

Healthcare 2015: Win-win or lose-lose?

A portrait and a path to
successful transformation

Executive summary



IBM Institute for Business Value

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To download a copy of **Healthcare 2015: Win-win or lose-lose?**, please visit www.ibm.com/healthcare/hc2015

The complete Healthcare 2015: Win-win or lose-lose? report includes a detailed description of the drivers we believe make today's healthcare environment fundamentally different from the past, the possible scenarios for healthcare in 2015, a tool to assess a country's ability to transform its healthcare system, a hierarchy of healthcare needs, principles to guide transformation, implications and recommendations for key stakeholders (e.g., health plans, care delivery organizations, suppliers and consumers), and much more.

Executive Summary

Healthcare is in crisis. While this is not news for many countries, we believe what is now different is that the current paths of many healthcare systems around the world will become unsustainable by 2015.

This may seem a contrarian conclusion, given the efforts of competent and dedicated healthcare professionals and the promise of genomics, regenerative medicine, and information-based medicine. Yet, it is also true that costs are rising rapidly; quality is poor or inconsistent; and access or choice in many countries is inadequate.

These problems, combined with the emergence of a fundamentally new environment driven by the dictates of globalization, consumerism, demographic shifts, the increased burden of disease, and expensive new technologies and treatments are expected to force fundamental change on healthcare within the coming decade. Healthcare systems that fail to address this new environment will likely "hit the wall" and require immediate and major forced restructuring – a "lose-lose" scenario for all stakeholders.

The United States spends 22 percent more than second-ranked Luxembourg, 49 percent more than third-ranked Switzerland on healthcare per capita, and 2.4 times the average of the other OECD countries.¹ Yet, the World Health Organization ranks it 37th in overall health system performance.²

In Ontario, Canada's most populous province, healthcare will account for 50 percent of governmental spending by 2011, two-thirds by 2017, and 100 percent by 2026.³

In China, 39 percent of the rural population and 36 percent of urban population cannot afford professional medical treatment despite the success of the country's economic and social reforms over the past 25 years.⁴

Change must be made; the choices left to the stakeholders of today's healthcare systems are when and how. If they wait too long to act or do not act decisively enough, their systems could "hit the wall" – in other words, be unable to continue on the current path – and then, require immediate and major forced restructuring. This is a frightening, but very real prospect. Financial constraints, counterproductive societal expectations and norms, the lack of alignment in incentives, short-term thinking, and the inability to access and share critical information all inhibit the willingness and ability of healthcare systems to change. If the willingness and ability to change cannot be mustered, we believe the result will be lose-lose transformation, a scenario in which the situation for virtually all stakeholders in the healthcare system deteriorates.

Fortunately, there is a more positive scenario, but it is one that will require new levels of accountability, tough decisions, and collaborative hard work on the part of all stakeholders. Specifically, we strongly recommend:

Healthcare providers expand their current focus on episodic, acute care to encompass the enhanced management of chronic diseases and the life-long prediction and prevention of illness.

Consumers assume personal responsibility for their health and for maximizing the value they receive from a transformed healthcare system.

Payers and health plans help consumers remain healthy and get more value from the healthcare system and assist care delivery organizations and clinicians in delivering higher value healthcare.

Suppliers work collaboratively with care delivery organizations, clinicians, and patients to produce products that improve outcomes or provide equivalent outcomes at lower costs.

Societies make realistic, rational decisions regarding lifestyle expectations, acceptable behaviors, and how much healthcare will be a societal right versus a market service.

Governments address the unsustainability of the current system by providing the leadership and political will power needed to remove obstacles, encourage innovation, and guide their nations to sustainable solutions.

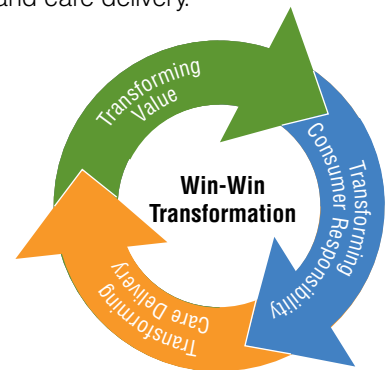
If stakeholders can act with accountability and demonstrate the willingness and ability to change, they can better harness the drivers of change and achieve a win-win transformation. These healthcare systems will become

national assets rather than liabilities. They can help the citizens they serve lead healthier, more productive lives, and their countries and companies compete globally. They will also help these countries win a competitive advantage in the emerging global healthcare industry.

Transforming into the era of action and accountability

Action and accountability are the basic ingredients of change. To successfully transform their healthcare systems, we believe countries will undertake the following actions:

- **Focus on value** – Consumers, providers, and payers will agree upon the definition and measures of healthcare value and then, direct healthcare purchasing, the delivery of healthcare services, and reimbursement accordingly.
- **Develop better consumers** – Consumers will make sound lifestyle choices and become astute purchasers of healthcare services.
- **Create better options for promoting health and providing care** – Consumers, payers, and providers will seek out more convenient, effective, and efficient means, channels, and settings for health promotion and care delivery.



Source: IBM Institute for Business Value.

A clear accountability framework empowers these actions. Accountability must span the system with governments providing adequate healthcare financing and rational policy, healthcare professionals adhering to clinical standards and delivering quality care, payers incentivizing preventive and proactive chronic care, and citizens taking responsibility for their own health.

The value transformation

Value is in the eye of the purchaser, but today value in healthcare is difficult to see. Data regarding the healthcare prices is tightly held and difficult, if not impossible, to access or comprehend; quality data is scarcer still and mostly anecdotal or incomprehensible. To complicate matters, the purchasers and beneficiaries of healthcare – consumers, payers, and society – all have different opinions as to what constitutes good value. Balancing and resolving these conflicting perspectives is one of the major challenges in the successful transformation of healthcare systems.

Today, consumers often have little direct responsibility for bearing the costs of healthcare and their ability to predict healthcare quality is equivalent to a roll of the dice. Payers – public or private health plans, employers, and governments – shoulder the burden of healthcare costs, but often incentivize poor quality care in pursuit of reduced episodic costs. Societies tend to pay little attention to healthcare costs or quality until service levels for healthcare or other societal ‘rights’ are threatened.

By 2015, in the win-win scenario we envision, consumers will assume much greater financial oversight and responsibility for their healthcare, which, in turn, will drive the

demand for value data that is readily accessible, reliable, and understandable. Payers will take a more holistic view of value – looking not simply at the episodic costs of procedures but at how investments in high quality preventive care and proactive health status management can improve quality and help minimize the long-term cost structure of care. Societies will understand that healthcare funds are not limitless and will demand that payment for and quality of healthcare services be aligned to the value those services return both to the individual and to the country or region as a whole.

The consumer transformation

The second key element in the win-win transformation of healthcare systems is increased consumer responsibility for personal health management and maximizing the value received from the healthcare system. As countries are pressed ever closer to the wall of healthcare crisis, the pressure is building for consumers to change counterproductive health behaviors and actively participate in their healthcare decisions.

Approximately 80 percent of coronary heart disease,⁵ up to 90 percent of type 2 diabetes,⁶ and more than half of cancers⁷⁻¹⁰ could be prevented through lifestyle changes, such as proper diet and exercise.

Today, consumers will not or cannot define value in healthcare. Some do not care what healthcare costs because they see it as free or prepaid. Some do care, but find it prohibitively difficult to access meaningful information they need to make sound choices. And still others do not have the literacy skills required to navigate these choices. Compounding the problem is the fact that there is a relatively

widespread disregard for healthy lifestyle choices among consumers. The rising rates of obesity and chronic disease and the continuing scourge of HIV/AIDS are all direct indicators of unhealthy choices.

By 2015, in the win-win scenario, we believe consumers will comparison shop for health-care in the same manner that they shop for other goods and services. *Health infomediaries*, who will help patients identify the information required to make sound choices, interpret medical information, choose between care alternatives and channels, and interact with the providers they choose, will become fixtures in the healthcare landscape for both the well and the chronically ill, and for a much broader socioeconomic segment of the population. And, lifestyle choices will be more explicit, with poor choices being accompanied by short-term consequences.

The care delivery transformation

The third key element in the win-win transformation of healthcare is a fundamental shift in the nature, mode, and means of care delivery. Healthcare delivery is overly focused on episodic acute care; it must shift and expand to include and embrace prevention and chronic condition management in order to respond to the emerging environment.

Today, preventive care, which focuses on keeping people well through disease prevention, early detection, and health promotion, is a concept without a champion. Generally speaking, consumers ignore it, payers do not incentivize it, and providers do not profit from it. By 2015, we expect that the notion of preventive healthcare itself will expand, combining Eastern and Western approaches and the best of the old and the new.

Consumers will seek this care in new settings, such as retail stores, their workplaces, and their homes, that offer lower prices, enhanced convenience, and more effective delivery channels than traditional healthcare venues. Preventive care will likely be delivered by midlevel providers – including physician assistants, nurse practitioners, nutritionists, genetic counselors, and exercise experts – in close coordination with doctors.

Today, as the incidence of chronic illness explodes, chronic care management remains expensive, labor intensive, and plagued by wide variations in the effectiveness of care. By 2015, we believe chronic patients will be empowered to take control of their diseases through IT-enabled disease management programs that improve outcomes and lower costs. Their treatment will center on their location, thanks to connected home monitoring devices, which will automatically evaluate data and when needed, generate alerts and action recommendations to patients and providers. Patients and their families, assisted by a health infomediaries, will replace doctors as the leaders in chronic care management, a shift that will eliminate a major contributor to its cost and because of doctor time constraints, its brevity.

Preventable medical errors kill the equivalent of more than a jumbo jet full of people every day in the US¹¹ and about 25 people per day in Australia.¹²

Today, acute care is the foundation of the healthcare economy and its effectiveness depends heavily on the expertise of the individual doctor. By 2015, we anticipate that standardized approaches to acute care, developed through the careful analysis of clinical

data and the unrelenting documentation of patient variation, will be a widespread starting point in care delivery. The availability of high quality care information will enable the treatment of non-urgent acute conditions, such as strep throat and sinusitis, at the patient's home via the use of telemedicine or at retail settings that provide low cost, good quality, and convenience. This will free doctor time and encourage the transformation of today's massive, general purpose hospitals into "centers of excellence" devoted to specific conditions and combination triage centers, which determine the specialized facility patients should go to, and post treatment recovery centers, in which patients are monitored before returning home.

A prescription for accountability and win-win transformation

The transformational challenge facing many healthcare systems globally is daunting. They must expand their primary focus on often poorly coordinated episodic care to encompass the life-long and coordinated management of preventive, acute, and proactive chronic care. This expansion must be achieved with limited incremental funding in an increasingly competitive global economy and healthcare environment. This task will further require the establishment of a clear, consistent accountability framework supported by aligned incentives and reconciled value perspectives across key stakeholders. But, the rewards of successful transformation are correspondingly high.

Successful transformation will require all stakeholders to actively participate, collaborate, and change. The following table summarizes recommendations by stakeholder to collectively transform to a value-based healthcare system with new models of delivering care to accountable consumers.

Healthcare 2015 paints a portrait of what the global healthcare industry could look like a decade from now. Parts of the portrait already exist in some countries. Even so, bringing the entire portrait to life is an extraordinarily difficult, but vitally important task, which must be informed and achieved through a process of debate and consensus, and action and accountability. We hope that our ideas will serve as a starting point in your transformation effort.

Summary of Healthcare 2015 recommendations by stakeholder.

	Transforming value	Transforming consumer accountability	Transforming care delivery
Healthcare systems	<ul style="list-style-type: none"> Develop a vision, principles, and metrics that enable and reward a shared perspective on value 	<ul style="list-style-type: none"> Provide universal insurance for core services, including preventive and primary care Expect and reward good behaviors 	<ul style="list-style-type: none"> Remove barriers to innovation while still protecting consumers and other stakeholders
Care delivery organizations (CDOs)	<ul style="list-style-type: none"> Appropriately focus instead of being “all things to all people” Develop teams of caregivers to deliver patient-centric, coordinated care Implement interoperable electronic health records (EHRs) to help enable high-value services 	<ul style="list-style-type: none"> Help inform and empower consumers by providing transparency into pricing and quality 	<ul style="list-style-type: none"> Develop channels and care venues that are closer to the patient Implement interoperable EHRs to support information exchange across new venues
Doctors and other clinicians	<ul style="list-style-type: none"> Help develop and appropriately utilize evidence-based, standardized processes and care plans Help develop meaningful outcomes data 	<ul style="list-style-type: none"> Develop collaborative partnerships with patients Help consumers take more responsibility for their health Expect and monitor compliance 	<ul style="list-style-type: none"> Expect interoperable EHRs to support information exchange across teams of caregivers Focus on the opportunities that come with change
Consumers	<ul style="list-style-type: none"> Expect CDOs and clinicians to provide pricing and quality information Learn about the healthcare system and become a smart shopper Utilize health infomediaries 	<ul style="list-style-type: none"> Learn about health and take responsibility for living a healthy lifestyle Create and maintain a personal health record (PHR) to consolidate relevant, accurate clinical and health information Document advanced directives 	<ul style="list-style-type: none"> Expect and demand new delivery models and coordination of care across these new models
Health plans	<ul style="list-style-type: none"> Work collaboratively with CDOs and clinicians to develop a viable transition plan to value-based reimbursement Help consumers navigate the health system to get more value 	<ul style="list-style-type: none"> Help provide personalized information and advice to help consumers maintain and improve their health status 	<ul style="list-style-type: none"> Align reimbursement and incentives with preventive and proactive chronic care, and with innovative, cost-effective approaches to health and healthcare
Suppliers	<ul style="list-style-type: none"> Develop offerings that help provide better longer-term outcomes or lower prices for equivalent outcomes 	<ul style="list-style-type: none"> Help identify the right patients and providers and then educate them to achieve better results across all steps of the care process 	<ul style="list-style-type: none"> Help enable new models through simplification and miniaturization; mobile devices; and personalized targeted diagnostic and treatment solutions packages
Societies	<ul style="list-style-type: none"> Clearly recognize the need for tough decisions, prioritization, and tradeoffs and the need to reconcile perspectives on value Actively participate in efforts to improve healthcare 	<ul style="list-style-type: none"> Stress prevention and personal accountability Expect and promote healthy lifestyles 	<ul style="list-style-type: none"> Keep pressure on the healthcare system to change and meet the needs of its customers
Governments	<ul style="list-style-type: none"> Emphasize value, accountability, and alignment of incentives in health policy, regulations, and legislation Require results reporting Develop a funding strategy for the healthcare infrastructure and for independent research on the comparative effectiveness of alternative therapies 	<ul style="list-style-type: none"> Help protect security/privacy of electronic health information Require insurance coverage for everyone, with subsidies for those who need them 	<ul style="list-style-type: none"> Change and set policies, regulations and legislation in order to remove barriers (e.g., the patchwork of licensure regulations) and to enable and promote the right actions

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