or B2C
Sickness/reactive		Preventive/total health
Clinical		Clinical, behavioral, social
Physical		Virtual/anywhere/real-time
One-size-fits-all		Personalized
Opaque		Transparent
Individual/expert		Crowd

The existing healthcare system has many gaps to fill to deliver Healthcare 2.0 - this creates many opportunities for non-incumbents

Companies must focus on the whole consumer—not just their benefit structure and health status

Current Health System

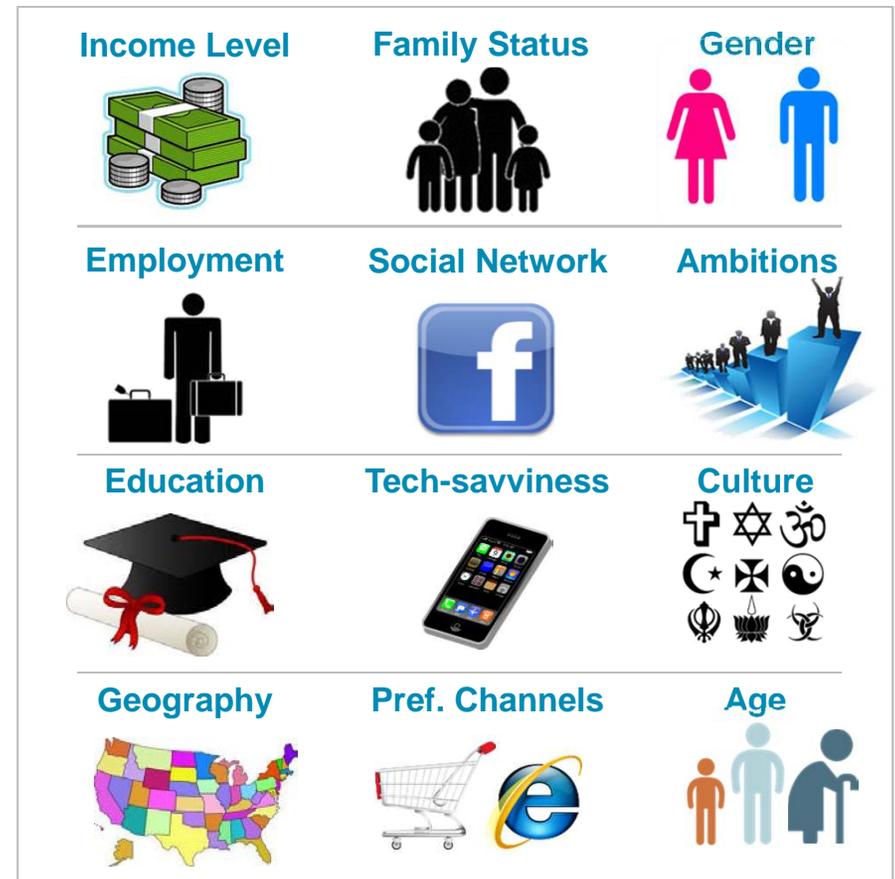
Patient / Member-Centric



Focus on meeting a single, health-related, top-of-mind concern for customers

Future Health System

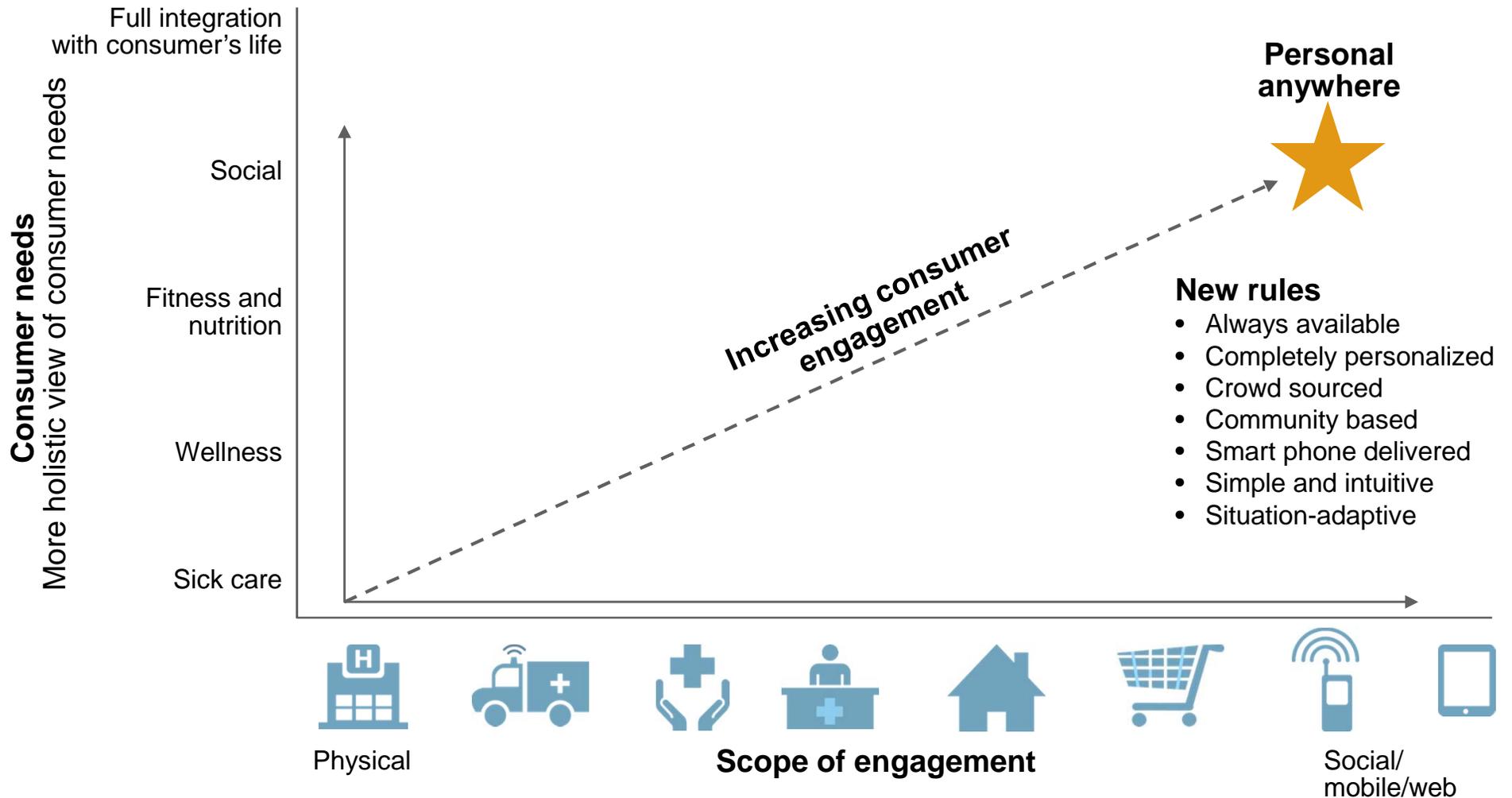
Consumer-Centric



Focus on addressing a range of potential issues for consumers, considering how each of the issues is interrelated and how it can have an impact on the others

True consumer-centered companies work relentlessly to delight consumers – raising expectations and enabling consumer buying power to shape the market

Reframed consumer health market



The health and wellness market will be redrawn as a consumer space – creating new market structures and a new generation of business designs

**Who Will Emerge?
Who Will Win?**

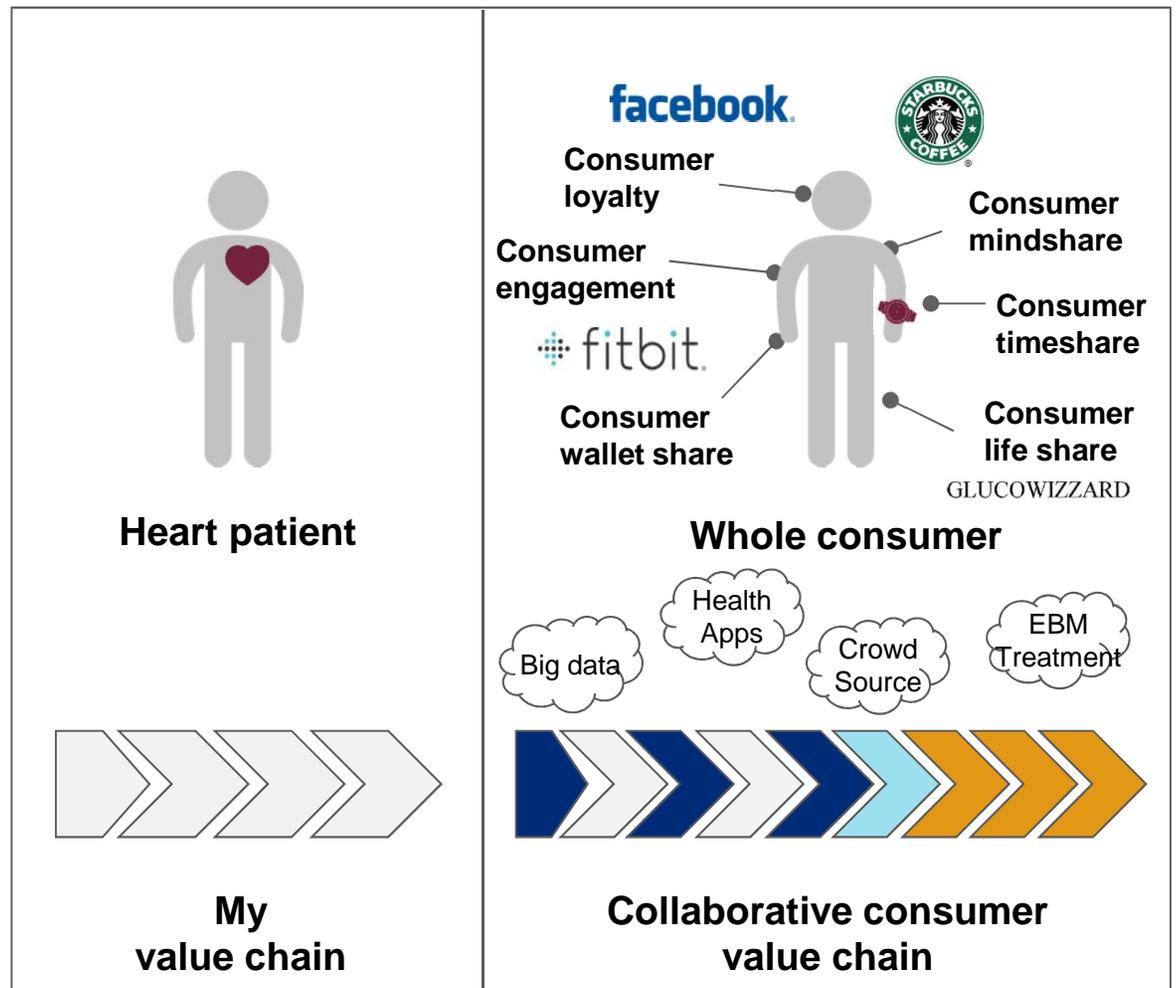
At stake is ~\$1T in value...

* Potential archetype of a consumer value market maker that could emerge; non asterisks are already flirting with this space...

Do we really have the consumer in focus? How can we own or drive the consumer relationship and experience? How do we build consumer credibility?

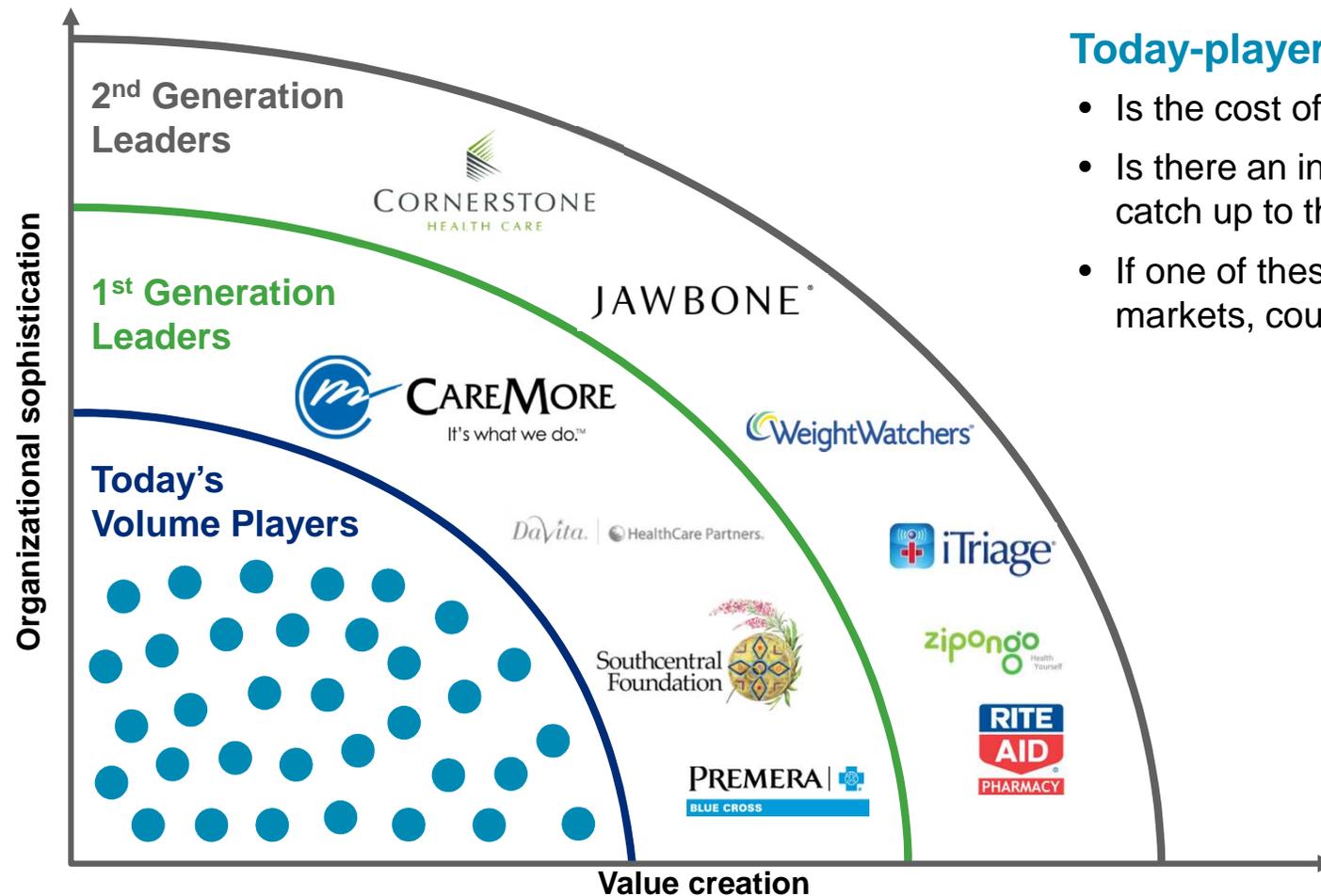
Today's world → Tomorrow's world

1. **Scope and scale of consumer engagement?**
2. **Value and power of the integrated consumer value chain – 1 + 1 = ?**
3. **Likely value chain organizers – what will it take – who will be trusted?**
4. **Dimensions of competition – anywhere, anytime, personalized?**
5. **Role of health status and benefits coverage in shaping value chain leadership?**



Are we moving fast enough?

The leader advantage is expanding, fueled by new technology, capital markets, and hard earned lessons



Today-player questions

- Is the cost of inaction on the rise?
- Is there an inflection point where we can't catch up to the leaders of the pack?
- If one of these models entered our markets, could we respond?

