

S. Harvey Price is editor of *For Your Advantage*. A health care industry strategist based in Boca Raton, Fla., Mr. Price has worked as an independent consultant since 1971. His clients are community hospitals, hospital systems and major corporations.

About FYA

FYA - *For Your Advantage*, is a free twice - monthly newsletter published by TrendLeader Connections.

With every issue, FYA provides insights into the topics that concern healthcare leaders today and the challenges that will be faced in the near future.

The newsletter is provided free to healthcare CEOs only. CEOs may use the material in any way they wish—except for the editorial content that is copyrighted by the author. You are welcome to print copies of FYA.

TrendLeader Connections
406-586-8775
www.ForYourAdvantage.com

**What's Hot and What's Not
A Look at Healthcare Innovation 2008**

By John W. Kenagy, MD, MPA, Director, Kenagy & Associates

Happy New Year! Since most hospitals have their 2007 innovation plans completed – consultants consulted, assessments completed, budgets established and timelines identified – this month's column takes a forward look, "What's Hot and What's Not" for innovation in 2008?" The list may surprise you.

Healthcare Innovation 2008

What's Hot	What's Not
Accelerating Return on Investment (ROI) from operations	Capital expenditures for new technology and facilities
Developing people	Developing IT systems
Purpose, trust and optimism	Power, compliance and competition
Local knowledge, ingenuity and innovation	Consultants and manufactured innovation
Transforming your culture	Fighting entrenched cultures
Multi-purpose hospitals	Specialty hospitals

The Hot List

Return on Investment – In the last 10 years, many hospitals have invested heavily in bricks and mortar, technology and large Electronic Medical Record (EMR) systems. It's the EMR that's the problem. The insiders have known it for years; increasingly the word is out on the street, but you won't hear it yet from the computer gurus or salesmen – the problem is the EMR has not only failed to live up to its promise, it has added large fixed costs and created costly inefficiencies. ROI will be "Hot," spending more will be a "Not."

Developing People – My and others' research on the great adaptive innovators (e.g., Microsoft, Intel, Southwest Airlines, Toyota, etc) shows how they grew ROI by developing the innovative capacity of their people. If we can't buy our way out of this problem, success will depend on our ability to increase positive cash flows from operations – and that means developing our people. The new frontier is not more expensive technology; it's developing the latent capacity inherent in our people to problem solve current systems and better meet the needs of patients.

Purpose, Trust and Optimism – Developing people means shifting from a mechanistic focus on power, compliance and control to challenging your people with purpose while building trust and optimism. Fred Lee, the

(Continued...)

What's Hot and What's Not (Continued...)

best-selling author of *If Disney Ran Your Hospital, 9 1/2 Things You Would Do Differently* and a regular *For Your Advantage* columnist, has shown how hospitals can be like Disney and leverage purpose, trust and optimism for their bottom lines. We have found trust and optimism so essential that we are developing a Trust and Optimism Index to enable healthcare organizations to measure this important key to their success.

Local Knowledge, Ingenuity and Innovation – If What's Not in 2008 is purchasing big technology, then, as Jim Collins outlined in *Good to Great*, What's Hot are local, homegrown "technological accelerators." And my research and experience with Adaptive Design² makes it not only understandable, but also completely predictable – when the gurus do not have the answers, the successful organizations don't buy their innovations; they make them. Developing your people gives you access to the local, real-time data essential for generating your own innovations. Instead of copying somebody else's Best Practices, the leading healthcare institutions of 2008 will be continually making the new Best Practices. And that means changing your culture.

Transforming your culture will be the essential managerial skill set for 2008 because "culture eats strategy for lunch." Developing people, trust, optimism and innovation means moving from battling entrenched cultures to transforming them to a new culture of adaptation and innovation.

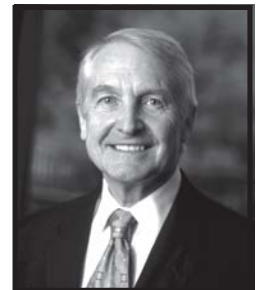
The Multi-Purpose Hospital – This new culture will break the mold of focusing on a shrinking number of profitable services and reestablish the experience of all patients as #1. The fractionation of healthcare has created more silos for patients. Patients do not need more silos

at the point of care – the transaction costs between those silos are gigantic. We need to develop multi-purpose hospitals that are much, much more flexible, responsive and adaptive.

How to be "Hot" in 2008? It's not rocket science, but it is different. Don't be a lemming – start now to back off the "What's Not" list. Then add the five key characteristics of the great adaptive innovators to your management agenda,

1. Set a clear, meaningful direction
2. Develop people as your #1 resource
3. Build trust and optimism
4. Don't implement new systems; problem solve what you are currently doing.
5. Generate value quickly; grow opportunistically.

Over the next five months in FYA, we will develop each of these key strategies and tactics. In the meantime, what do you think? What's hot or not? Where will you be in 2008? What are your comments and questions? Contact me at jkenagy@kenagyassociates.com.



©2006 John W. Kenagy, MD,
MPA, Director, Kenagy
& Associates, LLC (K&A)

1. Kenagy J, *et al.* Delivering on the promise: an adaptive approach to information technology in health care. Microsoft White Paper available on line at: <http://www.microsoft.com/Resources/Healthcare/adaptivedesign.aspx>

2. See www.kenagyassociates.com

About



PHNS is an innovative healthcare services company providing strategic outsourcing services in information technology, health information management and receivables management to over 400 hospitals. PHNS is not a consultant, vendor or software company but a partner, a solution. PHNS understands healthcare because our partners are healthcare and healthcare only. Unlike its competitors, PHNS strategically aligns itself with a hospital's clinical and financial goals and objectives. Through its unique business model, PHNS reduces costs by aggregating, consolidating and sharing resources among its participating hospital partners. PHNS helps hospitals manage information systems, computer technology, patient records, coding and patient billing to improve patient care, safety and efficiency and increase profitability and efficiency. For more information, visit www.phns.com.

Community Benefits – Not-For-Profits vs. For-Profits

By Rick Kneipper, Chief Administrative Officer and Co-Founder of PHNS

The Congressional Budget Office ("CBO") released in December, 2006, a very interesting and rather surprising report that compares the community benefits provided by not-for-profit hospitals and for-profit hospitals to determine whether the "government subsidy" tax exemptions given to not-for-profits are justified. The report's conclusions include:

- Not-for-profit hospitals "provided higher levels of uncompensated care than did otherwise similar for-profit hospitals" on average, but only by a small amount:

The average "uncompensated-care share" (the cost of uncompensated care as a share of hospital's operating expenses) was only slightly higher at not-for-profit hospitals (4.7 percent) than for-profit hospitals (4.2 percent), and was much higher at government hospitals (13 percent);

The distributions of uncompensated-care shares "largely overlap" between not-for-profits and for-profits; and

- On average not-for-profit hospitals "operate in areas with higher average incomes, lower poverty rates and lower rates of uninsurance than for-profit hospitals." Wow!!!

Since the CBO report concluded that there is "little consensus on what constitutes a community benefit or how to measure such benefits," it measured the provision of the following four services to evaluate community benefit:

- uncompensated care;
- services to Medicaid patients; and
- four specialized services: intensive care for burn victims, emergency room care, high-level trauma care and labor and delivery services.

The CBO report examined the levels of uncompensated care provided by community hospitals in California, Florida, Georgia, Indiana and Texas (it says these states were selected "in part because sufficiently reliable data on uncompensated care were available in those areas") using 2003 data (the latest available). It defined "uncompensated care" as the sum of charity care (services for which a hospital does not expect payment) and bad debt (services for which a hospital expects, but does not collect payment). Recognizing the raging industry debate over whether bad debt should be included in measuring uncompensated care, the report says that "although charity care is a better measure of the community benefits provided by a hospital, data limitations precluded CBO's analyzing charity care and bad debt separately."

While the CBO report claims to be an "objective, nonpartisan analysis" and makes no recommendations, it will undoubtedly fuel

the already hot Congressional fires that are questioning the value of the significant tax subsidies given to not-for-profit hospitals. This debate could have a huge impact on the U.S. hospital system since of the 4,518 community hospitals included in the national analysis used by the CBO, 58 percent (2,641) are not-for-profit, 18 percent are for-profit and 24 percent are government hospitals. And the dollars at stake are gigantic – the exemption from income taxes provided not-for-profit hospitals with about \$2.5 billion in tax savings in 2002 (the latest year for which a calculation could be made) and the use of tax-exempt bonds provided not-for-profits with about \$1.8 billion, or a whopping total of \$4.3 billion, according to the Joint Committee on Taxation. A separate CBO report stated that "those advantages represented a transfer of resources from federal taxpayers to non-profit hospitals."

It's a very high stakes game, and the not-for-profits are facing huge pressure to provide more persuasive evidence of the community benefits that they provide in exchange for their federal government tax subsidies.



I would like to hear your comments.

Send them to:

Richard.Kneipper@phns.com

About



FYA - For Your Advantage is brought to you by TrendLeader Connections. The function of TrendLeader Connections is producing educational materials and seminars that help healthcare executives differentiate between fads and trends; and making connections with "Trend Leaders" within the healthcare industry.

We are committed to delivering new perspectives and ideas, creative and innovative healthcare solutions, provocative concepts and quality educational materials to today's healthcare leaders. We want to concentrate on "what comes after what comes next."

Henry Ford Certifies Vendors

Henry Ford Health System in Detroit implemented a series of strict and unique policies at the start of this year – including the nation's first certification of vendors for medical facilities – aimed at eliminating potential conflict of interest between relationships with vendors and employees.

This move is in keeping with the "just-say-no" approach espoused by the American Medical Association and other health care leaders, ranging from Stanford University School of Medicine to the University of Pennsylvania School of Medicine, all of whom have adopted similar policies to create a clearer divide between medicine and product marketing.

Among the unique features at Henry Ford is a policy that requires medical, surgical and pharmaceutical vendors visiting any of its facilities to be certified through a Henry Ford-sponsored certification class, obtain identification and make appointments in advance. The cost for the certification class and the Henry Ford badge is \$100 and is due at the time of the training.

The certification program insures that vendors visiting a Henry Ford location are knowledgeable regarding all policies, procedures and requirements including those addressing privacy and confidentiality.

"The new vendor policy eliminates uninvited vendor access to Henry Ford physicians and patients without prior written consent, in addition to prohibiting free lunches, small gifts and other perks," says Mark Kelley, M.D., CEO of the Henry Ford Medical Group.

The policies were developed with patient safety in mind and will restrict the number of unknown products entering Henry Ford; set up protocols for product reviews; establish an evaluation, education and communication process to track new products; and allow a more professional relationship with vendors.

These include:

- Requirements for vendors doing business at Henry Ford locations and restricts the introduction of products without purchase

orders. Invoices will no longer be paid if there is not a corresponding purchase order. The policy also provides guidelines for staff when selecting vendors or ordering goods and services.

- A New Product Introduction Policy, to establish a formal product request, evaluation and introduction process. The policy provides a process by which all new products, proposed product changes and product replacements are reviewed and known prior to use.
- A Consignment/Loan Policy that helps identify and manage consigned or loaned equipment, instruments and other products. It also establishes a guideline for products consigned and/or loaned to Henry Ford.
- An Emergency Procurement Policy that outlines the procedure for processing a procurement occurring on an emergency basis outside normal business hours.
- A Vendor Policy that requires visiting vendors to obtain certification through Henry Ford's Vendor Compliance and Management Department. The vendor/organization is required to be an approved vendor prior to registering for credentialing. Vendors must be certified and call to request an appointment with Henry Ford staff or physicians by calling a designated vendor appointment call center. The call center will e-mail the Henry Ford staff for confirmation of appointment prior to acceptance.

In addition, any vendor participating in or observing a clinical procedure area will have additional requirements related to health and safety and are required to wear black scrubs to be easily identified.

Vendors will receive a status of their appointment request via e-mail with a confirmation of their appointment. They must stop at the location designated by the confirmation to check in on appointment day with a copy of the appointment confirmation.

Promotional products of any kind, food supplied by vendors or literature distributed by vendors, will no longer be permitted at any Henry Ford site.