Collaborating and Innovating in the New Healthcare Era

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Executive summary

In U.S. healthcare today, providers and payers work largely in silos, viewing each other with mutual suspicion. In addition, data administration and sharing has been slow to move into the electronic world, and physician behavior varies widely in treatment and documentation practices. To operate effectively in a new healthcare universe that includes health insurance exchanges, integrated care, performance-based payments and automated practices, payers and providers must become more transparent, accountable and innovative, while increasingly entrusting outside partners to address gaps.

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A *New Yorker* magazine article from August 2012 suggested that the healthcare industry take notes from the Cheesecake Factory chain of restaurants.[1] Every day, the chain uses highly orchestrated production practices, working closely with outside vendors and other partners to create high-quality, low-cost, linen-napkin meals for thousands of satisfied customers. The healthcare equivalent would deliver "a range of services to millions of people at a reasonable cost and with a consistent level of quality," the article's author, Atul Gawande, wrote. "Big chains thrive because they provide goods and services of greater variety, better quality and lower cost than would otherwise be available. Size is the key."

The healthcare industry functions in ways that oppose what makes bigger better. What makes the Cheesecake Factory work so well are factors like close, organized cooperation and communication between numerous players; administrative integration; technological innovation; group-wide standardization; and customer-focused creativity. But that's not how healthcare operates. Healthcare providers and payers today work largely in separate silos and view each other with mutual suspicion. In addition, data administration and sharing has been slow to move into the electronic world and lags behind other industries; physician behavior varies widely in treatment and documentation practices; and it's not unusual for a patient, who generally has little idea about what a visit costs, to wait 20 minutes in a waiting room, filling out new sets of forms for each visit with a new doctor.

Becoming a relationship business

Each level of healthcare must work begin to work more closely together. It starts with pairing at the financial and clinical leadership at one end. It then runs through to data technologists, banking partners and physicians. And it finishes on the other end where health-plan members — and every health industry employee who works with them — have better access to more detailed information. Transparency and accountability between partners, open communication and sharing of goals and growth plans are the new norms in the next era of coordinated healthcare. So how will the industry get there?

The mandates of accountable care organizations (ACOs) will go a long way toward promoting cooperation between payers and providers. ACO requirements, such as data sharing and offering incentives for better care at lower costs, are crucial to shortening the cost curve and driving efficiencies. There are already 162 private ACOs operating in 45 states. Coordinated healthcare like this manifests most directly in data collection and sharing. To achieve higher-quality care, providers need the bigger medical picture for patients: which kinds of specialists they're seeing, and for what kinds of problems, what other diagnoses they may have, or if they've used emergency services. Payers, too, want information so that they can be better prepared from an underwriting standpoint. Advance information about when members have made appointments or scheduled surgeries would give payers better information for a more robust payable/receivable process.

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Benefitting from a broader perspective

The advantages of data integration are myriad. Providers can better understand the relationship between clinical care and financial performance. Payers can more accurately review performance and make rewards under bundled-payment systems. And hospital clinicians can, without having to sift through paper charts, quickly see a detailed picture of a patient's current medications to avoid incompatible treatments.

Trust and transparency will also need to include outside partners to handle the pieces of the integrated puzzle that healthcare groups don't have the expertise to handle. In this environment, exceptional service delivery becomes crucial for every single participant. "As we partner with firms, we try to develop a trusting relationship — and that requires transparency, accountability, resources. It requires us to be open, too, with our needs and expectations," said Bill Robinson, senior vice president and CFO at Florida-based healthcare system UF Health. "We tell people what we're going to do and then try to deliver. If we build our performance, that allows for that trust." Partners, too, he said, must remain open and accountable, with exceptional service delivery and minimized errors.

Another benefit of working with outside partners is that they have a bigger view into an organization as a whole. Where a treasury leader might only see the financial portion, partners in banking and technology, who touch multiple parts of the organization, can often provide the bigger picture that helps the organization see gaps and begin to help fill them, leveraging best practices and lending a hand with project management. "We're big and we have big objectives," said Mike Manning, consultant and former vice president of Treasury and CIO of Partners Healthcare. "Our appetite to do good things is insatiable. Where we really need help is around project management because everything we touch is really complex."

Partnering for technological advancement

To achieve data integration, healthcare organizations must invest in IT infrastructures, trusting that larger investments now will result in bigger, longer-lasting savings and enhanced quality years down the road. While process redesign efforts are key, limited IT resources are a major barrier to implementing new products and services, especially for providers. Many organizations have IT groups that work on specific, internal initiatives and aren't equipped for major technological build-outs.

Ideally, healthcare organizations would implement electronic systems that marry financial and clinical information to reveal an integrated patient picture. These systems streamline workflows, promote efficiency and foster communication across the entire healthcare continuum. To start, financial leaders should evaluate organizational efforts in data capture, data integration and contracting; they should also engage clinical and administrative leaders about opportunities to enhance workflows and resources.

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Partnerships outside of the payer/provider realm will become more of a fact of life for many healthcare organizations. Partnering with technology companies that have the required systems expertise, and with banks that have strong financial strategy expertise, will help ensure systems are designed well and projects are assigned realistic implementation timelines. Some providers, like Massachusetts General Hospital, have begun to put such systems into action, but privacy rules around patient data have stymied much of the progress. "The industry needs to spend money on business intelligence tools," said James Heffernan, senior vice president and treasurer of the Massachusetts General Physicians Organization. "Providers are of two minds: they know it's the right thing to do, but it's expensive."

Health insurer Aetna has three subsidiaries focused on creating and maintaining data-sharing technology, but the systems are only synced with specific hospital partners and not built to scale up across larger, multiple-partner networks. "They're one-offs with hospitals; the technology is very self-contained," said Elaine Cofrancesco, head of Treasury Services at Aetna. "It's tricky getting the data together: What is the data? What do you do with it? Where is it housed? It's very complex." The reigning idea among forward-thinking industry leaders is that if the data can aggregate in one, centralized location, where all partners can access it and patients' privacy needs are met, they will begin finding ways to remove inefficiencies.

Generating electronic efficiencies

Similarly, an increasing demand for payers and providers to streamline payments to and from consumers, calls for advances in patient electronic payments. Where those payment systems exist, customers eagerly embrace them, but it's primarily a front-end win. According to Massachusetts General's Heffernan, providers, in particular, have found that cash reconciliation, which remains predominantly manual, has been "a nightmare" on the back end. His organization receives 20% of its revenue from business partners, such as other hospitals, pharmacies and laboratories, and most of those transaction processes are not yet automated. That adds more complexity to the work, particularly where those relationships cross into foreign countries. Massachusetts General plans to look to its banking partners to help with payment workflows. "The payment systems between all the different groups haven't worked in sync. So bringing partners together will be valuable," Heffernan said.

While many hospitals have not embarked upon technology upgrades due to cost constraints, those that have are reaping the rewards. Once they can afford the infrastructure and create the right partnerships, the benefits come quickly. "EPayables has proven to be a huge success for us," Manning said of his experience at Partners Healthcare. "Within nine months, we had something like $200 million flowing through this card program. We expected that if this worked really well, we'd have $5 million in annual rebates. After nine months, we're at an annualized rate of $4 million and this will only build and build and build."

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Reaching toward universal standardization

To have a well-oiled data-sharing machine, organizations need to homogenize practices on an industry-wide scale, standardizing data collection, quality measures and coding practices. Many organizations are beginning to establish a culture of cooperation that will help in achieving standardization. For example, cost containment mandates on the provider side have physicians working together to choose standard products and establish group-purchasing deals. "Physician preference is the last frontier for us. There's a link between big companies and clinicians — now we're working on breaking that link," UF Health's Robinson said. "We approached it by setting up multispecialty groups for product evaluation and clinical trials. We've become totally transparent between the hospital and physician practices. Now, when they decide on a single prosthetic, they see the impact of the change."

That spirit of cooperation in the product area is spreading elsewhere. "Because we have people on the medical side working together successfully in the product environment, now they can work together in the administrative environment to get to standardization. It is building a culture where people can see the benefits of their actions," Manning said. If doctors begin to record more detailed patient data, that can mean everything from better care to smoother claims processing. Because performance-based care requires organizations to minimize variation, detailed data processes can help uncover opportunities for improvement and lead to the creation of new efficiency guidelines.

Standardization needs to extend into coding practices as well as productivity and quality measures. On the payer side, every insurer uses a different set of denial codes, leaving providers with a high translation cost. Productivity and quality measures also need to be agreed upon to both distinguish between levels of care and determine how much physicians are paid. In addition to applying the two- or three-dozen public measures to their standards, Massachusetts General is experimenting with almost 400 of their own highly specific quality measures. "That's creating a whole other infrastructure that we're having to build that will be key to how physicians and clinicians are paid in the future," Heffernan said.

Some healthcare insiders believe that new coding practices can take their queue from the credit-card industry. "Somewhere in the industry between the retail establishments and the banks and all the processes, someone has agreed that there is one number for each particular item, so why don't we have one agreed-upon number for everything in healthcare?" Heffernan asked. "We've established standardization with electronic processes — about 93% of our claims go out electronically — but not at the detailed level we're talking about here. I'm amazed at the level of detail that goes with credit-card transactions."

Capitalizing on customer-focused creativity

Now that consumers are taking on a greater burden of payment through high-deductible plans, healthcare organizations need to rethink their retail operations. Payers in particular, which have primarily relied on their group-plan businesses, will need to become more comfortable with direct-to-consumer efforts as they take on more individual members through health insurance exchanges. Other retail-friendly practices that payers and providers need to adopt include arming consumers with healthcare estimates so they can price-shop, being better prepared to accept a variety of payments up front and developing new process- and card-based innovations.

Innovation is crucial for payers, providers and their partners as they face an increasingly competitive business environment. There are currently more questions than answers regarding creative solutions. But most agree that a brighter future is in credit cards, mobile apps and any other technological advances that are first embraced by retail companies. It's a matter of introducing such solutions on an industry-wide scale.

Nearer-term solutions include multipurpose card products linked to health savings accounts, which were introduced in the early 2000s but weren't widely embraced. While multipursing may experience a resurgence, it remains difficult to determine exactly what a patient pays at the point of service. Many factors determine the amount owed, including deductible balances, co-pays and, if costs are high, financing options. "If you put in an estimated claim, you can do the multipursing, but then you create a different kind of problem, you create kind of a back-end issue," Aetna's Cofrancesco said. "You also need to have similar technology in all provider offices because if it can't be accepted by the smaller providers, it won't work."

Creativity will need to go beyond improving claims, payment and billing processes. It will require payers, providers and their partners to innovate in tandem. "How do you think about eliminating the bill in the first place?" Manning asked. "How do you shift more toward cards? How do you provide apps? How do you rethink how we all do business?"

One provider that's rethinking how it does business is Stanford Hospital & Clinic. Instead of lowering prices to become more competitive, it created a corporate partners program that includes eight Silicon Valley companies. "We've now become the concierge healthcare navigator for all their employees," said Treasurer Tom Malm, meaning they help employees find healthcare resources when and where they need them. When Malm's organization worked with one of the partner companies to address its top healthcare concerns, cost came in seventh. "It wasn't even in the top three," he said. Stanford Hospital & Clinic is working with large corporations on additional innovations, such as a dermatology invention with Cisco that uses tele-diagnosis. Employees enter a room, activate a video screen and clinicians on the other end can diagnose skin conditions.

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Achieving shared success

For payers and providers, it will be important to have IT and financial partners that can get on board quickly and innovate new systems, processes and management. Like the Cheesecake Factory has shown, it's crucial to work side-by-side with expert business partners to achieve a truly integrated process. "Where we as a provider can do more," Heffernan said, "is to begin to act like another general business."

Expectations for a new era

Market trends	How healthcare must change	Parner requirements
Health insurance exchanges	Payers/provider cooperation	Trust
Integrated healthcare	Data sharing	Transparency and accountability
Electronic payment flows	Rethinking retail operations	Open communication
ICD-10 coding requirements	Standardization	Excellent service delivery
Global business	Pricing transparency	Expert project management
	Embracing partnerships	Creativity
	Innovation	

[1] *New Yorker*, "Big Med," August 13, 2012