

September 16, 2010

Dear Friends and Colleagues:

The one constant in the new healthcare environment is *change*. Healthcare reform is inevitable. The status quo is unacceptable.

And while no one solution will solve every problem, more often than not, this century's healthcare demands *partnerships* to be successful.

With this in mind, let's explore a patient's, a physician's, a hospital system's and an insurance company's opportunities and obstacles to enjoy good health in this new and changing environment.

- Patients. According to a new Kaiser Family Foundation and American Hospital Association study, "*Working patients are shouldering more of the costs of health coverage than ever before amid stagnant wages and a weak economy.*" A worker's share of healthcare cost has risen by 14%. Individually, we also have increased our risks by overeating, smoking, not exercising and other bad habits.
- Physicians. Doctors face the stress of profit margin squeeze, through decreased reimbursement with rising overhead; malpractice challenge with defensive medicine; and the lack of standardization. To combat such stresses, doctors have integrated with other physicians, rehab centers, home care coordinators, and other caregivers along the care continuum. Such partnering is one excellent way to ensure success.
- Hospital systems. Inefficiencies, aging structures, excess capacity with high fixed overhead, and inadequate use of technology are problems which can be solved by having the courage to redesign.
- Insurance companies. Insurers have been attacked for meager "loss ratio" payouts and rich "profit margins." According to the Governance Institute, "*Under the current payment system, physicians are incentivized to provide more services with little regard to best practices or cost sensitivity.*" This, of course, is wrong and unsustainable. Recent separate discussions with Humana and Blue Cross/Blue Shield of Florida have explored the idea of *sharing savings* with patients, physicians, hospitals and insurers.

In terms of *partnering*, one solution legislated in the Healthcare Reform Act is an "*Accountable Care Organization,*" where patients, physicians, hospitals, and insurance companies work together to produce the best patient outcomes using the fewest resources. This is key. All providers, working together, using a common electronic medical record focused on best practices with standardization, will yield far better outcomes for patients, higher satisfaction and remuneration for physicians, more efficient and "right-sized" hospitals, and more viable and value-added insurance companies.

The transition from traditional fee-for-service to bundling of payments for whole episodes of care—such as total joint replacement, heart bypass, congestive heart failure, and diabetes—will be difficult and will require flexibility and patience. Each of us must understand our role and responsibilities in order to improve quality and value.

By everyone becoming more efficient and effective, we will all be better off—patients, physicians, hospitals, and the insurance companies. By *partnering*, we will all succeed together.

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.