HARNESSING SYSTEMNESS
DELIVERING PERFORMANCE
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The Turbulent Waters of 21st Century American Health Care

- Unsustainable increase of costs
- Widespread deficiencies in quality and safety
- Changing demographics
- Explosive growth of new technology
- Health care personnel shortages
- Stagnant productivity
- Health care consumerism and higher service expectations
- Deteriorating population health
International Comparison of Spending on Health, 1980–2008

Average spending on health per capita ($US PPP)

Total expenditures on health as percent of GDP

Source: OECD Health Data 2010 (June 2010).
**Premiums Rising Faster Than Inflation and Wages**

Cumulative Changes in Components of U.S. National Health Expenditures and Workers' Earnings, 2000–09

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<th>Percent</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008*</th>
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<tbody>
<tr>
<td>Insurance premiums</td>
<td>0%</td>
<td>0%</td>
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<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>108%</td>
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<tr>
<td>Workers' earnings</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>32%</td>
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<tr>
<td>Consumer Price Index</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>24%</td>
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Projected Average Family Premium as a Percentage of Median Family Income, 2008–20

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<tbody>
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<td>Projected</td>
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* 2008 and 2009 NHE projections.

Addressing the problems of health care requires achieving greater systemness. In doing this we must remember that health care operates as a complex adaptive system according to concepts of complexity or chaos theory.
Key Characteristics of Complex Adaptive Systems

- They are nonlinear and dynamic; they do not inherently reach fixed equilibrium points.
- Composed of independent (autonomous) agents whose needs and desires are heterogeneous, resulting in behaviors that often conflict.
- Agents are intelligent; they learn and adapt, resulting in self-organization and new behaviors.
- There is no single point of control; no one is “in charge”.
Since health care operates as a complex adaptive system, change cannot be specified and controlled in the way it can be in simpler, more linear systems (e.g., manufacturing). Achieving desired change requires making selective small changes in critical elements of the system that “leverage” large system change.
Strategic Objectives for Achieving Systemness in the Veterans Health Care System

1. Increase accountability
2. Integrate and coordinate care
3. Improve and standardize superior quality
4. Modernize information management
5. Align finances with desired outcomes
The Best Medical Care In the U.S.
How Veterans Affairs transformed itself—and what it means for the rest of us

BY CATHERINE ARNST
RAYMOND B. ROEMER, 83, has earned his membership in “the greatest generation.” A flight engineer during World War II, his is a hellish health-care world, understaffed, underfunded, and uncaring. They couldn’t be more wrong. According to the nation’s hospital-accreditation panel, the VA outpaces every other hospital in the Buffalo region. “The care here is
Federal Initiatives Driving Greater Health Care Systemness

- The Health Information Technology for Economic and Clinical Health (HITECH) Act (2009)
- Patient Protection and Affordable Care Act (2010)
- Health Data Initiative (2010)
Current Key Strategies for Achieving Health Care Systemness

- Link payment to outcomes ("value-based payment")
- Increase transparency ("liberate the data")
- Harness the power of information technology (and associated process redesign)
- Increase patient-centered care
What is Value Based Purchasing?

“The concept of value-based health care purchasing is that buyers should hold providers of health care accountable for both the cost and quality of health care. .... It focuses on managing the use of the health care system to reduce inappropriate care and to identify and reward the best-performing providers....”

AHCPR Pub No.98-0004, 1997
To survive the unprecedented challenges coming with federal healthcare reform, California hospitals are upending their bedrock financial model: They are trying to keep some patients out of their beds.

Hospital executives must adapt rapidly to a new way of doing business that will link finances to maintaining patients' health and impose penalties for less efficient and lower-quality care.
Achieving Integration or Systemness in Health Care Requires Many Things

- A shared, actionable and values-based vision
- Strong and respected leadership
- Alignment of finances with desired outcomes
- An enabling infrastructure that is embedded in a culture of collaboration and quality improvement
- Strategic communications
- Restructuring of mission critical assets
- New competencies and a process to develop them
- Vigilance for and a process to deal with unintended consequences
Among the lessons learned in achieving systemness in health care, probably the most important is that more than anything else it is about changing culture.

It is more about sociology than science organizational structure or technology.