

Building a Vision for the Future of Healthcare

2010 Healthcare Forum Brief

Sponsored by the Graziadio Alumni Network and the Center for
Applied Research at the Graziadio School of Business and Management

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Overview

The Graziadio School of Business and Management convened its first annual Healthcare Forum with the directive to explore how achieving better patient outcomes, improving patient affordability, and maintaining corporate profitability can build a better future for today's healthcare system. David H. Murdock, chairman of the Dole Food Company and advocate for healthier lifestyles, launched the forum with remarks on the value of wellness and prevention. Following his keynote, forum participants were separated into three roundtables organized by the following specialties: healthcare providers; insurance and physician groups; and biotechnology and pharmaceutical companies.

Prevention as a Healthcare Strategy

According to the U.S. Department of Health and Human Services (HHS), chronic diseases such as heart disease, cancer, and diabetes are responsible for seven out of 10 deaths each year in the U.S., and account for 75 percent of the nation's health spending.¹ As part of its efforts to combat behavior that can contribute to these diseases, including tobacco and alcohol use, poor diet, and lack of exercise, the HHS recently announced a \$250 million investment in prevention and public health programs.

David H. Murdock is an outspoken proponent for wellness. At the age of 87, he is enjoying the health and energy found in men decades younger. He makes no secret to the key to his good health: eating right and exercise. He is the publisher behind *The Dole Nutrition Handbook: What to Eat and How to Live for a Longer, Healthier Life* and is also founder of the David H. Murdock Research Institute (DHMRI) at Duke University. Currently the Institute is fielding the MURDOCK study, a ground-breaking longitudinal study that applies the latest biotechnology to link genetic data to disease risk and outcomes. Researchers are focusing on high-impact diseases, including cancer, heart disease, high blood pressure, and obesity, among others. To date, the study has gathered information from

4,000 men and women.

Murdock's remarks challenged forum participants to consider the positive economic impact proper health and preventative care could have on healthcare today.

Can Healthcare Recover?

From the growing numbers of the uninsured to the growing costs of healthcare premiums, today's healthcare system is confronted by numerous challenges. The Patient Protection and Affordable Care Act, signed into law in March 2010, is part of systemic healthcare reform in the U.S. However, it remains to be seen if reform will serve to address current challenges or add to them.

Shirley Suda, area medical director with Kaiser Permanente, says when the physicians in her medical group are asked about healthcare reform, there's a diversity of opinions. "I think you have to go back to what was the reason for passing a healthcare legislation. It's to address some very serious deficits within our healthcare," says Suda. Among those challenges, she adds, is the fact that 50 million Americans currently do not have access to healthcare. Suda also points to the escalation of healthcare costs and a growing impression that the care delivered in the current system is lacking in quality.

There is also the challenge of balancing public need, particularly from the indigent, with the needs of the healthcare organization to ensure overall quality of care. Wendy Songer, director of Clinical Operations at UCLA Mattel Children's Hospital, cites the struggle to emphasize preventive care to patients in order to decrease the demand for emergency room care. Thomas Priselac, president and CEO of Cedars-Sinai Health System, adds that in addition to uncompensated emergency care, healthcare providers are also faced with under-compensated care. "In the state of California, MediCal payments are, on average, probably 65% of what [healthcare] costs," says Priselac. "At places like Cedars-Sinai and UCLA, that number's probably 40% of the cost because of the higher-cost services that are delivered in institutions like ours. The impact on the

emergency department is, in part, a reflection of the larger system failures that we've had that hopefully health reform will address."

Finally, there is the challenge that Americans want quality care but at an affordable price. Dennis Weinberg, co-founder of health insurance company Wellpoint, Inc., says, "The best stuff costs money, and the great thing about our healthcare system is we have the best stuff. The thing is we don't want to pay for it." Vice President of HR Benefits at AON Consulting, Crystal Hover, agrees. "If something goes wrong, I want the best care, and I don't care if the doctor's in the network." However, according to Hover, this has been a fundamental shift from what employer-sponsored benefit was initially meant to be, which was providing very basic coverage, to what is expected by employees of coverage today.

Improving Patient Outcomes

A recurring theme for many forum panelists, and which was first touched on in the evening's keynote address, was the need to focus on preventive care to increase patient health while reducing expenses. From her perspective at Kaiser Permanente, Suda recommends stressing immunizations, screening for diseases, and encouraging disease management for chronic illnesses like diabetes, congestive heart failure, and asthma. "If we want to be able to deliver better care in a much more cost-effective manner, it's prevention and disease management," she says.

According to Suda, Kaiser Permanente has set strategic goals to help its patient population be healthy, stay healthy, and attain health. "For example, around being healthy, we align our goals around cancer prevention or cancer early detection. We set our goals as an organization and then we measure how we do, and then we always increase the goal on an annual basis."

Immediacy is another way to improve patient care states Songer. At UCLA, administrators are actively investigating how to cut down on the amount of time patients wait to see a doctor. "We had to streamline processes so that the

physicians were doing their job...seeing the patients." Even scheduling a time to see a doctor is a challenge as Songer cites the average wait to see a pediatric neurologist nationwide is six months. For UCLA, says Songer, "We have had to do a lot of looking within to be sure that we're as efficient as possible."

Once admitted into a hospital, patients still face health risks. Steve Leatherman, president of Sandel Medical Industries, cites that approximately 200,000 people in the U.S. die annually due to preventable errors in hospitals. Cedar-Sinai's Priselac explains that its organization's incentive performance measurement system addresses improving quality of care. "We have a particular campaign to deal with the issue of hospital-acquired infections," he says. "I'm pleased to tell you that in the five of the last eight months, we've had zero central line bloodstream infections in the entire institution, not just in the individual units, in the entire institution, and it does demonstrate that it can be done." The other issue is ensuring a continuum of care after the patient is discharged to avoid re-admission. "Congestive heart failure is probably the best example," says Priselac. "Nurses, and other kind of outreach, work with patients to make sure that they understand when they get home what the orders were, what the prescriptions might have been, and they have the social support system in order to implement it."

Looking ahead to the future of patient care, CEO of PersonalCare Physicians Troy Medley sees a growing trend in concierge medicine. "We're trying to fix the way healthcare is practiced and delivered," says Medley. "We are taking physicians out of the traditional rat-race factory approach to medicine, where they have 3,000 to 4,000 patients and they have to see 30 to 40 of them a day." In comparison, PersonalCare Physicians see 350 patients, approximately five to six a day. They work with their patients to develop a health and wellness plan, with the end goal of preventing the patient from getting sick in the first place. "It is ironically a revolutionary concept," says Medley, "and it goes against the grain of the entire system."

Improving Affordability

Even as recently as 10 years ago, according to Hover, employers were not as concerned with the cost of healthcare insurance as benefits were typically commoditized and separated. The dramatic rise in healthcare costs forced employers to take a more critical look at benefits and what is driving up costs. "An unhealthy employee can cost you an awful lot of money," says Hover. Subsequently, employers are now looking at wellness services – many which are outside of traditional health plans – to address this issue. "I think things have evolved to a point when we realize that the wellness and preventative aspect of things is just critically important," says Hover. What's more, according to Suda, through more technical record keeping, employers can have a clearer understanding of where their healthcare dollar is being spent. "It's really through the power of the electronic medical record that you're able to get that information and be able to show an employer what they're spending, why they're spending it, and what they can do in their organization to be able to improve."

Leatherman also puts the onus on companies to work smarter and not simply pass on increased costs to consumers. "I think for us as proprietors, we all have to be a little quicker, a little faster, a little more nimble than in the past," he says. "The burden is on us to make sure that we're smarter in how we do business." He challenges hospitals and insurance providers to take a more strategic approach in their decision-making process, taking a look at long-term consequences for short term gains.

Marta Newhart, vice president of Communications and Public Affairs at medical device and supply company Covidien agrees. "So a nurse will choose a \$50 dollar suture or staple over \$400 surgical glue," says Newhart. "Well, what happens is 10 years later when that patient comes back for another operation, all their internal organs are glued together, because we didn't use an anti-adhesion thing that keeps them all apart. So while they save \$400 now, it's actually going to cost them tens of thousands of

dollars in the future." She adds, "Spend a little now, save money later."

Maintaining Corporate Profitability

With such an intense focus on cost-cutting, will healthcare organizations still be able to make a profit in the new world of healthcare reform? Weinberg reminds us that the managed care industry is a 25- to 30-year-old business model, beginning in the mid-'80s when many states passed laws that allowed selective contracting between insurance companies and physicians. "Most lifecycles of businesses are shorter than that," he says.

Five years from now, Weinberg predicts a more commodity-related system with thin margins. "There will be very little to differentiate one product from another, one company from another, and that couldn't be more different than how managed care companies operated 10 years ago."

Concierge care specialist Medley offers a similar prediction. "I think that in five years, the healthcare system will be a lot like the education system." As such, there will be a public system subsidized by tax dollars and then a private market for individuals who choose to pay more to invest in a private physician.

Companies may have to look increasingly overseas for new business as well. Covidien's Newhart reports that 40 percent of her organization's sales comes from outside the U.S. According to Michael Baldrige, who serves as senior director of Global Marketing Planning at Baxter U.S., his company is looking in places that they hadn't been before in order to expand business. "Successful and life-altering drugs that have been made available in Western Europe and the United States are now being looked at for the Far East and also for South America," he says.

New healthcare reform may also bring an added consequence of new patients who formerly were uninsured. Brendan Teehan, executive director of Oncology Marketing at Amgen, observes: "Underinsured and

uninsured patients will be entering the healthcare system in ways that they haven't even existed as an addressable population over the past several decades. So between now and 2018, we're expecting to see an influx of new patients. We have to prepare for that as well, because that's certainly an opportunity to treat people who have not been treated thus far.”

According to the U.S. Bureau of Labor Statistics, healthcare will make up 19 percent of all salaried jobs added to the economy over a 10 year period ending in 2014.² What’s more, many of the occupations projected to grow the fastest originate from healthcare.

Looking Ahead

The Graziadio School is committed to facilitating ongoing discussion on the future of healthcare as part of its mission to foster knowledge that impacts both society and business positively. In addition to this inaugural Healthcare Forum, the Graziadio School in association with its Graziadio Alumni Network will host a series of ongoing forums on topics critical to business growth such as Emerging Technologies and Trends in Middle and Late Stage Venture Capital.

For more information regarding this and other forums, please contact the Graziadio Alumni Office at gsmalum@pepperdine.edu or (310) 568-5639.

¹ Sebelius Announces New \$250 Million Investment to Lay Foundation for Prevention and Public Health, June 18, 2010; www.hhs.gov/news/press/2010pres/06/20100618g.html

²High Growth Industry Profile: Health Care, United States Department of Labor, U.S. Bureau of Labor Statistics, 2006-2007 Career Guide to Industries.

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About The Graziadio Alumni Network

The Graziadio Alumni Network (GAN) is a free membership organization operated by the Graziadio School of Business and Management. Comprised of alumni, students, business professionals, and business owners, GAN is actively at work enhancing the Graziadio School's connections to the business community at large. There are formal GAN Leadership Councils in Los Angeles, Orange County, and Northern California. Learn more at www.bschoool.pepperdine.edu/alumni.

About the Center for Applied Research at the Graziadio School

The Center for Applied Research supports the mission of the Graziadio School of Business and Management to develop values-centered leaders and advance responsible business practice. The Center was established to enhance thought leadership that addresses actionable best practices and challenges facing a rapidly evolving global marketplace. It fosters high quality applied business research and raises the visibility of the Graziadio School and Pepperdine University among the academic community, while nurturing collaborative and interdisciplinary research in applied scholarship.

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