



CommBank Healthcare & Social Assistance Insights Report.

Enhancing customer care through innovation

June 2018



Contents

Key insights	3
Measuring innovation	6
The OECD innovation framework	6
The CommBank Innovation Index	6
Level of innovation	7
The push for innovation	8
Social assistance and regional organisations leading the charge	9
Creating dynamic organisations	10
Drivers, benefits and challenges	12
Customers and patients are driving innovation	13
Better outcomes for patients and staff	14
The innovation challenge	15
Investing in innovation	16
Key areas for investment	17
A digitised future	18
Return on investment	19
The financial payback of innovation	20
A greater purpose	21
Case study: SiSu Wellness	22
Talk to us	24





Key insights

Consumers come first

Healthcare and Social Assistance organisations are embracing innovation to deliver better outcomes for patients and keep up with their changing needs.

Key insights

Welcome to the Business Insights Report for the Healthcare and Social Assistance industry — part of a landmark nationwide study examining the value innovation can deliver to individual organisations, and its greater contribution to productivity and national economic growth.

The Healthcare and Social Assistance sector is undergoing a period of transformation as patient information is digitised, regulatory controls continue to tighten, funding pressures are rising due to increased consumption, and providers continue to seek more efficient and effective ways to service the needs of an ageing population. In addition, most organisations are navigating limited human and financial resources, as well as a host of other organisational and regulatory challenges. While some businesses are innovating to address these challenges, others are encountering barriers when seeking to adapt to broad-ranging changes.

Despite any headwinds, we can see that many Healthcare and Social Assistance organisations are responding positively to their current environment. Driven by a desire to improve outcomes for the consumers and patients they care for, organisations are embracing innovation and acknowledging its importance in creating a more efficient and customer-centric sector.

In fact, the level of innovation activity for the Healthcare and Social Assistance sector has increased substantially over the past year and is now in line with the national average. It's clear that organisations are actively looking for innovative ways to improve their workforce and organisational structure, secure alternative sources of revenue and keep up with changing patient needs.

While this is an encouraging result, our research also reveals that some organisations continue to be hampered by an internal resistance to change and have not yet acquired the innovative mindset necessary to seize opportunities, take risks and drive significant change. However, we can see that organisations are recognising these shortfalls and are investing in their staff and patients as a way to improve their innovation culture – and achieve a healthy return on investment along the way.

In this report, we take an in-depth look at what drives innovative Healthcare and Social Assistance businesses to adopt and embed a mindset that enables innovative funding pressures are rising due to increased consumption that will drive the future of the sector.

We hope this report helps you and your organisation to take the next step on your innovation journey, and we look forward to the opportunity to discuss our findings with you further.

Cameron Ziebell

National Head of Healthcare
Business and Private Banking
Commonwealth Bank of Australia

About CommBank Healthcare and Social Assistance Insights Report

The findings in this edition of the Healthcare and Social Assistance Insights Report are based on a quantitative survey of 231 owners, decision makers and managers of healthcare and social assistance organisations — as well as in-depth qualitative interviews — conducted on behalf of Commonwealth Bank by DBM Consultants between August and October 2017 and analysis by ACA Research between October and December 2017. Participants were drawn from organisations across Australia with an annual turnover of more than \$500,000 and at least two employees.

The survey has been designed to benchmark the innovation performance of each organisation, identifying the key motivations and drivers influencing change, and highlighting best practice.

CommBank Innovation Index

Healthcare & Social Assistance

FY18	FY17
22.9	10.6

National Average

FY18	FY17
32.0	24.0

Rate of innovation

Healthcare & Social Assistance

Innovating	Making improvements
47%	38%

National Average

Innovating	Making improvements
47%	35%

Return on investment from innovation

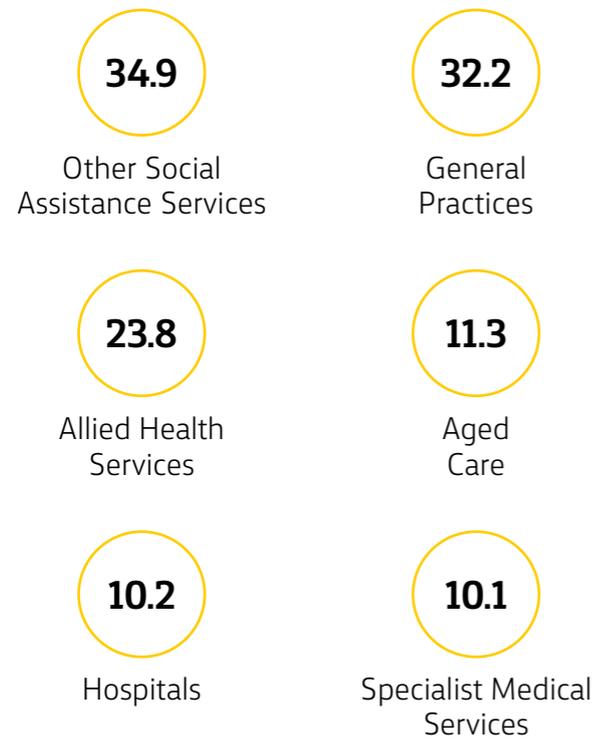
Healthcare & Social Assistance

Investment amount	Expected earnings	ROI
\$174,000	\$375,000	2.16

National Average

Investment amount	Expected earnings	ROI
\$300,000	\$592,000	1.97

Innovation Index by industry sub-sector



Benefits of innovation and improvement

Better outcome for patients	58%
Increased staff engagement	40%
Greater productivity	40%
Improved efficiencies	39%
More knowledgeable and skilled staff	38%

Top areas of investment¹

	Healthcare & Social Assistance	National Average
Staff training and expertise	54%	36%
Technology	47%	36%
Equipment purchase or upgrade	35%	32%
Pricing and billing strategies	29%	26%
Operational efficiencies	27%	30%

\$4 billion

Estimated injection into the Australian economy as a direct result of innovation²

Timeframe for expected return on investment³

Within 6 months	7-12 months	1-2 years	3 years or more	Don't know
50%	23%	8%	2%	17%

¹ Among innovation active businesses.

² Estimated value generated from having implemented innovation, multiplied by the percentage of the number of businesses in the economy that have implemented an innovation (number of businesses supplied by DBM Consultants).

³ Among innovation active businesses.

Measuring innovation

To measure Australia's ongoing innovation performance, we adopted a globally recognised methodology and then expanded on it, with our CommBank Innovation Index.

The OECD innovation framework

To determine which organisational initiatives were truly innovative, we adopted the framework set out in the Organisation for Economic Cooperation and Development (OECD) *Oslo Manual*. Used by organisations around the world, including the Australian Federal Government and Bureau of Statistics, the manual is constructed around four key innovation areas: products, processes, marketing and organisational.

The CommBank Innovation Index

In this survey, we tested 15 core elements of innovation across management capability and entrepreneurial behaviour. Together, they comprise the CommBank Innovation Index. The index combines the results into a single numerical indicator, enabling us to rank organisations on a scale from -100 (innovation restrictive) to +100 (disruptive innovation), thus creating the concept of an innovation curve or spectrum.

We also spoke to many individuals to understand their empirical experience in implementing innovation within their organisation. This qualitative analysis forms the basis for accompanying observations, case studies and quotes included in the report.

Measuring 15 core drivers of innovation

Management capabilities



Process¹

- Brainstorm for new ideas
- Encourage staff to ask questions
- Give staff opportunities to observe client and customer experiences
- Experiment and test new ideas



People¹

- Hire staff with creativity in mind
- Evaluate staff with creativity in mind
- Formal networking of organisation



Philosophy¹

- Allow staff to take risks and fail
- Expect staff to give ideas for improvement

Entrepreneurship behaviours



Seizing opportunities²

- Look for new ways to benefit from market changes and technology
- Respond to attractive opportunities



Taking risks²

- Willing to take financial risks
- Invest time and capital in uncertain capital ventures



Focus²

- Limit focus to a small number of opportunities



Adapting²

- Adapt products and services to make the most of opportunities

¹ Source: Dyer et al (2011) *The Innovator's DNA*.

² McGrath et al (2000) *The Entrepreneurial Mindset: Strategies for Continuously Creating Opportunity in an Age of Uncertainty*.



Level of innovation

Innovation is on the rise

Innovation activity has surged in the Healthcare and Social Assistance sector in the past year, with the majority of organisations surveyed actively making changes – but some of these changes are yet to translate into genuine innovation.

The push for innovation

The Healthcare and Social Assistance sector is undergoing a period of significant change as government initiatives and technological advancements make their mark on the industry, and it's encouraging to see that most organisations are rising to these challenges by increasing their level of innovation activity.

Our research reveals a significant uplift in the proportion of organisations actively making changes across the Healthcare and Social Assistance sector – a combined percentage of 85%, compared with 73% in 2016. Nearly half of the sector is now innovation active (47%) and a further 38% are making improvements. This puts the sector in line with the national average when it comes to the level of innovative activity displayed by organisations.

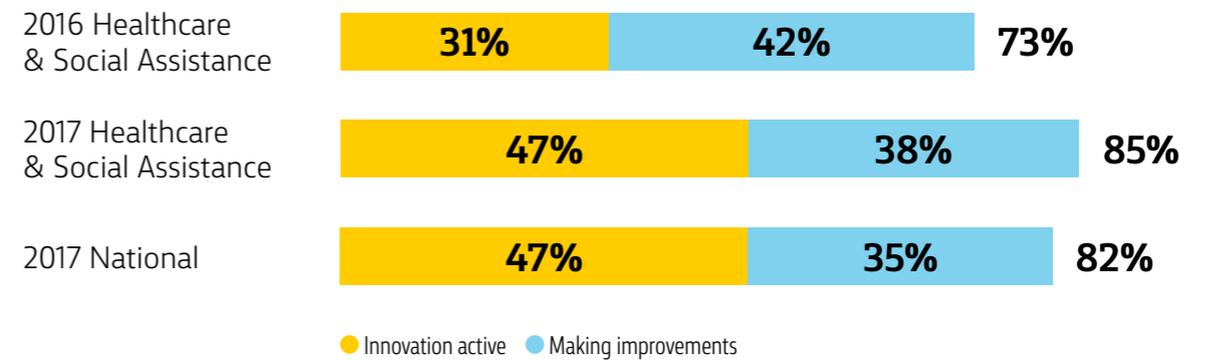
However, when we measure the 15 innovation capabilities and behaviours that comprise the CommBank Innovation Index, we can see that despite the rise in Index Score, the sector still has a way to go in adopting a mindset and culture that supports further innovation. With an index score of 22.9, the sector is more than nine points behind the national average across all industries of 32.0, and it also falls below the threshold separating improvers from innovators (marked by an index score of 25.0).

Having increased its innovation score over the past year (from 10.6 in 2016 to 22.9 in 2017), the sector has demonstrated its growing awareness of the need to seek out new ways of supporting patients and customers. If innovation activity continues to increase at the rate shown over the past year, Healthcare and Social Assistance providers will soon catch up with more innovative industries.

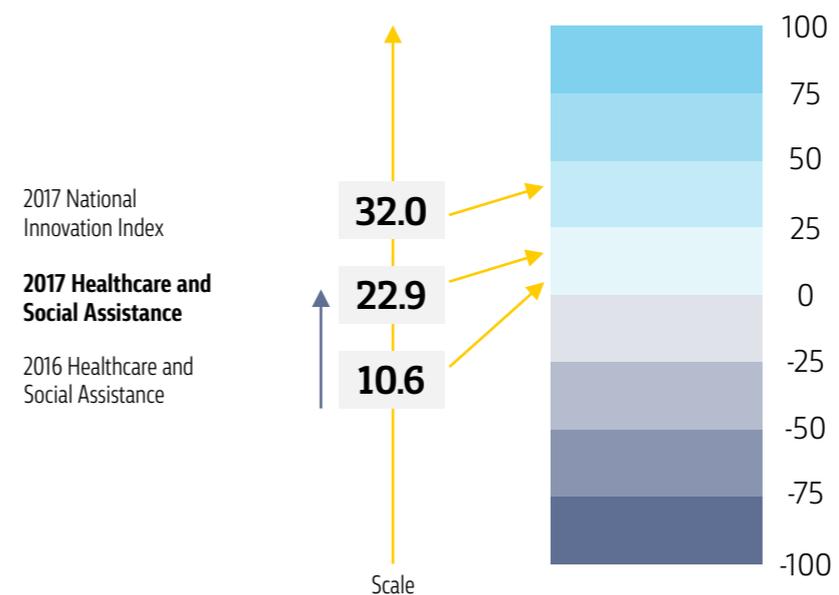
"By making headway into innovation amid tight regulatory controls and a lack of resources, Healthcare and Social Assistance providers are well positioned for the future."

Cameron Ziebell
National Head of Healthcare
Business and Private Banking
Commonwealth Bank of Australia

Rate of innovation



The CommBank Innovation Index



Social assistance and regional organisations leading the charge

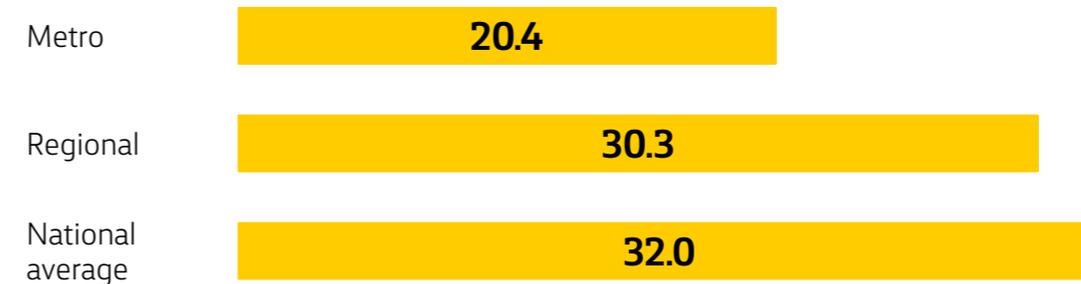
The Healthcare and Social Assistance sector covers a broad range of offerings and providers, spanning general practices, hospitals, aged care providers, specialist medical services, allied health services and other forms of social assistance (such as adoption, welfare and disability services). In analysing each of these sub-sectors, we were able to differentiate the levels of innovation activity between them.

Our research shows that social assistance service providers are driving the spike in innovation results, with 69% of organisations classed as innovators, followed by allied health services at 49%.¹ Providers in other sub-sectors also demonstrated a commitment to making changes in their organisations, however most of these changes are categorised as improvements rather than innovations.

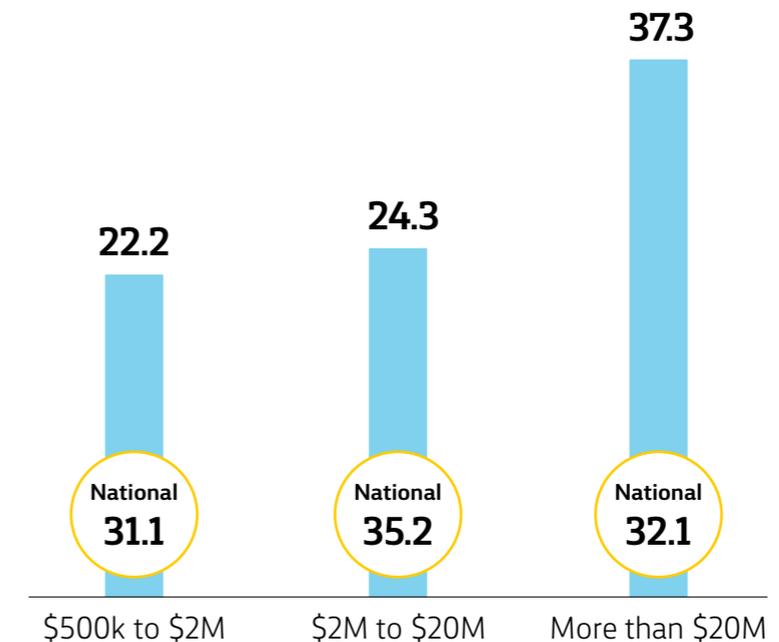
Looking across the country, we can also see a gap between the activities of providers in rural and metropolitan areas. Regional organisations scored 30.3 on the Innovation Index, almost ten points above their counterparts in cities, which shows a willingness to seek out innovative solutions that will help them overcome barriers they face in reaching their patients.

Unsurprisingly perhaps, the Innovation Index is highest for large organisations, rising from 22.2 among businesses with less than \$2 million in turnover to 37.3 among their peers with annual turnover above \$20 million – indicating that these organisations may have more disposable time, resources and staff to invest into innovation.

Innovation Index by location¹



Innovation Index by turnover



¹ Small sample size. Results are indicative only.

Creating dynamic organisations

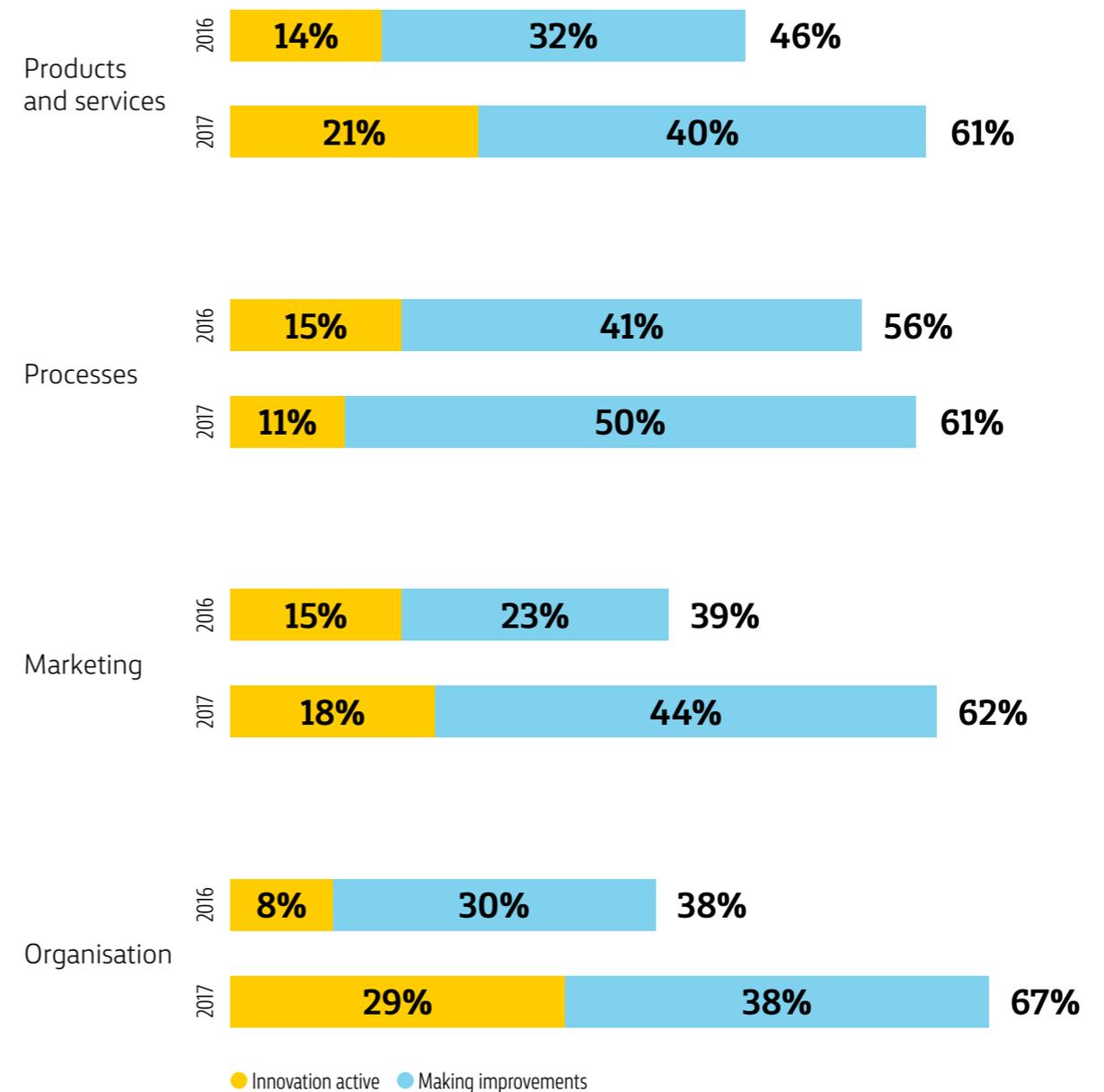
Between 2016 and 2017, the Healthcare and Social Assistance sector adopted a range of behaviours and capabilities that enable innovation, with the biggest uplift in innovation for organisational changes' with 'with the biggest uplift in those supporting organisational changes: 29% are innovating in this area, up from 8% in 2016, which is well above the national average of 18%. This was followed by products and services, with innovation rising from 14% to 21% of organisations.

On the other hand, the proportion of Healthcare and Social Assistance organisations undertaking process based innovation has dropped slightly – from 15% in 2016 to 11% in 2017, falling even further behind the national average of 17%.

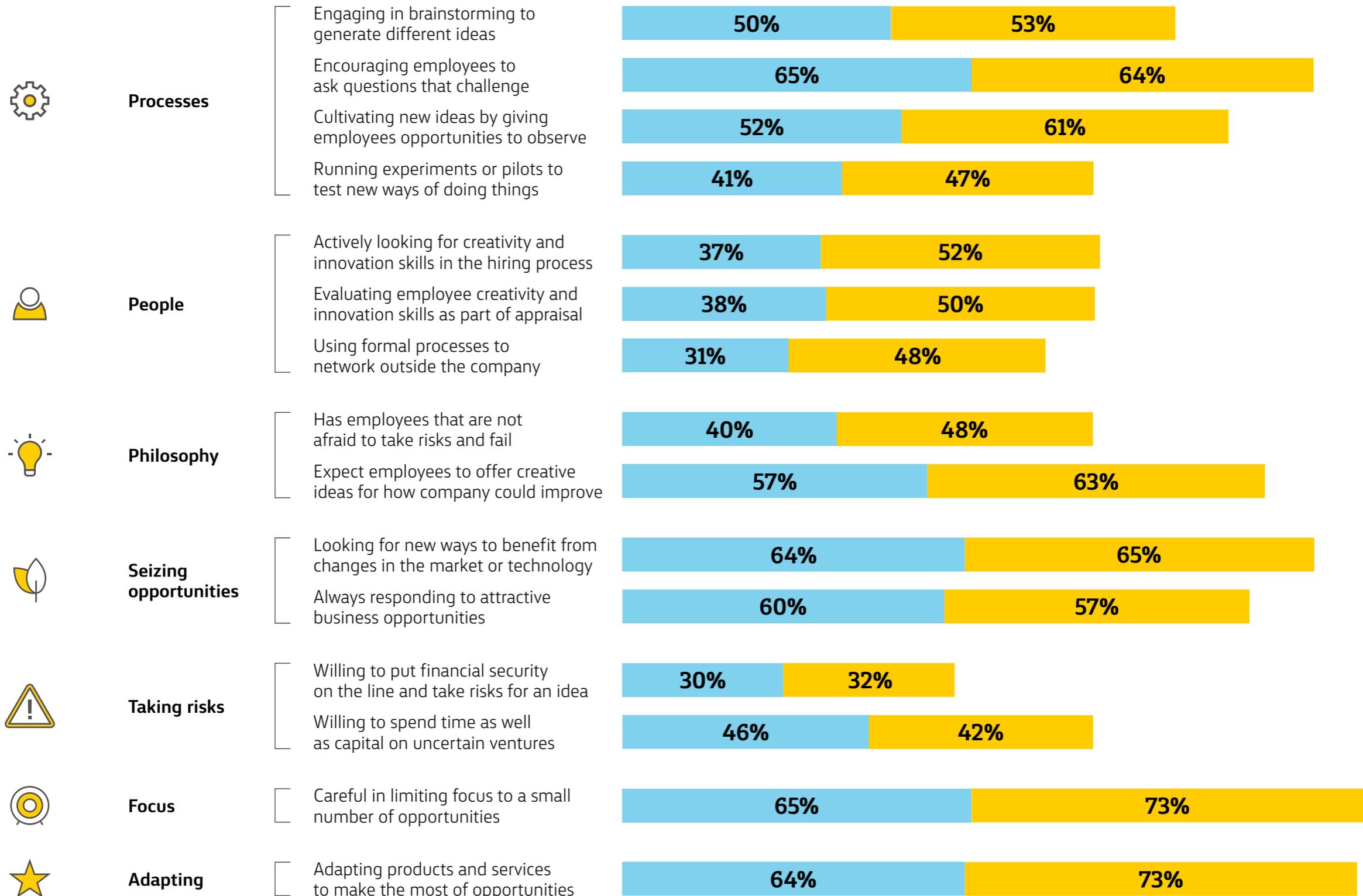
Most of the organisational changes that have been adopted are around hiring, appraisal and networking processes. More organisations are cultivating new ideas by giving their employees opportunities to observe (61% in 2017 compared to 53% in 2016), actively looking for creativity and innovation skills in the hiring process (52% compared to 37%) and evaluating these creativity and innovation skills as part of the appraisal process (50% compared to 38%). Networking has become more of a focus as well, with almost one in two organisations (48%) using formal processes to network externally.

Two areas where the Healthcare and Social Assistance sector has room for further improvement are taking risks and seizing opportunities. The percentage of organisations willing to respond to attractive business opportunities has decreased to 57% (from 60% in 2016) and there has been only a small increase in the percentage of organisations willing to take risks to support an idea (32% compared to 30% in 2016). What's more, Healthcare and Social Assistance organisations continue to lag other sectors in these behaviours – 74% of businesses nationally seize business opportunities and 45% put their financial security on the line to take risks.

Areas of innovation



Core innovative behaviours



● 2016 ● 2017



Drivers, benefits and challenges

A customer-focused approach

Healthcare and Social Assistance innovators are driving improved outcomes for their customers and staff but still need to overcome internal resistance to change.

Customers and patients are driving innovation

Innovation across the Healthcare and Social Assistance sector is driven by a variety of needs. More than one in three organisations are making changes to open up new avenues of growth or revenue (36%) or as a push to increase their efficiency or productivity (35%). A similar percentage of organisations said they wanted to improve the quality of their offering (34%).

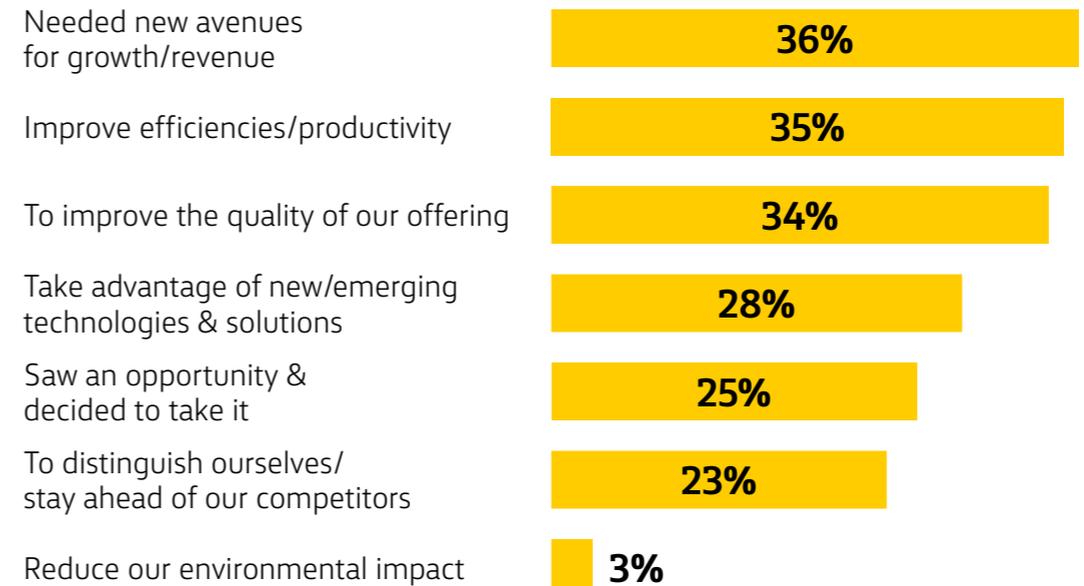
Innovators tend to be proactive in taking advantage of new technologies (28%) and opportunities (25%) rather than simply reacting to changes in the market. However, one in four organisations (25%) admitted that the changes they were making were being driven by an increasingly competitive landscape, and 21% are innovating in an attempt to keep up with changes their competitors are making.

There is also significant emphasis on delivering better outcomes for patients or customers based on observed changes in patient needs (34%) or direct feedback from customers or patients (17%). This puts the industry in front of the national average: 45% of Healthcare and Social Assistance innovators are being driven by their customer focus, compared to 38% nationally.

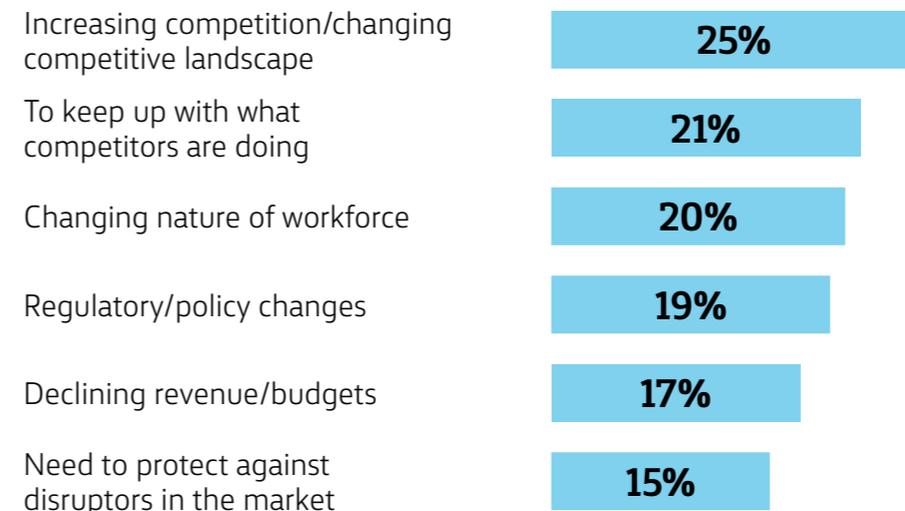
Drivers of innovation and improvement



Proactive



Reactive



Customer focus



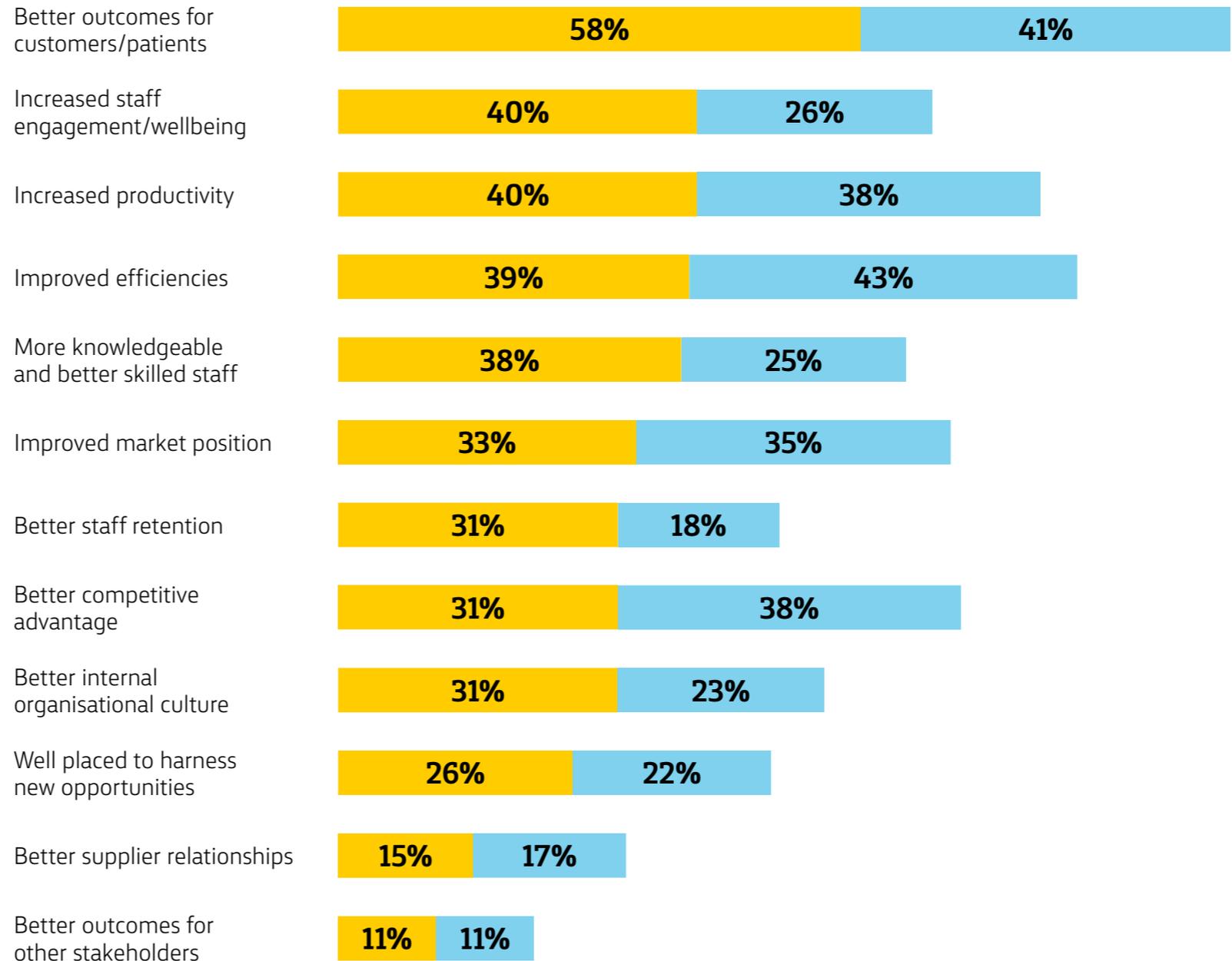
Better outcomes for patients and staff

Consistent with customers and patients being the major driver for innovation, better customer/patient outcomes are the key benefit for 58% of Healthcare and Social Assistance organisations – far higher than the national average of 41%.

But a relatively high proportion are expecting to see benefits for their staff as well, including increased staff engagement and wellbeing (40% compared with 26% nationally), more knowledgeable employees (38% compared with 25% nationally) and better staff retention (31% compared to 18% nationally). Many organisations also anticipate an increase in productivity and efficiencies (40% and 39% respectively).

Individual segments in the Healthcare and Social Assistance sector are hoping for different results from their innovation activities. The majority of allied health service providers are focused on increasing their staffs' engagement and wellbeing, more than half of specialist medical service providers are looking to maximise efficiencies, and a similar proportion of general practices are looking to gain an advantage over their competitors.¹

Benefits of innovation



● Health and Social Assistance ● National

¹ Small sample size. Results are indicative only.

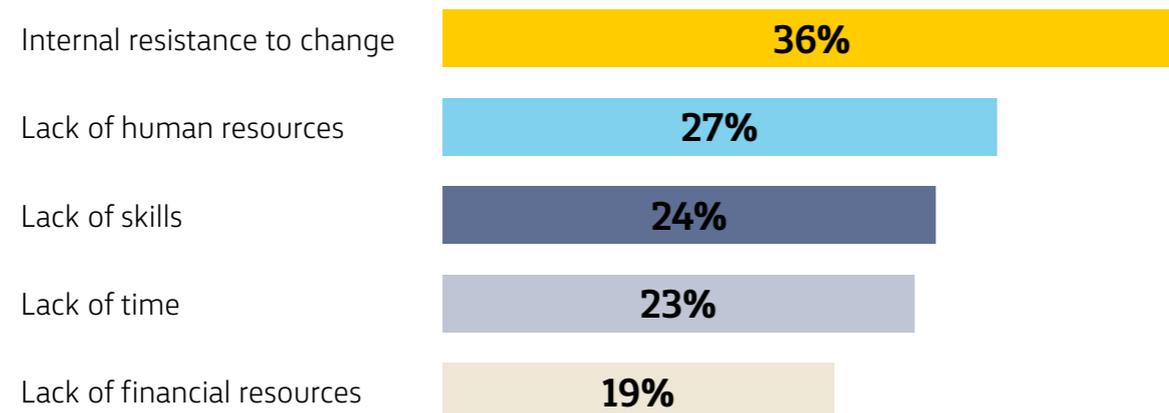
The innovation challenge

While innovation activity has risen in the Healthcare and Social Assistance sector, its progress is being hampered by an internal resistance to change – affecting 36% of organisations across all sub-sectors, which is well above the national average of 19%. Other significant challenges are a lack of human resources (27%), skills (24%) and time (23%) dedicated to innovation.

Internal resistance is highest among allied health service providers, due to an organisational culture that fears failure. General practices also face strong resistance from within their organisations, even though they face fewer barriers to innovation than other sub-sectors. Specialist medical services providers are the most likely to cite a lack of clear goals and changing strategies as key challenges. In other sub-sectors, a lack of personnel, skills and support from management are holding organisations back from implementing innovative changes. Some sub-sectors are facing external obstacles in addition to internal resistance, with government regulations and compliance adding an extra level of complexity.¹

To overcome these hurdles and create a work culture that supports innovation, providers will need to ensure that their hiring and appraisal process nurtures an innovative mindset at all levels of the organisation.

Common challenges encountered by innovators



¹ Small sample size. Results are indicative only.





Investing in innovation

Improving customer care

Organisations are investing in their staff and patients as they look towards an increasingly technology-led future.

Key areas for investment

Innovative Healthcare and Social Assistance organisations are investing in their future by focusing on changing organisational dynamics, with more than one in two investing in staff training and expertise (54%). This is significantly higher than the national average of 36% and is being led by several sub-sectors including general practices, which have a strong focus on this aspect of innovation.

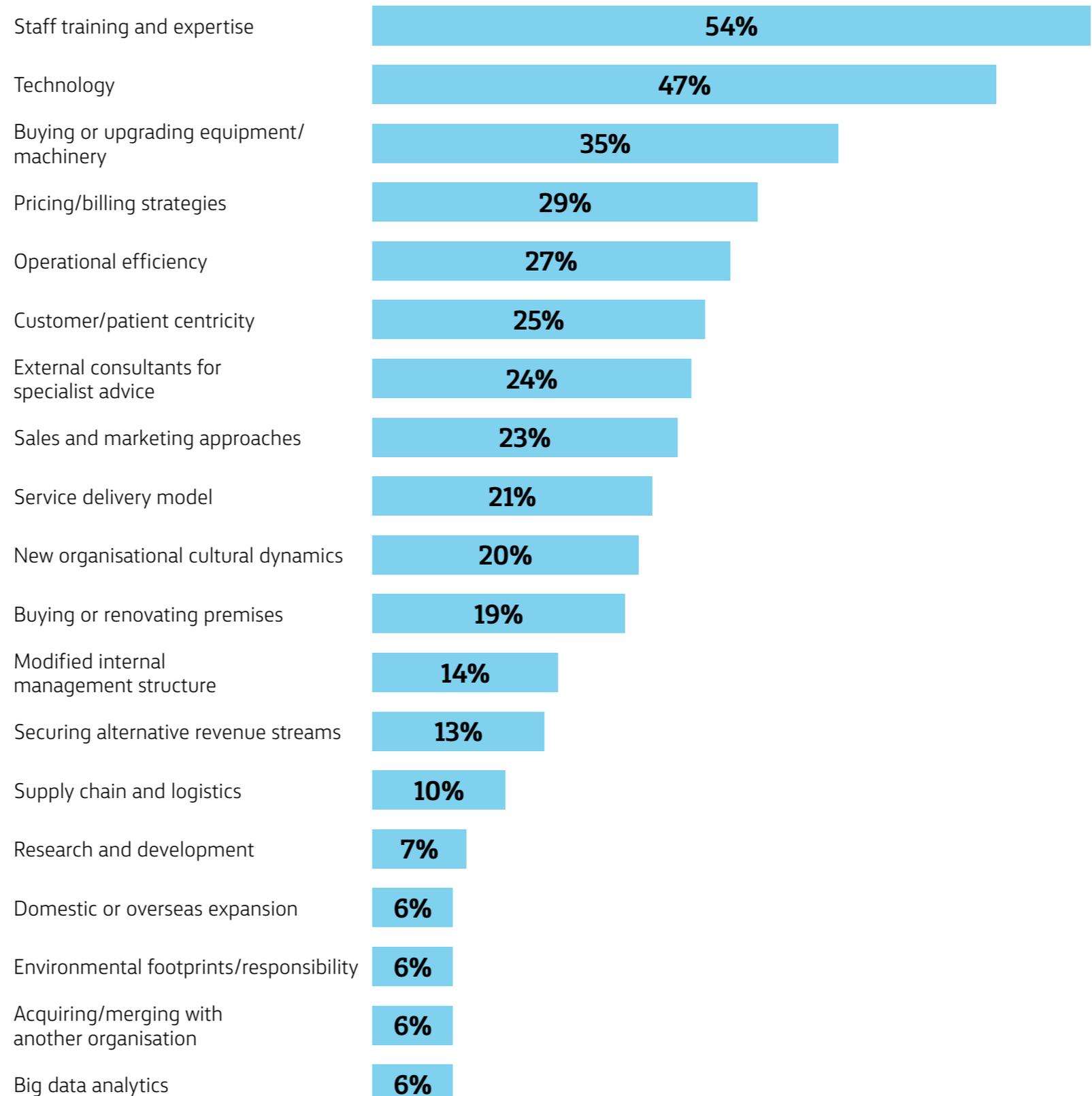
Almost one in two organisations are investing in technology (47%), the next most common area of investment. More than one in three organisations (35%) are buying or upgrading their equipment or machinery – specialist medical services providers are more likely than other sub-sectors to be investing in this area. Allied health services are investing in new organisational cultural dynamics and buying or renovating premises.¹

Other common areas of investment are pricing/billing strategies (29%), operational efficiency (27%) and customer/patient centricity (25%).

Organisations within most sub-sectors are investing in an average of three or more areas, which indicates a willingness to consider multiple strategies to increase their level of innovation.

¹ Small sample size. Results are indicative only.

Areas of investment



A digitised future

The Healthcare and Social Assistance sector is heading towards a digitised future, and most organisations are recognising this trend by investing in multiple areas of technology that will help them to improve their processes and deliver a higher standard of patient care.

Of the 47% of organisations that are investing in technology, the survey results showed that the top five investment areas were:

-  **IT hardware (48%)**
-  **Website or increasing digital presence (47%)**
-  **IT software (46%)**
-  **Digitisation of records and documentation (36%)**
-  **IT infrastructure (34%)**

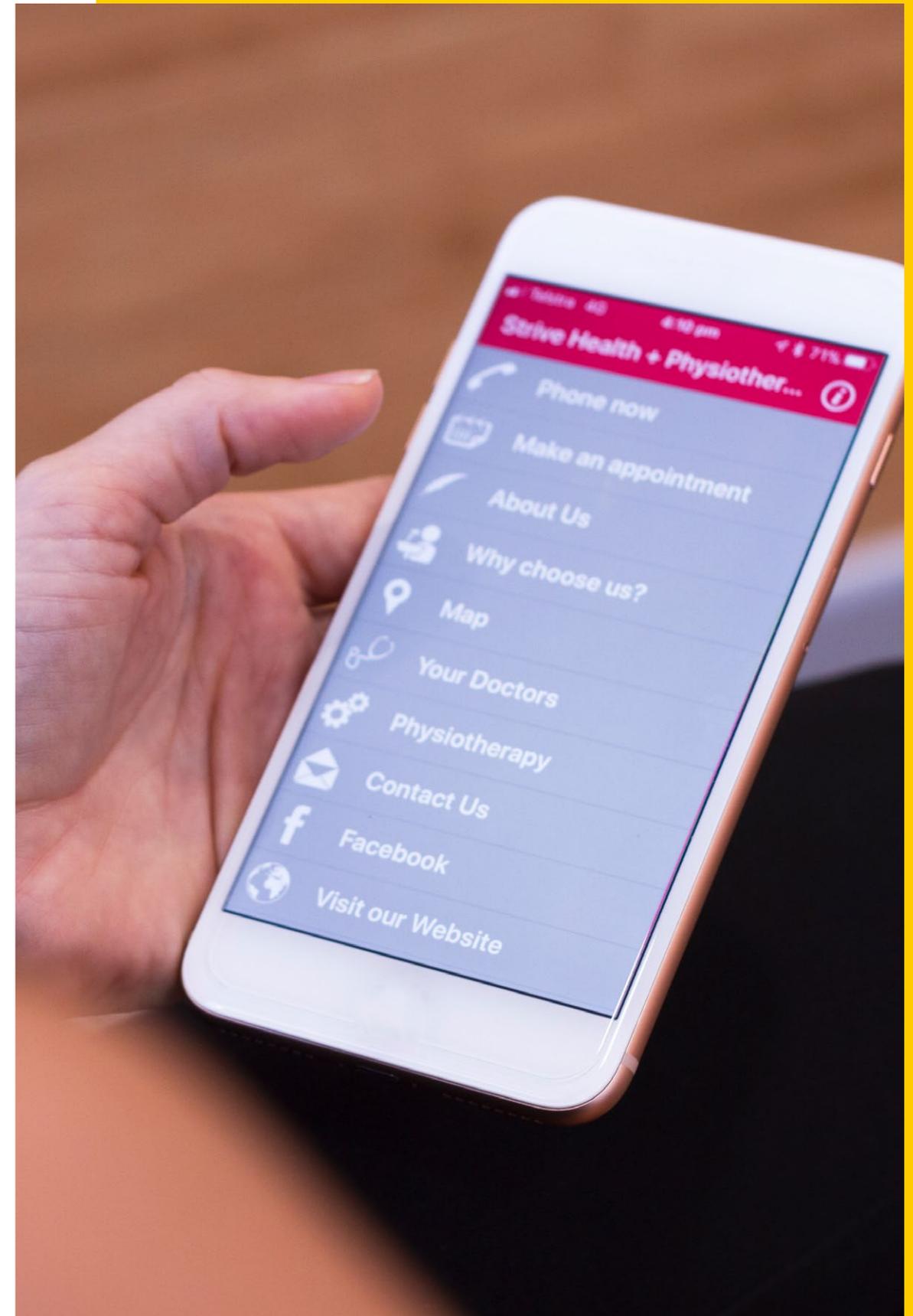
These investment areas are in line with the national average with the exception of digitisation of records and documentation, which at 36% is much higher than the national average of 24% – to be expected given the industry focus on this area – and even though it is one of the main investment areas, the investment in IT software of 46% is lower than the average across all industries (60%).

Healthcare and Social Assistance organisations are also more likely than other industries to be investing in intelligent personal assistant software but are less likely to invest in digital tools, such as apps for smartphones and tablets, or providing customer service through online chat apps.

The majority of Healthcare and Social Assistance providers are united in their desired impact of investing in technology – 59% believe the investments they are making now will enable staff to focus on delivering better customer and patient care in the future.

"Providers that have invested in customer-centric technology are being rewarded with a more efficient workplace and more engaged patients, which is also helping their bottom line."

Cameron Ziebell
National Head of Healthcare
Business and Private Banking
Commonwealth Bank of Australia





Return on investment

Results that speak for themselves

Despite tight budgets with limited funds for investment, Healthcare and Social Assistance organisations are still reaping significant financial rewards – receiving a return of more than two dollars for every dollar they spend on innovation.

The financial payback from innovation

As expected for an industry with scarce resources and tight budgets, innovation active Healthcare and Social Assistance organisations have invested significantly less in innovation than other industries over the past year, with an average investment amount of \$174,000 compared to a national average of \$300,000. In fact, more than half of the organisations surveyed invested less than \$50,000.

Reflective of these smaller investment amounts, 50% of organisations expect to see a return on their investment within six months and a further 23% within 7-12 months.

The average expected improvement in company revenue gains or cost savings as a result of innovation for Healthcare and Social Assistance organisations is a healthy \$375,000 – an increase of 14% since last year and a smaller margin behind the national average of \$592,000. This has resulted in a return on investment of 2.16. Or, in other words, a return of \$2.16 for every \$1 spent in innovation – this is above the national average return on investment of 1.97. When extrapolating the uplift in estimated earnings per organisations across the same proportion of innovation active healthcare and social assistance organisations industry-wide, it equates to a significant contribution by injecting an estimated \$4 billion into the economy.¹

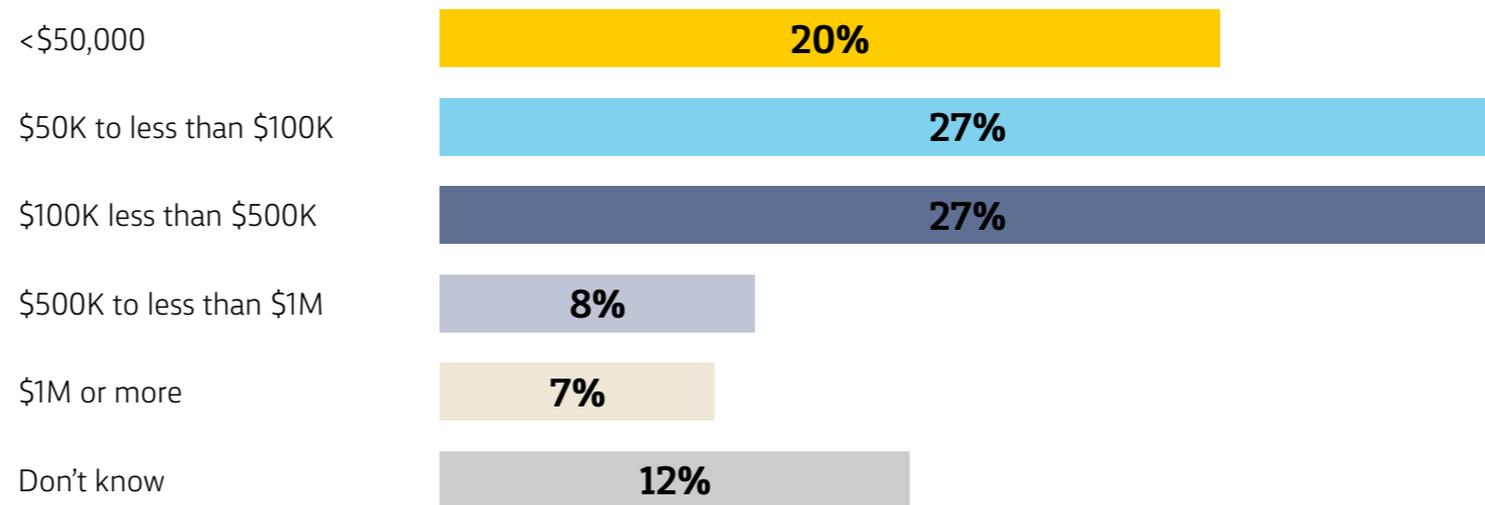
¹ Estimated value generated from having implemented innovation, multiplied by the percentage of the number of businesses in the economy that have implemented an innovation. Number of businesses supplied by DBM Consultants.

Return on investment

	Average Investment	Average Additional earnings	Return on investment	Injection into the economy
Healthcare & Social Assistance	\$174k	\$375k	2.16	\$4bn
National average	\$300k	\$592k	1.97	\$110bn

Expected improvements in company earnings

Level of expected improvement in earnings as a result of innovation (% of innovation active organisations).



Expected timeframe to see a return on investment

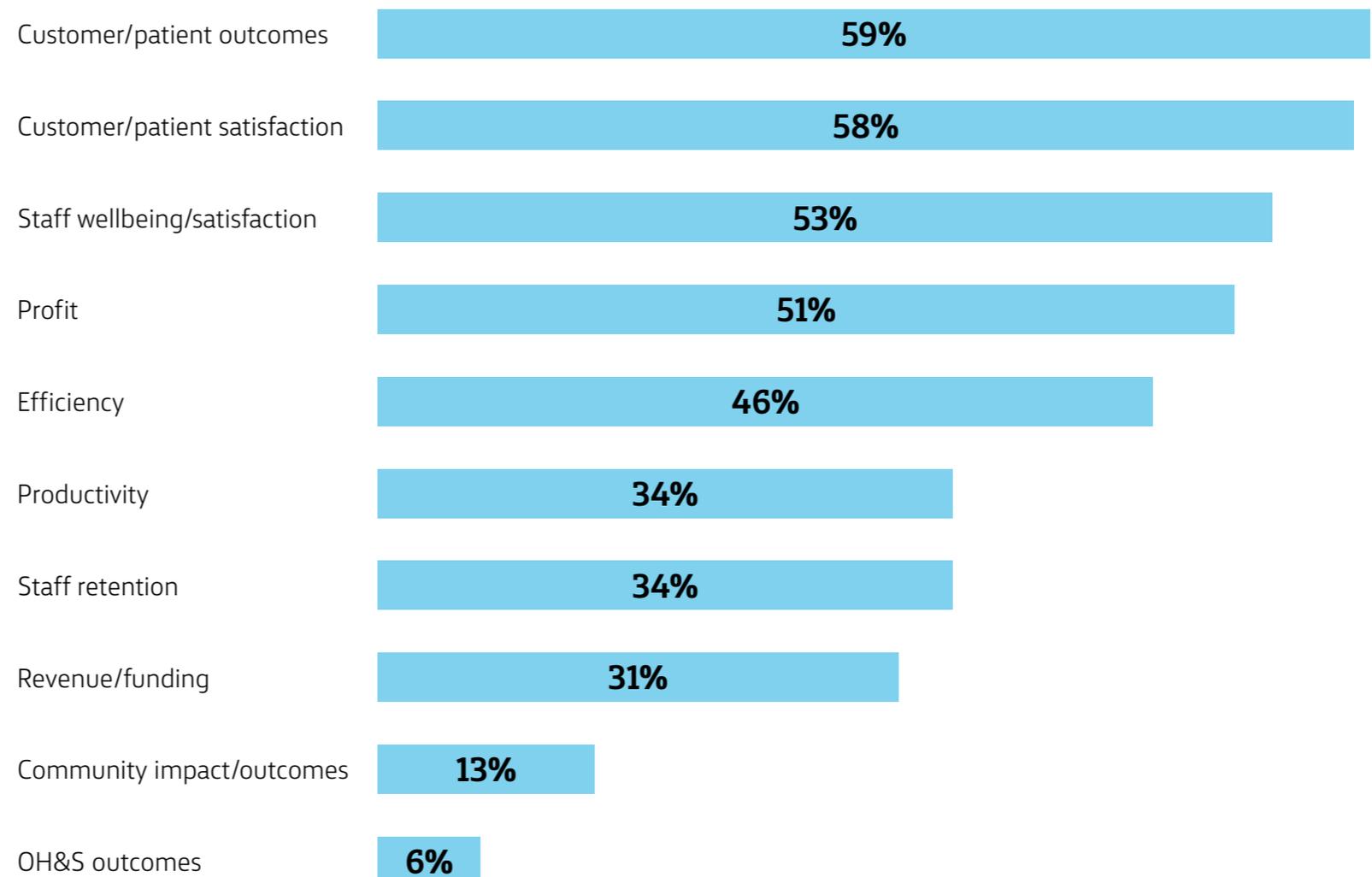


A greater purpose

Our research has demonstrated that almost every decision innovation active Healthcare and Social Assistance organisations make centres around their desire to improve outcomes for their customers or patients. While undeniably important for the future of each individual organisation, financial returns are seen as secondary to customers and the wellbeing of the staff who look after them.

The majority of organisations said the most important variable for calculating a return on investment is customer/patient outcomes (59%), followed closely by customer/patient satisfaction (58%). More than one in two organisations (53%) also considered staff satisfaction and wellbeing to be of primary importance to a return on investment. Profit was the fourth most common response, with 51% of organisations including this factor in their return on investment calculations. Less frequently evaluated were community and OH&S outcomes (13% and 6% respectively).

Factors evaluated when calculating a return on investment



Innovation in action: SiSU Wellness

With a simple yet powerful vision to help people measure, track and improve their health, emerging biomedical technology and data analytics business, SiSU Wellness, credits an adaptive approach to innovation in driving the company's rapid Australian and international growth since launching in 2013.

SiSU Wellness founder and managing director, Noel Duncan, explains that the business was established to tackle the rising incidence of lifestyle related disease, and the associated cost of health management to individuals, corporations and the broader healthcare system.

The SiSU team have developed the SiSU Wellness Health Station, a technology backed hub that measures an individual's biometric data such as Body Mass Index (BMI), blood pressure, diabetes risk, stroke risk, heart age – all delivered as a four minute self-serve health check.

The data generated by the million SiSU stations across Australia, the UK, Ireland and Germany can then be tracked online, benchmarked against peer, age or industry data. Users are also able to set and monitor personal health goals such as weight loss, and in some cases be connected to support programs, or primary and allied health providers.

According to Noel, SiSU works with some of Australia's leading organisations, including major employers, pharmacy networks, government departments and peak health bodies, and says that SiSU actively seeks clients and partners that share their vision and rigorous pursuit of innovation.

"We try and partner with organisations that are themselves innovative, that believe in the power of our data and are committed to helping improve the health of their staff or members," Noel says.

Noel explains that SiSU has recently achieved a significant milestone in having one million people conduct a health check. The amount of data generated further embeds SiSU's position as experts in preventative healthcare for the broader population.

However, Noel says that it is the feedback that his team receive from these users and partners that provides a foundation for continuous innovation.

"Innovation is enormous for our business, and one of the ways we stay ahead of change is by listening closely to the feedback from our users and clients and harness that information to enhance our offering," Noel says. "For example, we partnered with Diabetes Australia to incorporate a diabetes risk assessment tool in all our stations, which has been well received by users."



Anthony Hochberg, Chief Medical Advisor, CommBank and Noel Duncan SiSU Managing Director.

“We also have a team of internal specialists that are scouring the market for products and services that we can add to our existing battery of physical and digital solutions. We are always looking at innovative ways we can help support the health and wellness of our users.”

“We take a strong view that we have to improve the supporting products around our Health Stations on a daily basis. The pace of technological change in the health space means that if we aren’t constantly focused on product innovation, we won’t remain sustainable.”

Achieving scale in domestic and international markets has been a focus from inception for Noel and the SiSU team. As a small business, however, SiSU has maintained a sharp focus on product related innovation, developing all of the SiSU technology in-house, and then sought partnerships to facilitate delivery at scale.

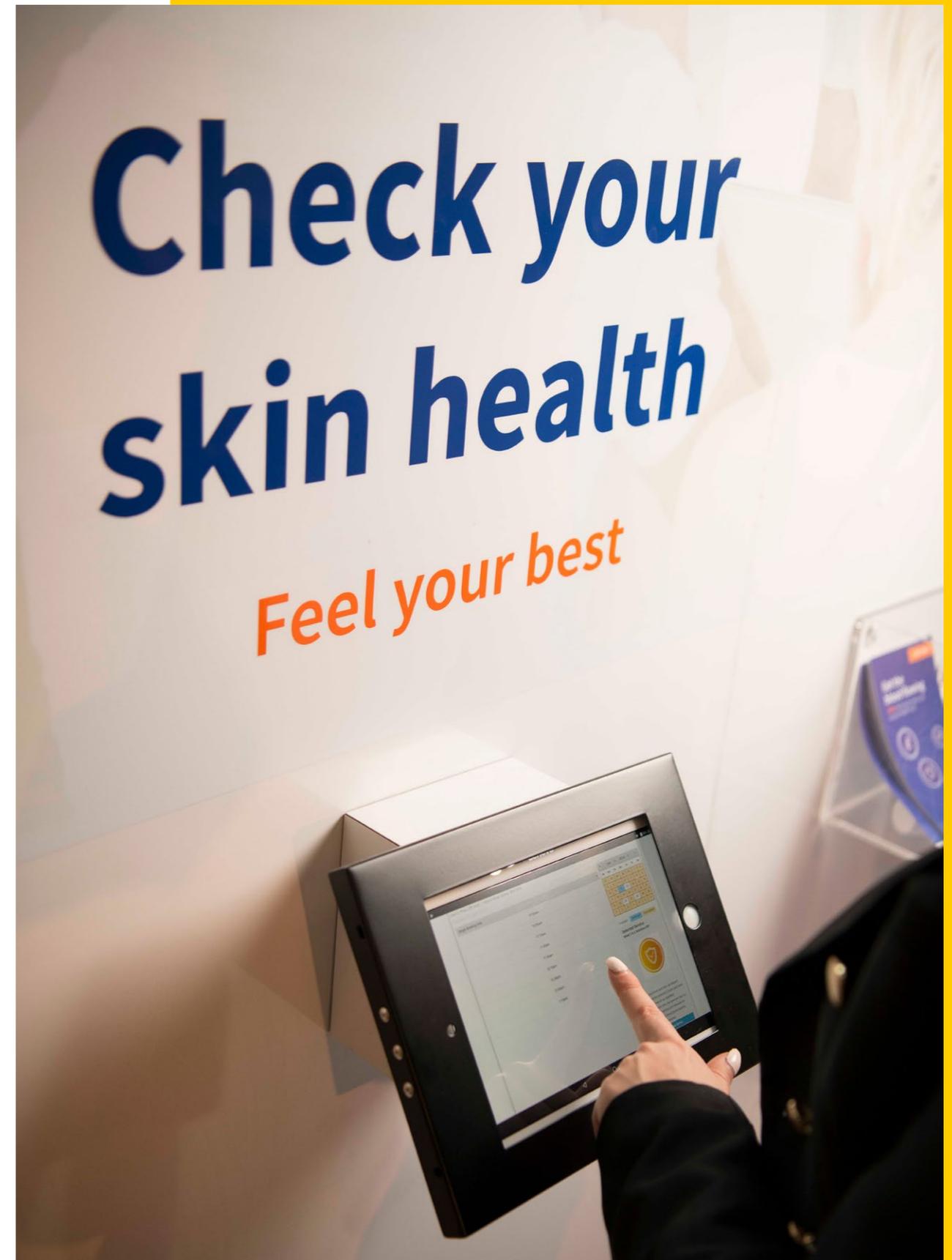
According to Noel, security and privacy are paramount to building trust amongst SiSU’s partners and customers, particularly as healthcare becomes more digitally enabled.

“When we are partnering with organisations, trust is a big element and something we talk about daily. There is nothing more personal than health and we set a high water mark when it comes to compliance – well beyond the industry requirements. Rather than a barrier to innovation, we approach this as a crucial part of developing a best-in-class service.

Noel says that the feedback from its Australian partners has been overwhelmingly positive as SiSU’s solution helps to break with the conventional methods of face-to-face consultations that are typically cost prohibitive.

“We have had clients report high engagement levels from users and even cases reported where lives have been saved. The preventative model is the most sustainable for our healthcare system and that’s where we want to further grow our expertise.”

“Ultimately, we want to have a SiSU Wellness Health Station within 10kms of every person living in our current markets of Australia, the UK and Ireland, and then achieve this in Europe,” Noel concluded.



Talk to us

Visit commbank.com.au/healthcareinsights

Call **13 19 98** or email insights@cba.com.au to access Australia based Business Banking Specialists around the clock.

Things you should know: The CommBank Business Insights Healthcare & Social Assistance Report (the report) has been published solely for information purposes and is not to be consumed as advice or recommendation. The report has been prepared without taking account of the objectives, financial situation and capacity to bear loss, knowledge or experience or needs of any specific person who may receive these insights. The Bank believes that the information in the insights is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in the report. Any opinions, conclusions or recommendations set forth are subject to change without notice. Any projections and forecasts are based on a number of assumptions and estimates and are subject to contingences and uncertainties. Different assumptions and estimates could result in materially different results. The report makes reference to data sourced from an online survey of 2,473 businesses that occurred in August to October 2017. The survey was undertaken by DBM Consultants on behalf of the Commonwealth Bank, and the analysis was undertaken by ACA Research and Commonwealth Bank. All analysis and views of future market conditions are solely those of the Commonwealth Bank. The Commonwealth Bank, DBM Consultants and ACA Research do not accept any liability for loss or damage arising out of the use of all or any part of the Report. Commonwealth Bank of Australia ABN 48 123 123 124 and Australian credit licence 234945.