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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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## Observing, Meeting and E-mailing

*By Jimmy Udall, Principal, Rule 4 Consulting*

Over the past eight years working in process improvement consulting for healthcare organizations, a significant portion of my time has been spent observing work. Often I'm observing a particular process, other times I'm observing nothing in particular, but simply waiting for a problem to occur. You would think that the latter is good work if you can get it and you would be right, but not for the reasons that you might expect.

For me, observing our healthcare system makes it clear that we don't have a system at all, which is alternatively horrifying and uplifting. Horrifying because our system relies on people to do the right thing and uplifting because they so often do. This, however, is a topic for another time. Today I want to develop the ideas of my colleague Jon Roberts about the role of management from a previous issue of *FYA* by sharing stories from my observations.

During a recent visit to a client I was working through a nagging problem with an emergency room manager. The manager got me up to speed on the issue by taking me through a long list of e-mails on the topic, outlining who had said what on the subject to whom and when. This took some time as the string of e-mails back and forth among the same group of people totaled more than 25. Many of them were to clear up previous miscommunications from previous e-mails on the subject; others clarified stances and understandings of the problem. Nobody, though, was happy after more than 25 e-mails that they had gotten anywhere on the problem, which is why I was brought in by the ER manager.

My first question: "have you picked up the phone?" Answer, "No." After more than 25 e-mails on the subject nobody had called anyone to attempt to resolve or clarify the issue. Before phoning anyone, the ER manager and I identified what we needed from the other parties and what they would need to know to help us solve what originated as an ER problem. Next, we called and invited them to come see the problem from the staff's perspective while we talked through the issues. Interestingly, they were glad to do this as though it hadn't occurred to them to leave their office and spend a few minutes looking at what they had spent hours e-mailing about.

From an outside observer's perspective this seemed crazy, but I'm guessing that if we stopped to think about our own work, there are examples

*(Continued...)*

## Observing, Meeting and E-mailing (Continued...)

in which we've done something similar. After all, e-mail is easier than work observation, and the time focused on it has become an important part of everyone's day. We've had to learn this behavior recently. My challenge to managers is to relearn observation and meaningful conversation. I hope to show what I mean by meaningful conversation by demonstrating the opposite in my next story.

An important maxim that guides our work at Rule 4 Consulting is *information that doesn't change behavior is waste*. We try and exemplify this any time we have a meeting. Meetings we initiate not only have a clear agenda, but they're typically called to solve a problem. I recently had a meeting with a nursing director for which I allotted 30 minutes. I needed him, as part of a project we were working on together, to make a decision as to how best help a manager under his supervision who was struggling. My goal was to pass on the information that I had from my previous interactions with the manager and

allow him to make the decision as to how to proceed. The meeting took three hours! In that time, I spoke for 10 minutes, as I had allotted. The rest of the time is a bit of a blur, but I recall being regaled by inspirational stories and anecdotes taken from books and his experience of life as a nursing leader. By some stretch, you could call these stories "relevant," but only if you're ignoring our maxim mentioned above. That is: none of it changed our behavior in any way. After the two hour and forty-five minute point, the director agreed to talk to his manager which was the only "value added" of the entire meeting. Hence, my reasoning for only scheduling the meeting for 30 minutes.

As you may be able to tell, I found the whole meeting incredibly offensive, not because the director isn't interesting or doesn't tell a good story; quite the contrary. Rather, what are we doing as directors, managers and consultants that doesn't matter enough that we can waste so much of our time and there are no consequences? Certainly you would like to think the time you're putting in matters. Could a nurse leave her patient for three hours? Would there be consequences?

Observing the work of nurses and managers objectively allows me to ask such questions and my sense is that if all of us asked ourselves daily if our time was meaningful, we might start to understand where our opportunities for improving as leaders lie.

### 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."

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## Yet Another Financial Storm Brewing

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

The \$700 billion bailout of failed and failing U.S. financial institutions continues to be the number one subject for the media, Congress and U.S. regulators. And the depth and breadth of the serious ramifications of that financial disaster have yet to be fully realized, and may take years to completely unfold. But consider one ramification that is near and dear to the hearts of all hospitals – Medicaid.

The "perfect storm" is brewing for Medicaid that could put the program in serious jeopardy according to a recently released report from The Kaiser Commission on Medicaid and the Uninsured. It carries the title, "Headed for a Crunch: An Update on Medicaid Spending, Coverage and Policy Heading into an Economic Downturn." (The report is based on a survey of Medicaid officials in all 50 states and the District of Columbia.)

"During an economic downturn, unemployment rises and puts upward pressure on Medicaid enrollment and therefore Medicaid spending, as individuals lose employer sponsored coverage and incomes decline. At the same time, increases in unemployment have a negative impact on state revenues making it even more difficult for states to pay for Medicaid spending increases."

As a result, the report concludes that "given rising healthcare costs and a growing uninsured problem, coupled with state requirements to balance their budgets and the economic downturn, there is a heightened state of concern about Medicaid financing." Combine this with the U.S. financial crisis and growing economic woes (a.k.a. a recession?), a new administration and a new Congress, and you have a proverbial "perfect storm" for the Medicaid program and the 59 million people that it cares for.

Consider the following negative indicators from the report:

- "Medicaid directors in two-thirds of states indicated that the likelihood of a Medicaid budget shortfall in their state this year was at least 50-50."

- While states made more Medicaid restorations, enhancements and expansions than cuts during FY2008 and FY2009, during past economic downturns there were significant cuts to Medicaid that "came further into the downturn cycle."
- "Federal policy actions, as well as the downturn in the economy, are likely to hinder state efforts [to] maintain current Medicaid coverage and to cover more uninsured."

This of course is potentially very bad news for those patients who receive medical care thanks to Medicaid, but it also can have a major negative impact on hospitals that have large Medicaid patient populations. For example, the number of hospital failures (a.k.a. bankruptcies) is increasing during our financial meltdown, and many of these are citing declining Medicaid reimbursements as a significant cause. Combine this with the serious consequences of the financial meltdown for hospitals – a huge hit on the value of their investment portfolios and the yield on those portfolios, and a staggering jump on interest rates for borrowings (for those that are well off enough to even borrow). During the last week of September, a hospital borrowed \$152 million at a rate of about eight percent compared to the 1.75 percent to 1.85 percent that the hospital anticipated, according to "Financial meltdown hits home" in the 9/29/08 edition of *Modern Healthcare*.

More bad news for patients and for the hospital industry, and yet it seems unlikely that the new administration and Congress are going to have enough money (a.k.a. federal debt) or willpower to deal with the escalating healthcare industry problems that they continually talk about but don't do anything about.



I would like to hear your comments.  
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## Importing Competition (Part 2)

In the last issue of *FYA*, we devoted a column to "importing competition." It concerned the growing phenomenon known as medical tourism – patients going to foreign countries for less expensive healthcare.

In a new twist on medical tourism, U.S. employers are encouraging workers to travel domestically for medical care.

*The Wall Street Journal* reports some employers are beginning to take advantage of geographical variations in the quality and cost of healthcare within the U.S., while others are leveraging deals they've struck with foreign hospitals in order to secure better rates with U.S. hospitals that are eager to keep American patients here. Most of the activity is focused on surgical procedures, such as hip and knee replacement and cardiac bypasses.

Employers are offering financial incentives, such as no out-of-pocket costs – which can save workers thousands of dollars – money for travel expenses, and access to concierge services that schedule appointments and organize travel arrangements, as enticements.

The prospect of losing revenue overseas is prompting some U.S. hospitals to match lower foreign prices.

In January, U.S. supermarket chain Hannaford Bros Co. began offering employees the option of getting hip and knee replacements at a hospital in Singapore. A hip replacement costs about \$43,000 in the U.S. compared with \$9,000 in Singapore, according to data from Planet Hospital, a medical tourism company.

"After the announcement, I got calls from several [U.S.] hospitals offering to match Singapore on pricing," says Peter Hayes, Hannaford's director of associate health and wellness.

Hannaford, which is self-insured and therefore pays the medical claims of its 9,000 covered employees out of its own funds, tapped Aetna Inc., which manages its health benefits, to vet the U.S. hospitals.

So far, Hannaford, which is based in Scarborough, ME, has negotiated a deal for hip, knee and spine surgery with a hospital in Boston and negotiations with a hospital in Maine are ongoing.

Typically, Hannaford's workers must pay for some of the cost of surgery under its health plan. But if employees choose next year to go to the hospital in Boston for a procedure, Hannaford will pick up the entire tab. For knee surgery, that amounts to a savings of about \$3,000 for the employee. Hannaford will also provide a travel allowance for the employee and a companion.

Traveling to a U.S. hospital is much less daunting than going overseas, where practical, medical and legal issues pose complex challenges for patients and employers.

Launched earlier this year, Healthplace America is targeting self-insured employers like Hannaford that want to achieve the cost savings of medical tourism without the need to leave the U.S. The company, based in Lisle, IL., offers access to a specialty network of U.S. hospitals for procedures, such as hip and knee replacements, coronary artery bypasses and spine surgery.

Ken Erickson, chief executive of Healthplace America, says the network can offer employers savings of 30 percent to 50 percent on rates negotiated by insurers because the company pays the providers upfront in cash based on fixed per-case rates. (Typically, insurers pay fee for service and pay providers after the surgery has been done.)

Workers who choose an in-network provider are assigned a care manager who collects medical records, schedules appointments, makes travel and lodging arrangements and organizes post-procedure follow-up, Mr. Erickson says. They can also save money: There are no deductibles, co-pays or coinsurance. And the cost of travel and associated expenses are covered.

### 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](http://www.phns.com).