

CEO Viewpoint

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Dan Wolterman is the rare executive who played golf so well he could have turned pro. Instead, he chose the less glorious path caring for patients in one of America's largest urban centers. As president and CEO of Houston-based Memorial Hermann Healthcare System, Wolterman, 56, is continually trying to avoid the "rough" in golfspeak of an increasingly uninsured population with diminishing reimbursement in one of the most competitive health marketplaces in the nation. Memorial Hermann is one of the largest not-for-profit healthcare systems in Texas and serves the Greater Houston community through 11 hospitals, 20,000 employees and a vast network of affiliated physicians, specialty programs and services. Among the organization's numerous recognitions, the National Quality Forum awarded Memorial Hermann the 2009 National Quality Healthcare Award. Wolterman grew up in Cincinnati, where he earned his undergraduate and MBA degrees at the University of Cincinnati and a master's in healthcare administration at Xavier University. A hospital CEO since the age of 29, he spent 11 years with Holy Cross Health System and 7 years with the Sisters of Charity of the Incarnate Word, which later became part of CHRISTUS. At the merger Wolterman joined Memorial Hermann where he has been CEO since 2002. He and his wife Lori have three children.

Why did Memorial Hermann decide to form an ACO?

It was a natural progression of the clinical integration program that we launched seven years ago with more than 2,000 physicians to practice higher-quality, safer and less costly medicine. Forming an ACO allows us to test our processes, the tightness of our referral network and our information systems to support the ACO concept and deliver the right data.

How else is Memorial Hermann responding to healthcare reform?

There's healthcare reform in general and then Healthcare Reform of the Affordable Care Act. We pursue healthcare reform in general regardless of legislation. The industry is going to change and needs to change.

We focus on four areas. The first is to lower costs while maintaining quality. In the past year we've pared \$160 million of annual operating expenses. Second, we're striving to be the first healthcare system to become a high-reliability organization like commercial aviation



DAN WOLTERMAN, PRESIDENT
& CEO, MEMORIAL HERMANN
HEALTHCARE SYSTEM

and the nuclear industry. That means zero harm for patients. In the past 18 months we've awarded 76 "certified zero" citations to our hospitals which have demonstrated a minimum of 12 months with zero hospital-acquired infections or other harmful events. We've gone months when the entire system has had zero adverse events. Our experience has helped influence the Joint Commission to set up a high-reliability structure with which I am active.

Third, physician integration addresses how we work with doctors in a team setting to deliver cost-efficient, quality care. The fourth area is information technology, including launching population analytics, an HIE to connect thousands of doctors and to support greatly increased home care.

How does Memorial Hermann's physician organization fit into the system's future plans?

We believe the only way healthcare can lower cost, improve quality and get better value is through an integrated model. Our physician organization is structured

pluralistically, to bring together private, employed and University of Texas faculty members in the same group to share data and cooperate in setting quality standards, care protocols and a platform for delivering better value.

What role will Memorial Hermann's EHR and IT systems play in local healthcare reform plans?

The EHR and IT systems are absolutely vital to carry healthcare reform forward. You can't change healthcare for the better without IT. HIEs are pivotal in a big city like Houston for sharing real-time data on patients who visit different providers the same day. You need a single, common patient identifier, quick exchange of lab data and a digital PACs for sharing images. Patients can do their own scheduling online. We have new data analytics in place to look at population health through the HIE. Finally, telemedicine will explode as a tool to reach patients in their homes. With such a severe shortage of primary care physicians, especially given our medical home strategy, telemedicine will be a way to better leverage physician time and expertise.

What does it mean to deliver value in healthcare and how will it guide your future plans?

We believe value is absolutely the concept this country needs to emphasize. Value, which we define as quality divided by cost, has most to do with population-health issues like obesity, asthma, diabetes and infant mortality. Our stats as a nation are so poor for all of those. About 18 months ago Memorial Hermann totally changed its vision to a simple "We advance health." It has three key elements: One, top-notch care delivery, because people still get sick; Two, a focus on physicians because we need the best providers to work in teams to advance patient health; Three, our "health solutions" innovation that allows us to approach fully insured and self-funded employers to manage the health of their employees.

So, we've entered the health plan, TPA and worker's comp business. Employers expect you to provide data analytics on their employees and dependents, including the number of diabetics, how they're managing their disease, the cost and the number of employees who have missed work time, just to name a few examples.

What's the biggest change you've seen in healthcare over your career?

There are two big changes I have seen during my 30-year career. The first is the change in the physician/hospital relationship. As the economics of health-care have gotten more difficult, it has resulted in a significant deterioration of the relationship.

The second change is the ever-escalating ranks of the uninsured. When I first arrived in Houston the uninsured population was approximately 10 percent, but now it's one third of our population. It's overwhelming. It puts a strain on all aspects of our operations.

What advice would you give to a young person seeking to enter the healthcare field?

It's a great, great field that's going to undergo tremendous change in the next five to 10 years and will require new skill sets. Go talk to leaders in the field, including insurers and physicians, to grasp where it's going, identify the skills that will be required and then go get those skills in a graduate degree or seminars. Skate to where the puck is going. A pre-requisite in today's world is an MBA.

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

I finally read "Great by Choice" by Jim Collins and Morten T. Hansen, which gives practical insights how successful organizations choose to be great. It doesn't just happen.

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