

CEO Viewpoint

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When Brian Connolly was only 34 he became the first layperson on the board of the Daughters of Charity. It was 1985 and he'd just been appointed CEO of Providence Hospital, a Daughters of Charity hospital in Southfield, Mich. Today he is president and CEO of Dearborn, Mich.-based Oakwood Healthcare, a four-hospital integrated health system serving a million people in southeast Michigan that includes Detroit. "There were 12 nuns in habit and me," says Connolly of being one of the first of many lay executives to run a Catholic health system. He was well groomed. Born in Detroit and raised in an Irish Catholic family with six brothers and a sister in its suburbs, his father owned an underground-construction firm and served on a local hospital board. That influenced Connolly to earn a Master's in public health at the University of Michigan. After a consulting stint where he learned to apply industrial engineering concepts to hospitals, he worked at Oakwood for seven years before going to Providence as COO and then CEO for 14 years. He served as executive VP for Catholic Healthcare Partners' 15-hospital Ohio region and then helped the Daughters of Charity buy back their California hospitals from Catholic Healthcare West. Connolly returned to Michigan to be near family and took the top job at Oakwood in 2007. He and Darcy, his wife of 42 years, have three adult children, a son who's a lawyer and two daughters, an occupational therapist and a teacher.

On June 28 the Supreme Court upheld the single mandate, the central component of the Affordable Care Act. What are your thoughts and how has Oakwood HealthCare been preparing for that decision?

Oakwood HealthCare has had growing numbers of uninsured and to the extent the law provides insurance for families and individuals who had no insurance, that's a good thing.

Especially for patients with no access to primary care who show up in our ED. While there's still a lot of uncertainty, we've done several things in anticipation of Reform.

First, we've formed an ACO governed by a majority of primary care providers. CMS just awarded us a Medical Shared Savings contract, one of only three in the state, and we've signed up 74 physicians as designated Patient Centered Medical Homes. It helped that our efforts on improving quality and service earned Oakwood HealthCare recognition by BlueCross BlueShield of Michigan as being in the top 15 percent of performers in cost and quality in the state.

You serve on the board of BlueCross BlueShield of Michigan, which controls about two-thirds of the commercial market in the state. How is the



BRIAN CONNOLLY, PRESIDENT & CEO,
OAKWOOD HEALTHCARE

insurance market changing or potentially will change in Michigan with the implementation of Affordable Care Act?

When BCBS looked at the Romney plan unfold in Massachusetts and saw BCBS of Massachusetts lose a quarter of its market share to insurance exchanges, BCBS of Michigan became acutely aware of the need to become competitive in terms of cost and quality.

Consumers will go to an insurance exchange and shop for price. Historically BCBS Michigan has been largely involved in group contracts with the Big Three auto-makers; now it must make a major effort to address the individual insurance market. As a result, they're looking to providers for better pricing and improved outcomes and patient satisfaction.

Oakwood HealthCare's headquarters literally sits in the shadow of the Henry Ford Motor Company, one of the world's leading employers, and Detroit is home to the Big Three auto companies. How has that affected your strategic thinking, especially in terms of employee/retiree healthcare and VEBA?

I'm looking out my office window at the Ford headquarters right now. When the auto companies fell into the trough, Detroit was hit with massive workforce

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reductions. So, we had to face increases in the number of under and uninsured patients as well as respond to cost pressures from the major employers before the economic downturn hit the rest of the country. Most Detroit healthcare organizations have auto executives on their boards so we've had a more acute awareness of the impact of economic downturn than most.

Going forward, the issue of retiree health also poses a major challenge for auto companies. The UAW had very rich benefits packages for decades and its workers retired with top-notch health insurance. As the 800,000 retirees outgrew the employed population, the auto companies moved them into a voluntary employees' beneficiary association or VEBA in partnership with the UAW. Funding is about two-thirds of retirees' healthcare costs, so the VEBA is looking to providers for cost-effective, quality care. VEBA executives are armed with an impressive amount of data and demand cost transparency. When they see variances they let us know. With implementation of the ACA everybody is doing the cost analytics. The auto companies break down the cost of every piece of a car. They know if a significant number of employees move into an insurance exchange under the Affordable Care Act they could save upwards of \$1,000 on each of the 10 million cars they make yearly; costs that could come out of the healthcare sector.

Can you describe Oakwood HealthCare's strategy regarding physician alignment?

First, we've consolidated all 350 of our employed and contracted physician into Oakwood Physicians Inc. I'm the only non-physician on that board. We aggressively support independent physicians through our clinical associates, with practice support services including EHR, marketing and purchasing. Better organizing our employed physicians as well as improved connectivity with those in private practice will assist Oakwood in responding to managed care contracts, improved care management and improving our costs.

Oakwood HealthCare is in the midst of implementing an Epic EHR. Why did you choose Epic and what are some of the challenges you're facing?

We felt Epic had great tools for integrating hospitals and physicians. We're also able to move away from multiple (about 300) software applications into a more streamlined platform to manage our clinical, financial and management needs. A huge challenge is training our 10,000 employees and 1,000 physicians to effectively use the new system.

I understand your organization is pursuing the Baldrige Quality Award. How is the process going and how has it influenced the culture at Oakwood HealthCare?

Oakwood HealthCare was one of only six organizations to receive a Baldrige site visit last year. We came very close. We'll get it. It's been a great journey for us, a very structured process that engages all our employees. It's been a culture changer.

“The challenge now is how to use and manage this overwhelming amount of data to benefit our patients.”

What's the biggest

change you've seen in healthcare over your career?

Healthcare has become a very, very complex industry. The involvement of government continues to grow; IT tools are extremely expensive and sophisticated and the amount of information available today compared to not-too-long-ago is unbelievable. We have enough information to understand how an individual physician is practicing or where patients are going for care. The challenge now is how to use and manage this overwhelming amount of data to benefit our patients and Oakwood.

What's a favored book that you've recently read?

“American Icon: Alan Mulally and the Fight to Save Ford Motor Company” by Bryce G. Hoffmann. We invited Alan Mulally to speak to our system governance and leadership. His messages were compelling. The story is really applicable to healthcare which today is facing similar challenges.



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