

Healthcare: Change & Disruptors

April 18, 2018 | Seattle, WA

Submitted by: Bob Carlile and Neil McReynolds, NACDNW Board Members & Program Captains

Panelists: Teresa Bigelow, member, Swedish Health System Board of Trustees; Carolyn Corvi, vice chair, Virginia Mason Medical Center and Health System Board; Jeffrey Roe, president and CEO, Premera Blue Cross; Larry Kocot, principal, KPMG LLP; Ed Giniat, partner, KPMG LLP; and Steve Huebner, founder and CEO, Huebner Advisory, LLC.

1. The primary factors driving current efforts to transform the healthcare industry include:
 - a. Enterprises have struggled to deliver real change in cost or quality in traditional models.
 - b. The core business model and ability to generate returns are being undermined in areas such as pharmacy benefit management and drug distribution.
 - c. Fragmented participants in the healthcare industry have created misaligned incentives for lower cost and higher quality.
 - d. Healthcare is only starting to assemble useful data on clinical and economic outcomes.
2. Shifting marketplace dynamics
 - a. Inpatient hospital days are declining.
 - b. Less expensive sites of care are gaining acceptance.
 - c. Healthcare costs continue to rise.
 - d. Move to value seems to have slowed and results are mixed.
3. The facts around the recent flurry of announced mergers and acquisitions in healthcare
 - a. Mergers and acquisitions in the industry are not new but the scale and magnitude has grown dramatically.
 - b. No strong evidence that consolidation leads to lower costs or higher quality.
 - c. Large vertical mergers generally viewed with less concern than horizontal mergers and the value story is more intuitive and compelling.
4. There is value in having a Board member that understands the healthcare industry on any corporate board where healthcare costs are a significant issue – which is most companies.
5. Payment mechanisms in the healthcare industry have not matured to focus on the quality of care. One of the things healthcare providers can do that is in their control is to focus on continuous improvement in their processes.
6. Intelligent use of data and analytics is a significant opportunity for healthcare organizations. However there has to be significantly better transparency on the variability of quality of care and outcomes among providers before market forces will force the existing self-interested parties in the industry to change.

Healthcare: Change & Disruptors - Continued

April 18, 2018 | Seattle, WA

7. Healthcare Boards should have a balance of people who are from the industry and those who initially may know little about healthcare but are really good business people that are willing to listen and learn and bring their own outside perspective. Additionally, diversity in age can be valuable to ensure the perspectives of young adults are considered.
8. Companies attempting to control total healthcare costs need to focus on more than just cutting the direct costs. Higher deductibles and co-pays may result in a less healthy workforce. Think through the possible unintended consequences. The Board should ask management to provide the information needed to understand the broader perspective on healthcare costs.
9. It's the responsibility of management to be sure the board is effective. Board members need to be strategic advisors. To do that, management needs to provide the context for management's proposed actions.
10. One of the values the board of a healthcare organization provides is to serve as the eyes and ears of the community and to bring the ideas and the questions from the community to management.