Implications and Direction

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In the sometimes-harsh climate of competitive markets, healthcare organizations have focused on taking practical measures to ensure their future. As in any attempt to anticipate the direction of change, some measures have proved more effective than others, but the attempts have all been necessary and have contributed to the healthcare industry’s foundation of shared knowledge and skills. The purpose of this chapter is to set forth considerations for strategic management in health care as we enter the next century and to suggest specific initiatives and techniques that we believe hold promise.

The Permanence of Change in Health Care

Despite the hopes of some executives and physicians, there will be no return to the “good old days” in health care. In the U.S. and other advanced economies, the healthcare industry is now driven by forces that it does not control, from politics and economics to the environment and medicine itself. (For a full discussion of these forces, see Chapter 2.) A single field of advance, such as our newfound knowledge of the human genetic code, promises to have unforeseeable—but unquestionably seismic—effects on how we predict, diagnose, and treat hereditary diseases and diseases that have a component of genetic predisposition.

The consequence of this dynamism is an increasingly Protean healthcare industry. A few years ago, we could tick off the major sectors of the industry—doctors, hospitals, health plans and other insurers—on a few fingers. Today we confront a bewildering blur of business models and organizational types, proving once again that evolution leads to specialization. Another, more momentous consequence is change so fast-paced that it is outstripping the established ways of dealing with it. Markets are transformed faster than we can build the enterprises to serve them. Joseph Schumpeter’s “creative destruction,” wreaked by the competitive market, is leaving the landscape littered with business strategies that were obsolete before they could be implemented.
From Institution to Process

Adapting to the onrush of change in the healthcare market will require a true paradigm shift—a change not in how we do things, but in how we understand them (Kuhn 1962). Traditionally, health care has been understood as a function of stable or slowly evolving institutions—the hospital, the independent medical practice, the research institute, the insurance company, the family. Healthcare strategies were designed to maximize the efficiency of these institutions, the permanence of which was never questioned.

Today, however, the economic circumstances of these institutions are changing, and information technology is dissolving the barriers between organizations everywhere. Increasingly, health care is being designed with an eye to the goals to be achieved—a change that became inevitable once quality was redefined in terms of outcomes—with each function within the overall process being performed by whoever does it most cost-effectively. For example, the integration of care delivery has led restructuring integrated delivery organizations to outsource not only administrative and support functions, but also components of care—in some cases, to their own competitors.

Building for Impermanence

The net result of these changes is that the “bricks and mortar” investments of yesterday are becoming the process investments of today. The intense focus on clinical outcomes and service satisfaction as competitive advantages, combined with the ongoing pressure to hold down costs, has yielded a simple rule: any expenditure that does not add value at the level of core clinical and business processes is increasingly suspect.

While this concentration on value appears to have promise for making the U.S healthcare delivery system much more cost efficient, it has had a number of less desirable side effects, notably the frequently high level of stress felt almost everywhere in health care as departments are dissolved, job descriptions are changed, and relationships once thought permanent are placed in seemingly perpetual renegotiation.

Agenda for Healthcare Leadership

If healthcare executives are to succeed in such an environment, we believe they must radically rethink their own objectives and roles. Specifically, they must concentrate on a small number of basic issues: finding the sources of value to the market, serving new markets, serving old markets better, identifying and serving stakeholders, and adapting to the emergence of the consumer as a major force in health care.