

Introduction

The Business of Healthcare: A Terminal Prognosis

Imagine the healthcare system as we know it in the United States as a patient visiting a doctor. Dragging itself into the office, the once-vital institution has been plagued by an assortment of maladies, each symptom weakening it further, each treatment slowly but surely draining its energy and financial resources.

The doctor has conducted a thorough exam, carefully gauged the patient's vital signs, and is ready to deliver his grim prognosis:

“You should have come to me for a solution sooner,” he reports. “You have very little time left.”

It's a metaphor, of course, but an entirely apt one. The longstanding healthcare system in the United States is in its death throes, a terminal patient whose well-being has been neglected for far too long, whether the majority of those dependent on it realize it or not. The die has been cast. What's missing is wholesale acknowledgement by both the industry and the public of the new dynamic, and a systemic adaptive response to the changes taking place.

This patient can't be cured, but it can be taught to adapt. There is a solution, but the solution requires fast action and decisive thinking. In order for healthcare as an institution to continue to function in the United States in a manner that meets the needs of both the providers and the public, it *must* change, and it must change *now*.

This is not a suggestion any more than a stroke is a mere suggestion that one should stop smoking. Time is of the essence.

Change is inevitable in any system, and seismic shifts in the American healthcare industry over recent years have included cuts to Medicare, the increasingly high cost of health insurance, the growing number of uninsured and underinsured Americans, and the economic collapse of the traditional reimbursement-based healthcare system. These are the obvious, negative ones, the shifts we're becoming cognizant of as the system becomes progressively more difficult to navigate, both for patients and healthcare providers.

But there are also positive, less obvious changes occurring in healthcare at a cultural level. For starters, Americans have never been better informed about their

healthcare options, and, in general, are more proactive in caring for themselves, eschewing smoking and saturated fats, getting more exercise and supplementing their diet as needed. Healthcare information, once accessible only to medical professionals, has moved into the public domain, and many individuals access this information to proactively maintain their health.

Educated and proactive Americans no longer see themselves as patients who only consult a medical expert when they need critical care. They are consumers who are informed about the choices available to them; they make healthcare choices based on their informed opinions, and they increasingly spend money on maintaining their wellness.

Increasingly, healthcare consumers don't automatically default to their doctor; they research their options, get second opinions and address their wellness in a proactive rather than reactive manner. To a healthcare consumer, doctors and hospitals are no longer last resort options; they are resources to maintaining a healthy life.

As a result, the retail end of healthcare, the over-the-counter, cash in hand business of providing wellness has exploded, just as the reimbursement-based system has seemingly exhausted its sustainability.

The medical establishment has been slow to recognize this wholesale transition from patient-to-consumer. Those institutions which recognize their patients as informed, discriminating consumers have transitioned to providing wellness options, in addition to traditional acute care.

This transition to wellness-based and consumer-driven medicine isn't merely an option for augmenting existing healthcare institutions, it's essential to survival. Just as individual patients have adapted to how the system works (and implicitly doesn't work) the metaphorical patient (our healthcare system) must adapt.

One third of all American hospitals currently operate at a loss, which makes their long-term prognosis dismal. Many hospitals are closing, not for a lack of patients (there are a surplus of patients, in fact) but because the current system is economically untenable. Another third of American hospitals essentially break even, which may keep the hospital in business but still shows the vulnerability of any medical institution to collapse. The final third make a profit, but on average it is single digit profit, hardly a harbinger of future success in an already dismal market.

Reimbursement-based medicine has several drawbacks, none more apparent than the disproportionate number of people paying into the system. When considering the impending insolvency of Medicare, for example, one need look no further than the number of wage earners paying into the system: in 1950 there were sixteen people paying in for every individual collecting benefits; today that number is three, and by 2030 the proportion will be an even 2-1.

When traditional medicine was solvent there was no need to look for alternative ways to enhance earnings. Twenty years ago most physicians would have recoiled at the

notion of integrating their existing practice with a retail operation because the system worked for them. However, today the current reimbursement-based system is so thoroughly inefficient that retail has become an industry salvation for those who have come to recognize its value.

Just as Wal-Mart brought healthcare into the retail industry, modern hospitals, clinics and medical practices are bringing retail into the healthcare business. Hospitals once relied almost exclusively on their patients' need for acute care, but that's no longer true. Patients' needs have expanded from acute care to consumers hungry for information, services and products. Hospitals that decline to provide what consumers want will invariably lose business to more forward thinking companies.

The term "healthcare" has often been used inappropriately, because traditional medicine is actually "sick care;" that is, it treats sickness rather than teaching and maintaining wellness. We've evolved into true healthcare as the industry has come to recognize the value of prevention and consumers have sought ways to stay healthy rather than merely treating the results of not addressing the care of their health, as was the tradition in the old "healthcare" industry model.

Some of the purveyors in the exploding field of healthcare are less informed, less reliable and less convenient than consumers deserve and desire. Health and wellness has become a free market economy, an economic wild west with thousands of players and billions of dollars at stake, and only the institutions which adapt to the economic realities will survive in this new paradigm.

Retail success is built around providing people with attractive options; discounted generic prescriptions at Wal-Mart will test the conventional pharmacy model, but hospitals with branded vitamins and healthcare products will similarly test the conventional retailer system. Unlike the reimbursement-based healthcare system, retail-based, wellness-oriented healthcare is economically sound, and growing at an astonishing pace.

More choices for the consumer mean healthier, happier customers, and healthcare providers who can economically prosper fulfill their mission of serving both individuals and the community as a whole. The definition of a good business arrangement is one in which all parties benefit. This is the goal of *Retail Healthcare*: to provide more productive business practices for all healthcare providers and to create more and better healthcare options for consumers.

This revolution in healthcare isn't some futuristic projection. It's happening now in healthcare facilities all across the United States.

Here's how to put our metaphorical patient back on the road to wellness...