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The Health Care Reform That Can't Be Stopped

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by Chris Taylor | **Comments (40)**

There are few more personal, passionate, and political topics than health care. The reasons for this are clear: Health care spending has reached 17% of the U.S. GDP, outcomes are worse than in other developed countries, and an attempt to fix the system through the Affordable Care Act (ACA) now sits in the hands of the U.S. Supreme Court. But regardless of ACA's legal prognosis, the Pandora's Box of true health care reform has already been opened — and it happened before most of us realized.

It happened in the throes of the recent Great Recession when Congress passed the American Recovery and Reinvestment Act of 2009 (http://www.recovery.gov/About/Pages/The_Act.aspx) (better known as the bailout). Nearly $800 billion was targeted to create new jobs, save existing jobs, and spur economic activity. What many don't realize is that as part of those funds, the incentives created to digitize medical records were massive — amounting to $40,000 to $65,000 per physician and $11 million per hospital for the "meaningful use" of health information technology.

Just as important as the financial carrot was the accompanying stick wielded by the Centers for Medicaid and Medicare Services, the largest single payer in the United States — the threat to reduce payments to physicians and hospitals by 1% per year if they fail to submit invoices electronically. For an industry typically operating in the low single digits of profitability, this is a heavy stick indeed — prompting many organizations not to wait to see if the bill gets struck down before taking the necessary steps to comply.

The upshot of the big carrot and the big stick has been a rapid shift to digital health care, notwithstanding the well-known and well-documented (http://techcrunch.com/2012/01/17/money-ball-for-medicine-business-models-for-healthcare/) debilitating effects of the current system's fee-for-service model that rewards health care providers by the procedure.

That fee-for-service model is being disrupted not only by the shift to digital health care but also by an early effect of the ACA, which laid the groundwork for an accountable care model (http://innovations.cms.gov/initiatives/aco/pioneer/) that is very attractive to employers. This less-talked-about part of the legislation aims to reduce unnecessary hospital readmissions through readmission penalties and by funding accountable care organizations that are rewarded not for doing procedures but for keeping a population healthy.

The introduction of this fee-for-outcome model kicked off a change in health care that many believe is irreversible. One of them is Dr. David Burton, CEO of Healthcare Quality Catalyst (http://www.hqcatalyst.com) , a Salt Lake City-based health care technology company focused on a data-driven approach to continuous improvement. Dr. Burton was an integral part of the early data revolution in health care when he was a physician and executive at Intermountain Health Care (http://intermountainhealthcare.org/Pages/home.aspx) , the largest health care provider in Utah. "There is a groundswell that is trying to move from fee-for-service and its perverse incentives," he says. "At some level, it doesn't matter too much what happens with ACA because the fuse is already lit."

And no wonder since employers — the forgotten player in the health care conversation — are the ones footing much of the bill. The move to fee-for-outcome payment models holds so much potential to lower costs and improve the quality of care for their employees that it's hard to see employers letting up the pressure on the health care providers to move in that direction, no matter what the fate of the ACA's government mandates in the courts.

With incentives reformed, the potential to apply efficiency techniques that work so well in other industries will have a chance to scale up, and initiatives begun long ago will have new life. Burton and Intermountain Health Care, for example, began working with electronic data in the mid-1970s, long before runaway costs prompted any national discussion of health care. Intermountain has also long been a strong supporter of the data-centric Toyota Production System (TPS) that was so effective in disrupting the automobile industry through its focus on data-driven continuous improvement.

Intermountain Healthcare CEO Dr. Charles Sorenson summarizes their successful approach this way: "We end up having less waste (expressed in our business as fewer medical errors), and that reduces cost. Even more importantly, we have the opportunity to *not* do things that *don't* add value."

Fellow TPS pioneer ThedaCare, which likewise has been employing Toyota's industrial efficiency principles in its hospitals to great effect for more than 10 years, is now seeing great interest from other organizations, as the health care industry moves to reap the rewards of its seemingly-necessary move to digitize information. So much interest, in fact, that it has created the ThedaCare Center for Healthcare Value (http://www.createvalue.org/) to help other organizations realize the promise of digitization. Its head, former ThedaCare CEO Dr. John Toussaint, doesn't mince words when he talks about what's bringing all those organizations to his door — and it's not federal legislation.

"Health care performance was and still is unreliable," he says flatly. "Those who are honest about what they're doing recognize that. Twelve years ago, ThedaCare compared manufacturing and health care quality and found health care to be far worse: 90,000 to 100,000 defects per million opportunities [versus the three defects per million norm in manufacturing]. That's quite frankly still how U.S. health care performs. A 2010 HHS Study (http://oig.hhs.gov/oei/reports/oei-06-09-00090.pdf) said we were killing 15,000 Medicare patients per month with medical errors. The NIH's Crossing the Quality Chasm (http://www.ncbi.nlm.nih.gov/books/NBK22857/) in 1999 showed the same thing. When you peel back the onion, we're doing really lousy; maybe it has even gotten worse. Those of us who have been in the business of quality improvement have been trying to understand why that is and implement processes to change that."

As proof of the effectiveness of its data-driven reform efforts, Dr. Toussaint points out that ThedaCare's Collaborative Care has reduced medication reconciliation errors — that is, errors from incorrect or conflicting orders for medications — to zero and maintained that number for four years. Toussaint also points out that their published thirty-day re-admission rate (http://content.healthaffairs.org/content/30/3/422.extract) of under 9% is less than half the national average.

Whether reform is repealed or not, Toussaint says, "The reform initiatives in the private sector have already begun and there's no going back because there just isn't any money left. Health care delivery organizations are going to learn to live with less revenue. We have big problems that won't be solved by throwing more money at them. We can either cut the health care workforce by *x* percent while reducing quality or we can use data and a proven methodology to make it less expensive and maintain quality. This transcends whatever happens in Washington."