COMPETITION, CONSUMERISM AND CHOICE

Building a Better Healthcare Market

David W. Johnson, CEO

HEALTHCARE WARS
THE MARKET FORCE AWAKENS

American People

Medical Empire

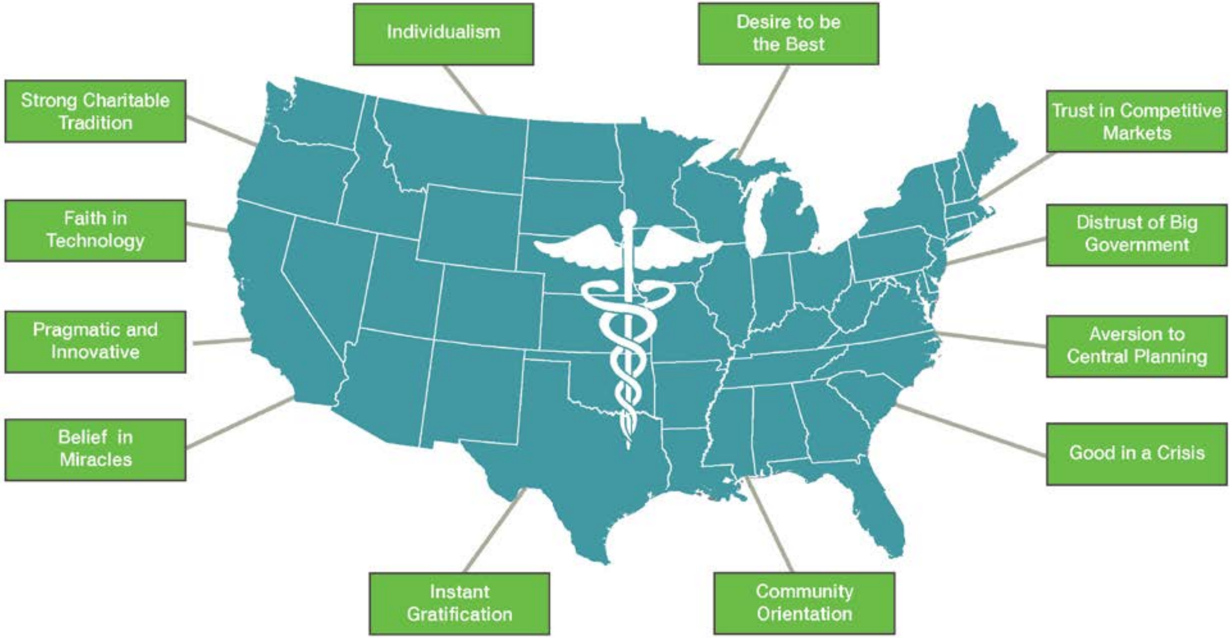
THREE QUESTIONS

("Yes" or "No" Answers Only)

DISCUSSION AGENDA

- American Exceptionalism
- Inconvenient Truths
- This Time is Different
- Value Rules
- Banner Days

AMERICAN EXCEPTIONALISM SHAPES U.S. HEALTHCARE



EXPENSIVE / INNOVATIVE

COMMUNITY-ORIENTED

INDIVIDUALISTIC

FRAGMENTED

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INCONVENIENT TRUTHS

"America's healthcare system is neither healthy, caring, nor a system."

- Walter Cronkite

1. ARTIFICIAL ECONOMICS
2. MASSIVE ASSET BUBBLE
3. ECONOMIC DRAG
4. FRAGMENTED AND BRITTLE
5. EMPATHY GAP

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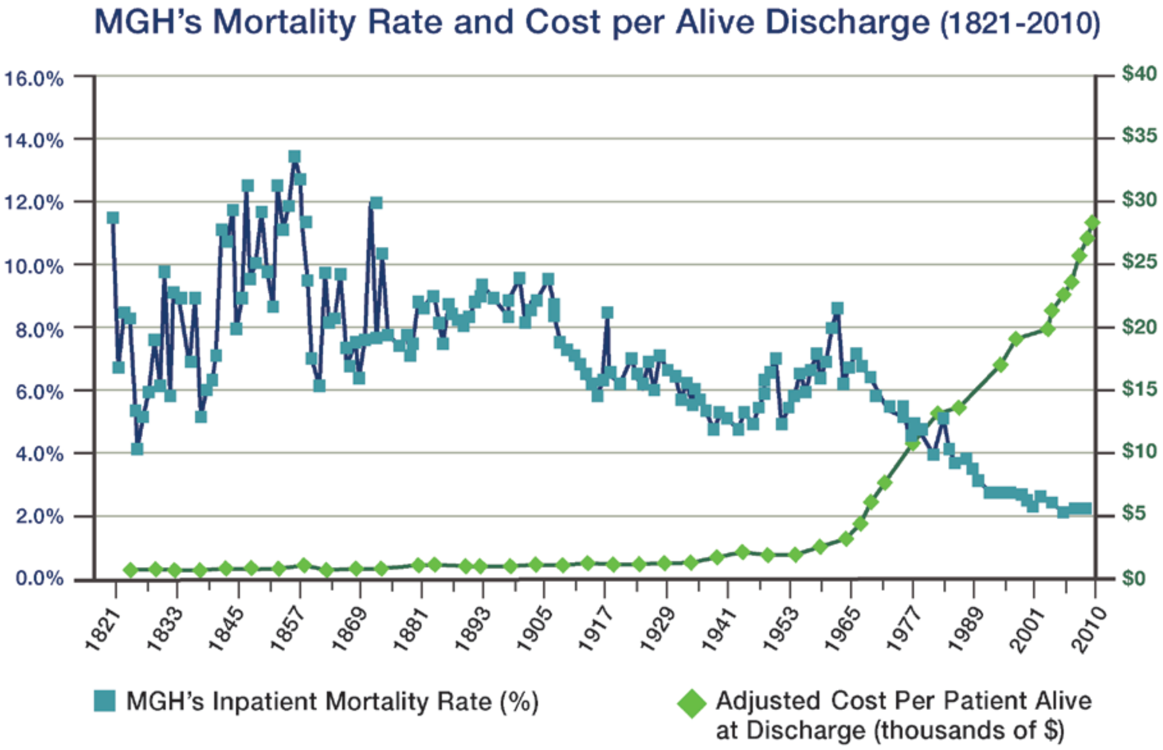
TRUTH #1: ARTIFICIAL ECONOMICS



MORTALITY VS. COST

INFLECTION POINT

ROEMER'S LAW

HOSPITAL DEATHS

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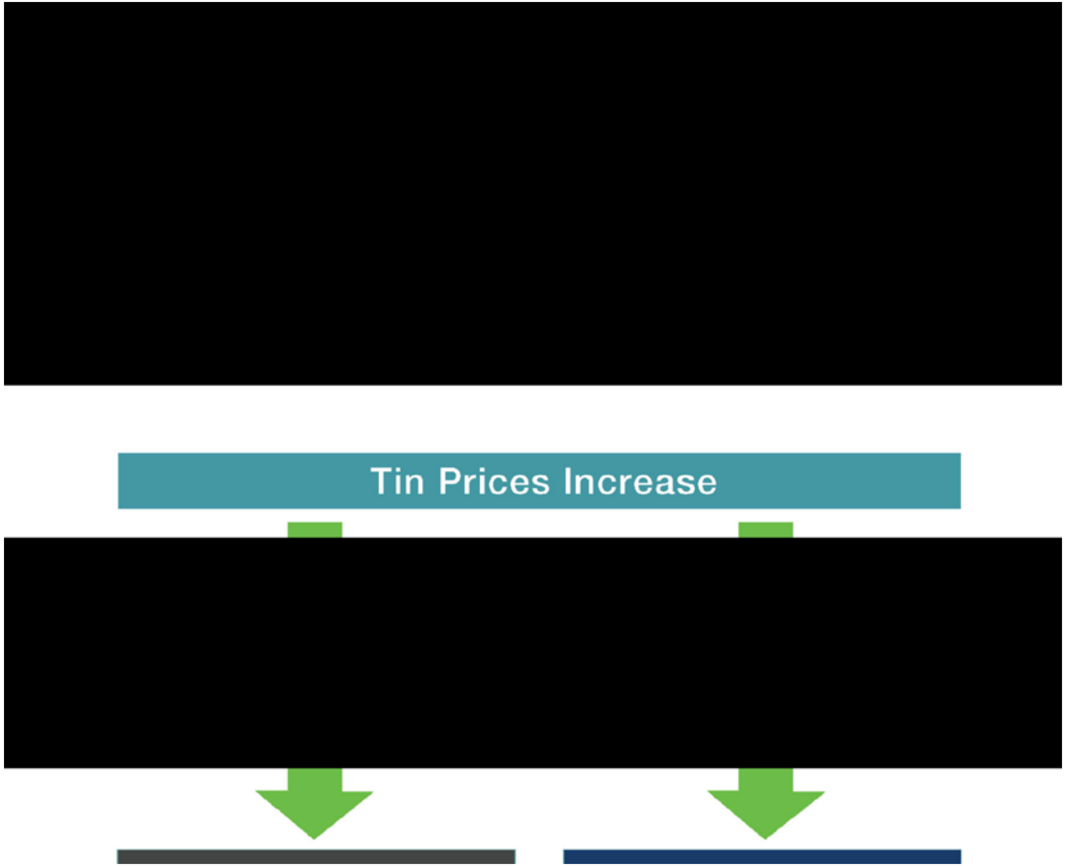
CAPITALISM vs. MARKET SOCIALISM



POST-WAR DEBATE

FRIEDRICH HAYEK

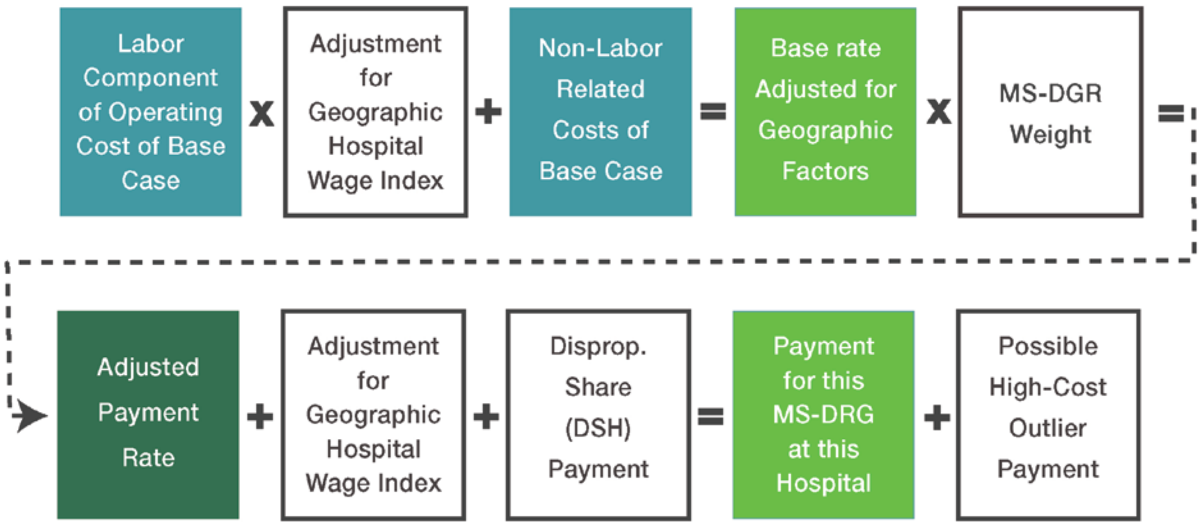
PRICES

MEDICARE EPIPHANY

SUPPLY-DRIVEN DEMAND

Algorithm for Calculating Medicare's Acute Care Inpatient Payment

(For a Case with Full Lengths of Stay)



Source: *How Medicare Sets Hospital Prices: A Primer*, Uwe E. Reinhardt

- MACRA
- CENTRALIZED / FORMULAIC
- TRANSACTION-BASED
- HIGH VARIATION
- PRODUCTIVITY PARADOX

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FUZZY HEALTHCARE MATH

Revenues	(Flexible)
- Expenses	(Less Important)
= Margin	

FEE-FOR-SERVICE REIMBURSEMENT

REVENUE CYCLE

COST ACCOUNTING

COST MANAGEMENT

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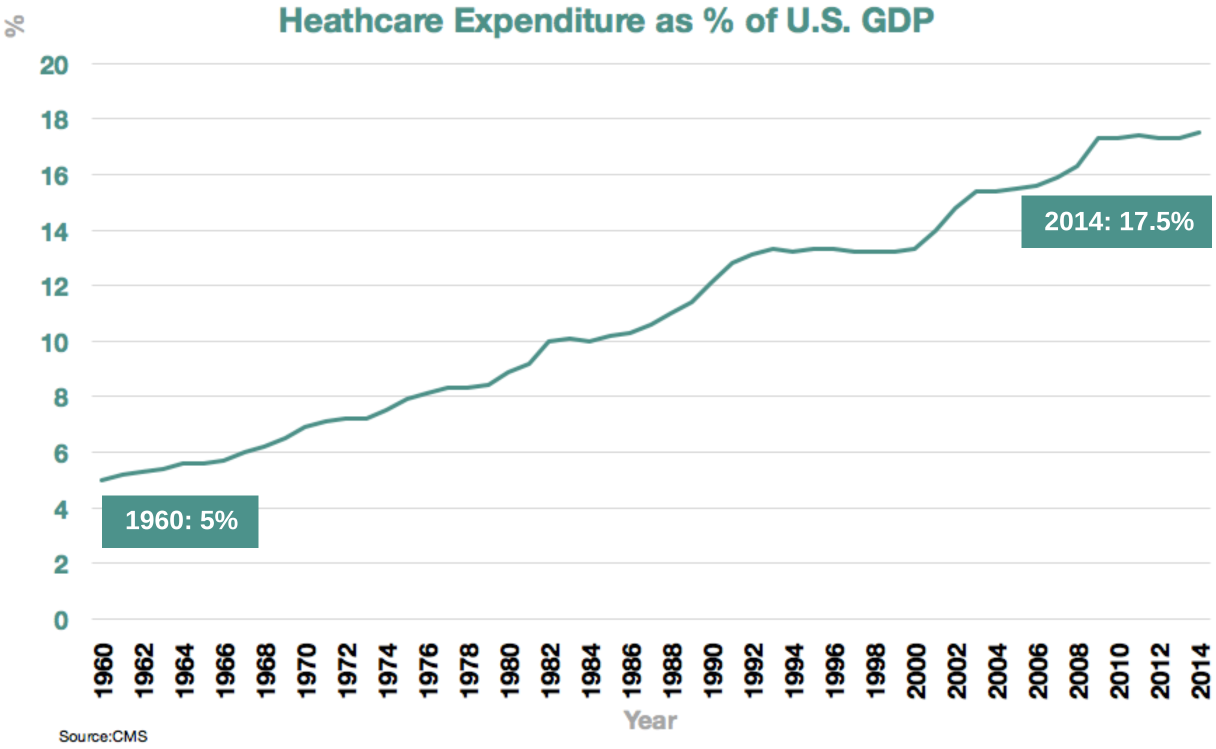
IMPACT



ARTIFICIAL GROWTH

PRODUCTIVITY DISCONNECT

“CROWDING OUT” EFFECT

FORECAST

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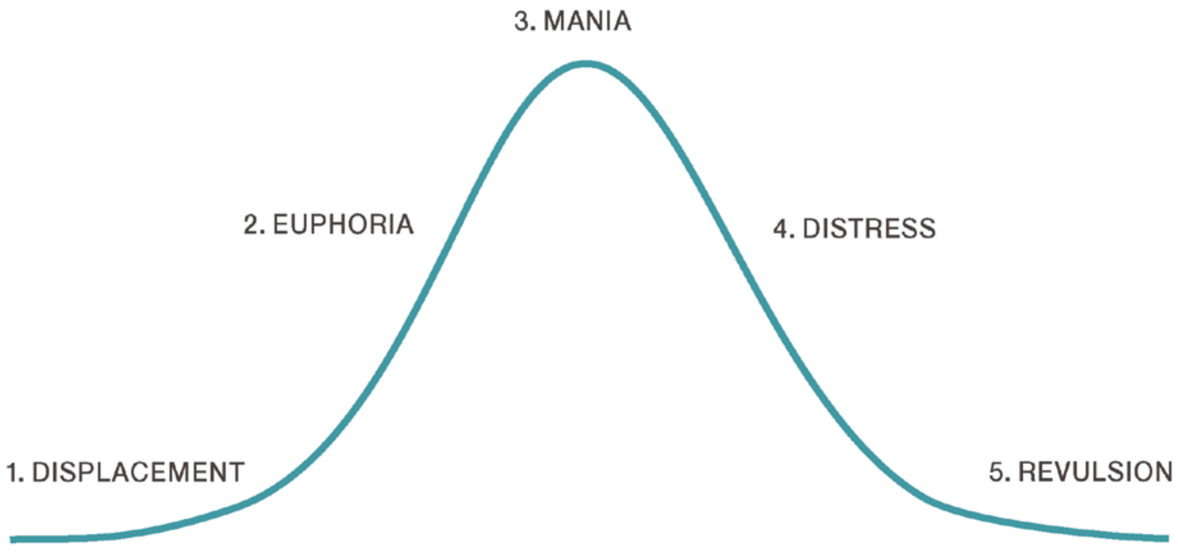
TRUTH #2: MASSIVE ASSET BUBBLE



Source: *The Ascent Of Money*, Niall Ferguson

5 STAGES

TECHNICAL

EMOTIONAL

BEHAVIORAL

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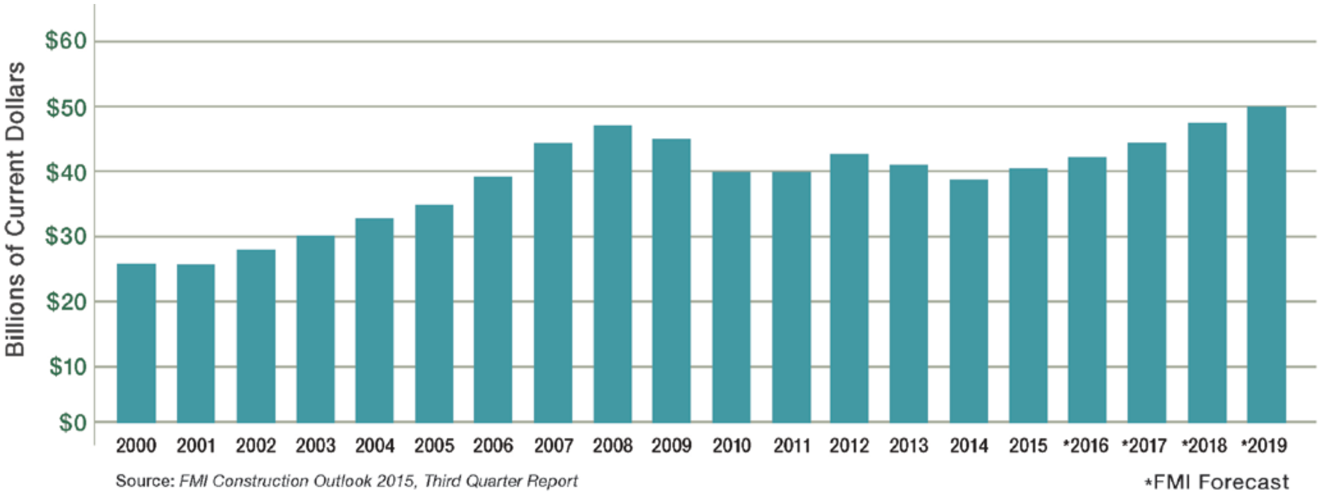
ANNUAL HEALTHCARE CONSTRUCTION SPENDING
(2000-2019)



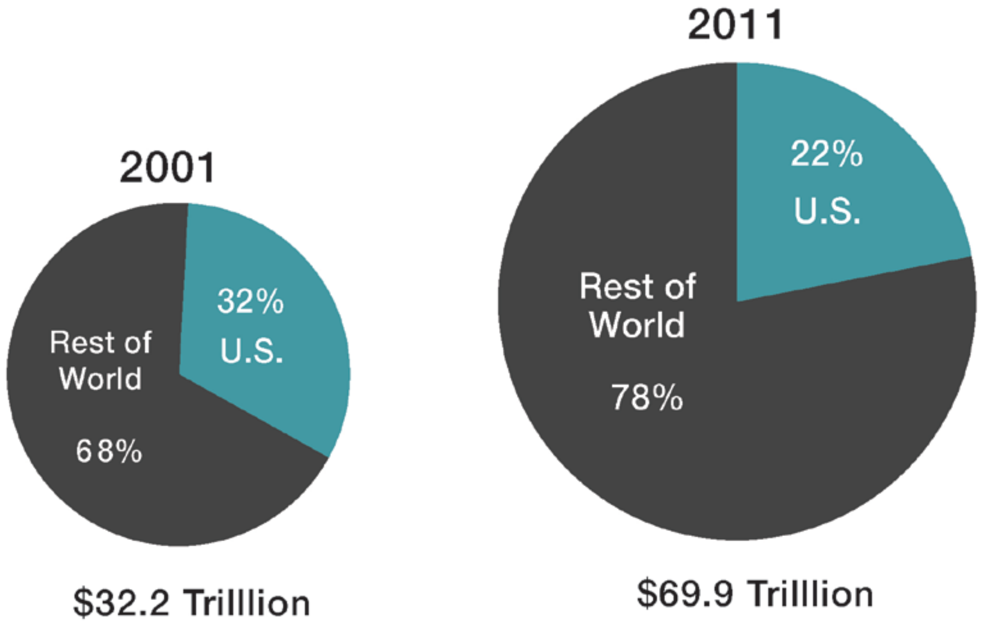
OVER-SUPPLY

OVER TREATMENT

ARTIFICIAL SCARCITY

SKEWED DISTRIBUTION

TRUTH #3: ECONOMIC DRAG



Source: The World Bank

GLOBAL TRENDS

HEALTHCARE ANOMALY

GUNS OR BUTTER

BOOM OR BUST

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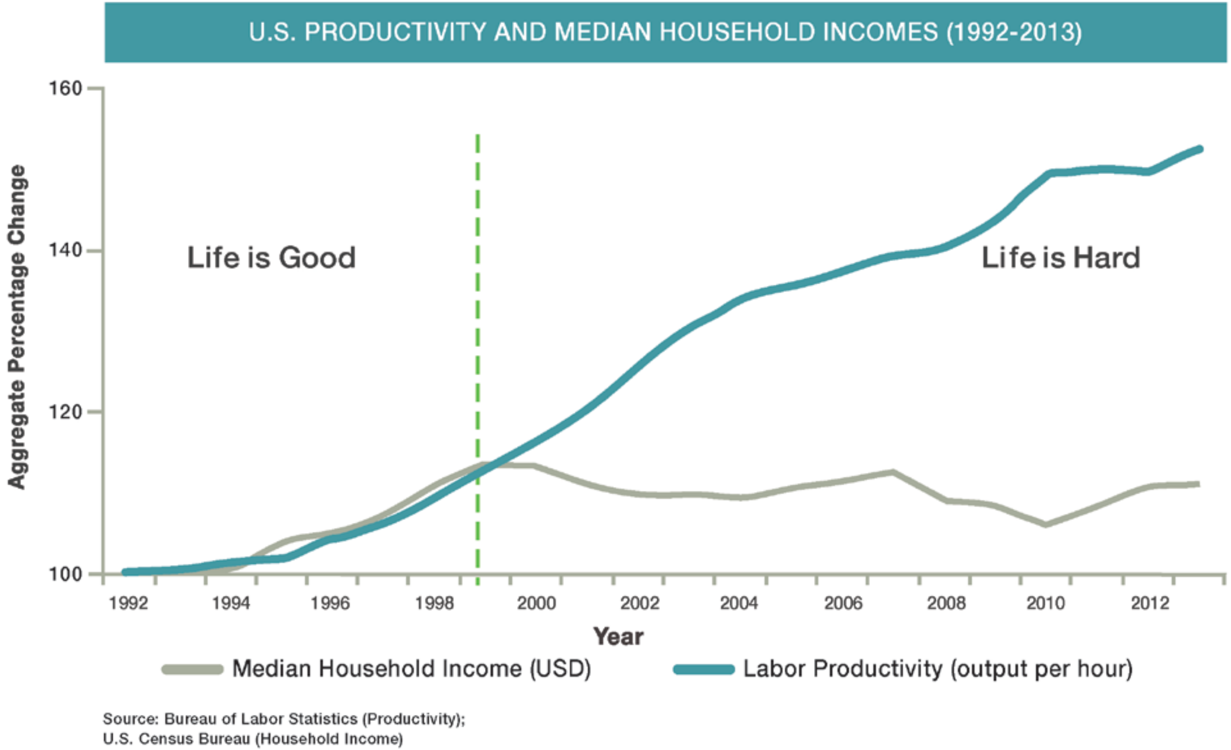
STAGNANT WAGES



WAGE-PRODUCTIVITY CORRELATION

INFLECTION POINT

GLOBALIZATION

HEALTHCARE EFFECT

TRUTH #4: FRAGMENTED AND BRITTLE

HIGH VARIATION

PAROCHIAL

POOR TRANSITIONS

WASTE

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FRAGMENTED SYSTEMS BREAK EASILY AND CATASTROPHICALLY

TORTILLA RIOTS

HIDDEN LINKAGES

BREAKS AND PARACHUTES

HEALTHCARE BREAKAGE

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TRUTH #5: EMPATHY GAP

The true moral test of society is how it treats those in the dawn of life, the children; those in the twilight of life, the elderly; and those in the shadows of life, the sick, needy and handicapped.

- Hubert Humphrey

TWO STORIES

39 WEEKS

HOSPICE

MENTAL HEALTH

CHRONIC DISEASE

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THIS TIME IS DIFFERENT

GOVERNMENT

CORPORATIONS

CONSUMERS

SMART MONEY

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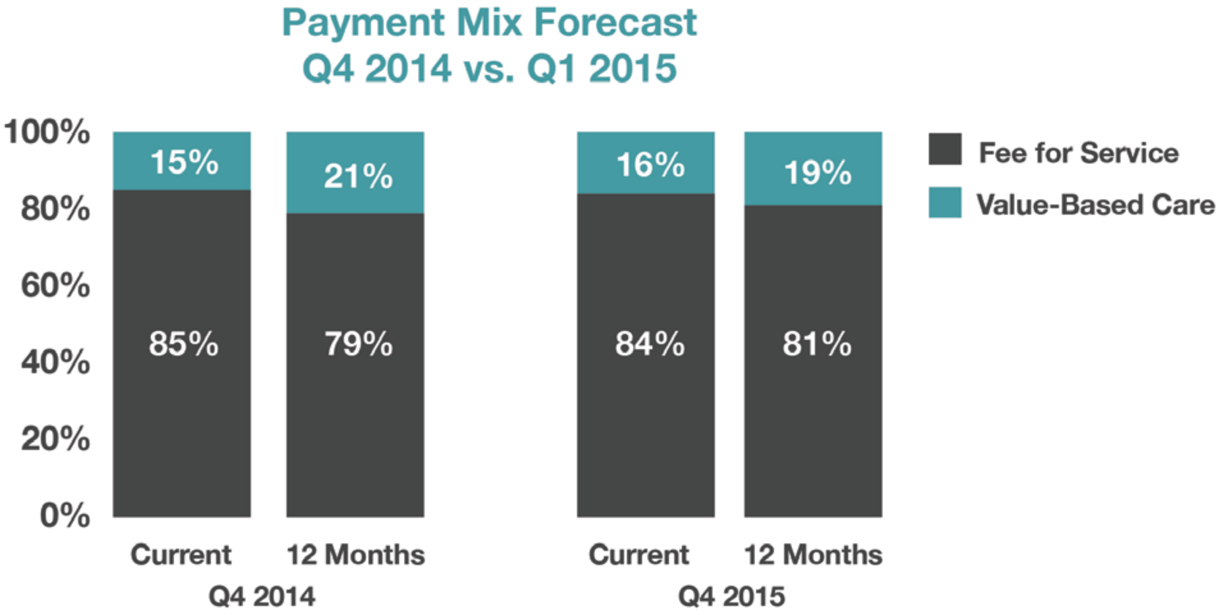
OLD PLAYBOOK: STILL WORKING?



Source: Strategic Survey Q1 2015 H2C and Health Management Academy

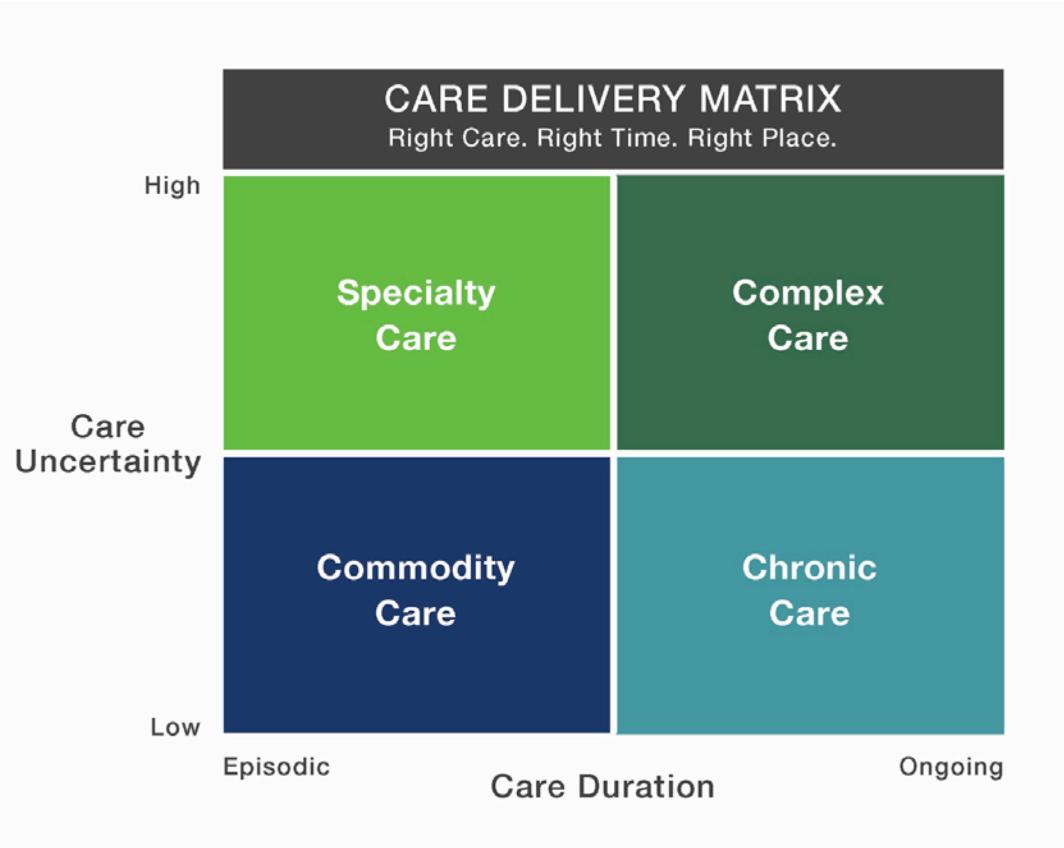
Supply-Driven Demand

↑ Hospital Employment

↑ Facility Construction

↑ Healthcare Inflation

EMERGING REALITY



UNIQUE BUSINESSES

NEW COMPETITORS

HOLISTIC SOLUTIONS

DIFFERENTIATION

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MEET THE DISRUPTERS

"We always over-estimate the change that will occur in the next two years and under-estimate the change that will occur in the next ten. Don't let yourself be lulled into inaction."

- **Bill Gates**
  The Road Ahead

FOCUSED FACTORIES

RELATIONSHIP-BASED PRIMARY CARE

RETAIL CLINICS

ASSET-LIGHT PROVIDERS

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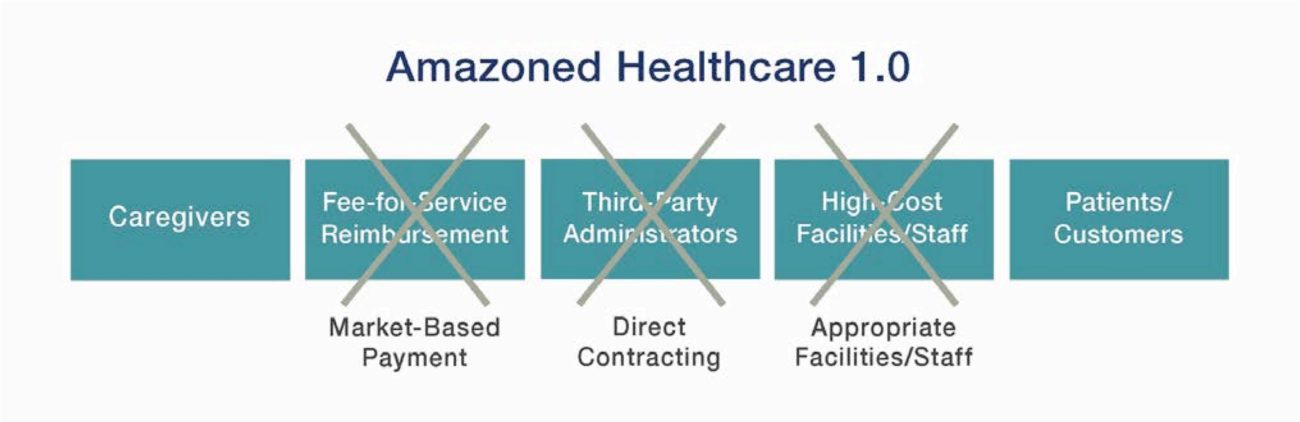
ACCELERATING PACE OF CHANGE



NEW MODELS

TRANSPARENCY

CONSUMERISM

CREATIVE DESTRUCTION

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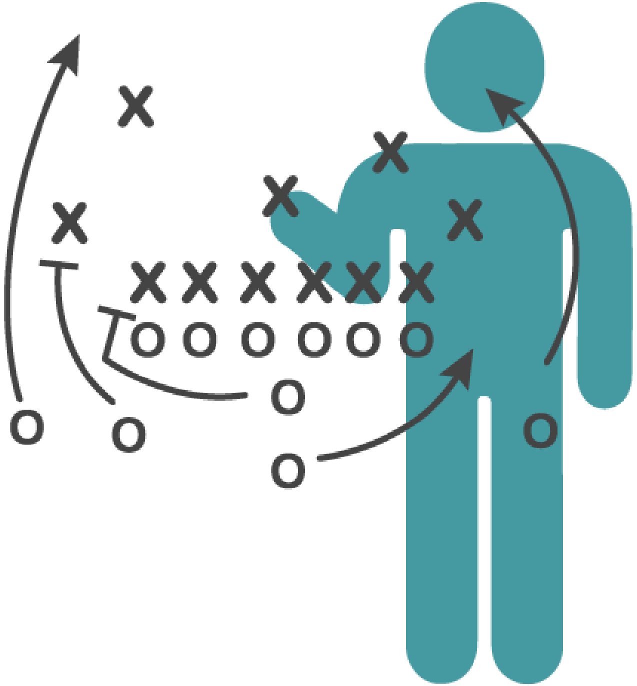
VALUE RULES



"You have to learn the game's rules and play them better than anyone else."
– Albert Einstein

1. QUALITY IS JOB 1
2. CARE EPISODES, NOT TREATMENT CODES
3. PRICE MATTERS
4. DATA IS AS DATA DOES
5. IT'S THE CUSTOMER, STUPID!

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RULE #1: QUALITY IS "JOB 1"

FORD

IF NOT QUALITY…

CLINICAL OUTCOMES
CARE MANAGEMENT

224 TO 2000+
LIVES SAVED

RULE #2: CARE EPISODE, NOT TREATMENT CODES

PHYSICIAN HOSPITAL RADIOLOGIST ANESTHESIOLOGIST POST ACUTE CARE

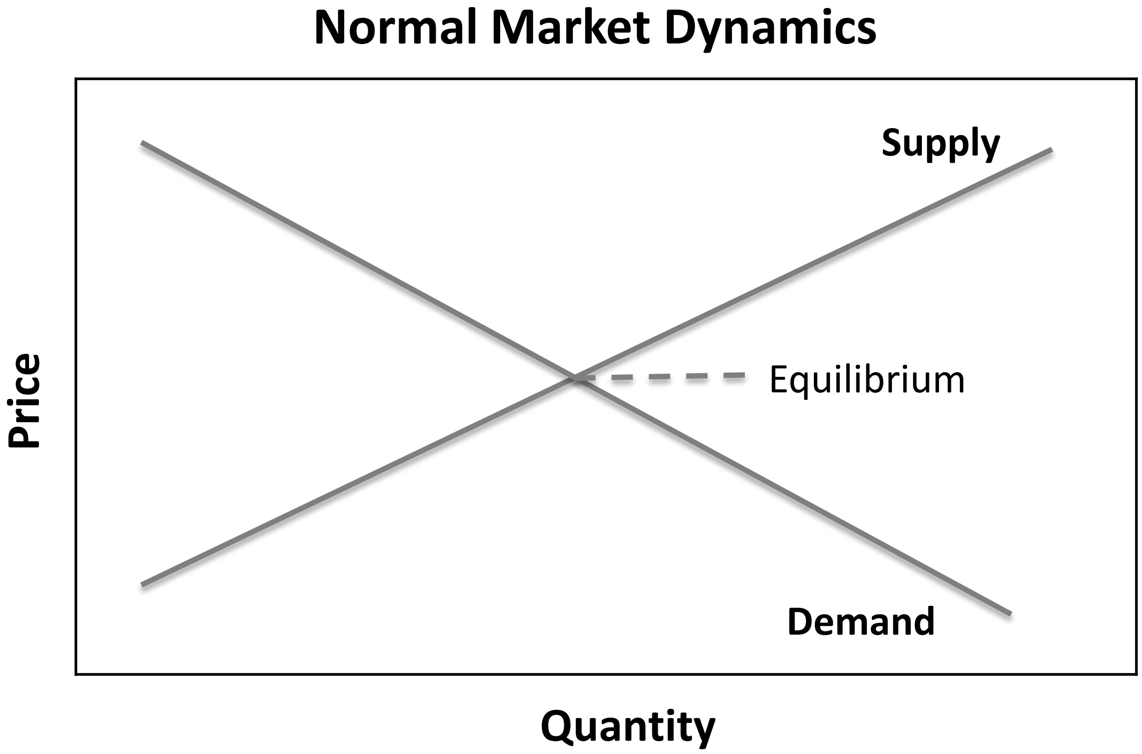
OUTCOMES

TRANSPARENCY

BUNDLES

IT TAKES AN ORGANIZATION

RULE #3: PRICE MATTERS



NORMALIZING MARKET

RISK SHIFT

UBER UP

MIND THE GAP

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REAL ECONOMICS

FUZZY MATH	
Revenues	(Flexible)
- Expenses	(Less Important)
= Margin	
Getting Paid	

NEW MATH	
Revenues	(Inelastic)
- Expenses	(Essential)
= Profit or Loss	
Creating Value	

REVENUE OPTIMIZATION

COST ACCOUNTING

PERFORMANCE IMPROVEMENT

BETTER OUTCOMES / LOWER COSTS

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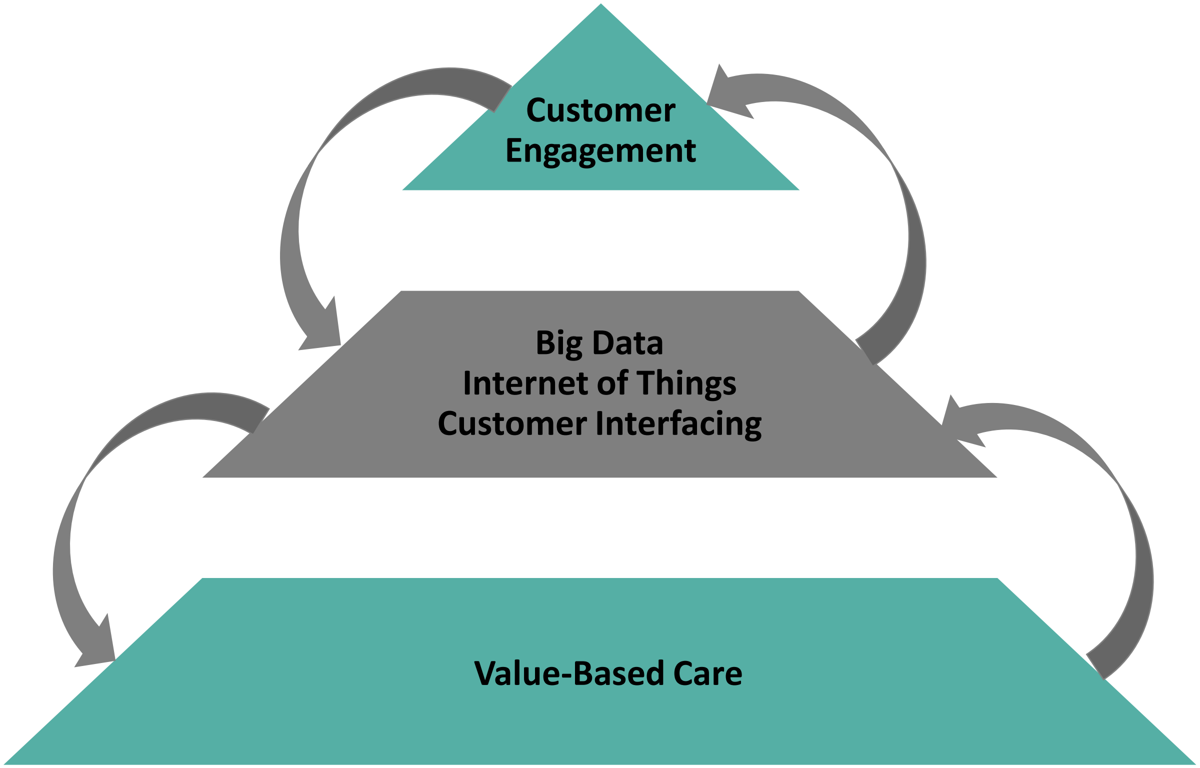
RULE #4: DATA IS AS DATA DOES



LITTLE DATA

BIG DATA

CONVERGENCE

BE CAREFUL

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RULE #5: IT'S THE CUSTOMER, STUPID!

"The purpose of business is to create and keep customers."
- Peter Drucker

CHASING COLONOSCOPIES

SHARED DECISION-MAKING

SECOND OPINIONS

JOHN POWERS

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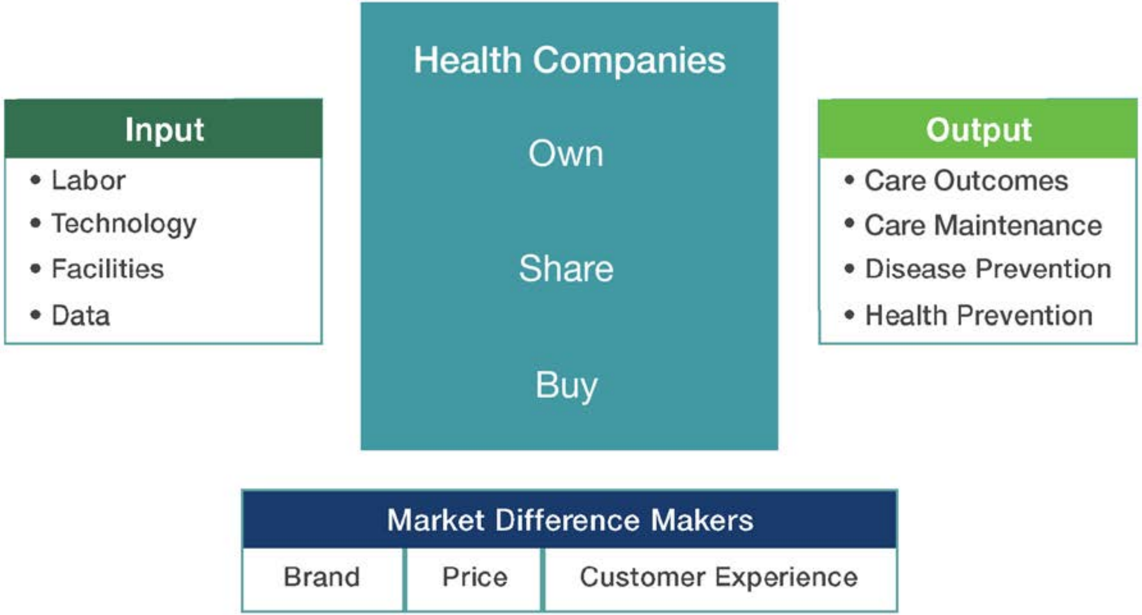
VALUE = BETTER OUTCOMES = WINNING



MEDICAL DECISION-MAKING

REVENUE OPTIMIZATION

COST ACCOUNTING

COMPETITIVE ADVANTAGE

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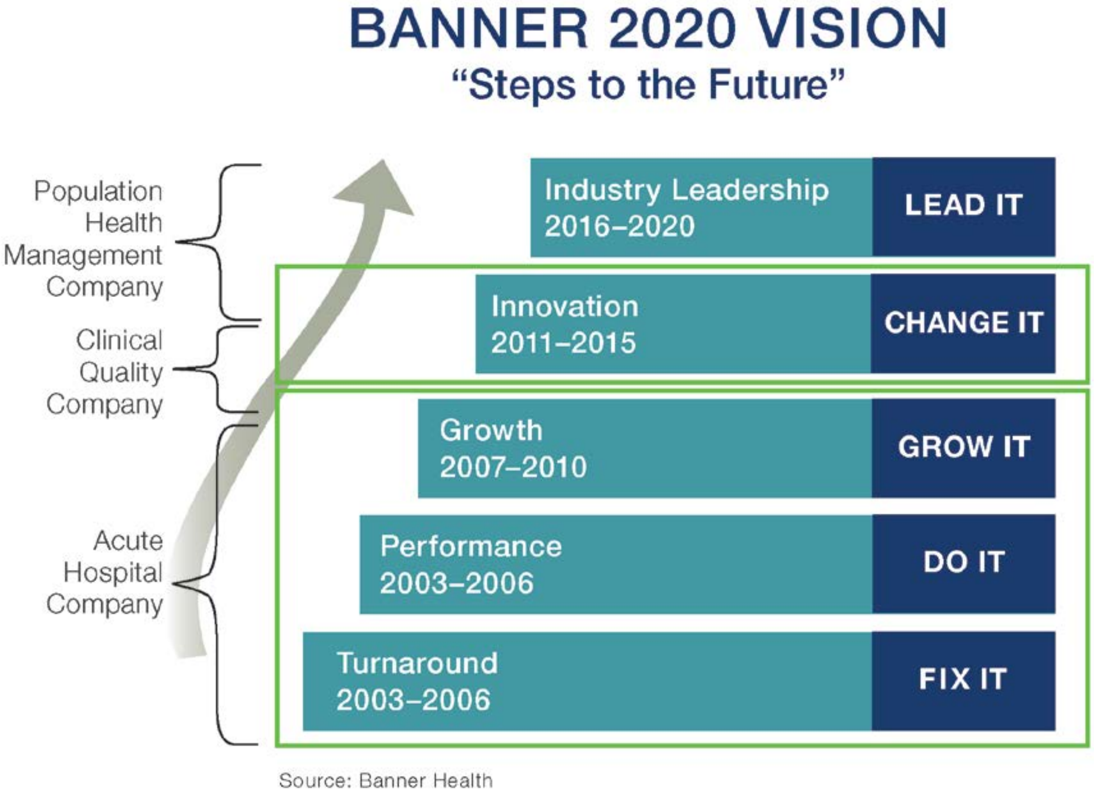
BANNER DAYS: PUTTING IT TOGETHER



ORIGINS

GOVERNANCE

CLINICAL QUALITY

POPULATION HEALTH

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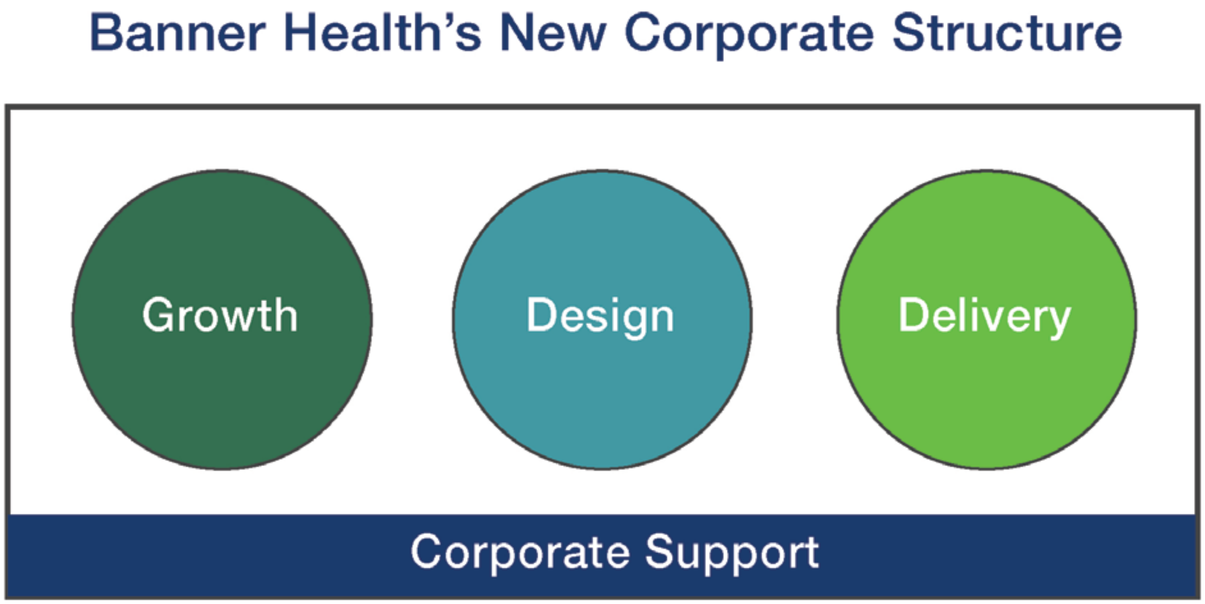
BANNER 2020



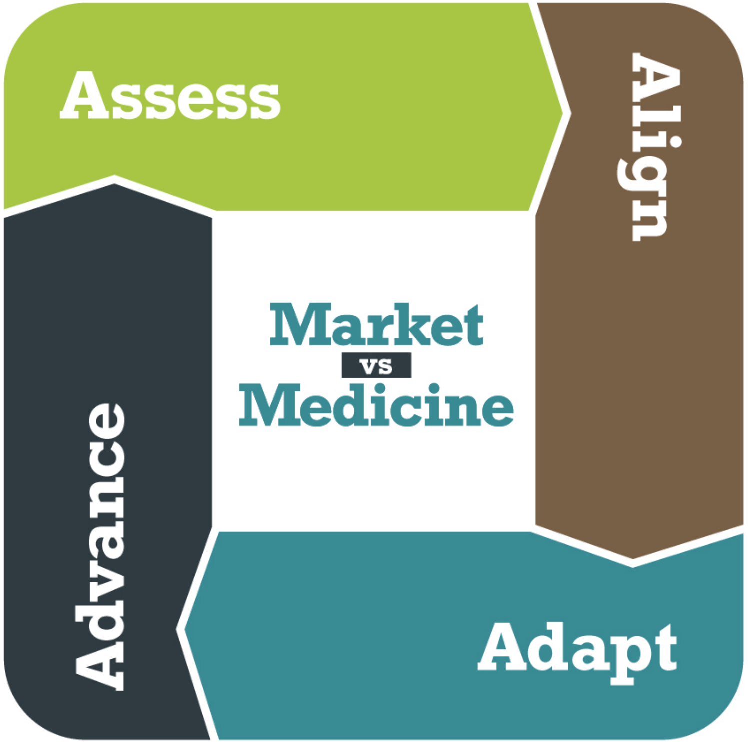
SALES

PRODUCTS

MANUFACTURING

CONSTANT IMPROVEMENT

IMAGINE BETTER HEALTHCARE



CLINICAL OUTCOMES

CARE MANAGEMENT

DAUNTING REALITY

NATURE'S CRUEL TRICK

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OUTCOMES MATTER. CUSTOMERS COUNT. VALUE RULES.

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