



# A View of Healthcare in 2015 from IBM - Win-win or Lose-lose?

Neil Stuart, PhD and Aditya Pai, MBA

Neil Stuart, PhD is the practice leader in IBM Global Business Services Health Care Practice in Toronto;

Aditya Pai, MBA is a Consultant in the IBM Global Business Services Health Care Practice



A team of us at IBM recently published a report on the challenges the health sector will face in the coming decade and we have articulated our view on the kinds of changes that have to be made if these challenges are to be overcome. The report, Healthcare

2015: Win-win or Lose-lose? A portrait and a path to successful transformation, takes a global perspective and documents how, around the world, health care systems are becoming increasingly unsustainable.

Concerns about the rising costs of health care have been a recurring theme in discussions of health care policy for the past several decades. However, we argue that we are entering a new era in which these challenges are assuming a more compelling and intractable nature.

This may seem a contrarian conclusion, given the efforts of competent and dedicated health care professionals and the promise of genomics, regenerative medicine, and information-based medicine. Yet, it is also true that costs are rising rapidly; quality is poor or inconsistent; and access or choice in many countries is inadequate.

## Signs of the coming crisis

- In Canada, provincial government health spending has been growing faster than revenue in all provinces and also faster than inflation and economic growth. Ontario is spending 38% of all its revenue on health. If you project recent trends into future, 6 of 10 provinces will be at over 50% by 2020. In British Columbia the provincial Finance Minister is projecting that if current trends persist, BC will be spending 71% of its provincial budget on health care by 2017 and if you were to hold education spending constant at its current level of 27% of the budget, there would be virtually nothing available for other areas of provincial responsibility beyond 2017.
- In China, 39 percent of the rural population and 36 percent of urban population cannot afford professional medical treatment despite the success of the country's economic and social reforms over the past 25 years.
- The United States spends 22 percent more than second-ranked Luxembourg, 49 percent more than third-ranked Switzerland on health care per capita, and 2.4 times the average of the other OECD countries. Yet, the World Health Organization ranks it 37th in overall health system performance.

These problems, combined with the emergence of a fundamentally new environment driven by the dictates of globalization, consumerism, demographic shifts, the increased burden of disease, and expensive new technologies and treatments are expected to force fundamental change on health care within the coming decade. Health care systems that fail to address this new environment will likely "hit the wall" and require

immediate and major forced restructuring - a "lose-lose" scenario for all stakeholders.

Change must be made; the only real choices left to the stakeholders of today's health care systems are when and how. If they wait too long to act or do not act decisively enough, their systems could "hit the wall" - in other words, be unable to continue on the current path - and then, require immediate and major

forced restructuring. This is a frightening, but very real prospect. Financial constraints, counterproductive societal expectations and norms, the lack of alignment in incentives, short-term thinking, and the inability to access and share critical information all inhibit the willingness and ability of health care systems to change. If the willingness and ability to change cannot be mustered, we believe the result will be lose-lose transformation, a scenario in which the situation deteriorates for virtually all stakeholders in the health care system.

In Canada this lose-lose scenario could entail increasing challenges around access to and the quality of care as provincial governments find themselves applying blunt cost reduction measures. Some of these stresses are already appearing. They underlie the recent Supreme Court decision on the Chaoulli case. If allowed to play out, the lose-lose scenario could mean increasingly Canadians lose confidence in our publicly funded health care system. In this worst case scenario, the Canadian middle class will eventually become convinced their health care is second rate and their longstanding support for a universal, public system will break down. Significant numbers of consumers will purchase health services outside the public system and increasingly publicly funded health care will become the care of last resort, care users turn to when they cannot afford to pay for it themselves or when any private insurance coverage they might have had is depleted. Many disillusioned and overburdened health care providers in the publicly funded system will move to privately funded care, thus adding to a self-reinforcing dynamic of the decline of publicly funded health care in this country.

Fortunately, there is a more positive scenario, but it is one that will require new levels of accountability, tough decisions and collaborative hard work on the part of all stakeholders. Specifically, we strongly recommend:

**Health care providers** expand their current focus on episodic, acute care to encompass the enhanced management of chronic diseases and the life-long prediction and prevention of illness.

**Consumers** assume personal responsibility for their health and for maximizing the value they receive from a transformed health care system.

**Governments** address the unsustainability of the current system by providing the leadership and political will power to remove obstacles, encourage innovation, and guide their health systems to sustainable solutions. Governments must also help consumers remain healthy and get more value from their health care system, and they must assist care delivery organizations and clinicians in delivering higher value health care.

**Societies** make realistic, rational decisions regarding lifestyle expectations, acceptable behaviors, and how much health care will be a societal right versus a market service.

**Suppliers** work collaboratively with care delivery

organizations, clinicians, and patients to produce products that improve outcomes or provide equivalent outcomes at lower costs.

If stakeholders can act with accountability and demonstrate the willingness and ability to change, they can better harness the drivers of change and achieve a win-win transformation. Health care systems that achieve this win-win transformation will become national assets rather than liabilities. They can help the citizens they serve lead healthier, more productive lives, and their countries and businesses compete globally. They will also help these countries win a competitive advantage in the emerging global health care industry.

## Transforming for an era of action and accountability

Action and accountability are the basic ingredients of change. To successfully transform their health care systems, we believe countries will undertake the following actions:

- **Focus on value** - Consumers, providers and funders will agree upon the definition and measures of health care value and then direct health care funding/purchasing, the delivery of health care services and reimbursement accordingly.
- **Develop better consumers** – Consumers will make sound lifestyle choices and become astute users and even purchasers of health care services.
- **Create better options for promoting health and providing care** - Consumers, funders and providers will seek more convenient, effective and efficient means, channels, and settings for health promotion and care delivery



A clear accountability framework empowers these actions. Accountability must span the system with governments providing adequate health care financing and rational policy, health care professionals adhering to clinical standards and delivering quality care, funding agencies incentivizing preventive and proactive chronic care, and citizens taking responsibility for their own health.

## The value transformation

Value is subjective, but today value in health care is difficult to establish. Data regarding the health care costs is generally not accessible to stakeholders; data on quality is scarcer still and mostly anecdotal or incomprehensible. To complicate matters, the funders and beneficiaries of health care – governments, consumers and society – all have different opinions as to what constitutes good value. Balancing and resolving these conflicting perspectives is one of the major challenges in the successful transformation of health care systems.

Today, consumers often have little direct responsibility for bearing the costs of health care and their ability to predict health care quality is equivalent to a roll of the dice. Funders – governments, public or private health plans – shoulder the burden of health care costs, but often incentivize poor quality care in pursuit of reduced episodic or service-unit costs. Societies tend to pay little attention to health care costs or quality until service levels for health care or other societal 'rights' are threatened.

By 2015, in the win-win scenario we envision, consumers will assume much greater financial oversight and responsibility for their health care, which, in turn, will drive the demand for value data that is readily accessible, reliable, and understandable. Payers will take a more holistic view of value – looking not simply at the episodic costs of procedures but at how investments in high quality preventive care and proactive health status management can improve quality of life and help minimize the long-term cost structure of care. Societies will understand that health care funds are not limitless and will demand that payment for and quality of health care services be aligned to the value those services return both to the individual and to the country, province or region as a whole.

## The consumer transformation

The second key element in the win-win transformation of health care systems is increased consumer responsibility for personal health management and for maximizing the value received from the health care system. As countries are pressed ever closer to the wall of health care crisis, the pressure is building for consumers to change counterproductive health behaviors and actively participate in their health care decisions.

### Opportunities for prevention

*Approximately 80 percent of coronary heart disease, up to 90 percent of type 2 diabetes, and more than half of cancers could be prevented through lifestyle changes, such as proper diet and exercise.*

Today, consumers will not or cannot define value in health care. Some do not care what health care costs because they see it as free or prepaid. Some do care, but find it prohibitively difficult to access the meaningful information they need to make sound choices. And still others do not have the literacy skills required to navigate these choices. Compounding the problem is the fact that there is a relatively widespread disregard for healthy lifestyle choices among consumers. The rising rates of obesity and chronic disease and the continuing scourge of HIV/AIDS are all indications of unhealthy choices.

In the win-win scenario, we believe consumers will comparison shop for health care in the same manner they shop for other goods and services. Health intermediaries, who will help patients identify the information required to make sound choices, interpret medical information, choose between care alternatives and channels, and interact with the providers they choose, will become fixtures in the health care landscape for both the well and the chronically ill, and for a much broader socioeconomic segment of the population. And, lifestyle choices will be more explicit, with poor choices being accompanied by short-term consequences.

## The care delivery transformation

The third key element in the win-win transformation of health care is a fundamental shift in the nature, mode, and means of care delivery. Health care delivery is overly focused on episodic acute care; it must shift and expand to include and embrace prevention and chronic condition management to respond to the emerging environment.

Today, preventive care, which focuses on keeping people well through disease prevention, early detection, and health promotion, is a concept without a champion. Generally speaking, consumers ignore it, funders and governments do not incentivize it, and providers do not profit from it. By 2015, we expect that the notion of preventive health care itself will expand, combining Eastern and Western approaches and the best of the old and the new.

Consumers will seek this care in new settings, such as retail stores, their workplaces, and their homes, that offer lower prices, enhanced convenience, and more effective delivery channels than traditional health care venues. Preventive care will likely be delivered by midlevel providers – including physician assistants, nurse practitioners, nutritionists, genetic counselors, and exercise experts – and in close coordination with doctors.

Today, as the incidence of chronic illness explodes, chronic care management remains expensive, labour intensive, and plagued by wide variations in the effectiveness of care. By 2015, we believe chronic patients will be empowered to take control of their diseases through IT-enabled disease management programs that improve outcomes and lower costs.

Their treatment will be facilitated by home monitoring devices, which will automatically evaluate data and when needed, generate alerts and recommendations to patients and providers. Patients and their families, assisted by a health infomediaries, will replace doctors as the leaders in chronic care management particularly in the early stages of chronic diseases. This shift will eliminate a major contributor to rising health care costs.

Today, acute care is the foundation of the health care economy and its effectiveness depends heavily on the expertise of the individual doctor. By 2015, we anticipate that standardized approaches to acute care, developed through the careful analysis of clinical data and the unrelenting documentation of patient variation, will be a widespread starting point in care delivery. The availability of high quality care information will enable the treatment of non-urgent acute conditions, such as strep throat and sinusitis, at the patient's home via the use of telemedicine or in retail settings that provide low cost, good quality, and convenience. This will free doctor time and encourage the transformation of today's massive, general purpose hospitals into "centers of excellence" devoted to specific conditions and combination triage centers, which determine the specialized facility patients should go to, and post treatment recovery centers, in which patients are monitored before returning home.

## Conclusion

The transformational challenge facing health care systems globally is daunting. They must move beyond the current focus on episodic care to also provide life-long and coordinated management of preventive, acute, and proactive chronic care. This transformation must be achieved with limited incremental funding. It will require the establishment of a clear, consistent accountability framework supported by aligned incentives. Successful transformation will require all stakeholders to actively participate, collaborate and change.

Health care 2015 paints a portrait of what the global health care industry could look like a decade from now. Parts of the portrait already exist in some countries. Even so, bringing the entire portrait to life is an extraordinarily difficult, but vitally important task, which must be informed and achieved through a process of debate and consensus, and action and accountability. We hope that our ideas will serve as a starting point in your transformation effort.

To download a copy of "Healthcare 2015: Win-win or lose-lose?" Please visit:

<http://www.ibm.com/healthcare/hc2015>

The complete Healthcare 2015 report includes a detailed description of the drivers we believe make today's health care environment fundamentally different from the past, the possible scenarios for health care in 2015, a tool to assess a country or province's ability to transform its health care system, a hierarchy of health care needs, principles to guide transformation, implications and recommendations for key stakeholders (e.g., governments, health regions, care delivery organizations, suppliers, consumers) and much more.

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**Calgary**  
Michael Whitt  
403.232.9571

**Montréal**  
Patrice Martin  
514.954.2546

**Ottawa**  
Bernadette Eischen  
613.787.3721

**Toronto**  
National Coordinator  
Mark Fecenko  
416.367.6711

**Vancouver**  
Andrew Loh  
604.640.4069



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