

Healthcare Governance in an Era of Disruptive Innovation

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New developments in data analytics, technology, and artificial intelligence are driving innovation in healthcare. Providers of all types and sizes are increasingly recognizing the imperative of innovation. Opportunities for significant improvements in the patient experience and health outcomes abound, and the possibility of enormous disruptive potential is upon us.

Staying Focused on What Matters

With so many choices, resource allocation decisions are more challenging than ever in an era of disruptive innovation. And champions of various innovations can often make a compelling case for their projects. In healthcare, we are all susceptible to shiny object syndrome, which occurs when a new idea captures our imagination and distracts us from the big picture. We then risk going off on expensive tangents that don't necessarily improve healthcare value.

Envisioning the Ideal Healthcare System

At HFMA's Thought Leadership Retreat in October, leaders from all sectors of healthcare gathered to discuss the effect of innovation on the patient experience of care. When the discussion turned to defining

Key Board Takeaways

In the boardroom, directors can take these steps to foster successful innovation:

- Develop and maintain a vision of the ideal healthcare system to guide innovation-related resource allocation decisions.
- Ask targeted questions about how proposed investments would bring the organization closer to the desired future state. For example, will the investment:
 - › Enhance patient engagement?
 - › Help address social determinants of health in the community?
 - › Improve personalization of care?
- Look at how proposed innovations would affect the patient's experience of care through a patient's eyes.

the attributes of the ideal healthcare system as a means of guiding resource allocation decisions related to innovation, the following key points emerged:

- **The ideal healthcare system will reward high-value care.** It will be a well-care system rather than a sick-care system. It will pay for all services that providers consider essential to achieving the desired health outcomes. These, of course, are the concepts underlying value-based payment. Continued innovation in value-based payment models is needed because early experimentation has not resulted in definitive winners. Complete interoperability across the continuum of care is a prerequisite for a high-value health system.
- **The ideal healthcare system will be personalized on a mass scale.** It will recognize that

[price transparency](#),¹ along with clear and easy-to-understand [financial communication](#),² is integral to engagement. It will be genomics-based, meaning precision medicine will become the standard of care. Patients will no longer experience care that's all downside—i.e., treatment that causes side effects but has little or no chance of benefiting a patient, given his or her genetic profile.

- **The ideal healthcare system will value engagement with patients and communities.** It will address social determinants of health, so it will be integrated with a wide

1 See HFMA, "[Improving Price Transparency](#)"; Joseph Fifer, "Price Transparency: What Board Members Need to Know," *BoardRoom Press*, The Governance Institute, June 2015.

2 See HFMA, "[Patient Financial Communications](#)"; Joseph Fifer, "The Role of Financial Communication in Building Community Trust: What Board Members Need to Know," *BoardRoom Press*, The Governance Institute, December 2015.

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array of community resources and will emphasize accessibility to a variety of care providers and services. Prevention and treatment of behavioral health and substance abuse issues will be on a par with those for other medical conditions. End-of-life discussions will be more socialized and acceptable than they are now.

Linking Innovation to the Pursuit of the Ideal Healthcare System

As board members are faced with decisions about what types of innovations to encourage, pursue, or fund, maintaining a vision of the ideal healthcare system can point the way. Board members should ask whether, and how, a specific investment of time, money, or other resources would:

- Directly or indirectly improve healthcare value to patients and other care purchasers
- Facilitate improved communication with patients or with other care providers within the health system or in the community
- Improve patient engagement
- Expand capabilities to address social determinants of health
- Enable the organization to improve personalization of care
- Help ensure that patients have all the information needed to make better healthcare decisions, including [information about out-of-pocket costs](#)³

3 HFMA, [Avoiding Surprises in Your Medical Bills: A Guide for Consumers](#), 2018; HFMA, [Understanding Healthcare Prices: A Consumer Guide](#), 2015.

If a proposed innovation does not meet one or more of these criteria, chances are it's just another shiny object.

Reimagining the Patient Experience of Care

Technological innovations have already transformed the patient's experience of care in many ways—not always for the better, from the patient's perspective. For example, it's common knowledge that patients feel their physicians spend more time engaged with the computer during office visits than they spend with patients. The lack of eye contact contributes to patients' sense that physicians are not listening to them. The advantages of an electronic health record are not always obvious or relevant to patients. But board members and other healthcare leaders know there's no going back to paper records. We wouldn't want to even if we could. It would be a huge step backward for patients and for the healthcare system.

Now that electronic health records are widely deployed in acute care and other settings, we are figuring out how to compensate for their negative impact on the physician office visit experience. I'm confident that we *will* figure it out. But the point is this: when implementing a disruptive technology, it's better to do it right than to do it over. In other words, we must keep patient experience front and center when adopting new technology.

At first glance, it may be hard to see how innovations that bring us closer to an ideal healthcare system could do anything *but* improve

the patient's experience of care. Yet we shouldn't underestimate the potential for negative impacts associated with transformational change. For example, wearables that continuously monitor health metrics and facilitate intervention, while a giant leap forward in many ways, may be experienced by patients as intrusive. Precision medicine may be welcomed by patients who learn they will benefit from certain care and distrusted by those who hear the difficult news that they will not. In addition, it's important to keep in mind that American consumers often equate procedures and medical interventions with health improvement. Overutilization is not just a supply-side phenomenon. Down the road, consumers may question whether value-based payment—by whatever name they eventually come to know it—is incentivizing providers to withhold what consumers consider to be necessary care.

To address these issues, board members should seek ways of looking at proposed innovations through a patient's eyes. Healthcare organizations typically fall far short of other service and consumer product organizations in having structures and processes designed to gather consumer input and feedback on a regular basis. Board members who have expertise in this area have opportunities to make important contributions to organizational listening skills.

Innovation in healthcare is bound to present challenges that we haven't even identified yet. But with a patients-first and value-based perspective, board members will be well equipped to guide their organizations through the coming era of transformational innovation.

The Governance Institute thanks Joseph J. Fifer, FHFMA, CPA, President and CEO, Healthcare Financial Management Association, for contributing this article. He can be reached at jfifer@hfma.org.

