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Mark Masselli: This is Conversations on Health Care. I am Mark Masselli.

Margaret Flinter: And I am Margaret Flinter.

Mark Masselli: Well Margaret, the new Secretary of Health and Human Services isn't letting any (inaudible 0:11) under her feet.

Margaret Flinter: Sylvia Mathews Burwell has already announced some management changes at HHS just a few weeks after taking the helm. She is putting one person exclusively in charge of the federal insurance marketplace, the originally troubled HealthCare.gov, which even the President had to admit was disastrous.

Mark Masselli: There will also be a number 2 person installed at the Centers for Medicare & Medicaid to oversee the Health Care Law's continued rollout. These may seem like small changes but the intention is to make the department more efficient with a clear chain of command. It should work to streamline efforts as we move closer to the next round of open enrolments in November.

Margaret Flinter: And they have tapped a top executive from UnitedHealthcare for the job. Andy Slavitt is with Optum, which is a division of UnitedHealthcare which helped fix the early problems with the Federal Exchange, and he will be responsible for overseeing the exchange moving forward as well as Medicare and Medicaid.

Mark Masselli: I think this is bold for a step on the part of Secretary Burwell and I think it will inspire more confidence in the system in the Department of Health and Human Services in general.

Margaret Flinter: Because there is still not as much confidence as we would like to see on the state level yet, especially in those states that suffered a rocky rollout of their insurance exchange. Maryland's exchange never truly got off the ground and now they are joining forces with Connecticut's Access Health Connecticut.

Mark Masselli: Certainly, and Massachusetts which was a leader in rolling out RomneyCare, now though they are seeking to recoup tens of millions of dollars spent on contracts in companies who botched their states-based insurance exchanges.

Margaret Flinter: But also in Massachusetts are some of the leading thinkers in the country around innovation, and today, we are joined by an expert in the consumer approach to health care.

Mark Masselli: Our guest today is Regina Herzlinger, PhD, health policy expert and Nancy R. McPherson Professor of Business Administration at the Harvard Business School, where her focus is on innovation in health care.

Margaret Flinter: Lori Robertson, managing editor of FactCheck.org stops by to correct another misstatement about health policy in the public domain.

Mark Masselli: But no matter what the topic, you can hear all of our shows by going to www.chcradio.com.

Margaret Flinter: And as always, if you have comments, please email us at www.chcradio.com or find us on Facebook or Twitter because we love hearing from you. We will get to our interview with Dr. Regina Herzlinger in just a moment.

Mark Masselli: But first, here is our producer Marianne O'Hare with this week's Headline News.

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Marianne O'Hare: I am Marianne O'Hare with these Health Care Headlines. A scathing review of the VA has been sent to the President's office in the wake of the ongoing investigation into mismanagement of patients at Veterans Administration health facilities around the country. A letter was sent by the Office of the Special Counsel details the consistently ignored warnings by the VA about dangerous practices that jeopardize patient safety. The independent federal investigative agency found the VA consistently ignored warnings from internal whistleblowers and that VA did nothing to correct the problems. Meanwhile, another whistleblower has forward from the Phoenix VA hospital, where the scandal first broke. A scheduling assistant said she was a keeper of a secret list of patients who had to wait months for medical care, some of whom died waiting. She says she was told to keep the records of those veterans waiting access to care for months in a secret drawer because of the VA's policy of ensuring patients had an appointment within 14 days of requesting one. She also claims top brass of the VA knew of the extreme delays and of the cover-ups of those delays for at least two years before they came to light.

Market forces and drug prices, insurers are exerting pressure on drug makers to begin negotiating down the prices of some of their more expensive drugs, or risk being replaced entirely by cheaper alternatives. Spending on specialty drugs rose 14.1% last year. Most of the increased spending comes not from new drugs or new patients but from price increases on older drugs that can often exceed 10% year after year. And health care pricing overall, predicted to go up in 2015, a little under 7% annual health cost increases have slowed in recent years due in part to several factors. More scrutiny on health costs, the recession leading to fewer patients seeking treatment because they couldn't afford it, and higher

deductibles leading many Americans to forego preventive or elective surgeries for out-of-pocket costs. It still pales in comparison to annual health care price hikes in the 1990s and 2000s when it was customary to have double digit price increases every year. I am Marianne O'Hare with these Health Care Headlines.

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Mark Masselli: We are speaking today with Regina Herzlinger, PhD, health policy expert and Nancy R. McPherson Professor of Business Administration at Harvard Business School, where her focus is on innovation in health care. Dr. Herzlinger coined the phrase 'consumer-driven health care' and was instrumental in creating consumer-driven health plans. And Dr. Herzlinger has written numerous best-selling books including *Who Killed Health Care?: America's \$2 Trillion Health Care Problem*. Often cited by *Becker's Hospital Review* as one of the 40 smartest people in health care, Dr. Herzlinger earned her bachelor's from MIT and her PhD at the Harvard Business School, where she is the first woman to be tenured and chaired. We are pleased that you are with us today.

Dr. Regina Herzlinger: I am thrilled to be here and please call me Reggie.

Mark Masselli: Alright. You have been called the godmother of consumer-driven health care, which calls for consumers to begin exerting their purchasing power on health care industry. So, when you first began this research, it was more of an academic concept but now it seems to be evolving trend in the health care industry. Can you describe for our listeners your vision of consumer-driven health care and its power to transform our very expensive and inefficient health system?

Dr. Regina Herzlinger: My vision for consumer-driven health care is that consumers would be given the money that others now spend on their behalf, employers or governments, and they the consumers, would buy health care, and in doing that, they would transform the health care system to give them what they want. And what American consumers want is that they want choice, they want control, they want convenience, and most of all, they want good prices and that transformation happily is beginning to occur in the American health care system.

Margaret Flinter: Well Reggie, I think we have certainly seen the wave of consumer participation of a new kind with the first round of open enrolment on the insurance exchanges created by the Affordable Care Act. And what we have seen with that is kind of a lack of awareness or knowledge on how to even purchase the right insurance plan for yourself or your family, and then a second wave of consumer uncertainty when they have got an insurance about how exactly to navigate this health care system. What are the strategies for getting the guidance and the information to consumers so they do understand what they are getting, they do understand what their money is buying them?

Dr. Regina Herzlinger: On government exchange, there have been fabulous results. So what's happened is in the supermarkets, rather than having a choice of one insurer and one plan, in the average government-run supermarkets, there are 47 different plans and 11 or more insurers. If you have more competition, you lower cost. So from the private exchanges, one of which the biggest one is run by a firm called Aon Hewitt, 80% of the people on their exchange used a comparison tool that enabled them to compare the design features of all these great choices and 66% of the people on this private exchange also searched for the characteristics of hospitals and doctors. In other words, when people shop for themselves, they are more prone to use information. The information is not so great, so there is a whole new industry that is forming to provide the sort of information that people can understand. And the reason is that people namely investors, understand that with these exchanges, there is a huge unfulfilled appetite for information about prices and quality and they are going to reward the entrepreneurs who provide them.

Mark Masselli: You have identified the villains driving much of the cost growth in health care and you have spoken about the iron triangle of third parties who have overtaken the health care industry, so help illuminate for our listeners that landscape.

Dr. Regina Herzlinger: So when somebody else controls your money, inevitably they will spend the money in a way that conveniences them rather than that serves the interests of the people. And what changed with the Health Care Reform Act is first of all, more and more people are able to buy health insurance, that's wonderful, and secondly, the exchanges, the supermarkets have democratized the control of health care monies and given them back to the people who really are the sources of those funds. So in the past, what's happened is that the status quo health care providers just got fatter and fatter because there was no countervailing pressure to say look, we just can't keep stuffing money down this endless **mall**, we now have consumers exerting countervailing pressures. And the results that we see from the exchanges, which is that when consumers buy their own health plans, many of them buy far lower cost health plans than their employers have purchased in the past. Those far lower cost health plans exert a lot of pressure on the providers to slim down. So the heroes in this story or the health care reform legislation itself, CMMI which is a \$10 billion venture capital firm that's housed within the federal government, it's the Center for Medicare & Medicaid Innovation which has funded a lot of the innovations, and then the entrepreneurs themselves who have created new kinds of insurance policies, new supermarket tools that will make it possible for a consumer to shop intelligently.

Margaret Flinter: Well Reggie, the Affordable Care Act certainly saw and I think is successfully in many ways rectifying the lack of access to health care by providing coverage for millions of uninsured. But you have also looked at the inequities on the provider side and noted and rightly so that providers that treat a

large cadre of Medicare and particularly Medicaid patients are paid only a fraction of the compensation for providers when they treat patients with private insurance, but there is still this burden on providers who treat a large percentage of the publicly insured. So tell us about your alternative approach to this question of unequal compensation for providers.

Dr. Regina Herzlinger: Well it's very stupid public policy to underpay providers so drastically as is done with Medicaid and somewhat as is done with Medicare because it has two very bad side effects and that is the refusal of providers to treat Medicaid patients. Furthermore, I believe that a number of people are not attracted to medicine as a profession because of this fear of underpayment. And thirdly, many of the providers just shift their cost to the commercial payers. So in Switzerland, which the Commonwealth Fund just found as the world's second best health care system, in Switzerland, there is no Medicare. In Switzerland where everybody is privately insured, you have equal access because the provider will be paid the same. I think it's a great system.

Mark Masselli: We are speaking today with Dr. Regina Herzlinger, PhD, health policy expert and Nancy R. McPherson Professor of Business Administration at Harvard Business School. She has been dubbed the godmother of consumer-driven health care. You know, to pull the thread a little Reggie, you have been steeped in the private sector, you have been involved in a number of publicly traded companies. We have seen the onset of the accountable care organizations, customer-driven plans and focused health factories. What is the future going to hold? And a lot of it seems to be dominated by sort of equalizing out opportunity by putting maybe everybody into the private sector. What else are the people, that you are associated with, thinking about in the health care world today?

Dr. Regina Herzlinger: First of all, in Switzerland, the government funds the poor who could not otherwise afford to buy private insurance. So there is a role for the government in Switzerland. To me, that's what equity is all about. So on the providers side, clearly the health care system is a non-system, it's terribly fragmented, the IT is very primitive so there is very poor connectivity and as a result, there is overtreatment and undertreatment and high quality and low quality and there is a drive towards consolidation which is much needed. How the consolidation will occur is not exactly clear. Will it be through vertically integrated provider organizations which are called accountable care organizations? Will it be through organizations that have more modest kind of agendas? I believe the latter will prevail, and what will see is reorganization of the health care delivery system into more integrated systems of care that are focused on care as the consumer defines it. So if I had congestive heart failure, I would have up to 34 comorbidities, I would be desperately looking for some place that would integrate all of these. So one trend in the integration trend I believe it is the bundlers rather than everything for everybody who will ultimately succeed. Along the way we have seen some very useful other kinds of innovations. For example, there

are about 1200 retail medical centers right now. They obviously could serve as a terrific delivery point for example for helping people with chronic diseases comply with their daunting daily regimens. Some have a lot of IT, like the company called First Medical. Some focus on chronic diseases like ChenMed. I think these innovations on the retail part of health care are also tremendous.

Margaret Flinter: Well Reggie, we are very interested in and engaged in educating and training the next generation of health care providers and policy leaders for the future and I know that you have been very focused in your teaching career and as cofounder of the health care initiative which looks to immerse MBA students who are interested in health care. Tell us about the approach that you have helped to develop at Harvard that really does train these students for a health care industry and system as you would like to see it.

Dr. Regina Herzlinger: So I did a survey of the top 26 schools in health care administration. The number one word in their course description was organization, system, policy. Simultaneously, I interviewed the CEOs of 58 of the globe's most innovative health care companies, what do they want, what do they need for their employees, and they said number one word was innovation, and essentially, they said the current schools are not providing us with what we need. So at Harvard, we have six courses in innovating in health care. This year, five of my students are leaving the Harvard Business School to start those companies. We give them the tools and the confidence and the contacts so they could innovate the health care system. I also did a MOOC, which is a Massively Open Online Course for Harvard Ex on innovating in health care, and we had tens of thousands of students. 20% of them were PhDs and other 20% were doctors. The course was entirely focused on the tools that you need in order to commercialize your brilliant innovative ideas about how to make health care better and cheaper. I have a number of frameworks that can help people evaluate whether their ideas make any sense and in this MOOC we had 500 students whom we selected who did their own business plans as part of the MOOC. I think this is what we need. Public policy is very important in health care. Health care system needs to be funded and that system needs to be able to have the tools to make it happen.

Mark Masselli: We have been speaking with Regina Herzlinger, PhD, Professor of Business Administration at the Harvard Business School. You can learn more about her work at www.hbs.edu/herzlinger. Reggie, thank you so much for joining us on Conversations today.

Dr. Regina Herzlinger: It's been my great pleasure.

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Mark Masselli: At Conversations on Health Care, we want our audience to be truly in the know when it comes to the facts about health care reform and policy.

Lori Robertson is an award-winning journalist and managing editor of FactCheck.org, a nonpartisan, nonprofit consumer advocate for voters that aim to reduce the level of deception in US politics. Lori, what have you got for us this week?

Lori Robertson: We often find politicians engaging in what we call Mediscare, distorting an opponent's position on Medicare to scare seniors. The latest example comes from a West Virginia House Race, in which the incumbent uses his opponent's words on Medicaid to create Mediscare. An ad from Democratic representative Nick Rahall says that his Republican opponent, Evan Jenkins, has "billionaire financial backers" in reference to the Koch brothers, who want to turn Medicare into a voucher plan that would raise seniors' out of pocket cost by \$6000. That's an outdated reference to a 2011 House Republican budget plan by Representative Paul Ryan, who has significantly revised his plan since. It may or may not increase seniors' cost. But then the ad says Jenkins is comfortable with raising seniors' out of pocket cost saying "He said seniors should have some financial skin in the game and think harder about going to the doctor." But it turns out the quote from Jenkins wasn't about Ryan's plan or Medicare; he was talking about the Medicaid expansion under the Affordable Care Act and West Virginia's move to charge Medicaid recipients a nominal co-pay to prevent the overuse of health care services. Medicaid is a joint federal state insurance program for the low income. Medicare is for seniors aged 65 and over. The new co-pays allowed by the Obama Administration in 2013 are \$8 for a non-emergency visit to an emergency room and doctor visit co-pays ranging from 0 to 4 dollars depending on income levels. It's true that about 6 million low income seniors have both Medicare and Medicaid coverage which covers long term care but West Virginia's rules exempt individuals in nursing homes or hospice from any Medicaid co-pays. Check our website for the facts behind other scary claims about Medicare. I am Lori Robertson, managing editor of FactCheck.org.

Margaret Flinter: FactCheck.org is committed to factual accuracy from the country's major political players and is a project of the Annenberg Public Policy Center at the University of Pennsylvania. If you have a fact that you would like checked, email us at www.chcradio.com. We will have FactCheck.org's Lori Robertson check it out for you here on Conversations on Health Care.

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Margaret Flinter: Each week, Conversations highlights a bright idea about how to make wellness a part of our communities and everyday lives. When Derreck Kayongo was a young refugee, living in Africa, he learned the true meaning of survival.

Derreck Kayongo: Child of war can be simply described as a kid caught between a rock and a hard place. It's finding all your pieces and trying to put them back together.

Margaret Flinter: Rescued by an aid organization and brought to the United States, he knew he had to do something to make a difference in the lives of those many children left behind, children displaced by war, orphaned by disease, living in extreme poverty. 2.4 million children die each year from lack of access to basic sanitation.

Derreck Kayongo: We have about two million kids that die of sanitation issues mainly because they don't wash their hands.

Margaret Flinter: And when Kayongo learned that hotels around the United States dispose off 800 million bars of soap every year, he knew that was a resource to tap into.

Derreck Kayongo: 800 million bars of soap that the hotels throw away in the US alone every year.

Margaret Flinter: He founded the Global Soap Project. The discarded soaps are gathered and processed at a plant that sanitizes, melts and reforms new bars of soap, that will be distributed around the world to children and families living in poverty or in disaster zones like Haiti. And with it, the children are given lessons in basic hygiene, some learning for the first time how to thoroughly wash their hands and why. The Global Soap Project earned Kayongo the distinction of one of CNN's Hero finalists, and he was also a winner in the Annual CLASSY Awards, which support philanthropic work that improves health and wellness around the globe. A simple idea, repurposing the waste of soap and providing one of the most simple tools of hygiene to those in need around the world, now that's a bright idea.

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Margaret Flinter: This is Conversations on Health Care. I am Margaret Flinter.

Mark Masselli: And I am Mark Masselli, peace and health.

Conversations on Health Care, broadcast from the campus of WESU at Wesleyan University, streaming live at www.wesufm.org and brought to you by the Community Health Center.