Health systems must take the lead in managing the financial risk of care delivery—not wait for government—was a key message from Scottsdale Institute’s 25th Annual Conference “Pushing Past the Payment Barrier: From Innovation to Transformation of Healthcare” in Scottsdale, Ariz. To achieve that goal they need to build scale, integrate vertically and horizontally and deliver value to consumers according to the lively discussions, presentations and audience interaction at the Camelback Inn.

SI Chairman Don Wegmiller kicked off the three-day event citing the new and innovative ways SI Members are engaged in Collaboration, Education and Networking including popular and growing activities like Affinity Groups, Dialogues and Summits. For more information on Summits, visit www.scottsdaleinstitute.org/summits. Content for Affinity Groups and Dialogues is forthcoming. Contact Janet Guptill with any questions you may have regarding these collaborative opportunities.

Mr. Wegmiller introduced keynote speaker John Bardis, Former Assistant Secretary for Administration, U.S. Dept. of Health and Human Services, whose address, “The National Healthcare Landscape: A Reality Check,” described how we’ve created a self-perpetuating healthcare financing system that threatens to strangle our economy unless health systems and payers unite to change it. “We have a cost problem, 100 percent designed and implemented by HHS,” but readily abetted, he asserted, by health systems who simply pass reimbursement cuts and other changes onto their customers. “It’s the most intelligent oligopoly ever.”

Still, Bardis praised career government employees as incredibly dedicated people and Medicare as “a fantastic program” that offers a model for expanding coverage to the underinsured. His point: our healthcare system is built upon a financially unsustainable cost-plus system that over decades has had health systems in a lockstep. As providers, Bardis said, “we reorder our pricing on cue.”

Without fundamental, industry-led change, the future is bleak. He predicted by 2029 the Medicare Trust Fund will become insolvent. “The real problem is adding 10,000 folks a day—the system accelerates utilization. By 2036 we’re going to be $1 trillion in the hole.” Bardis argued, “In terms of real policy change...health systems in Washington have been terribly represented.” Part of the solution is—like Kaiser—to engage doctors. “They’re the only ones who can reconfigure the system...We as an industry have to come together as a platform” for change.
Tom Sadvary, Vice Chairman of Scottsdale Institute, moderated the keynote discussion among a blue-ribbon panel: John Bardis; Denis Cortese, MD, former CEO of Mayo Clinic and President of the Healthcare Transformation Institute; Paul Keckley, PhD, author of the Keckley Report and a healthcare policy analyst and futurist.

The following is a sample of the wide-ranging panel conversation. In this case, panelists discuss how healthcare’s lack of a unified voice blocked an early interoperability initiative and, by extension, other reform initiatives:

**DENIS CORTESE, MD:** “When we went to Washington in 2009 [to design HITECH] the Federal Government had allotted $20 billion to help introduce IT. Interoperability was always part of the plan. However, vested interests were trying to maximize their personal interest NOT to optimize the system.” The result: interoperability never became a component of Meaningful Use.

**PAUL KECKLEY, PHD:** “Denis is right. 110 different organizations weighed in. It’s not as if medicine speaks with a single voice.”

**DENIS CORTESE, MD:** “If you have no vision. If there’s lack of leadership, lack of direction, [you’ll never succeed in reforming healthcare.]”

**PAUL KECKLEY, PHD:** “According to the latest data only a third of ACOs have saved money, but doctors are glad to create CINs [clinically integrated networks]... There are 109 health systems that operate their own health plan.”

**DENIS CORTESE, MD:** “Hospitals can act as aggregators and become the organizer of a new system. At Presbyterian in Albuquerque hospitals do care in the home.”

To listen to this compelling discussion and other panels and presentations, audio recordings and photos are accessible on the SI website at www.scottsdaleinstitute.org.
PAYOR-PROVIDER CONVERGENCE PANEL | ARE PROVIDER-LED HEALTH PLANS STILL AN ANSWER? IF NOT, WHAT IS THE ANSWER?

Closing the first-afternoon sessions, Mitch Morris, MD, Executive VP, Optum Insight and SI Advisor, moderated a panel on payor-provider convergence: Joan Budden, President & CEO, Priority Health, Spectrum Health; Don Calcagno, President, Advocate Physician Partners, Advocate Aurora Health; and Jeff Cook, CEO, Texas Health Aetna, Texas Health Resources.

SOME SELECTED NUGGETS:

A potential disruption for health systems partnering with payors, cautioned DON CALCAGNO, is when “payors think they’re creating the network…We think of an integrated network as the secret sauce…At the end of the day it’s all about serving the consumers.”

JOAN BUDDEN observed: “We have a cost issue. We’re in Michigan so we see it as [similar to] when the auto industry had to get over their addiction to large SUVs.” Healthcare’s analogy is large hospitals, she said.

Texas Health’s joint venture with Aetna, said JEFF COOK, is based on the recognition that neither providers nor payors can do it all. “Payors do well at risk management and customer service, but they struggle around care management. We don’t have the expertise to stand up a health plan but we can be excellent at effective cost management related to appropriateness of care.”

CEO PANEL | VIEW FROM THE TOP: CHALLENGES, ENABLERS AND STRATEGIC IMPERATIVES

Thursday morning Don Wegmiller moderated a panel of leading health-system CEOs: Rod Hochman, MD, President & CEO, Providence St. Joseph Health; Tommy Inzina, President & CEO, BayCare Health System; Mark Laney, MD, CEO, Mosaic Life Care; Jim Skogsbergh, President & CEO, Advocate Aurora Health; and Johnese Spisso, President, UCLA Health and CEO, UCLA Hospital System.

Mr. Wegmiller also moderated a Q&A of these top execs in an Executive Roundtable and Open Forum panel entitled “Creating the Next Generation of Healthcare.” Here are some selected nuggets:
ROD HOCHMAN, MD, PROVIDENCE ST. JOSEPH:
“We have to be big and small at the same time…Our last major hires were all people from the outside. Our CFO came from Microsoft, Chief Clinical Officer Dr. Amy Compton-Phillips is from Kaiser, our Chief Digital Officer is from Amazon and our head of marketing is from T-Mobile.”

TOMMY INZINA, BAYCARE:
“Fortune magazine named BayCare one of the 100 Best Places to Work in the U.S…. We’re focusing on virtual medicine, virtual visits, self-scheduling and how long the urgent care wait is. Over time customers won’t wait. Healthcare [traditionally] is all about waiting. We’re living out our mission statement as an extraordinary team leading the way to high-quality care and personalized, customer-centered health.”

MARK LANEY, MD, MOSAIC:
“Our biggest threat is not in this room. It’s the unknown, highly capitalized firm that doesn’t have the same commitment to community…We’re surrounded by critical access hospitals so we’re reinventing rural care. The old model of a critical access hospital was to have 25 beds; today we’ve got two to four people on staff. We’re also leveraging our membership in the Mayo Clinic Care Network which offers eConsults to our docs… If you only communicate with a patient twice a year, you don’t have a relationship.”

JIM SKOGSBERGH, ADVOCATE:
“We’re busy integrating our system with Aurora Health Care in Wisconsin [merger announced December 2017]. We’ve known Aurora for a long time, having had a joint venture in the lab business for six years [so are able to move quickly through the merger]… Advocate has the largest ACO in the nation with a lot of revenue and direct-to-employer full capitation. I like scale. I love the idea of options, the ability to walk through a number of doors.”

JOHNESE SPISSO, UCLA:
“One of the things I learned was from UCLA Coach John Wooden: Don’t let what you can’t do interfere with what you can do.”…Our Patient Advisory Councils have made us rethink the patient experience through the voice of the patient…A key challenge: How do we prioritize research and innovation? We spend $1 billion a year to fund research and just commercialized a cancer drug.”
INFORMATICISTS IN TRAINING

Michael Pfeffer, MD, CIO, Ellen Pollack, MSN, RN-BC, CNIO and Jennifer Singer, MD, Senior Physician Informaticist at UCLA Health described how UCLA has created a model for informatics training and EMR mastery.

Directed by physician CIO Pfeffer, UCLA’s informatics program has 20 trained and certified physician informaticists of all specialties including primary care who translate clinical needs into technical solutions. Twenty nurses are working in IT but embedded in operations. The clinical focus is key. “We don’t have any IT project that doesn’t have a nursing informaticist or physician informaticist,” he said.

What continues to move the program forward are programs like UCLA’s robust Clinical Informatics Fellowship Program with 30 participants and its Resident Informatics Program which accepts 15 to 20 participants each year and has already trained 86. A Nursing Informatics Fellowship is so popular it had more than 80 applications for only three positions, so they expanded it to five.

PANEL | INNOVATION STRUCTURES AND LESSONS LEARNED

Subra Sripada, EVP, Chief Transformation Officer & CIO at Beaumont Health, moderated a panel of innovators: Amy Compton-Phillips, MD, EVP & CIO, Providence St. Joseph Health; Michelle Conger, Chief Strategy Officer, OSF HealthCare; Darren Dworkin, SVP & CIO, Cedars-Sinai Health System and SI Advisor; Rich Roth, Chief Strategic Innovation Officer, Dignity Health; Joel Vengco, SVP, Information & Technology & CIO, Baystate Health and Founder, TechSpring.

“We try to match up what we call passionate problems with transformative solutions,” said Joel Vengco at Baystate. As an outside-in model of innovation, four years ago he led creation of TechSpring as a vehicle to “encourage and invite other organizations around the globe” to develop IT innovations for the health system. This innovation center “looks like Silicon Valley with open spaces” and millennial-oriented amenities. Most importantly it provides “a proving ground for mid-to-late startups funded by the innovation community.”
TechSpring has been very successful, incubating firms like Praxify, which makes a supply-chain tool that identifies highest-value devices and enabled Baystate to save $4 million in 18 months in unnecessary costs. Anthem acquired Praxify for $65 million.

OSF has partnered with the University of Illinois College of Engineering to study the biggest factors resulting in high-cost, low-quality care impacting the poor. Lack of access to care is one of them, so OSF has adopted the use of SilverCloud to provide clients with an easy and immediate evidence-based and supported behavioral health solution. A wealthy patron endowed OSF’s simulation center after a medical event inspired him to help reinvent how people receive care in rural settings.

A partnership formed through MATTER with Regroup Therapy helps treat people virtually with higher-acuity behavioral issues using behavioral health providers. To support aging-in-place, OSF selected the Pulse program at Mass Challenge, a pilot with a startup company that uses passive monitoring to predict issues that might arise with people who live alone. And, when a rural community hospital closed, OSF converted it to a free-standing ED and repurposed the hospital to co-locate with social service agencies using a community-based tool called Pieces.

Cedars-Sinai emphasizes digital innovation and the “science of care,” notes Darren Dworkin through both a venture fund and an accelerator. “We’ve done well with inside tech transfer,” he said, noting that the health system begins working with early-stage startups so it can better shape products to its own needs. Starting with a pool of as many as 500 apps, a clinician-led Cedars selection committee screens them for the right match of people and products. It works with 10 early-stage companies every 10 months.

“With three programs behind us, we’ve helped grow 28 companies, 25 of which are still in existence and facilitated $15 million in growth funding. Our CEO says innovation isn’t new in medicine. What’s new is the focus on care delivery, especially digital care delivery. We have a robust tech-transfer strategy,” said Dworkin.

Dignity relies partly on a bottom-up approach for innovation. “We have 60,000 really talented employees,” said Rich Roth, whom the health system systematically mines for new ideas. “We’re averaging a [new startup] company a year.”

Also, Dignity has developed an “Urban Innovation Platform” through which it vets up to three companies a year, enabling them to “run, run, jump to scale.” About 20 companies have already undergone the process, which includes heavy clinical input. “Everything we do gets buy-in from clinicians,” said Roth. Having a presence in Silicon Valley has also enabled Dignity to benefit from being an early adopter of tech innovations.

MICHELLE CONGER IS LEADING OSF TO FOCUS ON SEVERAL AREAS OF INNOVATION:

- New models of care
- Aging-in-Place
- Social Determinants of Health
- Simulation Center for physician training
- $100M Venture Capital group
- Partnerships with incubators like Chicago-based MATTER and Massachusetts-based Mass Challenge
At Providence St. Joseph Health, noted Amy Compton-Phillips, MD, “Innovation is not a role but everyone’s job.” It helps that its Chief Digital Officer came from Amazon where he helped develop the Kindle, whose ability to reduce friction between author and reader should help the health system do the same between patient and clinician. Providence St. Joseph also runs a program that allows caregivers to suggest innovations in a competition with finalists going at it in a “Shark Tank.” The health system also conducts an “Entrepreneur in Residence” program. “We provide them with health insurance and a foosball table,” she says.

**PANEL | NEXT GENERATION INFORMATICS**

Ferdinand Velasco, MD, CHIO at Texas Health Resources, moderated a panel of leaders in the medical informatics field: Eric Brown, PhD, Director, Watson Algorithms Innovations, IBM Watson Health; Bob Murphy, MD, Associate Professor and Associate Dean, Applied Informatics, School of Biomedical Informatics, The University of Texas Health Science Center at Houston; Rick Peters, MD, Chief Technology Innovation Officer, Dell Medical School, The University of Texas at Austin; and Jeff Rose, MD, SVP, Clinical Strategy, Hearst Health, and SI Advisor.
ERIC BROWN, PHD, who directed IBM Watson’s demo on the game show “Jeopardy,” noted, “There’s enormous opportunity” for AI (artificial intelligence) to reduce the burden of physician and nurse documentation, ensure proper coding for reimbursement, comply with legal requirements and build accurate clinical information on the patient. “There’s a subtle difference between IT and building complex algorithms, data science, observational studies and looking at data...Some of it is domain knowledge. If you don’t have the people” you can’t harness the power of data analytics, AI and machine learning.

“I’ve spent most of my career in informatics,” said JEFF ROSE, MD, “and unless we can get information about the patient—valid, evidence-based information about their condition, including ‘omics,’ in the hands of providers”—we can’t provide quality and efficient care. “The amount of information out there is enormous.”

He said informatics too often rushes to technical fixes when “common sense can solve the problem. When we talk about machine learning, what happened to the human being?.... There are two myths: That claims data is bad and that clinical data is good. In fact, neither is true. Both data sets are flawed and just putting them together to get ‘big data’ is not a de novo good thing, nor does it result in improved quality or trustworthiness. Two flawed sets result in a bigger set of data that is still flawed,” said JEFF ROSE, MD.

“People want 100 percent accuracy,” said BOB MURPHY, MD, adding that the issues of data and data quality raise the challenge of “creating more information than we can handle.” When he entered academia after being CIO at Memorial Hermann, Dr. Murphy was able to join morning rounds. There, the informatics question arose: “How do you use the technology that’s available for immediate tasks like retrieval and analysis?”

“It’s not about Big Data, but the right data,” asserted RICK PETERS, MD, who noted the University of Texas Austin’s medical school is focused on engaging the local community to improve healthcare in a state where 18 percent of the population is underinsured. “We’ve got too many hospitals in Austin, IT is spending too much and we’re wasting provider time and services. What it pushes us toward is the social determinants of health, which is 80 percent of what affects health. We need to use IT and informatics to address real-time decision support, evidence-based medicine and data modeling.”

CLOSING KEYNOTE | NEXT GENERATION PAYOR MARKETPLACE

Joe Swedish, Executive Chairman of the Board, Anthem, Inc., and SI Board member kicked off Friday morning with a closing keynote on the “Next Generation Payor Marketplace.”

“We probably have more in common than we ever thought possible,” said Mr. Swedish in reference to payors and providers. That’s because changes in demographics, technology, societal norms and especially money flow are forcing the questions: “What do we do about cost reduction?” and “How do you transfer the rewards of cost reduction to the consumer?”
To achieve cost reduction and its rewards raises further questions: How do you grow to scale? Can you do it in the market you serve? He also cited the rise of the “new verticals” whose goal is to better align payors and providers.

Seeking answers, Mr. Swedish hearkened back to a 1997 book, “The Innovators’ Dilemma” by Clayton Christensen, which he said is even more relevant for healthcare today because it asks why well-managed organizations fail in the face of technological disruption. “It’s not about poorly run businesses. [As healthcare executives] we don’t run poorly run businesses. The very management practices that made them great” have hamstrung them in reacting to change. “The great ones lost their way in terms of disruptors.”

THREE MEGATRENDS
To thrive in the new reality, Mr. Swedish cited three megatrends healthcare organizations should harness:

One, the role of the consumer and the power of digital technology to give consumers more choices. “It’s amazing to us how the consumer has [suddenly] come to play such a prominent role and they aren’t shy about it. Social media has amplified their voice.”

Also, the emergence of AI is already driving some improvement in cost trends, especially in diagnostics. That’s just the tip of the iceberg. “AI will have a really dramatic effect on how we do business clinically and procedurally in how we manage a health plan,” he said.

A second megatrend: the next-generation payor marketplace. Political shifts across the spectrum are putting “tremendous pressure on payors to even more aggressively manage the total cost of care and transfer those rewards to consumers—to clearly define value,” said Mr. Swedish.

NOT PAYOR, BUT PARTNER
“I’d argue if we return next year our title won’t be payor, but partner or performer. We’ll have a bigger and more expansive role in care delivery,” he said, citing as an example Anthems’ CareMore initiative, an integrated care model for the frail elderly that has cut costs to 18 percent below the national average.

A third megatrend involves the entry of non-traditional players into the healthcare marketplace, most of them centered on bio IT, healthcare IT and pharma IT. “They all relate to the idea that biology is a data science, not a lab science.” Startups abound in genetic engineering, DNA sequencing and genomic data which is doubling every seven months. Private equity firms with “trillions of dollars” are seeking opportunities in these areas.

Mr. Swedish closed by noting these accelerating trends have caused him to revise his view of change: he now sees change occurring every three to five years instead of his traditional 10-year framework. “If you can’t adapt, you will not survive,” he said.

Going it alone is a recipe for failure. “I do believe in payor-provider partnerships. Payors have a relevant role to play. They’re not going away. Payors can manage risk and maximize value across the continuum. We have to figure out how to do that together.”
John Glaser, PhD, SVP, Population Health, Cerner, and SI Advisor, led a lively Town Hall discussion to wrap up the conference with panelists: David Classen, MD, CMIO Pascal Metrics, Associate Professor of Medicine, University of Utah and SI Executive Committee Member; Joe Fifer, President & CEO, Healthcare Financial Management Association; Paul Keckley, PhD, Keckley and Associates; Paul Tang, MD, VP & Chief Health Transformation Officer, IBM Watson Health and SI Advisor; Joe Swedish, Executive Chairman of the Board, Anthem, Inc., and SI Board Member; Lorrie Warner, Managing Director, Co-Head Health Care Advisory Practice, Citigroup.

A FEW SELECTED TOWN HALL NUGGETS:

PAUL KECKLEY, PHD: “Healthcare is 29 percent of the Federal Government’s budget...There’s a sense [in Washington, DC] that 2018 will be a tipping point— but not for healthcare. There’s no political will [for any healthcare initiatives] except perhaps for a referendum on drug prices.”

JOE FIFER: “We’re very slow to change. Technology and private-sector initiatives on the surface appear to be disruptive...[However,] CFOs will hold onto fee-for-service as long as they can...The smart ones are focusing on efficiency.”

LORRIE WARNER: “You have to be bigger. Scale is growing even larger...Size attracts management talent...Health systems are becoming more vertical. Value creation comes with vertical integration...There’s increasing discussion around partnership for growth and success.”

DAVID CLASSEN, MD: “People love retail medicine including telehealth. Retail is provider-to-patient. Walmart could announce any day a major new initiative in retail health.”

PAUL TANG, MD: “We have ourselves to blame at $3.3 trillion [in U.S. annual spending on healthcare.] $1 trillion in waste is deplorable.”

IN CLOSING THE 25TH ANNUAL SI CONFERENCE, SI Chairman Don Wegmiller noted a clear message from the conference was that, in addition to building scale, becoming more vertically and horizontally integrated and delivering value to consumers, “health systems must work together to manage the financial risk of care delivery.”

Good reasons to mark your calendars for the next SI Conference, April 10 to 12, 2019.
2018 ANNUAL CONFERENCE FACULTY LIST

John Bardis  
Former Assistant Secretary for Administration, US Dept. of Health and Human Services

Darren Dworkin  
SVP, Enterprise Information Services & CIO, Cedars-Sinai Health System; Scottsdale Institute Advisor

Rick Peters, MD  
Chief Technology Innovation Officer, Dell Medical School, University of Texas, Austin

Johnese Spisso, RN, MPA  
President, UCLA Health; CEC, UCLA Hospital System; Associate Vice Chancellor, UCLA Health Sciences

Eric Brown, PhD  
Director, Watson Algorithms Innovations, IBM Watson Health

Joe Fifer  
President & CEO, Healthcare Financial Management Association

Subra Sripada  
EVP, Chief Transformation Officer & CIO, Beaumont Health

Joan Budden  
President & CEO, Priority Health, Spectrum Health

Michael Pfeffer, MD  
Assistant Vice Chancellor & CIO, UCLA Health

Joel Vengco  
SVP, Information & Technology; CIO, Baystate Health

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CMIO, Pascal Metrics; Associate Professor of Medicine, University of Utah; Scottsdale Institute Board & Executive Committee Member

Tommy Inzina, CPA, MBA, FHFMA  
President & CEO, BayCare Health System

Rich Roth  
Chief Strategic Innovation Officer, Dignity Health

Ferdinand Velasco, MD  
VP, Chief Health Information Officer, Texas Health Resources

Amy Compton-Phillips, MD  
EVP & Chief Clinical Officer, Providence St. Joseph Health

Paul Keckley, PhD  
Managing Editor, The Keckley Report; Healthcare Policy Analyst & Futurist

Jennifer Singer, MD  
Senior Physician Informaticist; Health Sciences Clinical Professor of Urology, UCLA Health

Jeff Cook  
CEO, Texas Health Aetna, Texas Health Resources

Mark Laney, MD  
CEO, Mosaic Life Care

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Michelle Conger  
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President & CEO, Advocate Aurora Health

Denis Cortese, MD  
Former CEO, Mayo Clinic; Foundation Professor, Arizona State University; Director, ASU Healthcare Delivery and Policy Program; President, Healthcare Transformation Institute

Bob Murphy, MD  
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