



Contrarian Edge

Ditch the System

Warren Buffet, the Oracle of Omaha, observed recently that he doesn't know what the future will bring and that most businesses can't know it, no matter how much strategic planning they do or how many futurists they hire.

What seems to be more important, he observed, is to know the past they're leaving behind and the importance of leaving it behind as quickly as possible. Otherwise, they wind up bankrupt and with no future, a real risk now facing American hospitals.

What will the future of healthcare be? No one knows, but some of the past we might want to consider ditching at the earliest opportunity includes:

- Paper patient records—the days of writing with pencils (c1795) and ballpoint pens (c1940) and then trying to organize myriad bits of paper is so over.
- Trying to run a hospital with outside physicians not willing to follow standardized best-practice protocols.
- Laying people off as “disposable units of cost,” rather than understanding that intellectual capital is what creates financial capital.

It may also be time to stop trying to fix the hospital business model and leave it behind as well—free-market healthcare isn't working very well, and government funding is a system design disaster. And we'd better do it quick because the nation is getting older and a lot more of us are going to need care.

My belief in capitalism is marked by an MBA, nine books on management, and the MGMT 1 plate on my car. But as successful as many companies have been in formulating new technology and pharmacology, 47 million

Americans have no medical coverage. One is forced to conclude that free-market healthcare works reasonably well only for those who can afford it. Those 47 million votes wouldn't mind Canada's waits—a big improvement over what they have now.

But is the alternate answer really a single payor system? Recent news reports state that 56% of Americans are receiving care with funding supplied by Medicare, Medicaid, and other government sources. I guess that means the US has already reached de facto government health insurance. It sure isn't a system—it's fragmented, pockmarked, and chaotically disorganized, a Rube Goldberg machine of incredible complexity—but the fact is that government agencies have become the default majority payor.

We need something new, not just a retreat into the old stalemate positions of free-market versus national health insurance. Both the thesis and the antithesis have failed—it is time for a new synthesis.

Bill Gates, the Oracle's bridge buddy, has started a push for something he calls creative capitalism, a must-read recent cover over at *Time*. This new gospel is not just that there is a moral responsibility for capitalism to consider those who are left out and cannot afford to pay, but also that they represent a huge market opportunity. Markets don't just exist; they also need to be created.

Walmart's recent push for 2,000 in-store clinics to handle minor health issues is a creative response for providing some basic health measures at minimal cost. It's a great idea, and it's working with the public, which is

why CVS and Walgreens are jumping in with many hospitals partnering up.

Another hit is Walmart's \$4 generic drug prescription program. By rethinking what they can do, they are pushing forward. Since they can order supplies that hospitals use at half the cost and understand strategic standardization, perhaps Walmart Hospitals will become a new subsidiary as they take you over.

So, what can you do with this? An old creativity trick is to take out a fresh sheet of paper and write down what you'd like to contribute to making quality affordable healthcare available to all. Assume no limits. Allow no one to say why it can't be done. Follow that up with a list of items to toss out. Everything in your shop is going to pass away: every policy, procedure, technology, and even every person will be replaced, including you. In that continuing procession from past to future, will you be remembered as a person who changed the game or one of those who said it can't be done?

When Kareem Abdul-Jabbar was inducted into the NBA Hall of Fame, his former coach, Pat Riley, was asked to speak. One comment perhaps applies to our situation. “Everyone thinks the worst thing that can happen to them is their own death, but they're wrong. The worst thing that can happen to you is to live a life of non-significance.”

Clay Sherman, drcalay@GoldStandardManagement.org, is the author of Gold Standard Management and Raising Standards in American Healthcare. He provides extensive free resources of organization high performance materials at www.GoldStandardManagement.org.