

# **Part I: Making Decisions in Times of Uncertainty and Change:**

## **What Boards Need to Know**



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Pam Arlotto  
President & CEO  
Maestro Strategies

- 34 year track record as a healthcare industry consultant, thought leader and entrepreneur
- Consulting clients include: regional clinical integration networks, leading healthcare providers, software and services providers, health information exchanges, certification agencies and associations
- Frequent speaker and author, HIMSS all time best selling series on *HIT Return on Investment*, winner *HFM* article of year, featured *NPR & Wall Street Journal*
- Fellow and Past National President of HIMSS
- Board member of the Georgia Tech Foundation and former Board member The Wallace H. Coulter Department of Biomedical Engineering at the Georgia Institute of Technology & Emory University School of Medicine and faculty of UAB Healthcare Informatics program. She also serves on Advisory Boards for several privately held healthcare companies

- Set the Stage – Change and Complexity
- Discuss a Decision Making Framework
- Review the Board's Role





Innovate

Transform

Change

## FUTURE OF CARE



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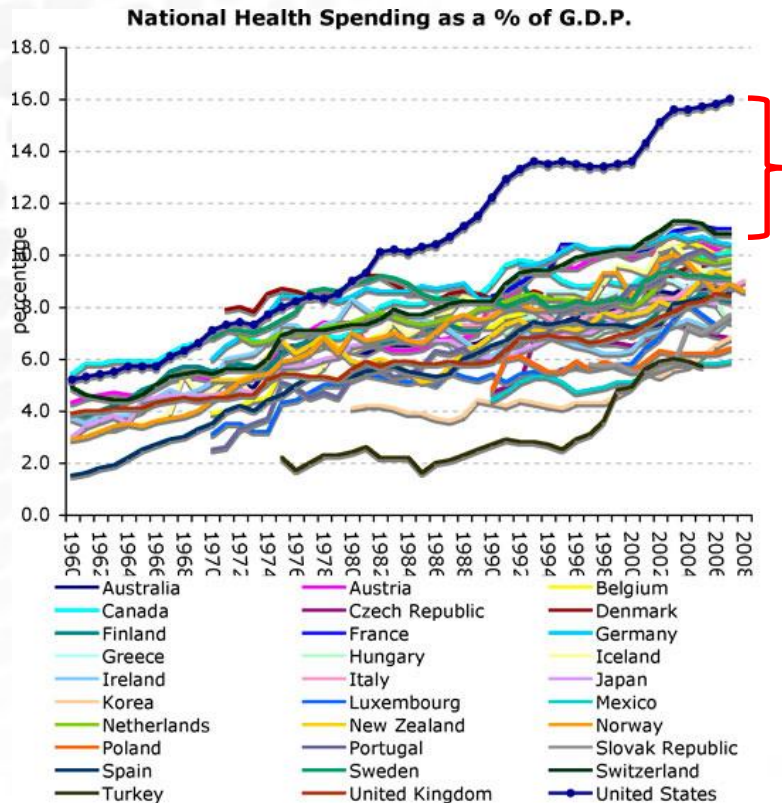
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Back

Source

harman/kardon

# Transformation of the Business Model



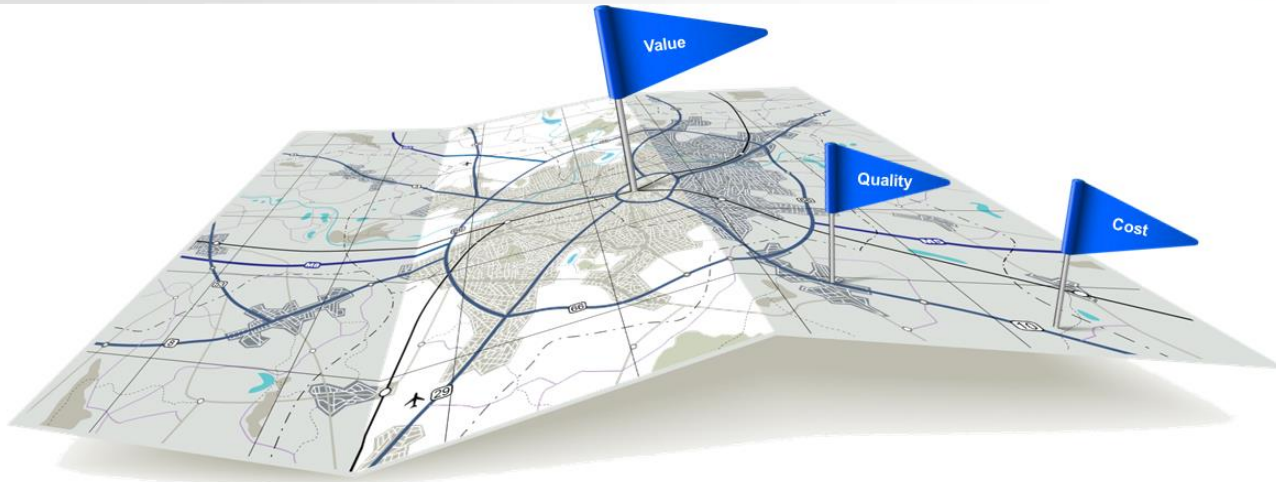
***“Our careers, dreams and strategic plans are pinned to this graph...”***

***The next era will be a messy transitional phase that will kill any organization whose leaders get the mix wrong...***

***As reimbursement changes (and this is happening very quickly), we are all beginners again. This will require different skill sets, different mind sets and different business models”***

Source: Joe Flower, Healthcare Futurist to VHA Georgia Trustee Institute, May 2013

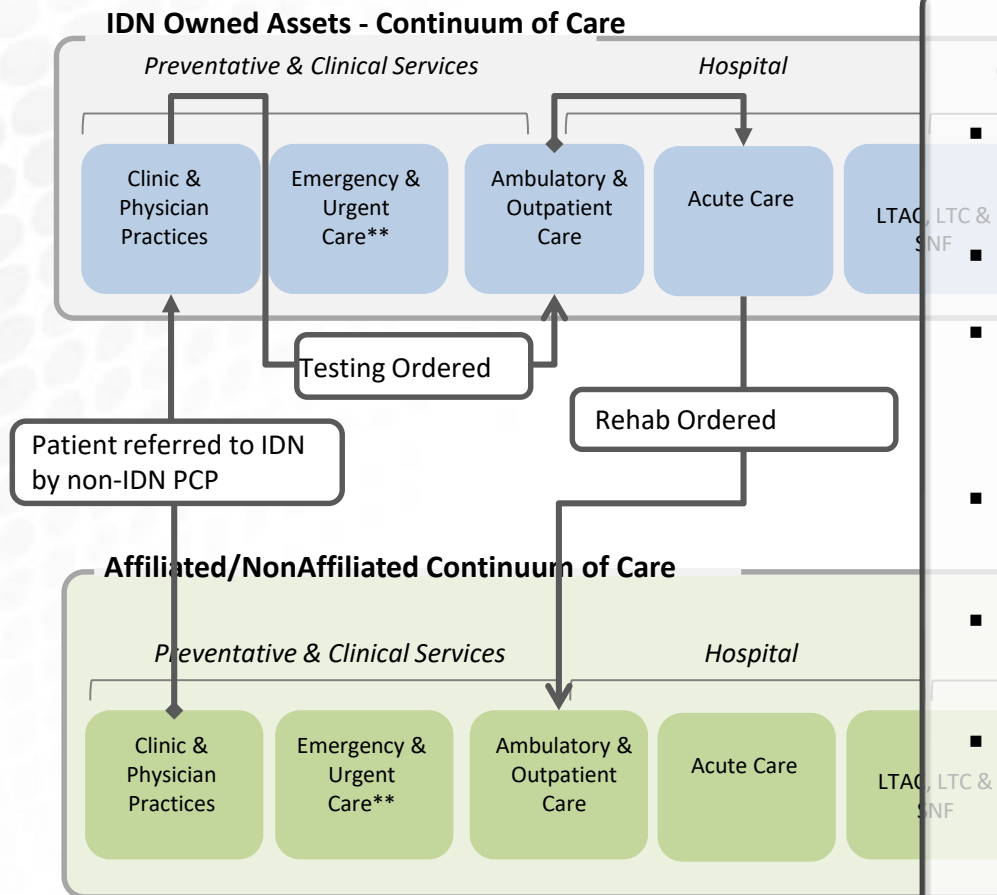




## ***The Healthcare Industry is Simultaneously***

- Creating scale through consolidation, mergers, employment of physicians and new collaboratives
- Redesigning primary care
- Rethinking service lines to include new coordinated care models with internal and external partners
- Developing care protocols to standardize the delivery of care
- Focusing on performance, reducing cost, improving access and enhancing outcomes
- Implementing electronic health records and other advanced information technologies
- Incorporating wellness, prevention and chronic disease management strategies and practices
- Defining new patient experiences and becoming patient centered
- Accepting risk and accountability for the management of population health

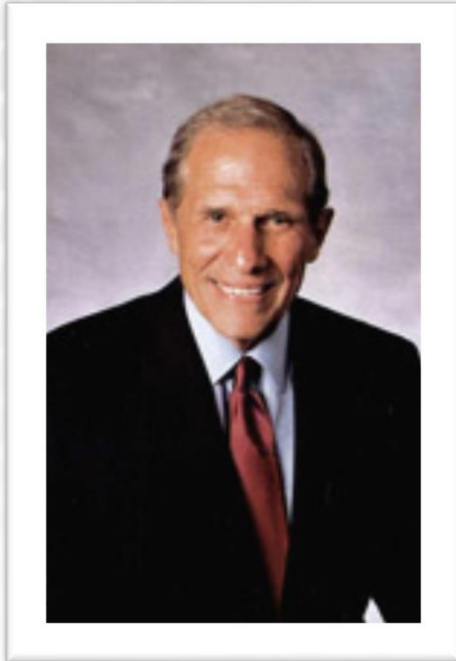
# Transformation of the Business Model



## Volume to Value Implications

- **Blurring Lines Between Payers & Providers**
- **Different Accountabilities & Risks**
- **Rise of Integrated Care Management – ACOs, PCMHs, Narrow Networks, & Bundled Payment Structures**
- **Increased Vertical & Horizontal Consolidation**
- **Retail Healthcare & Consumer Choice**
- **Cost Reduction & Variation Elimination**





Chuck Lauer,  
Former Publisher of Modern  
Healthcare and an Author, Public  
Speaker and Career Coach

***“I speak to at least one healthcare CEO every day and I have to tell you: From coast to coast, I am seeing something akin to **panic** right now. Highly experienced, talented and smart leaders, who used to move ahead of the curve, seem completely **paralyzed**.....many of them are holding off on making any major decisions about the future. That is a mistake. As a healthcare executive, you have to deal with a lot of the **unanswered questions ahead**.....You need to be preparing your institution for the future, because the future will come sooner than you think.”***

# The Reality....

*Each healthcare organization is at a different point in their journey, and has unique challenges, problems to solve, opportunities for change and decisions to make*

**Accountable Care** – Population Health Management, Risk Management, Innovation

**Clinical Integration** – Hospital/physician alignment, Care Coordination/standardization & Analytics

**Consolidation** – Mergers, Acquisitions, Shared Services, & Partnerships



*“Continuously sensing changes in market forces and responding with incremental improvements in current business model while simultaneously anticipating radical changes in industry dynamics and responding with new or breakthrough business models”*

Source: The Agile Enterprise, 2005

# *Future of Print Journalism? Jeff Bezos' Washington Post Purchase Spurs Questions*

EMAIL 2 0 37  
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AUGUST 15, 2013 | 02:00PM PT

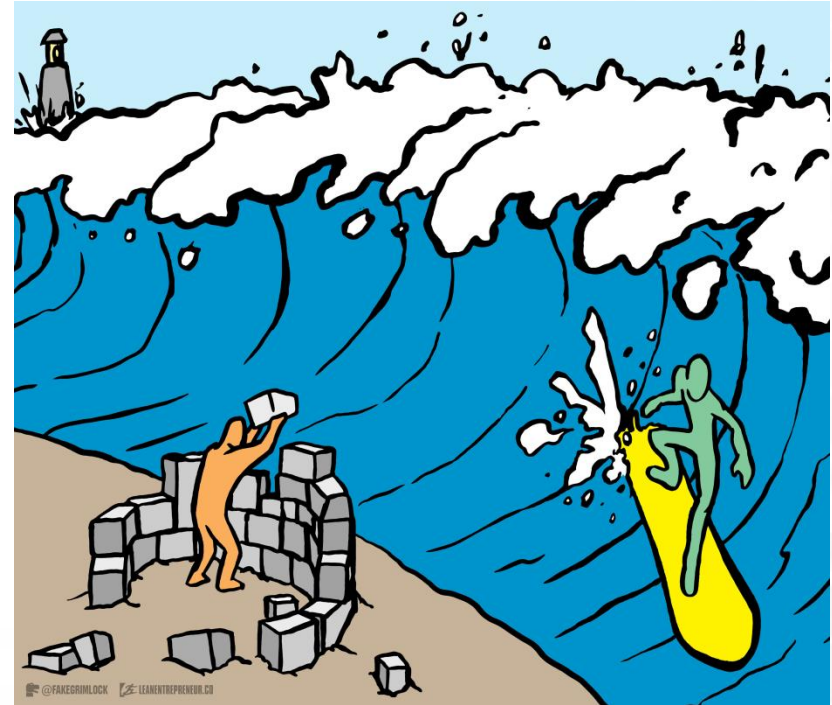
*Amazon patriarch purchased publication for \$250 million, less than 1% of his net worth*



# 15 Years Ago....

- Newspaper leaders knew dramatic change was underway...but didn't rethink their model
- Newspapers were comfortable as monopoly or oligopoly businesses allowing for plodding decisions
- Newspaper company IT infrastructure was expensive and rigid, while it allowed plodding decisions
- Newspaper companies bought up other newspaper chains and took on huge debt
- Capital investment in printing presses was a barrier to entry allowing for newspaper company dominance

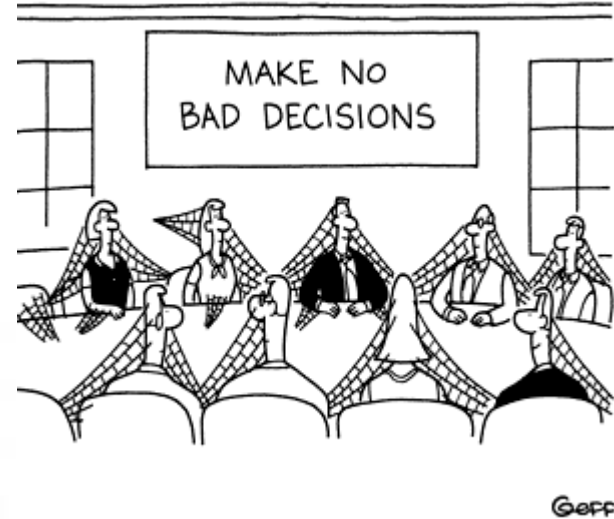
Source: David Chase, Forbes, 2012



***Musicians sell directly to their fans, retailers to their customers, filmmakers to their viewers, product producers to consumers via downloadable physical products***

# Healthcare's Decision Making Culture

- Struggling with the pace of change
- Combining the **expert** decision making culture of physicians with the **consensus** based decision making culture of hospitals
- Limited **organizational capacity** for managing change/transformation
- High risk aversion
- Current management driven hierarchies are about control, stabilization and efficiency
- Limited **sense of urgency** for change
- Uncertainty creates “self protection” behaviors



*“While the opportunities are massive, what’s the biggest obstacle to healthcare transformers? It’s the “preservatives” — the incumbent healthcare players. That is, the **preservatives are trying to protect the status quo**, rather than focusing on how to sincerely address the Triple Aim (improve outcomes, reduce cost, improve patient experience).”*

Source: David Chase, Forbes, 2012

*“Transforming from siloed hierarchical decision making model is described as **running a marathon while having a heart-lung transplant**. Vertical process and infrastructure silos must evolve to collaborative decision making structures while maintaining day-to-day operations”*

Source: The Agile Enterprise, 2005

- Embrace the high velocity of change
- Establish a single minded focus on the patient and unrelenting pursuit of value
- Minimize the action needed to achieve value
- Reduce time to value



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# Harvard Business Review

[www.hbrreprints.org](http://www.hbrreprints.org)

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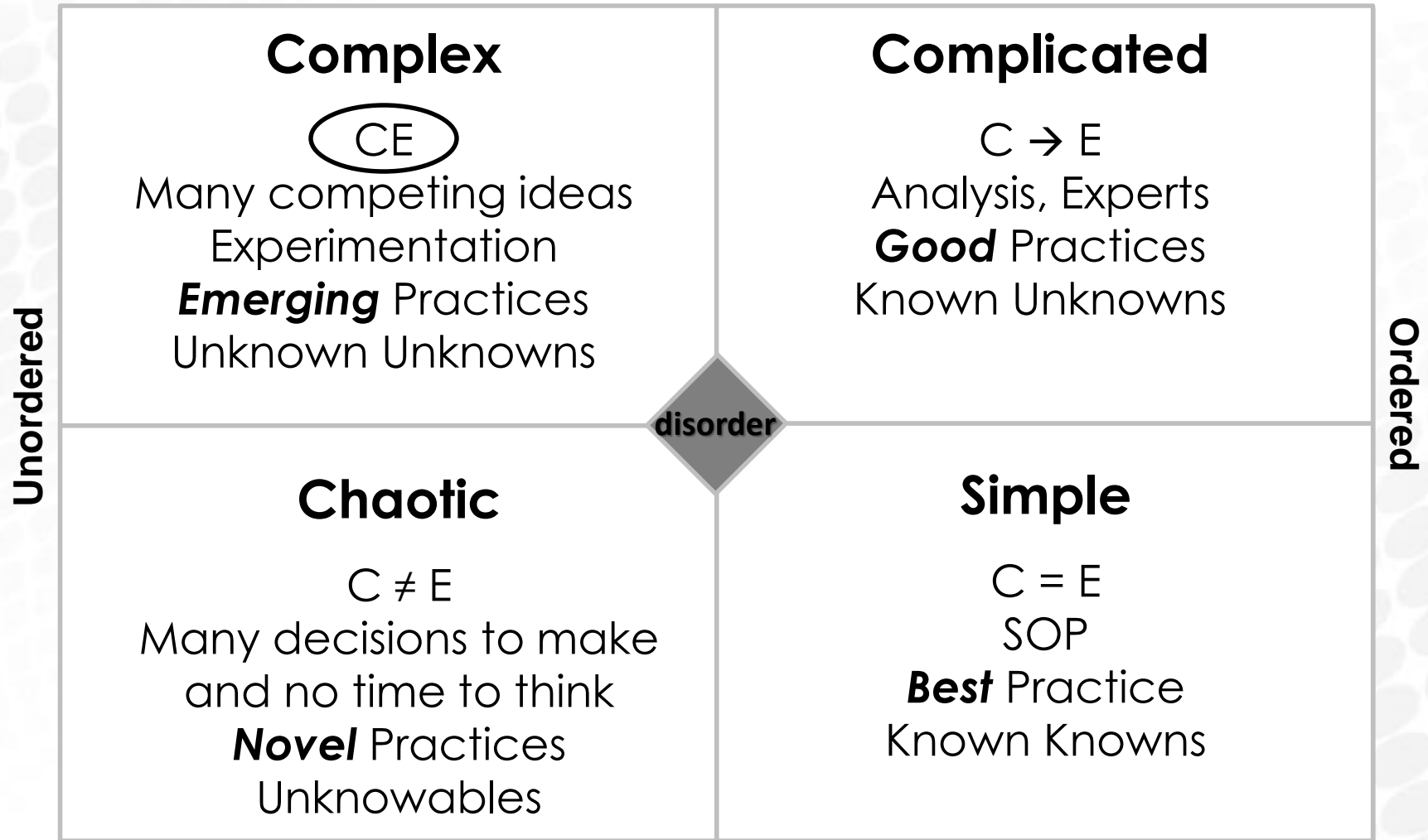
*Wise executives tailor their  
approach to fit the complexity  
of the circumstances they face.*

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## A Leader's Framework for Decision Making

by David J. Snowden and Mary E. Boone

# The Cynefin (*ku-nev-in*) Decision Making Framework



Source: HBR, Snowden and Boone, 2007

- Stable, with consistent cause and effect relationships
- The right answer is self evident and undisputed
- Defined best practice
- All parties share common understanding
- Limited change

**Simple**

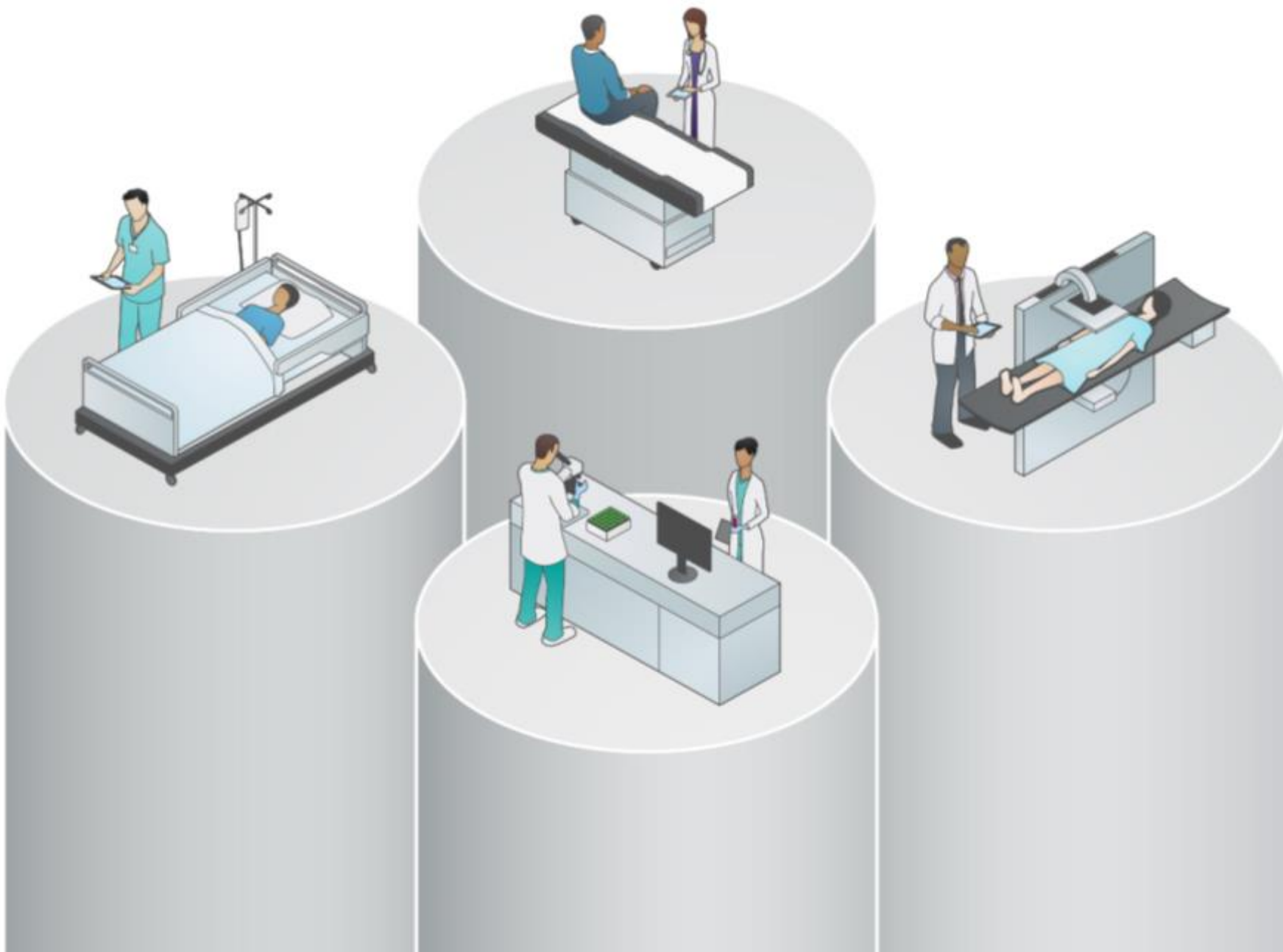
C = E

SOP

**Best** Practice

Known Knowns

Source: HBR, Snowden and Boone, 2007







- Command and control
- Past experience, training and previous success drives perspective
- Decisions are easily delegated
- Automation of functions is straightforward
- Frequent communication is not necessary

Source: HBR, Snowden and Boone, 2007

## Complicated

$C \rightarrow E$

Analysis, Experts

**Good** Practices

Known Unknowns

- Clear cause and effect relationships, not everyone can see
- Contains multiple right answers or options
- Need data, expertise and analysis

Source: HBR, Snowden and Boone, 2007



## Readmission Reduction – “No silver bullet”



## Decision-Making Style

### *Sense-Analyze-Respond*



- Detailed planning and teamwork
- External and internal subject matter experts
- Analysis of data
- Listen to conflicting advice
- Cost-Benefit to finding right decision
- Targeted communication

Source: HBR, Snowden and Boone, 2007



## Complex

CE

Many competing ideas

Experimentation

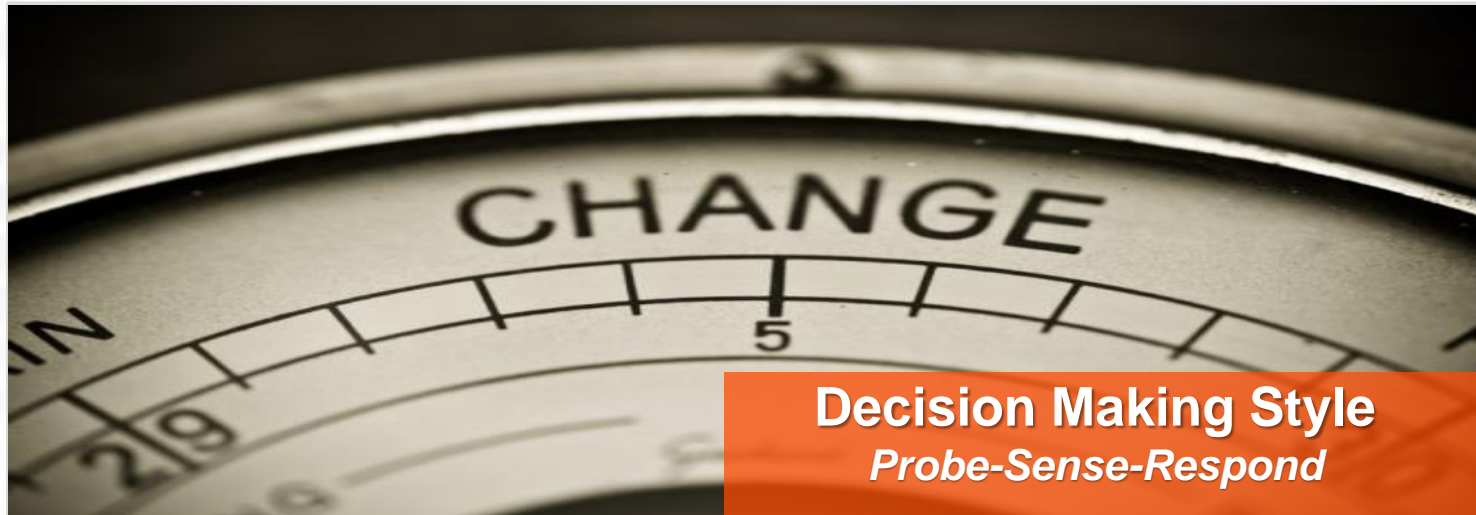
**Emerging** Practices

Unknown Unknowns

- Relationships between cause and effect are unclear
- Patterns must emerge
- Experimentation, trial and error
- Major change

Source: HBR, Snowden and Boone, 2007





- Recognize- unpredictability and flux are the norm
- “Emerging” practices and experimentation
- Frequent interaction and communication
- Be open to idea generation
- Most businesses have shifted here

Source: HBR, Snowden and Boone, 2007

- No relationships between cause and effect
- Search for right answers is pointless
- Out-of-control and turbulent
- Too much to do, many decisions to make and no time to think

## Chaotic

$C \neq E$

Many decisions to make  
and no time to think

**Novel** Practices  
Unknowables

Source: HBR, Snowden and Boone, 2007



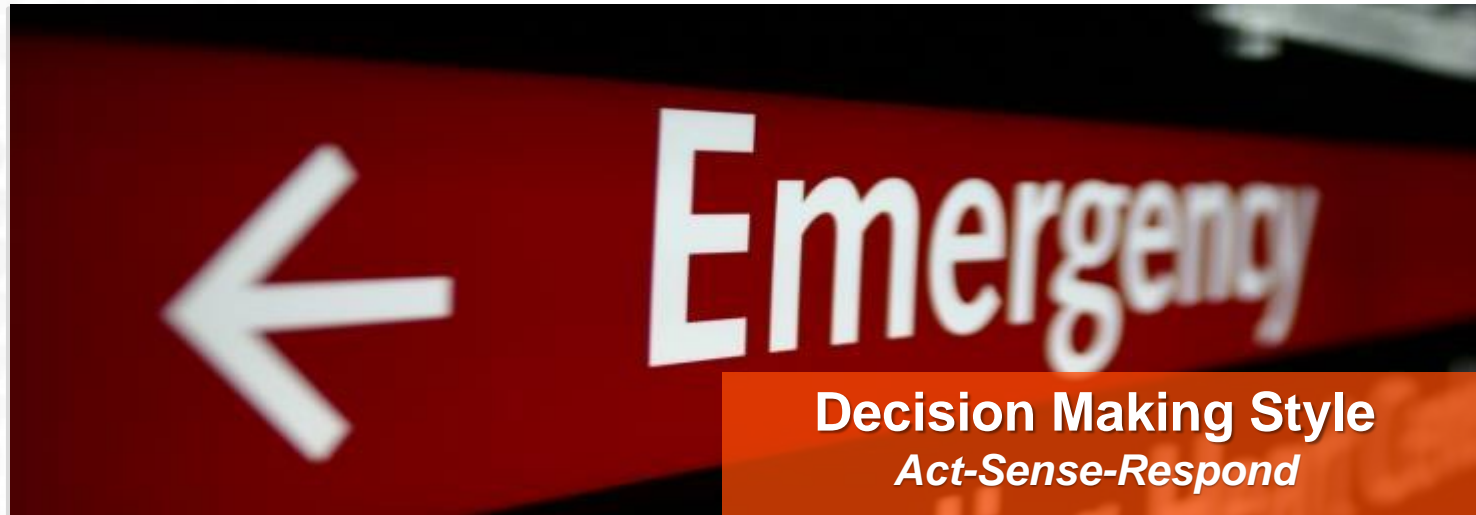






Walgreens became the first-ever chain retailer to announce that it would become a direct provider of primary care services --- *an easily-accessible “medical home” for millions of Americans suffering from chronic conditions that require preventative or ongoing care.*

Source: ThinkProgress, April 4, 2013



- Act to restore order, staunch the bleeding, command and control
- No time to ask for input
- Look for what works instead of seeking the right answers
- Clear, direct, broadcast communications

Source: HBR, Snowden and Boone, 2007



- Innovation – Disruptive change feels chaotic
- Risk adverse, complex organizations will work to reverse the impact of disruption
- Innovation must be managed through a separate and unique process

Source: HBR, Snowden and Boone, 2007

# The Cynefin (*ku-nev-in*) Decision Making Framework



Source: HBR, Snowden and Boone, 2007

# “Take-Aways” for Board Members



- Multiple decision making styles are necessary
- Most healthcare leaders are trained in “right sided” decision making, “left sided” requirements often create anxiety
- Leadership (Inspiration, Creativity & Change) is required of “left sided” decisions
- Adept leaders will learn to identify the type of decision that is needed and modify their own behaviors and decision making approach
- Complex decisions will require new tools, methods and information
- Boards will need to modify decision making structures to become more agile and responsive to decision types



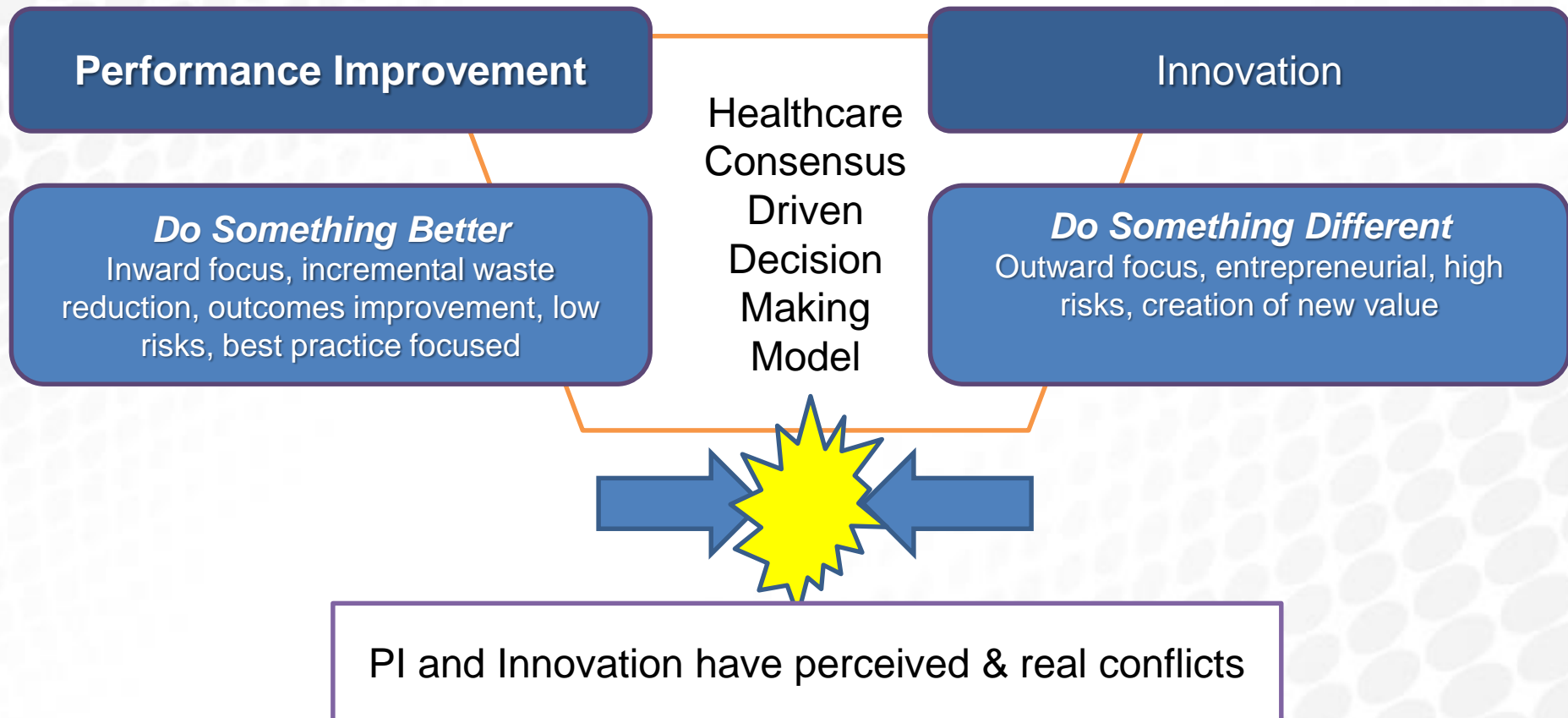
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# Multiple Decision Making Styles are Necessary

*PI & Innovation Require **Change** and **Data***

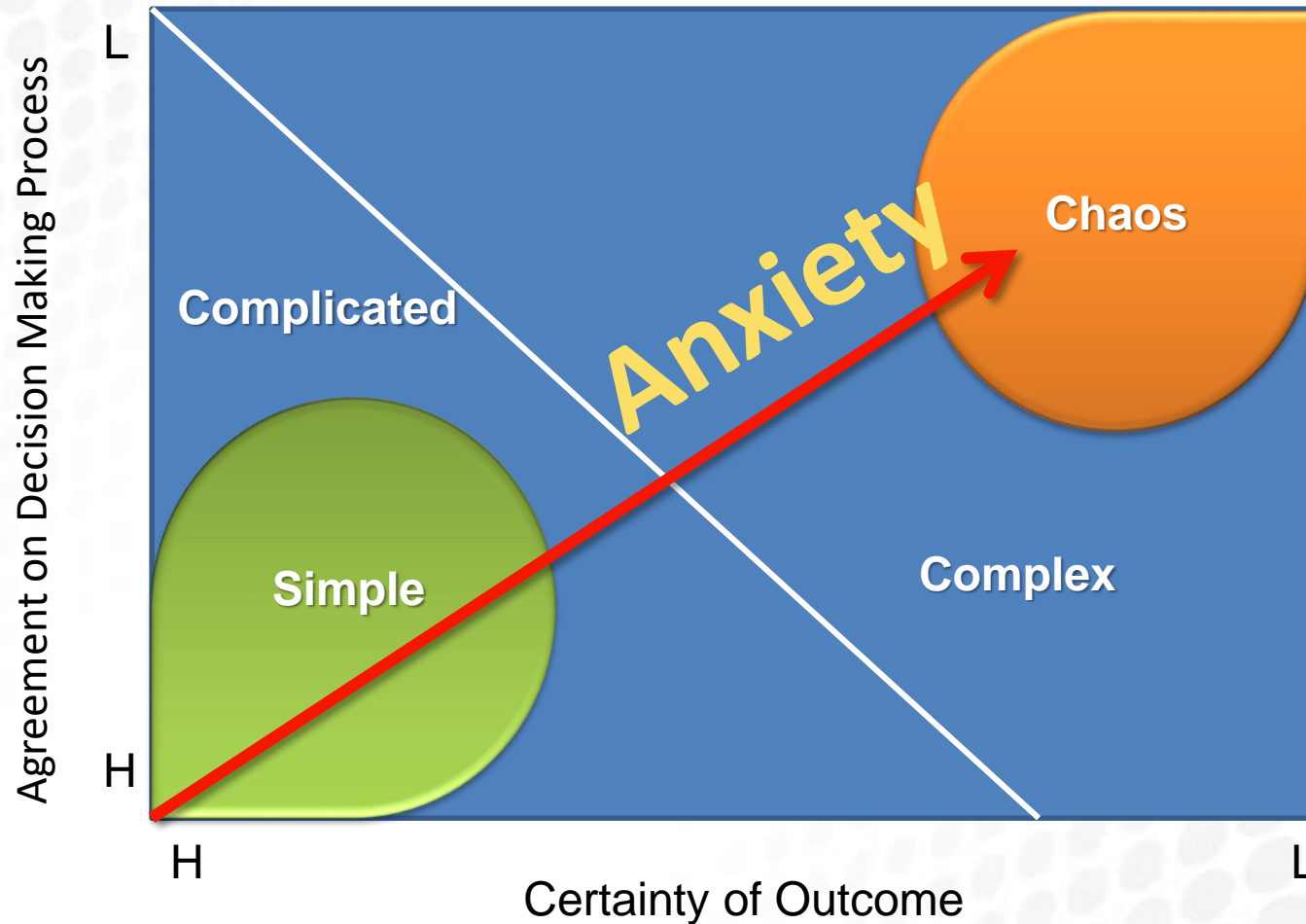


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# “Left Sided” Requirements Often Create Anxiety



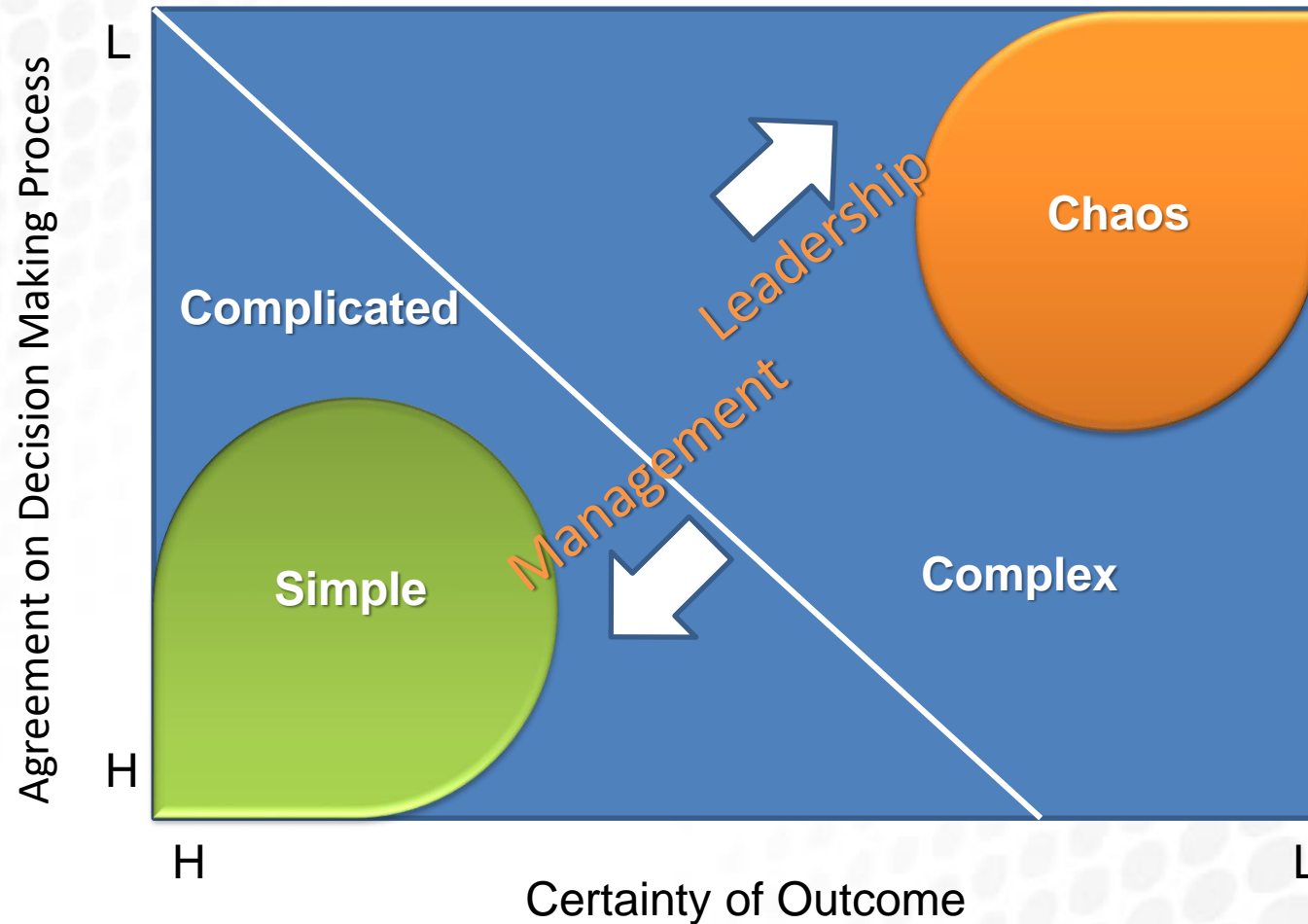
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# Leadership is Needed for “Left Sided” Decisions



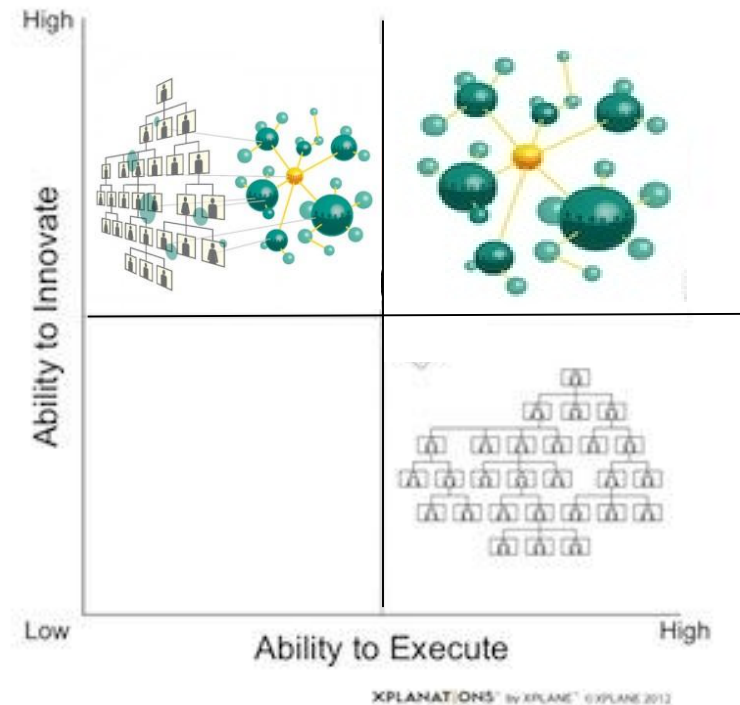
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# Adept Leaders Will Modify Their Decision Making Style

- “Projectize” the organization  
*A project is a temporary process undertaken in order to achieve a specific result – all change initiatives*
- Group related projects into programs
- Synchronize programs with strategic imperatives
- Categorize according to Cynefin Framework
- Realign/prioritize within Cynefin categories
- Focus on Complex and Chaotic - Innovative



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# New Tools & Decision Making Approaches

News Column


## Big Data and Predictive Analytics Can Transform US Healthcare System

January 10, 2013

For more than a decade, banks and retailers have been using "big data" to draw actionable conclusions from data they collect through commerce. Now, two NYU Stern researchers

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## Big Data Could Save Healthcare System \$300+ Billion Annually

12/12/2012 by 

(/authors/michael-esquivel/) | Michael Esquivel (/authors/michael-esquivel/)

Fenwick & West Life Sciences Group (/profile/fenwick\_life\_sciences\_docs/)

## THE WALL STREET JOURNAL January 19, 2012 Health Care Is Next Frontier for Big Data

By BEN ROONEY



Big Data—the ability to collect, process and interpret massive amounts of information—is one of today's most important technological drivers. While companies see it as a way of detecting weak market signals, one of the biggest potential areas of application for society is health care.

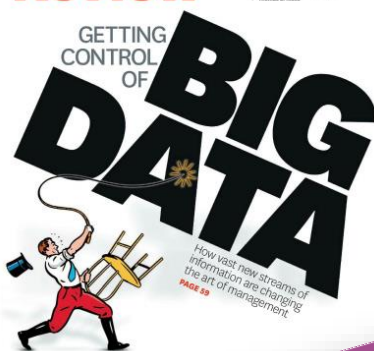
## Can Hype Spell Hope for Predictive Healthcare Analytics?

October 24, 2012 | Ian Armas Foster

[Print This Article](#)

Since the mandatory digitalization of health records and IBM's Watson's debut, analysts and journalists have written several hundred thousand excited words about what big data and predictive analytics can do for the healthcare industry.

**Harvard Business Review**  
OCTOBER 2012  
At the Helm:  
The True Measures  
Of Success  
Michael J. Mauboussin  
An International Business  
to Rules for Managing  
Global Innovation  
Randy Wilson and Yves L. Doz  
At the Helm:  
What Ever Happened  
To Accountability?  
Thomas H. Doherty



## FEATURES IBM's Watson Is Learning Its Way To Saving Lives

BY JON GERTNER | OCTOBER 15, 2012

A few years ago, IBM's new computer was a game-playing curiosity. Now Watson is poised to change the way human beings make decisions about medicine, finance, and work.

*"Healthcare use of advanced health data analytics will grow significantly, increasing from 10 % adoption in 2011 to 50% adoption in 2016."*

Source: Frost & Sullivan



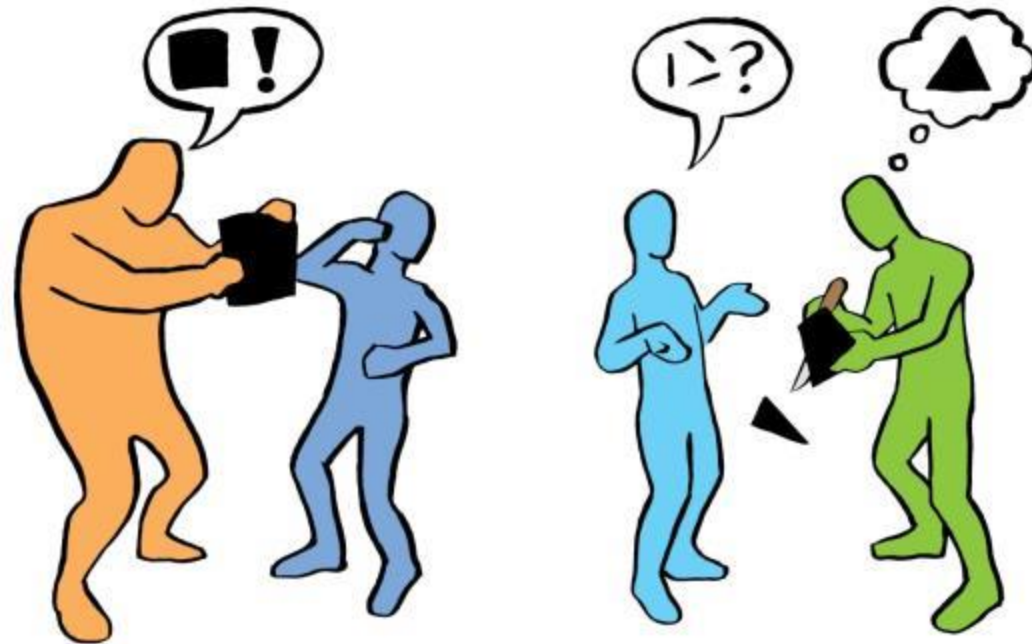
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# Board's Will Become More Agile in Decision Making

- Create a Vision for Change
- Ensure synchronization: strategy, market trends and investments
- Inject sense of urgency
- Ask questions, not give answers
- Hold leadership accountable for results and value
- Ensure integration, coordination and collaboration across the system
- Remove barriers



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- New leadership roles and how they are different
- New/different operating models
- New decision making tools
- Examples and role of the Board

**Questions or Comments:**

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Speaking/Retreats for Boards & Leadership Teams