





Better Care, Consistent Care, Patient-Focused Care

*An interview with
George C. Halvorson,
CEO of Kaiser Permanente*

George Halvorson is Chairman and Chief Executive Officer of Kaiser Foundation Hospitals and Kaiser Foundation Health Plan, Inc. Kaiser Permanente is the United States' largest non-profit health plan and hospital system, serving about 8.8 million members and generating \$44 billion in annual revenue. As an advocate for continuity in healthcare, Mr. Halvorson has led Kaiser Permanente's investments in electronic medical records and physician support systems.

GEORGE HALVORSON BEGAN HIS TENURE as CEO of Kaiser Permanente in 2002. Since then, in his public speeches and in his books, he has argued about the importance of reforming healthcare in the United States, calling it a fragmented system unable to deliver consistent, evidence-based treatments. “Like any piecework system, U.S. healthcare providers deliver lots of what they are paid to deliver—procedures, not better healthcare outcomes,” he contends, adding that preventing disease is less expensive than curing disease. Citing the improvement of fitness levels and management of chronic diseases as the two areas that can deliver the biggest payoffs in healthcare reform, the Kaiser CEO is perhaps best known for his belief in the *consistency* of healthcare delivery and the *continuity* of healthcare information (records) available to teams of doctors. “Political debates about insurance coverage often miss the objective of improving consistency of treatment

as a significant savings area in healthcare management,” he says.

Recently, A.T. Kearney partner Bob Duffy sat down with Mr. Halvorson to discuss healthcare costs, quality and reform, and Kaiser Permanente’s investment in electronic medical records and Internet connectivity to improve treatment.

BOB DUFFY: George, you often talk about integrated and consistent healthcare. Why are these so important to the future of healthcare?

GEORGE HALVORSON: Vertically integrated teams of caregivers working together focused on patients is the future of healthcare. It’s the right model and where healthcare needs to go. You deliver better care when you have fully informed caregivers, working in a team with other caregivers. If we do this right, if we go forward into the right future and reorganize care so there is a team-based patient focus, sup-

George C. Halvorson



George C. Halvorson is Chairman and Chief Executive Officer of Kaiser Foundation

Hospitals and Kaiser Foundation Health Plan, Inc., headquartered in Oakland, California. With more than 30 years of healthcare management experience, he serves on several boards of directors, chairs the International Federation of Health Plans, and co-chairs the Institute for Healthcare Improvement Annual National Forum on Quality Improvement in Health Care.

In 2009, Halvorson chaired the World Economic Forum’s Health Governors meetings in Davos, Switzerland. He has received the Modern Healthcare/Health Information and Management Systems Society CEO IT Achievement Award as well as the Workgroup for Electronic Data Interchange 2009 Louis Sullivan Award for leadership and achievements in advancing healthcare quality.

As an advocate for continuity in healthcare, Halvorson has led Kaiser Permanente’s investments in electronic medical records and physician support systems over the past five years. More than 8.8 million patients now have their

medical records in the company’s computer system, providing information to patients and coordinating their care among doctors, nurses and other caregivers.

He is the author of several books, including the recently released *Health Care Will Not Reform Itself: A User’s Guide to Refocusing and Reforming American Health Care*. He also wrote *Health Care Reform Now!*, *Health Care Co-ops in Uganda* and *Strong Medicine*, and co-authored *Epidemic of Care*, as guidebooks for healthcare reform.

ported by data, healthcare is going to be better.

I don't think consumers *appreciate* this. They appreciate it when they get sick and they find that they have multiple caregivers who don't coordinate, don't cooperate, don't share their data. There are all kinds of messes where the patient literally has to carry the information from care site to care site so the next caregiver will have it.

Think how absurd the ad is on TV that says, "This is an Alzheimer's treatment, and remember to tell your doctor if you are on heart medicine." That's bizarre. Every doctor should have all the information about all the drugs all the patients are taking. And it should be available electronically, immediately. That's the right model. The wrong model is to ask an Alzheimer's patient to remember to tell her next doctor what drugs she is on.

BOB DUFFY: U.S. businesses are concerned about affordable healthcare and the feasibility of universal care. How do you address these concerns?

GEORGE HALVORSON: Political discussions have focused quite a bit on the insurance side of healthcare reform. That needs to be done; we really need to get to universal care in this country. Every other industrialized country has managed to cover all of their people. But what we really need is to do a much better job of providing healthcare. We need better care, consistent care and patient-focused care. We don't have that. All we have today is care focused on the billing system and not on the patient.

Take asthma as an example. Asthma is the number one cause of death in children, the number one cause for hospitalizations and the fastest-growing disease—yet we are only getting care right for 47 percent of kids who have asthma. If we had good care plans for children and consistent follow-up care, we could cut asthma admissions in half. Yet we are not going

to have those care plans or cut admissions in half until all children are covered. That's the agenda.

BOB DUFFY: Can you put a metric on healthcare safety and quality and how Kaiser Permanente is improving in these areas?

GEORGE HALVORSON: Think about the business model of care: We have 1.7 million Americans who went to hospitals last year and got infections they didn't have the day they went to the hospital. Now, hospital infections are the number one cause of death in hospitals. It happens all the time. If you were in the automobile industry and the business model was that every time one of your drivers crashed a car, the consequence was that you got to sell two additional cars at full retail price with no questions asked, how much focus would there be on car safety? Almost none. In fact, you would probably have 1.7 million car crashes.

In healthcare, we need to focus on safety. We need to eliminate and stop rewarding the "crashes." Today, if someone has one of those crashes in a hospital, the hospital gets to bill twice as much. Possibly two or three times as much. Of course, not a single hospital in this country would damage a patient deliberately. That does not happen. What does happen, however, is inadequate focus on stopping the "crashes." If healthcare were focused on safety, we could cut those infections in half and cut hospital death rates in half.

Most people do not think safety is in the healthcare reform bill. Yet there are more requirements in the bill relative to hospital safety than anyone talks about. Hospitals have to be transparent and report their infection rates. For the first time in the history of our country, hospitals are now going to be penalized when a patient is readmitted because he or she got inadequate care, penalized if a patient has an infection that he should not have gotten.

This is incredibly important, yet it has not been widely discussed relative to the reform bill.

On improving quality, a couple of years ago we started looking at sepsis death rates and found we had 30 percent of deaths from sepsis in our hospitals. We improved care and took rates down to 27 percent. And then we thought about it some more, realizing there's a one-hour interval in sepsis that is "golden"—if patients are treated within this golden hour, the death rate falls by half. To operate within this golden hour, we needed to perform the lab test immediately, so we set up a fast-lab process with results arriving in 20 minutes. We took the death rate down under 20 percent. Then we said, "What else can we do?" and noticed that most sepsis patients need the same set of drugs. So instead of going to the pharmacy each time to assemble the drugs from scratch, we ordered preassembled sepsis kits [that] took the death rate down to 12 percent.

Now we are doing some other improvements and getting the death rate under 10 percent. We ascribe to a continuous improvement model.

When you start by looking at the entire process and managing each step, you figure out what to do at each step. It's the same in every aspect of our industry. We are doing this in care delivery, in broken bones, in heart attacks; bringing down costs and improving care systematically. We treat everything as a process improvement opportunity. When people say, "That's just the way it is. It's been like this for 20 years," we say, "But what if... and we focus on it."

BOB DUFFY: What will it take to make healthcare more affordable in light of more specialized and costly treatments (for example, biologics and genomics), more regulatory and compliance scrutiny, and more demand?

GEORGE HALVORSON: There are many urban legends about healthcare, and one of them is that issues like biogenomics are running up the

Think how absurd the ad is on TV that says, "This is an Alzheimer's treatment, and remember to tell your doctor if you are on heart medicine." Every doctor should have all the information about all the drugs all the patients are taking.

cost of healthcare in a massive way. That's a tiny, tiny piece of the puzzle.

Seventy-five percent of the cost of care is for patients with chronic conditions such as diabetes and heart disease, and we get care right for these people only half the time. Also in the cost of care, 3 percent goes to patients with breast cancer; 5 percent goes to patients with cancer in total. If some patients in that 5 percent are getting expensive drugs, that may take the percentage up to 5.1 percent. But it's a tiny increase. The cost of each individual incident seems like a lot, but these are rare. They don't happen very often, and in terms of total healthcare dollars, they are not relevant.

But the fact that diabetes creates 32 percent of the cost of Medicare, that's relevant. A 10 percent improvement in care for diabetics is the same as eliminating all [breast] cancer [costs]. We need to put these things in perspective and focus on ways to bring down costs. We need more of an actuarial perspective on healthcare, looking at the total costs and segregating them.

Also, pharmaceutical costs in this country are 14 percent of the total cost of healthcare. We pay twice as much for drugs in the United States as other countries. If we paid European prices for drugs, if we paid as much as they pay in [the] Netherlands or they pay in Switzerland, we would take that 14 percent of the [health-

care] premium down to 7 percent. If we took it down to 7 percent, we could reduce the health-care premium for everyone in the United States by 7 percent.

BOB DUFFY: Kaiser Permanente has invested more than \$4 billion in information technology and EMR (electronic medical records). How has this investment changed the practice of medicine and made Kaiser Permanente different from other providers?

GEORGE HALVORSON: When a doctor has all the information about all the patients all the time—we have reached our goal. All, all, all. Care gets better because doctors have the

Kaiser Permanente Makes *Fast Company's* Most Innovative Companies List

For helping pave the way for change in the healthcare industry, Kaiser Permanente was named the fifth most innovative healthcare company in the world by *Fast Company* magazine. In the publication's annual 2010 Most Innovative Companies issue, Kaiser was recognized for pioneering a shared electronic health record system with the U.S. Department of Veterans Affairs and for the leading-edge research being done at its Sidney R. Garfield Health Care Innovation Center.

The Shared Health Record System with the VA. The pilot program with the U.S. Department of Veterans Affairs enables clinicians from the VA and Kaiser Permanente to share patient data, such as medical history and medication and allergy information, to obtain a more comprehensive view of a patient's health. This groundbreaking program

is the first to tackle the challenges of sharing data across different electronic health information systems. With the ultimate aim of improved quality of care, patient safety, and overall efficiency, the program could become a model for information exchange among medical institutions nationwide.

The Sidney R. Garfield Health Care Innovation Center. Opened in 2006, the Garfield Center is a one-of-a-kind testing ground for the development of new technologies, practices, physical environments and clinical operations in healthcare.

Bringing doctors, nurses and volunteers together in a common research setting—which includes the unprecedented Digital Operating Room of the Future—research at the center identifies promising new products and practices to be piloted in the clinical environment.

Current and past initiatives include an award-winning medication error reduction program, simplified exam rooms and mini family clinics, handheld computer tablets for nurses and physicians, and a knowledge exchange program for nurses that allows for more efficient data transfer between shifts.

Making the List. In selecting companies worthy of the "world's most innovative" designation, *Fast Company's* editorial team analyzes information on thousands of businesses across the globe. Beyond revenue growth and high profit margins, they seek to recognize companies with creative models and progressive cultures that define innovation across the business landscape.

Source:
Kaiser Permanente website

information necessary to make better decisions about their patients. There's no duplicate testing. Information flows from doctor to doctor with ease. On the scorecard for healthcare quality, we now have a couple of dozen scores—with the name at the top of the list: Kaiser Permanente. When we go back and look at the scores, we find that most are for things supported by computer systems, such as management of blood sugar and diabetes.

The electronic medical record was a spectacularly positive investment for us. We not only put the electronic medical records system in place, but also used it to provide great care plans, feedback systems and reminders. It makes an impact.

Some [healthcare] systems in the country have put electronic medical records in place and then waited for the magic, hoping that somehow the system would be better because it was now on a computer. That doesn't happen. You actually have to take the tool and use the tool. It's like a hammer. Put a hammer on the table, you have a hammer. Use the hammer, and you have a mechanism for doing something.

Medical records are like that. If a patient with a chronic condition has a prescription but is not refilling the prescription, the doctor typically has no way of knowing—that information is completely off the radar screen. In our model, doctors know if and when their patients are filling and refilling their prescriptions. So computerized medical records make care better, make science better and make research better. It's a great investment.

We have an organization called the Care Management Institute, which is a team of very bright physicians and researchers whose full-time job is to sort through all the other research being done in the world and figure out what are the most useful and best things being done and to bring those ideas here. We have an elec-

tronic medical library that is now in its sixth generation. We keep improving it as we go forward to make it more interactive and flexible.

Also, we opened a care site, the largest in downtown Washington, D.C., with five floors of physicians where urgent care runs 24 hours a day, seven days a week. People come from all over the world to see what we are doing with medical records and all levels of Internet connectivity. We demonstrate our medical connectivity... at this site. We're hoping it will become a place to

witness the intersection of healthcare policy, healthcare technology and healthcare delivery.

BOB DUFFY: How can healthcare companies influence patient behavior to encourage people to lead healthier lives and, in turn, lower healthcare costs?

GEORGE HALVORSON: We have a program called HEAL, short for Healthy Eating, Active Living. Both food intake and physical activity levels are extremely important. If you can improve food intake—get people to eat healthier foods—all the research shows that people get better and outcomes are better. Active living has the same effect. If you get people to move, to exercise, it transforms healthcare delivery.



What's fascinating is that dieting creates negative neurochemicals, and it's hard for people to diet. Walking creates positive neurochemicals, and it's easy for people to walk. And the results are spectacular. From neuroscience, we know that if you walk 30 minutes a day, five days a week, it cuts the risk of diabetes by more than half. Walking reduces the rates of stroke, heart disease and several cancers and has a huge positive impact on depression. In fact, people who take antidepressants and walk score twice as high on "outlook" as people who take antidepressants but don't walk. The chemistry of the body performs better when we walk. Every part of our physiology improves when we walk. The body is made to walk.

If we could get everyone to walk 30 minutes a day, it could cut the rate of new diabetics in half, and that by itself could save Medicare.

BOB DUFFY: With all the information available from your information systems, what improvement in outcomes at Kaiser Permanente are you most proud of?

GEORGE HALVORSON: We are saving lives every day. We have fewer people dying of heart attacks and strokes, fewer people with kidney failure and fewer broken bones. When someone breaks a bone, a person age 70 or older has a 25 percent chance of dying within a year. So we are saving money and lives. Being able to put our database [of patients' records] in place, and then using it to improve care and doing it in the context of team care, is something I am very proud of.

And the database allows us to perform long-term research. Most medical research is done with a sample of 200 or 300 people that

lasts anywhere from two or three months to two or three years. No longer. Thanks to our database, we can perform longitudinal studies of millions of people over time. We are learning things about populations that in some cases we did not even suspect, and are using the data to improve medical science.

There are many urban legends about healthcare, and one of them is that issues like biogenomics are running up the cost of healthcare in a massive way. That's a tiny, tiny piece of the puzzle.

BOB DUFFY: Leading Kaiser Permanente involves managing a large group of highly paid professionals, including doctors, pharmacists and nurses. What is your advice to other CEOs in leading professionals?

GEORGE HALVORSON: Most everyone goes into healthcare to do good. It is not like banking or business or other professions where people choose a career for various reasons, including to make money. Those who go into healthcare—whether to be a nurse, a doctor or a lab technician—[do so] primarily to make a positive difference in people's lives.

So when taking a leadership role in a healthcare institution, when people understand that you are moving in a direction to make people's lives better, they support you. People in healthcare don't respond to financial rewards; they

respond to the emotional rewards of saving lives, making care better, serving patients better. If you talk about electronic medical records in the context of making people's lives better, you get support.

And, when talking about tools, the challenge is simply to keep up. We are getting all kinds of pressure from our people to eliminate PCs and use iPads or equivalent devices. Caregivers love them and are pushing us to move faster.

The chemistry of the body performs better when we walk. Every part of our physiology improves when we walk. The body is made to walk.

BOB DUFFY: Over the next five years, what do you expect to be the most significant changes in healthcare?

GEORGE HALVORSON: Going forward, we will likely come to a realization that our focus must be synchronized—working on improving population health and individual health simultaneously.

Data must flow in a way that is not isolated. If you are looking at an entire population of diabetics, we need the data on the entire population to determine what works, what works best, and what we can do to avoid complications. Having connected data is terribly important to caregivers and to patients. If we do not have a connected care system, patient care suffers.

In the same way, continual learning will be a priority. Today's doctors facilitate learning and expand the knowledge base. Care is no longer drawn from a finite database that the physician learns at one point in time and uses over his or her lifetime. In some ways, the doctor's role expands—not only is the patient treated with known information, but also [he or she] is treated through a focal point of increased knowledge.

I am on an Institute of Medicine task force, "Creating a Learning Healthcare System for America." I own the side of [whether] we as a country are a continuous learning system. If there are pockets of learning, is the learning shared? Does it remain isolated? Is progress haphazard? We really need this country to have a "learning" system rather than a "learned" system. It's a different culture. A *learned* system is when you know something; you have a knowledge base and use it your entire life. A *learning* system is when the knowledge is changing and expanding

and you have to keep up, but keeping up is difficult for there are thousands and thousands of medical journals. You need a mechanism and toolkit to keep up. You also need a culture that rewards keeping up and people who value keeping up. That's going to be a very different culture for healthcare.

BOB DUFFY: Do you have any counsel for non-healthcare CEOs on what they could be doing to promote better healthcare for their companies?

GEORGE HALVORSON: Two pieces of advice: Make sure your health plan or your health system is taking the 20 percent of your population that accounts for 80 percent of your costs, who need team care, and channeling them to team care. There are various kinds of team care.

There will be ACOs (Accountable Care Organizations), medical homes and all kinds of care models, but people who need team care must be supported by care teams. When that happens, costs go down and care improves. Health is better and the amount of time lost at work diminishes, so it really makes a huge difference. If you leave people to stumble out into the world and hope to find the right care sites, that's definitely the wrong model.

Second, get your people to walk. The beauty of walking is that the 30 minutes a day can be done in two 15-minute intervals. Science has now proven that two 15-minute walks offer the same physiological benefit as one 30-minute walk. It's really easy to fit two 15 minutes into

your life, and it will lower healthcare costs.

BOB DUFFY: If a CEO decides to include Kaiser Permanente in its portfolio of offerings, the chances are good that healthcare costs will go down. Is that true?

GEORGE HALVORSON: Yes. We typically run at least 10 percent below other healthcare plans in any market we are in. Adding Kaiser Permanente will reduce costs, and patients—employees—get better care. They get connected care. And workers are less likely to leave the office to get care as they can connect with their doctor from their desks. We did 10 million e-visits last year. And the fact that we are in a market forces prices down. 🗣️

Interviewer

BOB DUFFY is a partner in the pharmaceutical and healthcare practice. Based in the San Francisco office, he can be reached at robert.duffy@atkearney.com.

executive **agenda**

ideas and insights for business leaders

Executive Agenda® is published by A.T. Kearney to offer fresh perspectives and encourage discussion on subjects of interest to senior executives and opinion leaders worldwide.

A.T. Kearney is a global management consulting firm that uses strategic insight, tailored solutions and a collaborative working style to help clients achieve sustainable results. Since 1926, we have been trusted advisors on CEO-agenda issues to the world's leading corporations across all major industries. A.T. Kearney's offices are located in major business centers in 38 countries.

AMERICAS Atlanta | Boston | Chicago | Dallas | Detroit | Mexico City
New York | San Francisco | São Paulo | Toronto
Washington, D.C.

EUROPE Amsterdam | Berlin | Brussels | Bucharest | Copenhagen
Düsseldorf | Frankfurt | Helsinki | Istanbul | Kiev | Lisbon
Ljubljana | London | Madrid | Milan | Moscow | Munich
Oslo | Paris | Prague | Rome | Stockholm | Stuttgart
Vienna | Warsaw | Zurich

ASIA PACIFIC Bangkok | Beijing | Hong Kong | Jakarta | Kuala Lumpur
Melbourne | Mumbai | New Delhi | Seoul | Shanghai
Singapore | Sydney | Tokyo

**MIDDLE EAST
& AFRICA** Abu Dhabi | Dubai | Johannesburg | Manama | Riyadh

PUBLISHING ADVISOR
Wayne Boley

EDITOR
Patricia Sibo

DESIGN
Kevin Peschke

ATKEARNEY®

© 2011, A.T. Kearney, Inc. All rights reserved.

A.T. Kearney Korea LLC is a separate and independent legal entity operating under the A.T. Kearney name in Korea.

For information on obtaining additional copies, permission to reprint or translate articles, and all other correspondence, please contact:

A.T. Kearney, Inc.
222 West Adams Street
Chicago, Illinois 60606 U.S.A.
1 312 648 0111
email: insight@atkearney.com
www.atkearney.com