

Healthcare Innovation NEWS

Transparency Plays Important Role in Value-Based Healthcare Decisions

by David Lim, M.D., PhD

The U.S. healthcare system faces enormous challenges. The traditional system has been under pressure for many years and is in desperate need of reform. Healthcare costs are tracking on a trajectory that is simply not sustainable, more than doubling the pace of inflation over a five-year period.¹

Healthcare operates unlike any other U.S. economic sector. The economy has long been based on a free-market system where competition encourages innovation, rewards winners and drives down prices. Healthcare, with its existing fee-for-service model, does not mirror these economic principles. One key reason is the lack of transparency of true costs and quality of healthcare services—not only for consumers, but also across the healthcare ecosystem, including employers and providers.

Historically, patients who have needed medical care or services are typically directed to a provider with the cost covered by a payer and only minimal contributions for deductibles or other out-of-pocket costs. These situations have prevented consumers from “shopping” for healthcare—as in the case of referrals from their physicians—or have provided little financial incentive for them to do so.

The landscape of healthcare is now evolving toward a new, value-based system. According to the most recent National Business Group on Health study of large employer benefits, more than a third of employers only offer high-deductible health plans (HDHPs) to their employees and their dependents.² Advanced benefit designs, such as reference-based pricing, are also emerging.

(continued on page 5)

IN THIS ISSUE

- 1 Transparency Plays Important Role in Value-Based Healthcare Decisions
- 1 An Optimist's Outlook on Consumer Health Tracking
- 2 Making A Case For Healthcare Innovation: Nurse Leader Rounding
- 4 Creating a Healthcare Culture of Innovation
- 8 Thought Leader's Corner: What is the Future of Population Health?
- 10 Industry News
- 11 Catching Up With.... Lyle Berkowitz, M.D.

An Optimist's Outlook on Consumer Health Tracking

by Phil Beene

The more individuals are empowered to make a difference in their own health, the better. In a nutshell, that is the value that consumer health tracking tools, the popular smartphone apps and trendy wearable tracking gadgets seen everywhere, contribute to population health.

This seems straightforward enough, but the real vision behind engaging individuals with tools that compel them to track aspects of their own health status, fitness and lifestyle habits has deeper implications than might be apparent on the surface. The innovators behind this brand of gadgetry might have much greater value than imagined, beyond meeting sales quotas or trending in the App Store.

Lifestyle Tracking Apps Come in Various Models

Activity tracking apps are the ones most people immediately think of when they talk about health and fitness apps, those that use built-in smartphone sensors like the GPS and accelerometer to track and map a daily run. There also are apps that run all day in the background of phone tracking all of a person's movements, such as the Moves app.

These are “passive trackers” because they don't require a user to open the app and push start and stop for each specific activity. Moves can decide on its own if a person is walking, running or cycling, again avoiding the need for direct interaction from the user and providing a passive experience. These apps are continually generating data.

Exercise is far from the only game in health tracking. There are countless food journaling and diet tracking apps as well. MyFitnessPal, the largest of these apps, is “powered by a community of over 65 million,” according to its profile provided by CrunchBase, a comprehensive dataset of startup activity. That's a lot of people whose decisions are likely being affected at one point or another by an app they felt compelled to seek out for themselves.

(continued on page 3)

Creating a Healthcare Culture of Innovation

by Andrea Simon, Ph.D.

At a time when the need to respond to dramatically changing times is particularly acute, the pressure is on for the once staid and stable world of healthcare to develop a new found culture of innovation. A common question during CEO workshops we conduct is: "How many of you have innovative cultures in your companies?" Most of the hands go up. That question is followed by, "How many can share one recent company innovation?" Over and over again, a few CEOs timidly raise their hands. More often, few can describe a major innovation.

The dilemma poses a challenge to companies. The pharmaceutical industry faces unintended consequences of new therapies. Hospitals are trying, each in their own way, to reinvent their value, from buying and managing medical groups to reducing emergency room visits to keeping people out of the hospital. No simple task. And with the advent of ICD-10 standards and electronic medical records, companies that supported the old world of handwritten records must stand up to the daunting task of re-imagining themselves.

Regardless of the segment or industry, organizations know the culture of the past won't get them where they need to be in the future. But how can they actually make the leap and create a more innovative culture?

Why Do Organizations Have Cultures?

Human beings live in herds. That is how they survive and how they get things done. Today's culture provides each different herd with core values, beliefs and behaviors. This culture is the basis of the language and symbolic meaning shared with others in the same herd. An organization is really a collection of department herds that have an integrative common "tribal" culture, differentiating them from others. Far too often, the emphasis is on "the way something is done" without examining whether it is the best way to do it.

Ironically, as times change, as they are for healthcare today, organizations are realizing that the way they have done things in the past might have been right for then but are wrong for the future. Hence, there is a need to become more innovative and more importantly, to become a more innovative culture.

Types of Corporate Cultures

There are many nuances to different cultures, but they tend to fall into four major types, as described in *Diagnosing and Changing Organizational Culture*.¹

- **Hierarchy.** The focus is on harmonious internal function with strong processes and procedures and top-down decision-making. This is a very controlling, stable and predictable culture.
- **Clan.** The focus is on collaboration and cohesion with strong emphasis on human development and teamwork.
- **Ad-Hoc.** These are creative cultures that foster innovation, transformation and agility. They are about idea generation and value-empowered individuals and self-reliant teams.
- **Market.** These are organizations that are highly competitive, hard driving and results-focused and are very externally focused on the competition and trends in the marketplace.

These different cultural styles each have value, and some of the most effective organizations understand how to balance their business models incorporating all four. Their cultural balance is key to their success.

These organizations can enable ideas to emerge and encourage innovation, yet do so with a focus on successfully delivering results with effective teams and great processes.

Building a New Future

The following are steps to help organizations create a new future:

1. **Diagnose the culture.** Out of the work of Kim Cameron and Robert Quinn comes an excellent yet simple tool to help people diagnose their corporate culture: the Organizational Cultural Assessment Instrument (OCAI).² Every member of an organization should take the 15-minute OCAI survey online (www.ocai-online.com) to capture how employees see their culture today and how they would prefer it to look in the future. Once completed, the survey produces an excellent culture map of an organization and a shared vision of where most employees want to go or not go in the future.
2. **Develop a process to guide culture change and outline a company's journey toward achieving that change.** One warning: This is a team activity.
3. **Choose leaders and determine who will become key cultural transformers.** Putting organizational development and human resources staff at the head of the effort is critically important to the success of the culture change process. Buy-in by the entire organization, from executives on down the line, is crucial. Everyone must believe change is possible.
4. **Create a story about today's culture.** Stories can help companies visualize their current culture.

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(continued on page 5)

Creating a Healthcare Culture... *continued from page 4*

5. **Envision the future and create goals.** The result should lead to an emerging consensus about how to become a different and hopefully, a more innovative culture. For the process to work, the team has to outline the actions they will take to create change—or in some instances, retain what has proven successful.
6. **Generate actionable ideas and convert ideas into innovations.**
7. **Encourage creative problem-solving.**
8. **Help people in an organization learn new skills to adapt to changes.**
9. **Take action, analyze choices, tweak ideas and proceed.** Culture change is a journey. Unfortunately, what an organization envisions might not always be what is really needed.

Creating a culture of innovation can happen, but it takes time and focus. Culture isn't incidental; it is the fundamental foundation for how people gather, get along and get things done. In changing times, however, organizations *must adapt* or their herds might very well not survive.

¹ Cameron KS, Quinn RE. *Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework*. Revised Edition. January 2011.

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Transparency Plays Important Role... *continued from page 1*

Both HDHPs and reference-based pricing require transparency into the cost and quality of healthcare. Transparency needs to be offered in a way that all stakeholders—consumers, employers, providers and payers—can pinpoint opportunities to eliminate wasteful healthcare spending and improve quality outcomes.

Paying the Most to Get the Least

There is [shockingly wide variation in pricing](#) for healthcare services in the United States today. Variation holds true within or across networks of providers, in any given region or state or within the same city. It is also the case for so-called “commodity” services, such as advanced imaging and lab services.

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More mystifying, a consumer may find that price has no correlation to quality or outcome. In one example, the highest cost for pregnancy and delivery in the Chicago area would have placed a patient into the lowest tier in quality. Meanwhile, the lowest cost—almost \$12,000 less—would have resulted in a patient delivery experience in the top tier.⁴

The question is: What can be done to provide all stakeholders in healthcare the ability to access, understand and act upon truly transparent data to improve healthcare costs and quality?

Personalized Information for Better Decisions

As transparency takes hold, it will be important to advocate not only for access to data, but also to ensure that the data presented are easy to understand and act upon.

Some transparency solutions show consumers a price range for various healthcare services. Some report this information with a bit more specificity—for example, a price range for various services under a particular plan or geography.

This is not as helpful as it could be. Consumers might learn where the provider they selected falls in the array of prices, but that doesn't create a transparent, competitive shopping environment based upon value—the ability to find the highest quality care at the most affordable cost.

Emulating consumer-friendly shopping models found in sectors such as retail, Castlight Health has created a comprehensive, technology-based platform. It gives consumers transparent, real-time cost and quality data that is highly personalized and immediately actionable, making it easy for employees to shop for healthcare services.

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(continued on page 6)