Healthcare Reform: Managing Directionally Correct Chaos

Why is something that makes so much sense so hard to do?

Today’s agenda

- Understanding the task
- How the task is rooted in your brain
- Learning to play a new game
- Why data and leadership matter
- Case study
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
So who knows about this?

- Dan and Chip Heath, *Switch*
- John Medina, *Brain Rules*
- Dan Gilbert, *Stumbling on Happiness*
- Daniel Kahneman, *Thinking Fast and Slow*

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
Your job, Mr. Phelps…

Theory Of The Game

• Hedgehog concept: change provider behavior
• Clean data + committed peers=physician change
• Two critical functions:
  – Turning data into actionable information and guidance
  – Building and maintaining relationships so immunologically identified as self, not other
How Do We Learn To Play Games?

• Learn the rules
• Find the scoreboard
• Listen to the coach
• Improve by practicing and playing

In The Case Of ACOs…

• Learn the rules: CMS, NCQA, commercial insurers developing criteria
• Find the scoreboard: key parameters to follow financial and clinical performance
• Listen to the coach: It’s a team sport, we win when everyone does his job, unselfish play, nobody wins by themselves
• Improve by practicing and playing: start with single A ball, work up to the majors
What equipment do we need to play?

What's On The Equipment List?

• “Clean Data + Committed Peers = Physician Change”
• Clean Data is composed of reliable data streams and analytics; the translation of information into knowledge
• Committed Peers means physician leaders who are willing to speak the hard truths and model group behavior
• And…
“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*
Tools To Change Behavior

- Actuarial analysis
- Financial and utilization analytics
- Data warehousing with cubing technology
- Referral pattern analysis
- Care management
- Relationships with physicians and office managers

Clean Data

- Claims set for 2-3 years to understand utilization of population to be managed
- Valuation of each service, expressed as a pmpm
- Adjust historical run rate based on changes to unit pricing, introduction of new units, e.g., new drugs
- Appropriate risk corridors
Committed Peers

- Clinical leaders who understand the financial task
- Letting the data speak the truth and point the way
- Integrity
- Level 5 leadership: fierce resolve, humility, dedicated to a future it might not inhabit

Change is hard. Make it easier for people.

- 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
Change is hard. Make it easier for people.

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

Source: *Leading Change* by John Kotter

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
Case Study

• 40 PCPs organized into 15 practices (largest practice= 6 physicians)
• Admitting to two competing hospital systems
• Entering risk arrangement
• ~6000 beneficiaries
• No common EHR

Baseline

• “We’re all good docs, so we should be good at this naturally.”
• Utilization 1700 bed days/1000
• Diffuse referral patterns
First Year Experience: Large Deficits

- Kubler-Ross stages of grief
  - Denial
  - Anger
  - Bargaining
  - Acceptance/ownership of performance
- The beginnings of mutual accountability—“you’re a great friend, but I’m not sure I want to be in business with you”

Later Results

- Year 2 referral patterns narrowed based on cost, communication, and service to PCPs=value
- Referral rate to nonpreferred specialists drops by two-thirds
- Bed days 1700 to 1300
- Erased deficit by end of year 2, and began paying bonuses
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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Changing The Way We Change: Four vital signs of a collaboration

• Conflict: is it dealt with openly and constructively?
• Learning: Does the collaboration learn and generalize learning?
• Identity: Do the participants identify with the collaboration, or just their work group?
• Power: Do people feel they have the power to affect their own work conditions?
About your speaker

• General internist by training
• Ran provider-owned MSO that is now a Pioneer ACO
• CMMI Innovation Advisor
• CMO for Center for Improving Value in Health Care (Colorado)
• TA provider for AF4Q (RWJF)

Take Homes

• Providers can organize and begin to perform clinically and financially with proper infrastructure: data, analysis, leadership, and personnel to facilitate change
• Tipping point is cultural/attitudinal: who is responsible for my poor performance?
• Risk should be proportional to ability to create physician change to improve performance, and actuarially sound