



# NAVIGANT

## On Healthcare

HEALTHCARE

## NAVIGATING THE UNCERTAINTY OF HEALTHCARE IN 2017

**Announcer:** Welcome to Navigant On Healthcare, offering insights for healthcare leaders, striving for success in an evolving industry.

**Host:** My name is Bob Kim and today we are speaking with Rulon Stacey. Rulon currently serves as managing director at Navigant, chair of the board of overseers of the Malcolm Baldrige National Quality Award, and chair of the International Hospital Federation CEO Circle. A former healthcare CEO, and chairman of the American College of Healthcare Executives, otherwise known as ACHE, Rulon was twice named one of the hundred most influential people in healthcare by *Modern Healthcare*. Earlier this year, he received ACHE's highest honor, the Gold Medal Award.

Hello, Rulon. Thanks for joining us today on the Navigant On Healthcare podcast series.

**Rulon Stacey:** Thanks, Bob. It's an honor to be here. I appreciate you having me.

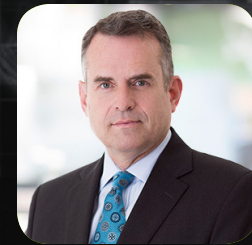
**Host:** Thank you. Let's just get started here. There's a lot of uncertainty in today's healthcare industry. As a former health system CEO, you obviously are well aware of how this kind of climate impacts patients and providers. Have you seen anything like this before in previous years? It's really remarkable, isn't it?

**Rulon:** It is remarkable, but I have seen it. I chuckle, to be honest, when I see people cry that the sky is falling. When I came out of my graduate program, I had leaders come to me and say, "This DRG system is so horrible, it's going to destroy healthcare. We need to..." and then they would quit. They would resign and retire. Then in the early 1990s I heard it again with healthcare reform. It's a challenging time, but we've been there before. I think perseverance will get us through it now.

**Host:** What you're saying is, maybe, that it is somewhat cyclical like other things in our economy, or in society.

**Rulon:** I think we've been faced with challenges before, and this is a challenge. We'll get through it, but we've got to do the right things at the right time.

### SPEAKER



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#### About Navigant

Navigant Consulting, Inc. (NYSE: NCI) is a specialized, global professional services firm that helps clients take control of their future. Navigant's professionals apply deep industry knowledge, substantive technical expertise, and an enterprising approach to help clients build, manage and/or protect their business interests. With a focus on markets and clients facing transformational change and significant regulatory or legal pressures, the Firm primarily serves clients in the healthcare, energy and financial services industries. Across a range of advisory, consulting, outsourcing, and technology/analytics services, Navigant's practitioners bring sharp insight that pinpoints opportunities and delivers powerful results. More information about Navigant can be found at [navigant.com](http://navigant.com).

**Host:** The pressure on providers to improve quality and reduce cost will increase no matter what approach the federal government decides to take. You've highlighted a number of areas that leaders should focus on. Value-based care being one of them. Can you expand on why you recommend leaders stay the course on value-based care?

**Rulon:** I do, and I've been pretty vigilant about that. I think that we've seen Washington taking different directions in doing different things, and pushing us in different ways. But I am pretty sold on the idea that we've got to stay the course and provide the best value. We've got to simultaneously increase quality and decrease cost. Provide that value to the people, and whatever happens in Washington happens. It makes for good theater to watch everything going on, but in the end, what we do is what we do. We've got to be vigilant about finding the right mix of doing the right thing, at the right time, and in the right place.

**Host:** How can the Baldrige framework help providers achieve healthcare's Triple Aim in today's demanding and uncertain environment? Let's maybe start off, for our listeners' sake, what the Baldrige framework is.

**Rulon:** That's probably a good background. The Baldrige criteria were developed in the late 1980s. President Reagan instituted the process named after the late Secretary of Commerce, Malcolm Baldrige. It was our attempt, as a country, to try and address some of the process improvements that other countries were having, most specifically Japan, and in manufacturing. We wanted to develop a framework that would allow us to become competitive. Over the next quarter century, the framework has evolved and developed and included healthcare and education, until today. It's a framework - it's really a series of 300-some odd questions that organizations can ask themselves about their process. When you can answer all of those questions, then you have a great opportunity to be the best in your industry. It forces you to look at a systematic approach, and to address system wide process improvement.

When you're looking at the Triple Aim, and you're trying to find ways to do several things simultaneously, you can't just look at one thing. You have to look at the whole system and make simultaneous adjustments to different parts of the system. It's my personal belief that the Baldrige framework is the best in the world to do that.

**Host:** How does an organization actually do that, then?

**Rulon:** There are lots of things to prioritize, which is why we prioritize. An organization that agrees to do everything has agreed to do nothing, because you cannot do everything. It's the same way in our career. I had a wise mentor of mine tell me once that you can be anything, but you can't be everything. That's what an organization does. It's what the Baldrige framework requires that you do. It requires that you go through and identify what you're good at, identify what your customers need, and decide what it is you're going to do. And focus all of your resources on getting those things done. It forces you, by process, to not do everything. Because if you decide to do everything, you have simultaneously decided to do nothing, and that benefits no one.

**Host:** Consumer self-pay has created another type of crisis in our industry. What can providers do when facing increased self-pay liability?

**Rulon:** The theory under the new healthcare reform would be that that would be minimized. That the issue that we're tending to face right now is not so much the patients who have self-pay crisis, as it is the patients who are having high deductibles. How do you get those high deductibles from the patients who are facing financial challenges over time? That decreases utilization. We're seeing the utilization rates go down dramatically, because we're finding out that healthcare is, in fact, a relatively elastic good. When we increase the price, people use less. I think, for healthcare organizations now, we've got to be fluid on addressing the increasing deductibles, and how we're going to be able to get those payments from patients, and be more flexible than we have over time in order to avoid creating a healthcare crisis down the road. If they don't care this year, because they can't afford the deductible, then next year we're going to have a major health crisis, which is going to be more expensive, but it's just morally wrong. We've got to find ways to keep people healthy, as opposed to fix them when they're sick.

**Host:** Another related topic to this, is patient billing or billing transparency. Research suggests that 60% of patients are confused by their medical bills. Why is this important to focus on in 2017?

**Rulon:** I'm confused why it's just 60% of people confused about their bills. I've never met anybody who was not confused by their bills, and if there's 40% of the people out there who understand their bills, I would love to meet them. It is truly confusing. One of the things that value-based care will force us to do, is it forces the healthcare industry to work through some of those and be more transparent in what we provide to the patients. The hospitals, and the doctors, the long-term care, and physical therapists work out the price and then be able to transfer that to the patient. And the patient just pays the fee, and we work it out. The problem with that is, I had a friend of mine once come in and try to make this point to our organization. There was 15 of us in the room, and he took five \$1 bills out and threw it on the floor and said: "Okay, fight for it." That's how healthcare is going to be. When the pie gets smaller, the table manners get worse.

We've got to find a way to be able to work collaboratively, because the patients are no longer going to accept the confusing bills. They're going to want bills that they understand. They're going to want it transparent. They're going to be able to want to look up on the web. We're going to be required to do that. It means that we're going to have find civil discourse with all of the providers to find ways to do that. It's going to be in our best financial interest to keep people healthy.

**Host:** There's a lot of advancements in technology. Analytics is becoming a big huge part of healthcare. What are some of the innovations that you're seeing that's really going to have a big impact? Without getting into specific platforms, or vendors or anything, per se, but just something that you're seeing that's really going to make a big impact on that pie being... r people in the health system having better table manners or-

**Rulon:** Table manners.

**Host:** ... increasing the size of the pie. What are you seeing that gets you kind of excited like, "Wow, that's really going to make a big change?"

**Rulon:** I'll tell you some of the things that I've seen and then some of the things we're doing at Navigant that really have me excited. The first part is that over the last 10 years, we, as an industry, have gotten better, through the emphasis on the Triple Aim and other areas, in avoiding duplication. The future will not allow us to do multiple iterations of the same thing. We won't be able to have a health system where we can't identify the best way to do something, and not do it all that way. We've got to drive variation out. We've got to duplicate the best practice across wide expanses. We've got to force a process to do that, and that's what we're doing at Navigant with the Baldrige criteria that I think is so exciting.

Navigant has been the best in the world at finding ways to drive cost out of organizations. Through the vision of Navigant healthcare leadership, they were able to bring in a team that is able to overlay the Baldrige criteria over their already distinguished effort to drive cost out, overlay the Baldrige effort on top of that, and create that process that allows that to become permanent. We don't have to face the cyclical ups and downs of the cost cycle. We can drive the cost out, we can drive the quality up, simultaneously overlay the Baldrige criteria, and then make that sustainable. That's a big deal being able to do that. That to me is one of the most exciting things I've seen in my career, and one of the differences that brought me to Navigant.

**Host:** I have to wonder, you've mentioned the Baldrige framework and the criteria was developed during the Reagan administration in the eighties and it was mainly to primarily to address manufacturing process improvement opportunities. So, I'm wondering, can that be applied to healthcare issues today, that may not have existed back then, or it wasn't necessarily designed for healthcare?

**Rulon:** That is an excellent question. One of the benefits of the Baldrige criteria is it allows, if not forces, organizations to look-not only for the best practice in their industry, but for the best practice out of their industry. For the Baldrige criteria, we often do look routinely at other service excellent providers. One of the recipients of the Baldrige Award is the Ritz Carlton company. There is many things that the healthcare can learn from the process that's delivered in Ritz Carlton.

We looked at...the manufacturing industry has great examples for us. The least of which is not the Lean criteria, which we are now adopting. Lean is a big thing in healthcare that we learned from manufacturing. Six Sigma is a big thing in healthcare that we learned from manufacturing. We learned from a manufacturing company in one of my former organizations how to monitor and better meet the needs of our employees, because of a process that this small manufacturing company had used. That's what Baldrige does. It takes the best and it forces you to cross industry lines to transfer the best, and that's where I think it's so innovative.

**Host:** Can you talk a little bit about some of the work that you've been doing that our listeners might be interested in?

**Rulon:** We are finding, in the organizations where we're working, and be honest, throughout the industry, that there are many ways to save costs. There's ways to be more efficient in the operating room, there's ways to collect money more efficiently, there's ways to save money on supply expenses, there's many different ways to be able to do that. We've found ways, Navigant has over the years, to drive those costs out. Navigant's also found ways to make sure that we increase the quality to the patients we serve. Through many of the same processes that we identify the patients we're serving, we identify the duplication or the variation and drive that variation out, and we're able to provide those services.

What we're doing now with the Baldrige criteria in some of the clients we're working with, is that we take the framework that forces an organization to look system wide. So instead of just looking at the operating room, or just looking at the emergency room, or just looking at accounting, or just looking at cafeteria, we look at the whole organization and measure how much one side has... the impact one side of the organization has on the other side. As organizations grow, that becomes even more meaningful. We have found that, as organizations grow, they have a tendency to grow in a holding company mentality. You merge and acquire other organizations, and you have the tendency to look and operate like a holding company -- a company of a lot of small organizations, instead of an operating company that is one organization on a large scale. To achieve true efficiency you have to be an operating company.

The Baldrige framework forces your organization, no matter its size, to look at different aspects of the organization, at different geographic locations, different places, and force them to look system wide and to look internally to drive the variation out, and then to duplicate that and measure that across the entire organization. If you have the framework involved when you drive that duplication out, then you can measure it in an ongoing fashion.

**Host:** All right. Thank you, Rulon. I think that's all the time we have for today. I hope our listeners have found this conversation useful. I know I've gotten a lot out of this. Even though this is a very chaotic time in healthcare it's been very enlightening to hear all the interesting things that you're doing as well, as all the great things that are happening within our industry. Thanks for sharing your expertise with us today.

That's it for today's episode. I'm Bob Kim. It's been my pleasure hosting this podcast. Be sure to check in with us regularly for additions to the Navigant On Healthcare podcast series on [navigant.com/podcast](http://navigant.com/podcast).

**Announcer:** That concludes today's episode. Be sure to check in with us for future installments of the Navigant On Healthcare podcast series on [navigant.com/healthcarepodcast](http://navigant.com/healthcarepodcast). Navigant On Healthcare is a podcast series produced by Navigant's healthcare practice. If you enjoyed this episode, please share it with friends and colleagues on social media. Learn more at [navigant.com](http://navigant.com).