

## Executive Conference on the Future of Health Care

November 6, 2009

### Introduction:

Dean Puto of the Opus College of Business welcomed the participants to the conference stating that the intent of the presentations will be to consider the changing healthcare system and determine how we can seek to influence these changes, prepare for them or do both. The objective of the conference is to cover as many areas and focus on the key issues in healthcare. He pointed out that this is in keeping with the mission of the Opus College of Business as it continues to keep its finger on the pulse of the healthcare industry.

### Morning Keynote Speaker:

Senator David Durenberger, Senior Healthcare Policy Fellow at the College of Business led off the discussion with the keynote address. He said, "Healthcare reform is a journey not a destination." He prefaced his remarks by stating that the most significant issues in the discussion related to healthcare reform are the fact that we do not have national healthcare and that we are not going to change everything by a single act of Congress. He called for patience and persistence.

He continued his discussion by focusing on two principal areas the policy journey and enhancing value. There are a number of waypoints on the policy journey which should be noted. Each of these issues is a major element in the policy discussions and to cover them all in depth would be a most difficult task. These waypoints are as follows:

- Fiscal issues: cost containment and entitlement reform
- CMS and FDA are critical for looking at the food and drugs that are being sold
- There is need for political realignment in America. We need to all come together combining political, policy and practice.
- Need for health insurance expansion and reform → there is an important need for universal coverage
- Physician payment reform and practice
- Implementation of quality improvement
- Implementation of information improvement
- Informed patient choice practice standard
- Federalism- Role of each of the states
- Ending entitlement financing policy of medical technology
- Reducing the medical arms race
- Population health reform → working on ways to improve health

Sen. Durenberger commented on a number of elements that must be considered that would enhance the value of the healthcare system. Again each of these are major elements and hopefully whatever am urges from the healthcare reform discussions will

contain opportunities for dealing with each of them effectively. Thus far there have been forays into each of these topics but there is a great deal of work that must be done if they are to truly create value for all elements of the healthcare system especially the patient. These elements for enhancing value include the following:

- Create demand for low cost healthcare
- Reducing cost of access
- Redesign primary care including medical home, upstream retail clinics and other elements of the system
- Return of the original HMO concept: accountable care organization?
- Health management
- Hospitals/surgery safety programs
- Increased efficiency and productivity
- Informed medical decision making
- Insurance claim and medical data simplified and standardization
- Reduce the cost of information technology

### **George Halvorson- “Healthcare Will Not Reform Itself”**

Mr. Halvorson described the Kaiser Health Plan which currently has 8.6 million members. The focus he outlined is a meaningful goal for healthcare improvement. The United States is the only industrialized country in the world that does not provide coverage to all people. “We lack a safety net which makes people vulnerable”. Over 45 million people are uninsured, 20 million are underinsured and 21 million are transitionally insured meaning they are between jobs etc. “We must cover everyone so that we can fix care and we must fix care in order that we can afford to cover everyone”. He pointed out that we need claims based computers and electronic medical records and we must overcome the legal, logistical and operational barriers that continue to plague the industry.

Healthcare is the fastest growing sector of the economy with \$2.5 trillion spent just this year. There is currently no financial incentive to change anything due to an unlinked non-integrated system. The entire system for financing and care is unaccountable, untracked, unmeasured and often overpriced per unit of care.

Opportunities abound! Four studies have been done to determine savings from reform. The first is from Rand which asks the question if we get care right 98% of the time how much can we save. Second from the Commonwealth asks how many dollars can we spend to get things right? The third is from Wennberg. How much can we spend on Medicare if we followed the best practice by other countries? And the fourth is from Milliman. If we applied the best practices in asthma and how much we would save?

All four of these studies independently came up with savings of half a trillion dollars which is an enormous amount of money saved while improving care. Currently 75% of healthcare costs are spent on chronic conditions, while 80% is spent on multiple conditions requiring multiple doctors. Only 54% of the time do patients get the right

care. 32% of Medicare costs are spent on diabetes which is the fastest growing disease leading to blindness, amputations and kidney failure. The right care for diabetes is only provided about 8% of the time due to inconsistency of how care is delivered. Chronic conditions incur the majority of the healthcare costs but only account for roughly one percent of the population. There is a magnificent opportunity for intervention to prevent people from this chronic disease category.

If we exclude the high risk population \$300 per month would cover everyone in California. If the focus is on the 1% of the population then it is \$10,000 per month. The small percentage of the risk pool is much more expensive. It is a lot cheaper to cover everyone rather than a small percentage. Ten percent of the country's population accounts for 80% of the costs and half of that ten percent provide a great opportunity for intervention.

Mr. Halvorson noted that the model we need has the following elements:

- Focus on half a dozen conditions including asthma, diabetes, congestive heart failure and other heart conditions
- We need a strategy and the tools to effect this focus
- Preventive services and access to care
- It is not necessary to fix 1,000 things at once but a small increments will spill over to help other areas as well
- Improve health across the population through health prevention which can reduce heart attacks, asthma crisis and diabetes by 50%

The Key Tools to affect this process are:

- Data that is accurate
- IT infrastructure
- Medical science
- Goals and accountability
- Structured cash flow

Mr. Halvorson introduced his current healthcare model known as Kaiser Permanente and stated the key points to this model as follows:

- Currently covers 8.5 million people in California
- Designed around the patient and not the billing system
- Accountable for patient
- Vertical integration
- Imaging center allowing each site to access the image
- Full care continuum
- IT as a care tool and not a billing incentive

This healthcare system focuses on the care of the patients. The secret sauce to this system is accessible data that has support tools. The system is paper free and all

hospitals and clinics are connected. Computerized care can do really good things if centered on the patient. The information flow is there for the doctors and this enablement system supports the delivery of care. They have been able to reduce the cost of care while improving the delivery of care. We need to cover everyone and fix the care delivery so we can cut the number of deaths each year.

Mr. Halvorson closed his remarks by reflecting on how healthcare has been affected by the costs and the downturn in the economy stating the following:

- Half the hospitals lost money last year
- We do not want to bankrupt healthcare but there is a double standard because we cannot afford the rate of cost increase
- We need to change the uptake and numbers of care
- Manage the increase so we can afford universal healthcare
- Engineer overtime expenses out of the system
- Manage the infrastructure and change
- Time frame-Start immediately, lower unit prices down to inflation rate within ten years
- Cut admissions in half but cap the increase in costs to others to only 3%
- Need promotions to fix care
- The fact is not only in the bill-the total package overall will help improve care
- The IT agenda should require connectivity with real and accurate data

### **Operational Innovations Panel Presentations by Lou Cornacchia MD, Garrison Bliss and Marcus Osborne**

1. **Lou Cornacchia**-Neurosurgeon and President and CEO of Doctations
  - Role of multi-tenancy healthcare IT systems in reform

As Chief resident of neurosurgery he watched a fragmented and disconnected healthcare IT system. It was increasingly difficult to practice without data and information readily available to him. He felt an obligation to get involved and with previous software writing experience decided push for a better system. Lou felt that there was a desperate need for a new and better way to solve the problems in health care. A solution was needed in creating a system to connect 500,000 doctors.

The current problems the current IT system is faced with are as follows:

- Limited by inefficiency in the system
- Need to put information technology into the physicians hands
- Convergence of terminology
- Leveraging the internet

Dr. Cornacchia introduced his SAAS Model focused on Multi-Tendency. A key piece to this model was a low balancer that carefully manages resources in this case one server can manage multiple locations. A server was not needed in each office making this

model much more affordable. This network of systems will help to serve the community. It can provide multiple services including: video based communication, billing, coding, scheduling, work-flow and task management etc. It will allow people to login, search for a patient and be notified if that patient was at another location previously. This system is also in compliance with HIPAA guidelines. Data will also follow practices whether they choose to merge or reverse mergers. In effect there will be no loss of data or information because everyone will be operating on the same system. This will allow for web-integrated physician partnerships, rapid medical billing and merging of hospital data. The cost to integrate the system is a onetime fee of \$10,000 which is very low compared to other systems. Lou hopes the system will improve the doctor-patient relationship. He believes that change must come from information technology. The top-down approach does not work for him because most people do not care about healthcare until they are sick.

## **2. Garrison Bliss- President of Qliance Medical Group**

### **Qliance→Revolution in Primary Care Strategy**

Mr. Garrison believes that the United States cannot keep going in the same direction. All of the incentives are upside down and everyone is unhappy with the way things are. The healthcare system has been optimized to generate and spend insurance money with high costs and high payments. There are needed improvements in primary care to sufficiently address up to 90% of all medical issues. Garrison found that those receiving care from a primary care physician instead of a specialty physician had lower annual healthcare costs. With an increase in primary doctors there was a decrease in mortality. The problem however is that primary care physicians are paid the least and the interest has declined. Medical students are being told not to go into primary care, but instead focus on a specialty. Garrison decided to stop working for the insurance companies and set up a new model of healthcare.

Mr. Bliss introduced the three key points to the Qliance Model:

1. Work for our patients: Take payment directly from patients, eliminate insurance from primary care.
2. Eliminate fee-for-service incentives: Provide care based on a monthly membership fee.
3. We do what our patients want and need: Provide exceptional access, eliminate much of the need for patients to access the rest of the healthcare system.

Mr. Bliss states the differences between insurance and primary care. Insurance works well for: rare occurrences, difficult diagnoses, extremely expensive procedures and for things that are avoided. On the other hand, primary care is: frequent, highly predictable, readily affordable and is to be encouraged. Combining insurance with primary care has the following problems as well: too many patients, lack of time, poor access to the entire population and there is limited disease prevention. These problems lead patients to the ER, and specialists which decreases primary care and increases costs.

Mr. Bliss lists the aspects of the Qliance Model:

- Patients are diagnosed and given a prescription that can often be filled on location
- There is low overhead
- Recurring revenue
- Advanced IT and business processes
- 500-800 patients
- 10-14 appointments per day
- Same day or next day appointment 7 days a week
- Unhurried visit
- Flat \$39-\$79 per month and \$54-\$129 with hospital rounds
- Have their own imaging lab
- All electronic medical records
- As this primary care grows the need for specialists, hospital and ER visits decrease which reduce downstream costs

He further lists the positive effects to the Qliance Model as follows:

- 1) Reduce cost and realigned incentives
- 2) Less medical mania, more impact
- 3) Empowered patients and increased service
- 4) Full service medical care for a low fixed price
- 5) A desirable environment for employees and patients

### **3. Marcus Osborne- Walmart**

American consumers are challenged by rising healthcare costs and there is a constant concern with these costs. There are three areas of waste which make up the \$1.2 trillion spent on healthcare that are behavioral, clinical and operational. Walmart has been focusing on affordability and accessibility for its consumers. They transitioned from brand name pharmaceuticals to generic by starting the \$4 generic drug program. This program provided more than \$2 billion in customer savings.

Mr. Osborne describes the Walmart Clinics 2.0 model for healthcare:

- 70% of ER visits could be performed in an urgent care setting
- Clinics were launched at Walmart to meet a need
- Model like an urgent care center versus a quick clinic due to a broader scope of services
- Created a franchised model which lowered costs
- Clinics are where the customers/patients are by being located in Walmart
- Deliver quality care to patients
- Convenient and affordable

Additionally, Walmart set up a healthcare savings program working with corporations such as Caterpillar. A direct pharmacy solution was established with Caterpillar

Corporation giving them a transparent discount price on pharmaceuticals. Caterpillar lowered co-pays on generics to \$0 which provided a significant savings to the company and provided increased volume to Walmart. The whole program is redefining the role of the middleman and helping employers understand the dynamics of providing healthcare to their employees. With the lack of healthcare IT there is a major inefficiency. People's attitudes and the costs to HIT make it difficult to implement. The solution was a turnkey electronic health record initiative. Walmart developed software, hardware and maintenance/support which provided a lower cost to people. Furthermore Walmart focused on attacking behavioral costs. They had the idea that high risks lead to high cost. Through making price matter they drive behavior changes such as a low cost smoking cessation starter pack or low costs on products which can in turn lead to lower costs of healthcare due to healthier living. The healthy living program was also developed through the use of TV advertisements, promotions, features and the Biggest Loser which all deliver holistic healthy living solution to Walmart's customers. Walmart is focused on using the small initiatives to drive behavioral changes which in turn can deliver positive results.

**Following the three presentations questions audience members were able to ask the panelists Questions:**

1. How many patients, locations and what are the costs for Qliance?

Garrison: The third site is in the process and the plan is to build 6 additional locations. There are currently 12 physicians and nurse practitioners. 3500 patients are enrolled and there is a growth of 10% each month. They have been able to reduce downstream costs (30-70% reduction of insurance product if primary care is the focus). The primary fixed costs are salaries, capital costs and rent which are all easily known. Each clinic sees up to 6,500 patients and they are highly profitable if each patient pays \$65 per month. They also market to low wage/minimal wage employers and employees to help them get care.

2. Are there differences between the franchised clinics at Walmart or is there a disconnection between each of them?

Marcus: Working with local health systems leads to more care and overall better care. There is a push for standards and they must be agreed up by the providers. Walmart is introducing imaging into some of the clinics and allowing for a broader range of diagnostics. The physician based models have been very successful but some of the nurse run clinics failed due to limited services and their business model. Marcus said that he does not believe that one size fits all, so it is important to look at meeting individual community needs so there are variances in the clinics.

3. Would Garrison put Qliance in Walmart?

Garrison: We are looking for places with natural care processes for patients and employers.

4. How does Doctations directly connect the service provider to the consumer?

Lou: Through the means of direct access. There is a shift to internet healthcare. It allows for video consultations with doctors and creates a potential to develop a network connection. There is a direct connection between doctors and patients.

5. What is Walmart's view on senior care?

Marcus: These customers are in nursing homes and often constrained by choice. Walmart is looking to partner with operators to better reach these patients and provide lower costs for care.

6. What is the current percent of Walmart employees insured?

Marcus: Currently 95% of our employees are insured and 1.1 million are on the company's health care plan. The 5% uninsured are younger employees who believe that because they are not sick that they do not need it. It costs \$7 per pay period. If everyone was covered it would help us all.

## **Lunch/Networking**

### **Lunch Speaker Lawson Software: Solutions to Rising Costs**

Lawson Software is an international company and its largest sector is healthcare. They work to provide efficiency, effectiveness and remain competitive. They represent 68 of the top 100 hospitals. They are in agreement with the debate in providing quality and affordable care. The cloud computing delivers applications from a pool of shared resources that leverage centralized administration. The three providers are infrastructure, platform and software. Benefits of the software include: lower costs, ease of use, more flexibility and faster time to benefit.

## **Afternoon Panels:**

### **1. Ken Paulus- President and CEO of Allina**

The Medicare trust fund will be depleted by 2017 and there will be a dramatic change within the next five years. Two forces are colliding in the healthcare reform universal coverage and healthcare costs. The likely immediate outcomes of reform are hospital pay cuts, physician pay cuts, health plan cuts, tax for high end benefits and introduction of a mandate. We are heading towards a shortfall in doctors with 21% Medicare reimbursement cut. However, Minnesota is ranked at the top in providing care and towards the bottom per patient spending. With reform we need to put the puzzle pieces together.

Additionally, innovation can help in multiple ways. Telemedicine allows patients to be treated where they live. Patient portals allow patients to be connected to providers before they become sick. Improved standards of inpatient care are necessary as well as shared electronic medical records between clinics and hospitals.

## **2. Diane Gross- VP Poudre Valley Health System:**

Diane Gross is focused on aligning legal and business practices to drive organization excellence. Poudre Valley Health System is private, locally owned and is not-for-profit. The service area is Northern Colorado, Wyoming and Nebraska. Her main message is to get patients onto some type of program.

Ms. Gross further states that Legal Integration can happen across the following categories:

- 1) Leadership
- 2) Strategy
- 3) Customer
- 4) Knowledge
- 5) Workforce
- 6) Process
- 7) Results

No one person or one department does compliance. Customers must be able to trust them with their healthcare needs. Compliance is everyone's responsibility. Poudre Valley's core values reflect how they provide healthcare. The leadership has a code of conduct and everyone understands it. There are open lines of communication including direct reporting, compliance hotline, no retaliation and the board compliance committee. The strategy and process management has had an impact of changing the legal and regulatory climate. They provide proactive input with a business support process. Poudre Valley has a customer focus, advance directives, knowledge management, and workforce management. They plan to continue to monitor the compliance industry, with the vision of future benchmarking. Another goal is to enhance physician integration into legal/ethical processes including the collaboration between General Counsel, Chief Medical Officer and Medical Staff leadership.

## **3. Edward Shultz-Advancing Quality Through Closed Loop Health Information systems**

The use of IT-based applications can provide information at a high conceptual level to clinicians which can facilitate or improve decisions made about care. Information technology is a key strategy in quality and outcomes. Healthcare IT allows for movement of documents between locations, automation, connectivity, data mining capabilities and decision support. Decisions must be improved for care: rule based alerts, presence of information to direct attention, and fault tolerant support are some key areas needing improvement. It will be necessary to make sure that teams are working together. Achieving maximal benefit from IT requires a balanced portfolio approach. The current

solutions receive minimal benefit from clinical decision support. Systems using decision support that includes feedback and fault tolerance will provide measurable quality and cost benefit far exceeding those that focus on automation alone.

### **Afternoon Panel Questions:**

1. With all the reform do you see a place for independent physicians still practicing?

Paulus: There is an important place for independent physicians. They need a model of control where they can manage and create value for patients. Physicians should partner with the best and therefore provide more care to patients. It is important to create cohesion. However, it is good to have different models of care which allows for competition for outcomes. Health care is not a one size fits all rather the different models allow for relationships to form.

2. With IT and EMR can one have access to their own source codes?

Shultz: Regarding EMR, Minnesota has some of the toughest privacy laws. Most big providers are on EPIC. The bigger question is how we manage privacy as patient information is moved back and forth. The information and operation does not change but it is important to take the knowledge and movement and make something valuable from it.

3. Is Poudre Valley large enough to survive?

Gross: We are currently looking at future opportunities. We will survive, but we will probably not be in the same form. We will look at making decisions and changes that are right. Strategic planning and process improvement will be key for survival. Additionally, the region and area Poudre Valley covers gives it more of a base that will allow them to have success.

4. How do physician groups align with payers to provide care?

Paulus: Through a pay for performance plan. A percent of the reimbursement is linked to quality. The plan is per member per month payment. For the future, patients and doctors will be mutually aligned and patients will be incented to stay healthy by not smoking or losing weight.

5. If we cover everyone how can you make sure that people are responsible?

Paulus: Healthcare coverage is a right and not a privilege. If we level the playing field the risk pool will be spread out. The platform for true reform is to go back to primary physicians before specialists and have patients visiting

urgent care before the ER. It will be difficult to reform if not everyone is covered. Patients have to be involved and there should be incentive tools to encourage them to do the right thing.

### **Keynote Speakers:**

Senator Amy Klobuchar was not able to be present at the conference so she sent in a video which can be found at the following website

Briefly she stated that Minnesota is a state with high healthcare coverage and there are three values which we must agree upon:

1. Build on what works- high quality, efficient care, successful patient outcomes and innovation
2. Lower costs of healthcare-Costs of premiums have doubled in the last ten years. \$700 billion was wasted. We must have high quality and cost effective healthcare
3. Make coverage stable with no risk of losing coverage even if someone loses their job

Closing comments by Thomas Huntley- Duluth State Representative

“There is no doubt that healthcare reform will happen this year. We do not want to be punished because we are good. It will take some states twenty years to catch up to Minnesota. Our state is focused on high quality and low cost. We also are ranked number two on the number of primary care doctors. Other countries have universal coverage, half the cost of the United States, better outcomes and emphasis on primary care. We need to look at what you can do about the high end cost. Prevention should be focused on primary and secondary care issues. With insurance reform it is important to fix the system for those who already have health insurance”. Thomas believes the bill will be passed and signed and the right things will be changed to increase quality and contain costs.