

The Perfect Economic Storm

What's a CIO to Do?

For most of us who publish regularly in healthcare journals, the first months of 2009 were to mark our first post-election columns on the new President's health plan and how it would likely affect hospitals and other providers. Today, everyone has had to reformulate those pieces in light of the staggering economic crisis, the worst in 75 years. Healthcare's leaders and analysts are focusing almost exclusively on understanding the new economic situation and its impact on an industry that is not—contrary to conventional wisdom—recession-proof. Few have time to worry about the fate of President Obama's health plan. Most probably doubt that the federal government will have any money left for reform after financing a recovery with unprecedented deficit spending.

WHAT WILL HAPPEN?

As a medical economist and health futurist, I am asked almost daily how bad the crisis will get and how long it will last. My honest reply is that nobody knows. First, the collapse of the entire financial system, not just banking, is unprecedented. We have no comparable economic downturns to study for possible answers. Second, nobody yet knows the full extent of the problems with the so-called toxic assets that fueled the boom in recent years. Finding an economic solution without fully understanding the problem is a serious challenge. Third, the crisis is worldwide. Governments have limited control over their domestic economies in the best of times, but no organization controls the globalized economy.

In spite of today's unprecedented and uncertain problems, some observers still

argue that the health industry will be "saved" by a significant reduction or elimination in the number of Americans who do not have health insurance. After all, if the country can afford \$700 billion to bail out financial institutions, why can't it afford another \$200 billion to \$300 billion for universal health insurance? This perspective may offer a glimmer of hope to some providers, but it is unrealistic because \$2 trillion in new deficit spending is the minimum estimated cost of economic recovery for 2009. The odds of finding even more new money for healthcare are slim to none.

SILVER LININGS FOR HIT?

This perfect economic storm of unknown intensity and duration is scary for anyone in the business of providing healthcare. However, the dark clouds of this crisis potentially offer two rays of hope for HIT

professionals. The first ray of hope is that recovery efforts will be focused almost entirely on creating new jobs. From this key perspective, putting people back to work, healthcare would not seem to qualify for economic relief because it is suffering relatively little from unemployment, so far. More money for hospitals' current operations would only increase wages, not employment, because health professionals are already in short supply.

However, the potentially good news is that economic recovery programs are likely to focus on creating new jobs in IT infrastructure—an area where the health industry is sorely lacking. Republican and Democratic presidential candidates alike favored creating a modern information system as a necessary foundation for health reform. From this key perspective, HIT might get a long-overdue infusion of funds. This new money would likely be earmarked for acquiring IT personnel and systems to get hospitals and caregivers off the paper trail and onto the information highway.

Ironically, the second ray of hope for HIT lies in the historically poor economic performance of the health industry. Although most elected officials are eager to improve overall access to healthcare, they are not inclined to give more money directly to hospitals as a way to get more patients through the doors. Government leaders have lots of evidence that hospitals and doctors waste hundreds of billions of dollars each year—which explains why post-election discussions of health reform shifted almost immediately from providing more insurance to

saving government money by spending less on medical services.

Governments and other third-party purchasers believe that lower revenues will force providers to become more efficient, and providers may not have any alternative under the current economic situation. For the past 40 years, providers have always been able to count on a growing share of a growing economy to keep them solvent. Eliminating waste was not a matter of financial life or death. Now, with the gross domestic product (GDP) actually declining, hospitals and other providers must recover and reallocate their wasted economic resources in order to survive and grow. In the process of studying how other threatened industries engineered successful turnarounds in the past 20 years, they will discover that digital transformation of business processes is the common denominator to becoming efficient and effective. In other words, the economic crisis will finally force providers to turn to IT because they cannot operate successfully in the 21st century with 20th century record-keeping systems.

LEADING ACCOUNTABLE MODERNIZATION

This growing recognition of IT as a critical success factor suggests a significant change in the role and function of the CIO in health care, particularly if HIT gets earmarked funds from the economic recovery program. HIT leaders need to become visionary advocates for build-

ing provider organizations that operate efficiently (least cost) and effectively (defined quality). CIOs need to be at the table with their organization's strategic decision-makers, providing clear examples of the remarkable accomplishments of American health systems and medical groups that have already completed digital transformation.

\$2 trillion in new deficit spending is the minimum estimated cost of economic recovery for 2009. The odds of finding even more new money for healthcare are slim to none.

Because these unprecedented economic and political times compel change, CIOs in healthcare must make the compelling case for changing the way their organizations do business. They need to become enterprise champions in the essential quest to cut costs and reallocate the savings to productive use. After all, in a new era where payers and consumers have no more money to spend on health care, HIT is the only long-term way for providers to survive the perfect economic storm. Sell performance improvement and clinical transformation—and HIT should follow.

JHIM

Jeff Bauer, PhD, a nationally recognized medical economist and health futurist, is a Chicago-based partner in the management consulting practice of Affiliated Computer Services (ACS Healthcare Solutions). Visit www.jeffbauerphd.com or contact him at jeff.bauer@acs-hcs.com.



2009 HIMSS BOARD OF DIRECTORS

Chair

Charles E. Christian, FCHIME, FHIMSS
Director, Information Systems/
Chief Information Officer
Good Samaritan Hospital

Vice Chair

Liz Johnson, RN, MSN, FHIMSS
Vice President, Applied Clinical Informatics
Tenet Healthcare Corp.

Chair Elect

Barry P. Chaiken, MD, MPH, FHIMSS
Chief Medical Officer
DocsNetwork, Ltd.

Vice Chair Elect

Liz Johnson, RN, MSN, FHIMSS
Vice President, Applied Clinical Informatics
Tenet Healthcare Corp.

John H. Daniels, FACHE, CPHIMS, CHPS, FHIMSS
Chief Information Officer
Evolent Technologies Inc.

David Finn

Vice President/Chief Information Officer
Texas Children's Hospital

C. Martin Harris, MD, MBA, FHIMSS
Chief Information Officer and Chairman
Information Technology Division
Executive Director
eCleveland Clinic
The Cleveland Clinic Foundation

Joy G. Keeler, MBA, FHIMSS
Principal Health Information Technology
The MITRE Corp.

Holly D. Miller, MD, MBA, FHIMSS
University Hospitals
Cleveland, OH

Carol R. Selvey, MHSA, FHIMSS
Associate Vice President, Business Development
Iatric Systems Inc.

Jay Srin, FHIMSS
Chief Innovation Officer
UPMC Healthplan

Jonathan M. Teich, MD, PhD, FHIMSS
Chief Medical Informatics Officer
Elsevier Health Sciences

Charlene S. Underwood MBA, FHIMSS
Director - Industry & Gov Affairs
Siemens Medical Solutions Health Services

ADVISORY BOARD MEMBERS

Mike McGill, PhD
Internet2

Howard A. Burde, Esquire
Blank Rome LLP

A. John Blair, III, MD
President and CEO
Taconic IPA

Sunny Sanyal
Chief Operating Officer
McKesson Provider Technologies