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6-2015

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Thinking Beyond the Affordable Care Act

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Healthcare organizations in general and hospitals in particular are in the midst of challenging times driven by a number of disruptions in the industry. The traditional response of replicating best practices is only marginally effective in a disruptive environment because of the significant constraints of politics, industry structure, and organizational inertia. However, our work with leading healthcare organizations has revealed new approaches to developing effective strategies for the emerging healthcare environment.

THE ACA AS A DISRUPTIVE FORCE IN HEALTHCARE

Clayton Christensen (2008) introduced the concept of creative disruption to the healthcare industry. His basic theory of disruption is a process by which complicated, expensive products and services are transformed into simple, affordable ones. Disruptive solutions emerge almost always through new companies or totally independent business units that create new, value-added processes. However, significant disruption has arrived in the healthcare sector in a way not imagined by Christensen. It came from the Affordable Care Act (ACA).

Underlying the ACA are two main principles. The first is a systems perspective. For example, the ACA builds on the effective work of large healthcare delivery systems to encourage the systemic integration of care (The Patient Protection and Affordable Care Act [PPACA], §3022, 2010). The second major principle is the ability of free enterprise and markets to restrain costs and increase quality (e.g., health insurance exchanges) (PPACA, §1311, 2010). Under Christensen's idea of disruptive solutions, it seems that managers should be at the forefront of knitting together new concepts of cost containment, quality, and exceptional service to transform their organization into providers of simple and affordable solutions within the context of ACA principles.

Rather, we believe that managers, in addressing the two driving ACA principles, are responding primarily with an internal focus. ACHE released its 2014 CEO survey (ACHE, 2015), which identified the top issues facing hospital CEOs: financial challenges, healthcare reform implementation, and government mandates. Clearly, the ACA has placed managers on the defensive. Managers cannot ignore the immediate financial and mandated demands placed on their institutions, and their major concern is preserving their organizations. They are responding by cutting costs to meet pricing constraints and seeking new mechanisms to gain revenue. To

accomplish this, they are using the traditional management tools of analytically based containment, operational improvement protocols, and employee engagement and motivational development.

Although these initiatives are necessary, they are not sufficient to succeed strategically in the healthcare reform environment.

RESPONDING TO DISRUPTION

Success occurs with an organizational strategy that focuses on new processes and services that meet the healthcare and financial needs of the customer while disrupting the status quo. However, this new strategy must also continue to align with the ACA's systems perspective and approaches to market competition.

Interaction Between Patients and Providers

One general disruptive approach is to consider the system from the standpoint of the interaction between patient and provider and then create a system of the suppliers of goods and services that support this core interaction. Managers then can understand how various stakeholders approach this interaction. With these approaches come customer/patient choices and the resulting disruptive solutions Christensen identified.

Macro Trends

Another general disruptive approach is to consider macro trends. For example, technology is changing the delivery system and forcing managers to change the way they look at their processes. New points of care delivery are evolving, with specialty kiosks, wearable devices, and employer-based or retail clinics connected to electronic health records. Also developing is automation of care by means of artificial intelligence and mobile computing. Younger generations prefer these new technologies, and their behavioral patterns will help shape the healthcare delivery system of the future. Creative disruption due to technology is inevitable.

These two examples only touch on what may lie ahead for healthcare managers. Managers must be attuned to these environmental developments while dealing with the more familiar, but equally challenging, disruptions caused by the ACA. All of these factors give rise to a more involved process of critical, strategic thinking. Once an organization decides it will engage in disruptive strategic thinking, a number of practical tools can be used to create an effective strategic plan.

MANAGING A DISRUPTION STRATEGY

We recommend three strategic principles that one can use in helping organizations address disruptions or create their own.

Test Your Business Model Against the Needs of Your Customer

Understanding the difference between a trend and an industry fad is essential. Differentiating between the two requires rigorous analysis that is always incomplete. Industry publications, blogs, and seminars can be of help, but they can be isolating

as well. Therefore, the most important tool is to find a method (such as focus groups) of viewing your world through the eyes of your patients/customers. This will be the most effective way to understand market trends and to create an organizational response.

Regular customer feedback gives managers the opportunity to ask themselves a set of questions in light of customer communications. What are we doing that we should continue to do? What are we doing that we should stop doing? What are we not doing that we should do? What are we not doing that we should continue not doing?

An example of this approach comes from UnitedHealth Group in Minneapolis, Minnesota. The organization understands that the ACA has changed the way people obtain and use health insurance and healthcare. It also understands that a confused customer is not a good customer. A confused customer might buy the wrong product, might become underserved and dissatisfied, or might not buy any product at all. The organization's research into actual customer encounters with the healthcare system has resulted in a new health literacy program that provides customers with documents that are simple to read, easily understood, and clear regarding the steps needed to be taken by the customer.

Pilot Test One or Two Ideas to Disrupt or Counter Disruption

Managers can find themselves in a downward spiral when managing costs, and complying with regulations leaves no time to focus on subtle disruptions in the industry. Yet, testing initiatives enables an organization to focus on its place in the process of disruptive solutions and energizes learning and improvement. Testing a new idea tells people in the organization that they can still be creative and progressive despite constraints.

An example of this approach is Allina Health in Minneapolis, which has established the Division of Applied Research as an instrument for fostering positive disruptions both within the organization and within its regional community. In one project, the organization developed a quality improvement boot camp course that has yielded rapid and meaningful changes in care delivery. Small groups of clinicians, staff members, and people from outside the organization assemble project ideas and work through their implementation. Allina monitors the results of these projects to continue to refine the boot camp course.

Look Across Disciplines for Ideas and Encouragement

Conventional wisdom says that strategy is built on the microeconomic relationships that are part of business behavior (Porter & Teisberg, 2006). Industries are said to have established patterns of relationships that dictate competitive and operational behaviors. The self-perception of healthcare managers regarding their environment fits this norm. For example, managers widely perceive that patients will always find a primary care physician and behave as directed by that care system. However, focusing on self-perception leads to closed-systems thinking, and the laws of biology tell us

that closed systems atrophy (Meadows, 2008). Managers need to learn from other industries that are facing or leading disruptive solutions.

An example of a company using external inputs is RedBrick Health in Minneapolis, a wellness service delivery organization. It has worked successfully with national-level employers in initiating and managing wellness programs; the company now is seeking ways to expand its scope beyond its corporate customer base. It is bringing in data experts from other industries, hiring executives from the retail industry, and looking to business schools for people to train employees in the appropriate use of large databases to develop new products.

CONCLUSION

Developing an effective strategy requires moving beyond the ACA and encompassing a set of dimensions that expands beyond tactical practices and implementation plans. Managers can be overwhelmed by the tasks at hand while the world around them is rapidly changing. The constraints of the present often keep managers from looking toward the future. Change management is far more difficult to enact than is communicated in books, lectures, and case studies. However, in this high-pressure healthcare environment, it is becoming imperative for managers to find a path to participate in positive disruptive solutions, or risk becoming victims of other organizations' solutions.

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