“Leading Positive Change in a World of Disruptive Forces”

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Overview of Presentation

- Using economics as a **diagnostic tool**
- The future world of health care will be **shaped** by the **inter-related impact** of multiple **disruptive forces**
- The impact of the **disruptive forces** on providers of care
- Will the market approach work in health Care? **Disruptive Competition**
- Will you and your organization be a **Winner** or a **Loser** in the new world of health care shaped by disruptive forces?
Using Economics as a **Diagnostic Tool** to Better Prepare You and Your Organization to be a **“Winner”** in this New World of **Disruptive Forces**

**Key Economic Terms**

- Scarcity
- Choices
- Opportunity Costs
- Asymmetric Information
- Moral Hazard
- Self-interest
All Eyes are Focused on the Revision or Replacement of the ACA, but Health Care Reform cannot be Looked at in **Isolation**

- Health care stakeholders are impacted by **payers** (purchasers) at all levels

- Payers, providers and other health care stakeholders are also impacted by **policy decisions in Washington D.C. and a the state level (ACA, etc.)**

- Finally, the evolving **health care sector** both **influences** and is **affected** by **all of the above**
The Future World of Health Care will be Shaped by the Inter-related Impact of the following Disruptive Forces:

- Passive Purchasers of health care services evolving to Active Purchasers (self-interest driven)
- Health care reform based on a market approach vs. a more regulated ACA (self-interest driven)
- The rapid evolution of the health care sector driven by advances in technology, science and discovery (self-interest driven)
The Future World of Health Care will be **Shaped** by the **Inter-related Impact** of the following **Disruptive Forces**:

- Active purchasers of health care services
- Rapid evolution of the health care sector
- Market-based health care reform
Disruptive Forces:
Passive Purchasers of Health Care Services
Evolving to Active Purchasers
Medicare/Medicaid

- Risk- and value-based payment methodologies (self-interest)
- Bundled payments (DRGs on Steroids) (self-interest)
- ACOs (enhanced risks/rewards) (capitation?) (self-interest)
Disruptive Forces:
Passive Purchasers of Health Care Services Evolving to Active Purchasers
Medicare/Medicaid

- Increased growth in Medicare Advantage/Medicaid HMOs (narrow networks/capitation/value-based benefit designs) *(self-interest)*

- Medicaid Block Grants (innovation/value focus)

- Site-neutral outpatient payments
Disruptive Forces: Passive Purchasers of Health Care Services Evolving to Active Purchasers

Self-insured Employers

- Increased trend of employers going self-insured
- CDHP, HSAs, etc. (*moral hazard*)
- Employee wellness (carrots & sticks)
- Increased demand for cost & quality info (*asymmetric*)
- Value-based benefit designs / Reference pricing (*self-interest*)
- Direct contracting, centers of excellence, bundled pricing
- Worksite or Near-Site Medical Homes
- Purchasing coalitions
Disruptive Forces:
Passive Purchasers of Health Care Services
Evolving to Active Purchasers
MCOs/TPAs

- Will follow Medicare as it relates to risk-based value reimbursement methodologies such as bundled payments, capitation, etc. (self-interest)
- Offering CDHP, HSAs, etc. (moral hazard)
- Providing transparency (asymmetric information) to employers and consumers
- Facilitating value-based benefit designs / Reference pricing (self-interest)
- Narrow provider networks where applicable
- Getting into the provider side (primary care, Medical Homes, strategic partnerships, etc.)
Disruptive Forces:
Passive Purchasers of Health Care Services Evolving to Active Purchasers
Consumers

- Consumers becoming more financially engaged (CDHP, HSAs) (moral hazard)
- Lifestyle accountability (moral hazard)
- Increased demand for cost & quality info (asymmetric information)
- The demand for “connectivity” between all health care providers to facilitate “shopping” which may lead to personalized medical records
Disruptive Forces:
Health Care Reform based on a Market Approach vs. a more Regulated ACA

- Market-based solutions
- More state control
- Medicaid Block Grants (foster innovation?)
- Medigap coverage would be more limited
- End moratorium on physician-owned hospitals?
- Promote Medicare Advantage – Evolve to Medicare Advantage for All – Premium Support – Voucher program?
Disruptive Forces:
Health Care Reform based on a Market Approach vs. a more Regulated ACA

- More employer control relating to **wellness plans incentives**
- Permit small businesses to purchase coverage through association health plans
- Allow plans to be sold across state lines to promote cost competition (pressure on state mandates, etc.)
- **State Risk Pools** (centers of excellence?) (foster innovation?)
- Provide eligible poor refundable federal tax credit to help them purchase insurance
- History has also shown that for health care reform to be **sustainable** it must address **cost** *(widget example)*
Disruptive Forces:
The Rapid Evolution of the Health Care Sector
Driven by Advances in Technology, Science and Discovery

- Fewer hospital inpatients & increased acuity
- Increased utilization of **Telemedicine & Telehealth**
- Increased trend of **outpatient services**
- **Advances in diagnostic tools**
- Increased utilization of **mobile technologies** to monitor care
- **Increased demand for home-based**, alternative settings and personal care
- Advances in **predictive analytics**
- EMR **connectivity** and/or **personal medical records**
Impact of Active Purchasing, Market-Based Health Care Reform & the Rapid Evolution of the Health Care System on Providers of Care

- Bundled payments are here to stay and their scope will broaden – winners and losers

- Hospital inpatient evolving to centers of excellence – bundled payments

- Major hospitals will partner with smaller hospitals across state lines to help them manage risk, etc.

- The action will be on the outpatient side (HC as a commodity?)

- Providers will need to demonstrate perceived and actual “value difference” to the Active Purchasers
Impact of Active Purchasing, Market-Based Health Care Reform & the Rapid Evolution of the Health Care System on Providers of Care

- The historical business model of using market power to leverage higher commercial rates in the era of transparency will be a double-edged sword

- Growth of government payers as a percentage of revenue and the push by non-government payers to prevent cost-shifting will cause financial challenges to hospitals

- New hospitals will be smaller in size from an inpatient perspective (100 to 150 beds)

- Hospitals will not necessarily all be full-service

- Make vs. buy decisions (strategic partnerships of all types)
Impact of Active Purchasing, Market-Based Health Care Reform & the Rapid Evolution of the Health Care System on Providers of Care

- Increased role for medical home

- Providers focusing on reducing the risk profile of patients which would positively impact bottom line in a value-based reimbursement environment

- Enhanced role for wellness and prevention

- Increased collaboration between hospitals/other stakeholders to improve the overall health status of the community (justify community benefit tax exemption)

- Being financially successful during the transition period between fee-for-service and risk-based payment methodologies.
Impact of Active Purchasing, Market-Based Health Care Reform & the Rapid Evolution of the Health Care System on Providers of Care

For-profit Disrupters

- For-profit disrupters filling the void on the Supply (provider) and Demand (payer) side (driven by self-interest)

- Partnering with independent physician groups to build clinics, specialized hospitals, backroom infrastructure, etc.

- Partnering with hospitals (inpatient and outpatient)

- Partnering with self-insured employers (transparency, medical homes, etc.)

- Competing with established providers in the commodity-driven outpatient market
Will the Market Approach Work in Health Care?

Disruptive Competition

- "We need to permit the Southwest Airlines, Walmart, Amazon.com, and Apples of the world to bring to health care the same dramatic improvements in price, quality, technology and efficiency that they brought to air travel, retail, and electronics."*

- The impact of disruptive competition on the auto industry

*"After the ACA: Freeing the market for health care”
John H. Cochrane, PhD
Hospitals Will Attempt to Win in Two Worlds

- A consumer-driven health care system that uses the market to drive lower costs and better quality (enhanced competition from non-profit and for-profit suppliers of healthcare services to meet the demands of the consumer) (primarily non-governmental?)

- Major integrated health systems that focus on the continuum of care that are driven by risk- and value-based payment methodologies. (Primarily Medicare/Medicaid?).

- Business strategies under both scenarios, while potentially different, will still focus on both perceived and actual value.

- There will be both Winners & Losers under both scenarios
Winner or Loser?

- In today’s world, gale-like market forces - rapid changes, accelerating innovation, relentless competition – have intensified, what economist Joseph Schumpeter called the forces of “creative destruction.”

- The new model will have to instill in workers the kind of drive and creativity and innovative spirit more commonly found among entrepreneurs. It will have to push power and decision-making down the organization as much as possible, rather than leave it concentrated at the top.

- New mechanisms will have be created for harnessing the “wisdom of crowds.” Feedback loops will need to be built that allow products and services to constantly evolve in response to new information.
Winner or Loser?

- Will you and your organization be a Winner or a Loser in this new world of health care?

- A Loser holds on to the past and denies the realities of the future

- A Winner not only recognizes this future value-based world, but embraces it

- A Winner creates a culture based on value, innovation and the customer

- A Winner (both individually and organizationally) fosters leadership and teamwork
The Future World of Health Care

Innovative idea sharing

Humble inquiry

Team dynamics skills
Overview of Presentation

- **Prescriptive tools**: Innovation, humble inquiry & team dynamics skills
- Shaping the future given inter-related disruptive forces
- The necessity for optimal cross-organizational teams
- The necessity for cross-functional teams
- Tools to enhance team dynamics and address disruption with skill and confidence
Innovative Idea Sharing

- Companies are being **held captive** by old thought frameworks
  - Problem solving, decision making, conflict management
  - Reframing situations is critical if we are to move beyond impasses
- Try to **create** new ideas within these frameworks
  - New approaches are considered within the boundaries already established
  - Result in minor advances and few lasting results
- Some **prohibit change**. Who are they?
  - Government at the federal and state level
  - Management across and within networked organizations
- **Culture change, leadership, and positive team dynamics creating NEW frameworks ACROSS organizational boundaries** can create opportunities for success
Idea Sharing Impediments

- Organizational **impediments**
  - We have always done it this way
  - Turf protection, budget constraints

- **Incremental innovation**
  - Starting with what is already in place
  - How can you fix something that is unfixable?

- **Radical and disruptive innovation**
  - Moving from a top loading washer to front loading - radical
  - Eliminating need to wash clothes at all – disruptive

- **Segmented** health care industry conversations
  - What can our company do?
  - How can we work together to improve the system

- Involve on **ALL** players in the health care network
Value Networks

- **Industry Members** have their own needs and concerns
- **Linkages** are defined and **support** individual interests
- Each provides something of **“value”**
  - **Product or service**
- **All** are responsible to **maintain** their position in the network
- **All** are responsible to **evaluate** the network for improvement
- Any **disruption** causes the network to **falter**
- **Reach** across boundaries creating **NEW value networks**
Network Spanning Activities

- Identify all **stakeholders** involved in the network
  - Consumers, providers, insurers, ACO's, regulators

- **Assess** needs of all stakeholders from both alignment and dysfunctional aspect
  - Who is one the way and who is in the way?
  - How can we “co-labor” to create a system of success?

- **Create** new linkages
  - Will mergers, acquisitions or joint ventures help? Will they be allowed?
  - **Build** the network!

- Determine **vision** and plan for **success**!
Humble Inquiry

- Schein’s approach to being **HUMBLE**
  - I am **dependent** on you to **share** with me
  - Our status is unimportant (peer, sub, boss)
  - We are interdependent

- Schein’s approach to **INQUIRY**
  - **Form** an appropriate **question**
  - **Build** on interest and curiosity
  - **Leads to open communication** and sharing
What is Humble Inquiry?

- Do less telling
- Use more asking
- Do better at listening and acknowledging

“...is the fine art of drawing someone out, of asking questions to which you do not already know the answer, of building a relationship based on curiosity and interest in the other person.” Schein
Team Dysfunction

- Inattention to Results
- Lack of Accountability
- Fear of Conflict
- Absence of Trust
- Status and Ego
- Low Standards
- Ambiguity
- Artificial Harmony
- Invulnerability
Mitigating Team Dysfunction

The Role of the Leader

- Inattention to...
- Confront Difficult Issues
- Avoidance of...
- Focus on Collective Outcomes
- Lack of...
- Confront Clarity and Closure
- Fear of...
- Mine for Conflict
- Absence of...
- Go First!
Team Dynamics Skills

- Teams skills include:
  - **Dialogue** (suspending assumptions and listening to others' points of view)
  - **Discussion** (challenging others’ points of view)
  - **Inquiry** (asking what others think and why)
  - **Advocacy** (being open and sharing points of view)

- Operating simultaneously on **process** and **content** (Kuznik, March 23, 2016 presentation)
Cross-Organizational Teams

- **Differences occur** across functional areas
  - Functional area goals can conflict
- Recognize and **move beyond** conflict
  - Requires **accepting** the **differences** that exist
- **Differences occur** across organizations
- Recognizing and moving beyond conflict requires an **understanding** the system’s **dysfunctions** and **creating** a NEW **value network**
- Teams skilled in **creating capable systems** are needed more today than ever before!
Challenges for Teams

- Look for **innovative** ways and **design** new health care networks
- Engage in **humble inquiry**
  - Do not assume you know what others think or want
- Enhance **team dynamics skills**
  - **Recognize** and eliminate dysfunctions
- Work with disruptive forces and **create** a **new** health care **system**!
The Future Winners

Quality
Affordability
Access
Baldwin Wallace University
Health Care MBA

- Oldest Health Care MBA in Ohio
- Health care in all 13 courses, not just a track
- Two-year cohort program
- Every other weekend, summers off
- All students work in the diverse sectors of health care including providers, payers, brokers, etc.
- Approximately 20% of students are physicians
- Real world, applied approach to learning
- Strong alumni network
- Two locations (east & west)
- Any interest, contact Tom Campanella (tcamp@bw.edu) or cell phone (440-241-0448)