INDUSTRIAL STRENGTH

Powering the next-generation physician enterprise

The U.S. healthcare system is broken. This isn't news; for decades, the system has been plagued with information gaps, dogged adherence to inefficient practices and principles, mediocre results and outcomes, and a lack of effective standards. Standing at the front line of healthcare delivery, physician enterprises of all types, shapes, and sizes are struggling to provide excellent care at a reasonable cost.

For all of our research, all of our knowledge, and all of our technology, healthcare in the U.S. is, in many ways, reflective of the manufacturing industry in the 18th century: in desperate need of a revolution. The good news? That revolution is here, and the innovators willing to break from the past will be the leaders of the next-generation physician enterprise.

WHY INDUSTRIALIZATION?

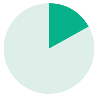
The issues with the healthcare system in the United States come down to this: we spend far too much money delivering ineffective outcomes. In 2014, U.S. healthcare spending was roughly $3 trillion dollars—that breaks down to $9,523 worth of spending for every individual in the country and comprises 17.5 percent of the U.S. GDP.[i] Despite this, outcomes and patient satisfaction trail other industrialized countries. [ii] We have the power to change this—and we absolutely have to change it.

But how? Healthcare is not like the manufacturing industry—nor is it like banking, transportation, or hospitality—yet each of those areas has found the means to make their process lean and efficient, focused on elimi-

2014 U.S. HEALTHCARE SPENDING

~ $3 trillion

$9,523
per individual



17%
of the U.S. GDP

CHARACTERISTICS *of a next-generation physician enterprise*

The next-generation physician enterprise must be performance-based and data-driven, built on action, and governed effectively. When it comes to defining the characteristics of the next-generation physician enterprise, one word stands out: alignment. There are three key areas where that idea is critically important:

Aligned Payments

In the next-generation physician enterprise, the payer, provider, and patient are all satisfied at the same time. The payer retains more of the premium while driving the quality of care. The provider garners a much larger portion of the premium without driving utilization. The patients know their out-of-pocket costs prior to receiving the service and make a value decision on from whom they receive care. The best way to achieve this alignment is to pay providers based on their ability to generate value for the patient and payer. Armed with this knowledge, they can then educate their patients to make choices that balance the best quality against the best price.

Aligned Customer

Patients have to be incentivized to pick plans that are going to give them value and encourage them to make decisions. Price and benefit design must be structured in a way that is meaningful to patients and allows them to become economically savvy healthcare consumers. Patients are no longer left in the dark about what their care costs them, or what they can expect by visiting their doctor. These informed patients weigh the access and cost factors of their care when making their healthcare choices, and have realistic expectations about what kind of care they can expect, when, and from whom.

Aligned Technology

Technology works effectively to support and augment the quality of care delivery, makes the claims and RCM process effective and timely, and provides cost of care information throughout the healthcare supply chain.

Despite spending more on healthcare than any other industrialized country, the U.S. consistently has mediocre outcomes compared to other countries.

nating needless waste and errors, reducing spending, and delivering a satisfying result to their customers. From that perspective, healthcare can learn a lot from those industries.

Forging a better healthcare system is not something that will happen all at once, but independent physicians are uniquely positioned to effect more frontline changes than large organizations; the agility and ability to more quickly react to changing market forces mean that independent practices can drive innovation quickly. Effective strategic planning, investment, practice transformation, and performance improvement is key for success in the new healthcare landscape; these factors will be evident in every next-generation physician enterprise.

Advancing the healthcare industry first requires an understanding of the symptoms and the causes of healthcare's pre-industrial state, which will help define the most effective course of treatment.

THE PRE-INDUSTRIAL SYMPTOMS OF HEALTHCARE

The healthcare system today is burdened by six fundamental issues that continue to hinder its advancement:

1. A high degree of variability

The lack of effective standards in healthcare is driving far too much variability of results and outcomes. For example, a recent study analyzed more than 100,000 emergency department (ED) visits to 36 hospitals and found significant variation in the management of children with pneumonia, particularly in the use of complete blood counts, blood cultures, and chest X-rays.[iii] EDs that used less diagnostic testing and fewer resources also had lower hospitalization rates, without a corresponding increase in repeat visits to the ED—indicating that inconsistency in healthcare can be costly and, in some cases, may compromise the health of patients.

Variability needs to be corrected when it comes to practice workflows and reporting. Standardizing work and reporting requirements can cut down on loss of information and improper reporting, while leading to an overall reduction in errors.[iv]

2. A lack of transparency

The U.S. healthcare system simply has too many silos and is too opaque. Barriers between, across, and among providers, payers, and consumers leads to poor communication and data exchange and blocks effective decision-making.

Consumers, in general, have access to more information about prices than they ever have, which has created an expectation of pricing transparency when it comes to all kinds of buying decisions. Yet, consumers have less information on health provider cost and quality than they do on the cost and quality of televisions or hotels. The healthcare market is already responding to this with the rise of concierge care and retail clinics, allowing patients more choices (and more visibility to prices) when it comes to their healthcare spending.

Payers and providers are being forced to work more collaboratively than ever before as payment reform takes hold. Collaboration, however, does not necessarily increase transparency, as they struggle to find the means to effectively prioritize how they exchange information on the quality, efficiency, and

patient satisfaction metrics they track and evaluate.

As Accountable Care Organizations (ACOs) rise, a new demand for transparency has emerged: when it comes to risk sharing agreements, decision makers need to know the history of potential partners—and providers who aren't willing to share information are being shut out of the new model.

3. Opportunistic, rather than systemic, innovation

The fee-for-service (FFS) payment system has created an economic lever to incent more and more investment in therapeutic breakthroughs and less and less on diagnostic breakthroughs, such as investments in wellness and preventative care. There's been very little focus on process improvements in the face of massive investments in new products. Industrialization emphasizes the need for focus on process and outcomes.[v] Consider what Devi Shetty—called the "**Henry Ford of heart surgery**" by the *Wall Street Journal*—has accomplished by investing in innovative processes. He's been able to reduce the costs of major surgeries by nearly 90 percent. "The approach has transformed health care in India through a simple premise that works in other industries: economies of scale."

4. A limited division of labor

Specialization is at the heart of successful emerging economies. Healthcare, for its part, has been far too siloed and restrictive when it comes to these issues. Simply put, physicians do not need to do all of the things they do—frankly, they wouldn't be doing a lot of their current activities if they weren't being paid to do it. The reality is that many functions currently undertaken by physicians could be better done by lower-cost resources. The idea that everyone in an organization should be operating at the top of their license is a good one—but we should be moving to the "top of the toolkit" with the introduction of coordinated smart devices, appliances, and telemetry coordinated by the industrial internet.

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5. Marginal quality

Despite spending more than any other industrialized country on healthcare, the U.S. consistently experiences mediocre outcomes—in life expectancy, infant mortality, prevalence of chronic conditions, and obesity.[vi] Consider the impact that high error rates and unnecessary deaths have on the family—not merely from an emotional standpoint, but from an economic standpoint. The benefits of **focusing on keeping employees healthy** have been well documented, and the inverse (unhealthy workers and decreased productivity) can have powerful effects on businesses' bottom lines.

The rates of poor outcomes are unforgivable, and the notion that we can't be doing more to reduce them—while reducing spending—is unconscionable. Consider what the automotive industry has accomplished: with a higher rate of users (drivers) than ever before, driving more miles than ever before, the **rate of automobile-related fatalities is in decline**. We can do this. We must do this.

6. Health status inequality

People in underprivileged households receive worse care than people in high-income households for roughly 60 percent of quality measures. This does not necessarily mean that their lack of effective care is directly correlated to their lack of ability to invest in high-cost care. It has much more to do with the mobility and the social position of the healthcare consumer and the access they have to care. In impoverished and blighted neighborhoods, where transportation is limited at best, finding an effective clinic that can deliver care when it is needed is a massive challenge.

THE SYMPTOMS *of pre-industrial healthcare*

1	2	3	4	5	6
A HIGH DEGREE OF VARIABILITY	A LACK OF TRANSPARENCY	OPPORTUNISTIC, RATHER THAN SYSTEMIC, INNOVATION	A LIMITED DIVISION OF LABOR	MARGINAL QUALITY	HEALTH STATUS INEQUALITY

As Jack Geiger, MD, the widely recognized architect of the U.S.'s Federally Qualified Healthcare Center system describes, "We know that to be born poor is to lead a shorter, sicker life. We know that a childhood in poverty is literally embodied in changes in the brain and the brain structure." To address this issue, we need to more effectively account for the social determinants of health and understand that disparities in the quality of care are reflected in disparities in access to care as well.[vii]

UNDERSTANDING THE CAUSES

Looking at those symptoms is cause enough for incredulity. Those issues, however, didn't just happen—they are the result of initiatives that have misaligned practices through poorly designed incentives and predatory models. The combination of two key factors is at the forefront of what is hurting the healthcare system:

- **Fee-for-service (FFS)** has driven a volume mentality
- **Third-party insurance** has disempowered patients, causing a complete loss of customer sovereignty over the healthcare system

FFS models have a place in healthcare, but they cannot continue to dominate as the key payment modality. Other industries succeed with elements of the FFS model: airline tickets, hotel rooms, and oil changes are all FFS transactions. The difference for healthcare is the importance—and predictability—of the guarantee for a quality outcome, or at least a quality process.

Because of the presence of third-party insurance, consumers have not been involved in most healthcare purchasing decisions as an economic buyer. Consumers have not, en masse, exercised their considerable power of the purse; we have allowed a powerful force for change sit idly by on the sideline.

Since consumers do not fully pay for the care they need, they undervalue the service. Patients have not been motivated to make decisions based on value.

As the National Center for Health Policy Analysis puts it, "If we applied the same third-party payment technique to any other segment of the economy, we would get the exact same inflationary spiral we see in healthcare. I buy donuts from time to time. If those donuts were free at the point of purchase, I would buy (and eat) a whole lot more than I do today."[viii]

Or, as Steve Klasko, MD, the CEO of Jefferson Health, said, "The things we take for granted in the 80 percent of our economic lives not affiliated with healthcare are all obstacles for us as healthcare consumers."

TREATING THE PROBLEM

It's easy to look at the state of the U.S. healthcare industry and be pessimistic. The fact of the matter is, no one intended the system to reach this state—but there's opportunity to fix it. There are emerging payment and delivery models showing great promise. New business models are all moving the needle towards industrialization—consider how:

- **Physician-led initiatives:** Physicians are not the problem—but they must be part of the solution. Physicians' voices, opinions, and abilities can and should help drive true transformation for the industry. We need entrepreneurial physician leaders to drive change.
- **High-performing, clinically integrated networks (CINs)**: CINs, through their alliance-based model, are driving transparency in care and aligning incentives among all stakeholders. By sharing risk, providers

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—NATIONAL CENTER FOR HEALTH POLICY ANALYSIS

are able to increase their accountability in care delivery and drive higher quality outcomes at lower costs within practices. Patient-centered medical homes (PCMHs) are driving care coordination, helping to rationalize labor and productivity while maintaining focus on positive patient care outcomes.

- **Alternative payment models:** By realigning payment to quality and not volume, this system rewards cost-effective outcomes, instead of volume of care episodes, and serves as a means to adopt effective care standards across the spectrum of delivery. APMs allow providers to be creative in how they serve needs. For example, bundling payments for an episode of care demands coordination, transparency, and effective care management. By bundling all payments for an episode of care, this model demands coordination, transparency, and effective care management—all based on measuring and demonstrating results.
- **Population health management innovations:** Through the effective use of advanced information and technology and a team of skilled professionals, innovative population health management helps to improve the health outcomes of a group, identify high-cost cohorts and manage their care more effectively and efficiently to drive down spending while improving the overall health of the group.

QUICK TIPS FOR PRACTICE TRANSFORMATION

Think critically about what the requirements are for industrializing your healthcare enterprise. We have identified eight key issues to focus on to drive change, and provided a few quick tips you can apply today to be the next-generation practice of tomorrow.

1. Improve workflow, increase transparency
This applies to pricing, communication, quality measurement, and reporting. Clarity and transparency at every level will shed light on where avoidable waste is happening, and improve efficiency in communication, information exchange, and workflow. Encourage open communication and share successes and failures with a goal of continuous improvement.

KEY ISSUES
that drive change in your practice

IMPROVE WORKFLOW, INCREASE TRANSPARENCY

THINK OF YOUR PATIENTS AS CUSTOMERS

ELIMINATE INAPPROPRIATE VARIATION

ALIGN INCENTIVES AMONG ALL STAKEHOLDERS—INCLUDING CONSUMERS

ADOPT EFFECTIVE STANDARDS

MEASURE AND DEMONSTRATE IMPROVED QUALITY AND RESULTS

RATIONALIZE LABOR PRODUCTIVITY AND WORKFLOW

ADVANCE INFORMATION AND TECHNOLOGY

2. Think of your patients as customers
Prepare for a retail market, and study what market-oriented businesses do to succeed: adopt a customer-first attitude to keep the focus on your patients as customers, and treat them as such.

3. Eliminate inappropriate variation
Providers are faced with demand for data reporting in a variety of formats across a variety of EMRs. Seek a solution that eliminates variation across these systems to standardize data.

4. Align incentives among all stakeholders—including consumers
As the healthcare market changes, you need to think of your patients as informed consumers who will shop around to find the best intersection of cost and value—so treat them as customers. Focus on what the underlying goal of every patient interaction is: driving the best possible health outcome. Aligning incentives for providers, payers, and patients is critical to achieving the goal of the triple aim.

5. Adopt effective standards
Henry Ford's revolutionary approach to building cars has been dissected and analyzed time and again—but healthcare leaders would do well to pay close attention to his underlying assumption: work is something that can be broken down, assessed, and standardized to improve efficiency, quality, and productivity. By analyzing the provider workday objectively and critically, leaders can begin to set benchmarks and standards for productivity and eliminate wasted time or find means to expand capacity through improved processes and standards.

6. Measure and demonstrate improved quality and results
Measure everything. Analyze the practice today—how effective are patient outcomes? How effectively is the RCM process capturing revenue? What are staff spending time on, and how much time are they spending on it? Set a baseline of today and metrics that define success—then bend the practice to achieve those goals.

7. Rationalize labor productivity and workflow
Define your current state, define the future state, and create a roadmap to bridge the two. Ensure that staff are working at the top of their licenses, and that the right person with the right capabilities is doing the right job.

8. Advance information and technology
Outdated technology leads directly to waste—a recent study by the Ponemon Institute revealed that clinicians waste more than 45 minutes a day wrestling with outdated technology.[ix] Nearly an hour a day per clinician of wasted time—weigh the cost of that lost productivity against the cost of investing in updated, effective, and efficient technology.

CONCLUSION

While many innovations show great promise, many are still being evaluated. They will require maintenance, refinement, and advancement in the years to come. By keeping our collective focus on adopting the types of practices and processes associated with industrialization, we can help save the ailing U.S. healthcare system. The next-generation physician enterprise will be defined by its ability to implement and optimize those tenets—and its ability to break from today's status quo by understanding that the rewards that come with practice transformation far outweigh the risks.

ABOUT CONSENSUS HEALTH

Consensus Health is a high-performing, physician-owned medical group for New Jersey's independent primary care and specialty providers. By joining other like-minded peers, you will experience a better, faster and less expensive solution that can substantially improve revenue, job satisfaction and work/life balance. Providers retain autonomy without membership fees or long-term contracts. Consensus Health members also enjoy a full spectrum of proven and scalable practice management and population health services designed to make healthcare more efficient and effective. Visit www.consensushealth.com to learn more.

Disclaimer: CMS had not finalized all rules at the time of this publication.

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