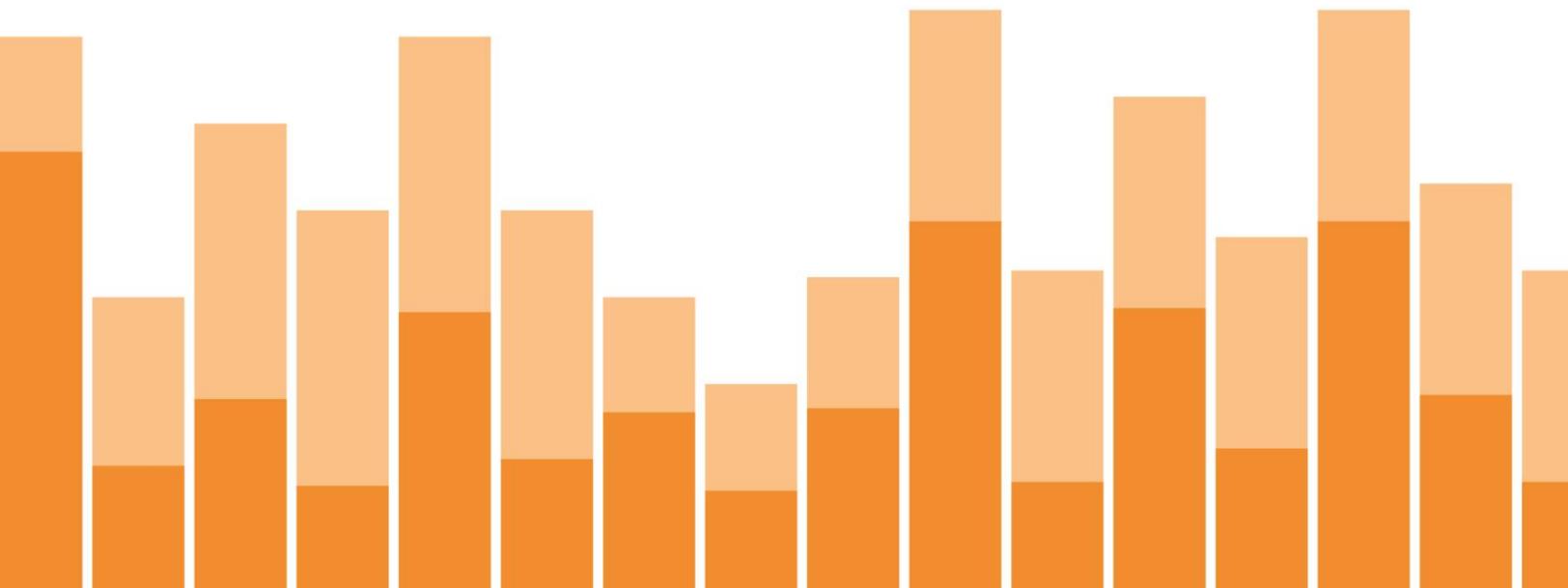


Supplier Views on the U.S. Health Care System: Kaiser Permanente

By Charles E. Columbus



American Health Policy Institute (AHPI) is a non-partisan 501(c)(3) think tank, established to examine the impact of health policy on large employers, and to explore and propose policies that will help bolster the ability of large employers to provide quality, affordable health care to employees and their dependents. The Affordable Care Act has catalyzed a national debate about the future of health care in the United States, and the Institute serves to provide thought leadership grounded in the practical experience of America's largest employers. To learn more, visit americanhealthpolicy.org.

Remarks from Charles E. Columbus, CHRO, Kaiser Permanente

Introduction

*For more than 40 years, Chief Human Resources Officers (CHROs) from some of America's largest employers have convened for the annual CHRO Summit, the largest assemblage of senior executives from the nation's largest employers. This year, Kaiser Permanente's Charles E. Columbus addressed the group to discuss his views on the future of employer sponsored health care, from the perspective of the health care supply chain. Columbus' remarks on the challenges faced by employers as well as some of the creative opportunities for addressing these challenges opened a useful window into the thinking of one of the health care supply chain's most innovative and influential companies. For this reason, the American Health Policy Institute asked Columbus, who is on the Institute's Board of Governors, for permission to issue his remarks as given in the form of an Institute paper: *Supplier Views on the U.S. Health Care System: Kaiser Permanente*. They are provided below as delivered, with minor edits for clarity and content.*

2015 CHRO Summit Health Care Panel

I hope to offer some encouragement for the work ahead as well as some practical considerations from the point of view of a unique provider of both coverage and care – representing a portion of the health care supply chain. Several of my colleagues from similar and other major elements of the supply chain are in the audience and they may share some of these views and they are likely to have other insights. That is the beauty of the conversation and the work we're starting here today. We have tremendous collective knowledge and experience as the employers who have sponsored the majority of coverage in this country. And within our membership we also have the elements of the health care supply chain to lend expertise. I hope that as members of the health care community we will come together to offer a view into the "Health Care Black Box;" share our insights and perspectives; and help inform the direction of this work and the shape the outcomes.

Kaiser Permanente offers health plans to employers and individuals – presently covering nearly 10 million members, we operate 38 hospitals, 600 medical clinics, a large laboratory business, and hospital and outpatient pharmacies. So it is from that health care supply chain perspective that I offer my comments. We also employ 180,000 people and 16,000 physicians. About 70 percent of our workforce is represented by a mix of 10 different national unions and 40 different locals. And of course, health care is a key subject of every negotiation. So I also make my comments with that experience in mind.

I am excited about the opportunity ahead. I do have one major concern. We can't underestimate our power to drive change. I know that many of us view our benefit commitments as a core part of our culture and employer proposition. We shouldn't relinquish that perspective. I can tell you first-hand about the influence you can have on health care. Kaiser Permanente focused attention and dedicated resources to improve quality because you as purchasers and our members insisted on it. Now our customers tell us quite bluntly that they love our quality and innovations but we must be more affordable. In our role as a health plan or as a provider we can't define affordability. We can define affordability from the inside cost plus mode. Affordability is defined by the people and organizations that pay for health care – governments, employers, individuals and families.

Statistics support that health care is consuming more and more of our overall economy, 18 percent and on way to 20 percent, more of employers' expenses and more of the family budget. Some statistics from a 2014 study published by the Kaiser Family Foundation and the Health Research & Educational Trust highlight the issue:

- Since 1999, the overall rate of inflation has been 43 percent. During the same period:
- Workers earnings increased 54 percent;
- Health care premiums rose 191 percent; and
- Workers contributions to premiums increased 212 percent. That is premium increase, not including co-pays and deductibles.

This rate of escalation in consumption of resources by the health care system is unsustainable for our country, our employers and families. As we all know, it is squeezing out other critical investments in infrastructure, education, and for some families, it requires choosing among what many of us would consider essential to a reasonable standard of living.

Back to our role in addressing this challenge. As employers we can have a major impact if we dig in to the issues. I can tell you that many within this room have had an impact on how we are driving for quality and affordability.

Some examples include IBM, GE, along with others and the NBSG have dug in to the workings of the health care system and require data on outcomes, utilization of services, and each of the elements of quality and cost. They are driving specific services to the places they know provide the best outcomes for their employees and the best value. The health care supply chain is paying attention.

As we delve into the health care supply chain, we should also broaden our view. As we take on this work, it will be important that we also look at the broader health care eco-system. That eco-system expands beyond the supply chain to include the other forces that influence the design and direction of health care. Forces such as regulations – federal and state; public policy including tax policy; human factors – the options and choices we make about our health; and the physical and social environments – communities, schools, workplaces – that also play a role in influencing our health. We can't solve for access and affordability if we don't consider the forces that shape when, why and how people interact with their employer and their health care. No single element of the supply chain or the ecosystem will provide a simple "fix." We must take a systems view.

Change is certainly already underway and there are encouraging signs:

- Innovations in technologies and treatments are enabling care to be provided in the right amount, at the right times, in the right place, by the right professional. Not all care needs to be delivered by a physician in a doctor's office or the hospital.
- Amazing new drug therapies are being invented that can control and in some cases cure some of our most debilitating conditions.
- A greater focus on health in society has the promise of shifting our approach to health care from a "fix me" (highest cost) to an expectation of staying healthy and active (prevention). Employers are playing a key role in this shift with our focus on wellness programs.

- Public and private exchanges are creating a shift to a more consumer based rather than purchaser based system. That shift is building greater understanding about the services and costs of health care. The common language and the experience is empowering a new health care consumerism.
- Common definitions and standards are enabling greater exposure of quality and patient safety measures and are opening the doors to evidence and value based care.
- And of course, there is a rising awareness across the country that the system needs to change to provide access and quality at an affordable price.

All of those signs are encouraging and will aid our efforts. There are other practical concerns that we have to acknowledge and tackle. We have a large population of baby boomers who are aging, working longer, and developing conditions that often lead to high cost treatments.

As a nation we have developed health conditions – hypertension, obesity, diabetes – that are driving the cost of care. We have too many community environments that don’t provide education about, or access to, healthy choices – food, activity, social well being.

The current system in general provides incentives for pieces of care – a treatment, a drug, tests, specialists – rather than bundles of care and payments based on quality outcomes. We need a shift from volume to quality.

Great advances in technology and pharmacology are leading to improved diagnosis, treatments and cures. We all support these advances and our population is creating greater demand. As long as the system focuses on pieces of care, this demand will also drive up the cost of care.

Regulations are fragmented and differ from state to state. Regulations are important to maintain the trust and expectations of the communities we serve. Consistency of purpose and consistent approaches to regulation are needed to reduce the administrative cost burden.

Finally, and as employers we can all relate to this, there are looming shortages of physicians, nurses, and other clinical professionals. These shortages can be addressed by a combination of enabling state licensure regulations to allow practice at “top of license,” by using more “allied health” professionals supported with technology, and expanding education programs. Unless we address the shortages, they will place additional cost burden on the system.

The industry is responding to the changing environment and the signals from purchasers with new configurations of payers and providers, specialized treatment centers and systems, and development of technologies to improve outcomes and productivity. The employer community must continue to help define the direction and drive the pace of change.

This forum offers a great opportunity for the largest employers and members from all elements of the health care supply chain to lend our collective knowledge and expertise to create a vision for the future of health, and health care, in this country.

That vision can and must include high quality outcomes and access to care at affordable prices.