Why This Time May Be Different

• Middle Class – Still satisfied with own care, but increasingly concerned about
  “Security of Coverage” and rapidly increasing “Personal costs” (Premium, co-pay, deductibles up 73% 2000-2006)
• Business [Employer Based Insurance] is looking for exit strategy
• State experiments – start with increasing coverage, delay controlling costs
• Accounting for Retiree Health – tips municipal, state balance sheets into the “Red”
• Medicare continues toward trust fund bankruptcy
Health Care Reform

Sustainable universal coverage is possible **only** with matching control of health care expenditures (to parity with GDP and/or wage increase)
Changing the Language of Medicine

The Following Three Phrases:
1. “The United States has the best health care system in the world”
2. “Health care is special”
3. “New is better”

Are increasingly untenable and unbelievable (Emanuel)
Changing the Shape of Medicine

1. Rise of “Consumerism”
2. Decline in Professional Control
3. Impact of Information Technology on “Productivity”
   • Deskilling “jobs” to increase labor productivity
   • Increasing productivity of “knowledge workers”
4. Two Fastest Expanding Functions
   • Chronic disease management (85% of care)
   • End of Life Care (social support systems)
5. Impact of Advances in Medical Science
   • Increased precision in both diagnosis and treatment
   • Applied earlier in disease process (before symptoms) or at earliest stage of disease
Changing the Metrics of Medicine

FROM

P4P, High PHS, EMRs, Safety

TO

Quality, Efficiency → Value → Productivity

- Labor productivity
- Total factor productivity
Changing Speed of Economic Innovation
Changing Speed of Economic Innovation

**FIGURE 1-6 Four Phases of Three Economies**

<table>
<thead>
<tr>
<th>INDUSTRIAL ECONOMY</th>
<th>INFORMATION ECONOMY</th>
<th>MOLECULAR ECONOMY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q1 SCIENCE</strong></td>
<td>Electrical engineering, chemistry</td>
<td>Biology, nanoscale science, materials science</td>
</tr>
<tr>
<td><strong>Q2 TECHNOLOGY</strong></td>
<td>Steel plants, oil, electrical equipment</td>
<td>Genomics, proteomics, nanotechnology, agent-based models</td>
</tr>
<tr>
<td><strong>Q3 BUSINESS</strong></td>
<td>Automobiles, consumer durables, skyscrapers</td>
<td>New media, information technology services, portals</td>
</tr>
<tr>
<td><strong>Q4 ORGANIZATION</strong></td>
<td>Command and control, hierarchy, “scientific management”</td>
<td>The Adaptive Enterprise</td>
</tr>
</tbody>
</table>

Future developments
Changing Business Models

1. Changes to paying for results which moves from zero sum to positive sum (Porter and Teisberg)

2. Disruptive Innovation – “Crucial” role business model innovation plays in disruptive innovation (Christensen and and Grossman)
The Gathering Storm

1. Steve Schroeder – “A Saga of Paradise Lost”

2. Uwe Reinhardt – “Academic Medicine’s Financial Accountability and Responsibility”


4. Rosemary Stevens – “Medical Specialization as American Health Policy”
Modernizing the Structure and Operation of Health Care Delivery

“Building a Better Delivery System”

• Wellness and Prevention
• Primary Care
• Chronic Disease Care
• Procedural Medicine
• Catastrophic Medicine
Transforming Education and Training

1. **Education** – from Bio Medical Foundation to System Foundation – systems design, team care, continuous adaptation

2. **Training** – from extended training in narrow specialties, sub-specialties – to shorter more flexible training with “intense short courses” for specific and constantly evolving special skills

**Coordination with Education and Training of Less Skilled Personnel (Substitution)**

Care is “specified” in detail and information technology becomes pervasive, more functional and cheaper, and demographic demands of chronic care, frail elderly, end of life increases need for larger workforce

**Education and Training includes:**
- Employer Base Training (TPS)
- Short courses
- Community college
Strange Bedfellows Developing Converging Health Care Reform Plans

1. From Wholesale to Retail
   (Portable, Consumer Choice from Regional Exchanges)

2. National Oversight by Semi-Independent Agency
   (Health Federal Reserve – with a little SEC added, FEHBP for All, and Comparative Effectiveness Function)

3. Transition from Employer Funding to Government Funding of Basic Benefit or Mix of Government, Employer, and Individual Funding