



Saving Lives and Saving Money: Transforming Health and Healthcare in the 21st Century

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202-375-2001



KEYS TO REAL CHANGE

“Doing more of what you are already doing and expecting a different result is a sign of insanity.”

- Albert Einstein

“When I can’t solve a problem I always make it bigger. I can never solve a problem by trying to make it smaller, but if I can make it big enough, I can often find a solution.”

- General Dwight David Eisenhower during World War II

“*Real Change* requires *Real Change*.”

- Newt Gingrich and Nancy Desmond
The Art of Transformation

“Yes, *if*” rather than “No, *because*.”

- Newt Gingrich and Nancy Desmond
The Art of Transformation

“*Cheerful Persistence* is key to achieving real change.”

- Newt Gingrich and Nancy Desmond
The Art of Transformation



Creating a 21st Century Personalized Intelligent Health System with 100% Insurance Coverage

- **Premise:** It is possible to have 300 million Americans living longer and living healthier in a 21st Century Personalized Intelligent Health System with 100% insurance coverage, but it requires changing a lot more than just financing.
- **Predicate:** Solving the cost of health insurance cannot be accomplished by focusing only on financing the current system. That is a strategy for rising costs and declining health.



The Great Drivers for 21st Century Personalized Intelligent Health System with 100% Insurance Coverage

1. **Science:** There will be four to seven times as much new scientific knowledge in the next 25 years as in the last 25 years.
 - If it is four times as much change from now until 2032, it will resemble the period from 1880 to 2007.
 - If it is seven times as much change, it will resemble the period from 1660 to 2007.
2. **HIT & Wireless:** There is a system of entrepreneurial, science- and technology-based market-oriented systems that have been providing dramatic breakthroughs in quality, choice, and declining cost.
3. **Systems that Work:** There are working systems of productivity that are very powerful, such as the Toyota production system, Six Sigma, the quality principles of Deming and Juran, the management principles of Peter Drucker, and concept of lean manufacturing and markets with entrepreneurs.
4. **Individual-centered:** Empower the individual, rather than the bureaucracy. There is a customer market and values system which leads to dramatic change and innovation. It is individually centered, patient-centered, customer-centered, and citizen-centered, and it is profoundly different than the 20th Century bureaucracies which are failing. An individual-centered system must have individual accountability.
5. **American Civilization:** Historic American culture as exemplified by George Washington and Benjamin Franklin simply works. American civilization is strengthened by our work ethic, courage, individual initiative, responsibility, team work, energetic effort, savings and investing, recognizing and rewarding achievement, and having high expectations.



A 21st Century Personalized Intelligent Health System with 100% Insurance in a 300 Million-Payor System Requires Transforming Four Boxes:

4.

Financing to Enable
300,000,000-Payor
Insurance System

3.

Effective, Efficient and
Productive Health
Delivery System

2.

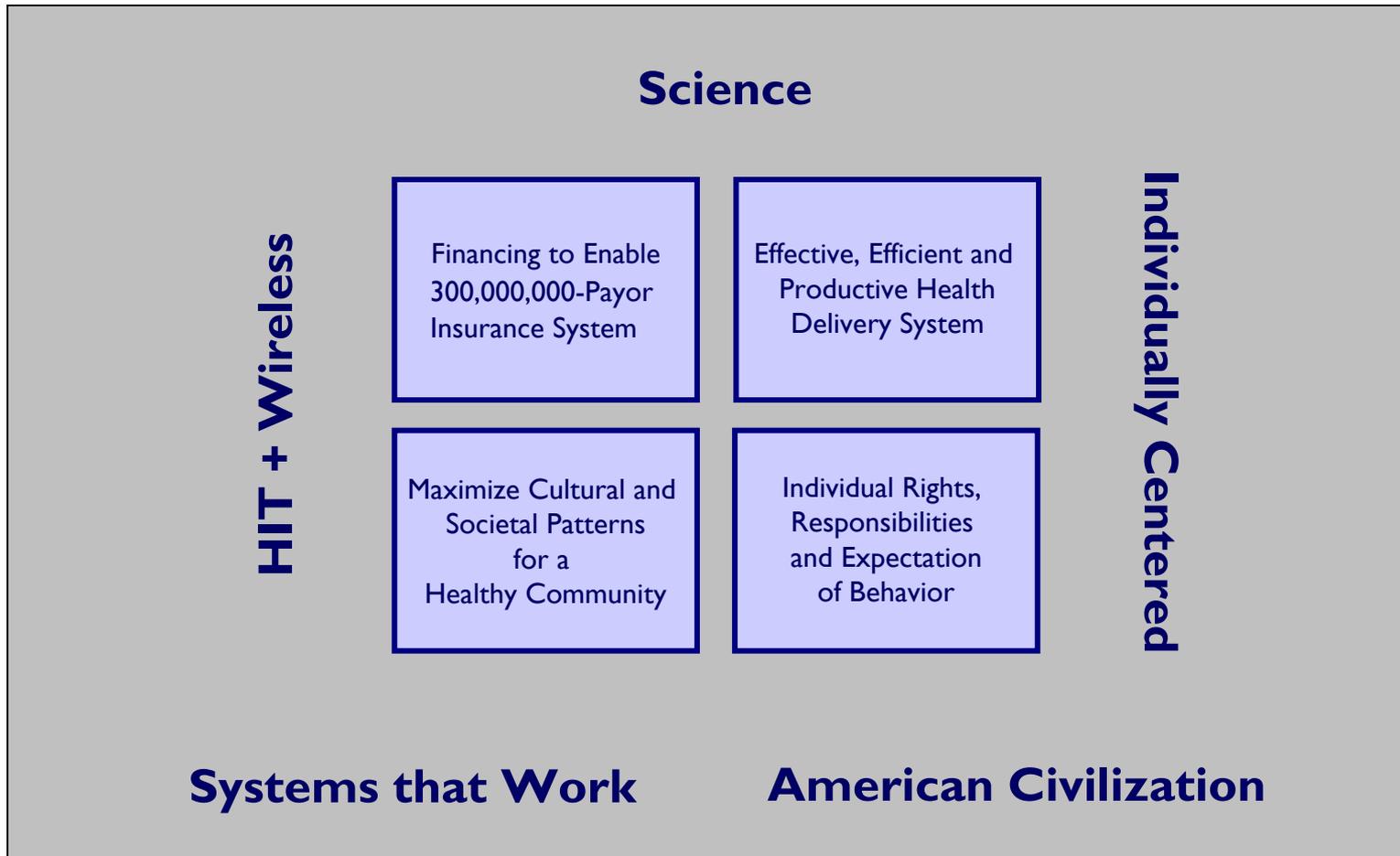
Maximize Cultural and
Societal Patterns
for a
Healthy Community

1.

Individual Rights,
Responsibilities
and Expectation
of Behavior



The BIG picture in Creating 100% Insurance Coverage





\$950 – \$190 \$375 – \$75 \$750 – \$150

\$6,750 \$5,750 \$3,300 \$950

\$46,000 – \$103,000

\$3,300 – \$14,300

3 to 1

\$8,000 plus with earlier deaths – \$5,000 minus with longer lives

For Explanation of Numbers Please go to:

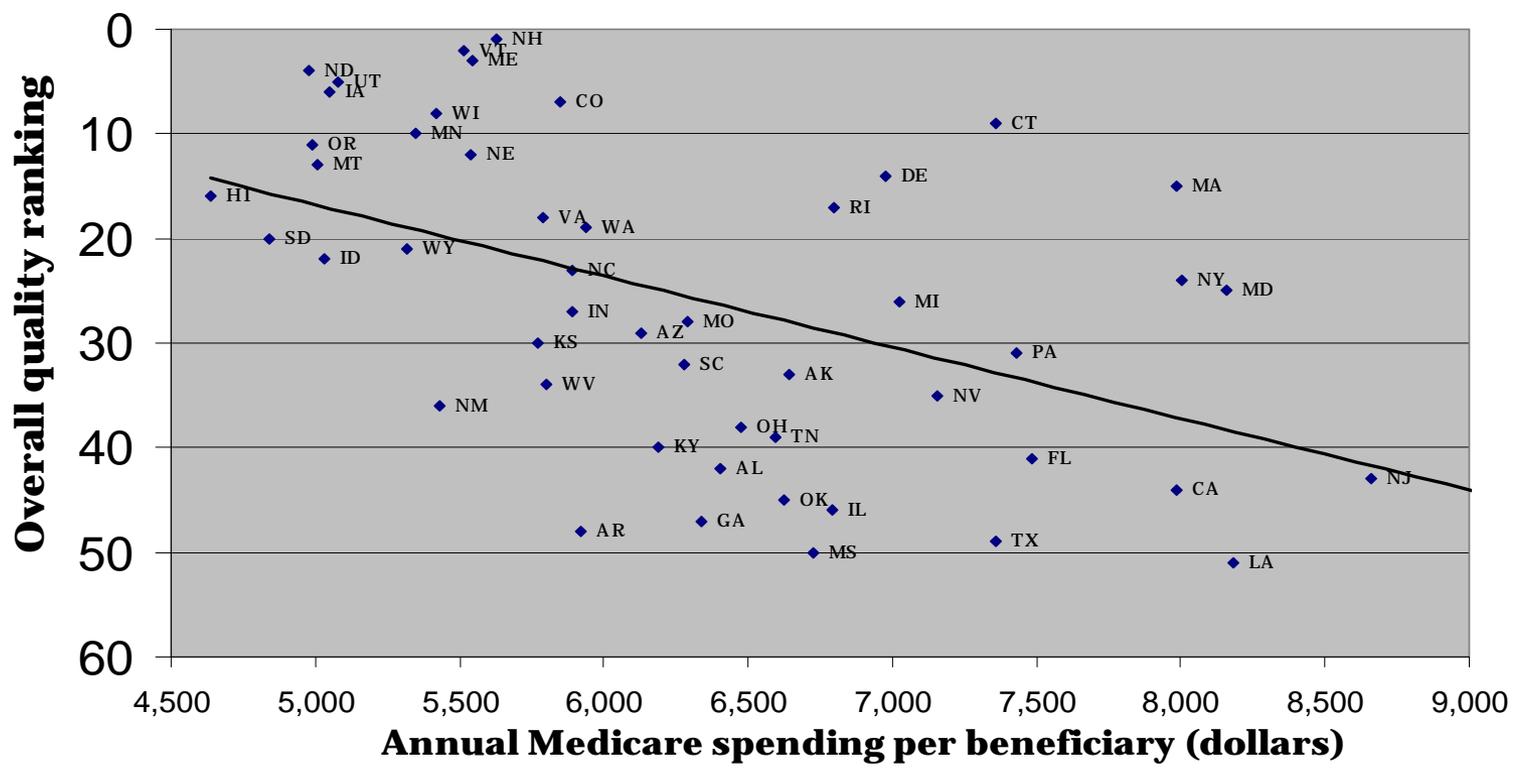
http://www.healthtransformation.net/cs/explanation_of_numbers

Reading List for Creating a 21st Century Intelligent Health System

- *The Effective Executive*, Peter F. Drucker, HarperCollins (1967).
- *Leadership*, Rudolph W. Giuliani, Miramax Books (2002).
- *Turnaround*, William Bratton, Random House (1998).
- *Moneyball*, Michael Lewis, W. W. Norton & Company (2004).
- *Winning the Future*, Newt Gingrich, Regnery (2005).
- *Saving Lives and Saving Money*, Newt Gingrich, with Dana Pavey and Anne Woodbury (2003).
- *The Art of Transformation*, Newt Gingrich and Nancy Desmond (2006).
- *Paper Kills: Transforming Health and Healthcare with Information Technology*, David Merritt (ed.) (2007).
- *Real Change: From the World That Fails to the World That Works*, Newt Gingrich, Regnery (2008).



Relationship between quality and Medicare spending as expressed by overall quality ranking in 2000-01



SOURCES: "Change in the Quality of Care Delivered to Medicare Beneficiaries, 1998-1999 to 2000-2001," *Journal of American Medical Association* 289. no. 3(2003); 305-312, AND Statehealthfacts.org "Medicare Spending: Program Payments per Beneficiary, 2002" (excludes Washington, D.C.)



High Quality, Low Cost - 38%

- | | |
|---------------|----------------|
| New Hampshire | Nebraska |
| Vermont | Montana |
| Maine | Hawaii |
| North Dakota | Virginia |
| Utah | Washington |
| Iowa | South Dakota |
| Colorado | Wyoming |
| Wisconsin | Idaho |
| Minnesota | North Carolina |
| Oregon | |

High Quality, High Cost - 10%

- Connecticut
- Massachusetts
- Delaware
- Rhode Island
- New York

Low Quality, Low Cost - 10%

- Indiana
- Kansas
- West Virginia
- New Mexico
- Arkansas

Low Quality, High Cost - 42%

- | | |
|----------------|-------------|
| Maryland | Kentucky |
| Michigan | Alabama |
| Missouri | Florida |
| Arizona | New Jersey |
| Pennsylvania | California |
| South Carolina | Oklahoma |
| Alaska | Illinois |
| Nevada | Georgia |
| Ohio | Texas |
| Tennessee | Mississippi |
| | Louisiana |



Current System

Provider-centered

Price-driven

45 million uninsured Americans

Hidden price and quality information

Knowledge-disconnected

Slow diffusion of innovation

Disease-focused

Paper-based

Third party controlled market
(patient – provider – payor)

Limited choice

Punishment-driven

Predatory trial lawyer litigation system

Quantity and price measured

Process-focused & administered

Bureaucratic management

Overall cost increases



21st Century System

Individual-centered

Values-driven

100% coverage

Transparent price and quality information

Knowledge-intense

Rapid diffusion of innovation

Prevention and health-focused

Electronically based

Binary mediated market
(individual – provider)

Increased choice

Incentives-pulled

New system of health justice

Quality of care and quality of life

Metrics-led & outcomes-focused

Collaborative leadership

Overall cost decreases



Five Key Principles for Thinking about America in the 21st Century

1. **THE FIRST TEST IS: Do You Want Different Results** than you are currently getting?
Einstein once said, *“Insanity is doing more of what you are already doing and expecting a different result.”*
2. **Real Change**. Real change will require real change.
3. **Learn to say, “Yes, if” rather than “No, because”** to achieve optimum development of solutions.
4. **New results require new ideas, new actions**, and sometimes, new structures and new cultures.
As President Abraham Lincoln said, *“As our case is new, so we must think anew, and act anew. We must disenthrall ourselves, and then we shall save our country.”*
5. **Look for and adopt what is already working**. In most areas where we want to create solutions, there are existing fact-based models of success which can be learned from and built upon.



Hurricane Katrina – Lessons Learned

- **Government failed to meet minimum 21st century standards of effectiveness**
 - The nature of a science- and technology-based entrepreneurial free market is to provide *more choices of higher quality at lower cost*.
 - Government today functions as a combination of 19th and early 20th century systems; government was last modernized in the 1930s, when manual typewriters used carbon paper.
- **Inventing 21st Century Government is the only framework for success after Katrina**
 - The 21st century model is one of effectiveness, accuracy, speed, flexibility, efficiency, lower cost and greater achievement.
 - Citizens' everyday experience is UPS, FedEx, the Internet, cell phones with cameras, e-ticketing with Travelocity and Expedia – all of which maximize consumers' level of knowledge and choice while reducing costs. Citizens expect government to meet the same standards.



Katrina, Avian Flu and Health IT: the Key to Homeland Security

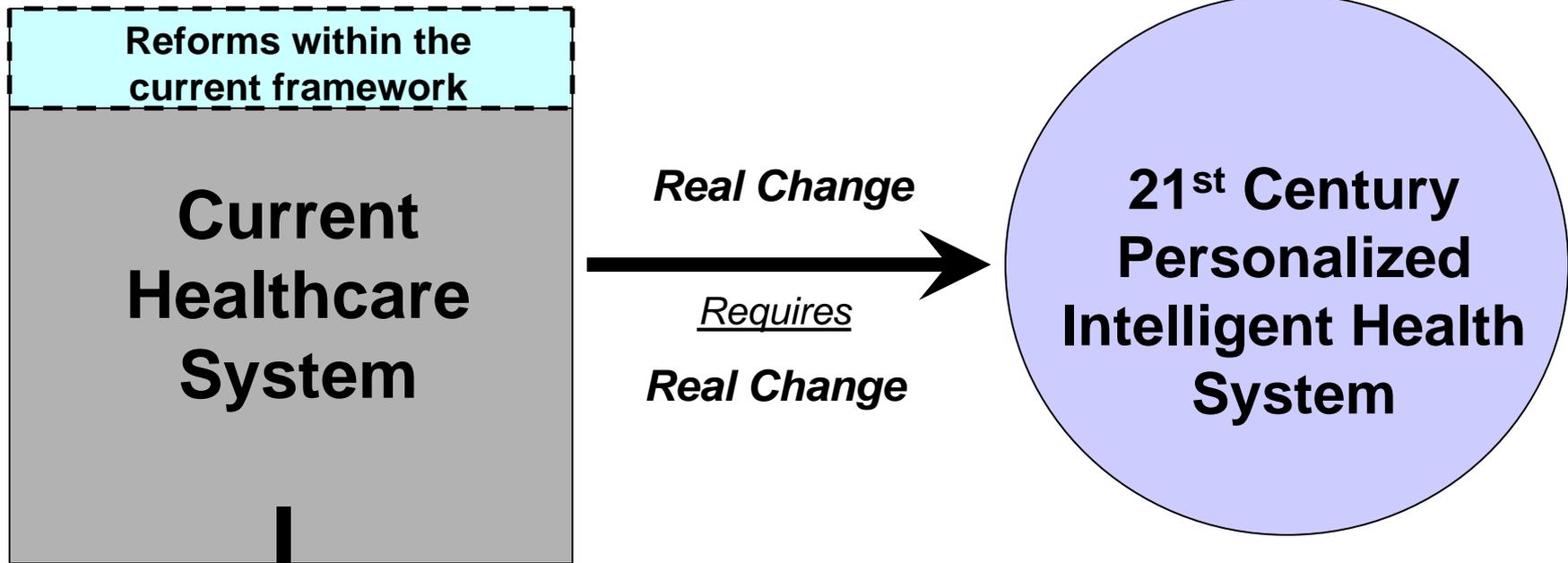
- **The failure of the government's response to Katrina is especially troubling in a post-9/11 America**
 - By Homeland Security standards, Katrina was not an unexpected or exceptionally large event; A real test for Homeland Security would be a natural or engineered pandemic or 3 nuclear events in 3 cities on the same morning.
 - The health system is catastrophically incapable of dealing with a pandemic such as the Avian Flu or an engineered biological attack.
- **Americans recognize our expensive health system is obsolete**
 - In an age thoroughly permeated by digital technology, our paper-based, bureaucratic health system kills tens of thousands of Americans each year.
 - In Katrina's wake, paper health records – and people's entire medical histories – were *washed away*. We must demand that every American have an electronic health record.



Health Transformation

“Insanity is doing more of what you are already doing and expecting a different result.” – Albert Einstein

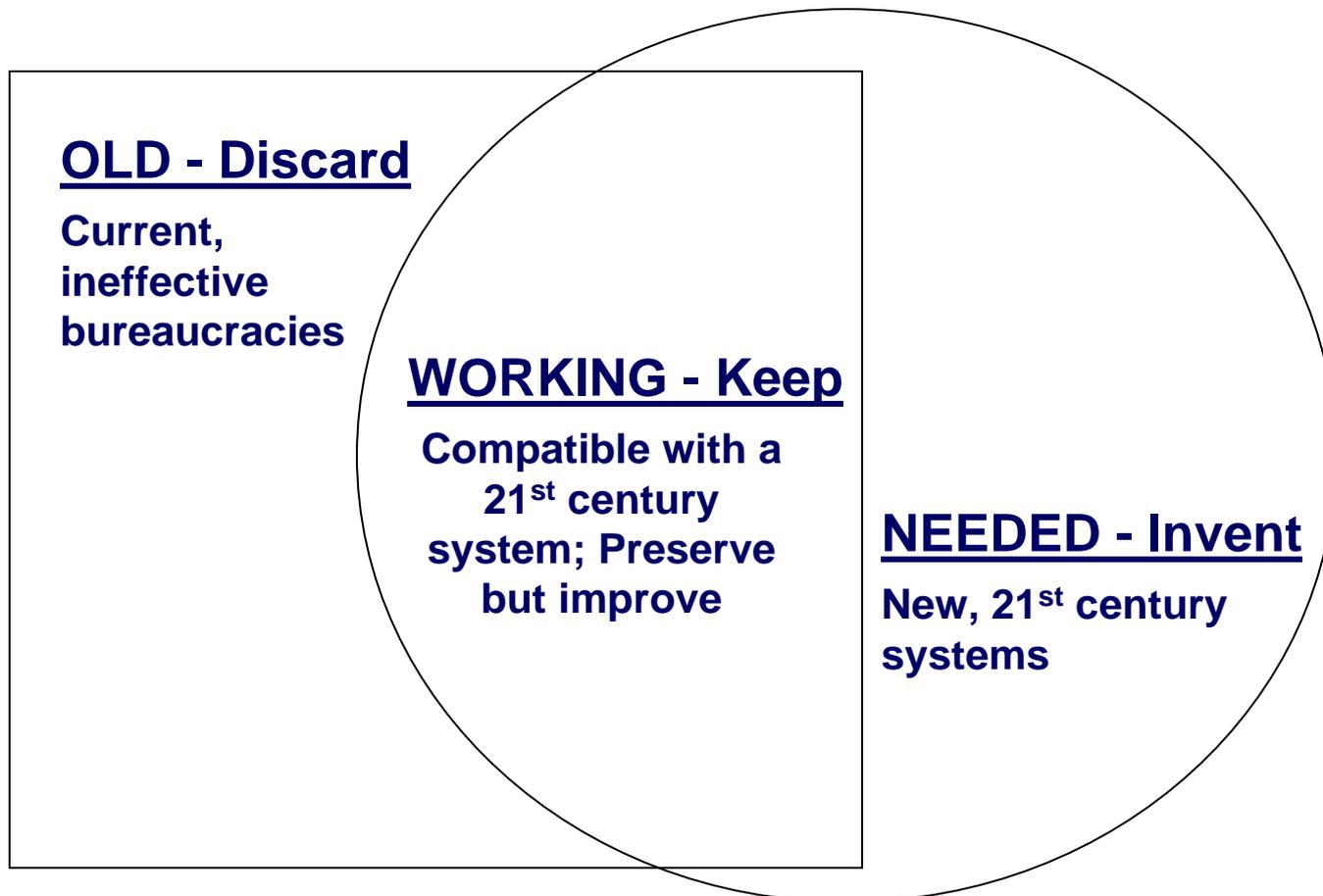
Where we should be going



Rather than change, most bureaucracies prefer the comfortable routine of explaining failure.



Transitioning to a 21st Century Personalized Intelligent Health System Will Necessarily Mix the Old and the New



(with thanks to Senator Bob Kerrey for developing this model)



Planning & Leadership Model

Planning Model

VALUES

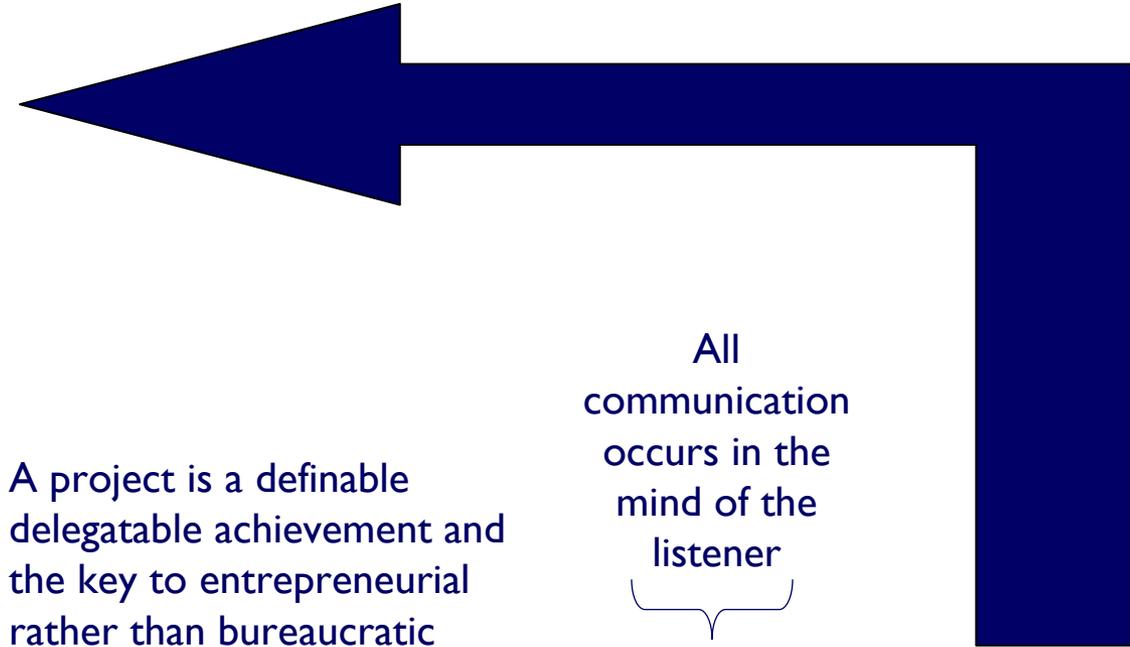
VISION

METRICS

STRATEGIES

PROJECTS

TASKS



A project is a definable delegatable achievement and the key to entrepreneurial rather than bureaucratic behavior.

All communication occurs in the mind of the listener

Listen > Learn > Help > Lead

Appreciative understanding (active listening between the sentences)

TRUE PRAGMATISM

(Listen for new facts and perceptions)

Leadership Model



A 21st Century Personalized Intelligent Health System requires four parallel layers of health transformation:

- The individual
- The organization or institution
- The culture or society
- Science, which dramatically changes everything



The Center for Health Transformation: Vision Statement

The Center for Health Transformation is dedicated to creating a 21st Century Personalized Intelligent Health System in which knowledge saves lives and saves money for every American.

The very nature of our times will give us no choice but to transform or decay.

The reality of the 21st century is that there will be more change in scientific knowledge during the next 25 years than there was in the entire last 100 years.

In scientific knowledge and advancement, we are exceeding four times the rate of change of the last 25 years—making the scale of change we experienced from 1907-2007 equivalent to what we will see during the next quarter-century.

Years 2007-2032



Years 1907-2007



More scientists are alive today than in all of previous human history combined. Furthermore, instead of sharing knowledge at the rate of the printing press and mail delivery, scientists are sharing knowledge through the Internet and the cell phone. This explosion of knowledge is moved from laboratory to market by a venture capital-licensing-royalty system of unprecedented power and ability. The potential for production is being radically expanded by the rise of China and India as the lowest cost producers on the planet.

Drivers of change fueled by Moore's Law will increase knowledge and productivity on a world wide basis—virtually guaranteeing continuous down-ward pricing pressures:

- Information technology
- Communications
- Nano-scale science and technology
- Quantum mechanics
- Biology

This is much like the period of 1873 to 1896 when there were advancements in steel, electricity, electric light, steam ships and the telephone. For example, the introduction of commercial refrigerator cars for railroad and ships meant that you could deliver Texas beef anywhere—collapsing food prices. The constant and steady explosion of productivity will continue to drive prices downward.



The profound changes we will experience during the next 25 years will require at least six significant transformations:

1. National security,
2. Learning in general and math and science education in particular,
3. Health and healthcare,
4. Inventing entrepreneurial public management,
5. Tax code, and
6. Litigation reform.

This scale of change will require America to undergo profound transformations if we want our children and grandchildren to live in the most productive economy in the world.

These are the most important decisions our generation will make about our country's future and our children's future. We will transform or fall behind. It really is that simple.

When faced with change on this scale, leadership has to learn not to say "No, because," but practice saying "Yes, if."

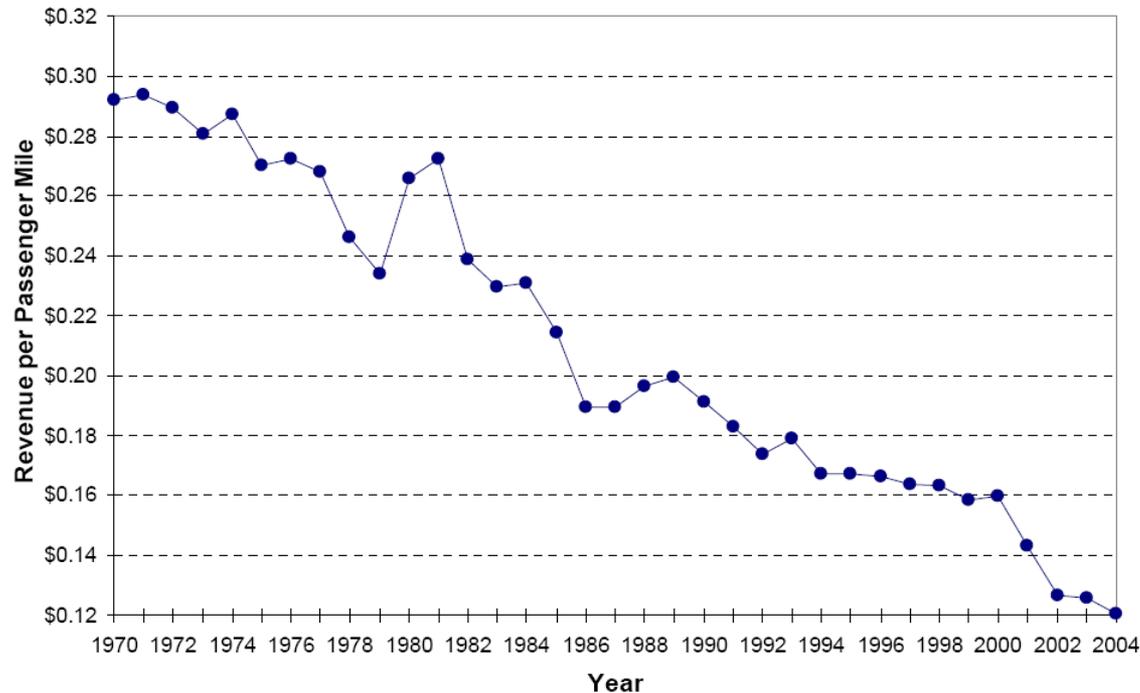
In health, we not only have to transform for the future, but we have to transform to catch up with the last 30 years. Look for example at ATM's, self-service gas stations with credit cards, Travelocity, e-tickets and cell phones.



Effect of U.S. Deregulation of Airlines in 1978

Price transparency and an entrepreneurial free market provide more choices of higher quality at lower cost

Domestic Airline Yield Adjusted for Inflation (2004 dollars)



Source: Statement of Stephen Morrison and Clifford Winston, hearing before the Subcommittee on Aviation, Committee on Transportation and Infrastructure, September 28, 2005.



Consumers Have the Right to Know Cost and Quality Data

www.MyFloridaRX.com

MIAMI-DADE - METFORMIN HCL 500 MG TABLET
Usual and Customary prices for February 1 - February 29, 2008

You can sort your results by Pharmacy, Zip Code, Drug Name, Quantity, or Price by clicking on the column title.

<u>Name</u>	<u>Zip Code</u> ▲	<u>Drug Name</u>	<u>Quantity</u>	<u>Price</u>
WALGREEN CO #04384 400 HIALEAH DR HIALEAH, FL 33010 (305) 884-8774 Map It	33010	METFORMIN HCL 500 MG TABLET	60	19.99
SYLVESTRE PHARMACY CORP. 1268 PALM AVENUE HIALEAH, FL 33010 (305) 887-0174 Map It	33010	METFORMIN HCL 500 MG TABLET	60	56.55
RAPIDSCRIPTS PHARMACY, INC 777 EAST 25TH STREET HIALEAH, FL 33010 (305) 696-5464 Map It	33010	METFORMIN HCL 500 MG TABLET	60	46.40
PALM AVENUE PHARMACY 400 PALM AVENUE HIALEAH, FL 33010 (305) 863-9060 Map It	33010	METFORMIN HCL 500 MG TABLET	60	46.48
OKEECHOBEE DISCOUNT CORP 1545 WEST OKEECHOBEE RD HIALEAH, FL 33010 (305) 885-5577 Map It	33010	METFORMIN HCL 500 MG TABLET	60	88.68



www.FloridaHealthFinder.gov

Category: Cancer			
Condition/Procedure: Chemotherapy			
Age Group: All Adults, Ages 18+			
Time Period: January 2006 through December 2006			
Facility / City	Total Hospitalizations	Average Charge	Average Length of Stay
STATEWIDE	8,636	\$39,109	5.0 days
Broward General Medical Center - 100039 Fort Lauderdale	51	\$44,511	5.8 days
Cleveland Clinic Hospital - 100056 Weston	48	\$33,973	5.6 days
Coral Springs Medical Center - 110019 Coral Springs	9	X	X
Holy Cross Hospital - 100073 Fort Lauderdale	41	\$73,864	4.9 days
Imperial Point Medical Center - 100200 Fort Lauderdale	Too few cases	Too few cases	Too few cases
Memorial Hospital Miramar - 23960050 Miramar	Too few cases	Too few cases	Too few cases
Memorial Hospital West - 111527 Pembroke Pines	97	\$81,842	6.7 days
Memorial Regional Hospital - 100038 Hollywood	132	\$80,582	5.9 days

Improving Access for the Uninsured

CareLink (Bexar County, TX) provides access to quality care in the University Health System for uninsured, non-Medicaid eligible residents

Recipients must show:

1). Identification, 2). Proof of Residency, 3). Proof of Income

Financial sliding scale for a family of four (eliminates “cliff” problem):

- Monthly obligation at 75% of FPL - \$24.94
- Monthly obligation at 100% of FPL - \$44.34
- Monthly obligation at 150% of FPL - \$99.77
- Monthly obligation at 200% of FPL - \$177.38

Patients were more compliant with both payments and treatment than initially expected:
Bexar County was the only hospital district in the black in the mid-1990s.



The Information Age Has Been Leaving Health Behind

It is the nature of a science- and technology-based entrepreneurial free market to provide **more choices of higher quality at lower cost.**

Healthcare is one of the few sectors of the American economy where prices continue to rise. The difference between the downward price pressures in the rest of society and the price increases of health will increase the demand for change in the health system.

Four key drivers of health transformation will be:

1. Patient safety and patient outcomes
2. Information and communication technology
3. A system and culture of quality
4. Individual knowledge, responsibility and power to choose



The Center for Health Transformation's Key Strategies for Transforming Health

1. Create information-rich health savings accounts to both incentivize and empower the individual.
2. Create secure electronic health records with expert systems to maximize accuracy, minimize errors, reduce inefficiencies and improve care.
3. Develop a new system of health justice.
4. Create a buyers' market for pharmaceuticals by building a transparent system for individuals, doctors, and pharmacists of price and efficacy information about prescription drugs and medically appropriate over-the-counter drugs. The system would have an open formulary with an "after-pay" rather than a co-pay (a "Travelocity" for drug purchasing).
5. Create a system and culture of rapid adoption of solutions that result in better outcomes at lower cost for both the public and private sector.
6. Establish an intellectually credible, accurate system for capturing the *cost and benefits* of better solutions, better technologies and better outcomes in order to create a technically correct model of return on investment for solutions resulting in better outcomes at lower cost.
7. Develop a real-time continuous research database and discover-develop-deliver ability (turning cancer into a chronic disease by 2015 and eliminating preventable complications from diabetes by 2015).
8. Knit together these electronic systems into a virtual public health network for health protection against natural outbreaks and a bioshield against deliberate biological attack.
9. By implementing the first eight strategies, turn health and healthcare from a problem into an opportunity, making it the leading creator of high-value jobs and foreign exchange earning in American society (including as a first step the creation of an undersecretary of commerce for health).



Better Health Leads to Lower Costs

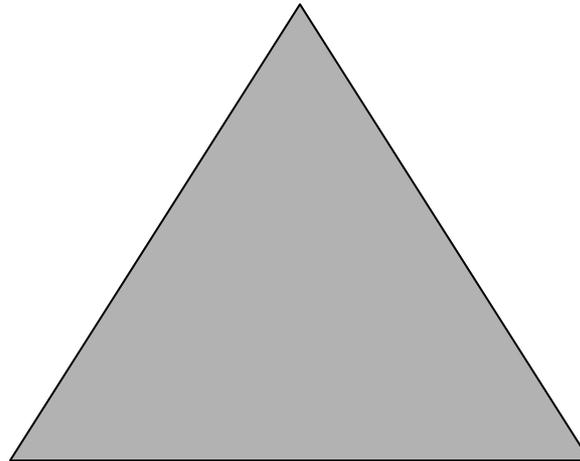
Consumer-driven Healthcare – Success Examples

CDHC Plan	Cost Savings	Study Details	Other Notable Successes
Alegent Health	5% average annual cost trend for 2006 and 2007 in CDHC plan	92% of 8,600 Alegent employees chose to enroll in CDHC plan, vs. a traditional PPO plan	CDHC participants lost 13,000 pounds over 3 years. Over 500 have completed or are currently enrolled in smoking cessation programs. CDHC participants use 4x the national average in preventive care and are paid \$100 each to take a Health Risk Assessment.
Definity Health of UnitedHealth Group	CDHC had 11% lower cost compared to PPO plans in 2006; 13% slower cost growth from 2003-2006	Survey of 370,000 members	Another study with 250,000 CDHC who received regular health messages and 10 million non-messaged PPO members found that CDHC members had 16% more cervical cancer screenings, 10% more cholesterol screenings, and 16% more prostate cancer screenings
Matria Healthcare	Companies with highly effective health and productivity programs yielded 20% more revenue per employee	Survey of 355 large employers in 2007-2008	Highly effective/productive companies had cost increases that were 5x lower for sick leave, 4.5x lower for long-term disability, 4x lower for short-term disability, and 3.5x lower for general health coverage
Aetna	“Best in class” CDHC cost trend of 3.6%; other CDHC trend of 7.2%; PPO cost trend of 8.4%	Five year study of 1.6 million members, including 205,000 with CDHC plans	“Best in class” CDHC employers had extraordinary results by embracing a culture of consumerism, focusing on communication, offering wellness programs and incentives, and demanding member responsibility. CDHC members in general spent 20% more on preventive care, better maintained drug therapies for chronic conditions, use generics more often, and are 2x as likely to explore online information, as compared to PPO members.



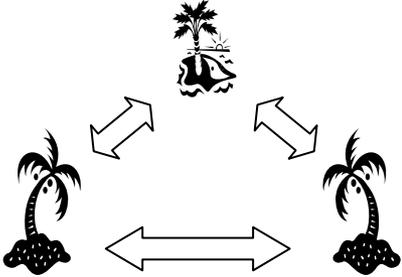
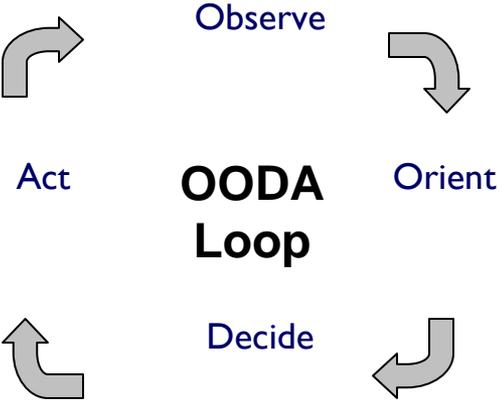
Triangle Model of Health and Healthcare Transformation

**Individual-Centered – Incentive – Psychology –
Empowerment – The Right to Know Information
about Price, Quality, Providers, and Personal Health Status**



**Prevention – Early Detection –
Self Management – Best Practices**

**IT – Quality – Expert
Systems**

<p>Connecting Islands of Excellence with Invisible Bridges</p> 	<p>Deep, Mid, Near Campaigns</p> <ul style="list-style-type: none"> ▪Design for all three campaigns ▪Focus first on the Deep Campaign to learn how to shape the Mid and Near Campaigns <p>Deep – 10% Mid – 20% Near – 70%</p>	<p>Discover</p> <p>Develop</p> <p>Deliver</p>
<p>The Lion—Chipmunk—Antelope Theory</p> <ul style="list-style-type: none"> ▪Leadership must focus on large changes. ▪Lions cannot hunt chipmunks; they will starve to death. They must hunt antelopes to stay alive. ▪Define the antelopes and don't get distracted by the chipmunks. 	 <p>OODA Loop</p>	<p>Questions to Ask</p> <ol style="list-style-type: none"> 1. What do you want to accomplish? 2. Who must say yes? 3. How will you implement if they say yes? 4. When will they listen to you? 5. What are the metrics of success which allow you to know that implementation is occurring?

•“Yes, if”... not “No, because”

•Cheerful Persistence

•Import knowledge; Export work

New Georgia Health Insurance Law

Signed by Governor Perdue on May 7th, 2008

- Individually-purchased HSAs are 100 percent deductible
- \$250 tax credit per employee for small employers
- Repeals all state and local premium taxes
- “Fast track” approval of HSA plans based in other states
- Allows insurers to offer specific monetary rewards and incentives to promote and incentivize healthy behaviors

Could reduce the number of uninsured by 25 percent!