Leveraging Spiral Dynamics to Thrive in the New Healthcare Ecosystem

a West Monroe Partners white paper

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Will the healthcare ecosystem improve as a result of the disclosure and transparency requirements mandated by healthcare reform? In this paper, we examine the impact of reform on each healthcare ecosystem constituent using the Spiral Dynamics evolutionary model. Specifically, we utilize the model of Spiral Dynamics to demonstrate how the disclosure and transparency requirements under the healthcare reform bill will potentially have a net negative impact on the overall vigor and evolution of the healthcare value chain. But, as the paper will show, not all constituents will de-evolve; some will remain static while others actually will gain greater power and influence to maintain or even expand their viability in the new ecosystem.

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The constituents of the healthcare ecosystem—patients/members, payers, providers, and pharmaceutical/life sciences—all understand the need to adapt to the new market landscape via healthcare reform. Today, the adaptation strategies of each constituent seem to be driven only by an internal point of view and by a response to immediate business pressures. For example, payers understand the need for automation and consolidation as a way to reduce cost and affect their bottom line. However, we propose that such intrinsic adaptations alone are insufficient to thrive in the new healthcare landscape. A change made by one constituent will inherently impact the others and have a ripple effect throughout the ecosystem. There are simply too many variables and interdependencies to create a linear model or framework one can use to develop a holistic strategy. Given this, we propose that change—and, by extension, adaptation—is largely based on a "group think" mindset modeled by Spiral Dynamics.

The "group think" mindset will help firms manage change based on behavior of individuals as well as group dynamics across all constituents in the ecosystem. Each constituent across the healthcare ecosystem, therefore, must maintain a holistic understanding of how other constituents will adapt based on knowing:

- How their relative positions of power will shift.
- Which simultaneous forces will determine the new equilibrium in this market
- How a change made by one constituent will impact the others and have a ripple effect throughout the ecosystem.

In this paper, we propose a model for understanding the external, macro view of the healthcare ecosystem and the relational dynamics of each constituent within the system based on the concept of Spiral Dynamics. Using this model, any constituent within this ecosystem can develop a holistic strategy without the need for creating a complex, multi-variable model. This article provides an overview of the model's foundation, and suggests high-level strategic courses of action for each constituent.

Background on Spiral Dynamics

Spiral Dynamics is a model of human development that characterizes the **values** and **motivations** of an individual or a group. Based on more than 40 years of research, Spiral Dynamics is grounded in a theory originally conceived by Dr. Clare Graves. Later on, Dr. Don Beck and Chris Cowan advanced this theory as a framework for leadership and management audiences.

The crux of the argument of Spiral Dynamics is that human nature is not fixed, and, depending on changing life conditions, individuals and groups can adapt to their surroundings by constructing new and more complex conceptual models of the world. Such conceptual models are known as ᵛMemes (Value Memes) and embody the response to key life conditions. ᵛMemes are marked by different colors in Spiral Dynamics. For example, consider a person who does not have health insurance and who has been unemployed for many months due to the current economic climate. In general, this person's financial viability is in question, and his or her primary concerns are likely to be about safety and security. This person is unlikely to put values such as planning, being strategic versus tactical, or caring for the global economy at the forefront, and he or she is likely to exhibit a survival-oriented ᵛMeme known as the Beige-Survival ᵛMeme (Level 1 in the Spiral Dynamics chart on the next page).

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The spiral - an evolutionary continuum

[v]Memes characterize our core value system, the ways we think, how we frame problems, and how we are motivated. As individuals and groups evolve, so do their core values or [v]Memes. The chart on the following page shows a summary of the life conditions, the associated [v]Meme, and primary motivations present in each [v]Meme. Each progressive [v]Meme along the evolutionary path includes and transcends previous [v]Memes. For example, a person who exhibits tribal bonding values (Level 2) also has the Beige-Survival (Level 1) [v]Meme present, but his/her life conditions may not be such that the Beige-Survival [v]Meme is currently activated. Perhaps he/she enjoys safety and does not perceive an immediate threat, but, if that immediate threat existed, he/she is likely to "spiral" down to the Beige-Survival [v]Meme. Because a [v]Meme that is further along the evolutionary path includes previous [v]Memes, the [v]Memes "stack up," over one another, in a continuum as shown in the diagram to the left. As a result, each [v]Meme exists on an evolutionary continuum rather than on discrete steps or levels.

The spiral as an ecosystem

Naturally, not every member of a large population will have the same primary [v]Meme. As a result, a population inherently will demonstrate a mixture of several [v]Memes. This mixture defines the nature of dynamics, power distribution, and interaction among the various constituents within that spiral continuum. When administering policy to change the state of a population, one must consider the overall health of the entire population (i.e., the health of the entire spiral) and understand how each constituent will interact with the others. In this paper, we examine the health of the healthcare ecosystem—or the healthcare spiral—in response to the significant changes as a result of significant regulatory and economic environmental shifts including: expansion of ICD-10 coding standards across payers and providers, HITECH provisions for "meaningful use" (of EMRs) as part of the American Recovery and Reinvestment Act, the recently passed Affordable Care Act, and the "Great Recession" with the accompanying economic unrest and financial instability facing millions of Americans.

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Spiral Dynamics ˇMeme Chart

Value Code	Life Conditions	Primary Motivation	Examples
Level 1, Beige (Survival)	Physical danger and survival is at question. Scarcity, hunger, thirst are top of mind. A survival-oriented system.	Primary motivation is safety and survival.	Rising healthcare insurance premium may cause an everyday consumer to go into a panic mode, and he/she may respond via additional bank savings to create "safety" in case there is a need. He/she is in survival mode.
Level 2, Purple (Tribal)	Strong rituals and traditions present and safety is sought through trusted kinship. Connections are based on familial or tribal types of bonds.	Primary motivation is loyalty and symbiotic relationships.	Family businesses demonstrate kinship. Any business that started as a family-oriented enterprise, by nature, demonstrates the "purple" level. Gangs also are a good example of extreme loyalty.
Level 3, Red Assertive)	Survival of the fittest seems to be the rule of the day. This fosters assertive and, sometimes, exploitive thinking.	Primary motivation is power and control and, ultimately, "winning."	Certain provider networks might display such mentality. Some hospitals may have pictures of their doctors in the hall, recognizing their performance. This might represent a sense of superiority over other doctors in other networks.
Level 4, Blue (Conformity)	An established rule or guiding force governs. A rather rigid rules- and procedure-oriented mentality. Clear, hierarchical governance and structure is highly valued.	Primary motivation is order and routine (don't rock the boat).	Compliance departments within pharmaceutical firms typically embody these values and orient the organization toward running operations "by the book."
Level 5, Orange (Strive Drive)	An opportunity-rich world with many possibilities exists. Rules are secondary, and creative ways to strive and achieve are standard.	Primary motivation is accomplishments through innovative ways.	Some pharmaceutical companies display this level of thinking. They are highly strategic and don't necessarily follow linear, procedural thinking; rather, they have a rich array of multi-functional departments that work together strategically, all striving to achieve an end goal.
Level 6, Green (Pluralistic)	A community-based, pluralistic, and egalitarian environment. Thinking is highly consensus driven and socially conscious. Everyone is equally important.	Primary motivation is consensus and ensuring that every member feels his/her voice is heard.	Social businesses, such as Grameen Bank, display a community-based, yet sustainable and profitable enterprise that values social well-being.
Level 7, Yellow (Flex Flow)	Though the status quo serves needs, it seems to be at odds with a deeper purpose. This environment demands flexible, integrative thinking.	Change and uncertainty encourage deep exploration of purpose.	N/A – Very few, if any, organizations demonstrate this value code.
Level 8, Turquoise (Whole View)	Global consciousness is present. Planetary balance and sustainability is key.	Primary concern is the health and harmony of the "global village."	N/A – Very few, if any, organizations demonstrate this value code.

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Player	Business Environment (Life Conditions)	Trends	Rationale for Dominant Values/Cultural Patterns	VMeme Assessment (Today)	VMeme Assessment (Tomorrow)
Member /Patient	• Higher unemployment. • Higher cost (premiums, taxes, other out-of-pocket costs) resulting from implementing HITECH, ICD-10, and recent reform provisions. • Member must exercise greater self-reliance.	Fears about coverage and lower quality of care; erosion of trust in the patient-provider relationship.	Reform will likely cause the cost of insurance to be higher, and consumers will be forced to start saving more and planning better to take care of themselves. In some cases where family values are strong, such as Mexican-American or Asian-American families, pooling of risk may occur, leading to tribal ^{v}Memes.	Blue—Conformity	Beige—Survival
Payer	• Government driving standardization (ICD-10). • Competition, consolidation and mergers/acquisitions to reap benefits of standardization. • Alternative options/supplemental insurance (concierge services) cutting into margins.	More direct integration between providers and customers, alienating payers. Rising cost of insurance is driving payer margins down.	The balance of market power will shift to a greater degree to providers and customers. Fear of losing business will cause the payers to band together to gain market share and cost efficiencies. Moving towards an oligopoly will seem to bring balance to the power of payers.	Red—Power	Purple—Tribal
Provider	• Government mandate for full adoption of EHRs and meaningful use supports "survival of the fittest." • Government driving standardization (ICD-10). • Shift to group/multi-specialty group practices, as well as to allied/tertiary business, to mitigate risk and increase income. • Increased measurement and scrutiny on care provided by government and payers. • Informed consumers make greater demands.	Providers feel regulatory (and possibly punitive) pressure to meet HITECH mandates. Greater transparency will lead to greater education and, ultimately, demands from members, driving more decision making towards members.	Greater coverage will increase demand and in general raise prices and increase economic power of providers. More informed customers may demand more services, ignoring the providers' opinions, which still leads to greater demand and opportunity for providers.	Red—Power	Red—Power
Pharma/ Life Science	• Pharmaceutical companies have pledged to cut $80 billion in Medicare prescription drug prices over the next 10 years to strategically preempt other potentially expansive controls that may have been considered as part of reform. • Requirement of e-prescribing in ARRA and HITECH provisions will likely increase prescription of generics as formularies become more transparent to prescribers. • Demand for innovative drugs is still high, but biopharmaceuticals are struggling to fill their research pipelines with new drugs, while fewer and fewer drugs receive FDA approvals. • Sales forces have been cut dramatically in part to offset the decrease in new blockbuster drugs, and also in response to the increasing number of HCPs that are limiting or eliminating sales rep access to their offices.	Pharmaceutical are increasingly looking to transform clinical processes to shorten the time from compound identification to market release. Marketing and innovation remain key strategies, while pharmaceuticals look to transform their interactions with HCPs through reorganized sales forces, enhanced tools and resources, and unique partnerships. Other key trends emerging in pharmaceuticals are innovative strategies to engage patients to increase medication adherence and compliance through advanced technologies and integrated strategies.	Pharmaceutical and life sciences companies are unique in that they make significant investments in research and development, which drives a culture focused on innovation. While there are significant factors impacting the approaches that pharmaceuticals and life science will take to clinical research, they have resources that enable them to adapt and capitalize on tools and technology that will ultimately help transform their business.	Orange—Strategic	Orange—Strategic

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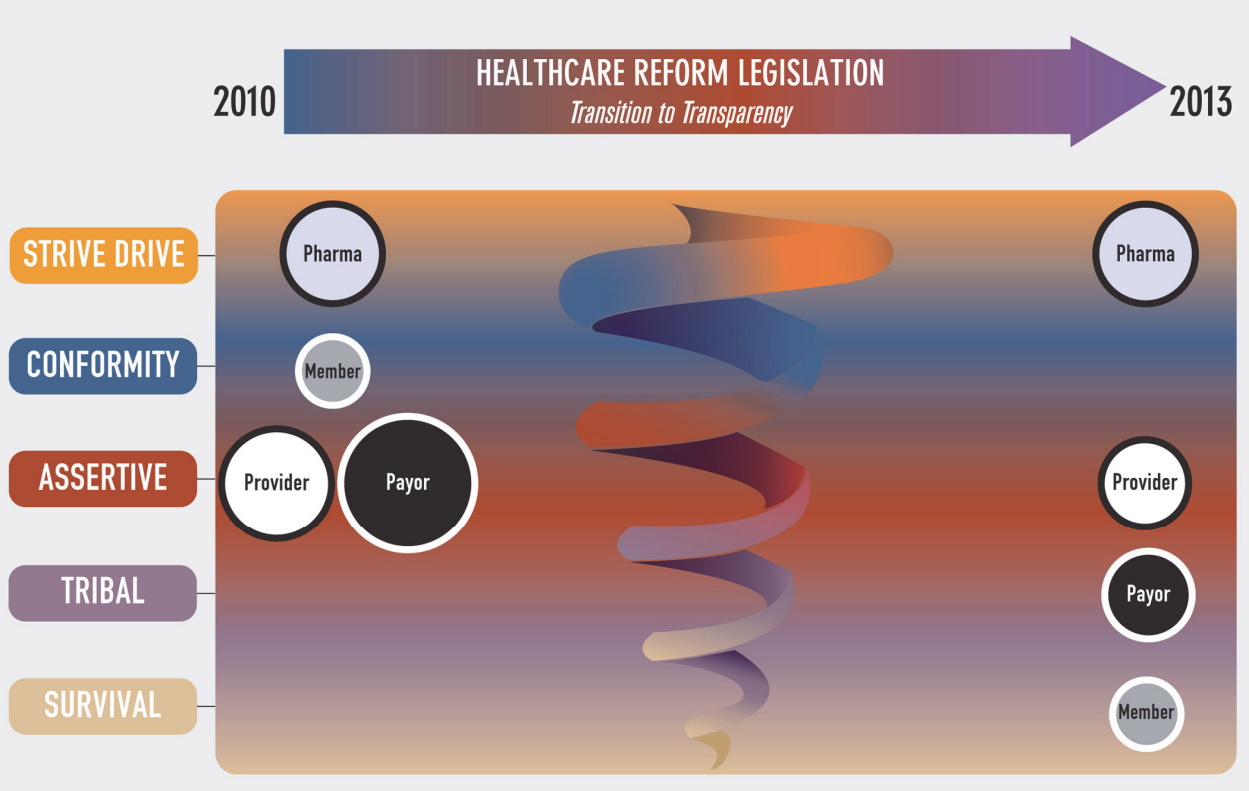
Healthcare Ecosystems and Relative Power Positions



* Size of each constituent indicates relative amount of influence within the healthcare spiral
** High-level impact of increased transparency is de-evolution of the overall ecosystem

The diagram above illustrates what we anticipate to be the intra-ecosystem movement of each constituent.

Call to action

To assess and validate individual constituents' positions along the spiral, one first must be aware of one's relative placement in comparison to others within the ecosystem. In addition, each constituent should share the vision that the synergistic integration of clinical practice, research, and effective benefits management will perpetuate lower costs and better care. Today, the advances of information technology and the honed tenets of healthcare reform can make synergy and interoperability across the healthcare ecosystem a reality, but not without the constituents understanding their intrinsic behaviors and then re-channeling them upward in the evolutionary spiral. The table on the last page summarizes actions that each constituent group should consider, relative to the healthcare reform timeline.

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Healthcare Constituent	Call to Action	Strategic Recommendations	Trigger Date (based on healthcare reform timeline)
Member/Patient	• Start saving for expected and extensive coverage gaps. • Seek to understand options that may be available through employers or newly developed healthcare exchanges.	• Use conventional investment vehicles and look for ways to hedge risk across tribal mechanisms (e.g., extended family medical pooling).	Today
Payer	• Pursue merger/acquisition opportunities with other benefits management entities. • Identify and develop new derivative products that are aligned with regulatory and market demands. • Complete ICD-10 migration to avoid regulatory penalties.	• Reduce operational overhead. • Conduct product segmentation analysis. • Focus on core competencies to develop strategic and competitive advantages (e.g., customer service). • Leverage increased data analysis capabilities that will come with ICD-10 to better monitor and manage care delivery.	January 2011 - January 2013
Provider	• Implement EMRs to capitalize on HITECH/meaningful use incentives (and avoid future penalties). • Go from hospital to hospitality model (e.g., ancillary services, improved patient satisfaction, better occupancy management, best-of-class facilities). • Accelerate IT adoption across provider and patient communities.	• Maximize the use of EMR data via advanced analytics and increased accessibility. • Focus on relationship management capabilities for patients, partners, donors, etc., and seek to work towards a “medical home” concept for patient management. • Leverage patient engagement tools and technology to increase streamline interactions and expand patient dialogue.	July 2012 - July 2014
Pharma/Life Science	• Continue focus on decreasing clinical development timelines. • Identify opportunities to engage HCPs and patients in new and expansive ways. • Diversify product portfolios	• Leverage advances in protocols, processes, tools, and technology to shorten the development time of drugs. • Utilize advances in tools and data analytics to help transform the relationship with HCPs and patients from a “pill” focus to a “health outcomes” focus. • Minimize exposure to the sunset of individual blockbuster drugs; pursue acquisition of generics to expand breadth of portfolio.	January 2011

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Conclusion

The allocation of ^{v}Meme assessment values within the graphics and tables of this paper could be considered subjective, but this analysis is based on the authors' extensive industry experience and the viewpoints of the clients that they serve.

In fact, agreement on the exact placement of a constituent on the spiral or even the direction in which a constituent will move along the spiral over time and the in face of healthcare reform is not the critical message here. What is critical is to understand that healthcare constituents will be forced to change, and their ability to adapt to change will depend not only on individual intrinsic behavior but also on the collective intrinsic behaviors of all constituents.

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