



Healthcare Interrupted

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What are We Going to Talk About?

- ▶ **Where Did COVID Leave Us?**
- ▶ **Economic Consequences Different from Expected**
- ▶ **Did Anything Good Come from this Tragedy?**
- ▶ **Health Systems' People Crisis: The Main Strategic Challenge**
- ▶ **Responding to Disorder and Disruption**



COVID: A Bolt from the Blue



Family Life During COVID



Work Life During COVID



Hospitality During COVID



Civic Life during COVID



Hospitals During COVID

COVID Has Been the Worst Infectious Disease Event in US History

- ▶ According to *The Economist*, We Lost 1.2-1.3 million Americans to the Pandemic So Far, vs the Million Person “Official” death toll
- ▶ Compared to 675 thousand from 1918-19 Spanish Flu Epidemic or more than 700 thousand from the HIV Epidemic
- ▶ More than Twice the Lives Lost in the US Civil War

Lots of Collateral Damage to Citizenry

- ▶ **Twenty Percent Increase in Drug Overdoses (107k in 2021!)**
- ▶ **Quadrupling of Adults Reporting Serious Mental Health Conditions such as Depression and Acute Anxiety (from, 10-40%)**
- ▶ **29% Increase in Homicides**
- ▶ **Racial/Ethnic Minorities Disproportionately Damaged**
- ▶ **Heightened Political Polarization**

Contributing Factors to Severity of COVID Crisis

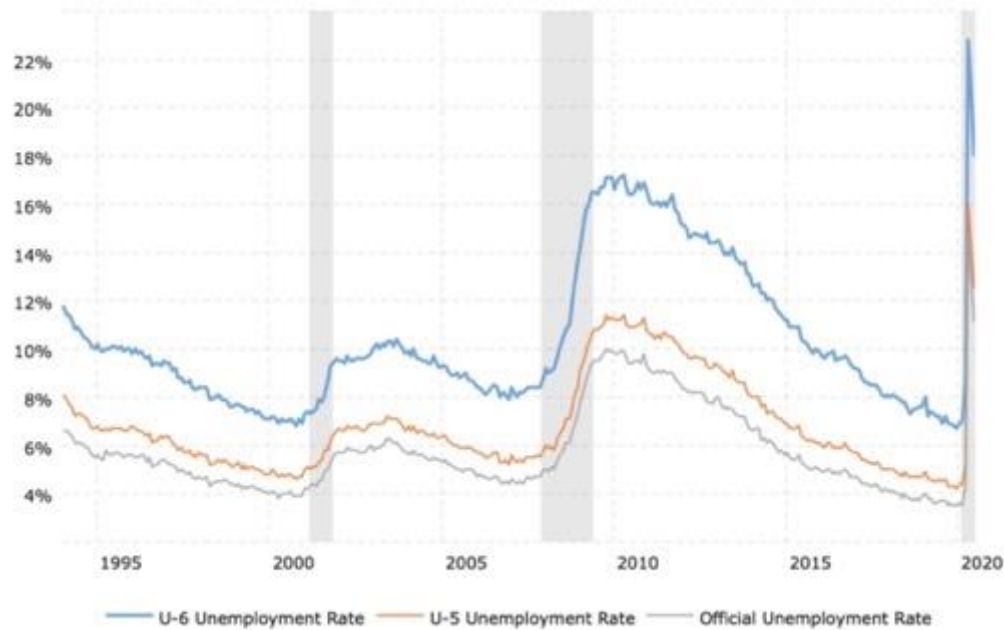
- ▶ **Decades of Underinvestment in Public Health**
- ▶ **Flawed Political Leadership**
- ▶ **Grossly Inadequate and Unsafe Long Term Care Sector**
- ▶ **Fumbled Early Deployment of Testing**
- ▶ **Vaccine Hesitancy**
- ▶ **Mistrust of Scientific Expertise and Authority**
- ▶ **Internet Cesspool of Misinformation**

What Did We Learn from COVID?

- ▶ **BECAUSE Public Health Has Withered from Decades of Underfunding, YOU are the Public Health System in Most Communities!!**
- ▶ **You are Also the Mental Health System. . .**
- ▶ **Public Health is Increasingly Political**
- ▶ **Individualistic Ethos Dominates Every Aspect of Public Life**
- ▶ **Health Workers' Capacity to Endure Stress and Abuse from Patients Not Unlimited**
- ▶ **Planning Ahead Not a Societal Strength!**



**Economic
Consequences
of COVID
Different
from
Expected!**

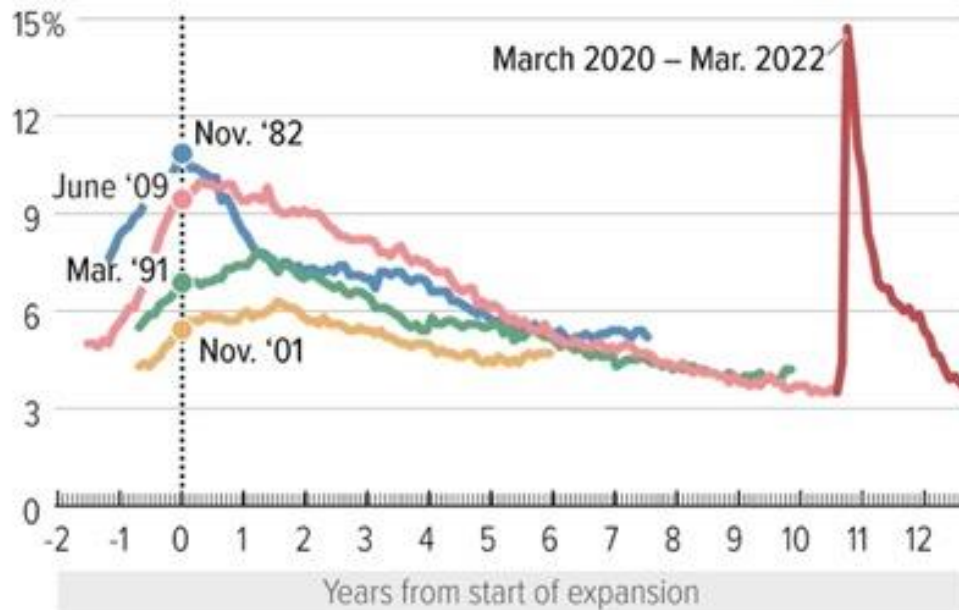


**COVID
Caused A
“Flash
Depression”**

Source: US Department of Labor

Unemployment Fell Slowly in Post-Great Recession Expansion, but Reached Rates Lower Than in 1990s Before Spiking in COVID-19 Recession

Unemployment rates in recent recessions and expansions



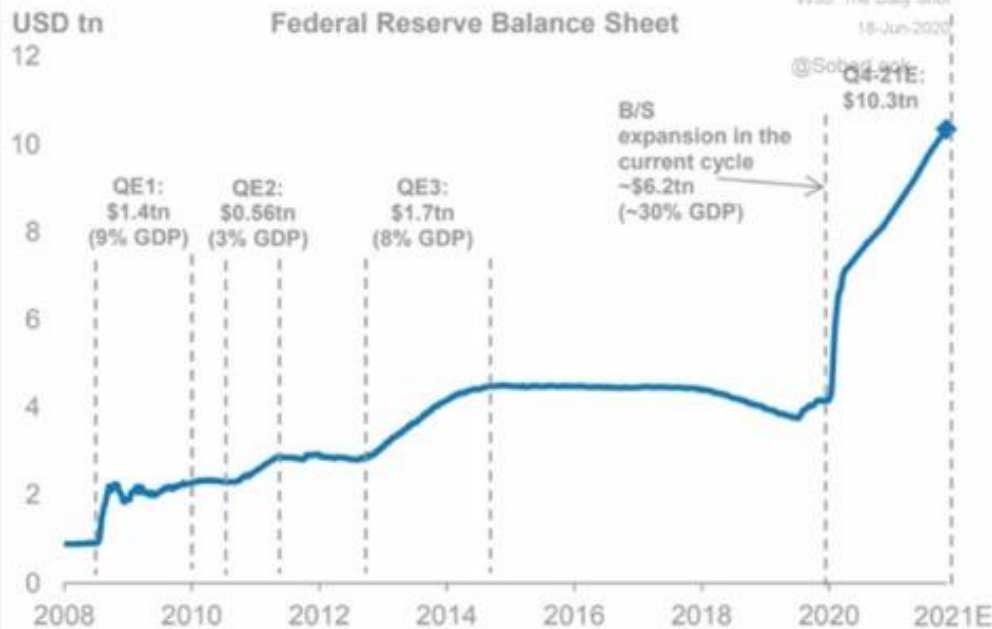
Source: CBPP calculations based on Bureau of Labor Statistics data

Followed
by a
Stunning
Recovery



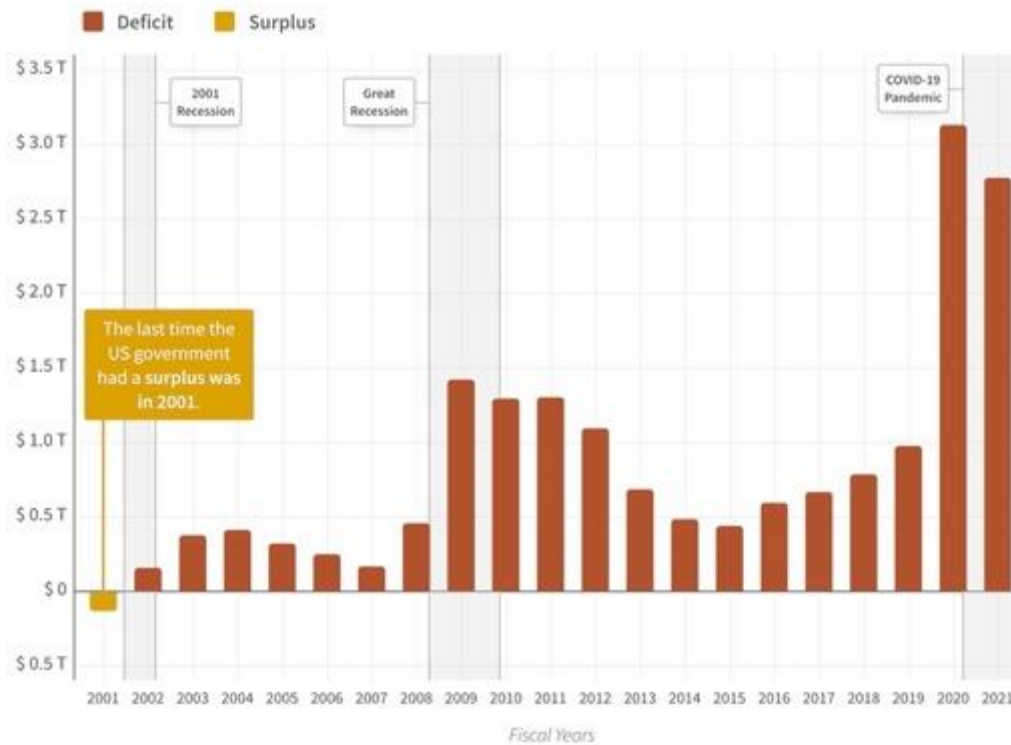
**Cause of
Stunning
Recovery
is No
Mystery**

In this cycle, the Fed's balance sheet will expand by more than during QE1, 2 and 3 combined



Source: Federal Reserve Board, Morgan Stanley Research

**Federal
Reserve
Printed
More than
\$5 Trillion in
Record Time**



And
Congress
Shoveled It
Out the
Door!

Congress Cushioned COVID's Effect on Health System

- ▶ **Expanded Medicaid Enrollment by nearly 20 million (by Suspending Eligibility Redeterminations)**
- ▶ **Increased Federal Medicaid Match by 6.2% (So States Did Not Have to Cut Provider Payments to Balance Their Budgets)**
- ▶ **Added 20% to Medicare payments for COVID care**
- ▶ **Expanded ACA Exchange Subsidies and Extended Enrollment**
- ▶ **Which Led to 14.2 Million enrolled, a 40% Expansion in Exchange Covered Lives**
- ▶ **Passed CARES Act Direct Payments to Hospitals and Other Providers**



**According to
Moody's,
Federal
Subsidies
Amounted to
43% of
Hospitals' 2020
Operating Cash**



Did
Anything
Good
Come of
this
Tragedy?

Biotech/Pharma Sector Delivered Big Time

- ▶ **Stunningly Rapid mRNA Vaccine Development**
- ▶ **(Trump Deserves Credit for Operation Warp Speed)**
- ▶ **Promise of Broad Spectrum Vaccination for Respiratory Illnesses, Cancer, HIV and AutoImmune Diseases**
- ▶ **Multiple New Anti-Viral Agents Targeted at COVID**

Multi-Hospital Health Systems Overperformed During COVID

- ▶ **Health System Leadership Stood Up Command Centers**
- ▶ **Made Rapid, Realtime Decisions to Reallocate Capacity and People**
- ▶ **Co-ordinated Services Across Markets and Regions With Competitors**
- ▶ **Muscled Suppliers on PPE**
- ▶ **Stood Up Testing Sites and Pushed Out Vaccines!**
- ▶ **And Stood Up Digital Health Access in a Matter of Weeks**

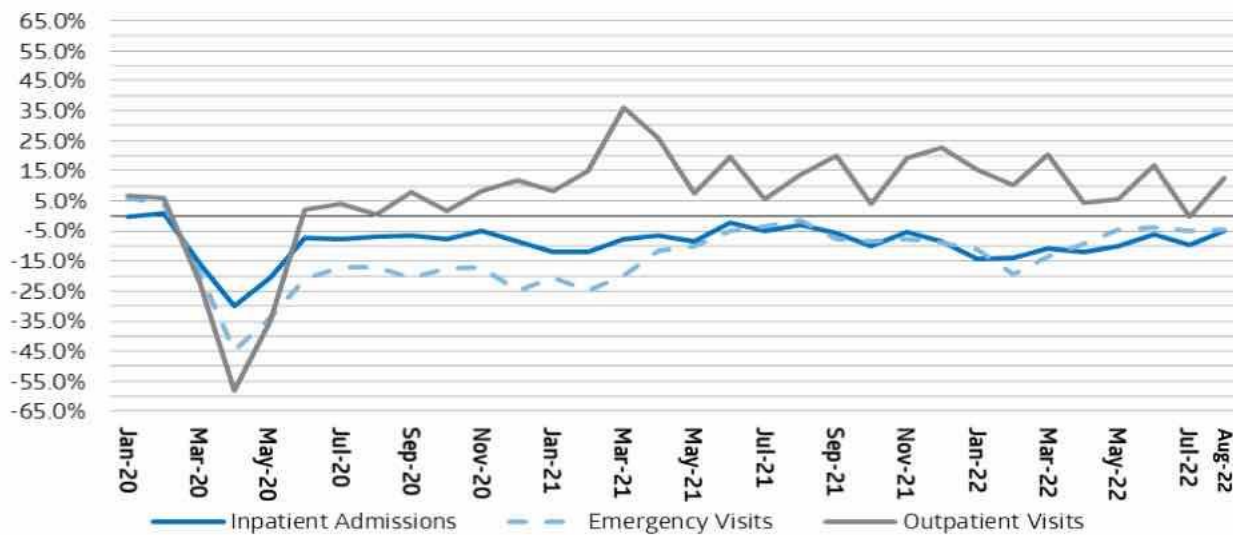
Hospital Industry has a **TERRIBLE** Case of Long COVID





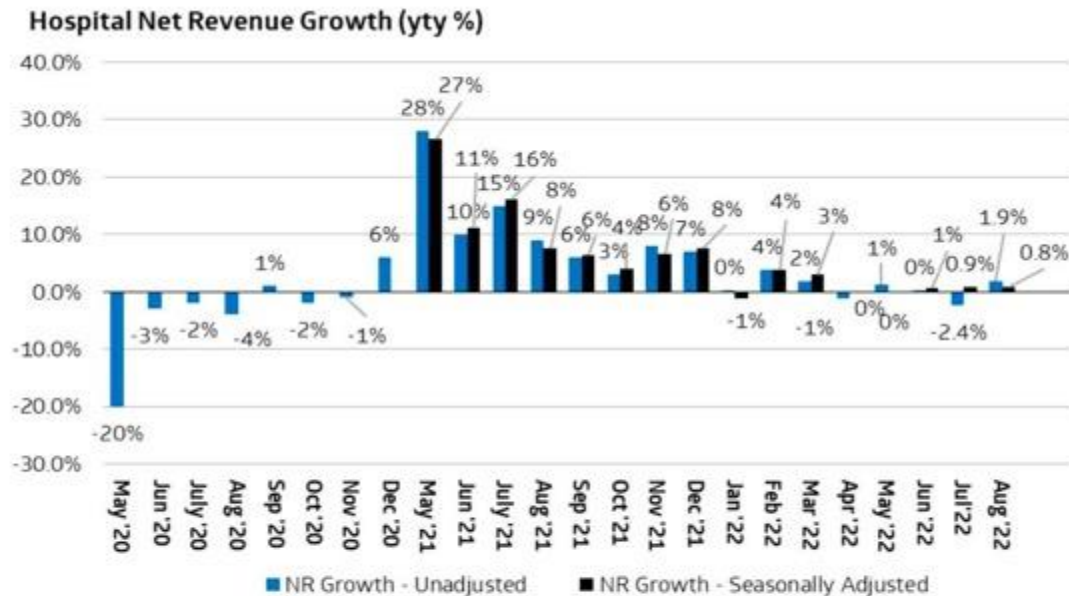
**2022: Worst
Hospital Financial
Performance in My
Memory**

Nationwide (US) – Volume Changes vs 2019 %



**Hospital
Admissions
Still Have
Not
Recovered
(Cowen Sept
22)**

Hospital Net Revenues Flat or Declining



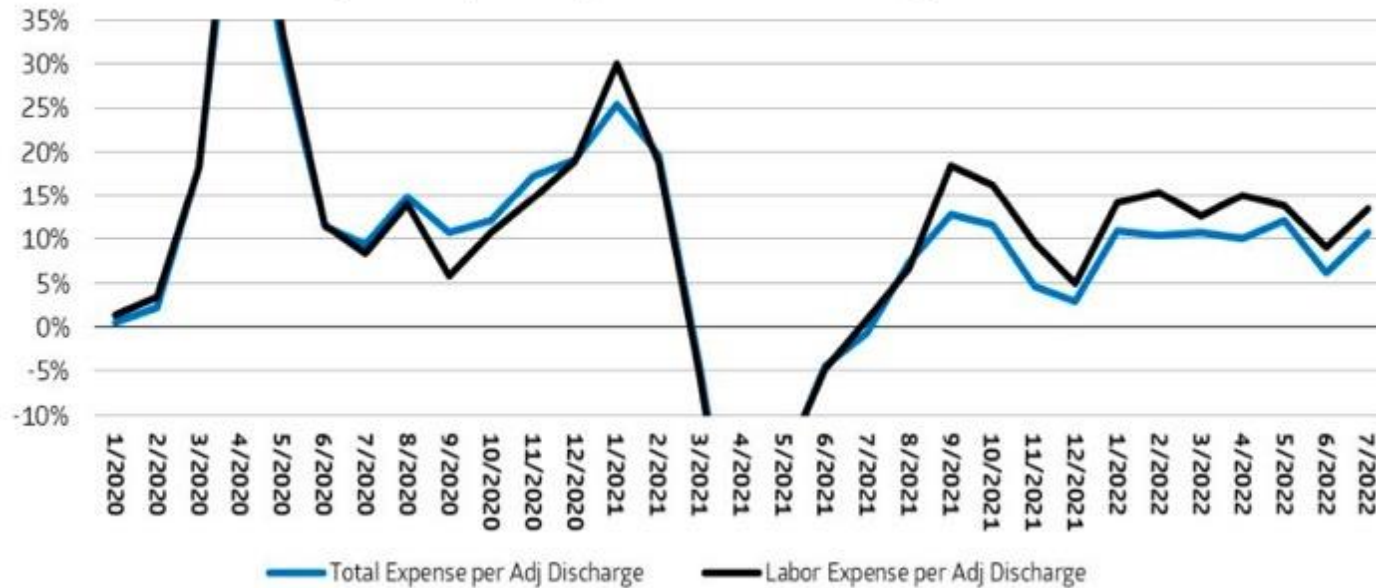
Source: Company Filings, Cowen and Company Hospital Survey, August 2022, [n=322]

Today, Every Health System in the US Faces an Acute People Crisis



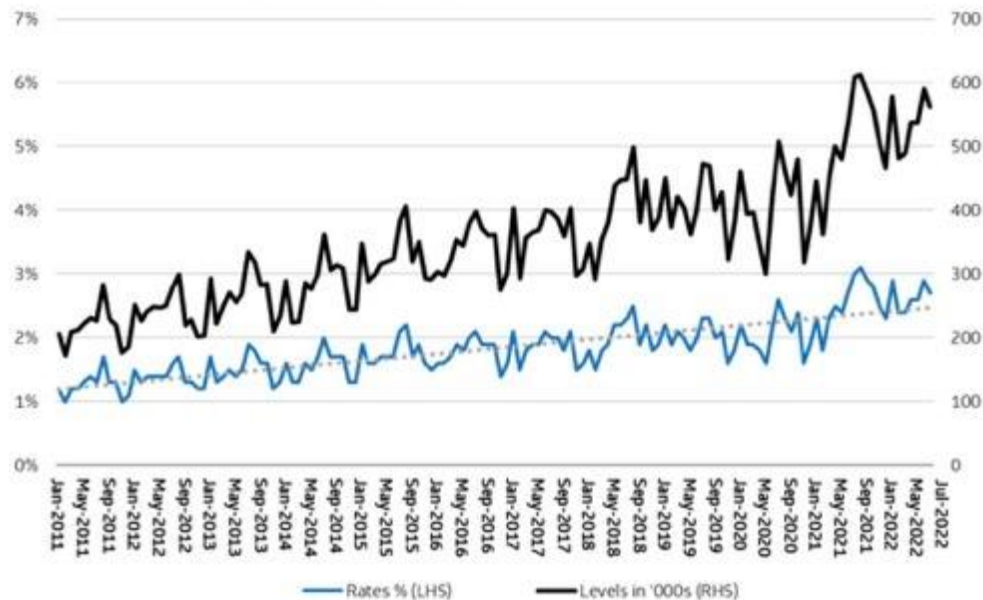
Hospitals Core People Costs Growing by Almost 15% Per annum

KaufmanHall Survey – Hospital Expenses (YoY % Change)



Quit Rate for Healthcare Workers *Rose* as We Transited the Pandemic

Health Care and Social Assistance Quits in U.S.



Source: BLS, Aya Healthcare, Cowen and Company



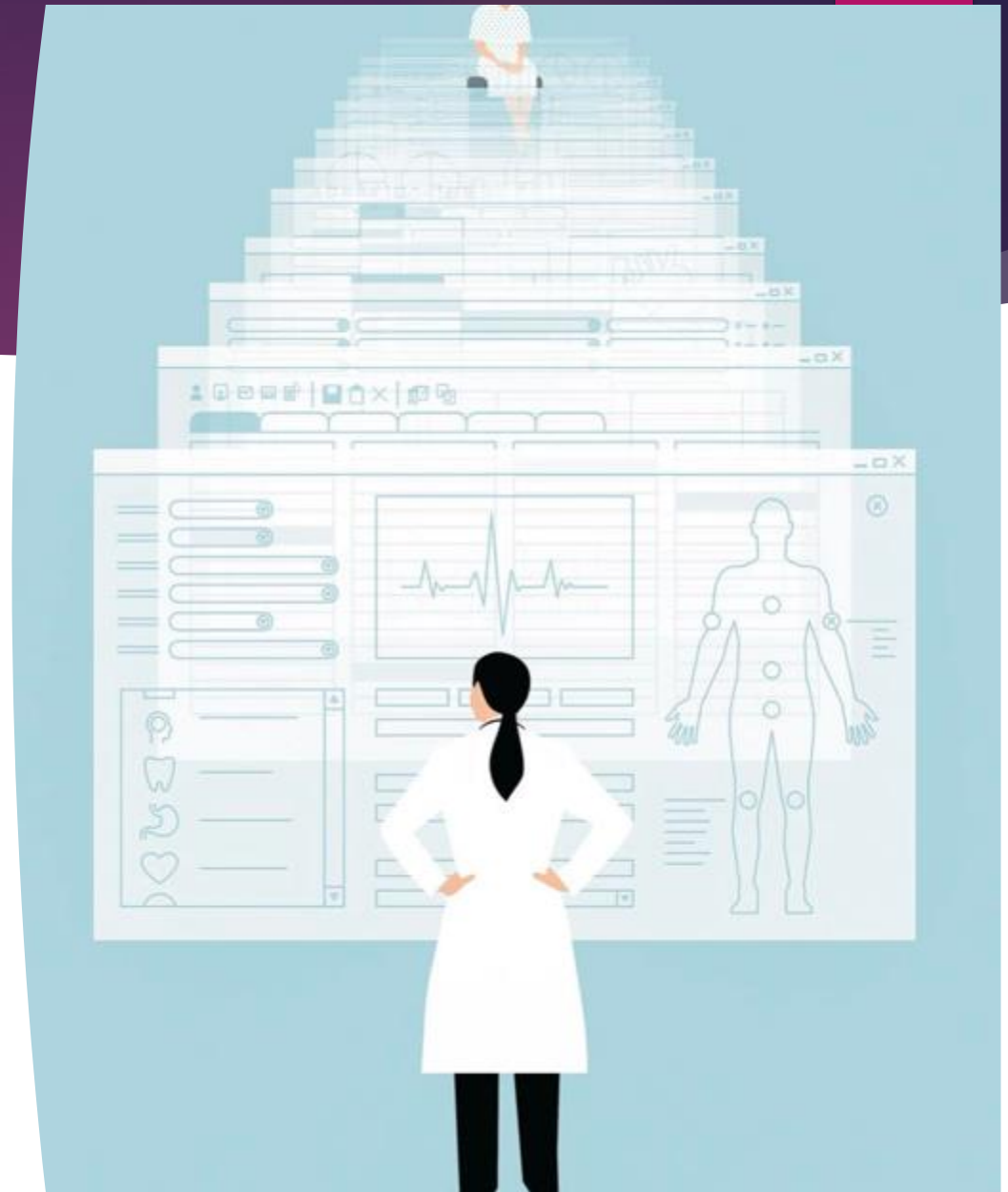
So Why
Should
They
Work for
You?

What Is It Going to Take?

- ▶ **Flexible Benefits (Four Generations with Profoundly Different Needs)**
- ▶ **Flexible and Predictable Work Scheduling**
- ▶ **Flexible Retirement Options**
- ▶ **Recognition of Workers' Caregiving Responsibilities**
- ▶ **Student Debt Relief/Tuition Assistance for Career Development**
- ▶ **Career Ladders/Trajectories**
- ▶ ***Far* More Effective Mental Health Policies/Support**

Inquiring Minds Want to Know . . .

WHY ARE
CLINICIANS
SPENDING 50%
OF THEIR
PROFESSIONAL
TIME TYPING???



What to Do about It?

- ▶ **Optimize the Automation Potential of Epic, Cerner, etc**
- ▶ **Use RPA Tools to Eliminate Repetitive, Brain-Dead Documentation**
- ▶ **Get Devices to Directly Populate EHR with Clinical Data**
- ▶ **”Zero Base Budget” so-called “Core Measures” Documentation**
- ▶ **Redesign Work Processes to Free Up Time for Actual Clinical Practice**
- ▶ **Give Your Docs and Nurses Back a Day a Week to Do what They Trained to Do. . . Take Care of Us!**

Post Election Challenge: Transition from COVID Emergency

- ▶ Potential 14 million person Medicaid Shrinkage!
- ▶ Withdrawal of 6.2% bump in Fed Medicaid match will stress State Budgets heading into a possible Recession
- ▶ Potential 4 million person ACA Exchange Enrollment Shrinkage **Averted** in August by Congress in “Inflation Reduction Act”
- ▶ COVID Treatment 20% Rate Add-On for Medicare
- ▶ Medicare Telehealth Payment Bump Also at Risk

What Passes for Strategy in a Threatening Healthcare Environment

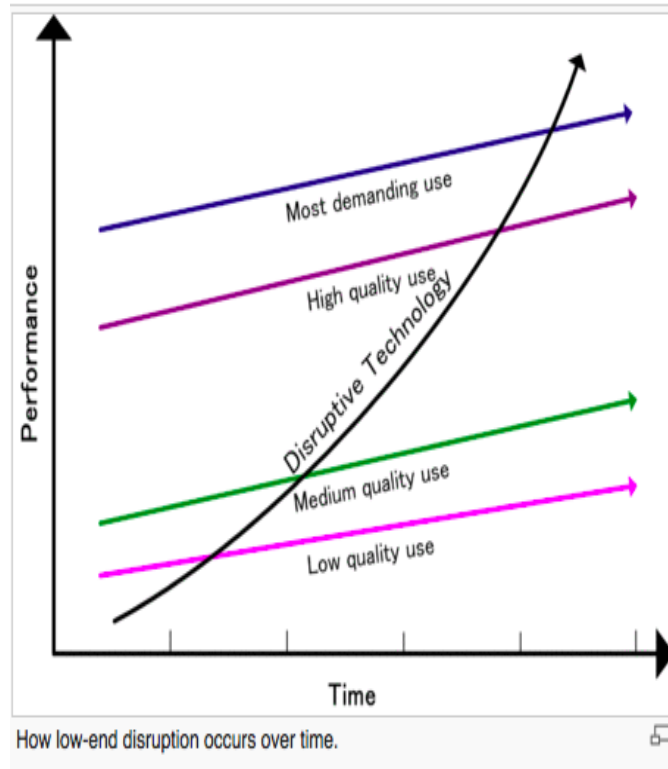


Will Healthcare be “Disrupted”





**The Guru:
Clayton
Christensen
(1952-2020)**



What Clayton Christiansen Meant by Disruption

Lots of Scary Examples, Many Internet Driven

- ▶ **Film-based Cameras, then Digital Cameras**
- ▶ **Newspapers and Magazines**
- ▶ **“Long Distance”**
- ▶ **Video Rental**
- ▶ **Desk Top Computing**
- ▶ **Taxi Service**
- ▶ **Coming Soon: Real Estate, Cable/Satellite TV, Insurance Agents, Hospitals, Physicians?**

Hospitals By No Means Immune to Disruption . . .





Return
with US to
. . . 1981

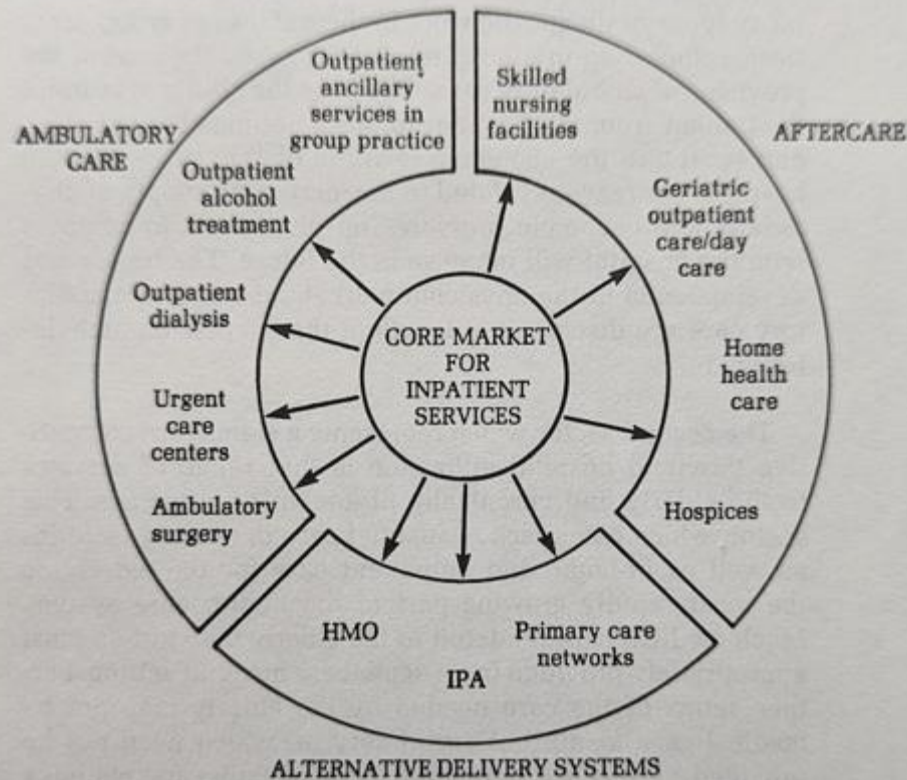


Your
Presenter
in 1981 (!)



Asked a Scary
Question. . .

FIGURE 1-5
Competitive alternatives to hospital care



Surrounded
On All
Sides

Hospitals DID Survive, by Changing their Business!

- ▶ **Hospital Industry Has Grown from \$80 billion in 1978 to \$1.2 trillion in 2020!**
- ▶ **2 Million Fewer Inpatient Admissions in 2018 than 1981, with 100 million more people!**
- ▶ **Inpatient Census (and beds) have Fallen by 33%**
- ▶ **50% of Hospital Revenues Are Ambulatory vs 10% in 1981**
- ▶ **Joint Replacement, Interventional Cardiology Increasingly Ambulatory!**
- ▶ **At least 4 waves of Urgent Care and now Retail Clinics have Provided Alternatives to the ER**
- ▶ **Yet ER volume Have Still Risen!**

**Today,
There are
Three
Distinct
Classes f of
Potential
Disruptors**

Technology

Enterprises

**Economic/Political
Factors**



Vinod Khosla on the Future of Medicine



The Self
Driving Car:
Piece of
Cake!

Digital Health Game Changers

- ▶ **Digital Health (telemedicine/digital visits, remote monitoring/diagnosis)**
- ▶ **Artificial Intelligence/Machine Learning/Image Recognition and Interpretation**
- ▶ **Genetic Prediction and Therapies**
- ▶ **Robotics and Robotic Process Automation (RPA)**

Clinicians Actually Can Be In Two Places at Once

- ▶ **You Can Remotely Manage ICU Patients**
- ▶ **Or Read an MR Scan**
- ▶ **Or Interpret Pathology Slides**
- ▶ **And Evaluate a Stroke Patient**
- ▶ **Or Someone in Acute Psychiatric Distress**
- ▶ **Or Perform an Endoscopy . . .**
- ▶ **Or Teach CME Courses**

Crucial Point: Technology Isn't Enough

- ▶ **You ALSO need a Business Model to Sustain and Grow the Disruption!**
- ▶ **Put Differently, there needs to be a Return on Capital invested in the Disruptive Technology in a Definable Time Frame.**
- ▶ **“That’s a Really Cool Idea: Is It a Business?”**
- ▶ **Also Really Important: How Do the Clinicians Get Paid?**

REAL TIME DISEASE MANAGEMENT (OnStar™ for People)

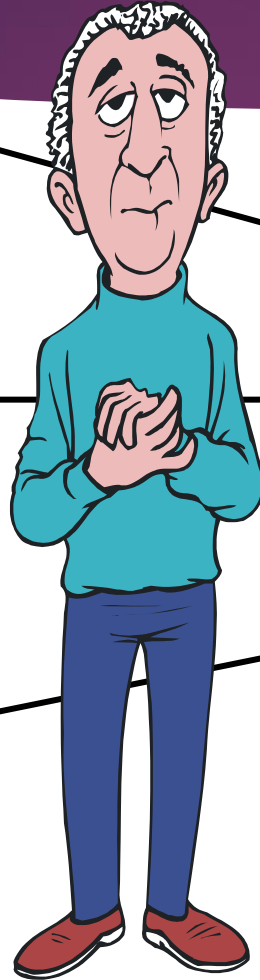
MODALITIES

- Clothing
- Wristband
- Smart Phone

Smart
House

- Implantable
Devices
- Defibrillator
 - Insulin Pump
 - Glucose Monitor
 - GPS Locator/ID

PERSON



INTEGRATION/ CONNECTIVITY

Computer
Decision
Support

Human
Monitoring

INTERESTED PARTIES

Home Security

Family

Ambulance

Hospital

Personal M.D.

Care Manager

CVS-Aetna

Walmart

Haven (RIP)

Dollar General

United/Optum

Enterprise Disrupters

CVS/Aetna

- ▶ **Largest Chain Drug Store Also in Pharmacy Benefits/PBM and Retail Health Businesses, with \$292 billion in revs (21FY)**
- ▶ **Aetna was #3 Commercial Insurer, with \$76 billion in revs and 35 million enrollees**
- ▶ **Intention is to be a Major Player in Chronic Care/Disease Management (Did Not Need Aetna to Do it!)**
- ▶ **Just Announced \$8 billion Acquisition of Signify Health**
- ▶ **Will Upgrade its "Minute Clinics" into HealthHubs in 1500 stores within two years (How??)**
- ▶ **HealthHub "concierge" service with Nurse Practitioners, Care Managers, Nutritionists, and Consulting Pharmacists**
- ▶ **Intended Retail Pull Thru for DME, Medical supplies, Scripts, etc**

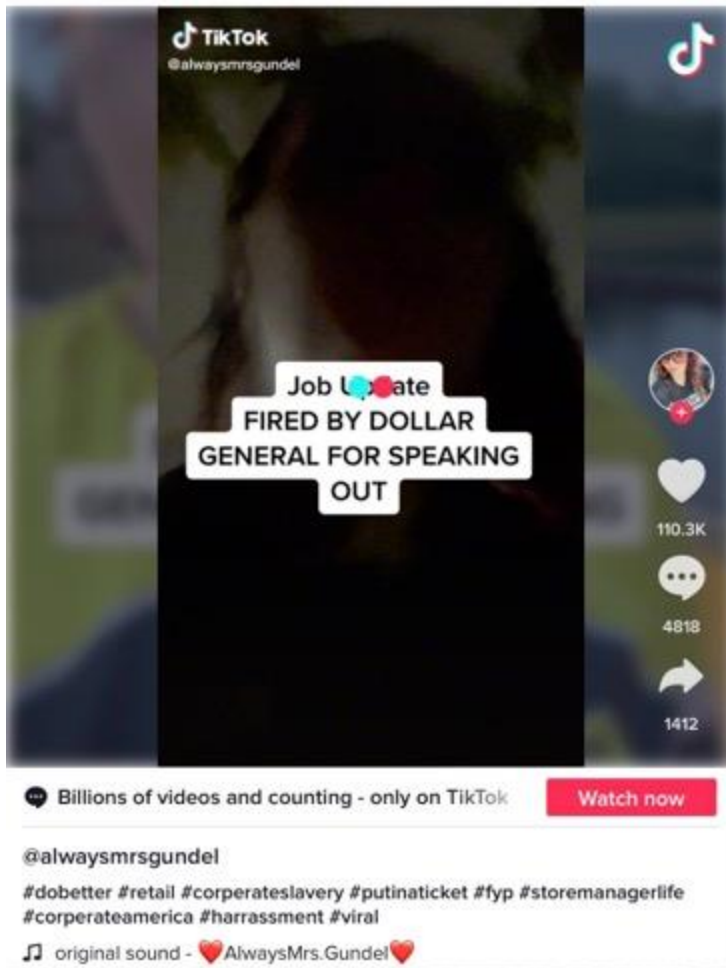
Walmart

- ▶ Walmart has 4769 stores in US, 1.5 million employees and \$573 billion in sales
- ▶ Made Waves in 2000's with \$4 Generic Drugs
- ▶ Recently Added \$4 Teleconsults for Employees
- ▶ Piloting Retail Health Location in GA featuring: “medical”, dental, vision, hearing and basic radiology.
- ▶ Sam's Club also piloting selling "bundles" of basic discounted health services, including dental care, vision exams, telehealth consultations and free generics for families up to six people.
- ▶ Collaborated with Humana on a Medicare Part D PDP Program
- ▶ Just Announced Collaboration with UnitedHealth Group in Care for Seniors

Amazon/Berkshire/JPMorgan (Haven)

RIP

- ▶ **Splashy Introduction Jan, 2018 Hired Atul Gawande**
- ▶ **Initial Focus: Digital Engagement and Wellness**
- ▶ **Combined Entities Employ 1.3 million people, scattered all over the Country (53k Amazon employees in greater Seattle)**
- ▶ **Important to know: Employees are YOUNG (Amazon median 31, Berkshire, 41) and SHORT TERM (ave. tenure 18 mo)**
- ▶ **Similar Effort to Control Health Expense Successful for Blackstone Group, with about 40% as many workers (15% reduction in spend)**
- ▶ **Blackstone's Equity Health Focused on Care Navigation, Clever Benefit Design and Gentle Selective Contracting**
- ▶ **Quietly disbanded in 2021**



Dollar General:
“#putinaticket

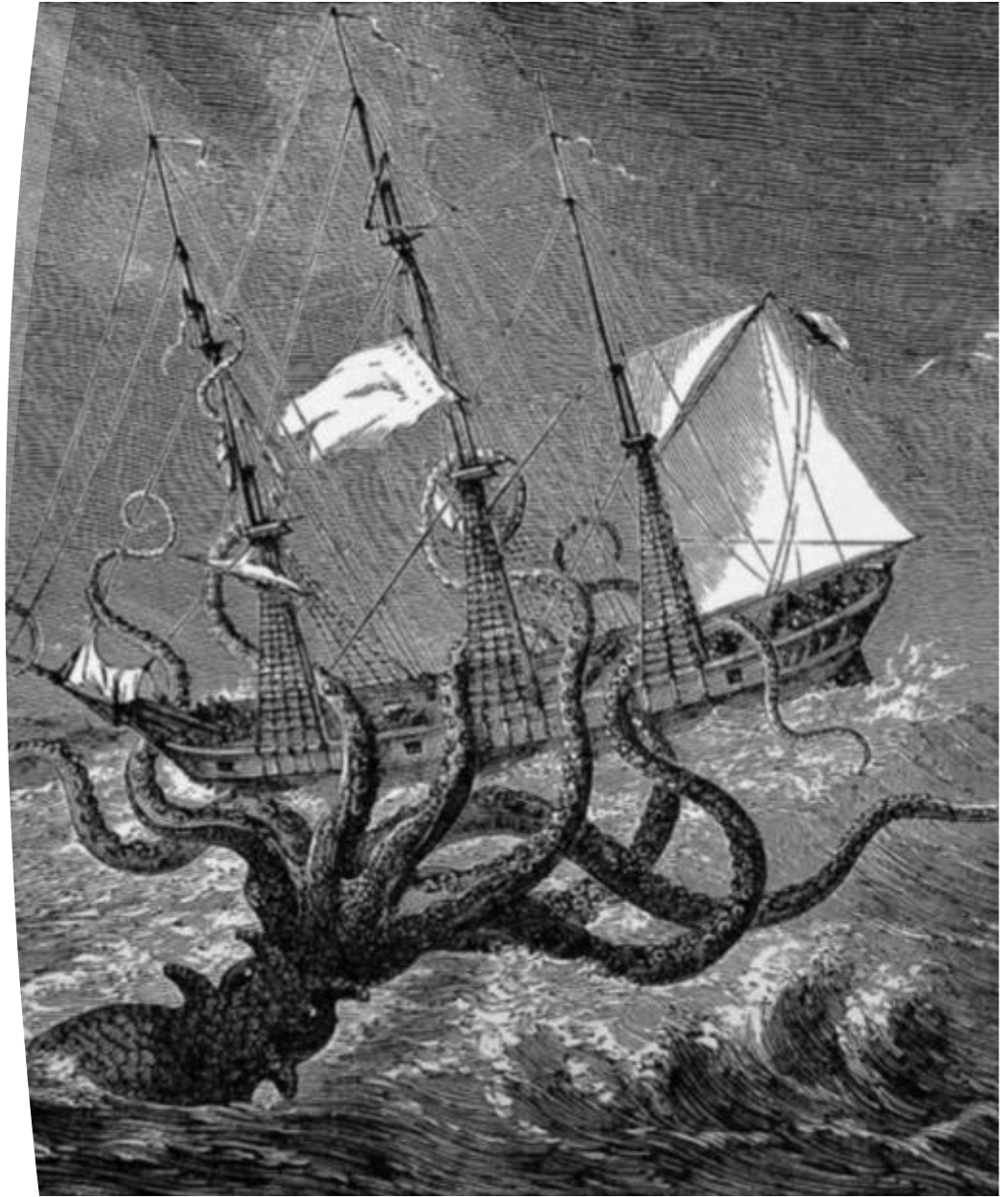
Amazon

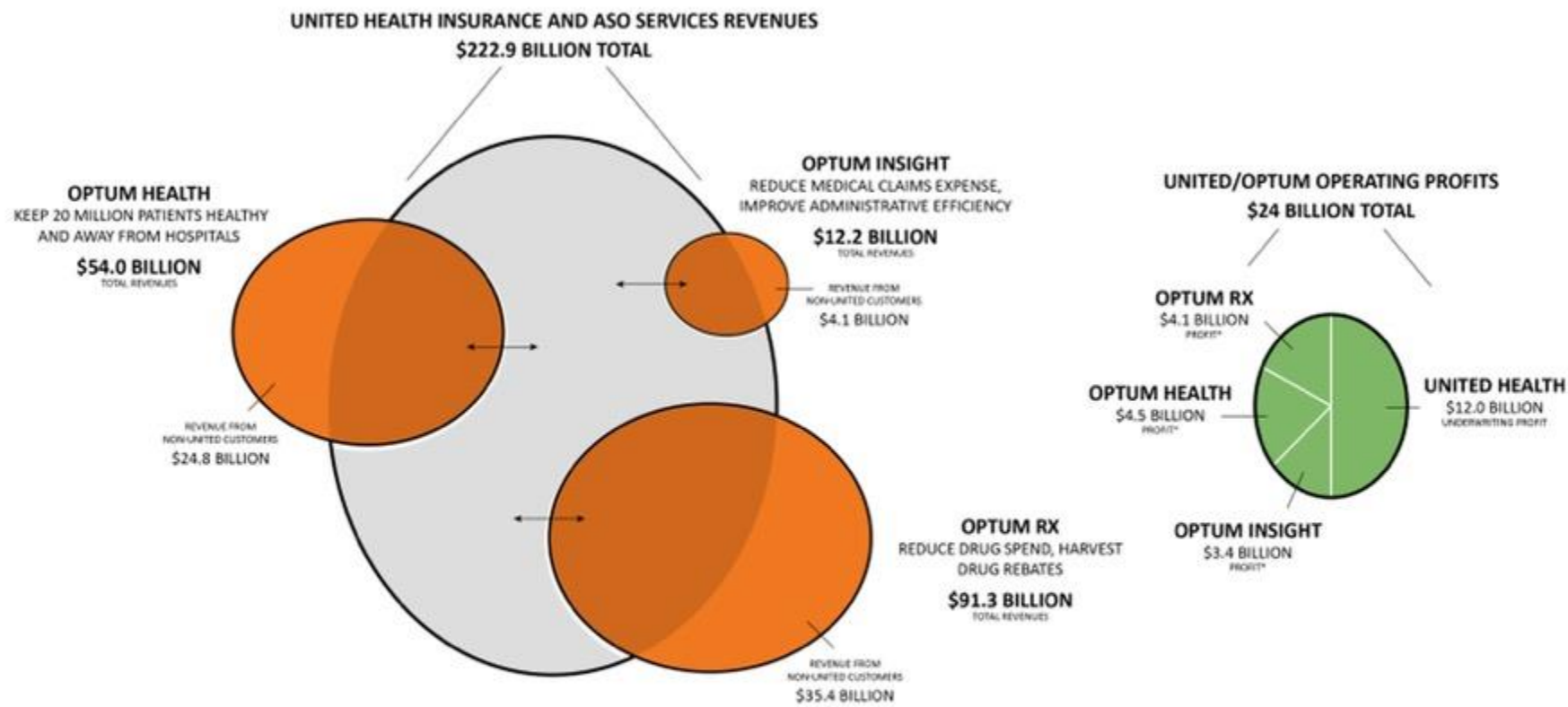
- ▶ **\$469.8 billion Top Line (Doubled since 2018) and 5.3% op margin**
- ▶ **Roughly \$25 billion in Op Income, also double 2018**
- ▶ **Almost Half of Cloud Computing Market and 30% of Digital Streaming Market (AWS=75% of AMZ profits)**
- ▶ **Core Competences: Logistics, Merchandising, Cloud Infrastructure**
- ▶ **Partnering with Crossover Health to build a Hybrid Care System for AMZ workers in 17 markets**
- ▶ **Partnered with Care Medical (formerly Oasis Medical Group) to build a national “virtual first” system called Amazon Care with virtual visits and in home nurse visits**
- ▶ **Belated Entry into Crowded Online Pharmacy Market with Pillpack in 2019**
- ▶ **Paid \$3.9 billion for OneMedical in July 2022**
- ▶ **Shut Down Amazon Care in August 2022**

Your Friendly Family MD 2030?



**My Personal
Candidate:
United Health
Group**





UnitedHealth Group

2021

\$287.6 BILLION TOTAL REVENUES**

\$24 BILLION OPERATING PROFIT

* It is impossible to determine from United's disclosures the percentage of Optum's profits derived from serving United's businesses and the percentage from external (e.g. non-UHG) customers/clients

** Includes investment income

Source: UnitedHealth Group FY2021 Form 10K to the bottom of the slide

What Bothers Me about “Disruption”?

- ▶ **Disruption of Entire Industries by a Single Innovation is Really Rare**
- ▶ **It is Defensive in Character (e.g. How Do We Keep What We Have?)**
- ▶ **“Disruption” Focuses Not on Customers but Rather Competitors**
- ▶ **Christiansen also Dissed Incremental Innovation (“sustaining innovation”) as somehow Less Important or Significant**
- ▶ **Most Firms Fail from the Top, not from the Outside**
- ▶ **Drucker’s Innovation Paradigm Made More Sense**
- ▶ **Focus on Reducing Friction, Getting Customers What They Need Faster and Cheaper**
- ▶ **Drucker: “The test of innovation is what it does for the user”**



**Are Any of these
Vast Enterprises
More of a Threat to
New Hampshire
Hospitals than . . . ?**

What Am I Telling Clinical and Health System Leaders to Do?

- ▶ **Answer the Question: Why Work for Us?**
- ▶ **Develop a Clinical Culture Built on Continuous Care Improvement and Service Excellence**
- ▶ **Smooth and Light the Patient's (and Family's) Pathway through the Care Episode**
- ▶ **Stand Tough with Payers in Rate Negotiations**
- ▶ **Leverage the Heck out of Digital Health Solutions that Lower Op Costs, Ease Clinician Busywork and Extend Your Reach**
- ▶ **TELL YOUR STORIES...**

Your Questions?

