INTRODUCTION TO HEALTH MANAGEMENT CONCEPTS (AND OBAMACARE UPDATE)

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BRINGING WAR...AND BUSINESS...TO HEALTH CARE

• STRATEGY AS LEADERSHIP IN WAR, GENERALSHIP
• LONG-RANGE PLANNING—EARLY TO MID-20TH CENTURY
• STRATEGIC MANAGEMENT—LATER 20TH-21ST CENTURIES
A TALE OF TWO INSTITUTIONS

• HEALTH POLICY—ABOUT GOVERNMENT, RULES OF THE GAME

• HEALTH MANAGEMENT—CONCERNED WITH HOW INDIVIDUAL INSTITUTIONS ‘PLAY THE GAME’
WHEN/WHY DID HEALTH CARE BECOME ABOUT BUSINESS?

• QUESTION OF SCALE—EARLY HOSPITALS SMALL, STAND-ALONE, NOW OFTEN PARTS OF LARGER CONGLOMERATES

• NUMBERS OF INDIVIDUALS SERVED SKYROCKETED OVER PAST CENTURY

• ACADEMIC STUDY OF ECONOMICS GENERALLY ASCENDANT

• CASE IN POINT: HOSPITAL ‘SUPERINTENDENTS’ HAVE BECOME ‘C.E.O.S’
WHAT DOES MANAGEMENT INVOLVE?

• SETTING OUT MISSION
• DEFINE OBJECTIVES
• HARNESS RESOURCES TO MEET OBJECTIVES, IN TURN FULFILLING MISSION
BE S.M.A.R.T. WHEN LISTING OBJECTIVES

- OBJECTIVES SHOULD IDEALLY BE SPECIFIC, MEASURABLE, ACHIEVABLE, RELEVANT, AND TIME-SENSITIVE
IMPORTANCE OF PROPER BUDGETING

- Costs vary across institutions, over time
- Personnel costs
- Costs other than personnel
- Indirect costs
SYSTEMS THINKING

- CONSIDERING INSTITUTION AS MORE THAN THE SUM OF ITS PARTS—AN INTEGRATED ENTITY
- CONCEPT OF ‘STOCKS’ AND ‘FLOWS’
STOCKS AND FLOWS

- STOCKS—ANY ITEM INCREASED OR DECREASED OVER GIVEN PERIOD, OFTEN AS A RESULT OF INFLOW/OUTFLOW
- NUMBER OF PATIENTS IN GIVEN PART OF INSTITUTION MOST COMMON STOCK IN HOSPITALS
- FLOWS—HOW STOCKS TRAVEL THROUGH A SYSTEM
- HEALTH STATUS CAN BE CONSIDERED A STOCK, HEALTH CARE A FLOW
WE’VE ALL SEEN FLOW CHARTS...
THE HEALTH CARE ENVIRONMENT IS RAPIDLY CHANGING

• AFFORDABLE CARE ACT HAS ALREADY ALTERED MUCH

• MAKES DYNAMIC, STRATEGIC MANAGEMENT ALL THE MORE CRUCIAL
‘OBAMACARE’: WHERE ARE WE, AND WHERE ARE WE HEADED?

- PATIENT PROTECTION AND AFFORDABLE CARE ACT SIGNED INTO LAW MARCH 2010
- IMMEDIATELY FACED CHALLENGES IN SUPREME COURT, WITHIN CONGRESS
- COURT RULED MUCH OF ACT CONSTITUTIONAL—INDIVIDUAL MANDATE UPHELD, BUT MEDICAID EXPANSION MADE VOLUNTARY
INSURANCE EXCHANGES AND MANDATES

- **Beginning January 2014**, all Americans (with only few exceptions) must carry some form of health insurance.
- Could take the form of private group coverage, private individual coverage, Medicare, Medicaid, other public coverage.
- Each state will host an online insurance marketplace, or exchange, designed to make selection of coverage easier.
- Coverage on exchanges eligible for federal subsidies.
MEDICAID EXPANSION

• Eligibility requirements traditionally varied across states
• ACA initially called for national expansion to 133% federal poverty line, threatened withholding of all Medicaid money if states failed to comply
• Supreme Court ruled that this constituted coercion—states may expand coverage, or not, without penalty
THE CURRENT MEDICAID MAP

To Date, 20 States & DC Plan to Expand Medicaid Eligibility, 15 Will Not Expand, and the Remainder Are Undecided
ACO’S: HEALTH CARE OF THE FUTURE

- HOSPITALS INCENTIVIZED TO FORM INTEGRATED CARE GROUPS AKIN TO TRADITIONAL MANAGED CARE ORGANIZATIONS
- SUCH ORGS PAID PROSPECTIVELY, GET TO KEEP SOME OF THE SAVINGS
- ENCOURAGING FURTHER CONSOLIDATION OF HOSPITAL SECTOR
- PROGNOSIS UNCERTAIN
EMPLOYERS, HOSPITALS FACE MANY QUESTIONS...

• TO PROVIDE COVERAGE, OR DIRECT EMPLOYEES TO STATE EXCHANGES?
• FORM ACO, SEEK TO (FURTHER) CONSOLIDATE, MORE ZEALOUSLY SEEK OUT DIFFERENT PAYER MIX?
• ALL MUST THINK STRATEGICALLY
THANK YOU

QUESTIONS/COMMENTS?