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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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Positioning Your Organization for New Growth

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

This month's *FYA* column is for those who want or need something new – an insight into the innovative, breakthrough ideas that will take your organization to new levels of success. And it has to be more than theory; you need to know what you need to do and how to do it now.

But doing something new seems risky because "we haven't done this before." So how does leadership decide it is safer to do something new than continue the status quo?

Here is a tool to help identify when new and different is safer than the old or status quo¹. Where is your organization aligned – are you an exploitative business or an exploratory business?

| Alignment of: | Exploitative business | Exploratory business |
|--------------------------|--|---|
| Strategic intent | Cost, profit | Innovation, growth |
| Critical tasks | Operations, efficiency, incremental innovation | Adaptability, new products, breakthrough innovation |
| Competencies | Operational | Entrepreneurial |
| Structure | Formal, mechanistic | Adaptive, flexible |
| Controls, rewards | Margins, productivity | Milestones, growth |
| Culture | Efficiency, low risk, quality, customers | Responsiveness, manage risk, speed, experimentation |
| Leadership role | Authoritative, top down | Visionary, involved |

"Exploitative" is not derogatory, just descriptive. Successful exploitative organizations are creative; great at doing and improving what they know how to do. They are profitable, confident and competitive. Their business opportunities are growing and so are the number of people they employ. There is room for them and their competitors in the marketplace. Incremental solutions work because their current business model can grow by extending what the organization knows how to do, sometimes to breakthrough proportions. It works and it feels good.

Almost all established firms and every large health care organization I know work with an exploitative business alignment. And all is fine until the known, exploitative opportunities start to dry up. There are 10 warning signs for trouble, the opposite of exploitative success:

(Continued...)

¹ Adapted from O'Reilly C, Tushman., "The Ambidextrous Organization.," Harvard Business Review, April 2004.

Positioning Your Organization for New Growth (Continued...)

The Ten Warning Signs for Exploitive Organizations

1. Profitability is increasingly challenging.
2. There is an increasing need to focus on "the numbers."
3. It is necessary to exit established, traditional lines of business because they are no longer profitable.
4. Increasingly aggressive competitors are taking advantage by competing "on a different playing field." Somebody is changing the rules of the game.
5. Consolidation and merger/acquisition strategies are necessary to maintain profitability by taking capacity out of the system and/or gaining market power.
6. Rigorous cost cutting and downsizing become key business strategies.
7. Regulation increases at the same time as organizations seek governmental support to maintain viability.
8. Consultants emerge with more and more "fixes."
9. New, expensive technology seems increasingly the only answer.
10. People start to talk about "transforming the industry."

When faced with these signals, exploitive businesses need to develop an exploratory business alignment to continue to grow and prosper. Therein lies the rub; historically less than 10 percent of exploitive businesses can make the transition.

And therein also lies the opportunity, because experience shows there are winning strategies and powerful tactical tools to help develop an explorative capability – strategies and tools that aren't rocket science; they're just new and different. But first, senior leadership has to know that it is safer to develop that new alignment than stay and extend what they know how to do.

The questions, then, to ask your management team:

1. Are we in an exploitive business alignment?
2. If yes, do we see any of the 10 warning signs emerging?
3. If yes, what do we do about it?

What are your answers? These questions are a great way to lead off a strategy session because they give your team a new way to frame the issues they face. What do you think? Does this framework help? If you have questions or want help using this model, e-mail me at jkenagy@kenagyassociates.com.

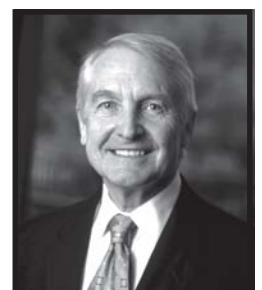
About



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."

Dr. Kenagy is busy finishing a book that will be published later this year and as his columns in this newsletter indicate, it will focus on how management creates organizational capacity for innovation. You can contact him at jkenagy@kenagyassociates.com. ©2008 John W. Kenagy, MD, MPA, Director, Kenagy & Associates, LLC (K&A)



More Bad News About U.S. Healthcare

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

As if we haven't had more than enough bad news in the past few weeks in the U.S. financial markets, I attended a conference last week in which I heard a similarly depressing presentation entitled "The Looming Health Care Crisis – Bad and Getting Worse" by the Health Care Research Group of William Blair & Company. The presentation started off with the following bleak observations by the Comptroller General of the U.S., David Walker, in testimony earlier this year to Congress (which, no surprise, apparently wasn't listening or is ignoring):

- "Addressing the unsustainability of health care costs is a societal challenge that calls for us as a nation to fundamentally rethink how we define, deliver, and finance health care in both the public and private sectors."
- "The passage of time has only worsened the situation: the size of the challenge has grown and the time to address it has shrunk. The longer we wait the more painful and difficult the choices will become, and the greater the risk of a very serious economic disruption."
- "In short, our health care system is badly broken."

The presentation then pointed out that the bulk of healthcare cost pressures is being borne by employers – e.g., "GM spends more on health care than steel for each car produced" and Starbucks "spends more on health care than coffee beans for each cup sold." And since health benefit costs for employees have risen significantly each year since 1997 and are expected to continue to rise, it's unlikely that employers are going to continue to be willing or able to shoulder most of the costs – and many employers have already started to cut back on their healthcare benefits for employees.

Interestingly the presentation concludes that "excess growth in healthcare costs is the primary culprit" and refers to numerous studies that show that,

despite spending far more on healthcare than any other nation, the U.S. has:

- "Below-average life expectancy;
- Largest percentage of uninsured individuals of any industrialized nation;
- Higher infant mortality rates than most European countries and three times the rate of countries such as Japan;
- One of the lowest utilization rates of preventative health care services in the world; and
- A growing obesity epidemic that threatens to make the life expectancy of the next generation – for the first time in history – lower than that of their parents."

The presentation lays blame for these runaway costs on the incredible inefficiencies in our U.S. healthcare system, citing the following blunt quote from Dr. David Katz, Director of Yale University's Prevention Research Center: "we manage to spend more on less efficient health care than any country in the world."

And to put the cost of fixing this gigantic problem in perspective, as the U.S. government is throwing hundreds of billions at trying to put fingers in the dike of our badly leaking financial system, check out this showstopper – "At the start of 2008, the net present value of our unfunded, future Medicare, Medicaid, and Social Security liabilities is **~\$53 trillion**. Social Security is only ~\$5 billion of this total."

Despite the increasing severity of our healthcare crisis, I'm not comfortable that our presidential candidates and congressional candidates/incumbents get it or are willing to take it on – are you?

I would like to hear your comments.

Send them to:

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How Much Is Enough

A *New York Times* columnist recently asked the question: "Are patients swimming in a sea of health information? Or are they drowning in it?"

She pointed out that the rise of the Internet, along with thousands of health-oriented Web sites, medical blogs and even doctor-based television and radio programs, means that today's patients have more opportunities than ever to take charge of their medical care.

The daily bombardment of news reports and drug advertising offers little guidance on how to make sense of self-proclaimed medical breakthroughs and claims of worrisome risks. And doctors, the people best equipped to guide us through these murky waters, are finding themselves with less time to spend with their patients.

But patients are gaining more by decoding the latest health news and researching their own medical care.

"I don't think people have a choice – it's mandatory," said Dr. Marisa Weiss, a breast oncologist in Pennsylvania who founded the Web site breastcancer.org. "The time you have with your doctor is getting progressively shorter, yet there's so much more to talk about. You have to prepare for this important meeting."

Whether a patient is trying to make sense of the latest health news or she or he has a diagnosis of a serious illness, the basic rules of health research are the same. From interviews with doctors and patients, here are the most important steps to take in a search for medical answers. You may want to add this list, from the *New York Times*, in your community newsletter:

Determine your information personality.

Information gives some people a sense of control. For others, it's overwhelming.

Dr. Michael Fisch, interim chairman of general oncology for the University of Texas M. D. Anderson Cancer Center, says that before patients embark on a quest for information, they need to think about their goals and how they might react to information overload.

"Just like with medicine, you have to ask yourself what dose you can take," he said. "For some people, more information makes them wackier, while others get more relaxed and feel more empowered."

The goal is to find an M.D., not become one.

Often patients begin a medical search hoping to discover a breakthrough medical study or a cure buried on the Internet. But even the best medical searches don't always give you the answers. Instead, they lead you to doctors who can provide you with even more information.

Keep statistics in perspective.

Patients researching their health often come across frightening statistics. Statistics can give you a sense of overall risk, but they shouldn't be the deciding factor in your care.

Don't limit yourself to the Web.

There's more to decoding your health than the Web. Along with your doctor, your family, other patients and support groups can be resources. So can the library.

Tell your doctor about your research.

Often patients begin a health search because their own doctors don't seem to have the right answers.

Although some doctors may discourage patients from doing their own research, many say they want to be included in the process.

Dr. Shalom Kalnicki, chairman of Radiation Oncology at the Montefiore-Einstein Cancer Center, says he tries to guide his patients, explaining the importance of peer-reviewed information to help them filter out less reliable advice. He also encourages them to call or e-mail him with questions as they "study their own case."

"We need to help them sort through it, not discourage the use of information," he said. "We have to acknowledge that patients do this research. It's important that instead of fighting against it, that we join them and become their coaches in the process."

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.