

December 5, 2013

Dear Friends and Colleagues,

As we approach a new and uncertain year in healthcare, our mantra must be, to quote the title of a recently-published paper from the F. B. Heron Foundation, "*The World Has Changed and So Must We.*"

([http://fbheron.issuelab.org/resource/world\\_has\\_changed\\_and\\_so\\_must\\_we](http://fbheron.issuelab.org/resource/world_has_changed_and_so_must_we))

In healthcare, we are engaged in a journey that has taken us from persistent abundance and constant expansion, to the current necessity of being prudent with limited resources. This journey has been made more difficult because all of us in healthcare—patients, payers (insurers), physicians, and healthcare systems—never needed to be frugal. Expectations for more care or greater payments became our norm.

But times have changed and so, too, must we.

Three current trends, in particular, define these changes, which parallel the Biblical "*feast to famine.*"

1. **Ascendancy of the payer**—Motivated by a new desire to keep costs down in a globally competitive world and enabled by access to digital information on quality, as medical records migrate from analog (handwriting) to digital (computers), health insurers are firmly in the driver's seat; narrowing the networks of hospitals and physicians they choose to pay based on "value," defined as quality/cost. To make these decisions, payers are acting on information compiled over years of study, tracking how much it costs for a patient to have one set of physicians/healthcare system versus another. Recently Aetna, Humana, and United Health narrowed their networks by 15% to 35%, with resulting savings of 10% to 25%. Such changes have evoked protests, challenging the validity of the data, legality of changes, anger from those excluded, and generalized anxiety among the survivors. Nonetheless, more and more payers are moving inexorably to narrower networks. "Medicare and Medicaid Services (CMS) has been transforming itself from a passive payer to an active purchaser of health care," as noted in a current New England Journal of Medicine Perspective Section. (<http://www.nejm.org/doi/full/10.1056/NEJMp1311957>)
2. **Rise of consumerism**—Patients have become "shoppers," especially those with high deductible policies or those paying out of pocket. Some insurance policies may require out-of-pocket payments of \$1,000-\$10,000 or more before comprehensive coverage begins, according to the Kaiser Family Foundation. So not surprisingly, effected consumers are becoming smarter about their healthcare and shopping for insurance as never before. The bottom line is that consumers are changing the way they purchase healthcare. This phenomenon will increase as the internet facilitates transparency.
3. **Employer steerage**—Finally, large employers, locally and nationally, are steering those they insure towards better value, by adding out-of-pocket costs for out-of-network physicians and facilities. The expected result: Behavioral economics—how we respond to monetary incentives or disincentives—will take effect as a patient is forced to pay additional co-pay or deductible on his or her own to go to a non-NCH facility when NCH is available. If an employee is out-of-town and has an emergency, this additional cost would not apply. Additionally, some employers including NCH are encouraging better health through healthier lifestyles, rewarding nonsmokers, exercisers, and those on the "road to wellness" with lower co-pays and deductibles.

The point is, as Bob Dylan famously sang, "The times they are a-changin'." And as ethical caregivers, dedicated to providing high quality, compassionate care, we must change with them. We have no choice if we are to continue to help everyone live longer, happier, and healthier lives.

Respectfully,



Allen S. Weiss, M.D., President and CEO

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