HEALTHCARE MANAGEMENT AND LEADERSHIP: THE PENDING DISRUPTION OF HEALTHCARE - WILL IT COME FROM WITHIN OR WITHOUT?

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THE PENDING DISRUPTION OF HEALTHCARE-

• Outline

1. General: The Theory of Disruption
   - Review how this has happened in a number of industries
   - Identify the economic drivers

2. Specific: Healthcare Industry:
   - Likely causes of disruption
   - Discuss how healthcare leaders should position themselves
   - Review how early responders are proactively working towards internal disruption

3. Conclusion: An opportunity for projects and research
THE PENDING DISRUPTION OF HEALTHCARE - UNDERSTANDING THE JOB TO BE DONE!
WHY MARKET LEADERS CAN FAIL!

- Market leaders- follow the pattern of their success
- “Sustaining innovation” helps keep that role, until
- “Disruptive innovations” occur.
A different perspective:
- Meeting peoples needs based on demographic
- Or based on the job to be done?

- The milkshake example!
- The customer
THE PENDING DISRUPTION OF HEALTHCARE-

- In many industries, the drivers of disruption have been **consumerism**!
- **What was the job to be done!**
  - the communication industry- land lines to wireless-convenience
  - the steel industry- integrated steel to mini-mills- cost effectiveness
  - higher education- brick and mortar to online- convenience
  - the computer industry- mainframes to desk tops, to laptops, ipads, iphones.
  - transportation, taxi to uber, lift–convenience (reserve a cab for tomorrow or)
  - the newspaper- paper to social media- on time news, convenience
  - etc.

These industries did not see it coming.
Disruption strikes unsuspecting companies and industries when they are not cognizant of what is happening,

The initial instinct is to protect the turf – defensive action to slow down the disrupter

When they do notice and start to take action, it tends to be too late.
THE PENDING DISRUPTION OF HEALTHCARE-

- What are the Drivers for Change and Innovation?

- Is it quality improvement – (Shewhart/Deming)
  - Sustaining Improvement
  - Efficiency Improvement
  - Is it technology?

- Electronic Healthcare Record, Machine learning, Artificial Intelligence, Data Science

- Disruptive Innovation is a business model
Continuous Improvement

Act | Plan
--- | ---
Check | Do

Consolidation through Standardization

Standard

Time

Quality Improvement
THE PENDING DISRUPTION OF HEALTHCARE-

• Innovation can come in many different forms

  • **Innovation is often cyclical:**

    From lab testing in the clinic to lab testing, genetics, blood glucose at a central processing facility, for speed, quality and cost. – then convenience and tech allows it to be back in the clinic

Physicians once upon a time did home visits, then clinics were set up, and hospitals became solution shops with expensive technology to diagnose and treat. Now mobile technology and tele-health brings it back to the patient and home health.

• Small incremental improvements

• Sustained innovation- QI –better faster lab test results

• Efficiency innovation- better supply chain, faster diagnostic tools

• Technological innovation- telemedicine
What do we do when we can’t do it any better?

We have tried everything!

Performance Block!

Technology Transference
THE PENDING DISRUPTION OF HEALTHCARE - ?

• INQUIRY: Wherein lies the problem?
• Is it a systems problem
• or a market problem?

• Is the system broken or
• is the market dysfunctional?

• In a Well Functioning /Healthy Eco-System- value is identified, the supply chain delivers, providers perform, outcomes are reasonable.

• In a Functional Market – there is cost transparency and the value of the service or product is identified. (in the retail industry customers know the cost of the service or product before they receive it).

• In healthcare, pricing may not be cost based, reasonable or uniform.
Incentives for hospitals are not to lower costs and get better, but to get bigger and gain market share.

A formula for merging and acquisition.
CONSUMERISM
Choices

CDHP- Consumer Driven Health Plans
Obtaining targeted healthcare with bundled care and services for diabetes, congestive heart failure, cancer. Reward patients for healthy behavior. (Regina Herzlinger, PhD, Harvard.)

Online Auction for Healthcare- Medibid system- Online Auction for Healthcare- Medibid system- patients can put a bid in.

Walmart- and other retail clinics are offering lower cost healthcare at much lower cost per visit, convenience, access - competing with primary care.

Physician Entrepreneurs- patients can submit for RFP’s for medical services – competitive pricing (eBay -for health services knee replacement surgery for $7,500)
There are many Innovations on the horizon!

For example, technologies that will transform the industry this year

**Liquid biopsies**- genetic testing mechanism

**Opioid addiction biosensors** – able to identify addiction risks through genetic testing.

**AI**- A robot that can interpret human body language and read emotions.

**Ultraviolet- C LED** lights for disinfecting hard to reach areas.

**Type 1 diabetes vaccines**- to slow or stop autoimmune attack on insulin producing islet cells
The Big Picture: These are all great innovations:
But, Is healthcare killing the goose that lays the golden egg.

Consumers and employers see healthcare as their 2nd highest (cost center) business expense after human resources.
Learning Tools:

BeLearning

Be prepared to share weekly hot health economics topics found in the news -

Behavioral economics
Financial economics
Entrepreneurial Ventures
Intrapreneurship
Healthcare Marketing

Thanks to Dr. Paul Grundy, IBM’s Director of Healthcare Transformation
THE PENDING DISRUPTION OF HEALTHCARE-
PAINTING A PICTURE WITH BROAD STROKES:

- Economic Levers- Cost: 2.2 to 3.5 Trillion Dollar increase in healthcare cost over the last 10+ years
- Office of Management and Budget, Dir - Healthcare the Most Inefficient Industry
- Warren Buffet- Healthcare is the Tapeworm of American Business
- Amazon, JPMorgan and Berkshire Hathaway creating a new healthcare company- w/ Atul Gwande MD
- National Business Group on Health- we are dying
- Industry Example: Lockheed Martin 1.5 Billion Dollar in Health Insurance (2\textsuperscript{nd} HE)
- Farmers are dying- at an increased rate of suicide
- Burnout/Impaired Providers: Physicians and nurses - increasing suicide rate
  - (job stress, untreated depression or other mental conditions)
  - 28-40/100,000.)(rate 2X the general population and higher then military)
THE PENDING DISRUPTION OF HEALTHCARE-
HOW MEDICARE ESTABLISHES ITS PAYMENT RATE!

Figure 1 Acute inpatient prospective payment system for fiscal year 2018

- Operating base payment rate
  - Wage index > 1.0
    - 68.3% adjusted for area wages
  - Wage index ≤ 1.0
    - 62% adjusted for area wages

- Non-labor related portion

- Hospital wage index

- Adjusted for geographic factors
  - Wage index > 1.0
    - 68.3% adjusted for area wages
  - Wage index ≤ 1.0
    - 62% adjusted for area wages

- Non-labor related portion

- Base rate adjusted for geographic factors

- MS-DRG weight

- MS-DRG

- Patient characteristics
  - Principal diagnosis
  - Procedure
  - Complications and comorbidities

- Adjusted base payment rate

- Policy adjustments for hospitals that qualify
  - Indirect medical education payment
  - Disproportionate share payment

- Adjusted base payment rate

- Full LOS
  - Per case payment rate

- Short LOS and discharged to other care
  - Per diem

- Payment**

- If case is extraordinarily costly

- High-cost outlier (payment + outlier payment)
What is the Job to be Done?

Consumer Demand

Patient satisfaction, is an objectively measured indicator of care quality or outcomes?

Are these helping to get the job done?
Are we measuring the right things:

Mental health
Efforts to bring the care to the consumer- access, convenience
Data driven digital disease management programs
Wearables- used as monitoring devices
Telemedicine- (Kaiser is doing approx. 50% of visits through telemedicine
Genetic testing
• What does the perfect disrupter look like?

• The Iron Triangle (Core Values - Truth)

• Lower Cost
• Improved Quality
• Enabled Access (Consumer Focus)

• Making it better, faster and less expensive through strategic partnerships
THE PENDING DISRUPTION OF HEALTHCARE - WILL IT COME FROM WITHIN OR WITHOUT?

- When will we know we are being disrupted?
- When it is no longer business as usual!
  - When it is no longer simply re-engineering, quality improvement or change management
WHAT HEALTHCARE LEADERS CAN DO TO REDUCE THE THREAT

• Have a Spin-off organization – or pilot study
• Be large enough to be able handle the market
• Be prepared to fail early at little expense
• Use only existing resources
• Fine tune the innovation
How should healthcare leaders position themselves: with Resilience

Stay Calm and Carry On

In turbulent times we need thought leaders and executive coaches who think outside the box, are passionate about fixing health care systems problems and who can weather the storm.

A call for emotional intelligence:

Self-awareness-Go slow and deliberate
Self-regulation-Live their values
Motivation- understand inner drivers
Empathy- Respond to feelings
Essential Social Skills- Effective Communication
THE PENDING DISRUPTION OF HEALTHCARE- WILL IT COME FROM WITHIN OR WITHOUT?

- Disrupters from within the Healthcare Industry may look like this!

  - **University of Pittsburgh Medical Center** – acting more like a venture capital company, rather than a hospital.
  - Strategic Goal: Domination- become the Amazon of the healthcare industry
  - investing in 80 different projects
  - **Virtual Hospitals (Digital Technology and Telemedicine)** “virtual care hospitals” (no hospital beds owned).
  - New models of compensation for care- like “value based” care.
  - **HealthFirst of Rockledge, FL.** Changed their business model from being based on volume of care to one on outcome based care- putting them at clinical and financial risk.
  - Geizinger Healthcare
Summary

The rising cost of healthcare and an increasingly vulnerable underserved population, gives little choice but for change to occur.

The opportunity for researching and finding solutions is fertile.

We need to aggressively seek creative solutions and evaluate them.

What opportunities do you see?
Making a Difference!

Success is No Accident

It is hard work, perseverance, learning, studying, sacrifice and most of all, love of what you are doing

-Pele.
THE PENDING DISRUPTION OF HEALTHCARE - WILL IT COME FROM WITHIN OR WITHOUT?

Will you be part of the Solution or the Problem?

Questions?
DOCTORAL SYMPOSIUM

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THE PENDING DISRUPTION OF HEALTHCARE-
UNDERSTANDING ANALYTICS AS A RESOURCE

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