

WHITE PAPER

Strategic Partnerships: The New Normal in Business Models

Growing Market Position through Strategic Partnerships in Healthcare

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Partnership is a mechanism in which two or more business entities come together for a defined period of time to achieve a shared goal

Executive summary

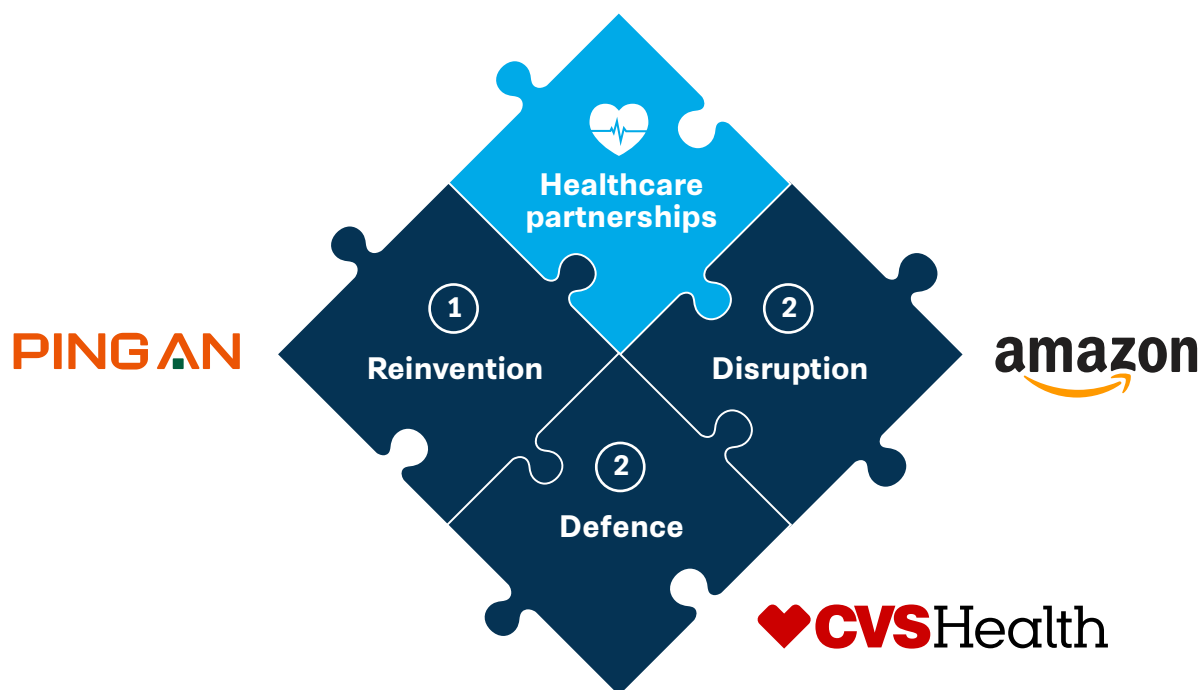
Strategic Partnerships are quickly becoming a mainstay in the U.S. Healthcare industry. As the digital revolution continues to disrupt existing business models and blur the boundaries between vertical industries, the potential for partnerships to reinvent, disrupt, or defend a market position is like none we've seen previously. They have become an important part of the CEO agenda and will continue to play a vital role in healthcare's transformation. In this paper, we provide our view on:

- How Ping An, Amazon and CVS Health are leveraging strategic partnerships for competitive advantage. Each case study highlights how partnerships can be used to reinvent business models, disrupt business models, or defend through a niche ecosystem business model.
- How firms can leverage strategic partnerships to achieve specific goals such as developing and commercializing new products and services, building new competencies, entering new markets, and unleashing new business models.
- What it takes to successfully leverage strategic partnerships to drive competitive advantage.

1 Business Models Of The Future: Strategic Partnerships

Ping An has leveraged its technology platform and partnering strategy to enter into various healthcare businesses that range from selling wellness products online to providing online physician services, challenging the 21st century healthcare industry in China. Along the way, it has reinvented itself, growing from widely different roots in the last century as a provider of cargo insurance to becoming a formidable player today across various industry sectors in the digital world. Ping An's revenue, net profit, and total assets have been growing at nearly 30% CAGR since 2008, when it initiated its digital transformation. In the U.S., Amazon has the potential to execute a similar strategy and disrupt healthcare by building a connected healthcare partner ecosystem that leverages its technology platform and a laser-focus on customer insights and service. At the same time, an industry incumbent such as CVS Health can leverage strategic partnerships to create a niche ecosystem and defend its market position.

Innovative Partnerships Case Studies Presented in this Paper



Success story 1 - Ping An: Reinvention

Ping An Insurance is China's biggest insurer¹. Set up in 1988 as a traditional property and casualty insurance company that provided cargo insurance. It over time expanded into the other insurance segments of life, annuity, and health and other businesses such as banking and asset management. In 2008, the company set up the "Ping An Technology" unit to provide technology expertise to the group. The unit also developed "The One Account" (TOA)² portal as an underlying platform to sell Ping An's diverse product portfolio. Over time, Ping An has successfully entered the businesses of healthcare consultations, automotive and real estate listings and sales, and banking and financial services, all accessible through its TOA portal.

How does Ping An enter these diversified businesses and drive users to its platform? Ping An has a base of more than 800 million customers. Looking to monetize this customer base, Ping An is leveraging strategic partnerships to create connected ecosystems in industries as diversified as automotive, financial services, and real estate. Partners benefit through access to a large, captive customer base, being able to market services to drive traffic (Online to Offline), enable digital business models, and build opportunities to expand into adjacent businesses.

The Healthcare ecosystem, as illustrated in Figure 1, is an example of how Ping An has used strategic partnerships to reinvent itself and become a dominant player in healthcare. Ping An's health app, "Good doctor", can be accessed both through TOA and as a standalone health app and has connected hospitals, payers, clinics, doctors, drug stores, diagnostics centers, and other institutions to provide seamless healthcare services. These include healthcare management services - appointments and online consultations, wellness products and 'online' or digital hospital services - thus offering both traditional and digital services. It is a simple Health App that allows customer to access these services, connecting all players and providing a unified experience. (Note: To know more about connected ecosystem, please read our perspective "The Death of Business as Usual"³)

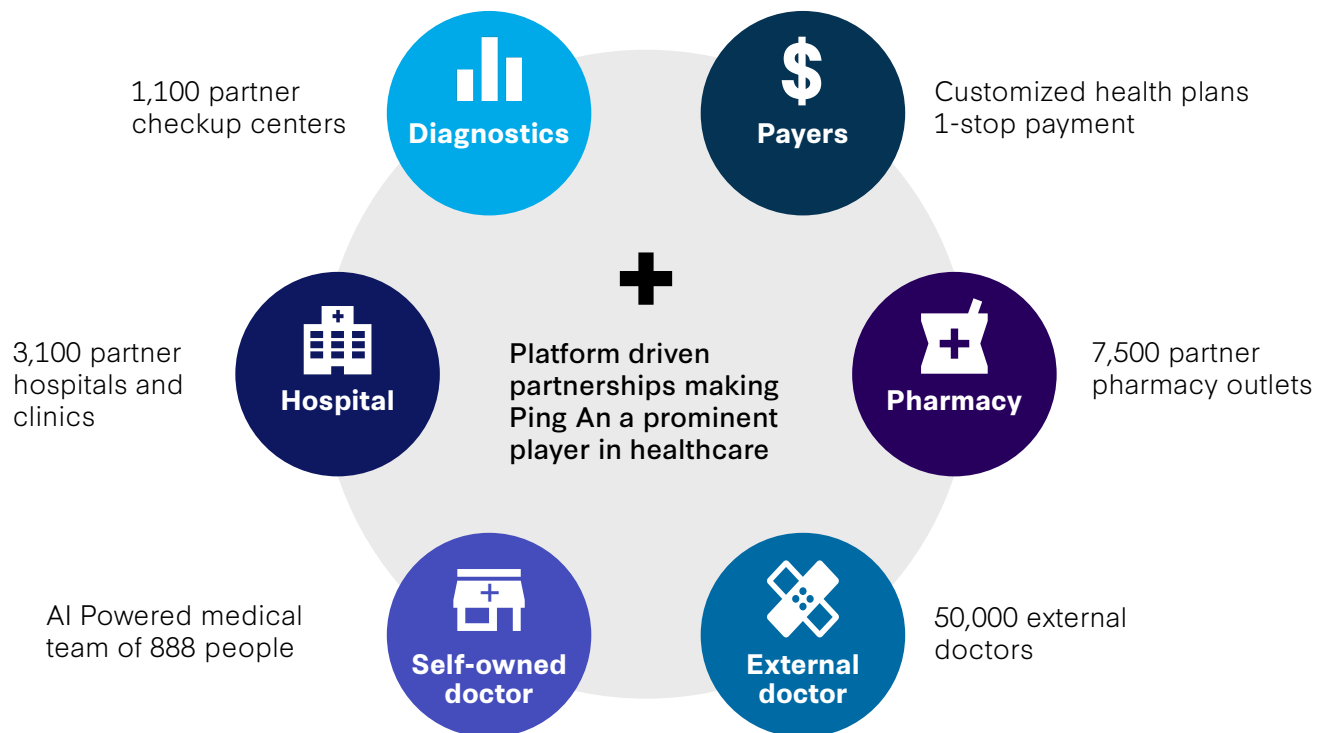


Figure 1 - Ping An Good Doctor - Connected Health Ecosystem⁴

While it creates a connected Healthcare ecosystem, Ping An also strives to develop deep relationships across the industry landscape (Figure 2). These partnerships with industry leaders cut across healthcare segments and geographies. They are also driven by Ping An's overall strategic vision of leveraging 'Internet' and 'Artificial Intelligence' to provide affordable quality care and offer differentiated healthcare services to its users in China. Today, its health app enjoys the market leader position with 193 million registered users⁵.



Pharma

Japan's Tsumura looks to be king of China's herbal medicine market

Feb 21, 2018

Japan based drug maker to contribute to traditional Chinese medicine development and leverage the sales network and technology of Ping An

Health insurance



Discovery, Ping An sign partnership agreement

Aug 24, 2010

South Africa's Discovery injects its health insurance intellectual property into Ping An and gains the massive distribution channel and customer base of Ping An



Wearables

Samsung partners Ping An for digital health platform in China

June 10, 2015

Samsung Electronics has partnered with Ping An to create mobile healthcare solutions and platforms for the Chinese market - remote health monitoring systems

Technology



U.K. startup Medopad signs deals with Tencent and Ping An

Feb 21, 2018

South Africa's Discovery injects its health insurance intellectual property into Ping An and gains the massive distribution channel and customer base of Ping An



Medical devices

Varian and Ping An sign memorandum of understanding to expand access to high quality cancer care in China

Jan 8, 2018

Companies will research the utilization of AI, cloud computing and big data to deliver high quality and cost-effective cancer care

Digital health



Sanofi and Ping An form strategic partnership to actively support "Healthy China 2030"

May 29, 2018

To collaborate in three key areas: health awareness, quality of care and affordability of care, for advance chronic diseases



Figure 2 - Ping An Healthcare Partnerships across various Healthcare segments

Success story 2 - Amazon: Disruption

Consumers in the U.S. are demanding three attributes from their healthcare system, similar to their expectations from other online services:

- High Quality Care
- On-demand Access and Hassle-Free Experience
- Affordable and Transparent Pricing

Amazon, while starting out as an online bookseller, has established itself as a viable player across many businesses and industries through partnerships, investments or acquisitions (Figure 3). It has grown through its laser focus on ease of use, fast and hassle-free experiences, and personalization of the shopping experience. The result is a user base of 100 million Amazon Prime members⁶.

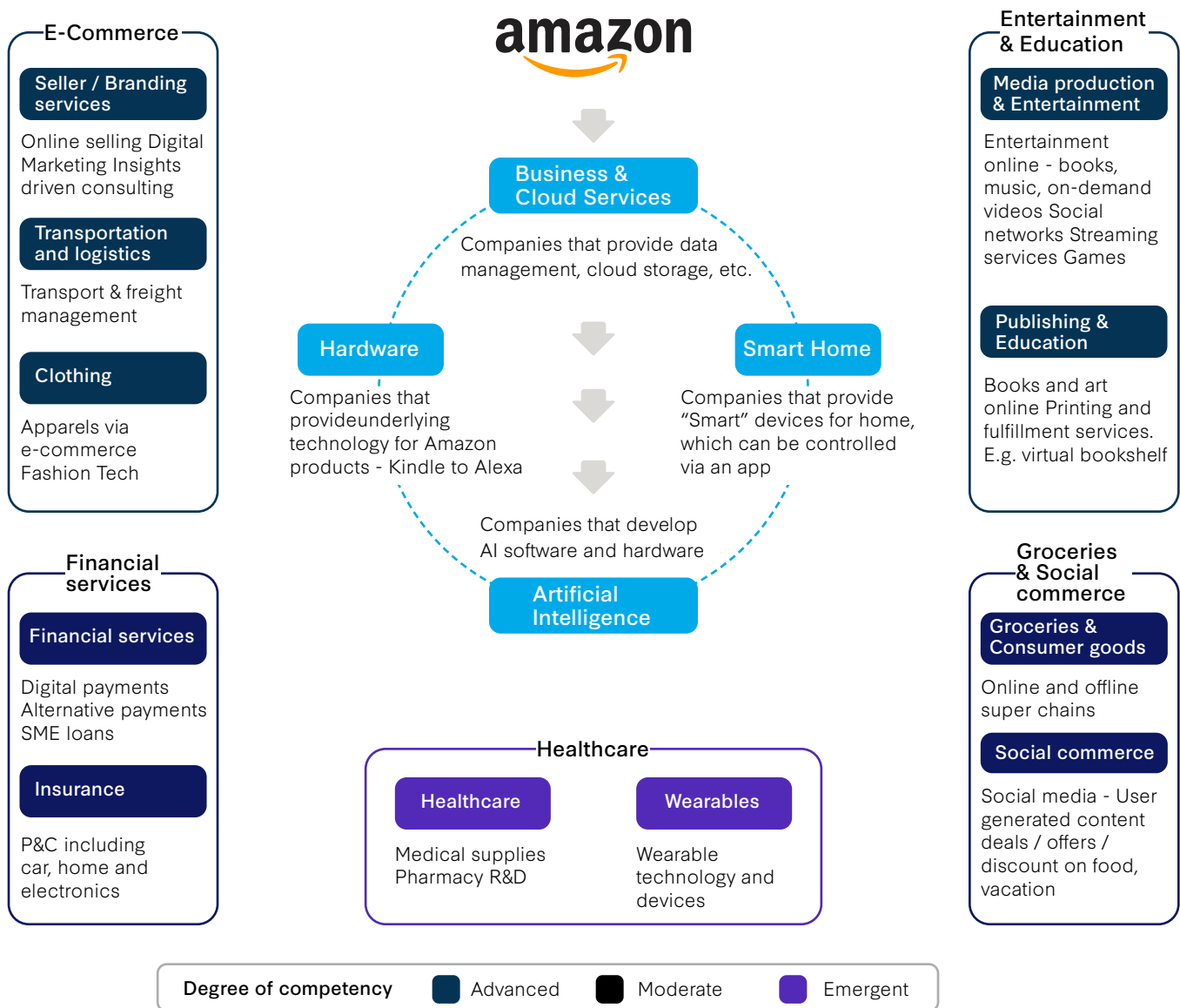


Figure 3 - Various industries Amazon has partnered and invested in to build an Ecosystem landscape⁷

It is this cross-industry landscape of partnerships and investments along with its constantly improving technology platform that sets the stage for Amazon to build a connected healthcare ecosystem and serve the demands of the healthcare consumers in ways that incumbents cannot. It already has a diversified set of healthcare investments to build from (Figure 4)⁷.

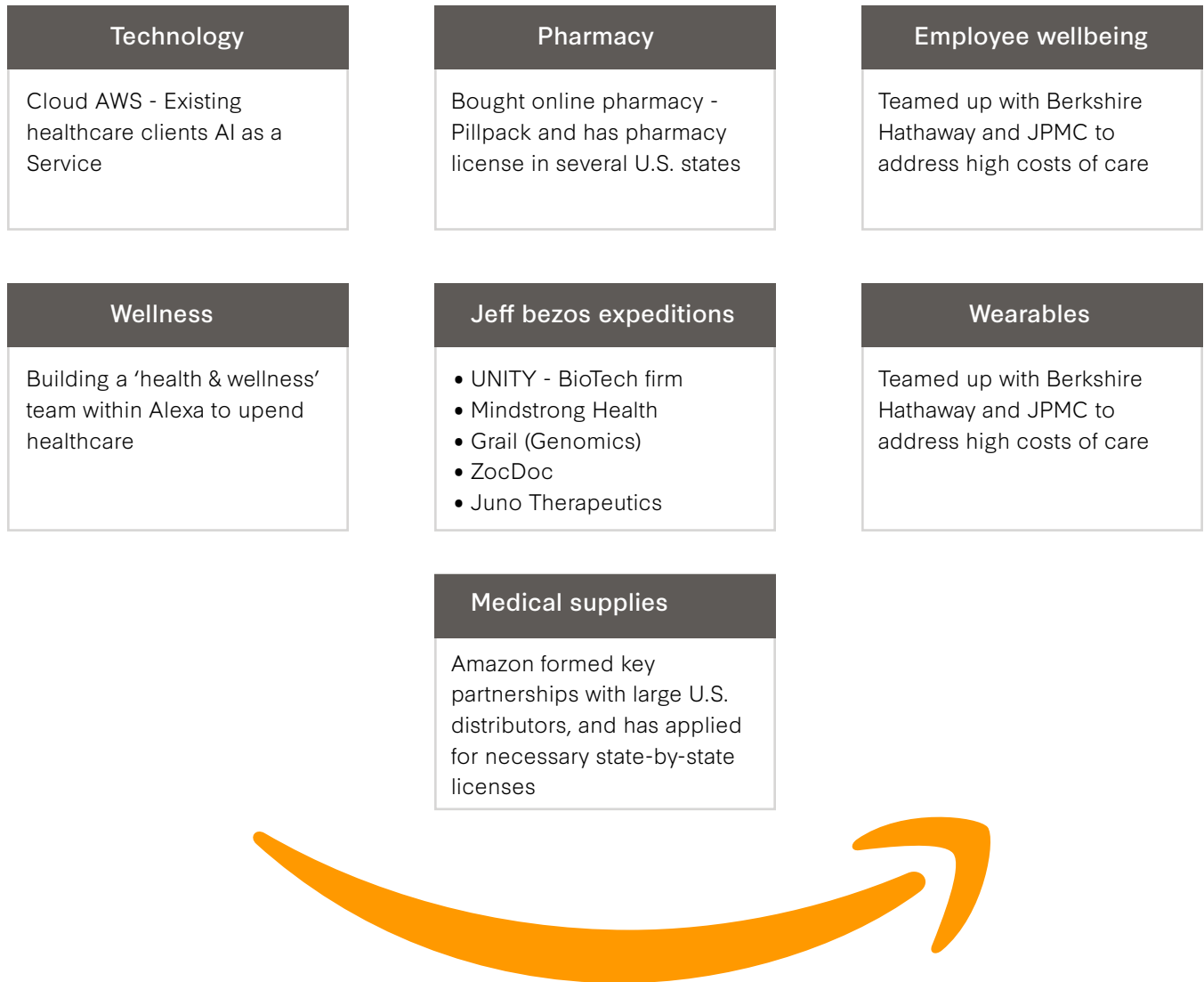


Figure 4 - Amazon's Healthcare Commitment

The fact that healthcare stocks of established players tank every time Amazon announces any deal or partnership in healthcare (wiping out billions from market cap) is evidence that the market expects an overhaul in the U.S. healthcare and believes that Amazon is the force to reckon with. While Amazon can choose acquisitions or investments strategy to grow, we present the following three ways that Amazon can use partnerships as a strategy to dominate and disrupt the healthcare industry.

- **Simplifying care** – There are 3 areas within the current care model that Amazon can leverage partnerships and disrupt the status quo.
 - **Offering New Products & Services** – AI-based health assistance and wellness are potential products and services that Amazon can co-create with companies that have healthcare expertise in technologies such as AI, data analytics, and connected devices. Using expertise from these partnerships, it can create the experience of undertaking primary care remotely by tracking an individual's vitals, EHR, and other medical data through medical grade wearables. It can then connect the patient to the right doctor through telehealth as it predicts the onset of disease. Amazon is currently building Alexa's virtual assistant healthcare competencies - currently in managing chronic illness like diabetes. As Alexa becomes embedded in the daily life of families, we can expect Amazon to provide a voice-enabled healthcare digital assistant that can facilitate everything from scheduling doctor visits to ordering prescriptions. Amazon can also leverage its Whole Foods stores as a physical location to provide basic healthcare services by partnering with providers and health systems. It could offer alternate services such as nutrition counseling by partnering with nutritionists – both online and at stores. It could therefore cover the whole spectrum of healthcare - from prevention to diagnoses to management of sickness.
 - **Enhancing Customer Experience** – Amazon can create superior healthcare experiences that put customer at the center by deeply customizing care by utilizing individuals' health data and technologies that aid in care delivery. To enhance the experience, it can partner with players that enable deployment of 'connected services'. For example, if an in-person doctor visit is required after a tele-consult, Amazon could automatically schedule the visit with a covered provider and also arrange for a door-to-door pick-up and drop-off with a patient-friendly ride from a transportation service partner. Subsequently, the prescribed drugs would be delivered through Pillpack. All these services would be provided at Prime member rates.
 - **Offering Platform as a Service** – Learning from its successful ecommerce model, Amazon can offer a platform to healthcare businesses to enable their services online, resulting in a marketplace for health professionals and services such as physicians, diagnostic centers, physical therapists, etc. For example, it has existing partnerships with healthcare providers to provide medical supplies, and it sells health and wellness products online to a variety of customers. It can further expand this business to provide all health-related services online.
- **Optimizing insurance** – Amazon, Berkshire Hathaway and JPMC (ABC)'s partnership is targeted at bringing down the healthcare costs for the employees of ABC. With more than one million employees as customers, we expect that Amazon will experiment with and come to better understand how care is delivered and how it can be done differently with a lower cost structure. This new entity could be a research hub to test innovative prevention and care management models using connected devices to lower insurance premiums and claims. It can also create a healthcare insurance marketplace similar to public and private health exchanges and study various care models to develop its own competencies. In the end, it will leverage these experiences to enter the healthcare insurance industry in a broader manner.

- **Becoming a one stop shop for healthcare** – The full potential of healthcare and cross industry partnerships lies in providing a connected health ecosystem. Amazon can bring together its overall healthcare competencies discussed above to become a one-stop shop for healthcare across a customer’s journey – from being healthy, to identifying risks, through treatment and recovery, and on to wellness. Along this continuum, a unified experience, much different from today’s disjointed experiences, would be a game changer. By driving convergence across the fragmented healthcare ecosystem, enabling a seamless cross-channel/cross-platform experience and providing targeted on-demand customized services leveraging technology – Amazon can create a value proposition that is difficult to imitate. Similar to Ping An, it can deploy effective partnerships to connect all ecosystem players, both online and offline, including doctors, hospital systems, diagnostic centers, pharmacies and drug companies, payers (individual, employer and government) and rehab facilities. (Please refer to our Healthcare whitepaper for more details on connected health⁹).

Success story 3 - CVS Health: Defense

Healthcare organizations are struggling with numerous challenges - rising costs, demand for quality care and the need for speed - pushing them into a zone of “do more with less”. Further, the threat of Amazon’s exploits in healthcare and the associated potential for disruption is real. In such an environment, creating niche ecosystems of partners to offer healthcare services that customers demand is a good defense strategy.

For example, once the CVS-Aetna deal closes, CVS Health has an opportunity to create a niche healthcare ecosystem for the captive 22.2 million⁹ Aetna customers. This approach would allow CVS Health to successfully defend itself from Amazon’s threat and remain a dominant player in healthcare. Implications include:

- **Broadening retail portfolio** – CVS has recently started to offer home delivery of prescriptions. It can also potentially partner with patient friendly transportation services to drive Aetna’s 22.2 million customers into its 9,800¹⁰ CVS drugstores – including 1,100¹⁰ walk-in ‘MinuteClinics’ - to receive care and fill prescriptions. Further, it can access Aetna’s insurance claims data and create customized drug benefit plans for these customers, broadening its retail offerings.
- **Expanding services portfolio** – CVS can provide a wider range of healthcare services by utilizing its existing competencies and partnerships. CVS already partners with EPIC for an electronic health record system for CVS’s research-driven care management programs and for analytics capabilities to track the patients’ behavior of drug usage to improve drug adherence. In addition, it can partner with ‘tele-health’ and ‘digital health’ firms such as American Well and Teladoc that enable remote and continuous monitoring of patients using technology that measures biometric data, predicts risks of patient’s medical condition, and remotely offers healthcare services – thus enabling a 360 view of the consumer and opening up a digital medium to serve. In addition, it could partner with nutritionists, counselors, and therapists to provide range of preventative, alternative, wellness and basic healthcare services at its Minute Clinics.

With 14.2 million⁹ or 64% of Aetna’s customer base belonging to highly profitable employer-sponsored health plans, CVS has a strong case to experiment, learn the care delivery models to become the ecosystem of services’ and successfully defend itself from Amazon’s threat.

2 What Kind Of Partnering Strategy Is Right For Your Organization?

The three case studies we have put forward are examples of how partnerships can be used as a lever to enable transformation of firms essentially driven by the CEO agenda to achieve market leadership positions. It is clear that as markets continue to become more digital and connected ecosystems displace vertical industry structures of the past, strategic partnerships will become the imperative. To remain competitive, healthcare firms will have to leverage strategic partnerships to Deepen Research, Lower Costs, Optimize Processes, Expand Markets, Shape the Future, and Co-create the New (Figure 5). While firms can always buy new capabilities, if done well, partnerships would enable these firms to broaden their focus while staying nimble to disrupt the status quo, define future business models, and continue to provide viable alternatives to ecosystem players such as Amazon.

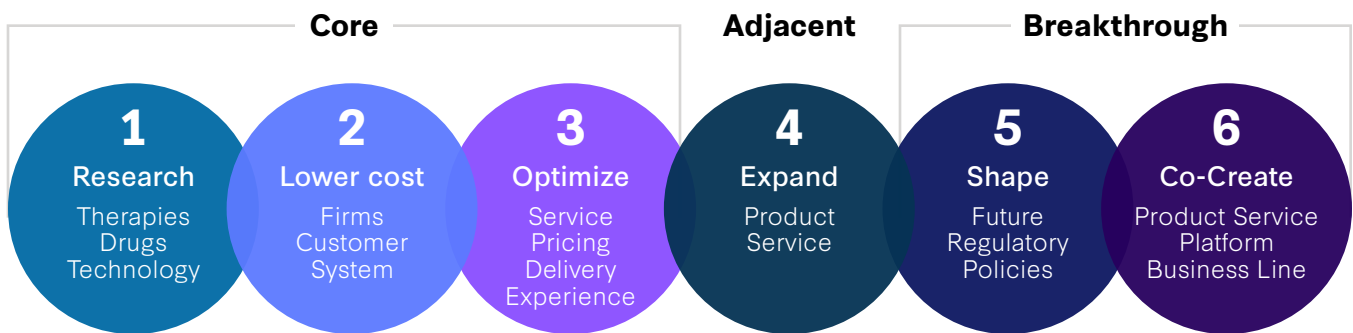


Figure 5 - Specific purposes achieved through Healthcare Partnerships

- **Deepen research** - This is the engine that fuels the healthcare industry. Health systems, life sciences, academia, and other medical institutions often collaborate on research and development. The combined expertise and complementary competencies results in an offering - whether it be product or service such as a therapy or a drug - that is far superior and/or more profitable than what would have been built by an individual entity. Lately, partnerships are formed to explore emerging technologies or to create innovative care models. For example, Sanofi and Google's Verily created an entity together known as Onduo that will leverage Verily's experience in miniaturized electronics and Sanofi's clinical expertise to research on innovative diabetic care.
- **Lower costs** - Partnerships can be leveraged to lower costs through combined buying power and financial strength. For example, AIG and Human Condition Safety (HCS) are exploring HCS's proprietary technology to predict and reduce the frequency and severity of work-related injuries with the goal to lower overall healthcare costs.
- **Optimize processes** - Firms form partnerships to provide quality care, optimize delivery, pricing, or overall experience. For example, Apple has partnered with nearly 40 health systems to let users access their medical records through Apple's health app. This app lets users view medical data (conditions, medications, procedures, etc.) from various institutions, apart from other continuous biometric data that Apple's health app tracks, enabling data-driven decision making by both patients and physicians, thus optimizing delivery of care.

- **Expand markets** – Partnerships allow firms to invest in adjacent businesses. A healthcare provider could partner with a payer to offer customized health plans for its network, resulting in more satisfied customers for the providers while enabling an expanded customer base for the payers. For example, the Cleveland Clinic partnered with Oscar Health to enter the individual insurance business. This joint venture will sell co-branded health insurance plans based on a preventive care model, leveraging Oscar's technology apps and concierge services along with the Cleveland Clinic's clinical team of healthcare professionals.
- **Shape the future** – With the rise of tech startups, which thrive on user data, it's imperative that regulatory policies are influenced by and formulated in accordance with the right usage of data and other digital assets. Partnerships are formed to understand business models and the data assets these tech-firms use, so that a standardized compliance structure can be formulated. For example, a consortium led by Citigroup, Zurich Insurance and Depository Trust & Clearing Corporation, is working together to develop of a set of cyber security standards that Fintechs can sign up to. Something similar can be set up to formulate and regulate use of patient data integrated from different sources and used by firms providing digital and connected health.
- **Co-Create the new** – Partnerships to co-create new products, solutions, business lines, and business models have the potential to disrupt, as they enable each participant to think beyond what exists and develop the next blockbuster product or service. For example, Comcast, a media and entertainment company, is teaming up with Independence Health Group to launch a new consumer-oriented health-care AI enabled technology platform, enabling it to enter the healthcare space.

In all of the examples above, we see that partnerships are being leveraged to combine traditional healthcare competencies with digital competencies to drive connected care. Building such competencies in-house at traditional healthcare firms would almost be impossible.

3

Building Successful Partnerships

A key lesson learned in setting up strategic partnerships with the likes of Humana, Anthem and Sutter Health¹¹ is that these engagements demand a disciplined approach to ensure successful outcomes. While there are several parameters to examine, we focus on fundamental and holistic pillars that define a successful partnership. An effective partnerships strategy needs a framework that factors in the following elements:

- Room for experimentation
- Examining constraints upfront
- Commitment to realize synergies

We recommend a holistic Critical Success Factors guideline to our clients (Figure 6)

Critical success factors

Building blocks of partnerships

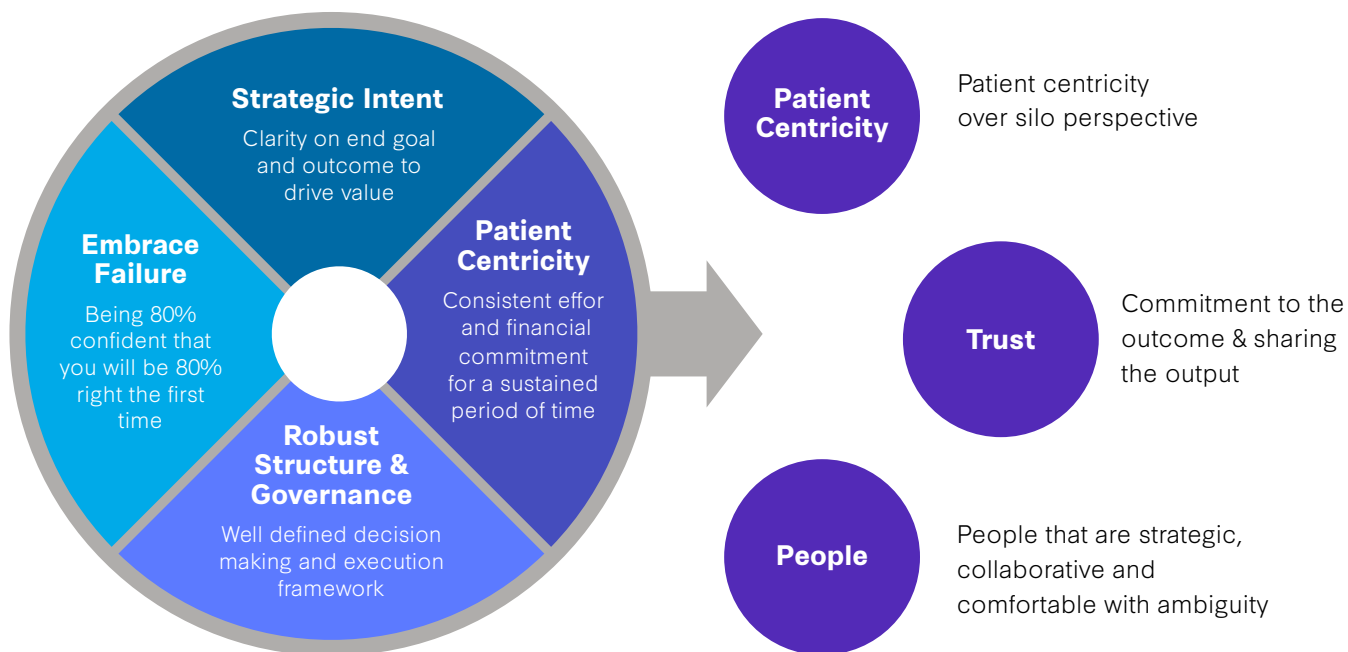


Figure 6 - Critical Success Factors to Build Meaningful Partnerships

A clear **Strategic Intent** is the essential foundation of any partnership. A CEO agenda centered on transformation or a narrowly-defined goal centered on a common objective, such as patient centricity, can both ignite the collaborative spirit and lead to benefits realization. Failing to have clarity on the desired outcome will often leave partners trying to solve for different problems or focus on solo perspectives rather than aiming for the common good.

Leadership Commitment for a defined and sustained period is critical to allow the partnership to grow and realize its full potential. Dedicated resources in terms of people, finances, systems, tools, and other infrastructure should be sustained for an agreed upon duration. At the same time, knowing when to walk away can save resources and preserve the possibility of future collaborations. In the case of undesirable outcome, prolonging or dragging out a partnership is more detrimental to the business than actually calling off the partnership.

While the benefits of partnerships can be unlimited, the complexity lies in the **structure and governance** of the partnership. There are several structures to consider, given the risks, investments and overall level of involvement the firm is willing to collaborate on. We have identified four models that firms can choose from (Figure 7).



Figure 7 - Four Models of Partnerships

The model should dictate the appropriate metrics and governance framework for successful execution of a partnership's strategic intent. This framework must ensure that resource commitments are made and met throughout the life of the engagement without interrupting the flow of work. A well-defined execution framework will also identify the constraints to be examined upfront, thus ensuring a disciplined implementation.

Finally, a willingness to Embrace Failure creates the room for experimentation. Every partnership will face initial hurdles and failures. Embracing the **80-80 Rule**¹² - "Being 80% confident that you will only be 80% right the first time should feel normal"- empowers partners to expect and learn from early failures and pivot quickly to drive successful outcomes.

With the healthcare industry moving towards customer experience based models, forming strategic partnerships and following a disciplined approach will allow firms to challenge the status quo. It's no more a question of 'whether to partner' but about 'how to partner'. A solid partnering strategy enables firms to innovate around existing capabilities and rediscover their potential to 'Defend', 'Grow' & 'Disrupt'. Whatever the strategic aim, the key lies in understanding the implications and following a meticulously planned execution.

- June 2018 by profit & ROE - <https://www.forbes.com/sites/shuchingjeanchen/2018/06/06/chinese-giant-ping-an-looks-beyond-insurance-to-a-fintech-future/>
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 - During author Ruchin Kansal's tenure at Boehringer Ingelheim
 - Redefining Innovation: Embracing the 80-80 Rule to Ignite Growth in the Biopharmaceutical Industry by Ruchin Kansal and Jeff Huth
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