



**Center for Health
Transformation**

www.healthtransformation.net

Saving Lives and Saving Money: Transforming Healthcare in the 21st Century

***National Association of State Medicaid Directors
Washington, DC
November 19, 2004***

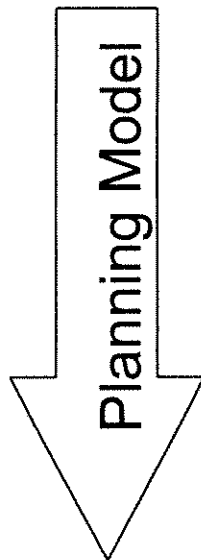
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Planning & Leadership Model

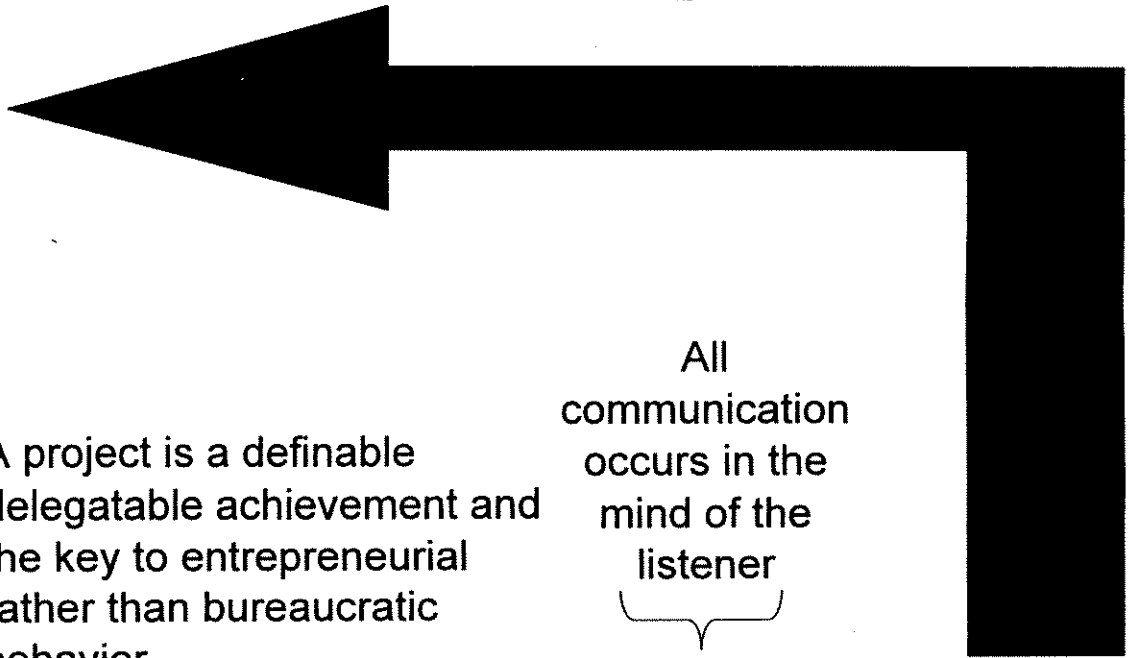


VISION

STRATEGIES

PROJECTS

TASKS



A project is a definable delegatable achievement and the key to entrepreneurial rather than bureaucratic behavior

All communication occurs in the mind of the listener

Listen > Learn > Help > Lead

Appreciative understanding (active listening between the sentences)

TRUE PRAGMATISM

(Listen for new facts and perceptions)

Leadership Model





The Information Age Requires The Development of a 21st Century Intelligent Health System Through Three Parallel Layers of Health Transformation

- Science Changing Everything
- Institutional/Provider Change
- Individual Change



The Center for Health Transformation: Vision Statement

The Center for Health Transformation is dedicated to creating a 21st Century Intelligent Health System in which knowledge saves lives and saves money for every American.

The very nature of our times will give us no choice but to transform or decay.

The reality of the 21st century is that there will be more change in scientific knowledge during the next 25 years than there was in the entire last 100 years.

In scientific knowledge and advancement, we are exceeding four times the rate of change of the last 25 years—making the scale of change we experienced from 1903-2003 equivalent to what we will see from 2004-2030.

Years 2004-2030

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Years 1903-2003



More scientists are alive today than in all of previous human history combined. Furthermore, instead of sharing knowledge at the rate of the printing press and mail delivery, scientists are sharing knowledge through the Internet and the cell phone. This explosion of knowledge is moved from laboratory to market by a venture capital-licensing-royalty system of unprecedented power and ability. The potential for production is being radically expanded by the rise of China and India as the lowest cost producers on the planet.

Drivers of change fueled by Moore's Law will increase knowledge and productivity on a world wide basis—virtually guaranteeing continuous downward pricing pressures:

- Information technology
- Communications
- Nano-scale science and technology
- Quantum mechanics
- Biology

This is much like the period of 1873 to 1896 when there were advancements in steel, electricity, electric light, steam ships and the telephone. For example, the introduction of commercial refrigerator cars for railroad and ships meant that you could deliver Texas beef anywhere—collapsing food prices. The constant and steady explosion of productivity will continue to drive prices downward.



The profound changes we will experience from 2004 to 2030 will require at least six significant transformations:

1. National security,
2. Learning in general and Math and science education in particular,
3. Health and healthcare,
4. Inventing entrepreneurial public management,
5. Tax code, and
6. Litigation reform.

This scale of change will require America to undergo profound transformations if we want our children and grandchildren to live in the most productive economy in the world.

These are the most important decisions our generation will make about our country's future and our children's future. We will transform or fall behind. It really is that simple.

When faced with change on this scale, leadership has to learn not to say "No, because," but practice saying "Yes, if."

In health we not only have to transform for the future but we have to transform to catch up with the last thirty years. Look for example at ATM's, self-service gas stations with credit cards, Travelocity, e-tickets and cell phones.



The Information Age Has Been Leaving Health Behind

It is the nature of a science and technology based entrepreneurial free market to provide **more choices of higher quality at lower cost.**

Healthcare is one of the few sectors of the American economy where prices continue to rise. The difference between the downward price pressures in the rest of society and the price increases of health will increase the demand for change in the health system.

Four Key Drivers of Health Transformation will be:

1. Patient safety and patient outcomes
2. Information and communication technology
3. A system and culture of quality
4. Individual knowledge, responsibility and power to choose



The Center for Health Transformation's 2004 Key Strategies for Transforming Health

1. Create information-rich health savings accounts to both incentivize and empower the individual.
2. Create secure electronic health records with expert systems to maximize accuracy, minimize errors, reduce inefficiencies and improve care.
3. Develop a new system of health justice.
4. Create a buyers' market for pharmaceuticals by building a transparent system for individuals, doctors, and pharmacists of price and efficacy information about prescription drugs and medically appropriate over-the-counter drugs. The system would have an open formulary with an "after-pay" rather than a co-pay (a "Travelocity" for drug purchasing).
5. Create a system and culture of rapid adoption of solutions that result in better outcomes at lower cost for both the public and private sector.
6. Establish an intellectually credible, accurate system for capturing the *cost and benefits* of better solutions, better technologies and better outcomes in order to create a technically correct model of return on investment for solutions resulting in better outcomes at lower cost.
7. Develop a real-time continuous research database and discover-develop-deliver ability (turning cancer into a chronic disease by 2015 and eliminating preventable complications from diabetes by 2015).
8. Knit together these electronic systems into a virtual public health network for health protection against natural outbreaks and a bioshield against deliberate biological attack.
9. By implementing the first eight strategies, turn health and healthcare from a problem into an opportunity, making it the leading creator of high-value jobs and foreign exchange earning in American society (including as a first step the creation of an undersecretary of commerce for health).

DRAFT Document: July 19, 2004

#	Company	CCHC Plan/Tools	Budgeted Health Inflation Trend for first year of CCHC Plan	Actual Health Inflation Trend First Year After CCHC Plan Introduced	# of Participating Employees	Notes
1.	Equitrac (FL)	Lumenos	+15%	-45%	330	2003 Results
2.	Company S	Lumenos	+20%	-6%	3,359	2003 Results
3.	Hospital System	Humana	+15%	-31%	7,300	2003 Results
4.	Trover Health Solutions (KY)	Humana	+19%	-26%	750	2002 Results
5.	Logan Aluminum (KY)*	Aetna	--	-18.7%	1,000	2003 Results
6.	Mercy Health Plan (MO)	HealthTrio	+16%	-9%	300	2003 Results
7.	Wise Business Forms (PA, GA, IN)	Definity	+10%	-13.3%	500	2002 Results

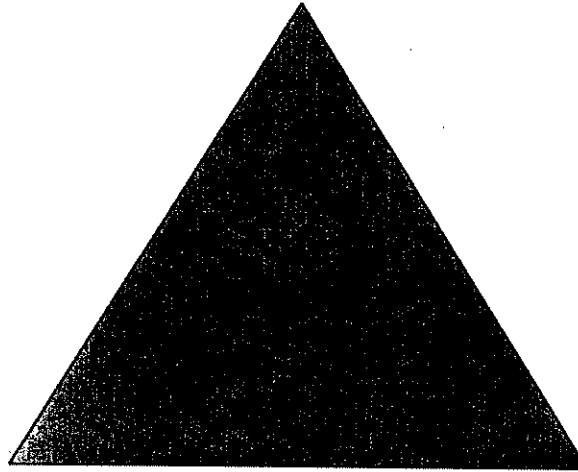
Consumer Driven Health Care – Early Success Examples

Note: The above are early results and are not necessarily representative of the experience of each company utilizing consumer choice health plans. Year-to-year claim activity will vary and annual results will show more volatility if the population is small. For small employers with slightly higher or lower numbers, large claims will have a significant impact.



Triangle Model of Health and Healthcare Transformation

**Individual-Centered – Incentive - Psychology-
Empowerment – The Right to Know Information
about Price, Quality, Providers, and Personal Health Status**



**Prevention - Early Detection-
Self Management – Best Practices**

**IT- Quality - Expert
Systems**



Medicaid Transformation

Transforming Strategy Ideas That Will Impact Medicaid

1. **Adopt an Individual Health Record (that is electronic) for All State Citizens.** As an example, HealthTrio has launched this year a six county pilot in and around Tallahassee, FL of an individual health record (IHR), as well as 2-3 million such records in Massachusetts. One industry player has informed us that an IHR could be launched in less than a year for no more than \$10 per individual, with a maintenance cost of \$2-3 a year.
2. **Implement State Wide Electronic Prescribing.** We know that paper kills. Rhode Island and Florida are leading the way toward the goal of 100% electronic prescribing in their states. Mandatory electronic prescribing to reduce medication error is extremely popular with the public. States can set this as a goal, announce a transitional timetable for incentivized, non-mandatory compliance, with an end date by which all those who prescribe medication in the state must do so electronically.
3. **Introduce Consumer Choice in Medicaid.** Given some of the dramatic early results from consumer choice health care, states need to determine how consumerism can be made to work in Medicaid (with financial incentives and good price and quality information).



Medicaid Transformation

Transforming Strategy Ideas That Will Impact Medicaid

4. **Pass Right To Know Legislation That Is At Least As Robust As the Recent Florida Right To Know Legislation.** In order to evaluate value in health services, individuals need to be able to compare hospital performance and price of services. The recent Florida legislation requires that this information be made available to the public in a user-friendly manner. When the public comes to understand that such information can help improve their health, and lower health costs, they will demand the right to know it.

5. **Health Justice Transformation.** Caps on medical malpractice awards are a useful starting point (here see recent Texas and Florida experience in passing caps as a useful model to follow). The next step is to design a system of health justice that ensures that all those who suffer harm as a result of medical malpractice receive just and prompt compensation, while terminating the behavior of predatory trial lawyers who seek to win a legal lottery jackpot whether their client has suffered harm or not (here, recent legislative attempts in Wyoming may serve as a useful model, as well as input from Common Cause).



Medicaid Transformation

Transforming Strategy Ideas That Will Impact Medicaid

6. **Knowing How Medicaid Spends Its Health Dollars As Predicate For Medicaid Becoming A “Smart” Purchaser of Healthcare.** Like most large companies, most states do not have detailed information about how they spend their health dollars in various departments as well as across the entire state budget, such that sophisticated analytical tools could then be utilized to massage this information to provide meaningful feedback as to what is and is not working. There are new companies that are providing large employers with such tools (ex. VitalSprings), and Kentucky is one state that is aggressively trying to determine whether such tools could also be useful for a state, especially for its Medicaid spending.
7. **Medicaid As Smart Purchaser of Health Care/Transformational Solutions.** As one of the largest purchasers of healthcare in the state (if not the largest), there is ample opportunity for state Medicaid programs to incentivize quality care. How can state government organize itself to develop smart purchaser guidelines, which includes how to scan for transformational solutions that save lives and save money?
8. **Long Term Living Strategy Centered Around Active/Healthy Aging Promotion, Promotion of Purchase of Long Term Care Insurance (via HSAs), and Implementation of VISICU Model for Every Long Term Care Facility.** A state’s vision for its aging population must be one of long term living, where long term care is a subset. The primary strategy must be to keep people as healthy as possible for their entire lives. Secondly, a state should have a strategy in place to encourage the purchase of long term care insurance. Thirdly, the VISICU model in intensive care settings should be adapted to ensure top notch, 24/7 support for every long term care facility in the state.



Medicaid Transformation

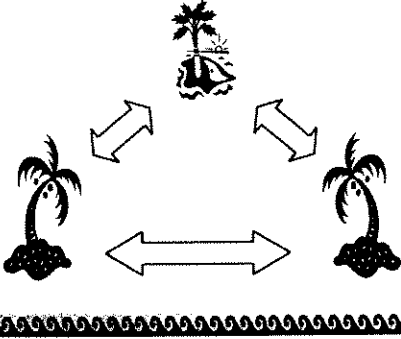
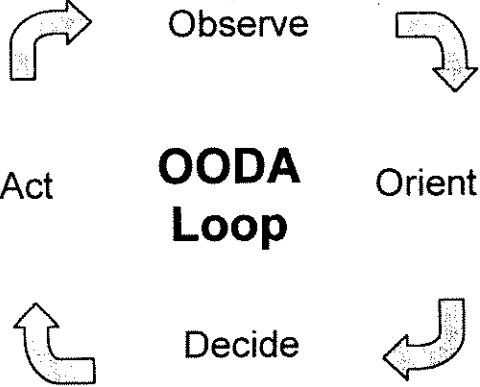
Transforming Strategy Ideas That Will Impact Medicaid

9. **Communicate A Transformational Vision.** Have an ongoing communications program for transforming Medicaid that uses the language of saving lives and saving money and the language of better outcomes at lower cost so people understand what they should be demanding in a 21st Century Intelligent Health and Healthcare System.

Key Language That Must Constantly Be Repeated

- ***Saving Lives and Saving Money***
- ***The Right to Know***
- ***21st Century Intelligent Health and Healthcare System***
- ***Information Rich Health Savings Accounts***
- ***Individual Health Record***
- ***Yes, if (instead of "No, because")***
- ***Health Management***
- ***Health Justice***
- ***Long Term Living***

Move to the sound of the guns

<p>Connecting Islands of Excellence with Invisible Bridges</p> 	<p>Deep, Mid, Near Campaigns</p> <ul style="list-style-type: none"> ▪Design for all three campaigns ▪Focus first on the Deep Campaign to learn how to shape the Mid and Near Campaigns <p>Deep – 10% Mid – 20% Near – 70%</p>	<p>Discover</p> <p>Develop</p> <p>Deliver</p>
<p>The Lion—Chipmunk—Antelope Theory</p> <ul style="list-style-type: none"> ▪Leadership must focus on large changes. ▪Lions cannot hunt chipmunks; they will starve to death. They must hunt antelopes to stay alive. ▪Define the antelopes and don't get distracted by the chipmunks. 	 <p>Observe</p> <p>Orient</p> <p>Decide</p> <p>Act</p> <p>OODA Loop</p>	<p>Questions to Ask</p> <ol style="list-style-type: none"> 1. What do you want to accomplish? 2. Who must say yes? 3. How will you implement if they say yes? 4. When will they listen to you?

•“Yes, if”... not “No because” •Cheerful Persistence •Import knowledge; Export work