

The Challenge of the Future: Learning to Survive and Thrive on 17 Percent

By Jeffrey C. Bauer, Ph.D.

At any given time, we health futurists are usually following one big trend that we expect to have more impact than any of the others. For me, today's mega-trend is the rapid development of molecular medicine. Within a few years, it will transform medical care from the "one-size-fits all" model of the 20th century to a new model of personalized, predictive medicine. Molecular medicine is revolutionary.

For most of my friendly competitors in the futurist business, on the other hand, the next big thing seems to be universal access. I strongly disagree, which is not the same thing as saying they are wrong. (Only time will tell.) I think the probability of universal access within the next two to five years is less than 10 percent for the reason that led me to spend my summer writing a new book, *Paradox and Imperatives in Health Care* (Productivity Press) that will appear this fall.

Limits of Healthcare Spending

My new book's central premise is that overall spending on health care has reached its limits. Medical expenditures have risen to 17 percent of the gross domestic product (GDP), and that's where I expect them to stay for the foreseeable future. (Trust me. I'm a doctor...of economics.) Consequently, I absolutely do not see where any of the politicians or policy-makers will find new money to pay the costs of extending health insurance to more Americans.

Indeed, I expect the number covered by health plans will continue to decline. Thanks to the global economy, American businesses don't have any more money to spend on employee benefits. Governments at all levels are broke, and their future economic prospects look really grim. And consumers...a disaster in the making due to the impending crisis in credit and the fact that they already spend more than they make. If someone else knows where new money is available for universal access, please contact me right away so that I will quit being an alarmist.

For the past 40 years, hospitals have always been able to count on increased expenditures to pay their rising costs for providing care. If health care is peaking at 17 percent of GDP – and I am quite confident it is – then providers are going to need to look somewhere else to make ends meet. In particular, according to my crystal ball, hospitals are not going to get more money from increases in the number of Americans with health insurance.

Silver Lining in the Dark Clouds

The good news, in a bizarre way, is that hospitals do have an untapped source of funds for survival and growth. It is the money abundantly wasted in operations. Almost every provider

organization needs to get serious about identifying the resources it wastes and reallocating them to productive uses, before payers cut reimbursement even more because they are tired of paying too much for care of unpredictable quality.

When doing research for the book, my coauthor (well-known journalist, Mark Hagland) and I were pleased to find several dozen hospitals and medical groups that have used performance improvement tools to reduce the costs of producing consistently good care. Lean management, Six Sigma, the Toyota production system and several other methods work very well in health care. Organizations that have mastered efficiency (cost reduction) and effectiveness (quality optimization) have leaders who are completely dedicated to using these management tools, and they have made process improvement a part of the corporate culture.

Another common feature across the range of successful providers is a solid infrastructure of information technology. The proven tools of performance improvement and clinical transformation are very data-intensive, as are the process changes for producing top-quality medical services. Consequently, provider organizations that have learned how to capture and reallocate waste have made the necessary investments in state-of-the-art information technology. They could not have reached their positions of national prominence by staying on the paper trail.

The Right Thing to Do, No Matter What

Becoming efficient and effective is no longer just a nice idea. Doing health care the right way, all the time, for less money is an imperative in a marketplace that is unlikely to grow any more. Providers need to learn to live with 17 percent of GDP. This challenge is not "mission impossible." Successes in some prominent health systems have proven that the job can be done with the right tools and totally dedicated leadership. And even if the other futurists are right and I am wrong, becoming efficient and effective is the right thing to do.

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