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Strategic Planning and Information Technology: Back to the Future All Over Again

Jeffrey C. Bauer, PhD

The recent history of strategic planning is a perfect illustration of “what goes around, comes around.” Strategic planning by hospitals was universal in the 1970s. Long-range planning was effectively mandated by Public Law 93-641, the National Health Planning and Resources Development Act of 1974. Any hospital that wanted to make an investment in new technology or build more beds had to have a plan that showed how the expenditure met the goals of public policy—reducing cost, improving quality, or expanding access.

Most policy-makers believed that the massive infusion of federal funds from Medicare and Medicaid, created in 1965, enabled hospitals to expand without constraints or direction. Strategic planning was imposed as a process to guide capital spending away from wasteful investments that caused healthcare costs to skyrocket or spiral out of control.

The process of creating a five-year

plan presumably forced hospitals to be more efficient—that is, less wasteful—with their investment spending. A hospital without a detailed strategic plan could not get a certificate of need to buy a CT scanner or build a new wing.

As luck would have it, I started my academic career just as P.L. 93-641 was being adopted. Not knowing what else to do with his first health economist on the faculty, the dean of the medical school assigned me the task of creating and teaching a course in strategic planning.

Responding to Anticipated Change

I began by defining strategic planning as “The purposeful response to anticipated change, consistent with organizational mission and values.” I ultimately got so absorbed by the process of anticipating change that I became a full-time health futurist.

Borrowing from the writings of Peter Drucker, I taught students how to prepare a written document that

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caused plans to “degenerate into work” by stating measurable objectives, assigning responsibility for accomplishing them by specific deadlines, and providing budgets to get the work done.

Strategic planning *à la* Peter Drucker transformed many major American industries. Its long-term impact on healthcare was arguably minimal. Every hospital had a detailed five-year plan in the 1970s, but more often than not, it sat on the CEO’s bookshelf after the board of trustees approved it.

Mandatory planning (i.e., regulation) ended with the repeal of P.L. 93-641 in 1983. Congress and the Reagan administration adopted deregulation as the new economic policy and decided to fight rising healthcare costs with competition. Hospitals no longer were required to guide investments with strategic plans; most abandoned the process altogether. Planners became marketers. CFOs became the main resource allocators. Investments were driven by the “bottom line,” not by purposeful responses to anticipated change.

Competition also faded after a decade because it did not tame healthcare costs any better than regulation. In the mid-1990s, policy-makers chose managed care as the next foundation for health reform. Managed care also failed to lower medical spending in the long run. Consequently, today’s headlines about the crisis in health costs give me a real sense of *dějã vu*—ineffective policy all over again.

Political leaders in 2005 have enough historic awareness to reject regulation, competition, and managed care as magic bullets that will solve healthcare’s economic problems. Policy-makers finally have realized that our medical system is expensive

because it is wasteful. They see other industries, including banking, retail, telecommunications, and transportation, where leading companies survived and thrived during the past three decades by eliminating waste. Information technology was the common denominator in these successful transformations.

The lesson for healthcare is obvious. A formal system for collecting, storing, processing,

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analyzing, and using accurate information in real time is the missing weapon in medical care’s ongoing battle to become efficient and effective. Skyrocketing costs and inconsistent quality will prevail as long as the health industry stays on the paper trail.

Back to the Future

We must resurrect strategic planning to position IT as the best solution to healthcare’s persistent problems. This time around, strategic planning does not need to be paired with government regulation, the policy that gave it a bad reputation 30 years ago. We need IT strategic plans with measurable objectives, responsibilities, deadlines, and budgets so public policy will promote purposeful, proactive responses to anticipated changes in the private sector.

I believe the transformational changes are easy to anticipate. For example:

- Providers will be paid less for most services. In light of the sad condition of federal and state finances, Medicare and Medicaid will get worse before they get worse. Employers and third-party payers will shift even more payment responsibility to patients.
- Shortages of professional personnel will intensify. Academic health centers cannot train enough students to keep up with the growing demand for specialized physicians, nurses, pharmacists, therapists, and technicians.
- The genetics revolution will redefine medical care. It will generate need for new clinical technologies, forcing hospitals to make significant new allocations of resources. Some traditional service lines will be unsustainable in many facilities.

Eliminating waste will be absolutely essential to survival in this foreseeable future. Therefore, declining reimbursement must be purposefully met with state-of-the-art management, uniform best practices, widespread applications of telemedicine, and other improvements in operational efficiency. The productivity of health professionals must be enhanced with automation that enables them to see more patients without reducing quality or going crazy. At the same time, hospitals will need to install diagnostic tools and databases that personalize therapy while molecular medicine replaces “one-size-fits-all” care.

These operational improvements will not occur by chance, nor will they be imposed by funded mandates. (Unfunded mandates are, sadly, a real possibility that would make matters worse.) Purposeful, appropriate responses to anticipated changes are unlikely to occur if they are not

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planned. Necessary tradeoffs must be determined in advance and made according to a carefully crafted strategic plan.

Regulation, competition, and managed care failed to produce desired outcomes because they did not address fundamental inefficiencies in healthcare. If we are lucky, our leaders have learned a lesson from the failed policies of the last three decades: the basic business processes

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of healthcare must be restructured. If we are smart, we will bring strategic

planning back to help us draw a map for getting to the desired destination. Information technology will be the vehicle that gets us there.

About the Author

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