The Changing Landscape in Health Care

This is not a drill.
Please note that the views expressed by the conference speakers do not necessarily reflect the views of the American Hospital Association and Health Forum.
Agenda

• Why health care really will change this time around—and why you should change with it
• Why change is so hard for everyone, but particularly in HC
• What we know about helping people make large scale change
Section One: Why now is different from before
Medicare+Medicaid is Largest Driver of Future Federal Spending

Projected Increases in Federal Spending, 2010-2021

- Medicare + Medicaid
- Social Security
- Net Interest
- Other Mandatory Spending
- Defense
- Nondefense Discretionary Spending

Federal Spending in Billions
Huge Increases in Costs for Both Employers & Workers

Average Annual Contributions to Health Insurance Premiums 1999-2010

- Employer Contribution
- Worker Contribution

- Employer Contribution More Than Doubled
- Employee Contribution Nearly Tripled
Health Care Costs Have Wiped Out Real Income Gains

Monthly Income for Typical U.S. Family of Four

- $870 for inflation
- $945 for health care
- $95 for spending

$1910 more income

Source: "A Decade of Health Care Cost Growth Has Wiped Out Real Income Gains For an Average U.S. Family," Health Affairs, September 20011
International Comparison of Spending on Health
1980–2012

Average spending on health per capita ($US PPP)

Total expenditures on health as percent of GDP

Source: OECD.StatExtracts (Organisation for Economic Co-operation and Development)
http://stats.oecd.org - data downloaded 04/17/2015
Why can’t health care cost grow infinitely?

• Health care costs compete with all other costs: transportation, investment in innovation, education
• Competitors who spend more on raw materials generally lose to competitors who spend less; health care is a raw material for all other goods and services
• We are losing global competitiveness, partly because it costs too much to provide health care to our people relative to other countries
• Poor global competitiveness=stagnant wage growth, GDP growth
Health Care As Run Away Reactor

• “The U.S. system’s cost is fueled by a runaway reactor called fee-for-service reimbursement. It has taught us that...when caregivers make more money by providing more care, supply creates its own demand. By some estimates, a staggering 50 percent of health care consumed seems to be driven by physician and hospital supply, not patient need or demand.” Clayton Christensen, *The Innovator’s Prescription*
Variations in Spending Across Regions (Elliott Fisher)

And What Do We Get Where We Spend More?

- 32% more hospital beds per capita
- 65% more medical specialists
- 75% more internists
- More rapidly rising per capita resource use
- Technically worse care
- No more major elective surgery
- More hospital stays, visits, specialist use, tests, and procedures
And What Do We Get Where We Spend More?

- Slightly higher mortality
- Same functional status
- Worse communication among physicians
- Worse continuity of care
- More barriers to quality of care
- Lower satisfaction with hospital care
- Less access to primary care
- Lower gains in survival
The enablers of change

The three forces that demand that we do business differently.
The three tsunamis that are reshaping everything (not just medicine).
The first tsunami: red ink

- HC 6% of GDP in 1960, 17% in 2013
- HC eats up nearly all productivity gains in the 2000s
The second tsunami: information

- Moore’s Law
- Big data emerges in health care
- Watson goes to medical school
The third tsunami: the empowered individual

- Individuals take on more financial responsibility
- Web decreases information asymmetry
- Consumer Reports comes to healthcare -- literally
The big shift: volume to value, individuals to populations

- Flatten the cost curve
- Gain greater value by looking at the whole, not the parts
- Measure, measure, measure
- Create value by acting as communities, not as individual actors/vendors
Section Two: That makes sense. Why can’t I get anyone to do anything about it?
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Schematic of American economy

Health care cost is consuming the American economy.
The rational response to fires

- National coordinated effort to rationalize and optimize efficiency and efficacy
The all too human response

- We’ve known how to spray each other for years, and we’re good at it
- We don’t know how to fight fires
- Spraying each other is familiar and comfortable, albeit unpleasant
- Fighting fires is the unknown
It’s not a math problem. It’s a sociology problem.

- We don’t make decisions about important stuff the way we think we do
- We don’t like each other much, from decades of spraying each other
- We don’t understand that those wet people over there are now essential to us winning the game
How we thought we make decisions, circa 1980

- Thought enters our consciousness
- Make rational assessment
- Make decision
- Have feelings about decision
How we actually make decisions

• Brain perceives input in limbic system (responsible for fight or flight)
• Brain decides on necessary action
• Feet already moving
• Input reaches cortex, where we make up reason why our feet are already moving
• And so we prefer the painful familiar to the unknown
If only we could start with a blank slate. But instead…

- Decades of fighting over money
- Siloed bottom lines purposed to perpetuating siloed bottom lines
The tsunamis lead to a situation where providers can only win by relying on other people. How will they react?
Your job, Mr. Phelps…
Section Three: change management theory

Collins, Kubler-Ross, Kotter, and the school of hard knocks
Collins and level 5 leadership

- Study of 1,435 companies, selected by those outperforming market by 3 to 1
- 11 companies
- All had servant leaders as CEOs
- Combination of personal humility and will for the company to succeed

"The first responsibility of a leader is to define reality.

The last is to say thank you.

In between, the leader is a servant." - Max DePree
Collins

• Looked outward to assign credit, inward to assign blame—”the window and the mirror”

• “I never stopped trying to become qualified for the job.”—Darwin Smith, CEO of Kimberly Clark
More Collins

- Level 5 Leader
- First Who
- Stockdale Paradox
- Buildup-Breakthrough Flywheel
- The Hedgehog Concept
- Technology Accelerators
- A Culture of Discipline
Kubler-Ross’ stages of grief

IT'S NOT DENIAL
I'M JUST VERY SELECTIVE ABOUT THE REALITY I ACCEPT

anger

ACCEPTANCE ✓

WantHealthcare LLC
Advancing Healthcare Transformation™
Incentives: the three big buckets
Kotter: Why transformation fails

- Establishing a sense of urgency
- Forming a powerful guiding coalition
- Creating a vision
- Communicating the vision
- Empowering others to act on the vision

*Source: Leading Change by John Kotter*
Kotter: Why transformation fails

- Planning for and creating short-term wins
- Consolidating improvements and producing still more change
- Institutionalizing new approaches

*Source: Leading Change by John Kotter*
Jay’s theories: the scars on the back of his head

- Clean data + committed peers = physician change
- Homophily is especially strong in physicians due to selection and training
  - Hazing (experiences that reinforce that no one outside the profession can understand us)
  - Emphasis on individual ability/responsibility
- It is therefore easier to use existing trust channels than to building new ones
- *Being right is almost worthless; being trusted is almost priceless*
“Trying to change any bizperson is difficult. Trying to change someone who doesn’t trust you is almost impossible.”—Tim Sanders, *Love is the Killer App*
Part 6: Take home messages

- The three Ds make change inevitable
- It will take integrity, courage, and persistence to lead our communities to a better place
The greatest consistent damage to businesses and their owners is the result, not of bad management, but the failure, sometimes willful, to confront reality.—Larry Bossidy and Ram Charan, *Execution*
Thank you!

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Resources on leading change

- *Getting to Yes* by Roger Fisher, William Ury, and Bruce Patton
- “Level 5 Leadership: The Triumph of Humility and Fierce Resolve” by Jim Collins, HBR On Point, Product no. 5831