

January 9, 2014

Dear Friends and Colleagues,

Last week, we discussed three longer-term mega-trends that lie ahead in healthcare; namely, *alignment among healthcare participants*, *consumerism*, and *globalization*. This week, we drill down to four “micro-trend” predictions with more immediate impact and a shorter time horizon.

#1. Continued migration from volume to value.

This is another way of saying that the traditional fee-for-service system will evolve into payment for an entire bundle of services, centered around a surgical experience or medical condition. The Chief Medical Officer of the Centers for Medicare and Medicaid Services estimates about 11% of payment now is based on value. Nationally, integrated systems like Mayo Clinic have been leaders in treating populations with the same complex disease. Locally, Florida Blue and the NCH Physician Group have been on a similar path. We have restarted conversations with other major commercial insurers to continue this innovative system, to embrace patients as partners, decrease per unit cost and waste, and improve value.

#2. Medicare’s new value proposition is taking hold this year.

In 2014, hospitals’ value-based purchasing program has added a new measure—Medicare spending per beneficiary (MSPB)—to the formula that determines how much each hospital is paid. What this means is that for the first time, hospitals are accountable for the costs of some outpatient and post-acute care, even if the providers are not affiliated with the hospital. Improving post-acute services—helping to create better value by improving quality and lowering costs after a hospitalization—may be the key to improving the MSPB efficiency score. Presently, NCH comes in slightly better than the state average but not as good as the national average. Working together to integrate pre-and-post hospital care will become even more important as we migrate from a repair shop mentality to a prevention mentality. The strong alignment among all the participants in healthcare discussed last week is necessary to lower MSPB.

#3. Transparency and innovation lead to organizational learning, change, and improvement.

Healthcare has officially gone digital, as we more effectively transform data into information and knowledge using analytics to focus on areas of concern, ways of improving, and even preventing health risk. As we become smarter, we help individuals and whole populations live happier, healthier lives. We thus desire to become a “Blue Zone,” where residents live measurably longer lives.

#4. A relentless profit margin squeeze is accelerating.

As resources for healthcare payments dwindle, we need to do more with less. America stills spends twice as much per person per year as other developed nations with the same or worse healthcare outcomes. Over the past 25 years, hospital usage has dropped and more than 200,000 beds have been closed, but outpatient visits have risen by 200%. We can moderate the margin squeeze by repurposing in-patient facilities, shuttering floors and whole hospitals and developing technology to care for patients in their own homes. Additionally, generous community support, which NCH enjoys, has made a vast difference for the good of the community.

Sensing the changing environment and understanding the new forces around us puts us ahead of the curve. At NCH, we intend to stay proactive with respect to these four micro-trends and whatever else may lie ahead, so that the residents of our community continue to enjoy longer, happier, and healthier lives.

Respectfully,



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

P.S. Feel free to share *Straight Talk* and ask anyone to email me at allen.weiss@nchmd.org to be added. **P.S. DO YOU HAVE A COLLEAGUE OR FRIEND WHO WOULD BE INTERESTED IN THESE UPDATES?** Please enter their email address below, and we will add them to our complimentary mailing list. No cost or obligation. And of course they may unsubscribe at any point they find the content uninteresting. Just enter their email address, and we shall send them a "Welcome" note, indicating you have recommended them to receive the newsletter (again, this is free and without obligation of any sort).

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