



IBM Global Business Services

*IBM Institute for Business Value*

## Healthcare 2015: *Win-win or lose-lose?* *A portrait and a path to successful transformation*

Presented at Disease Management Colloquium  
May 19, 2008  
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Agenda

## Agenda

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- **Issue – The Case for Change**
- Analysis – Emerging Challenges
- Moving Forward
- Conclusion



Issue

## Despite having many fine care delivery organizations and caregivers, the US healthcare system is badly broken. Is it sustainable?

<p><b>High, rapidly rising <u>costs</u></b></p>	<ul style="list-style-type: none"> <li>▪ \$2.1 trillion (16% of GDP) was spent in 2006</li> <li>▪ \$4.0 trillion (20% of GDP) will be spent in 2015</li> <li>▪ Highest per capita spend among OECD countries in 2005</li> <li>▪ 46% more than Norway, which spends the third-most</li> <li>▪ <b>-2.3x the OECD average per capita spend</b></li> </ul>
<p><b>No link between higher costs and <u>quality</u> or safety</b></p>	<ul style="list-style-type: none"> <li>▪ 98,000 to 195,000 people killed per year by medical mistakes</li> <li>▪ 57,000+ dying from inadequate care</li> <li>▪ 2 million hospital-acquired infections with 90,000 dying per year</li> <li>▪ 4-fold variation in costs with similar quality</li> <li>▪ Ranked 37<sup>th</sup> in overall health system performance by WHO</li> <li>▪ <b>22<sup>nd</sup> in life expectancy, 28<sup>th</sup> in infant mortality and 30<sup>th</sup> in obesity among the 30 OECD countries</b></li> </ul>
<p><b><u>Access</u> issues</b></p>	<ul style="list-style-type: none"> <li>▪ <b>47 million uninsured</b></li> <li>▪ 15+ million under-insured, most who are working</li> </ul>

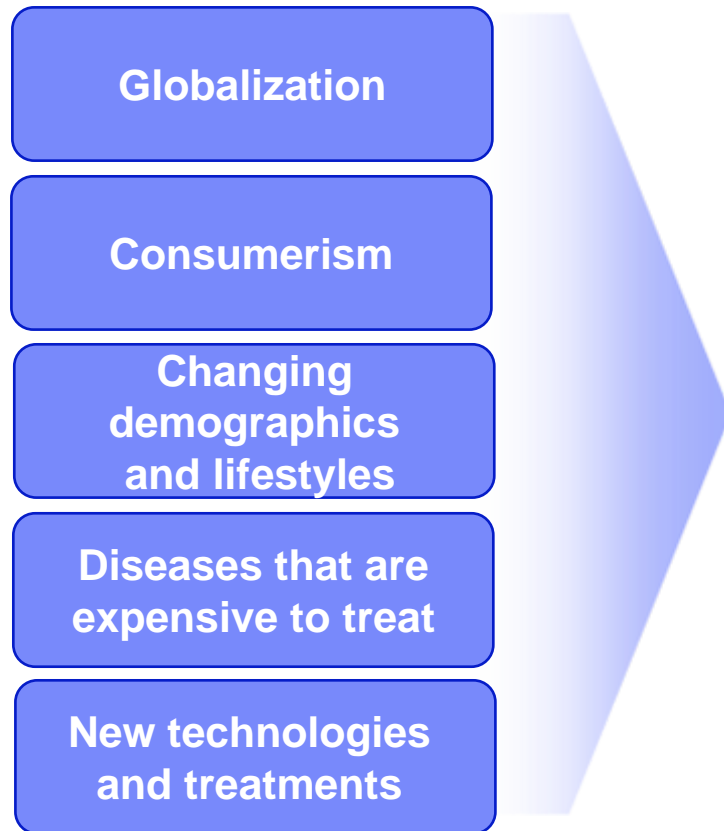


***If the US spent at the OECD per capita average, we would spend over \$1 trillion less per year.***



## The growth in healthcare spending, combined with healthcare drivers will continue to have major impacts

### Healthcare 2015 Drivers

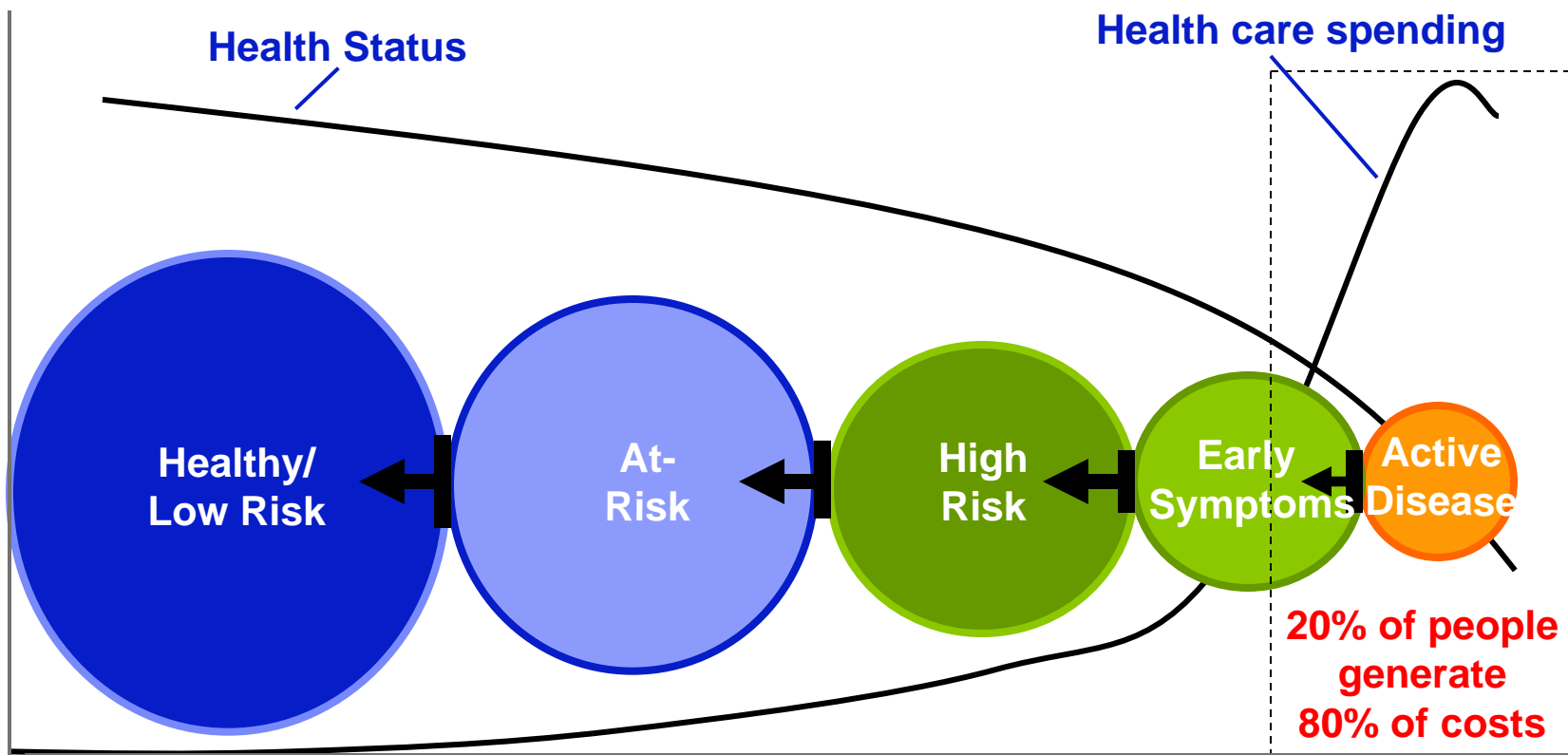


### Impacts



Analysis » Increasing focus on value

# A proactive, value-based health system should help move people from right to left – and keep them there



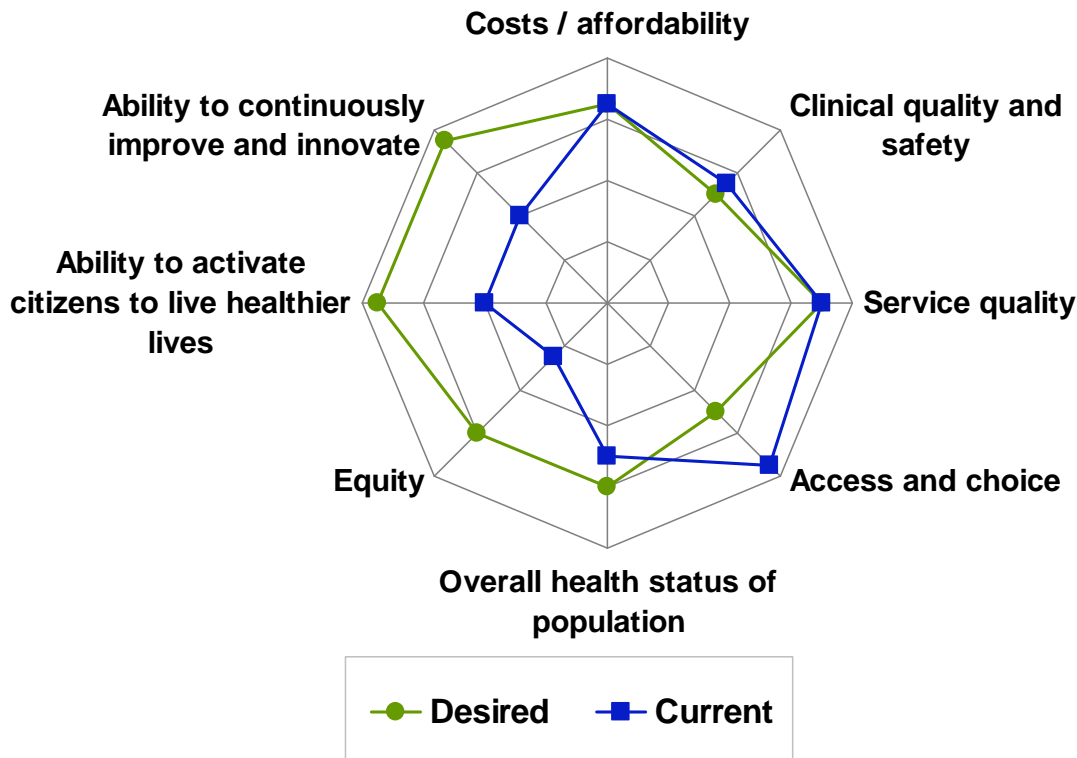
**A value-based health care system**



Analysis » Increasing focus on value

# Defining value for a healthcare system means balancing emphasis and decisions across multiple, possibly redefined dimensions

## Value Dimensions of healthcare systems *Example*



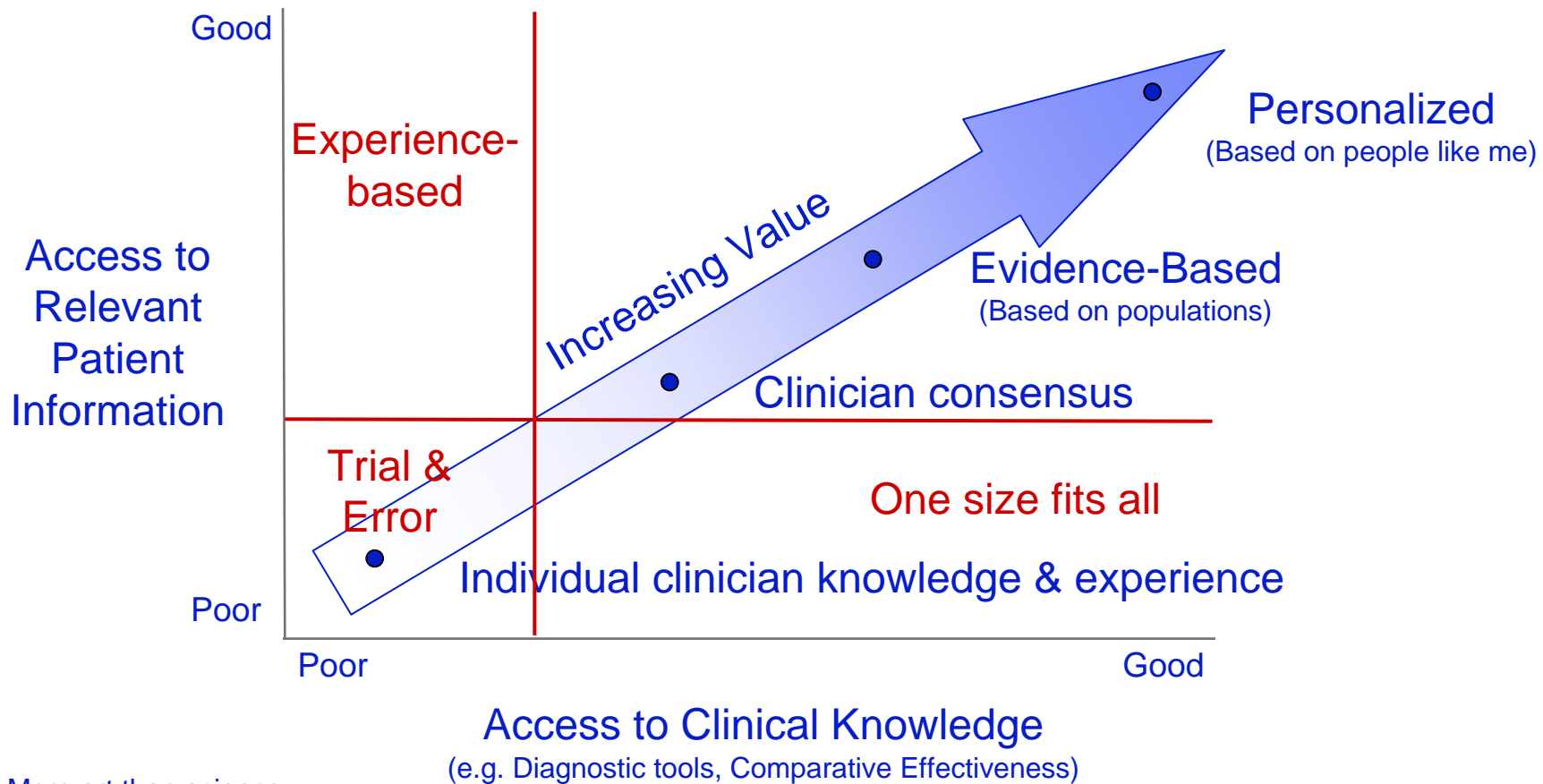
### How will quality be defined?

- Generally focuses on areas such as:
  - Evidence-based treatment approaches
  - Clinical & patient-reported outcomes
- Also could and should include:
  - Prediction / Prevention / Early detection and intervention.
  - Time and resources expended for a correct diagnosis
  - Communication with patients (comprehension, compliance, recall)
  - Responsiveness to patient preferences and values
  - Ability of patient / consumer to manage medical conditions & health
  - Care coordination

Source: IBM Global Business Services and IBM Institute for Business Value

Analysis » Increasing focus on value

## The ability to deliver value improves with access to relevant patient information and knowledge of what works for that patient



Source: IBM Global Business Services and IBM Institute for Business Value



# We are currently experimenting in many areas to get to a more value-based healthcare environment

## Benefits

- Value-based insurance design*
- Tiered networks*
- Higher co-pays or co-insurance*
- Full coverage for preventive care*

## Reimbursement

- Pay for Performance*
- Bundled payments, Care coordination*
- Pay for ePrescribing, eVisits*
- Gainsharing*

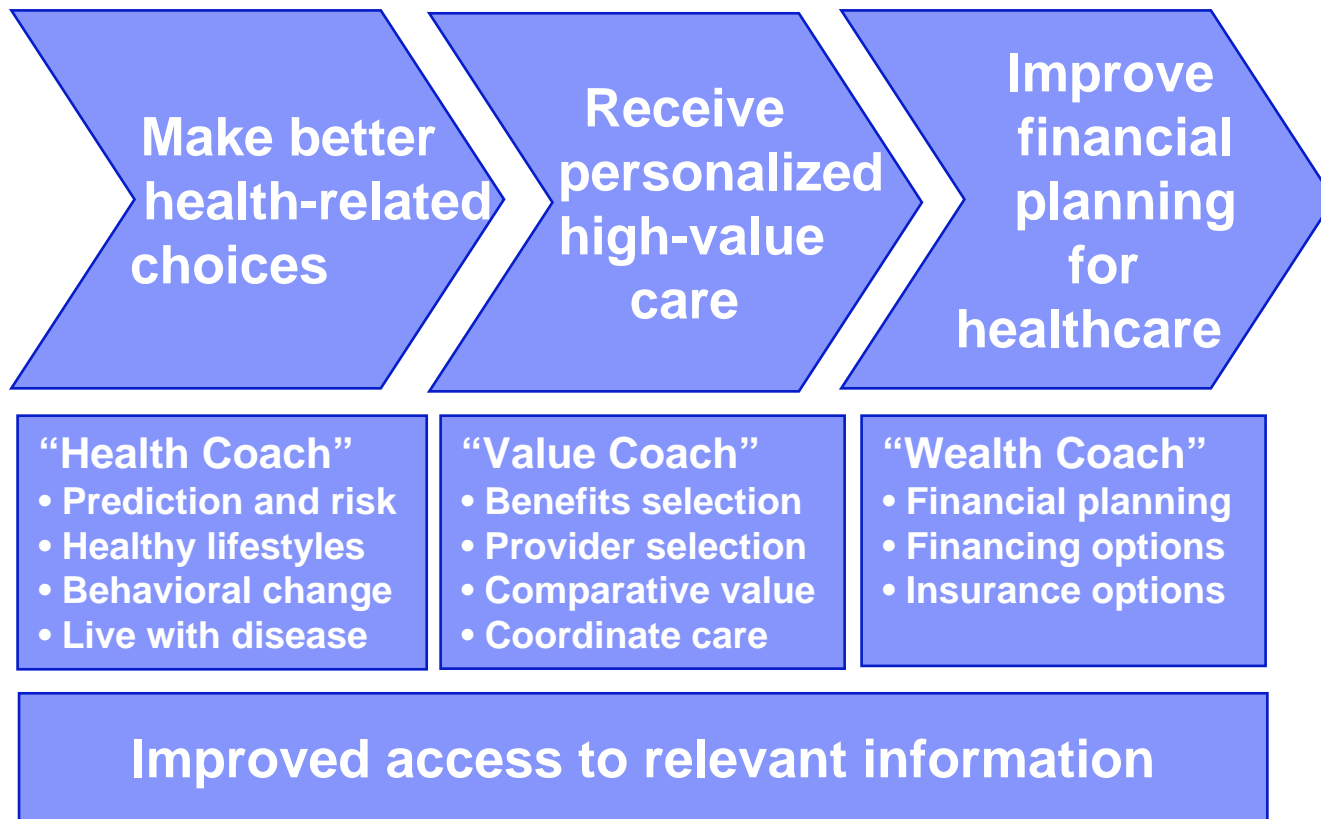
## Consumer Incentives

- Healthy lifestyles*
- Health Risk Assessments*
- Body Mass Index (BMI) or other indicators*
- Gainsharing*



Analysis » Increase in consumer responsibility

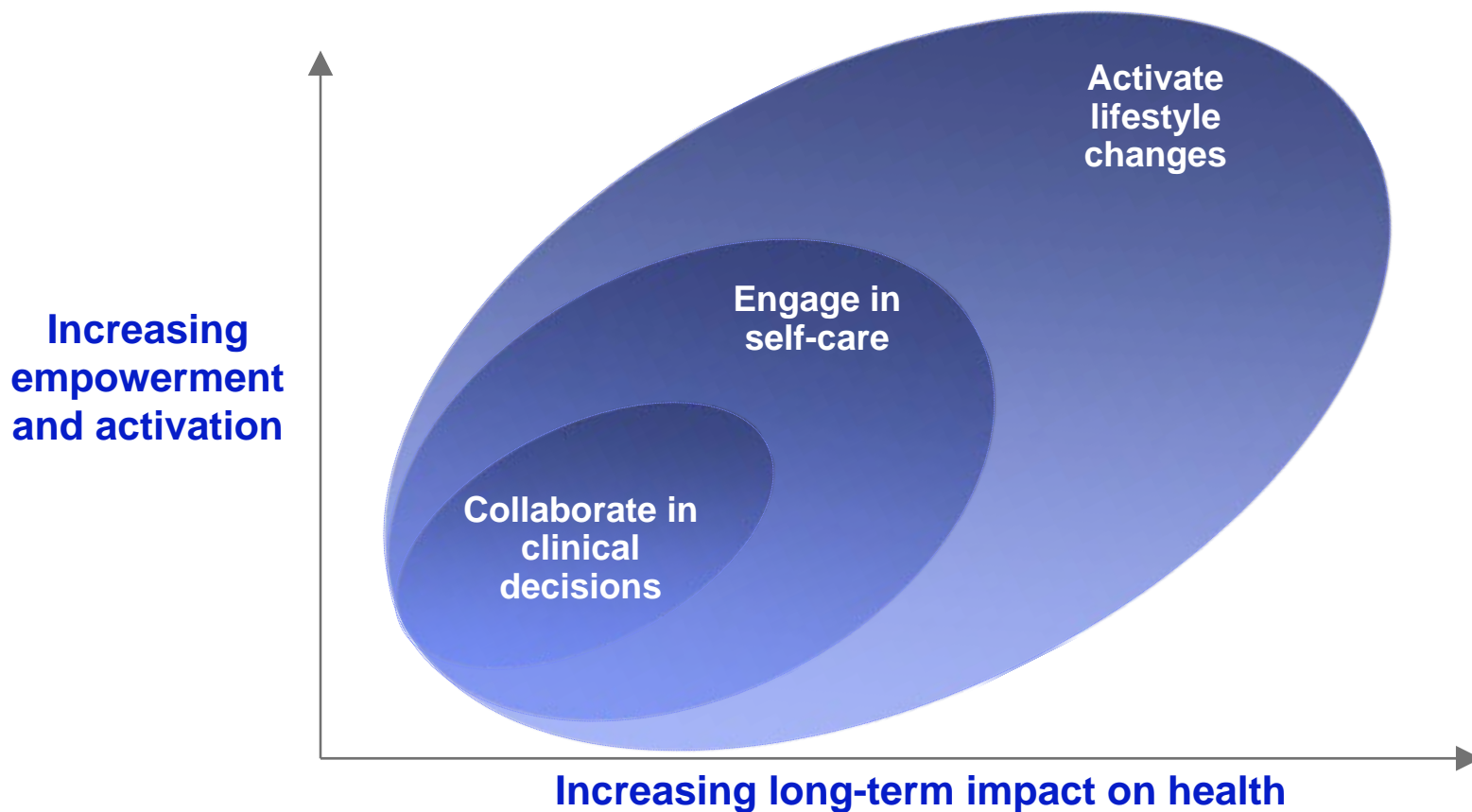
**In assuming more responsibility for their healthcare, consumers must make wiser health and financial decisions as patients and purchasers**



Source: IBM Global Business Services and IBM Institute for Business Value

Analysis » Increase in consumer responsibility

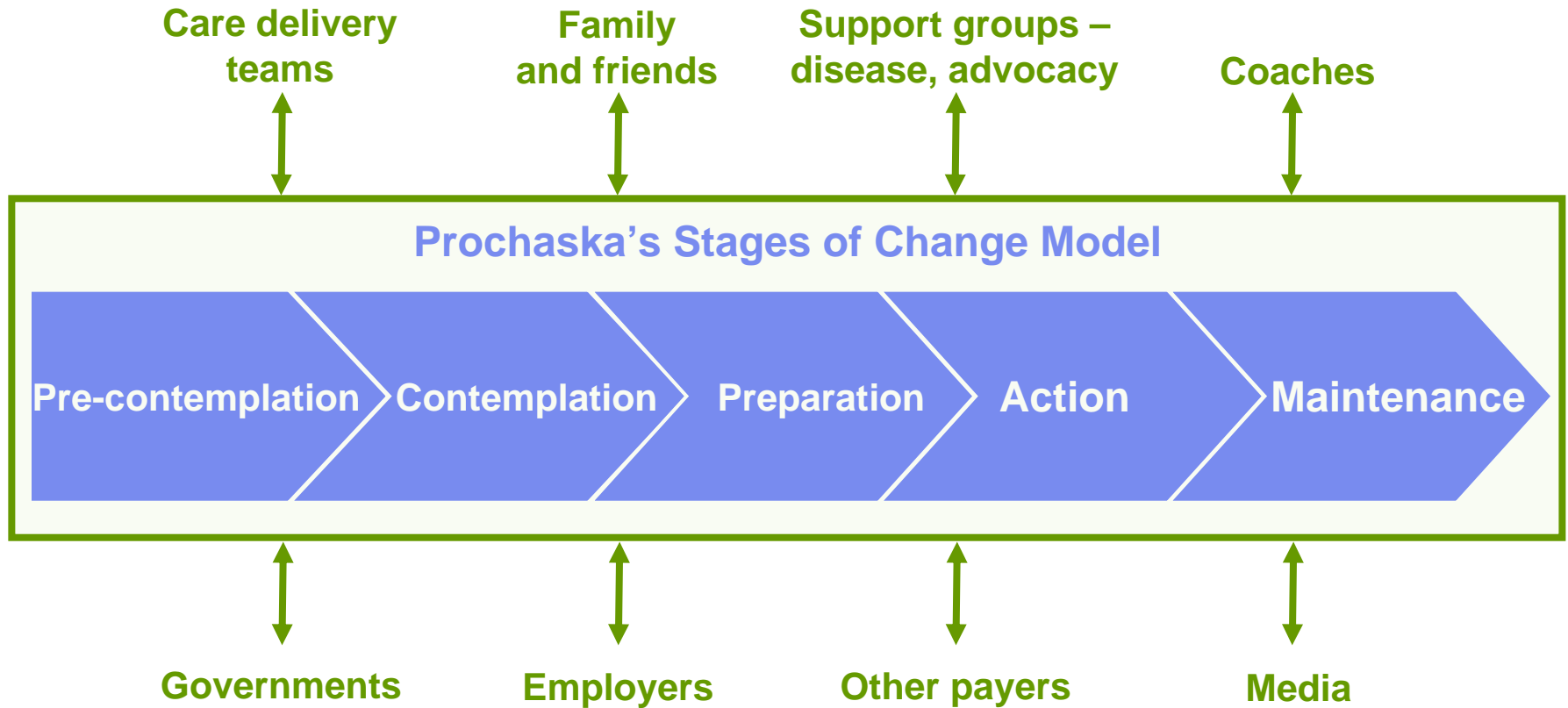
## With help from CDOs and other entities, consumers can play a pivotal role in their health and healthcare



Source: Adapted from WHO Health Promoting Hospitals and Bridgepoint Health

Analysis » Increase in consumer responsibility

## Changing consumer behaviors requires different efforts from different entities, depending on the individual and the stage of change



Source: IBM Global Business Services and IBM Institute for Business Value

Analysis » Increase in consumer responsibility

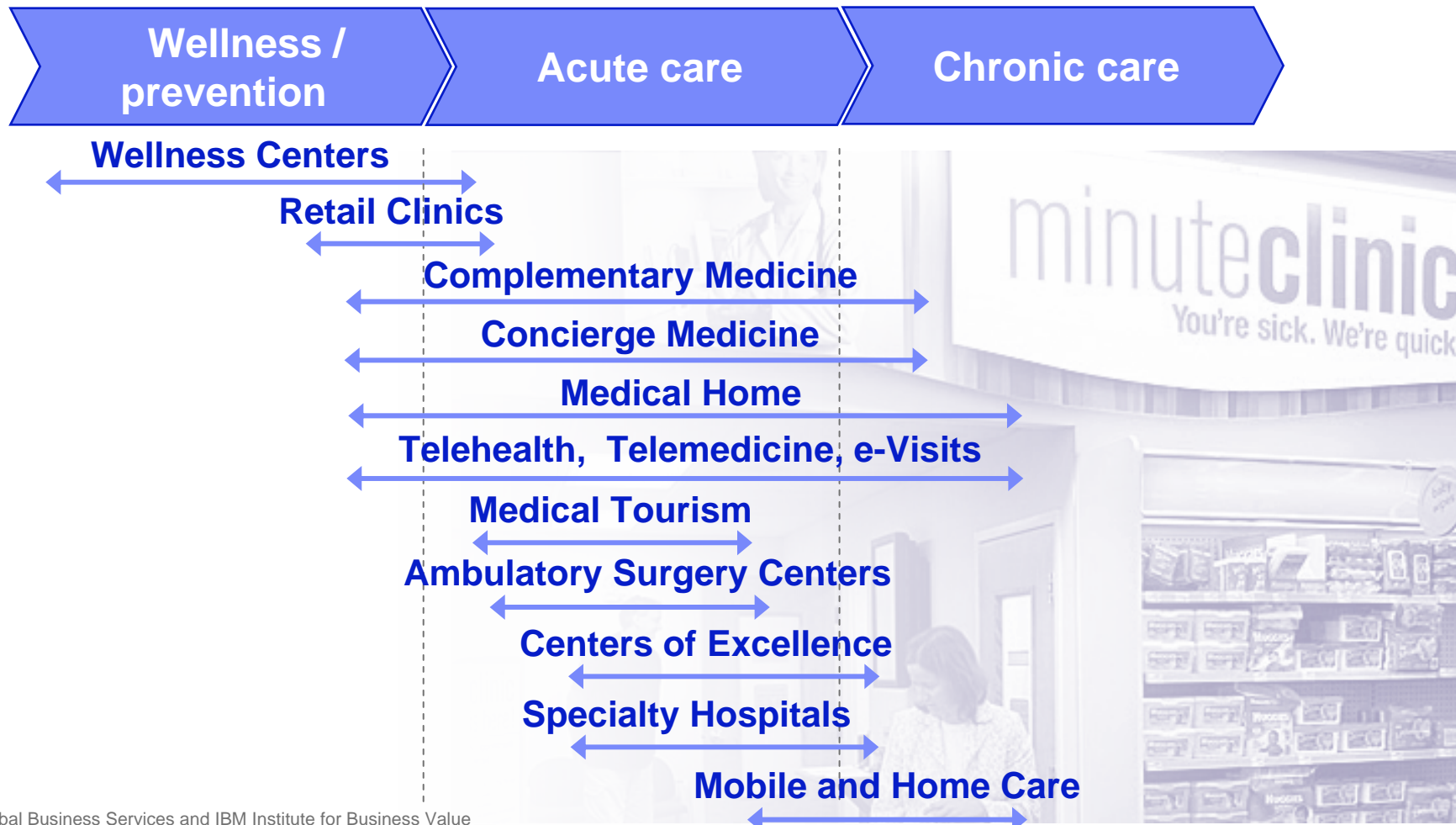
## Roles and responsibilities in helping consumers will need to be clearly defined to avoid confusing overlaps or gaps

	Purchaser / Health Plan	Care Delivery Team (typically led by a doctor)	Hospitals	Other Entities or Associations That Could Provide Help
<b>Personalized Health-related information for better choices</b>	<ul style="list-style-type: none"> <li>Healthy lifestyles education / coaching</li> <li>Prediction of health problems / status</li> <li>Behavioral change</li> <li>Appropriately self-manage disease</li> </ul>	<ul style="list-style-type: none"> <li>Healthy lifestyles education / coaching</li> <li>Prediction of health problems / status</li> <li>Behavioral change</li> <li>Appropriately self-manage disease</li> </ul>	<ul style="list-style-type: none"> <li>Prediction of health problems / status</li> <li>Appropriately self-manage disease</li> </ul>	<ul style="list-style-type: none"> <li>Independent health infomediaries</li> <li>Genetic testing labs</li> <li>Support groups (e.g., ADA, AA)</li> <li>Web 2.0 (social networks, blogs, wikis, etc.)</li> <li>Family and friends</li> </ul>
<b>Receive personalized high-value health services</b>	<ul style="list-style-type: none"> <li>Benefits selection</li> <li>Provider selection</li> <li>Comparative effectiveness</li> <li>Care coordination</li> <li>Help with compliance</li> </ul>	<ul style="list-style-type: none"> <li>Provider selection</li> <li>Comparative effectiveness</li> <li>Care coordination</li> <li>Help with compliance</li> </ul>	<ul style="list-style-type: none"> <li>Care coordination</li> <li>Comparative effectiveness</li> <li>Help with compliance</li> </ul>	<ul style="list-style-type: none"> <li>Independent health infomediaries</li> <li>Support groups or associations (e.g., AARP, ADA)</li> <li>Disease mgmt co.</li> <li>Family and friends</li> </ul>
<b>Financial planning</b>	<ul style="list-style-type: none"> <li>Insurance options (e.g., LTC, disability)</li> <li>Cost comparisons</li> <li>“As is” vs. predictive models</li> </ul>	<ul style="list-style-type: none"> <li>Cost options with health planning</li> </ul>	<ul style="list-style-type: none"> <li>Financing plans for consumer portion of payment</li> </ul>	<ul style="list-style-type: none"> <li>Financial institutions</li> <li>Independent financial planners</li> <li>Independent health infomediaries</li> <li>Family and friends</li> </ul>

Source: IBM Global Business Services and IBM Institute for Business Value

Analysis » New approaches to promoting health and delivering care

# Healthcare models and approaches will need to be coordinated or integrated to meet changing requirements



Source: IBM Global Business Services and IBM Institute for Business Value

Analysis » Global resource shortages

## Longer term solutions to global resource shortages may be painful but must address both the supply and demand and be made in context of desired value dimensions for the healthcare system

### Supply

#### Optimizing limited resources

- Conduct population-based planning
- Develop more of the desired types of clinicians and facilities
- Base care decisions on evidence of clinical effectiveness when it exists and patient preference, not on availability of resources
- Standardize and streamline, automate, delegate and coordinate to improve efficiencies
- Extend capabilities and access through non-traditional delivery channels (e.g. e-visits or telemedicine)

### Demand

#### Addressing the need for healthcare resources

- Activate consumers
- Focus on prediction; prevention; early detection and treatment; and care coordination
- Make rational coverage decisions based on the total costs of prevention or care
- Know what works and properly incent it
- Recognize that some conditions can not be cured regardless of resources applied
- Minimize medical errors and the practice of defensive medicine
- Address the demand holistically by addressing other interdependent factors

Moving Forward

**CDOs may choose among a variety of service delivery models, placing different emphasis on value dimensions such as access, clinical quality, service quality and costs**



Source: IBM Global Business Services and IBM Institute for Business Value

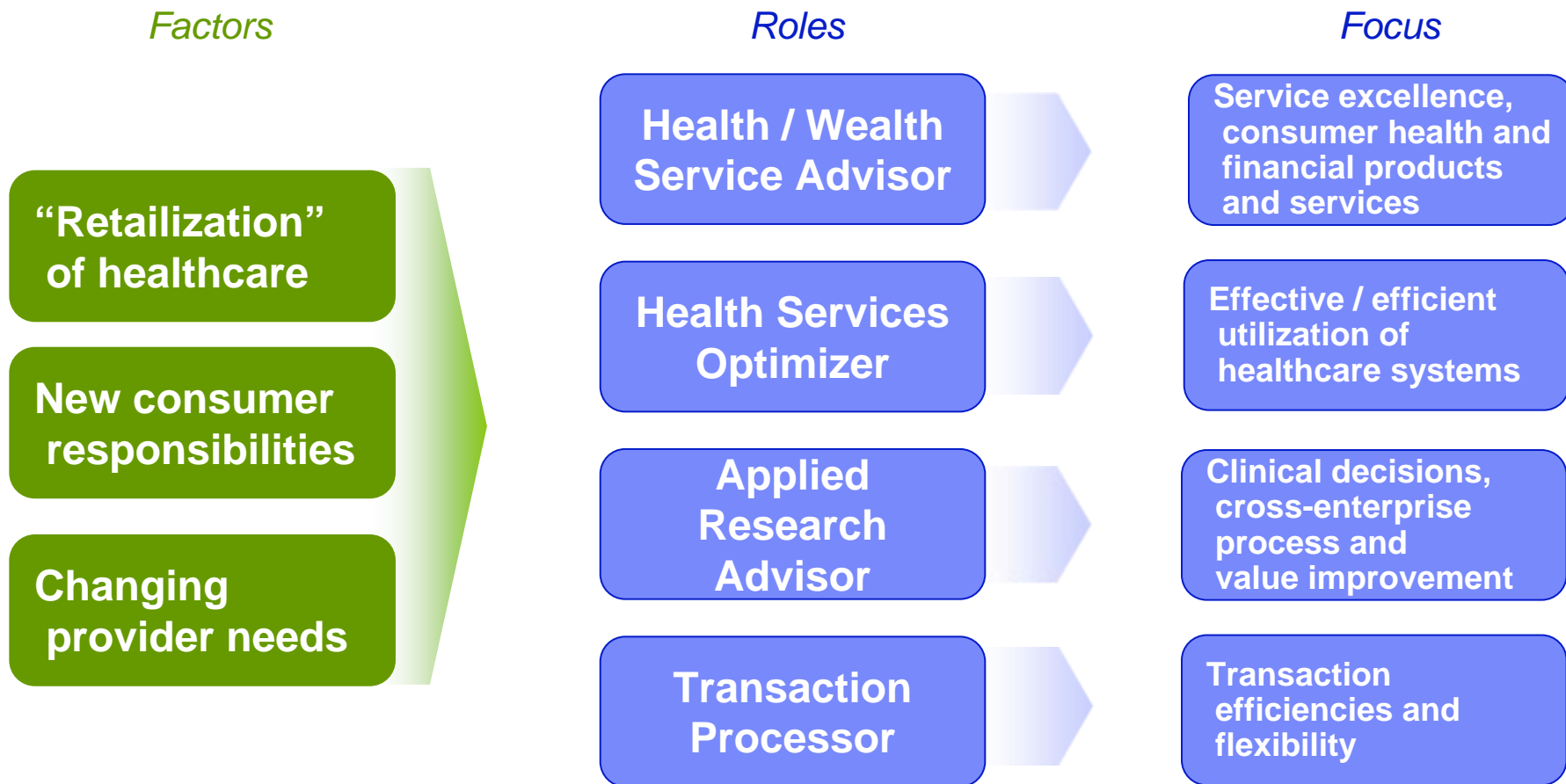
## Although the value dimensions are not new, the focus or emphasis will continue to change

	Historical	Current and Future
<b>Community Health Network</b>	<ul style="list-style-type: none"> <li>Traditional, typically fragmented, physical locations and services</li> </ul>	<ul style="list-style-type: none"> <li>Integrated, non-traditional locations (e.g. home) and services (e.g. prevention / wellness / health promotion)</li> <li>Electronic access and new channels (e.g. remote monitoring, telemedicine)</li> </ul>
<b>Center of Excellence</b>	<ul style="list-style-type: none"> <li>Focus on treating medical conditions at a specific care venue</li> <li>Compete primarily on reputation</li> </ul>	<ul style="list-style-type: none"> <li>Focus on prediction, prevention, diagnosis, treatment and rehabilitation, and ongoing management of certain medical conditions</li> <li>Compete on documented quality and safety</li> <li>Change the definition of and raise the bar for quality through data-driven improvements and innovation</li> </ul>
<b>Medical Concierge</b>	<ul style="list-style-type: none"> <li>Plush, amenity-rich facilities</li> <li>Friendly staff</li> </ul>	<ul style="list-style-type: none"> <li>Comforting, safe, preference-sensitive facilities for patient and families</li> <li>Friendly, empowered (IT-enabled) staff</li> <li>Convenient, electronic access (e.g. registration, e-visits)</li> <li>Patient-friendly administrative processes</li> </ul>
<b>Price Leader</b>	<ul style="list-style-type: none"> <li>Streamlined processes</li> <li>Services centralized for economies of scale</li> <li>Focus on individual productivity</li> </ul>	<ul style="list-style-type: none"> <li>Evidence-based, standardized processes</li> <li>Services performed at most cost-effective setting, fully exploiting IT-enabled capabilities</li> <li>Focus team productivity and on activating patients</li> </ul>

Source: IBM Global Business Services and IBM Institute for Business Value



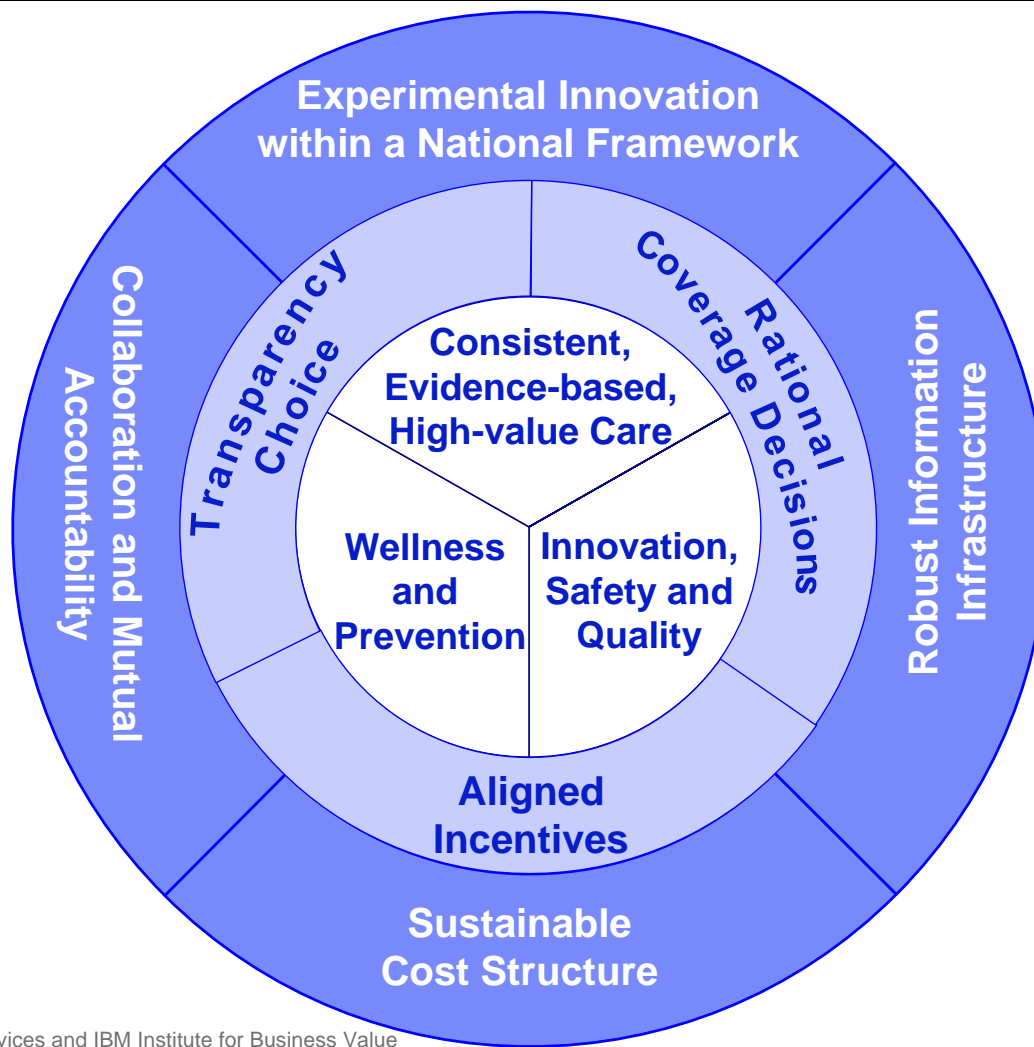
# Health plans may choose one or several of these new roles but may struggle if they try to be all things to all people



Source: IBM Global Business Services and IBM Institute for Business Value

Conclusion

**A transformation framework, implemented through strong leadership and a clear vision, is needed to affect major change.**



Source: IBM Global Business Services and IBM Institute for Business Value



## We must challenge our fundamental beliefs about the US healthcare system

### Truisms?

It's someone else's problem to. I'll "protect my turf" while they fix it.

More money will fix the problem

IT will fix the problem

Benefits for IT-related investments accrue to other stakeholders

The solution to the problem is consistent, high-value care delivery

Everyone should get all the care that he or she wants or needs

All healthcare is local

It's about value, not costs

Market forces don't work in healthcare

This, too, shall pass

### Our Perspective

All stakeholders need to be more accountable and work together

If more money were the answer, we would have solved it by now

We can't fix the problem without IT

That may be true when rewards are based on volumes, not value.

Yes and we also must change consumer expectations and behaviors

We do not have unlimited funding. We must make tough, informed decisions.

Solutions and much of the care will remain local. Competition won't.

Not if you can't afford it

They do – but they are poorly structured

This time, the world is fundamentally different



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Thank you!

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