

Central Oregon Medical Society

**Turning Risk into Opportunity:
Physician Leadership in a
Changing Practice Environment**

John Kitzhaber, M.D.

Stimulus Package

- **\$87 billion to help states pay for Medicaid**
- **\$21 billion to subsidize COBRA**

Proposed Budget

- **\$634 billion “reserve fund” for universal coverage**

To resolve crisis need:

- **Agreed upon system objectives**
- **Accurate diagnosis of problem – why current system is not achieving those objectives**
- **Clear description of the design elements necessary to achieve objectives**

Objectives

Health vs. Health Care

System Objectives

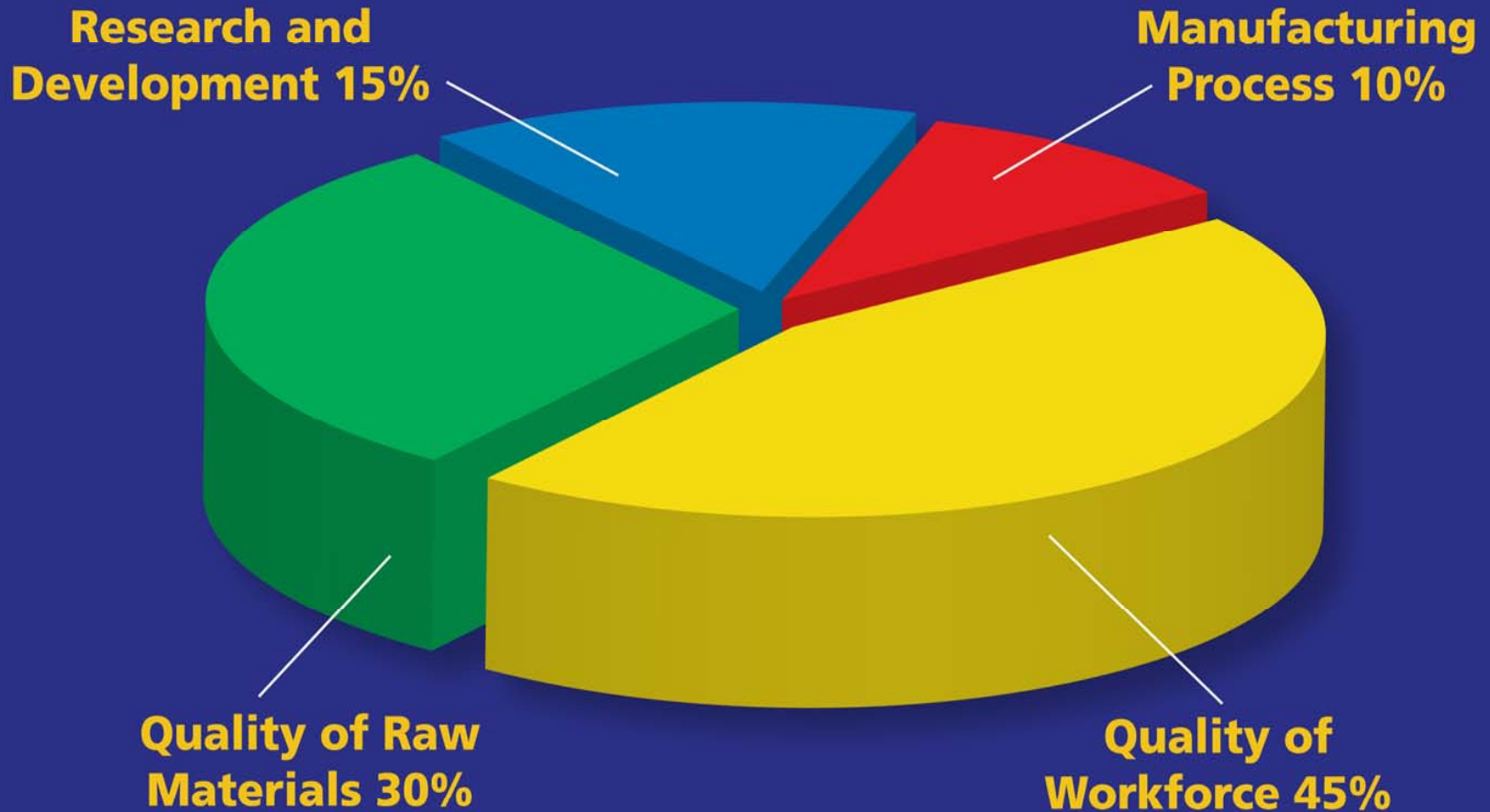
The Triple Aim

(Institute for Healthcare Improvement)

1. Improve population health
2. Reduce per capita cost
3. Improve patient experience
 - Outcome
 - Safety
 - Satisfaction

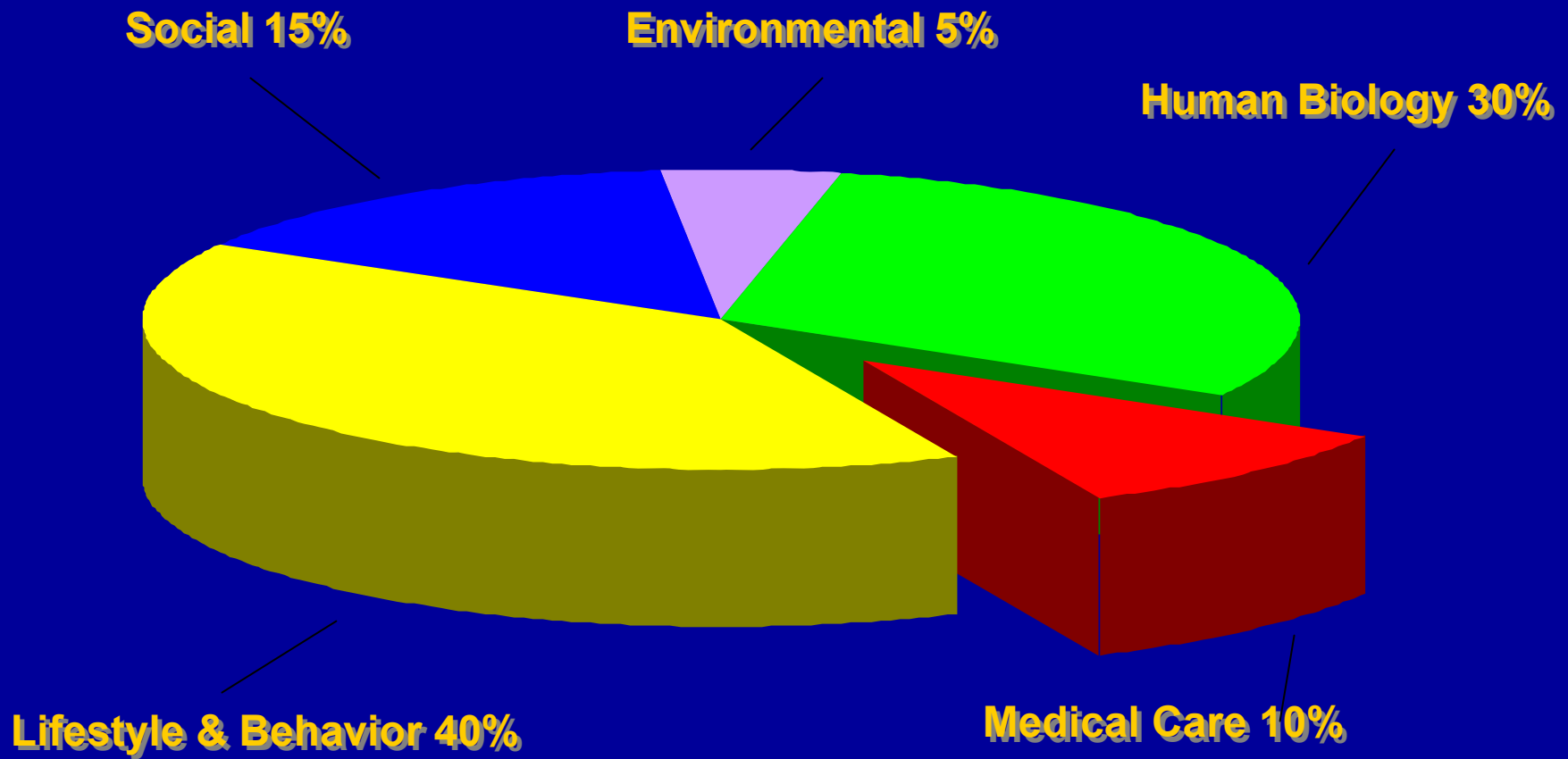


Manufacturing a Consumer Product



Health Field Model

Influence Factors on Health Status



Source: McGinnis J.M., Williams-Russo, P., Knickman, J.R. (2002). *Health Affairs*, 21(2), 83

Chronic Disease*

People with chronic diseases → 70% HC spending

- Diabetes
- Coronary Artery Disease
- Congestive Heart Failure
- Asthma
- Mental health / chemical dependency

*

George Halvorson Health Care Reform Now

Distribution of Health Care Expenditures*

1% of population → 35% of HC spending

5% of population → 60% of HC spending

10% of population → 70% of HC spending

* *George Halvorson Health Care Reform Now*

Managing Chronic Disease

Preventable

Progressive

We know how to intervene to prevent complications.

Requires

- **Care team to coordinate care and share information**
- **Most important care giver is patient and family**
- **Well educated patients who can recognize early warning signs of a complication**
- **Rapid response**
- **Not everyone has the same capacity for self-care**

Problems in the Delivery System

- Acute care “infectious disease” model
- Solo or small group practices working independently
- Lack of Data

Most people with chronic conditions

- Interact with the care system only in crisis
- Get the appropriate care only 50% of the time

Financial Incentives*

Financial incentives reward acute care interventions and discourage reorganization around chronic care management.

9,000 individual billing codes

- No code for a cure
 - No billing code for prevention
 - No billing code for health improvement
- ... These are not billable events*

*George Halvorson [Health Care Reform Now](#)

More and more of the health care in America is being paid for with public resources.

Our practice model allocates unlimited resources or “benefits” one individual at a time while increasingly relying on limited public resources to finance the cost.

Financial Model Unsustainable

Shift to public sector financing

- **Erosion of employer sponsored coverage**
- **Increase in Medicaid**
- **Medicare - aging of the Baby Boom Generation**

Medicare

Aging Baby Boom Generation

- 78 million
- 30% of population

Medicare as percent Federal tax revenue

- 2008 = 9%
- 2015 = 25%
- 2025 = 33%

Unfunded entitlement = \$65 Trillion

Downward Pressure on Reimbursement

States

- Cut provider reimbursement
- Change income eligibility standards

Congress

- Cut provider reimbursement
- Borrow

...\$65 Trillion debt

To Compensate for Declining Reimbursement

- **Increase volume of services**
- **Investment in physician owned facilities**
- **Move ancillary services out of the hospital**

Reacting to Change Not Shaping the Future

- **At a time when we need to reduce cost and coordinate chronic care management we are adopting strategies that take us in the opposite direction.**
- **Exacerbating cost inflation and fragmentation of care.**

Back Pain Collaborative Project*

High incidence back pain

- Delays in treatment
- High rates of MRIs

Same day physical medicine physician and PT

- Over 90% did not need MRI
- RTW within two days

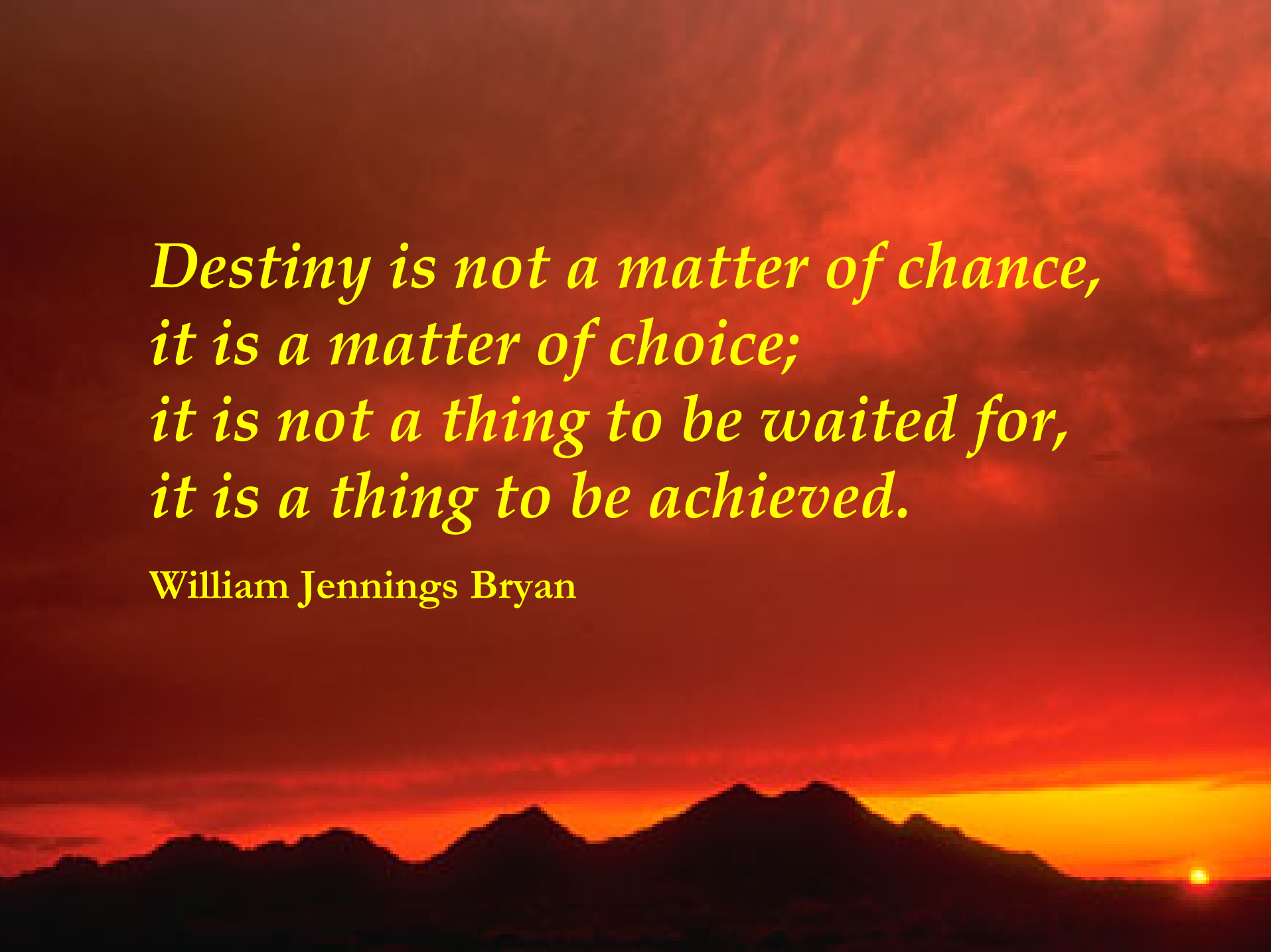
Went from revenue generator to revenue loser

**Gary Kaplan, MD
Virginia Mason Med. Ctr*

“My board will not let me lead us into bankruptcy by doing the right thing.”

-- Gary Kaplan, M.D.

CEO, Virginia Mason Medical Center

The background of the image is a vibrant sunset or sunrise over a mountain range. The sky is filled with warm, glowing colors of orange, red, and yellow, with a bright sun visible on the right side. The mountains in the foreground are silhouetted against the bright light of the sun. The quote is written in a yellow, serif font, centered in the upper half of the image.

*Destiny is not a matter of chance,
it is a matter of choice;
it is not a thing to be waited for,
it is a thing to be achieved.*

William Jennings Bryan

Obstacles to Change*

No urgency

Lack of a shared vision

Lack of leadership

Culture

Misaligned incentives

**Gary Kaplan, MD*

Virginia Mason Med. Ctr

Agreeing on a Shared Vision

“No wind is the right wind if you don’t know what port you are sailing for.”

-- *Seneca*

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Leadership Starts with Us

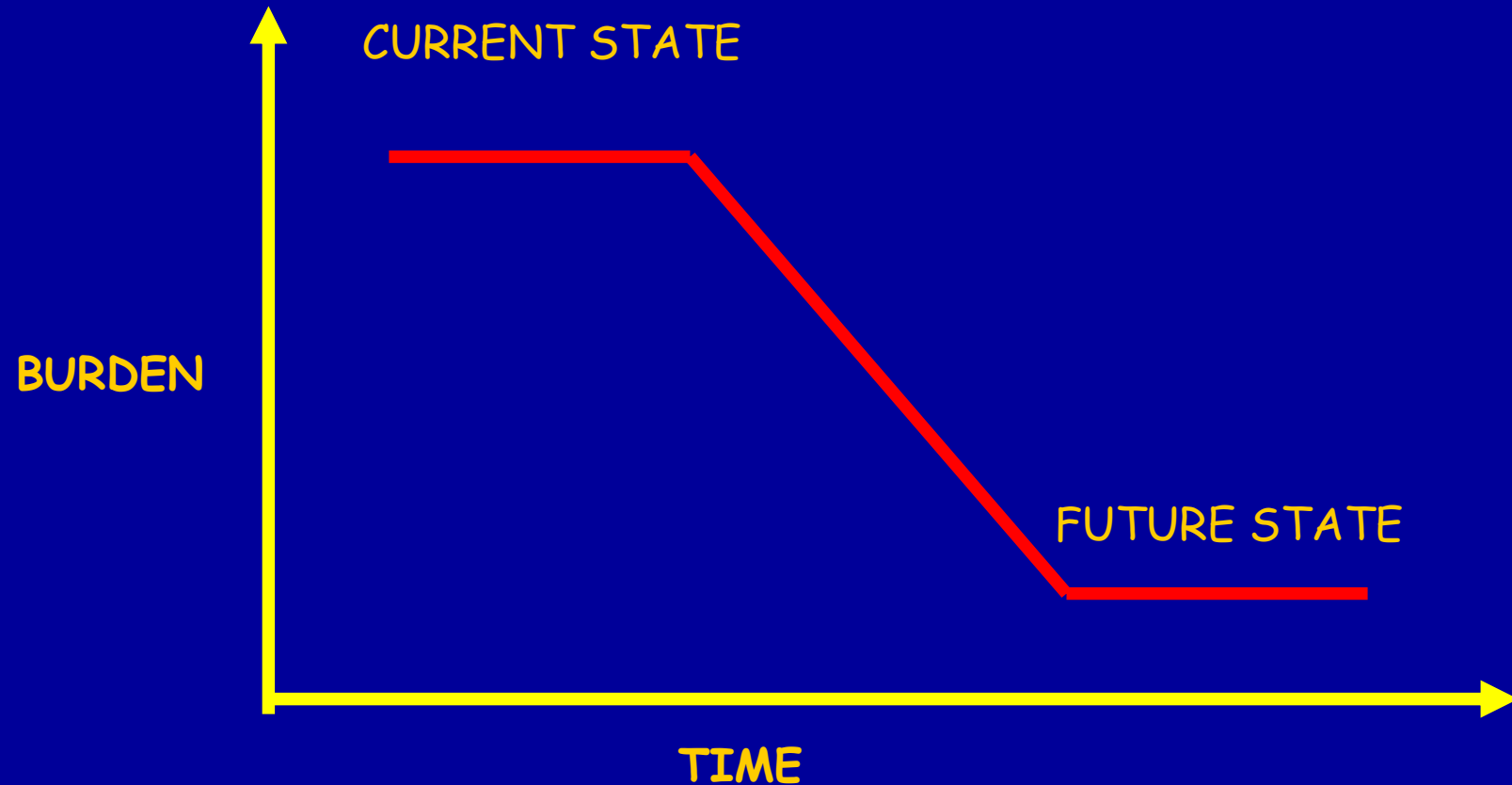
“The great task of policy is not to claim that stakeholders are acting irrationally, but rather to change what is rational for them to do.”

-- Don Berwick, M.D.

CEO, Institute for Healthcare Improvement

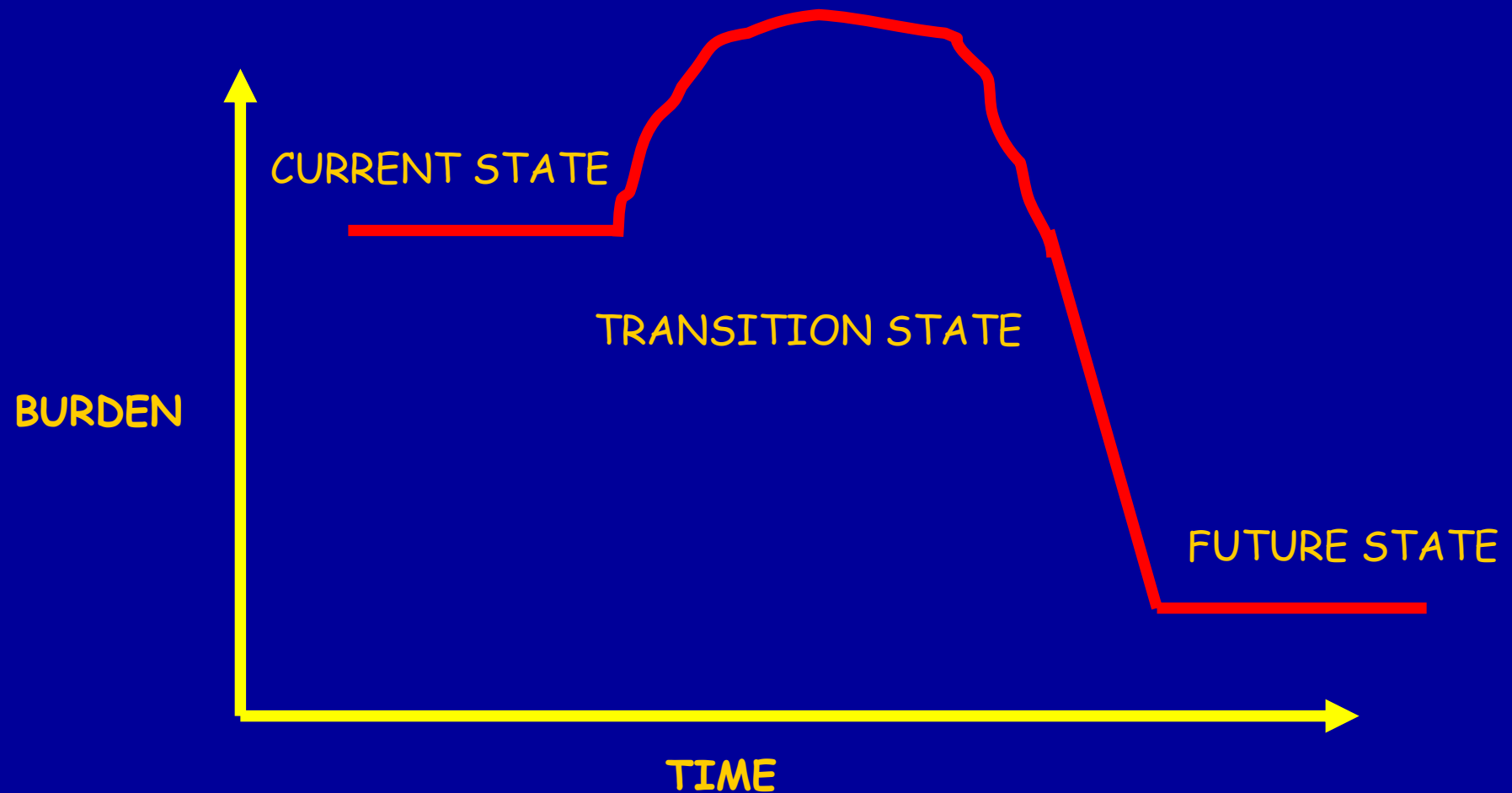
The Future State – Most Can Be Winners

(D. Berwick, M.D., IHI)



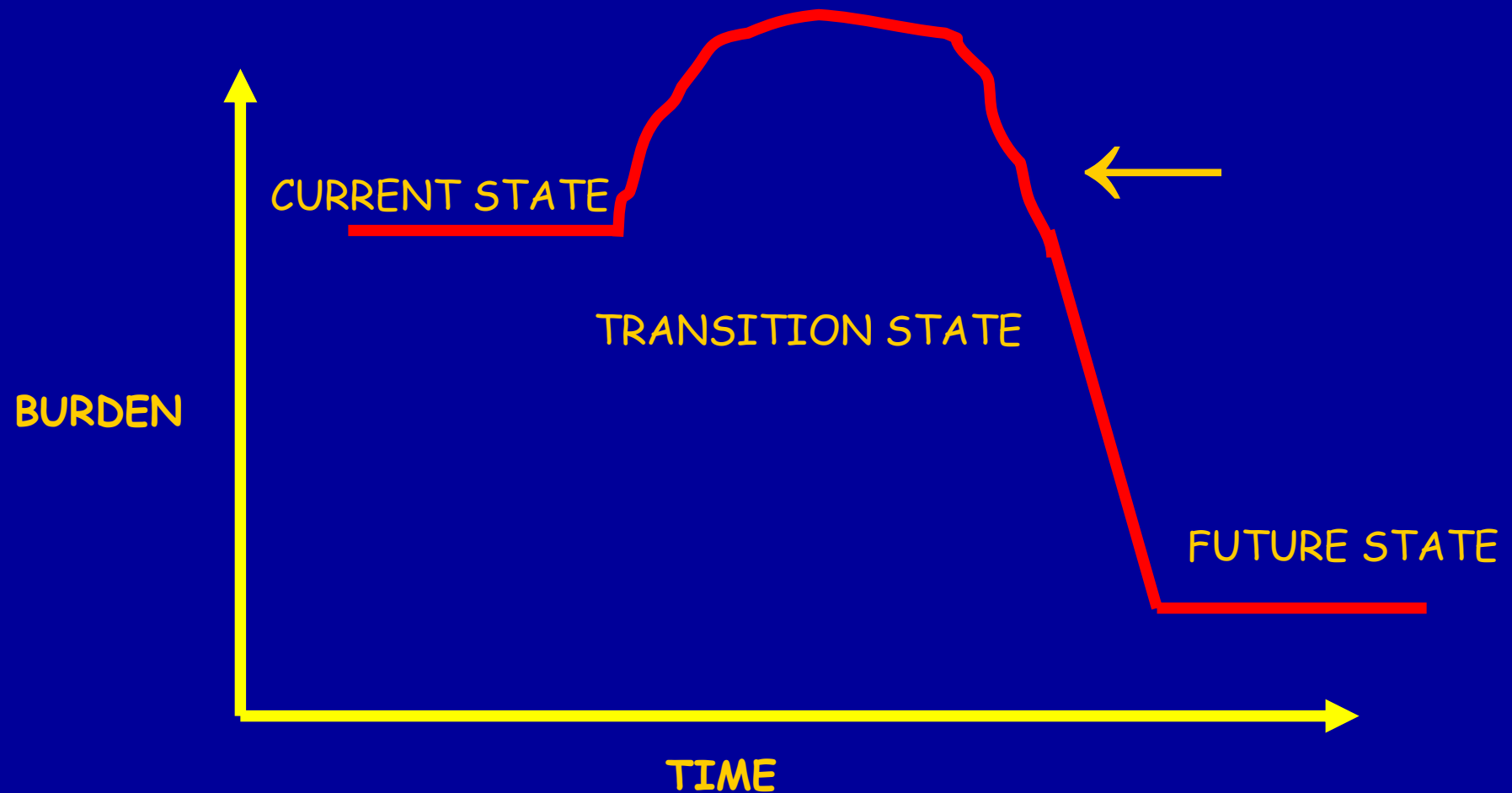
The Transition State – Hard for All

(D. Berwick, MD., IHI)



Shift Focus from Where We Want to End Up to How We Get There

(D. Berwick, MD., IHI)



Agreeing on a Shared Vision

Without first agreeing on where we want to end up there is no political pathway by which to get there.

**“We are all faced with a series of
great opportunities – brilliantly
disguised as insoluble problems.”**

-- John W. Gardner