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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.

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Innovation 2008 - Competitive Advantage

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

We are now six months into a year-long look at the future of innovation in healthcare. Framed as "What's Hot" and "What's Not Hot," health care innovation in 2008 will be transitioning to a different set of parameters and a new framework for success. The future of innovation in healthcare looks like this:

Healthcare Innovation 2008

What's Not Hot	What's Hot
1. Capital expenditures for new technology and facilities	1. Growing Return on Investment (ROI) from operations
2. Implementing IT systems	2. Developing people and relationships
3. Power and compliance	3. Purpose and commitment
4. Consultants, external solutions and manufactured innovation	4. Local knowledge, ingenuity and real-time innovation
5. Fighting entrenched cultures	5. Transforming your culture
6. Specialty hospitals	6. Multi-purpose hospitals

For the last 10 years, the left side of this chart has dominated healthcare innovation, but times are changing. The leading organizations will increasingly be innovating on the "What's Hot" list on the right.

The transformation of other complex industries makes this future not only understandable, but also completely predictable. New competitive advantage has a different basis of competition. When the basis of competition changes, it's time to catch the new wave – "what's hot."

Let's use the airline industry as an example. This transformation is not being led by the industry leaders – United, American, Delta, Northwest, *etc.* The old leadership is either in, emerging from or on the brink of bankruptcy. Who is leading the change? An airline that was only a tiny, regional Texas carrier when they began the transformation – Southwest Airlines.

Southwest exploited the *change in the basis of competition* in the airline industry. In the 1970s and 1980s, the leadership in the airline industry focused on increasing the functionality of airline services. Big investments in hub and spoke terminal systems to serve more places; bigger, fancier planes; multiple service tiers; premium pricing; *etc.*, the focus was always more functionality in the highest paying tiers in the market – *e.g.*, business travel and popular U.S. and foreign vacation markets.

As long as times were good, more functionality worked and the airlines remained profitable. The problem was the basis of competition was changing.

(Continued...)

Innovation 2008 - Competitive Advantage (Continued...)

People were beginning to tire of paying more and more for more functionality – multiple tiers of service in fancy planes that can go everywhere? How about simpler services that are accessed, reliable, more customizable, fun to fly, convenient – and maybe even lower cost? Southwest developed that market and when September 11 hit, the major airlines were devastated, while Southwest continued to grow profitably.

Industry transformations have followed this pattern – Toyota in the auto industry, Microsoft and Apple in the computer world, mini-steel mills (e.g., Nucor) in the steel industry, discount and internet brokerages in finance, etc., etc. E-mail me if you would like more examples or specific data – the evidence is overwhelming.

Hospitals and physician groups are investing in bricks and mortar, particularly in profitable suburban markets and focusing on increasing the functionality of money-making services like cardio-pulmonary, orthopedics, specialty surgery, exotic imaging. The list goes on. But if the basis of competition is changing, the evidence-base shows emerging leaders will succeed, not just with increased functionality, but with (in this order):

- Reliability – patients will seek reliability – safe, simple and responsive.
- Access – why go to a "center of excellence" when you can get good services closer, quicker and easier.

- Customization – "population-based medicine?" Not when someone offers what individuals need, specifically.
- Emotional needs – developing the ability to customize starts to meet emotional needs – the single most powerful tool for emerging leaders. Many great transformative innovations (remember the original PCs) started as toys.
- Convenience – after emotional needs are met, people will start to differentiate competitive advantage by convenience.
- Low cost is the final differentiator. Strategists mistakenly focus on low cost, but people will pay for more. Low cost is rarely successful except in markets that are fully commoditized.

The change in the basis of competition is happening in healthcare – just read Fred Lee's columns that appear in alternate issues of FYA. That's why the newly successful organizations in 2008 will be switching their innovation efforts from "What's Not to What's Hot." The data are overwhelming – if you need more information or want to explore these ideas in your next strategy retreat, contact me at jkenagy@kenagyassociates.com

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About



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Wireless Healthcare

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

We've all become wired together by our cell phones. Over 72 percent of Americans are reported to own cell phones, and the cell phone is rapidly becoming the enabling technology for a seemingly unlimited series of personal applications. And these applications are starting to include personal healthcare solutions, as summarized in an excellent new report called *"Telemedicine 2.0: Connecting Medical Devices, Patients and Providers to Improve Health"* by Triple Tree.

Consider the following vision on the role of cell phones in healthcare from Paul Jacobs, CEO of QUALCOMM:

"The cellular phone is the logical platform for personal healthcare solutions, because it's already the most personal device for connectivity and information access. It seems clear that the most productive way to improve the efficiency of healthcare is through prevention, thus I believe we'll see less invasive methods using wireless technology to both monitor people's health and assist them to improve it."

The report summarizes the exciting wireless solutions developed and being developed to "integrate fixed and mobile medical devices that seamlessly collect biometric data, communicate the data to remote databases for analysis and deliver actionable information to patients and clinicians, enabling as-needed interaction." Some examples: using cell phones to monitor blood glucose, weight and blood pressure; or to help remember to take medications; and to collect diagnostic information from wearable or implantable devices.

The potential is huge, especially since there is an increasing service and cost pressure to move healthcare delivery out of the hospital and the doctor's office into decentralized healthcare delivery using clinics and home care. In addition, healthcare is beginning to focus on the gigantic cost of the 133 million Americans who have chronic diseases (which is predicted to grow to 171 million by 2030), which accounted for over two-thirds of the \$302 billion in healthcare spending in 2004. Cell phone technology is being developed to permit remote wireless tracking of cardiac data, physiological changes in the body, capturing of gastrointestinal images, dispensing drugs or delivering telemetric data. Read the Triple Tree report – very exciting stuff.*

But cell phone/wireless innovation is being stifled by the perverted financial imbalances in our healthcare industry – who pays vs. who benefits. The Triple Tree report predicts that insurers won't start to pay for many of these innovative services until they can clearly document the savings. *A New York Times*

article on June 11, 2007 presents this financial problem very clearly:

"The path to saving can be particularly uncertain in the United States' fragmented health care economy – a mix of risk, regulation and profit in which the incentives are often contradictory. A physician, for example, may try new approaches to trim the costs of providing care, but the results usually benefit insurers more than doctors. Strides in efficiency may be good for society, though there may be scant financial motivation for the doctors themselves."

It's a very exciting vision of the future for cell phone healthcare that the Triple Tree report outlines, but it could be even more exciting if our healthcare system provides appropriate financial motivations to encourage the significant investments required.

*For a preview of the Triple Tree report [left click this link](#).



I would like to hear your comments.

Send them to:

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About

TrendLeader
Connections

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."

Quick Takes

Who Benefits Most From Health IT Investment?

Skyrocketing health care costs in the U.S. have prompted a surge in applications that aim to control spending, such as electronic health records (EHRs), but there are concerns that insurers – not physicians – benefit most from technologies that aim to enhance efficiency, the *New York Times* reports in a special section about the business of health care.

Physicians get about 11 percent of the savings from EHRs, and the rest goes mostly to private and public insurers who benefit from fewer unnecessary tests and electronic record keeping, according to the Center for Technology Leadership, a medical research group. About 25 percent of primary care physicians use EHRs, but just five percent of them work in offices with five physicians or fewer, which is where about half of all doctors practice.

"I can't capture the economics of scale as a sole practitioner," Anne Wilson, who has her own internal medicine practice in Maryland, said, adding "Electronic health records may well be a good thing, as a collective good, but why should I make the investment if I don't get any of the gains?"

Richard Baron, who works with three other doctors in an office in Philadelphia, in 2004 transitioned to computers and EHRs, which he said has helped him become a better physician. The technology also enabled the practice to cut three office positions, but Baron said that the savings in salaries is less than the cost of the technology, the *Times* reports.

David Brailer, former national coordinator for health IT, said, "The doctors bear all the costs, and others reap most of the benefit." He added, "The incentives are totally awry."

Web Helps Patients and Researchers

One online patient groups have become an "increasingly powerful" source of information for patients and are now "becoming invaluable partners to researchers and physicians searching for cures," the *Wall Street Journal* reports.

Tens of thousands of online patient groups exist on Yahoo! and more specialized Web sites, and about 17 million adults in 2006 participated in online discussions about personal issues or health problems, according to the Pew Internet & American Life Project Center. Online patient groups have increased their participation in medical and public health research, as well as collaborative efforts with researchers, scientists and prescription drug developers.

In addition, online patient groups are expanding their participation in studies to evaluate the effect of patient Web sites and "are even conducting their own studies on the side effects of medications and working with researchers to recruit clinical trial participants, provide DNA samples and start tissue banks," the *Journal* reports.

A group of researchers with expertise on online patient groups recently launched a new Web site and blog, e-patients.net, to expand collaboration between patients and researchers.

Joyce Niblack, who operates a [Web site](#) for the Association of Cancer Online Resources that offers access to 159 mailing lists for cancer and other diseases, said, "We can bring information about studies, clinical trials and meetings to any patient worldwide who has computer access."