From Competition to Collaboration:

New Partnerships and Their Implications for Health System Leaders

INSIGHTS FROM THE 2019 SYSTEM FORUM

March 10–12, 2019

The Ritz-Carlton, Chicago
Chicago, Illinois

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The Governance Institute

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Preface

Held March 10–12, 2019, at The Ritz-Carlton in Chicago, Illinois, The Governance Institute's *System Forum* brought together a distinguished group of faculty with 20 representatives from five health systems in the United States to discuss critical issues facing their organizations in today's rapidly changing environment. The meeting represented a continuation in our series of member-only invitationals focused on governance and leadership within integrated care delivery systems.

As healthcare migrates from "volume to value," another critical evolution is also occurring, from "competition to collaboration." While this latter transformation garners less attention, the two must go together to achieve the desired results of lower costs and higher quality. Successfully taking on population health risk requires effective collaboration with a substantially larger set of partners than in the past, including with organizations that have historically been competitors. Success, moreover, will require new and sometimes quite different leadership skills in both the C-suite and boardroom.

This *System Forum* brought together executive leaders from a variety of health systems that have been pioneering these new partnerships to share their expertise and experience. The faculty also included nationally recognized innovation experts from both inside and outside healthcare. The forum was designed as a highly interactive experience, allowing attendees to learn actively from faculty and each other.

This proceedings report summarizes the presentations and discussions from the meeting. **Please direct any questions or comments about this document to:**

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The Governance Institute thanks the following faculty members of the 2019 *System Forum* (listed in alphabetical order) for being so generous with their time and expertise:

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Executive Summary

As healthcare continues to migrate from "volume to value," another critical evolution is also occurring, from "competition to collaboration." While this latter transformation garners less attention, the two transitions must go together to achieve the desired results of lower costs and higher quality. Successfully taking on population health risk requires effective collaboration with a substantially larger set of partners than in the past, including with organizations that have historically been competitors. Success, moreover, will require new and sometimes quite different leadership skills in both the C-suite and boardroom. This *System Forum* brought together executive leaders from a variety of health systems that have been pioneering these new partnerships to share their expertise and experience. This proceedings report summarizes the presentations and discussions from the meeting.

Teaming to Innovate

Health system leaders operate in an environment characterized by the acronym "VUCA": volatile, uncertain, complex, and ambiguous. Facing rapid changes and large up-and-down swings (volatility), difficult-to-predict events (uncertainty), multiple and interconnected elements (complexity), and unclear signals (ambiguity), these leaders struggle with how to work effectively. The key to succeeding in a VUCA environment lies in mastering the art of "teaming." Teaming is teamwork on the fly, coordinating and collaborating across boundaries without the luxury of stable team structures. While critical to the healthy functioning of the kinds of partnerships needed in healthcare, teaming is neither natural nor easy. Fortunately, strategies exist to overcome the major barriers, as discussed below:

- ✔ **Instill an enterprise mindset**: An enterprise mindset leads one to ask what is best for the organization and then engages people in a shared mission. Rather than seeing peers as competitors, they are viewed as a source of potentially great ideas.
- ✔ **Embrace and promote intelligent failure**: While the term "intelligent failure" might seem like an oxymoron, some failures can in fact be good for an organization. Intelligent failures occur when undesired results come out of thoughtful,

low-risk, low-cost forays into novel territory. These failures generate new ideas and information on what may be possible.

- ✔ **Build psychological safety**: Organizational leaders need to offer a safe culture where everyone knows that his or her voice is welcome. Yet too often that type of culture does not exist. Instead, people instinctively avoid taking risks. They do not ask questions, admit weaknesses or mistakes, offer ideas, or criticize the status quo. Leaders, therefore, need to create an environment of psychological safety that inspires people to routinely do the unnatural. Building psychological safety is a three-step process, as outlined below:
  - **Set the stage**: Leaders must create cognitive frames that shape how people make sense of a situation and influence how they act and respond.
  - **Invite engagement**: Leaders should acknowledge their own limits and regularly ask if they might be "missing something." They should ask what others are seeing, invite careful thought, and give everyone in the room an opportunity to respond.
  - **Respond appreciatively**: Providing honest feedback should be a positive experience. In addition, innovative organizations celebrate such feedback and intelligent failures.

Geisinger's Experience in Forging New Partnerships and Alliances: Lessons Learned

Geisinger is an integrated health services organization made up of facilities, a large physician group, and managed care companies that collectively account for half of overall revenues. Having this large managed care component enables the organization—including its providers—to benefit financially from care delivery innovation. Geisinger looks for the "sweet spot" where the clinical enterprise and the health plan can best work together, with each side contributing what it does best. As appropriate, the resulting cost savings are transferred from the insurer to those on the front lines of care responsible for the change.

Re-engineering through ProvenCare™

Geisinger's goal is to re-engineer care to eliminate the 30 to 35 percent of all medical care that does not benefit—and sometimes harms—the patient. By eliminating these "hurtful" costs, Geisinger can offer better, less expensive care. To that end, Geisinger developed ProvenCare™, which identifies high-cost cohorts of patients, defines the ideal outcome for them, re-engineers care to produce that outcome, and then monitors results to ensure that desired outcomes are achieved:

- **Acute care:** Geisinger began its efforts in the inpatient arena in areas ripe for innovation. The first initiative focused on re-engineering elective coronary artery bypass graft (CABG) care. Over a three-year period, providers developed and implemented a pathway that specifies 144 things that all patients undergoing elective CABG surgery need. This effort has expanded to include a broad portfolio of inpatient pathways and guidelines.
- **Biologics:** With specialty drugs projected to account for half of all drug sales, Geisinger is tackling the quality and costs of biologics, including price per unit

and unnecessary utilization. Major targets include drugs for hepatitis C, inflammatory bowel disease, multiple sclerosis, rheumatoid arthritis, and cancer.

- **Chronic care:** Geisinger has re-engineered chronic care delivery for pediatric patients and adult patients with diabetes, heart failure, coronary artery disease, hypertension, chronic obstructive pulmonary disease, chronic kidney disease, and dementia. Geisinger monitors performance against an established set of measures related to prevention and screening for these chronic diseases. This program has met with significant success, particularly with type 2 diabetes.

Re-engineering at the Corporate Level through HTA

The Health Transformation Alliance (HTA) consists of more than 50 self-insured companies with roughly 7 million covered lives, including 4.5 million in the United States. HTA analyzes data to identify unwarranted variation and employee cohorts with high-cost, suboptimal outcomes, and then leverages value-based purchasing and best practices to eliminate unnecessary and hurtful care and reduce price per unit.

Lessons Learned

Key lessons from the Geisinger and HTA experiences include the following:

- ✔ Gain buy-in by insisting on change at the top while appealing to bottom-up professional pride and purpose.
- ✔ Focus on promoting value, not cost-cutting.
- ✔ Use data and analytics to identify opportunities to redesign care and care purchase.
- ✔ Align incentives structurally between payer and provider, group practice and hospital, employed and non-employed physicians, and specialists and generalists.
- ✔ Find and transact from points of differentiation from the competition.
- ✔ Look for and celebrate early wins to create buy-in and sustainability.

Addressing Social Determinants in Healthcare: ProMedica's Recent History

Socioeconomic factors and the physical environment have a major direct impact on health status and have an indirect impact by influencing individual behaviors. By contrast, the provision of medical care has relatively little impact on health status. Since the 1980s, the U.S. has fallen from the middle to the bottom of the pack among developed nations in terms of life expectancy. The reason for this decline has much more to do with underinvestment in social determinants of health (SDH), such as access to nutritious food and affordable housing, than with investments in medical care. The leaders at ProMedica decided to try to reverse this trend by going outside of its facilities' walls to influence the health and well-being of the communities they serve.

First Target: Hunger

ProMedica has successfully connected over 31,000 people to a local food clinic, provided nearly 1,000 meals to acute care patients at discharge, distributed food to 809 of its own employees, and reclaimed over 375,000 pounds of food from local restaurants and casinos (which is then redistributed to local food banks at a cost of

eight cents a pound). ProMedica also partnered with other organizations to create the Ebeid Center, the cornerstone of which is an inner-city grocery store that provides 130,000 people with access to healthy foods in an area previously classified as a "food desert."

Beyond Hunger to Economic Development

The Ebeid Center also offers a teaching kitchen where people learn to cook healthy foods, a call center that provides 70 jobs to local residents, a job training program, a career center, financial literacy classes, parenting classes, nutrition counseling, and diabetes education. Opened three years ago, the center stimulates block-by-block community empowerment and improvement. Through the Ebeid Neighborhood Promise, ProMedica partnered with Local Initiatives Support Corporation (LISC, a community development financial institution) and others to launch a $50 million, 10-year commitment to revitalization of the neighborhood around the grocery store. An additional $45 million loan pool is available for affordable housing, schools, and business start-up support.

Lessons Learned

Key lessons from the ProMedica experience include the following:

- ✔ **Engage the board, senior clinical leaders, and staff:** Board members and clinical leaders understand the need to address SDH and hence wholeheartedly support these activities. Among staff, some "get it" while others still do not understand why resources are being diverted to such seemingly far-afield endeavors. To improve understanding, leadership continually communicate with staff about these efforts.
- ✔ **Partner with anchor institutions:** Anchor institutions are non-profit institutions that, once established, tend not to move location. Because these organizations focus on the long-term welfare of local communities, their leaders are generally willing to address the tenacious challenges facing them.
- ✔ **Take advantage of various types of funding opportunities:** Much of what ProMedica has done is through partnerships with governments at all levels (local, state, and federal), banks, community development financial institutions (CDFIs), private foundations, hospital foundations, and other philanthropic organizations.
- ✔ **Measure and report on progress:** ProMedica tracks a wide array of measures to gauge the impact of its efforts, including clinical, cost, and community health metrics.

Is There an Avatar in the House? Changing the DNA of Healthcare in the Age of Artificial Intelligence

Recent history makes the need to focus on the consumer quite clear, with multiple examples of companies like Blockbuster losing out to more consumer-focused competition. Consumers expect no less from their healthcare providers than they do from those in other industries. The biggest threat to providers comes from joint ventures such as CVS Health/Aetna and Walmart/Humana that are creating new, consumer-friendly "front doors" to medicine. Provider organizations that do not respond to these threats risk becoming commoditized suppliers of readily available inpatient beds.

Consumer-Focused Differentiation at Jefferson Health

The differentiation journey at Jefferson Health began in 2013. At the time, Jefferson had two hospitals in downtown Philadelphia, three boards, six colleges, 12,000 employees, and approximately $1.5 billion in revenues. The organizational culture was characterized by fragmentation and a silo mentality. Jefferson's incoming CEO (Dr. Klasko) proposed that Jefferson commit to pursuing two key strategies:

- ✔ **Differentiation:** Jefferson would differentiate itself from the other six academic medical centers (AMCs) in Philadelphia.
- ✔ **Proactive jump to the future:** Jefferson would figure out what will be obvious a decade from now and commit to doing it today.

The goal was to get a 195-year-old AMC to act like a start-up company, transitioning from a business-to-business model in which providers sell themselves to physicians and insurers, to a business-to-consumer model in which providers sell themselves to consumers. To that end, Jefferson embarked on four distinct strategies to differentiate itself from the competition:

- ✔ **Healthcare with no address:** Just as they shop and bank from the comfort of their homes, consumers want to access healthcare digitally and with no fixed address. To that end, Jefferson has launched a variety of programs, including virtual visits, a doctor-matching service, and virtual inpatient rounds for family members.
- ✔ **Scale through hub-and-hub model:** Unlike other AMCs, Jefferson is not pursuing a hub-and-spoke model where the goal is to funnel patients from outlying communities to a tertiary/quaternary hub. Rather, Jefferson is employing a hub-and-hub model with the goal of keeping patients in their local communities. To that end, Jefferson has completed five mergers and acquisitions with community hospitals in the last four years.
- ✔ **Culture change:** Leaders too often spend time trying to influence those who will never change. About 20 percent of Jefferson physicians understand the need for dramatic change. Roughly 15 percent will never "get it," while 65 percent will get it eventually with prodding and explanation. Most leaders ignore this "silent majority" that needs convincing. Jefferson has dramatically reallocated where leaders spend time, with the focus now on the silent majority and virtually no time allocated to "lost causes." This change allowed Jefferson to bring many of

the silent majority into the "get-it" camp. In addition to this shift in focus, Jefferson also created several leadership development programs that play a critical role in spearheading culture change.

- ✔ **Going all-in on innovation:** Jefferson's leaders decided to make innovation through strategic partnerships the core of the health system's strategic vision and its main differentiator from the competition. To date, Jefferson has embarked on many such partnerships. In aggregate, they account for 25 percent to 30 percent of overall profits. These profits stem from Jefferson's insistence on taking equity stakes in new projects, not simply serving as a pilot site for others.

Growth Mindset Leadership for a Collaborative, Learning Organization

People in a growth mindset believe that human qualities and abilities can change. By contrast, those in a fixed mindset think that skills are largely set in stone, determined by natural abilities. In reality, no one falls completely into one camp or the other. Many people tend to be in a growth mindset with respect to some skills and abilities and in a fixed mindset with respect to others. Effective leaders build a culture where people come to work in a growth mindset. Doing so yields many benefits, as outlined below:

- ✔ Faster growth, better performance, and greater resilience
- ✔ More positive and collaborative relationships
- ✔ Greater diversity, equity, and inclusion
- ✔ More creativity and innovation
- ✔ More ethical behavior
- ✔ Higher levels of trust, ownership over work, and commitment

Creating this type of culture allows employees to spend ample time in the "learning zone" rather than the "performance zone." World-class performers routinely alternate between these zones, but they spend most of their time focused on practice and getting better. By contrast, employees of most organizations spend almost all their time in the performance zone, a situation that leads to stagnation.

To create a growth mindset culture, leaders can educate themselves about mindsets and why they matter, understand their own mindset and its effect on others, and learn how top performers develop through practice and hard work. They must then create the environment and structures that allow everyone around them to adopt a growth mindset, as detailed below:

- ✔ **Create a shared vision**: Leaders can create a shared vision of the culture they want to build, making it clear how people can and should interact with one another.
- ✔ **Model desired behaviors:** To cultivate a growth mindset culture, leaders must model the behaviors and actions they want to see in others so that when others emulate them, they behave in the desired ways. Role modeling behaviors helps create psychological safety, making intelligent mistakes and failure safe throughout the organization.
- ✔ **Set up systems and routines:** Leaders can put in place systems, routines, and habits to encourage experimentation and innovation.

Case Study: Uber—Changing the Way the World Moves

The Uber Story in Brief

Founded in 2009 as "UBERCAB" limousine service in San Francisco, Uber had revenues of roughly $4 billion and an estimated market valuation of $62.5 billion by 2016. Uber now operates in 70 countries and 500 cities; it enjoys a dominant market position, controlling 77 percent of the ride-hailing and ride-sharing business in the U.S. and 32 percent worldwide. Uber has relatively few assets—it neither owns cars nor employs its drivers. Uber relies on drivers using their own cars, connecting them quickly and easily to consumers in search of "on-demand" rides. Uber takes advantage of several societal trends that "pull" consumers to it, including the migration toward a sharing economy, the ubiquitous use of personal technology (particularly smartphones), flexible hours in the workforce, and the tendency of younger individuals to not want to drive. At the same time, Uber is going after a business—taxi service—that actively pushes customers away, with consumers facing long waits, dirty cars, rude drivers, pricing uncertainty and overcharging, and hassles when it comes to paying a fare. Taxi companies also push drivers away by subjecting them to extensive and complicated regulations, excessive costs, wasted time, and schedule inflexibility. By contrast, Uber makes it incredibly simple for customers to get and pay for a hassle-free ride and for drivers to find customers and get paid for their work.

Implications for Healthcare

Like the taxi industry, healthcare has both pull and push factors that make it ripe for disruption. Pull factors include the movement from volume to value, the growth of consumerism and transparency, increased penetration and use of personal technology, and the increased popularity of sharing. At the same time, the healthcare industry often makes life difficult for consumers and providers, pushing both away from traditional delivery settings. Patients deal with antiquated scheduling and registration processes and fixed office hours dictated by the whims of providers. They face an almost complete lack of price transparency and endure cumbersome, repetitive registration processes and often have difficulty accessing test results and understanding bills. For their part, physicians and other providers deal with onerous productivity and documentation requirements, along with compensation systems that do not align with desired activities.

Not surprisingly, consumers are very eager for disruption in the healthcare industry. Going forward, it is critical for health systems to participate in and lead the disruption. If outsiders do it instead, one can be sure that they will focus only on fast-growing, easily monetized segments of the industry, leaving the difficult, less-profitable segments for traditional provider systems.

Creating the Practice of Continuous Innovation

Four Steps for Learning How to Innovate

Larry Keeley's book, *Ten Types of Innovation: The Discipline of Building Breakthroughs,* lays out a four-step process for developing competence in innovation:

- ✔ **Innovate in the right ways:** Innovations throughout history fall into 10 types that cluster into three categories that, in turn, stem from three types of training (business, engineering, and design). True breakthrough innovations combine five or more types of innovation and involve all three clusters. (See the full report for a listing of all 10 types of innovation and a description of the three clusters.)
- ✔ **Innovate on the right things:** The biggest innovations tend to be asset-light, fast, smart, connected, distributed, decentralized, shared, and open. The most important innovations cut across both companies and markets, using platforms to amplify returns. These platform-centric innovations tend to reinvent or recombine capabilities to create value.
- ✔ **Innovate with the right tools:** Innovation becomes easier when the tradecraft is matched to the task. Effective innovation employs tools to get the framing correct and to analyze systems quickly, scorecards on capabilities and performance, platforms that focus teams on a few big ideas, open-sourced methodologies to reduce development costs, small pilot tests in isolated areas that do not affect the rest of the business, and liberal use of metrics and incentives that make it obligatory for leaders and staff to sponsor and engage in innovation initiatives.
- ✔ **Build an explicit intent to innovate:** The likelihood of success increases 20-fold when a leader clearly declares a goal. Just as President Kennedy set the audacious goal of putting a man on the moon, organizational leaders need to declare the intent to innovate. Doing so clarifies innovation as an area of critical importance and challenges the talent within the organization.

Dramatic Benefits to Following the Four Steps

The ideal approach to innovation integrates these steps into a proactive program that combines senior leadership; talent and capability development; innovation process experts; frontline units, functions, and programs; high-potential young people; and venture partners. Employing this approach dramatically improves success rates. Partial installation can yield a seven-fold increase in hit rates, from the typical 5 percent to 35 percent. Full-fledged implementation can boost hit rates by a factor of 14, to 70 percent.

Teaming to Innovate

Amy C. Edmondson, Novartis Professor of Leadership and Management, Harvard Business School

Health system leaders operate in an environment characterized by the acronym VUCA: volatile, uncertain, complex, and ambiguous. Facing rapid changes and large up-and-down swings (volatility), difficult-to-predict events (uncertainty), multiple and interconnected elements (complexity), and unclear signals (ambiguity), these leaders struggle with how to work effectively.

Success through On-the-Fly Teaming (Not Stable Teams)

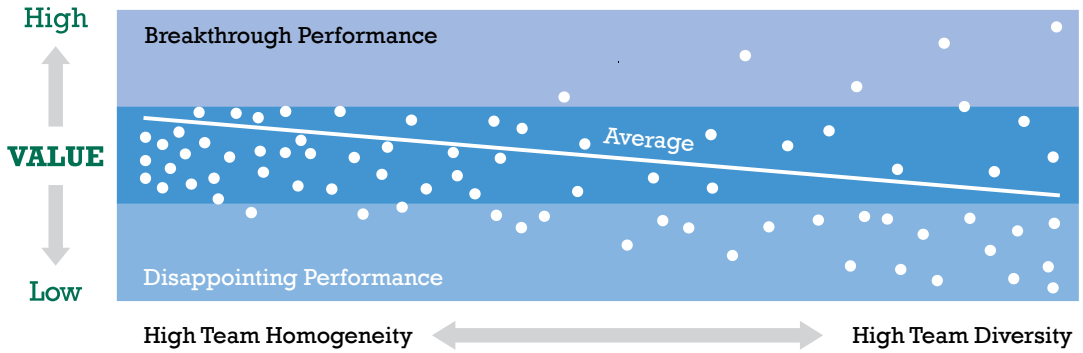
The key to succeeding in a VUCA environment lies in mastering the art of "teaming." Traditional teams are bounded, reasonably stable groups of interdependent individuals focused on achieving a shared goal. As with a sports team, dance troupe, or singing group, individual members get to know each other's strengths and weaknesses and learn to work effectively over time, through practice. By contrast, teaming at work is like a pickup game in the park, where people who don't know each other well collaborate with little or no stability. Teaming has long been a part of healthcare—in medical emergencies, for example, people who may not even know each other's name routinely come together from different parts of the hospital to collaborate and coordinate on a real-time basis to save lives. Teaming regularly occurs in many disciplines outside healthcare as well. In computer animation, for example, teaming has led to the creation of amazing films like *Toy Story*. While they may seem quite different, the teaming required in a medical emergency and in creating *Toy Story* has many similarities, including the presence of unknowns, a need

for different expertise at different times, a lack of fixed deliverables and roles, and the need to learn by doing things that have not been done before.

Teaming is teamwork on the fly, coordinating and collaborating across boundaries without the luxury of stable team structures. While critical to the healthy functioning of the kinds of partnerships needed in healthcare, teaming is neither natural nor easy. To understand why, consider the results from a survey of 8,000 individuals in various roles in 250 global companies. The survey found that most people struggle with the kind of horizontal coordination and collaboration needed for effective teaming—whether to bring new products and services to market or simply deliver high-quality care in a hospital. In fact, only 59 percent reported that they can rely on people in other units all or most of the time to follow through on what they have promised to do, compared to 84 percent reporting they can rely on people up and down the chain of command.[1]

The power of teaming lies in the ability to bring together people from across silos to problem-solve and innovate in a synergistic manner. It can be difficult, however, to get diverse, on-the-fly teams to perform well. One study found that, on average, with all else being equal, homogenous teams slightly outperform diverse teams.[2] As shown in **Exhibit 1**, homogeneous teams tend to be more consistent, while diverse teams exhibit greater variability in performance, with some doing very well and others "crashing and burning." In other words, diverse teams have enormous potential but often do not reach it.

Exhibit 1: Leading Diverse Teams



1 Donald Sull, Rebecca Homkes, and Charles Sull, "Why Strategy Execution Unravels—and What to Do About It," *Harvard Business Review*, March 2015.

2 Ruth Wageman, "Critical Success Factors for Creating Superb Self-Managing Teams," *Organizational Dynamics*, 1997.

Overcoming Barriers to Effective Teaming

Fortunately, strategies exist to overcome the major barriers to effective teaming, as discussed below.

Instill an Enterprise Mindset

Competing priorities and a competitive mindset often get in the way of effective teaming. Consider a professor who tells first-year law students on the first day of class to look to their left and right, and says "One of you wont be here next year." Perhaps intended to motivate his students to work hard, the message contains an implicit message of scarcity—encouraging students to adopt a competitive mindset in which "winning" is the main priority. A competitive mindset views success as a zero-sum game and fosters an unhealthy focus on one's self, and how one compares to others. By contrast, effective teaming requires purposeful adoption and promotion of an *enterprise mindset*, with success seen as shared and expansive and the focus being on the work and the fostering of relationships with others. An enterprise mindset leads one to ask what is best for the organization and engages people in a shared mission. Rather than seeing those to the left or right as competitors, they are viewed as a source of potentially great ideas.

Embrace and Promote Intelligent Failure

While the term "intelligent failure" might seem like an oxymoron, some failures can in fact be good for an organization, even if others clearly are not. Three distinct types of failure occur within organizations. The first involves preventable failures—i.e., situations where the right way to do something is known but not executed. These clearly are not useful and should be avoided. The second consists of complex failures, where complicated internal and/or external factors combine in novel ways to produce failures in reasonably familiar environments. These too are to be avoided whenever possible, although they can lead to valuable learnings. The third type of failure is known as intelligent failures, where undesired results come out of thoughtful forays into novel territory. These failures are worthy of celebration because they generate new ideas and information on what may be possible.

Elements of Intelligent Failures

- ✔ The opportunity to be explored is significant.
- ✔ The outcome will be informative.
- ✔ The cost and scope are relatively small.
- ✔ Key assumptions are explicitly articulated.
- ✔ A plan exists to test those assumptions.
- ✔ The risks of failing are understood by all and mitigated to the extent possible.

With proper planning, moreover, preventable failures can be avoided and instead turned into intelligent ones. For example, many years ago Telco, an excellent provider of local and long-distance telephone service, launched a new DSL service in a large urban market. The decision to launch was based on the recommendation of the marketing department, which saw a large profit opportunity, and despite the objections of operations personnel, who felt that the company was not ready to provide DSL at scale. The launch ended up being a colossal service failure, with frequent outages and only a 13 percent customer satisfaction rate—well below the 90 percent-plus ratings the company routinely enjoyed. While Telco had conducted a pilot test, it was done in idealized conditions that did not match the requirements of the broader rollout. In other words, the pilot test had been designed to succeed. Instead, it should have been designed as a stress test for the company to see if and when failure would occur. Had this been the case, the pilot would have yielded valuable learnings that could have been fixed in a small, controlled environment in advance of the broader rollout. Unfortunately, Telco's leaders did not embrace the opportunity to learn through intelligent failure, and instead suffered a massive preventable failure that hurt the entire organization.[3]

> "As leaders, your job is to help your organizations fail well. The goal should be to reduce preventable failures to near zero, to anticipate and mitigate complex failures, and to promote intelligent, small-scale failures."
>
> *—Amy Edmondson*

Key Questions to Consider When Designing Pilot Tests

- ✔ Is the pilot program being tested under typical circumstances instead of optimal conditions?
- ✔ Is the goal of the pilot to learn as much as possible, rather than to demonstrate to senior managers the value of the new system?
- ✔ Is it clear that compensation and performance ratings are not based on a successful pilot?
- ✔ Will explicit changes be made based on the pilot?

3 See Chapter 7 in Amy C. Edmondson, *Teaming: How Organizations Learn, Innovate, and Compete in the Knowledge Economy*, Jossey-Bass, 2011.

Build Psychological Safety

Organizational leaders need to offer a safe culture where everyone knows that his or her voice is welcome. Yet too often that type of culture does not exist. Instead, people instinctively avoid taking risks, since no one wants to appear ignorant, incompetent, intrusive, or negative. Rather than speaking up, most people seek to manage other people's impression of them. They do not ask questions, admit weaknesses or mistakes, offer ideas, or criticize the status quo. This type of "impression management" is second nature, with most people doing it without even thinking.

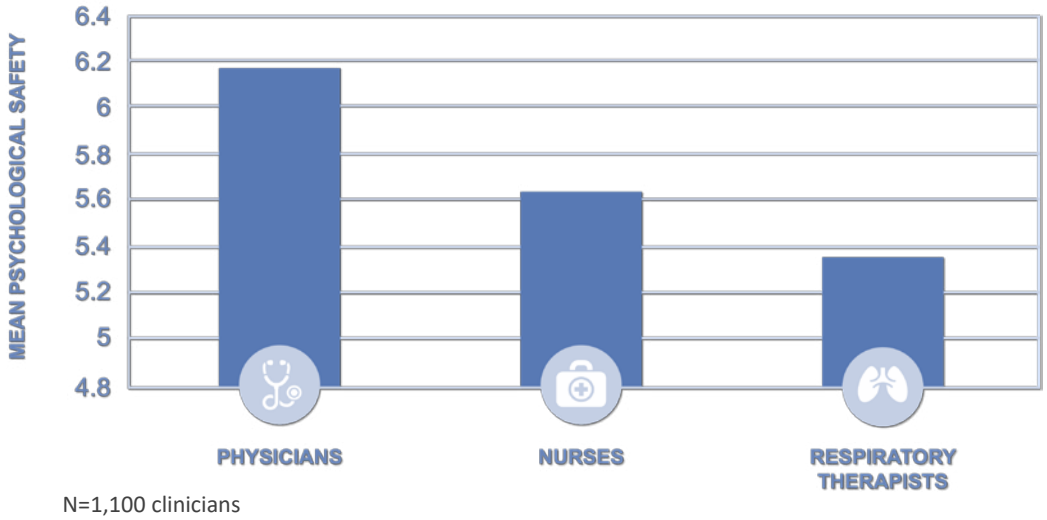
> "How comfortable are you relying on courage or duty as a means of ensuring safety in your organization? You must make it easy for people to speak up. You have to invite it and encourage it."
>
> —*Amy Edmondson*

Leaders, therefore, need to create an environment of psychological safety that inspires people to routinely do the unnatural. Psychological safety has been achieved when people believe they will not be punished or humiliated for speaking up with ideas, questions, and concerns, or for admitting mistakes. It should be thought of as "giving permission for candor" and it can literally save lives. One of the best examples of the ramifications of not creating psychological safety can be seen in the tragedy surrounding the Columbia shuttle spacecraft, which blew up upon re-entry to the earth's atmosphere on February 1, 2003, killing all seven astronauts onboard. Rodney Rocha, a NASA engineer, saw something that concerned him on a grainy video during the shuttle's takeoff days earlier. He feared that a large foam piece of the rocket booster might have dislodged and caused considerable damage to the shuttle that could cause problems on re-entry. He made several requests to investigate further that were shut down by his bosses. On day eight of the mission, Mr. Rocha did not speak up during a team meeting when the agenda item related to foam strikes came up for discussion. He later explained that he did not feel he could speak up, believing he was "too low" in the organization and that his bosses had already made it clear that his thoughts and ideas were not welcome or valued. An investigation later determined that a large foam strike had indeed occurred and caused the accident. The Columbia flight director later tried to pin the blame on Mr. Rocha, suggesting that he was "duty bound as a member of the team to voice his concerns."

Among other lessons, the Columbia story highlights the dangers that occur when hierarchy has deep roots in the psyche of organizations. While necessary, hierarchy must be carefully managed. It must be clear that everyone's voice is valued, regardless of level in the organization, and that there will never be negative repercussions for speaking up.

Studies suggest that hierarchy can have an impact on perceptions of psychological safety. As shown in **Exhibit 2**, statistically significant differences in psychological safety exist across neonatal intensive care unit (NICU) physicians, nurses, and respiratory therapists in terms of how comfortable they feel speaking up and the degree to which they feel their voice is welcome. Speaking up, moreover, can literally save lives. In follow-up studies, researchers found an 18 percent difference in mortality across NICUs, with fewer deaths in units where medical directors went out of their way to ask for input and hence promote psychological safety.

Exhibit 2: Psychological Safety and Hierarchy



N=1,100 clinicians

Ingrid Nembhard and Amy C. Edmondson, "Making It Safe: The Effects of Leader Inclusiveness and Professional Status on Psychological Safety and Improvement Efforts in Healthcare Teams," *Journal of Organizational Behavior*, 2006.

Psychological safety is important not just on the front lines of care, but also in the C-suite and boardroom. Without it, people will generally vote "yes" with the boss even when they have significant reservations or concerns. Promoting psychological safety is not about being nice, but rather about creating room for behaviors needed in complex, uncertain, and interdependent work. Middle managers are particularly important to promoting it, be they medical directors, bank branch managers, or restaurant managers in a chain. Psychological safety enables learning behaviors to occur, including robust error reporting, creativity, and implementation of quality improvement initiatives.

Most importantly, psychological safety need not require any sacrifice in performance standards. Leaders must inspire high standards and create psychological safety. Doing so lands them in the "learning zone" depicted in **Exhibit 3**, while doing neither well lands them in the "apathy zone." Rodney Rocha can be seen as in the "anxiety zone." He was motivated, smart, and capable, but lacked psychological safety. As a result, he was unable to speak up. The NICU study found that some nurses and respiratory therapists felt much the same way.

Exhibit 3: No Tradeoffs between High Standards and Psychological Safety

Building psychological safety is a three-step process, as outlined below:

- ✔ **Set the stage**: Leaders must create cognitive frames that shape how people make sense of a situation and influence how they act and respond. These frames need to highlight dissent and disagreement as being welcome and the right type of failure as something to be accepted and celebrated. Alfred P. Sloan, the head of General Motors, recognized the need for disagreement as far back as 1946. More recently, David Kelly, CEO of IDEO, explicitly framed small, intelligent failures as "mission critical" to ultimate success. Effective leaders remind their teams of the importance of speaking up on a regular basis.
- ✔ **Invite engagement**: Leaders should acknowledge their own limits and regularly ask if they might be "missing something." They should ask what others are seeing, invite careful thought, and give everyone in the room an opportunity to respond. The goal is to ask good questions that broaden and deepen the discussion. Examples include:
  - What do you think?
  - What are we missing?
  - What other options should we consider?
  - Does anyone have a different perspective?
  - What leads you to think so?
  - What's the concern that you have about that?
  - Can you give us an example?
  - Can you explain that further?
  - What do you think might happen if we did "x"?

- ✔ **Respond appreciatively**: Providing honest feedback should be a positive experience that is clearly welcomed. In addition, innovative organizations celebrate such feedback along with intelligent failures. Eli Lilly, for example, hosts "failure parties," and a growing number of organizations have created awards to recognize those who fail smart and who speak up. (NASA started these sorts of programs after the Columbia accident.)[4]

4 More information on creating psychological safety can be found in Ms. Edmondson's book, *The Fearless Organization: Creating Psychological Safety in the Workplace for Learning, Innovation, and Growth.*

Geisinger's Experience in Forging New Partnerships and Alliances: Lessons Learned

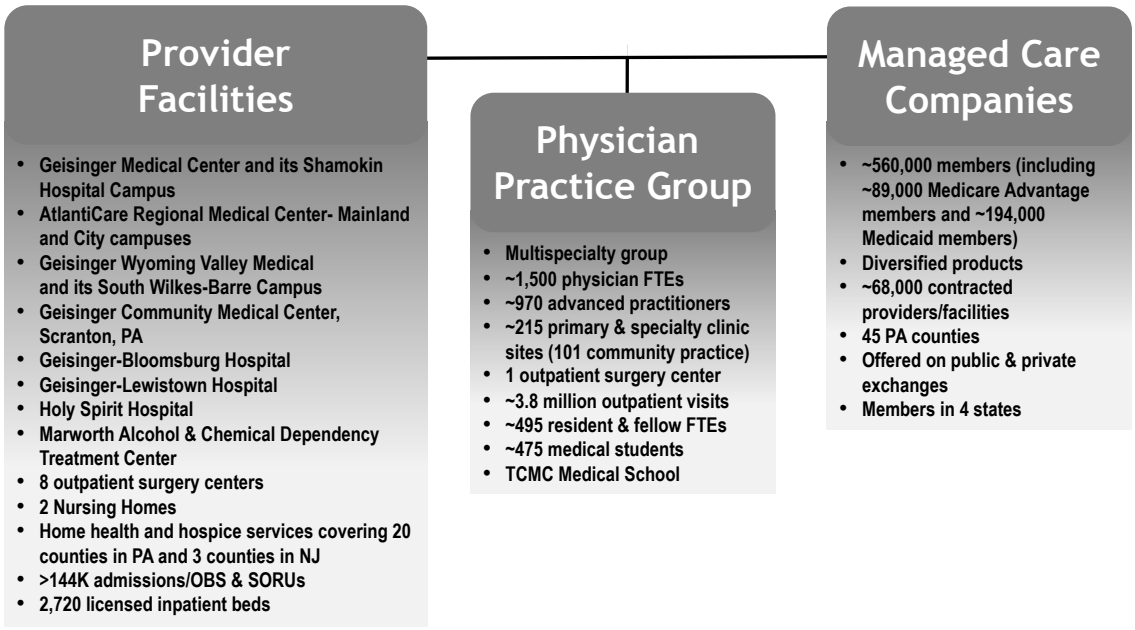
Glenn D. Steele Jr., M.D., Ph.D., Vice Chair, Health Transformation Alliance (HTA), and Past President and CEO, Geisinger Health System

Structural Advantage as an Integrated Health Services Organization

As depicted in **Exhibit 4** on the next page, Geisinger is an integrated health services organization made up of facilities, a large physician group, and managed care companies that collectively account for 50 percent of overall revenues. Having this large managed care component enables the organization—including its providers—to benefit financially from care delivery innovation. For example, when Geisinger re-engineered diabetes care to reduce hospitalizations, the insurance component of the organization saved significant money because of decreased total cost of care. It was then able to transfer up to $32 million directly to the primary care doctors who made the diabetes innovation happen. Even with half its business tied to fee-for-service (FFS) payments, Geisinger has been able to use its market share to leverage reimbursement on the FFS side of the business and aggressively "backfill" market share by acquiring smaller community hospitals unable to compete in today's environment. Geisinger has taken excess capacity out of the market by repurposing these facilities, allowing it to generally keep its inpatient beds filled even as utilization has declined.

Ironically, Geisinger almost sold its insurance business after the flawed merger of Geisinger and Hershey Medical Center in the late 1990s. Consultants recommended the sale to end the intense friction that existed between in-house providers and

Exhibit 4: Geisinger: An Integrated Health Services Organization



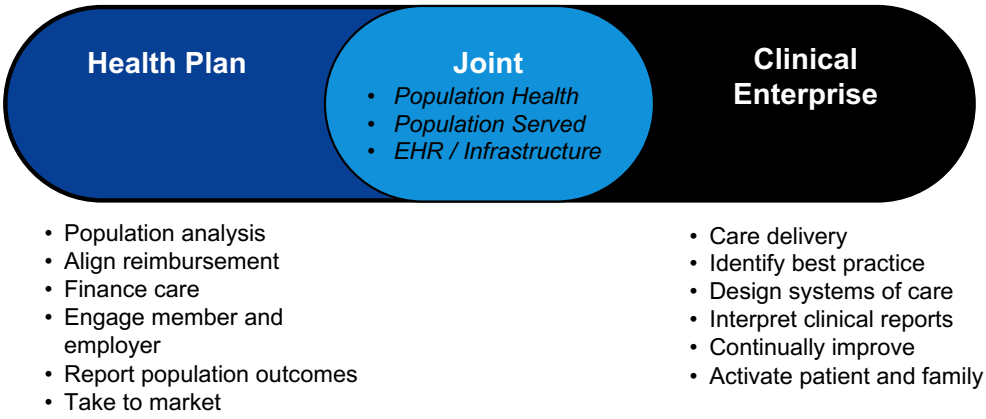
the insurer. The new CEO (Dr. Steele)[5] resisted the idea, recognizing that future success depended on convincing both parties that they were responsible for the same constituency and hence needed to work together to improve health status and reduce costs. Rather than severing the two businesses, Geisinger sought to make them effective partners, using technology as a catalyst. Geisinger spends roughly 4 percent of its $6 billion in annual revenues on technology designed to transform healthcare, including a fully integrated electronic health record (EHR), a network patient portal, a regional health information exchange, and various electronic health and outreach programs.

As depicted in **Exhibit 5** on the next page, Geisinger looks for the "sweet spot" where the clinical enterprise and the health plan can best work together, with each side contributing what it does best. As appropriate, the resulting cost savings are transferred from the insurer to those on the front lines of care (physicians and other caregivers) responsible for making the change. This approach generally works even for non-employed physicians, who direct approximately half of all care in Geisinger facilities. In most areas where non-employed physicians work, Geisinger's insurance arm typically has over 50 percent market share, meaning that the insurer can easily get the attention of the doctors by paying more for value. Geisinger often creates the potential for up to a 20 percent increase in compensation for providers who improve quality and reduce costs through innovative chronic disease management programs. (By contrast, in those relatively few areas where Geisinger lacks insurer market share—such as Hershey—it becomes more difficult to get the attention of non-employed physicians.)

5 Dr. Steele was CEO of Geisinger Health System from 2001 through June 2015. In this presentation, Dr. Steele reflects on his time as leader of Geisinger.

Exhibit 5: The "Sweet Spot" for Partnership and Innovation

Aligned objectives between the health plan and clinical enterprise, with each organization contributing what it does best.



Re-engineering through ProvenCare™

Geisinger's goal is to re-engineer care to eliminate the 30 to 35 percent of all medical care that does not benefit—and sometimes harms—the patient. By eliminating these "hurtful" costs, Geisinger can offer better, less expensive care. Simply getting rid of a fraction of these costs provides a huge market advantage. To succeed, leaders must focus on the quality improvement benefits of re-engineering, not on cost-cutting per se. To that end, Geisinger developed ProvenCare™, which identifies high-cost cohorts of patients, defines the ideal outcome for them, re-engineers care to produce that outcome, and then monitors results to ensure that desired outcomes are achieved. The focus is on the ideal outcome and how to get there, not on the cost savings or the finances.[6]

Acute Care

Geisinger began its efforts in the inpatient arena in areas ripe for innovation. The first initiative focused on re-engineering elective coronary artery bypass graft (CABG) care. Over a three-year period, providers developed and implemented a pathway that specifies 144 things that all patients undergoing elective CABG surgery need. Integrated into the EHR, patients can be monitored on a real-time basis to make sure they receive all appropriate care and are progressing in the appropriate way. For example, if the patient's post-op temperature is out of the ideal range, the system alerts providers so that patients can be quickly evaluated and issues addressed before complications occur. This pathway alone improved CABG outcomes by a factor of three, reduced complications by 50 percent, cut costs significantly, and boosted contribution margins by 20 to 25 percent. In addition, Geisinger was able to attract new cases through contracts with outside payers offering guaranteed pricing

6 More information on Geisinger's re-engineering efforts can be found in a book by Glenn D. Steele Jr., M.D., and David T. Feinberg, M.D., entitled *ProvenCare: How to Deliver Value-Based Healthcare the Geisinger Way*.

through the rehabilitation phase. As appropriate, Geisinger has revamped how it pays specialists, subspecialists, and primary care to ensure that they are motivated to adhere to the protocols and re-engineer care. In most cases, providers can boost their incomes by up to 20 percent, a level of change that gets their attention and ensures sustained success. What began with elective CABG has evolved into a broad portfolio of inpatient pathways and guidelines, as depicted in **Exhibit 6**.

Exhibit 6: ProvenCare Portfolio

ProvenCare:

- ProvenCare Bariatric Surgery
- ProvenCare Chronic Obstructive Pulmonary Disease
- ProvenCare Coronary Artery Bypass Graft
- ProvenCare Fragility Hip Fracture
- ProvenCare Heart Failure
- ProvenCare Lung Cancer (CoC Collaborative)
- ProvenCare Lumbar Spine
- ProvenCare Percutaneous Coronary Intervention
- ProvenCare Perinatal
- ProvenCare Rectal Cancer
- ProvenCare Total Hip → Lifetime Guarantee
- ProvenCare Total Knee
- ProvenCare Patient Experience

In Development:

- ProvenCare Chole
- ProvenCare Crohn's
- ProvenCare CNS Mets
- ProvenCare Ulcerative Colitis
- ProvenCare Hepatitis C
- ProvenCare Hysterectomy

ProvenCare Evidence-Based Guidelines (EBG) (in conjunction with PRIDE):

- Chest Pain—R/O MI (ED)
- Developmental Medicine
- Vent Management
- Newborn Protocols

Biologics

With specialty drugs projected to account for half of all drug sales, Geisinger is tackling the quality and costs of biologics, including price per unit and unnecessary utilization. Major targets include drugs for hepatitis C, inflammatory bowel disease, multiple sclerosis, rheumatoid arthritis, and cancer. The goal is to identify and better manage the patient population by applying the most cost-effective therapies. Key strategies include process and channel redesign, formulary management and contracting, and a focus on the total costs of care.

Chronic Care

Geisinger has re-engineered chronic care delivery for pediatric patients and adult patients with diabetes, heart failure, coronary artery disease, hypertension, chronic obstructive pulmonary disease, chronic kidney disease, and dementia. Geisinger also monitors performance against an established set of performance measures related to prevention and screening for these chronic diseases. This program has met with significant success. For example, Geisinger's 35,000 patients with type 2 diabetes have experienced significant improvements in health status. In less than three years, Geisinger has prevented an estimated 306 heart attacks, 141 strokes,

and 166 cases of diabetic retinopathy, yielding nearly $9 million in cost savings in addition to the obvious health benefits. Another example comes from Geisinger's navigator advanced medical home program, which has reduced acute care admissions by 27.5 percent and all-cause 30-day readmissions by 34 percent, with no impact on emergency department (ED) visits.

Re-engineering at the Corporate Level through HTA

The Health Transformation Alliance (HTA) consists of more than 50 self-insured companies with roughly 7 million covered lives, including 4.5 million in the United States. HTA members tend to have stable employee bases, with an average tenure of 12 years, meaning that company leaders can be somewhat patient in terms of how quickly initiatives must produce results. Organized as a cooperative, HTA requires each member to pay a significant initial financial downstroke and to share its healthcare claims and productivity data for analytical purposes. HTA analyzes these data to identify unwarranted variation and employee cohorts with high-cost, suboptimal outcomes, and then leverages value-based purchasing and best practices to eliminate unnecessary and hurtful care and reduce price per unit. For example, HTA's value-based product in buying pharmaceuticals has saved an estimated $650 million for its members. HTA also offers value-based contract specifications that members use with their national and regional third-party administrators that write contracts with providers. (As a cooperative, HTA cannot directly contract with providers.) In addition, HTA develops "use cases" for high-cost, high-volume conditions with large variations and suboptimal outcomes. Initial targets include hip replacement, knee replacement, low back pain, and type 2 diabetes, all areas of significant concern to members. For example, the diabetes use case will generate significant value for members by standardizing care delivery around best practices and supporting high-risk patients through care management, thus reducing unnecessary inpatient care, preventable complications, absenteeism, and presenteeism.

HTA is building a national provider network, which should be in place by 2021. The ambition is to provide members the ability to predict a three-year claim guarantee. This approach has already been beta-tested in several cities, with early success. For example, a Chicago member has already seen a total cost savings of 17 percent compared to healthcare costs for similar employees in non-HTA healthcare solutions.

Lessons Learned

Key lessons from the Geisinger and HTA experiences include the following:

- ✔ Gain buy-in by insisting on change at the top while appealing to bottom-up professional pride and purpose.
- ✔ Focus on promoting value, not cost-cutting.
- ✔ Use data and analytics to identify opportunities to redesign care and care purchase.
- ✔ Align incentives structurally between payer and provider, group practice and hospital, employed and non-employed physicians, and specialists and generalists.
- ✔ Find and transact from points of differentiation from the competition.
- ✔ Look for and celebrate early wins to create buy-in and sustainability.

Addressing Social Determinants in Healthcare: ProMedica's Recent History

Randy Oostra, D.M., FACHE, President and CEO, ProMedica

Healthcare as a Ticking Time Bomb

The U.S. has more preventable deaths and lower life expectancy than other developed nations, even though it spends more per capita on healthcare. Employer healthcare costs are growing at twice the rate of inflation, while out-of-pocket costs for consumers continue to increase rapidly, significantly outpacing both earnings and inflation. It is no surprise, therefore, that a recent Kaiser Family Foundation poll found that one in four Americans cite healthcare costs as the biggest concern for their family, and that a Commonwealth Fund survey found that one in three Americans report not being able to access care in the past year due to high costs. Middle-class family spending on healthcare increased by 25 percent between 2007 and 2014, while spending on most other big-ticket items such as housing, food, transportation, and clothing declined.

> "Healthcare is a terminal illness for America's governments and businesses. We are in big trouble."
>
> —*Clayton Christensen, Harvard Business School Professor and well-known expert on disruptive innovation, in* The Innovator's Prescription

U.S. consumers clearly are not getting good value when it comes to healthcare, as the U.S. ranks toward the bottom of developed nations on various quality, access, efficiency, and equity metrics (as depicted in **Exhibit 7**). As noted previously, much of what the U.S. spends on healthcare is unnecessary, with estimates of waste ranging from 21 to 34 percent of national health expenditures (which translates to $558 billion to $910 billion a year).

Exhibit 7: U.S. Healthcare from a Global Perspective

Overall Ranking

Country Rankings	
	1.00-2.33
	2.34-4.66
	4.67-7.00

	AUS	CAN	GER	NETH	NZ	UK	US
OVERALL RANKING (2010)	3	6	4	1	5	2	7
Quality Care	4	7	5	2	1	3	6
Effective Care	2	7	6	3	5	1	4
Safe Care	6	5	3	1	4	2	7
Coordinated Care	4	5	7	2	1	3	6
Patient-Centered Care	2	5	3	6	1	7	4
Access	6.5	5	3	1	4	2	6.5
Cost-Related Problem	6	3.5	3.5	2	5	1	7
Timeliness of Care	6	7	2	1	3	4	5
Efficiency	2	6	5	3	4	1	7
Equity	4	5	3	1	6	2	7
Long, Healthy, Productive Lives	1	2	3	4	5	6	7
Health Expenditures/Capita, 2007	$3,357	$3,895	$3,588	$3.837*	$2,454	$2,992	$7,290

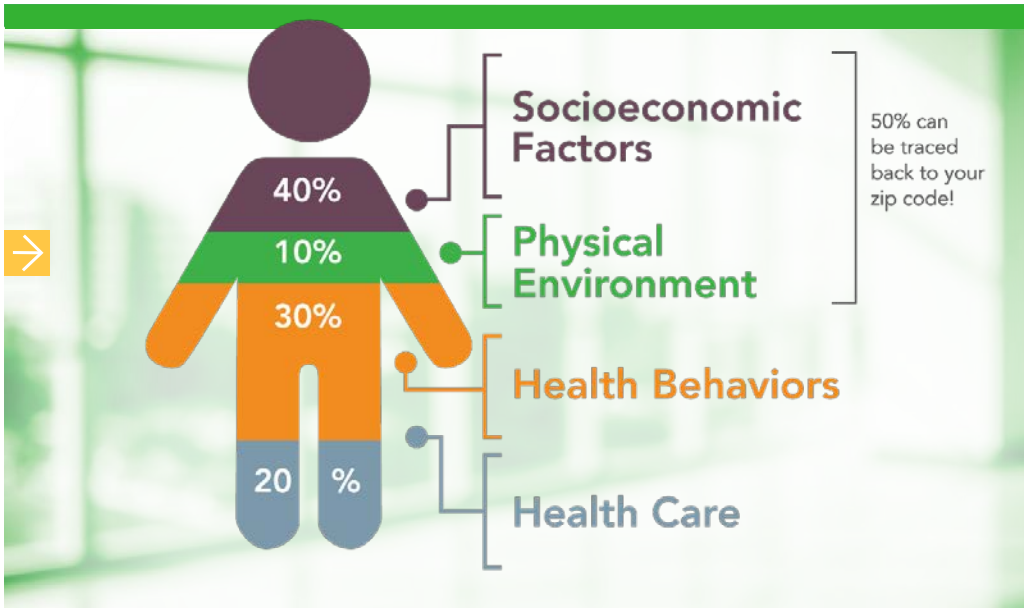
Note: *Estimate. Expenditures shown in $US PPP (purchasing power parity).
Source: Calculated by The Commonwealth Fund based on 2007 International Health Policy Survey; 2008 International Health Policy Survey of Sicker Adults; 2009 International Health Policy Survey of Primary Care Physicians: Commonwealth Fund Commission on a High Performance Health System National Scorecard; and Organization for Economic Cooperation and Development, OECD Health Data, 2009 (Paris; OECD, Nov. 2009).

Virtually every president since FDR has highlighted healthcare costs as a problem, yet the growth trajectory continues unabated. Left unchecked, healthcare could account for 37 percent of gross domestic product by 2050, roughly double where it is today, and an unsustainable amount by anyone's measure.

Social Determinants as a Primary Driver of Health

The World Health Organization (WHO) defines social determinants of health (SDH) as "the conditions in which people are born, grow, live, work, and age, and the systems put in place to deal with illness." WHO notes that these conditions are in turn shaped by economics, social policies, and politics. As depicted in **Exhibit 8**, socioeconomic factors and the physical environment have a major direct impact on health status, and an indirect impact by influencing individual behaviors. By contrast, the provision of medical care has relatively little impact on health status.

Exhibit 8: Impacts on Health Status



Source: Institute for Clinical Systems Improvement, *Going Beyond Clinical Walls: Solving Complex Problems,* October 2014.

> "We invest trillions of dollars in something that only affects 10 percent of health status, and relatively little in everything else."
>
> *—Randy Oostra, D.M., FACHE*

The single best predictor of health and well-being is one's zip code. In New Orleans, residents of one zip code generally live 25 years longer than residents of another zip code just a mile away. In Baltimore, Chicago, and Las Vegas, life expectancy differences of as much as 15 years exist across zip codes located very close to one another. Since the 1980s, the U.S. has fallen from the middle to the bottom of the pack among developed nations in terms of life expectancy. The reason for this decline has much more to do with underinvestment in SDH, such as access to nutritious food and affordable housing, than with investments in medical care.

Tackling SDH as a Health System

In his book *Good to Great and the Social Sectors*, author Jim Collins posits that what matters most for a non-profit organization is the impact it can make relative to its resources. The leaders at ProMedica have taken that guidance to heart by going outside of its facilities' walls to influence the health and well-being of the communities they serve, communities that historically have ranked quite low on health-related metrics, including obesity, access to food, infant mortality, low birthweight babies, poverty, homelessness among students, and health outcomes and well-being in general.

First Target: Hunger

The work began about a decade ago when ProMedica's board took a close look at the results of a community needs assessment completed as a requirement of the organization's non-profit status. This assessment identified childhood obesity as a major issue. In response, leaders of ProMedica's foundation decided to spend $500,000 to "map" obesity in the community. This more in-depth analysis quickly identified, ironically, that the real issue facing obese children was hunger. They simply did not have access to healthy foods due to their difficult home lives. The issue of hunger is not unique to ProMedica's service areas in Ohio. Across the country, 13 percent of households are "food insecure," including almost 20 percent of households with children and just over 30 percent of households headed by single moms with children. Even many seniors are hungry, with nearly one in three skipping meals due to a lack of resources.

The impact of hunger on health is quite large. Those facing hunger are 2.9 times more likely to be in poor health and 2.45 times more likely to be obese. Hungry newborns are 1.8 times more likely to be underweight (which can lead to lifelong development problems and chronic conditions) while hungry children and teens are four times more likely to need counseling and five times more likely to commit suicide. Experiences with hunger as a child can have a negative impact even 10 to 15 years later.

In response to these findings, ProMedica leaders reached out to local hunger organizations, the leaders of which expressed surprise at finally being approached by someone in the healthcare sector. ProMedica leaders also launched a program where frontline providers began asking more questions during visits designed to screen for SDH issues, including hunger. As shown in **Exhibit 9**, too often providers do not ask the right questions.

Exhibit 9: Are We Asking the Right Questions?

Out of nearly a million people screened for food insecurity in 2018, 55 percent had positive needs identified. More recently ProMedica began screening across all 10 SDH domains (food insecurity, training and employment, behavioral health, financial strain, housing insecurity, transportation, utilities, intimate partner violence, child-care, and education). Among those individuals, 39 percent had needs identified in four or more domains, with the top issues being financial strains, behavioral health, and food insecurity.

As part of its Food Insecurity Program, ProMedica has successfully connected over 31,000 people to a local food clinic, provided nearly 1,000 meals to acute care patients at discharge, distributed food to 809 of its own employees, and reclaimed over 375,000 pounds of food from local restaurants and casinos (which is then redistributed to local food banks at a cost of eight cents a pound). ProMedica also partnered with other organizations to create the Ebeid Center, the cornerstone of which is an inner-city grocery store that provides 130,000 people with access to healthy foods in an area previously classified as a "food desert."

Beyond Hunger to Economic Development

The Ebeid Center has become much more than just a grocery store. The center also offers a teaching kitchen where people learn to cook healthy foods, a call center that provides 70 jobs to local residents, a job training program, a career center, financial literacy classes, parenting classes, nutrition counseling, and diabetes education. Opened three years ago, the center stimulates block-by-block community empowerment and improvement. Through the Ebeid Neighborhood Promise, ProMedica partnered with Local Initiatives Support Corporation (LISC, a community development financial institution) and others to launch a $50 million, 10-year commitment to revitalization of the neighborhood around the grocery store. An additional $45 million loan pool is available for affordable housing, schools, and business start-up support. Ebeid Neighborhood Promise has created 27 new full-time jobs paid for with grant funding and opened the LISC Financial Opportunity Center with funding from the Annie E. Casey Foundation. This center offers community residents a variety of training and support from experienced professionals on financial and related issues. In a partnership with Goodwill, the Ebeid Center opened the Goodwill Job Connection Center, which provides job training, coaching, and employee placement services. The goal is to reach 3,000 individuals and make 500 placements in the next three years.

Other programs being put into place by ProMedica and various partners include the following:

- ✔ **Infant mortality**: In Ohio, ProMedica is tackling infant mortality through home visits, transportation services, and other support services, including access to affordable housing.
- ✔ **Mixed-income housing**: In partnership with an out-of-town developer, ProMedica is involved in preserving and developing more than 100 affordable housing units.
- ✔ **Research into SDH**: In partnership with the AARP Foundation and others, ProMedica is working as part of the Root Cause Coalition, a group of 40-plus organizations addressing SDH through research, advocacy, and education.

- ✔ **Small business support**: Through Jumpstart Toledo, ProMedica supports the start-up and expansion of women- and minority-owned businesses in the region. The goal is to help 1,250 businesses and create over 1,000 jobs in the next three years. LISC has made $25 million available as a loan pool to these organizations, with ProMedica adding another $10 million.
- ✔ **Downtown revitalization**: ProMedica is investing in downtown Toledo, including buying a building that had been empty for 40 years, investing $70 million in refurbishing it, and then moving 2,000 employees into it as their place of work. In Toledo's marina district, ProMedica invested $30 million in 370 affordable apartments and a restaurant, and bought a bankrupt hotel and turned it into a Marriott Renaissance.

Lessons Learned

Key lessons from the ProMedica experience include the following:

- ✔ **Engage the board and senior clinical leaders:** ProMedica's board and clinical leadership "gets it" with respect to the need to address SDH and hence wholeheartedly support these activities.
- ✔ **Engage staff:** ProMedica's staff represents more of a mixed bag when it comes to understanding the need to invest in addressing SDH. Some get it while others still do not understand why resources are being diverted to such seemingly far-afield endeavors. To improve understanding, leadership continually communicate with staff about these efforts.
- ✔ **Partner with anchor institutions**: Anchor institutions are non-profit institutions that, once established, tend not to move location. Examples include hospitals, universities and other schools, and places of worship. Because these organizations focus on the long-term welfare of their local communities, their leaders are generally willing to address the tenacious challenges facing them.
- ✔ **Take advantage of various types of funding opportunities**: Much of what ProMedica has done is through partnerships with governments at all levels (local, state, and federal), banks as part of the Community Reinvestment Act, community development financial institutions (CDFIs), private foundations, hospital foundations, and other philanthropic organizations that have ample grant and other funding available to invest in local communities.
- ✔ **Measure and report on progress**: ProMedica tracks a wide array of measures to gauge the impact of its efforts, including clinical indicators (e.g., ED visits, primary care visits, inpatient admissions, infant mortality, readmissions), cost metrics (e.g., per-capita costs), and community health measures (e.g., life expectancy, employment, number of individuals with SDH risks). ProMedica also regularly reports on the positive impact of its efforts, such as a food security program that increased primary care visits while reducing ED visits and per capita costs by 15 percent.

Is There an Avatar in the House? Changing the DNA of Healthcare in the Age of Artificial Intelligence

Stephen K. Klasko, M.D., M.B.A., President and CEO,
Thomas Jefferson University and Jefferson Health

Today's Imperative: To Differentiate One's Self by Becoming Consumer-Centric

Healthcare is in desperate need of a makeover, with a focus on becoming more consumer-centric. As Amazon CEO Jeff Bezos notes, "being non-consumer-centric is the biggest threat to any business, including healthcare." Recent history makes the need to focus on the consumer quite clear, with multiple examples of companies losing out to more consumer-focused competition, including Blockbuster (to Netflix and other streaming services), the taxi industry (to Uber, Lyft, and other ride-sharing companies), and countless retail stores with a physical presence (to Amazon and other online retailers).

Consumers expect no less from their healthcare providers than they do from other industries. Nearly three-quarters (71 percent) of consumers expect to be able to shop for providers by comparing rates and then schedule an appointment online; roughly two-thirds expect social networking opportunities to discuss healthcare issues and compare providers; more than 90 percent expect two-way electronic communication with providers; 83 percent expect to be able to access all patient information online (as they do with banks); and 78 percent expect

total access to family members' inpatient charts and to be able to participate in inpatient rounds, either in-person or virtually.

In short, as with most other things in their lives, patients do not want to wait for information and do not want paternalism. They want to be active participants in partnership with their providers. The biggest threat to providers, moreover, comes from joint ventures such as CVS Health/Aetna and Walmart/Humana that are creating new, consumer-friendly "front doors" to medicine. Provider organizations that do not respond to these threats risk becoming "commoditized" suppliers of readily available inpatient beds. In fact, a ratings analyst recently downgraded the entire non-profit healthcare sector due to projections for flat revenues and rising costs, combined with his belief that the industry is not flexible enough to react to such trends in a timely manner.

> "If I did everything perfectly around value, I would be bankrupt. We operate in a bifurcated system and focus our value efforts on at-risk patients and captive populations, such as our own employees. That said, there will inevitably be disruptions and pain in moving from here to there. But the answer isn't to ignore it."
>
> *—Stephen K. Klasko, M.D., M.B.A.*

Consumer-Focused Differentiation at Jefferson Health

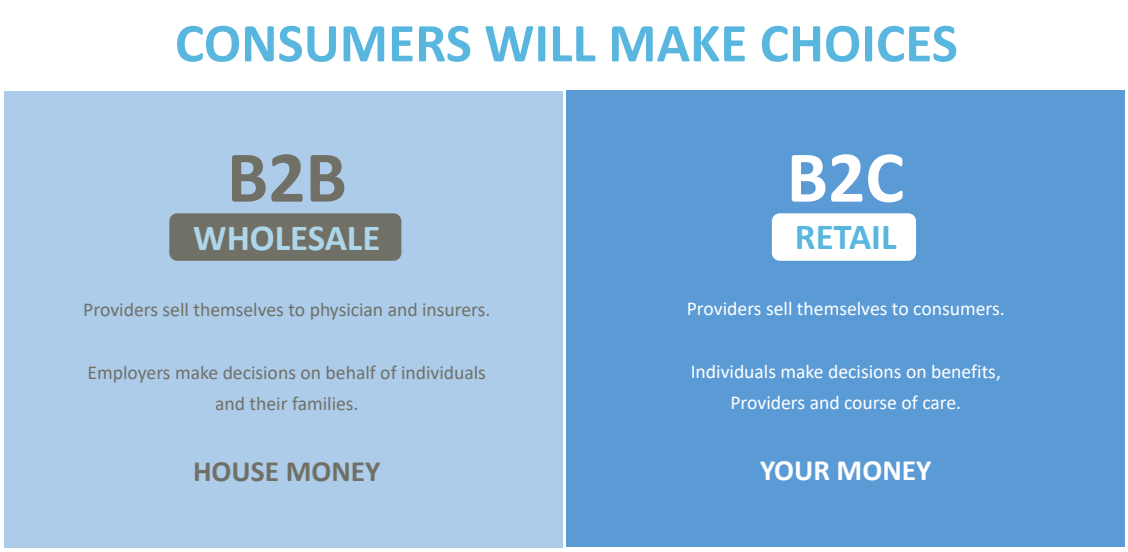
The differentiation journey at Jefferson Health began in 2013. At the time, Jefferson had two hospitals in downtown Philadelphia, three boards, six colleges, 12,000 employees, and approximately $1.5 billion in revenues. The organizational culture was characterized by fragmentation and a silo mentality. The new CEO (Dr. Klasko) reported to multiple bosses, and each piece of the organization had its own email and payroll systems. At his first faculty meeting, Dr. Klasko quickly realized that each major silo (the hospitals, the colleges, and the clinicians) operated independently and often in conflict with one another.

As a first step in the transformation, McKinsey & Company conducted an analysis highlighting the shift from inpatient to ambulatory and post-acute care settings. McKinsey predicted a 4 percent annual decline in inpatient volume, a figure that caught the Jefferson board by surprise. At this point, Dr. Klasko proposed to the board that Jefferson commit to pursuing two key strategies, outlined below:

- ✔ **Differentiation**: Jefferson would differentiate itself from the other six academic medical centers (AMCs) in Philadelphia.
- ✔ **Proactive jump to the future**: Jefferson would figure out what will be obvious a decade from now and commit to doing it today.

The goal was to get a 195-year-old AMC to start acting like a start-up company, transitioning from a business-to-business (B2B) model in which providers sell themselves to physicians and insurers, to a business-to-consumer (B2C) model in which providers sell themselves to consumers (as depicted in **Exhibit 10**).

Exhibit 10: The Transition from a B2B Model to a B2C Model



The first step involved a change in Jefferson's mission and vision statements to reflect the new focus. The new mission statement was simplified to read: "We improve lives," while the new vision statement read as follows: "We will reimagine healthcare, education, and discovery to create unparalleled value and to be the most trusted healthcare partner." Concomitant with that change was an expansion in the "pillars" that define Jefferson, from the past model that focused on two pillars (academic and clinical) to a new model that adds two more: philanthropy and innovation. In particular, the goal was to harness innovation to master now what will be obvious in 10 years: bending the cost, access, patient experience, and quality curve; turning population health from philosophy to everyday practice; and moving from volume to value (even while still getting paid for volume in some cases). To that end, Jefferson embarked on four distinct strategies to differentiate itself from the competition.

Differentiation #1: Healthcare with No Address

Just as they shop and bank from the comfort of their homes, consumers want to get their healthcare digitally and with no fixed address. To that end, Jefferson has launched a variety of programs:

- ✔ **Virtual visits**: JeffConnect provides easy, convenient access to a physician through virtual appointments. This program quickly led to an 18 percent increase in new patient referrals, with the largest gains occurring among younger patients. To get physicians on board, Jefferson changed the way it

compensates individual clinicians, with 20 percent potential upside to those who embrace telehealth and 10 percent potential downside for those who do not.

- ✔ **Doctor-matching service**: Jefferson brought in technology experts from Silicon Valley to create a doctor-matching service. Consumers input certain parameters they want in a doctor and get matched to someone who appears to be a good fit. While older doctors often do not participate, younger ones generally like being part of the service.
- ✔ **Virtual inpatient rounds**: Family members can participate virtually in inpatient rounds, enabling them to speak with physicians and nurses about various issues, such as discharge planning. The same service is used to update family members on their loved one's well-being immediately after surgery. This program has resulted in significant improvements in patient satisfaction. The technology to provide it is readily available. The main barrier relates to working through HIPAA (Health Insurance Portability and Accountability Act) regulations.
- ✔ **Preventive/screening appointment reminders**: Jefferson automatically sends reminders to a patient's smartphone or watch when it is time to schedule an appointment, such as a colonoscopy or mammogram. Such reminders greatly increase the likelihood that the patient makes the appointment and ultimately receives the needed service.

As part of this effort, Jefferson has changed the way it markets to consumers. Traditional approaches, such as television and billboard advertising, have been abandoned because they no longer connect with patients. The new approach segments consumers and then targets identified cohorts in different ways. The goal is to give consumers the information they need to make good decisions about their health, and then help them connect with the healthcare community. Once they connect, Jefferson seeks to inspire long-term loyalty by providing true value for the money, including a single point of contact and a seamless experience across the continuum.

Over the next 10 years, Jefferson is preparing for even more dramatic transformations in the provision of virtual care, driven by deep learning, machine cognition, and artificial intelligence (AI). By 2020, Jefferson expects that a quarter of hospitals with over $1 billion in revenues will provide real-time genomic-based decision support at the time a prescription is written. Just a few years later (2022), 20 percent of the population with chronic conditions will rely on virtual health assistants to promote wellness and ongoing care management. By 2025, over a third (35 percent) of all care will be delivered virtually, and by 2029, most healthcare interactions will be virtual or remote, and the majority of these will involve AI or machine cognition applications.

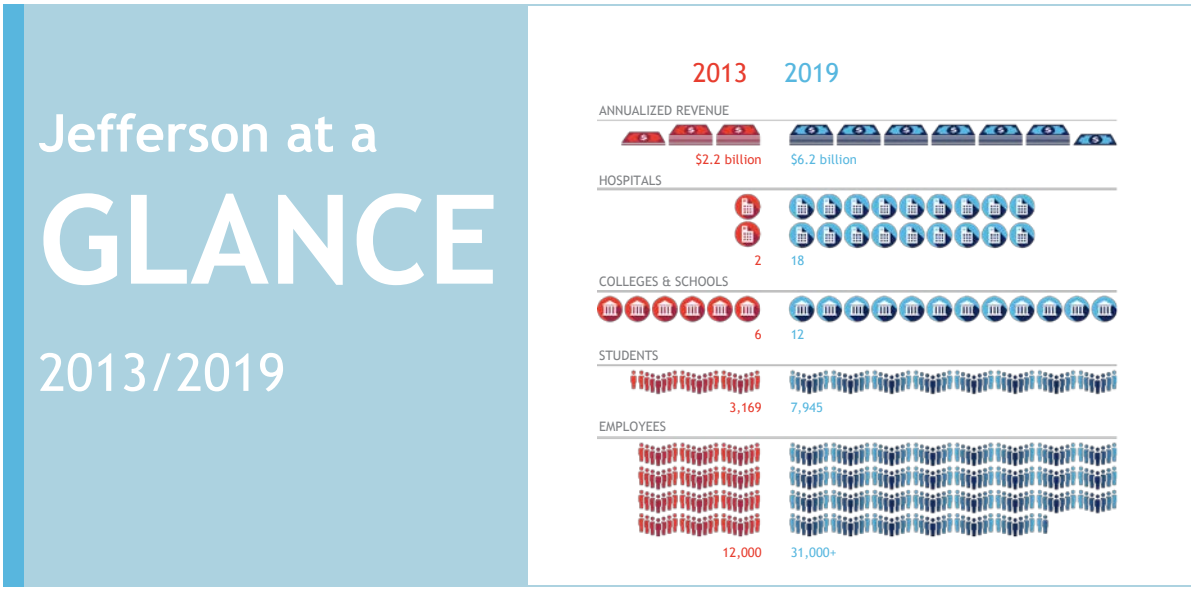
Differentiation #2: Scale through the Hub-and-Hub Model

Unlike other AMCs, Jefferson is not pursuing a hub-and-spoke model where the goal is to funnel patients from outlying communities to a tertiary/quaternary hub in the city. Rather, Jefferson is employing a hub-and-hub model with the goal of keeping patients in their local communities. To that end, Jefferson has completed five mergers and acquisitions with community hospitals in the last four years. Rather than offering money, Jefferson uses governance as a currency, offering the acquired entities seats on the Jefferson board. Each acquired entity initially gets nine board seats, but over time that number is reduced to make the board a manageable size.

More importantly, the board adopts a community mindset and single-board mentality. Individual entities have no reserve powers and receive no capital commitments, while practicing physicians cannot serve on the parent board.

As shown in **Exhibit 11**, Jefferson is a very different place than it was just six years ago. Today it has more than 40 outpatient and urgent care locations that handle 3.8 million visits annually. It operates 12 freestanding ambulatory surgery centers and has the largest primary care footprint and largest number of attributed lives in the market.

Exhibit 11: Jefferson at a Glance: 2013–2019



Differentiation #3: Culture Change

Leaders often spend time trying to influence the attitudes of people who will never change. As with most organizations, about 20 percent of Jefferson physicians understand the need for dramatic change and hence follow the directives of senior leaders. Roughly 15 percent will never "get it," while 65 percent will get it eventually with enough prodding and explanation. Most leaders, however, spend about 40 percent of their time with those who already get it and 45 percent of their time with those who never will, leaving only 15 percent for the "silent majority" that need convincing. Jefferson has dramatically reallocated where leaders spend time, with the focus now on the silent majority and virtually no time allocated to the "lost causes." This change has allowed Jefferson to bring many of the silent majority into the "get-it" camp.

In addition to this shift in focus, Jefferson also created several leadership development programs that play a critical role in spearheading culture change throughout the organization:

- ✔ **Jefferson's Onboarding and Leadership Transformation (JOLT) Institute:** Each year, 40 emerging leaders complete the nine-month JOLT program, which integrates classroom instruction, a project/sketch assignment, and executive

coaching. Selected candidates go through an application process and must be sponsored and receive executive approval to participate. JOLT graduates have been found to have a 325 percent improvement in their ability to handle difficult issues and situations.

- ✔ **Jefferson Leadership Institute:** This initiative "reprograms" physicians by focusing on competency development and improving readiness for leadership roles through specially designed projects and participant and sponsor feedback. The goal is to change longstanding belief systems, overcome perceived limitations and selection/education biases, reduce resistance to change, and avoid burnout. More than half (54 percent) of physicians report at least one symptom of burnout and most burned-out physicians remain disengaged from the organization. By contrast, capable, engaged physicians tend to be more productive and feel they can make a difference.

Differentiation #4: Going "All-In" on Innovation

Jefferson's leaders have a choice when it comes to pursuing innovation. The first is to pursue incremental improvement in its clinical and academic pillars, supported by philanthropy, and to pursue innovation on an opportunistic basis. The second is to make innovation through strategic partnerships the core of the health system's strategic vision and its main differentiator from the competition. Jefferson's leaders decidedly chose this second approach, and the management team that oversees the clinical and academic enterprises have been expressly charged with making this vision a reality.

To date, Jefferson has embarked on many strategic partnerships. In aggregate, they account for 25 to 30 percent of Jefferson's entire profits, making them critical to the financial health and vitality of the organization. These profits stem from Jefferson's insistence on taking equity stakes in new projects, not just serving as a pilot site for others. A few examples of these innovative partnerships are described below:

- ✔ **JeffDesign**: Jefferson is the first medical school to integrate design thinking into its curriculum. As part of this effort, Jefferson launched a mobile trailer that goes into neighborhoods to promote community health.
- ✔ **DICE**: Jefferson hired 40 people to join an existing team of over 150 that creates applications designed to solve key problems. This program has generated a return on investment (ROI) that exceeds 10 to one. Benefits include over 10,000 hours saved for physicians through online training, over $1 million saved in ED staffing costs, and over $7.5 million saved through online staff training.
- ✔ **Livongo**: This consumer digital health company focuses on the treatment of chronic diseases. Initial results have been quite positive with diabetes care, including a 28 percent reduction in ED visits and a 39 percent reduction in inpatient admissions.
- ✔ **Digitally powered transportation services**: Through this joint venture, Jefferson brings JeffConnect and other patient services into the patient homes through the real-time redirection and sourcing of emergency medical technicians and other transportation resources.
- ✔ **High-minded medical education**: In 2019, most medical school candidates are still chosen based on their grade point average, standardized test scores, and

organic chemistry grades. It is no surprise, therefore, that people complain about physicians who are not empathetic, communicative, or creative. Jefferson changed this selection process, choosing applicants that meet minimum academic requirements based on their creativity and ability to communicate and be empathetic, and then teaching them with a redesigned curriculum that further develops these skills. The goal is to teach health professionals to be ready for what awaits them in 10 years.

- ✔ **Computer simulations**: In partnership with the airline industry, Jefferson created procedure rehearsal studios that allow doctors to learn to perform complicated surgeries through simulations that closely mirror real life. This approach ends the "see-one, do-one, teach-one" mentality that remains dominant throughout the country. Just as a pilot cannot fly a plane until proving the ability to do so in a simulator, physicians should not perform surgery until perfecting their skills somewhere other than on a live patient.

Growth Mindset Leadership for a Collaborative, Learning Organization

Eduardo Briceño, Co-Founder and CEO, Mindset Works

People in a growth mindset believe that human qualities and abilities can change. By contrast, those in a fixed mindset think that skills are largely set in stone, determined by natural abilities. In reality, no one falls completely into one camp or the other. Many people tend to be in a growth mindset with respect to some skills and abilities (e.g., reading) and in a fixed mindset with respect to others (e.g., singing). From the perspective of an organization, having leaders who follow a growth mindset is critical to improvement and innovation. To be effective, leaders must believe that they themselves, and those who work with and for them, can hone their skills and abilities. More importantly, they must create a culture that allows for such growth and development.

Many admired, well-known people have had a growth mindset. Einstein, for example, clearly saw intelligence as malleable. As he once said, "It's not that I'm so smart, it's that I stay with the problem longer." Author J.K. Rowling wrote, "You have to resign yourself to wasting lots of trees before you can write something worthwhile." World-renowned investor Warren Buffett has a similar take on investing prowess. He once wrote that he sits in his office reading all day, likening the build-up of knowledge to compound interest. Similarly, Michael Jordan, arguably the best basketball player ever to play the game, openly discusses how getting cut from his high school basketball team served as a motivator for him to work harder than anyone else to develop his skills.

Characteristics of a Fixed versus Growth Mindset

Led by Carol Dweck, Ph.D., many researchers have now studied mindset. A set of those studies investigated whether the human brain works differently in those with a fixed versus growth mindset. They measured people's mindset by asking whether they believed it is possible to become smarter, as opposed to people having a fixed level of intelligence, and then they used a brain scan machine to look into their brain as they solved problems. They found that those with a growth mindset pay more attention to their mistakes and consequently achieve superior accuracy over time.

Additional studies have found other major differences. Those in a fixed mindset tend to focus on trying to "look smart" and hence often gravitate toward activities they already know how to do. They generally avoid challenges, view effort as a negative, and often give up, or otherwise feel helpless in response to setbacks. They often respond defensively to criticism, see others' success as a threat, feel compelled to punish and retaliate in response to wrongdoing, and become more depressed in response to life's challenges.

> "We can't just banish the fixed mindset. We all experience it at times. We must take the journey to develop a growth mindset. As leaders, we need to build a culture where people come to work in a growth mindset."
>
> —*Eduardo Briceño*

By contrast, those in a growth mindset have an overall goal of learning and improving. They tend to seek challenges, view effort positively, are resilient in the face of setbacks, and see criticism as an opportunity to learn and others' success as a positive lesson and inspiration. They attribute wrongdoing to people's situation and motivations and respond with dialogue and openness to compromise. They show greater resilience when confronted with life's challenges.

Other research supports the idea that the nation's "love affair" with natural abilities is misplaced. Retrospective studies of the childhoods of elite performers find virtually no early predictors of their later success. The only exception is for sports such as basketball and gymnastics, where height and body weight play a role. No cognitive domains, however, predicted success. What did matter, however, was the amount and quality of practice. (The amount of sleep also proves to be important.) Trends in average IQ over time also support the growth mindset view on intelligence. Average scores have increased by 30 points in the past 100 years. Evolution can't explain the change, since there are too few generations in 100 years, so only development can explain the change—in other words, the world has become somewhat better at making people smarter after birth.

Building a Growth Mindset

As noted, no one falls completely into one camp or the other. People are often in a growth mindset about certain things and a fixed mindset about others. For example, many people believe that one can learn leadership skills but not to think creatively. In addition, such beliefs can change over time and in some cases may be different when thinking about one's self versus others. Mindsets tend to be context-specific and hence may change when situations change, such as taking on a new job or role. That said, parents undoubtedly play important roles in shaping the mindsets of their children. Parents may inadvertently foster a fixed mindset when praising their children by using phrases such as "you are so smart" (which emphasizes natural ability) rather than asking questions for children to reflect on their process (which emphasizes the importance of strategies and mental effort). Later in life, teachers and bosses can have a similar impact as well.

Effective leaders build a culture where people come to work in a growth mindset. Doing so yields many benefits, as outlined below:

- ✔ Faster growth, better performance, and greater resilience
- ✔ More positive and collaborative relationships
- ✔ Greater diversity, equity, and inclusion
- ✔ Greater creativity and innovation
- ✔ More ethical behavior (e.g., in a fixed mindset, people may feel the need to lie about performance or take shortcuts)
- ✔ Higher levels of trust, ownership over work, and commitment

Creating this type of culture allows employees to spend ample time in the "learning zone" rather than the "performance zone." There's a good reason that Michael Jordan performs so well during games and that Cirque du Soleil performers seem to be nearly flawless during their shows. They spend an incredible amount of time practicing what they don't know in an environment where it is okay and safe to make mistakes. Cirque du Soleil performers practice daring, dangerous feats over and over until they get it right. They keep making and learning from their mistakes until they get it right, because the consequences of failure are virtually non-existent. Unlike during performances, they practice with nets underneath them and other safety systems that allow them to take on challenges and learn from their mistakes. World-class performers routinely alternate between the learning and performance zones but spend most of their time focused on practice and getting better. By contrast, employees of most organizations spend almost all their time in the performance zone, a situation that leads to stagnation.

Exhibit 12: Learning and Performance Zones

	Learning Zone	Performance Zone
Goal	Improve	Perform
Activities designed for	Improvement	Performance
We focus on what	We don't know	We have mastered
Mistakes are to be	Expected	Avoided
Common source of mistakes	Challenge	Distraction or unprepared
Desired response to mistakes	Learning	Learning
Optimal mindset	Growth mindset	Growth mindset

> "To improve, we must be deliberate about improvement. It's not just about hard work. You have to deliberately spend time trying to get better in the learning zone."
>
> —*Eduardo Briceño*

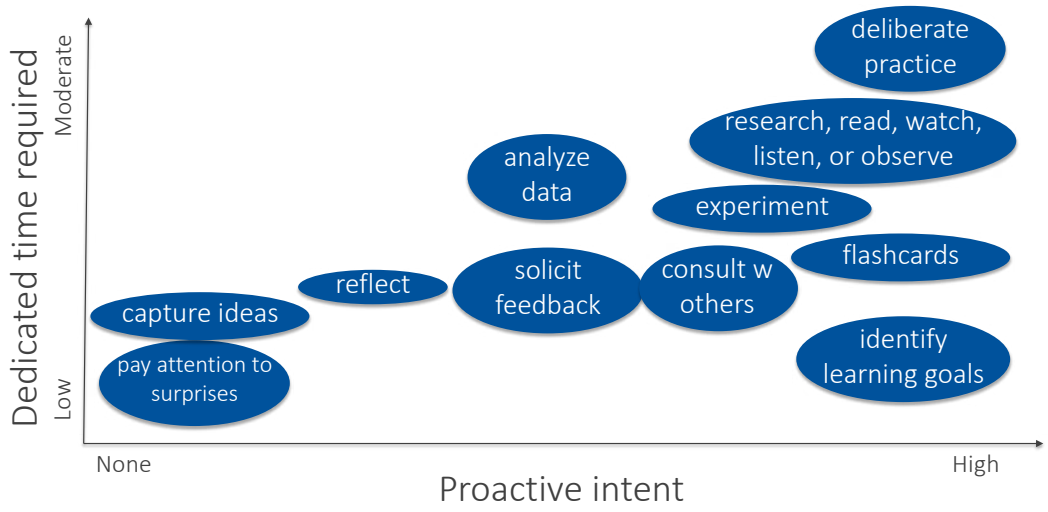
To create a growth mindset culture, leaders can educate themselves about mindsets and why they matter, understand their own mindset and its effect on others, and learn how top performers develop through endless practice and hard work. Once they "get it" in terms of the need for a growth mindset, leaders must then create the environment and structures that allow everyone around them to adopt one, as outlined below.

Step 1: Create a Shared Vision

Leaders can create a shared vision of the culture they want to build, making it clear how people can and should interact with one another. They should encourage teams to regularly engage in the learning zone, such as through the following activities:

- ✔ Set learning and improvement goals.
- ✔ Research best practices outside the system.
- ✔ Try something new or experiment.
- ✔ Consult with colleagues or domain experts.
- ✔ Observe and emulate advanced performers.
- ✔ Assess and reflect.
- ✔ Examine and discuss mistakes or surprises, with the goal of learning from them.
- ✔ Solicit, give, and receive open and honest feedback.
- ✔ Consider the possibility of being wrong.
- ✔ Speak with others about how to learn and improve.

Exhibit 13: Sample Learning Zone Activities



Step 2: Model Desired Behaviors

Often leaders speak about the importance of continuous improvement, but they themselves behave like knowers rather than learners. To cultivate a growth mindset culture, leaders must model the behaviors and actions they want to see in others, so that when others emulate them, they behave in the desired ways. Role modeling behaviors helps create psychological safety, making intelligent mistakes and failure safe throughout the organization. People will not be willing to take on risks and potentially make mistakes if they fear that there will be negative consequences. They need psychological safety, islands of space and time where they can openly talk to and learn from each other without fear.

> "Others learn through your actions as leaders whether abilities are malleable and whether it is safe to grow, learn, and improve."
>
> —*Eduardo Briceño*

More specifically, leaders can model learning by visibly doing the following:

- ✔ Identify skills that they personally want to improve and share them with the rest of the organization.
- ✔ Take on worthwhile challenges and risks as learning opportunities.
- ✔ Seek resources that could be useful for personal growth.
- ✔ Try something new (i.e., experiment).
- ✔ Ask questions when they do not know the answers.
- ✔ Answer questions with phrases such as "I don't know, what do you think?" or "let's look into that."
- ✔ Solicit and process feedback from peers, managers, and direct reports.

- ✔ Recognize, reflect on, and discuss mistakes, and share lessons learned with others.
- ✔ Make it safe to seek challenges; acknowledge mistakes and uncertainty; and solicit, give, and receive feedback.
- ✔ Listen and be open to all ideas, encouraging open discussion and feedback from staff.

Step 3: Set Up Systems and Routines

In addition to modeling ongoing learning, leaders can put in place systems, routines, and habits to encourage experimentation and innovation. Sample systems include the following:

- ✔ Routines to regularly identify what to improve and how
- ✔ Performance management systems that include constructive feedback, assessment of growth, and learning
- ✔ Broadly available professional development opportunities
- ✔ Systems for experimentation and data analysis
- ✔ Protocols for frequent and constructive feedback
- ✔ Agenda and calendar practices that make learning, reflecting, and sharing a habit
- ✔ Structures for interdisciplinary communication and collaboration
- ✔ Space and programs for risk-taking and innovation

Case Study: Uber—Changing the Way the World Moves

Stephen W. Kett, Senior Program Director, The Governance Institute

Characteristics of Industries Ripe for Disruption

Uber and other ride-hailing and ride-sharing businesses have dramatically disrupted the traditional taxicab business. Like healthcare, taxi service was ripe for disruption, characterized by both "pull" factors that propel a new business forward and "push" factors that drive customers away by making it hard to do business. In these situations, the legacy/incumbent businesses often have many assets and advantages that are not used effectively to thwart new entrants. The taxi business is hardly the first such industry to be disrupted. Other examples include the following:

- ✔ **Airlines:** Southwest disrupted the airline industry by changing pilot compensation, fare structures, and the traditional hub-and-spoke system. Southwest also pioneered quick turnarounds at the gate, allowing for more flights with a given fleet size. Southwest began in Texas in the 1970s as an intrastate point-to-point carrier specializing in short, low-cost, on-time flights. When the airline expanded outside Texas, it focused on secondary airports (e.g., Chicago Midway and Baltimore Washington International), which made it easier to keep fares low and schedules on time. Legacy airlines lost business wherever Southwest flew, as they were stuck with hub-and-spoke models that advantaged them rather than the customer. Initial responses to Southwest seem silly in hindsight, such as American Airlines cutting costs by reducing the number of olives on salads served in first class and other airlines introducing copycat low-fare versions without changing anything else about their operations, such as United's "Ted" service.
- ✔ **Video rentals**: Netflix essentially put Blockbuster out of business, first by mailing discs to customers rather than making them to come to the store, and then by introducing streaming services that now dominate the industry. Blockbuster has only one store left, in Bend, Oregon.

- ✔ **Other industries**: Many other industries have been disrupted in recent years, including music (by Apple and other streaming services), payment systems (by Venmo and Paypal), and hospitality (by Airbnb and VRBO).

> "The classic response of incumbents threatened with disruption is to do something small that does not fundamentally change the way they do business."
>
> —*Stephen Kett*

As Clayton Christensen has noted, disruptive innovation tends to occur when complex, expensive, and/or time-consuming things are made simple, inexpensive, easy, and/or fast. Healthcare is clearly ripe for such innovation, as it represents a big part of people's lives, with large dollars at stake and tremendous hassles for both consumers and service providers. In most cases, disrupters target customers that existing players seem willing to lose. Once they establish a beachhead with those customers, the disrupters move to other products and customer segments. For example, Toyota entered the U.S. market by selling small, inexpensive cars to cost-conscious consumers. Initially viewed as "junk" cars, Toyota's product offerings quickly expanded, and the company soon became known for offering high-quality, reliable vehicles that sold at a price premium to American-made cars.

Uber as a Source of Disruption

Founded in 2009 as "UBERCAB" limousine service in San Francisco, Uber had revenues of roughly $4 billion and an estimated market valuation of $62.5 billion by 2016, despite annual losses of over $2.8 billion. Uber now operates in 70 countries and 500 cities; it enjoys a dominant market position, controlling 77 percent of the ride-hailing and ride-sharing business in the U.S. and 32 percent worldwide.

Uber has relatively few assets—it neither owns cars nor employs drivers. Uber relies on drivers using their own cars, connecting them quickly and easily to consumers in search of "on-demand" rides. Uber takes advantage of several societal trends that "pull" consumers to it, including the migration toward a sharing economy, the ubiquitous use of personal technology (particularly smartphones), flexible hours in the workforce, and the tendency of younger individuals to not want to drive. (A quarter of millennials do not have a driver's license.) At the same time, Uber is going after a business—taxi service—that actively pushes customers away, with consumers facing long waits, dirty cars, rude drivers, pricing uncertainty and overcharging, and hassles when it comes to paying a fare. Taxi companies also push drivers away by subjecting them to extensive and complicated regulations, high costs (e.g., for medallions), wasted time (e.g., slow dispatch process, long airport lines, time spent searching for business), and schedule inflexibility (e.g., fixed shifts). By contrast, Uber makes it incredibly simple for customers to get and pay for a hassle-free ride and for drivers to find customers and get paid for their work.

> "When you have both pull and push factors going on in a business, you don't have customers, you have hostages. And when they see an escape route, they will go running for the exits. And once they get a taste of better service, there's no going back. You can't put the genie back in the bottle."
>
> —*Stephen Kett*

As is the temptation among many industries threatened by disruption, the taxi industry initially used regulatory processes to try to thwart competition from Uber. In New York City, for example, the industry convinced Mayor DeBlasio to propose an executive order to limit the number of Uber drivers on the street at one time. Uber responded by placing an app on its smartphone known as the "DeBlasio View." Available only in Manhattan, this app told customers exactly how much longer they would have to wait if the executive order went into place. Uber customers quickly revolted and DeBlasio backed down.

The impact of Uber on the taxicab business is hard to overstate. In New York City, the cost of a taxi medallion fell from $1.3 million in 2013 to $400,000 in 2016, a 70 percent decline. The economics of personal transportation in New York fall overwhelming in Uber's favor—it costs approximately $3.21 a mile to operate one's own car, compared to $1.50 a mile for Uber's least expensive service. With the advent of self-driving cars, that figure could drop to $0.89 a mile. This trend terrifies those running large car companies, as they fear that many city dwellers may soon opt out of owning cars altogether. Looking ahead, some Wall Street analysts believe that selling cars to people may soon not be the core business of car companies. For these and other reasons, Ford Motor Company recently announced that it was going to stop selling almost all sedans in North America.

Going forward, Uber has its eye on much more than the $100 billion worldwide taxi/ride-sharing industry, where it now controls about a third of the market. The total personal mobility market is approximately $10 trillion and ride-hailing services represent only 0.4 percent of total passenger car miles driven. While Uber will never control all or even most of this market, analysts believe it can capture much more than 0.4 percent. (This potential accounts for the company's lofty $60 billion-plus estimated market value.) Uber is already having a devastating impact on the rental car industry, with more business and leisure travelers opting to use convenient, easy, inexpensive ride-sharing rather than dealing with the hassles of renting a car and paying for parking, especially in large cities. Uber is also making inroads into other segments, with the launch of Uber Eats (food delivery) and Uber SAFE (breathalyzers on street corners to encourage drinkers not to drive). Uber is even testing the idea of getting involved in the healthcare industry, with drivers now offering to stop during their ride to allow customers who have not had a flu shot to get one. The Uber app lists places that offer flu shots along the route. Initially offered free of charge, this and other similar services will likely be revenue producers for Uber in the future.

Uber's Lessons for the Healthcare Industry

Like the taxi industry, healthcare has both pull and push factors that make it ripe for disruption. Pull factors include the movement from volume to value, the growth of consumerism and transparency, increased penetration and use of personal technology, and the increased popularity of sharing. As evidence of this latter trend, Cleveland Clinic and others have begun offering group appointments for those with chronic diseases, as patients like to share and learn from each other.

At the same time, the healthcare industry often makes life difficult for consumers and providers, pushing both away from traditional delivery settings. Patients deal with antiquated scheduling and registration processes, with fixed office hours dictated by the whims of providers. They face an almost complete lack of price transparency, finding it almost impossible to know what a service will cost in advance of receiving it. They endure cumbersome, repetitive registration processes, providing the same information over and over, and often have difficulty accessing test results and understanding bills. The system simply was not designed with ease of use or patient access in mind.

> "Don't wait for outsiders like Netflix and Amazon to enter the business. If we don't disrupt ourselves, those who do won't tackle community health and many of the other things we care about. They'll take the profitable segments and leave the tough stuff for us."
>
> —*Stephen Kett*

For their part, physicians and other providers deal with onerous productivity and documentation requirements, along with compensation systems that do not align with desired activities. In fact, healthcare is the only business where the addition of information technology has led to the hiring of more people—i.e., scribes who try to ease the documentation burden for physicians.

Not surprisingly, consumers are very eager for disruption in the healthcare industry. In its surveys, NRC Health routinely asks consumers the following question: "If you could have anyone run healthcare, who would it be?" For 10 years running, Amazon has been the most common answer. Amazon, of course, is already making inroads into healthcare, and one can be sure that the company will create products and services with the patient in mind.

Going forward, it is critical for health systems to participate in and lead the disruption. If outsiders lead the charge, they will focus only on fast-growing, easily monetized segments of the industry, leaving the difficult, less-profitable segments for traditional provider systems. Brand image and reputation may provide a temporary advantage and trust factor with consumers, but that will be no substitute for offering greater convenience and access.

Creating the Practice of Continuous Innovation

Larry Keeley, President and Co-Founder, Doblin, Inc.

The Need to Build Competence in Innovation

Healthcare is ripe for disruption, and the leaders of health systems need to challenge and change conventional orthodoxies. More importantly, they need to build competence inside their organizations that allow for continuous innovation. Innovation is not the "stuff of mad geniuses," but rather a competence that can be learned. The scarce resource in innovation is not creativity, but rather discipline.

Most organizations do not know how to innovate. So-called "innovation teams" rarely focus on the right challenges, and often compound this problem by using weak processes, such as open-ended, unfocused brainstorming sessions. In many instances, innovation activities become hindered due to artificial constraints, such as a refusal to absorb initial losses and minimum ROI requirements. By contrast, effective innovation teams focus on answering two questions:

- What does the organization need?
- How can it be built?

To learn to innovate, one must first recognize the two distinct types of innovation:

- **Improving the known**: Organizations must be good at routine improvement of existing products, services, and processes, using established methods such as total quality management, Lean, value engineering, materials science, and complexity management. If not, profitable businesses will get picked off by savvy competitors. This "simple" innovation represents over 90 percent of all innovation initiatives for most organizations.

- **Inventing the new**: Disruptive innovation represents only about 5 to 8 percent of all innovation activities. This type of work is too exhausting to engage in more frequently, even for companies like Facebook, Apple, Google, and Amazon that excel in this area.

Importantly, different processes are required to succeed with each type of innovation. Consequently, leaders must be conscious, deliberative, and systematic about having an approach for each.

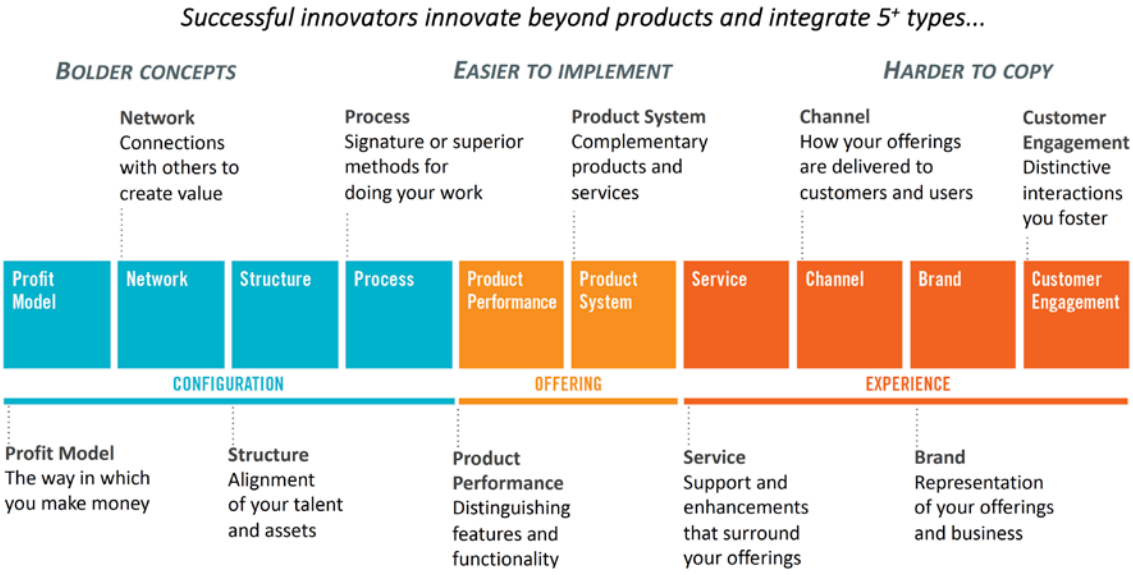
Four Steps for Learning How to Innovate

Mr. Keeley's book, *Ten Types of Innovation: The Discipline of Building Breakthroughs*, is based on more than $6.8 million in research on innovation effectiveness, including how to create successful innovations and become competent in innovation. The book helps teams to substitute logic instead of lore and to move beyond myths to proven methods and tactics that work. It lays out a four-step process for developing competence in innovation.

Step 1: Innovate in the Right Ways

As demonstrated in **Exhibit 14**, innovations throughout history fall into 10 types that cluster into three categories (configuration, offering, and experience) that, in turn, stem from three types of training. Configuration tends to be taught in business schools, offering in engineering schools, and experience in design schools. Consequently, innovating effectively requires a true team approach, with team members trained in these different disciplines.

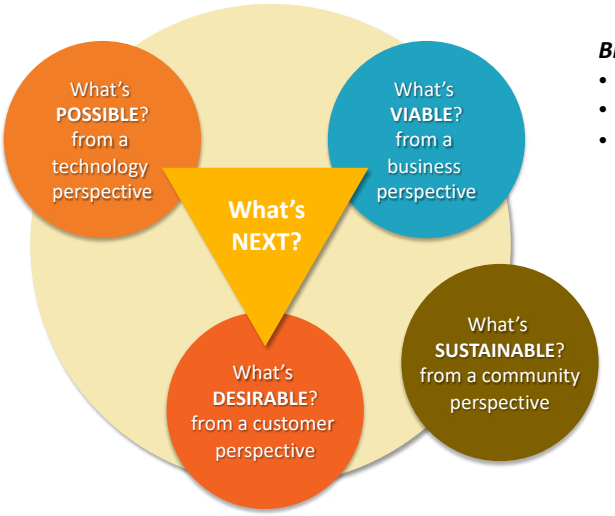
Exhibit 14: Ten Types of Innovation



True breakthrough innovations, moreover, combine five or more types of innovation and involve all three clusters. As illustrated in **Exhibit 15**, they combine what's possible from a technology perspective, viable from a business perspective, desirable from a customer's perspective, and sustainable from a community perspective.

Exhibit 15: Building Breakthroughs

Balanced breakthroughs: *a simplified model for developing sophisticated innovations*



Breakthroughs come from:

- *Five or more TYPES*
- *All three COLORS used*
- *Careful outflanking of others in your category*

In addition, most breakthrough disruptions involve bilateral business ecosystems. Uber's success, for example, depends on securing the loyalty of both drivers and customers. Hospitals have been operating in such an ecosystem for years, needing the loyalty of both patients and physicians. Consequently, hospital and health system leaders find themselves in the perfect place to develop a bilateral business ecosystem through bold ideas that are easy to implement yet hard to copy. Research suggests that the biggest and fastest-growing innovations will share the following characteristics:

- **Culturally cool**: People talk about the innovations, finding them able to solve important problems while still fun to use.
- **Technically elegant**: The most successful innovations are surprisingly simple and elegant from a technological perspective. For example, a Tesla car has two electric engines that together have only 40 parts. By contrast, the typical internal combustion engine has 20,000 parts. Longer term, the economics will favor Tesla, which can generate huge margins on each car sold.
- **Fair business model**: Innovations will not succeed unless customers perceive the underlying business model to be fair.

Few healthcare systems today are perceived as being culturally cool, technically elegant, or fair with respect to the underlying business model. That said, there may be opportunities to work toward breakthrough innovations in some aspects of the healthcare business, such as wellness centers and chronic disease programs. More importantly, if health systems do not act in these areas, others will disrupt the status quo.

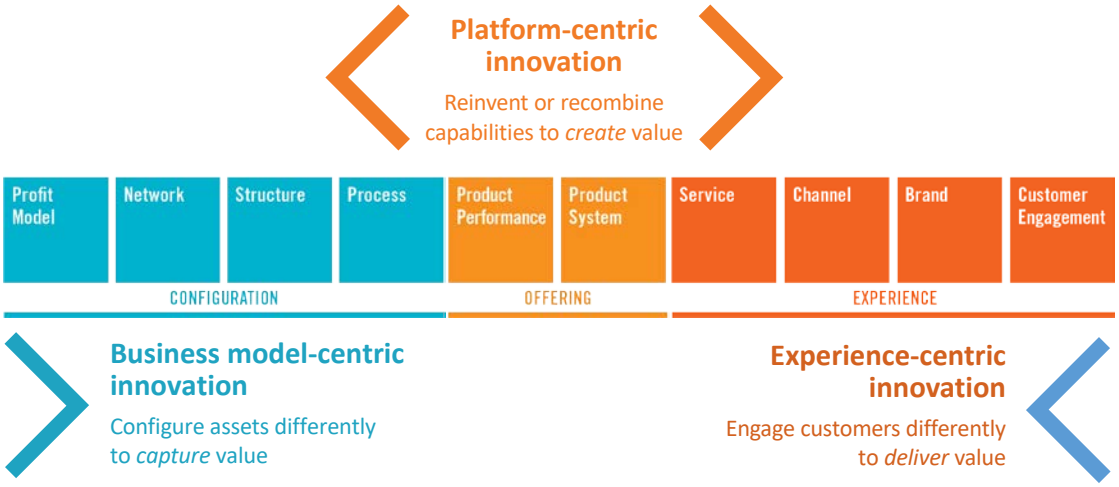
Airbnb is a great case study of a company that knows how to innovate in the right way. Founded in 2008, Airbnb took just eight years to become bigger than the three largest global hotel chains combined. The company's tremendous success revolves around one big but simple idea—a platform that allows strangers to trust one another. Peer-to-peer rentals almost always make both parties better off, as long as they can trust one another. The two founders of Airbnb came up with the concept when they were trying to travel across the country without money. After running out of friends to stay with during the trip, they conceived of creating a world where people are willing to share valuable assets (i.e., their homes) with complete strangers. Combining five types of innovation, Airbnb owns no rooms and has few assets in general, consisting primarily of 57 technological applications, only seven of which have any proprietary elements. What the founders of Airbnb understood was how to innovate. They focused on a single big idea that was relatively easy to implement, yet ultimately difficult for others to copy due to large first-mover advantages, particularly once customer trust and loyalty had been built.

Step 2: Innovate on the Right Things

Innovation is rarely bold or effective. Yet it needs to be both. Modern innovation is more about elegant integration than invention. The biggest innovations tend to be asset-light, fast, smart, connected, distributed, decentralized, shared, and open. Platforms matter a great deal to success. The most important innovations cut across both companies and markets, using platforms to amplify ROI. The least valuable business-to-consumer (B2C) platforms today are worth $10 billion, with the most valuable being worth $40 billion. On the business-to-business (B2B) side, the similar

Exhibit 16: Innovation Effectiveness

Balanced breakthroughs use five or more types of innovation—and all three colors



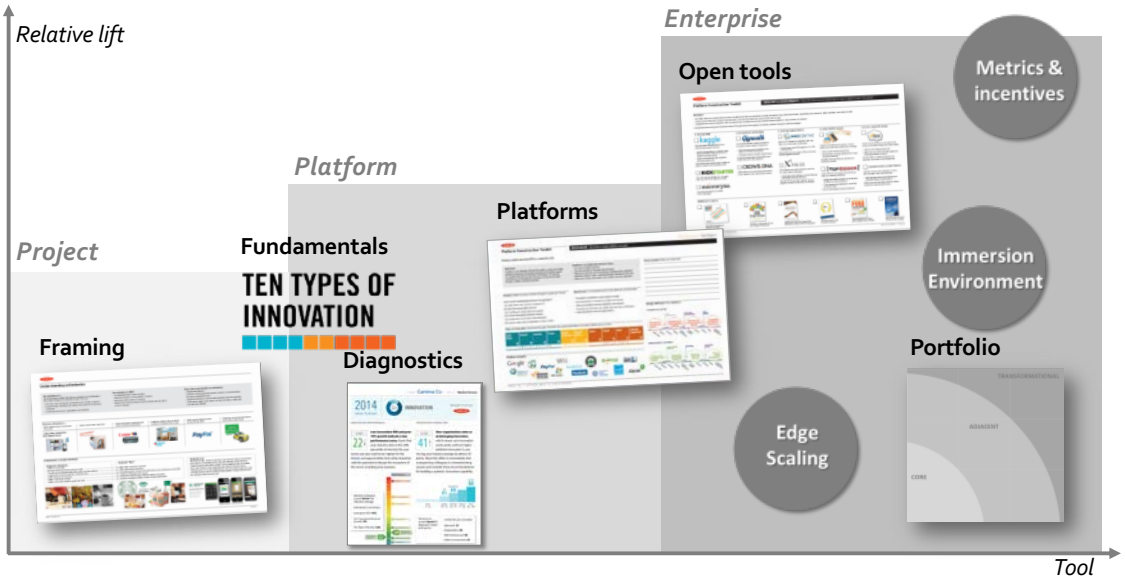
range is $12 billion to $400 billion. As shown in **Exhibit 16**, platform-centric innovations tend to reinvent or recombine capabilities to create value.
Examples of this type of platform-centric innovation include the following:

- **IBM Watson**: This platform combines seven types of innovation to tackle complex problems by bringing cognitive computing to the field of medicine. Watson reads 200 times more information in a day than a doctor can read in a year.
- **Google TensorFlow**: This platform combines five types of innovation to allow for deep learning through anticipatory computing. Examples include real-time language translation through the phone camera and real-time wayfinding for patients coming to appointments at hospitals.
- **Humana Vitality**: This platform combines seven types of innovation to provide consumers with an end-to-end continuum of wellness solutions using an incentive-based health enhancement program.
- **Iora Health:** This platform combines eight types of innovation to improve care delivery by offering patients intelligent emotional support and attention.

Step 3: Innovate with the Right Tools

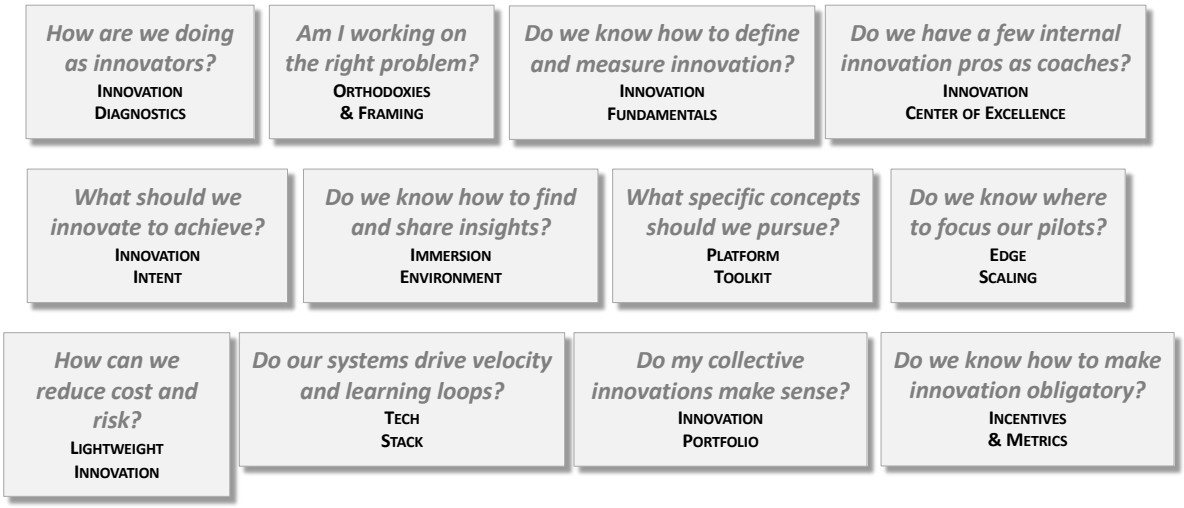
Innovation gets much easier when the tradecraft is matched to the task. The founders of Airbnb understood how to employ modern innovation tradecraft that dramatically improves the return on the innovation development process. As outlined in **Exhibit 17**, this approach includes tools to get the framing correct (i.e., working on the right things), diagnostic tools that analyze systems in weeks rather than months, scorecards that measure capabilities and performance, platforms that focus teams on a few big ideas (essentially the opposite of brainstorming), open tools that dramatically reduce development costs, small pilot tests in isolated areas that do not affect the rest of the business (also known as "edge scaling"), and liberal use of metrics and incentives that make it obligatory for leaders and those on the front lines to sponsor and engage in

Exhibit 17: Modern Innovation Tradecraft Dramatically Improves ROI



innovation initiatives. The most aggressive organizations tie up to 40 percent of senior management bonuses to the sponsorship of growth initiatives.

Exhibit 18: Solid Tradecraft Addresses Critical Recurring Problems with Discipline



As shown in **Exhibit 18**, this toolkit helps to address critical recurring problems that often occur in the discipline of innovation.

Step 4: Build an Explicit Intent to Innovate

The likelihood of success increases 20-fold when a leader clearly declares a goal. Just as President Kennedy set the audacious goal of putting a man on the moon, organizational leaders need to declare the intent to innovate. Doing so clarifies innovation as an area of critical importance (not just a slogan or advertising campaign) and challenges the talent within the organization. It sets valuable "stretch goals," often in areas that the organization does not do well in today. At the same time, intent-to-innovate statements should leave ample "head room" by not presuming to know exactly what will be done (or how it will be done).

John Noseworthy, the former CEO of Mayo Clinic, made such a statement when he committed the organization to serving 200 million patients a year by 2020, without building new hospitals. This figure represented a 10-fold increase over the 20 million patients being served at the time, a figure that took Mayo 136 years to reach. The key to achieving this goal lies in the Mayo Center for Innovation, which aggressively invests in various platforms and programs, and the Dan Abraham Healthy Living Center, which focuses on healthy living and behavior change. Both initiatives reach patients outside the walls of the organization, serving them where they live and work.

Dramatic Benefits to Following the Four Steps

As illustrated in **Exhibit 19**, the ideal approach to innovation integrates all four of these steps into a comprehensive, proactive program that combines senior leadership; talent and capability development; innovation process experts; frontline units, functions, and programs; high potential young people; and venture partners.

Exhibit 19: Building Innovation "with Teeth": A Proactive Program

CEO / Senior Leadership team
~ *Sponsors* of innovation
~ Establish goals and metrics
~ Determine incentives and rewards

HR / talent and capability development
~ Drive innovation *scale*
~ Teach signature approaches
~ Administer routine actions

Innovation process experts
~ *Bring specialized skills*
~ Support initiative teams
~ Orchestrate outside experts, where needed

Units, functions, programs…
~ This is the *unit of analysis*
~ Assess periodically; build scorecards
~ Determine which need improvement, reinvention, or transformation

High potential young people
~ This is the *unit of action*
~ These individuals author initiatives
~ They clearly understand that these successes drive their careers

Venture partnerships and Labs
~ This is a *unit of exploration*
~ Accelerates agility and discovery
~ Can play by different rules
~ Can foster new portfolios and bets

This approach dramatically improves success rates. As shown in **Exhibit 20**, partial installation of it can yield a seven-fold increase in hit rates, from the typical 5 percent to 35 percent. Full-fledged implementation can boost hit rates by a factor of 14, to 70 percent.

Exhibit 20: Differing Degrees of Intervention

What you achieve is a function of what you are willing to install…