

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

Innovation 2008 - Does Your Hospital / Health System Need to 'Get Hot?' - The Self-Assessment Test

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

How do you know if it is time for your hospital/health system to "get hot?" We are now nine months into a year-long look at the future of innovation in healthcare. Framed as "What's Not Hot" and "What's Hot," healthcare innovation in 2008 will transition to a different set of parameters and a new framework for success. The future looks like this:

Healthcare Innovation 2008

What's Not Hot	What's Hot
1. Capital expenditures for new technology and facilities	1. Increasing Return on Investment (ROI) from current 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. Revitalizing your culture
6. Specialty hospitals	6. Flexible, multi-purpose hospitals

For the last 10 years, the left side of this chart has dominated healthcare innovation. Therefore, "what's not hot" is deeply imbedded into current hospital/health system structures, methods, priorities and the habits behaviors and values of the people who work in them. But times are changing. The evidence is overwhelming that the leading organizations of the 21st Century will transition to the "What's Hot" list to the right. But, how do you know if it is time for your organization to begin the move? Does your hospital or health system need to "get hot?"

One way to know is to take the test. The following *Hot or Not? Self-Assessment Test* has accurately predicted the "time to change" in multiple industries. This version has been adapted and customized to fit the unique business of healthcare. Take the test. How does your hospital/health system rate? You can also use the test with your management team – sometimes the results across the management spectrum can be very enlightening.

"Hot or Not?" - The Hospital/Health System Self-Assessment Test

Based on your personal experience, answer the questions on page two yes or no.

(Continued...)

Does Your Hospital / Health System Need to 'Get Hot?' (Continued...)

Competition	YES	NO
1. Is loss of profitable services or products one of your organization's top business issues?		
2. Is your organization facing competition that gains advantage by "not playing on a level field," e.g., cherry-picking simple or the most lucrative business?		
3. Are competitors fragmenting previously stable services or products?		
4. Are previously loyal physician groups and/or former business partners starting or threatening to compete against your organization?		
5. Has your organization used mergers and acquisitions to increase market power or consolidate and/or take capacity out of the market place?		
Cost	YES	NO
6. Is decreasing costs one of your organization's top business issues?		
7. Is decreasing the cost of employees one of your top cost-control issues?		
8. Has your organization engaged in a restructuring or downsizing in the last 24 months?		
9. Is it increasingly important to decrease utilization of or eliminate services or product lines that have increasingly become low or no profit?		
Operations	YES	NO
10. Is benchmarking and implementing better operational metrics one of your organization's top management issues?		
11. Is declining employee engagement one of your top management issues?		
12. Is improving patient satisfaction one of your top management issues?		
13. Are CQI, PDCA, Six Sigma, Lean or other industrial engineering methodologies important for compliance and quality assurance?		
14. Is finding and implementing more Best Practices one of your top management issues?		
15. Is your organization making increasingly large investments in information technology, facilities and other capital-intensive solutions?		
16. Is your organization focused increasingly on legislative initiatives, regulatory issues and/or new sources of governmental and non-governmental funding?		
In General	YES	NO
17. Has your or your managers' job satisfaction diminished over the last 10 years?		
18. Does healthcare need to transform?		

Questions 1-16, for each answer score five for Yes and zero for No.

Questions 17-18, for each answer score 10 for Yes and zero for No.

Highest possible score = 100.

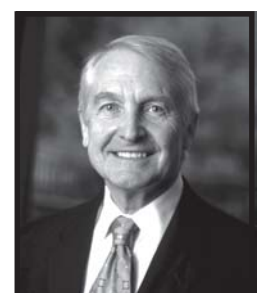
The Key for "Hot or Not" will be published in my next column. To know how to use the test with your Management Team contact me at jkenagy@kenagyassociates.com. To compare with other hospitals or systems, send your score and number of beds/facilities to me at the same e-mail. Whether you send in your score or not, you can use it when my next column answers the question, "If our hospital/health system needs to 'get hot,' what do we do?"

A hint to what's next from a wise person:

"You cannot solve the problems of the present with the solutions that produced them."

- A. Einstein.

©2007 John W. Kenagy, MD, MPA, Director, Kenagy & Associates, LLC (K&A)



Healthcare Increasingly Unaffordable

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

Healthcare premiums for employers and employees have increased "more than twice as fast as inflation in 2007 – to about double their cost in 2000" according to two new surveys summarized in *The Wall Street Journal* (9/12/07). Even worse, the surveys warn about an increase at the same or even higher rate for next year.

Consider these disturbing facts according to the annual survey of 1,997 employers by the Kaiser Family Foundation and the Health Research and Educational Trust:

- the average family healthcare premium rose 6.1 percent in 2007 (the only good news, relatively speaking, is that 2007 was the fourth year that premium increases stayed at single digit levels since they shot up almost 14 percent in 2003);
- "the annual cost for family coverage through an employer plan is now more than \$12,000," which exceeds what employers pay as the annual wage for a minimum-wage worker; and
- employees now pay an average of \$3,281 per year for their share of family healthcare coverage through employer plans, which is double what they paid in 2000.

The consequences of this constant escalation of healthcare costs are hitting small businesses and their employees the hardest, according to the article:

"Though 99 percent of companies with more than 200 employees continue to offer some sort of health-care coverage, only 59 percent of smaller businesses have a company plan, compared to 68 percent in 2000. Among those with fewer than 10 workers, only 45 percent do, down from 48 percent a year ago."

Another disturbing trend is that large companies expect their healthcare costs could go up even higher in 2008 – by 6.7 percent – because of the rising

prevalence of diabetes and other chronic conditions, according to a large employer survey recently completed by Mercer Health & Benefits LLC. The employers in this survey said that the increase in 2008 would be even higher if they didn't plan to increase employee deductibles and introduce other cost-savings measures.

What's most troublesome about this constant trend towards increasing healthcare costs is that it continues to force larger numbers of employed U.S. citizens into the rapidly growing uninsured pool along with the indigent and illegal immigrants – hopefully that will force our politicians inside the Beltway to stop talking about this problem and start doing something about it. But then I'm an inveterate optimist even though past history says that won't happen. What do you think?



I would like to hear your comments.

Send them to:

Richard.Kneipper@phns.com

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."

Rounding Out the Healthcare Insurance Picture

Rick Kneipper offers insightful opinions about healthcare insurance in his column on page three of this issue of FYA. His comments are made in light of the fact that premiums for employer-sponsored health insurance rose an average of 6.1 percent in 2007 – less than the 7.7 percent increase reported last year, but still higher than the increase in workers' wages (3.7 percent) or overall inflation rate (2.6 percent). These findings were released last week by the Kaiser Family Foundation and Health Research and Educational Trust.

The 6.1 percent average increase this year was the slowest rate of premium growth since 1999, when premiums rose 5.3 percent. Since 2001, premiums for family coverage have increased 78 percent, while wages have gone up 19 percent and inflation has gone up 17 percent.

The average premium for family coverage in 2007 is \$12,106, and workers on average now pay \$3,281 out of their paychecks to cover their share of the cost of a family policy.

The annual Kaiser/HRET survey provides a detailed picture of how employer coverage is changing over time in terms of availability, costs and coverage for the 158 million people nationally who rely on employer-sponsored health insurance.

While premiums continue to rise faster than workers' wages, this year's gap of 2.4 percentage points is much smaller than the 10.9 percentage point gap recorded four years ago, when premiums rose 13.9 percent and wages grew just three percent.

The findings show that 60 percent of firms offering health benefits to at least some of their workers is statistically unchanged from last year's offer rate (61 percent). The offer rate remains significantly lower than it was in 2000, when 69 percent of firms offered health benefits. Nearly all (99 percent) large businesses with at least 200 workers offer health benefits to their workers this year, but fewer than half (45 percent) of the smallest firms with three to nine workers do so.

In spite of the extensive attention paid to consumer-driven health plans, the survey finds that these relatively new types of arrangements have made only a small inroad into the employer

market. Such plans cover about five percent of all covered workers, which is not statistically different from the four percent share recorded in 2006.

Other findings include:

- **Cost-sharing.** In 2007, for firms with deductibles, the average general annual deductible for single coverage is \$461 for Preferred Provider Organizations (PPO); \$401 for Health Maintenance Organizations (HMO); \$621 for Point-Of-Service (POS) plans; and \$1,729 for consumer-driven plans.
- **Domestic partner benefits.** Nearly half (47 percent) of all firms that offer health benefits make them available to unmarried opposite-sex domestic partners, and nearly 37 percent offer such benefits to same-sex partners.
- **Market share of health plans.** PPOs continue to dominate the employer market, enrolling 57 percent of covered workers. HMOs cover another 21 percent of workers, with 13 percent in POS plans, five percent in consumer-driven plans and three percent in conventional indemnity plans.
- **Other pre-tax benefits.** Overall, 61 percent of firms that offer health benefits allow workers to use pre-tax dollars to pay for their share of their health premium costs. Fewer firms (22 percent) offer a Flexible Spending Account, in which workers can set aside pre-tax money to cover out-of-pocket healthcare spending.
- **Future outlook.** Many employers indicate that they expect to make significant changes to their health plans and benefits in 2008. Overall, 21 percent of firms say they are "very likely" to raise workers' premium contributions next year; 13 percent of firms say they are "very likely" to increase office visit cost-sharing; 12 percent expect to increase deductibles and 11 percent expect to increase prescription drug cost-sharing. Very few firms say they are "very likely" to restrict eligibility for coverage or drop health coverage altogether.

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.