

by mike cowan

HEALTH CARE **HEAL THYSELF..NOW!**

The chairman and CEO of Kaiser Permanente declares that the business of medical practice is about to change forever.

There's a certain irony apparent in the health-care industry today, and George C. Halvorson is the first to admit it. On one hand, says the chairman and CEO of Kaiser Permanente, health care is thriving: It's the fastest-growing part of the economy.

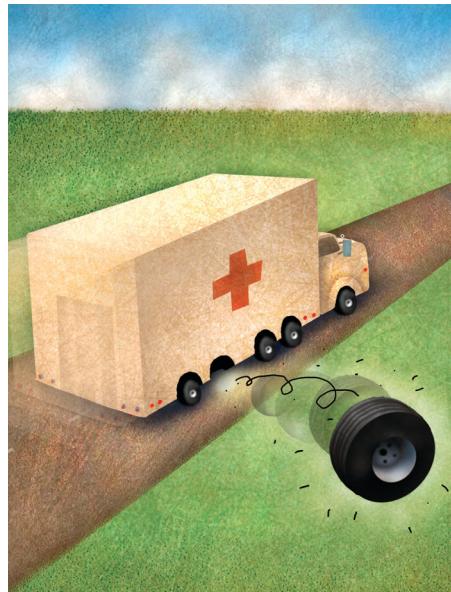
On the other, it's horribly broken: Costs are skyrocketing, and a 2003 RAND Corp. study found that nearly half of Americans received inadequate or inappropriate medical care.

The only solution, according to Halvorson, is a total overhaul. "Reengineering can only come from systematic thinking, and that requires putting proper mechanisms in place to move in this direction," he says. "Fundamental change cannot happen until the whole health-care delivery system is completely computerized."

Kaiser Permanente is well on the road to making this a business reality, investing more than \$3 billion over the next six years to implement an integrated electronic medical record system, known as KP HealthConnect. "The big opportunity in health care right now is creating a database providers can use to radically improve patient outcomes," Halvorson says.

Training and education are core components of the KP HealthConnect implementation plan. Comprehensive training is provided for program teams and all Kaiser Permanente staff, clinicians, and physicians who will use the system.

It's also an important example of the back-to-basics management skills required to thrive in the industry. "At Kaiser Permanente, first we ask ourselves, 'What is the best care? The best service? The best way to communicate?' Then we work backwards, measuring how well we do in those



key areas, and what we need to do to improve. Those 'pathway charts' exist in every major area of Kaiser Permanente's strategic activity," Halvorson says.

He has described the country's health-care system as "a highly localized, unacceptably idiosyncratic cottage industry." In many instances, Halvorson contends, a patient with a chronic illness sees several doctors, all prescribing different medications.

"We're in the information Dark Ages," he says. "A few years from now we'll say, 'You mean we used to practice medicine and we didn't even know what other drugs our patients were taking? We didn't know what the interactions were?'"

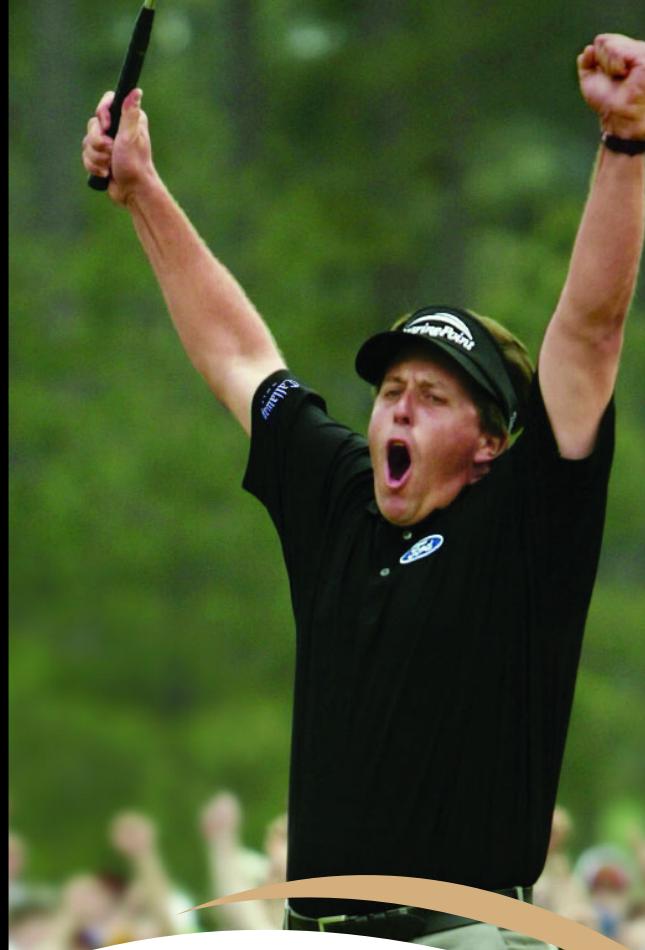
Kaiser Permanente is not the only private company implementing broad-based electronic medical record technology. "It's like that famous line, 'The future is already here—it's just unevenly distributed,'" Halvorson says. "Organizations like Kaiser Permanente, the Mayo Clinic, and Cleveland Clinic are all going down this path."

Just last year, the National Institutes of Health (NIH) established an interoperability committee to develop industry standards for electronic records. The NIH reports that a third of all U.S. health-care spending goes to treatment that is either duplicative, fails to improve patient health, or may even make it worse. Moreover, 20 percent of all medical tests ordered are repeats, because the results have been lost.

"We need patient-focused care that is computer supported with well-designed strategies targeted to get both the best care and truly effective intervention. It can be done," says Halvorson. "Our pilot studies show this to be true." In Ohio, a Kaiser Permanente pilot program that used computers to track heart disease care and treatment showed a 30 percent reduction in the death rate in three years. In Southern California, Kaiser Permanente saw a 31 percent reduction in the death rate for renal disease by using a systematic approach to care.

That wealth of data puts Kaiser Permanente in an enviable position to spot trends and quantify new market disruptions long before its competitors—and sometimes, even before leading medical research universities. Halvorson is quick to point out, for example, that it was a Kaiser Permanente study that initially blew the whistle on the pain medication Vioxx. "What we're doing is creating the equivalent of an 8 million-member perpetual clinical trial," he says. "Add to that the power of the electronic medical record, and we have all of the ingredients to truly effect positive change for our members and for the health-care industry at large." ▀

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