

THE **CUSTOMER REVOLUTION** IN HEALTHCARE

Delivering Kinder, Smarter,
Affordable Care for All



DAVID W. JOHNSON



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INTRODUCTION

The Healthcare Industrial Complex

On January 17, 1961, three days before leaving office, Dwight D. Eisenhower spoke to the nation one last time as its president. Eisenhower's observations regarding war, peace, government, and the emerging "military industrial complex" are timeless, visionary, and compelling (Figure I.1). They reflect a deep understanding of human nature, democratic institutions, and moral leadership.

Almost 60 years later, Eisenhower's analysis of the threats posed by inappropriate institutional behaviors applies to US healthcare. America's Healthcare Industrial Complex™ (the System) is far more insidious and virulent than the military industrial complex against which Eisenhower warned. Understanding the System's nefarious operating dynamics and the dangers they pose to American society are necessary and constructive first steps toward its elimination and replacement with a new American healthcare that is kinder, smarter, and affordable. Before charting that course, let's return to President Eisenhower and his concerns for America's future.

Given Eisenhower's storied military and political career, most listeners expected an "old soldier's" valedictory. That did not happen. Instead, the president dissected the moral dimensions of global leadership:

America is today the strongest, the most influential and most productive nation in the world. Understandably proud of this pre-eminence, we yet realize that America's leadership and prestige depend, not merely upon our unmatched material progress, riches and military strength, but on how we use our power in the interests of world peace and human betterment.¹

Until the end of World War II, America had never had a permanent armaments industry. While necessary to keep the peace, Eisenhower

"All the News That's Fit to Print"

The New York Times.

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Printed at the New York Times Building, 215 West 43rd Street, New York 17, N.Y.
Partly cloudy and mild today.
Tonight and tomorrow:
Temp. range 46-55; variable; 45-51.

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FIVE CENTS

U. S.'S CONGO ROLE IS WORRYING U. S.; KENNEDY MAY ACT

Advisers Expected to Urge New Administration to Resolve Crisis Quickly

DAYAL CALLED HOSTILE

Reappraisal to End Trend Away From the West Is Weighed in Washington

By WALLACE CARROLL

WASHINGTON, Jan. 17.—The United States is becoming increasingly uneasy over the trend in the Congo and the performance of the United Nations there.

It seems certain that the Kennedy Administration, which assumed its responsibilities Friday, will be told by its military and military advisers that it must act quickly to reverse a bad situation.

There is the indication here to "go it alone" in the Congo. The persistent attitude of the Government, as well as advisers, is that the United States will advise more countries to work through the United Nations to give the Congolese a chance to develop their nation.

Communist in U. S. Presidential John F. Kennedy and all the present and potential advisers to support the United Nations system.

What has developed here, however, is a feeling that United States advisers are not prepared to do a cold, hard re-evaluation.

In the opinion of some high officials, present in the Congo, have reversed the strategy who pay the heaviest tolls here. That trend has to be stopped as a good part of the United

Harbor Pickets Tie Up Central Trains, But Fail to Block Other Rail Lines Here

Service Cut for 40,000 Commuters—New Trucks Scheduled for Today



The arrival board at Grand Central Terminal shows the delay of the exalted train on the New York Central.

Feats of courage and team spirit on Page 16.

By A. H. HARRIS

A loud offensive by striking marine workers behind all New York Central train lines and east of Grand Central Terminal yesterday.

The strikers did not service the 40,000 commuters and business travelers who depend on the New York Central line to and from Grand Central Terminal. The strikers also refused to service the 40,000 commuters and business travelers who depend on the New York Central line to and from Grand Central Terminal.

Negotiations between the strikers and the management were resumed at 2 A. M. but they were still in the air when the pickets went home. They were scheduled to return at 7 A. M. if the program was reported in the New Haven, which carries 30,000 passengers a day to and from Grand Central, got most of its service from the New York Central.

Continued on Page 14, Column 1

KENNEDY ADVISED TO PRESS GROWTH OF U. S. RESOURCES

Task Force Calls for 'New Leadership' for Program Including Atom Power

Excerpt from the executive report set out on Page 18.

By TIM WICKER

WASHINGTON, Jan. 17.—A task force on national resources today urged President-elect John F. Kennedy today to press "vigorous and imaginative" for a comprehensive program to develop the country's natural resources and to increase its production of nuclear power.

The report of the Kennedy task force, which was set up last month, said the group looked forward to an administration that will establish the authority of a permanent National Resources Development Commission, which will be charged with the task of developing the country's natural resources and to increase its production of nuclear power.

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Continued on Page 18, Column 1

EISENHOWER'S FAREWELL SEES THREAT TO LIBERTIES IN VAST DEFENSE MACHINE



A FEW FINAL THOUGHTS: President Eisenhower addresses the nation in farewell speech at the White House.

Prayer by President

Speech to the New York Times

WASHINGTON, Jan. 17.—Following in the prayer which President Eisenhower concluded the farewell address to the nation today.

We pray that people of all faiths, all races, all nations may have their great hopes made actual, that those who desire opportunity shall come to enjoy it to the full, that all who yearn for freedom may experience its spiritual blessings; that those who have freedom will understand, when the heavy responsibilities that all who are entrusted to the hands of others will have clarity; that the scourges of poverty, disease and ignorance will be made to disappear from the earth, and, in the goodness of God, all peoples will come to live together in a peace guaranteed by the binding force of mutual respect and love.

VIGILANCE URGED

Talk Bids 'Godspeed' to Kennedy—Voices Hopes for Peace

By FREDERICK BRADY

WASHINGTON, Jan. 17.—President Eisenhower cautioned the nation in a farewell address from the White House tonight to be "vigilant against thoughtless liberties implicit in a vast military establishment and a permanent armaments industry unaccustomed to peacetime."

In his speech, which brought tears to the cheeks of fifty years of public service, the President laid emphasis on a sound thread of the nation's history by Federal employment, project administration and the peace of nations.

He said this message was "one which President Eisenhower concluded the farewell address to the nation today."

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Request for Ask College Grant Of \$200 for Each Student

By WARREN WEATHERS

ALBANY, Jan. 17.—The Board of Regents proposed today that the State give \$120,000,000 a year in grants to colleges and universities to help them expand. The program would consist of a grant of \$200 for each student enrolled in a private school for each semester.

The board would also provide a grant of \$100 for each student enrolled in a public school for each semester. The board would also provide a grant of \$100 for each student enrolled in a public school for each semester.

SPELLMAN ASSAILS A SCHOOL-AID PLAN

Proposal by Kennedy's Task Force Criticized for Not Including Charter Pupils

By JOHN WHARREN

Charter schools have been excluded in a proposal by President-elect John F. Kennedy today to provide \$120,000,000 a year in grants to colleges and universities to help them expand.

LAOTIANS DEMAND SOME FRENCH GO

By WALLACE CARROLL

VIENNA, Jan. 17.—Laotians today demanded that the French Government should withdraw its troops from Laos.

FIGURE 1.1 Eisenhower warns of the military industrial complex in farewell speech.

warned Americans of the grave dangers to a free society posed by an emerging "military industrial complex":

This conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence—economic, political, even spiritual—is felt in every city, every state house, every office of the Federal government. We recognize the imperative need for this development. Yet we must not fail to comprehend its grave implications. Our toil, resources and livelihood are all involved; so is the very structure of our society.

In the councils of Government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.

We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted. Only an alert and knowledgeable citizenry can compel

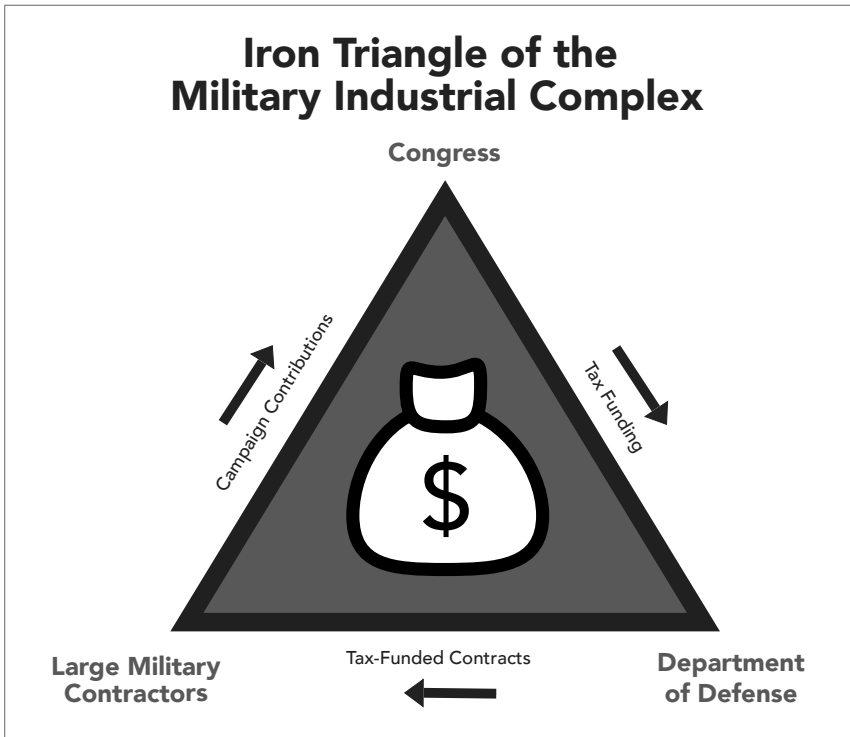


FIGURE I.2 Military contractors, the Department of Defense, and Congress fuel each other's growth and protect each other's funding.

the proper meshing of huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together.

Eisenhower coined the term “military industrial complex” to describe how an unholy trinity of the Defense Department, Congress, and military contractors work to promote their own interests at the expense of American society. Figure I.2 shows how money and influence flow between the three component parts of the military industrial complex.

Almost 60 years later, President Eisenhower’s warnings remain more applicable to America’s broken healthcare system than to the military establishment. In 1961, military spending and healthcare expenditures constituted 9 percent and 5 percent of the US economy respectively, as measured by gross domestic product (GDP). Today, healthcare consumes 18 percent of GDP, the military only 3 percent (see Figure I.3).

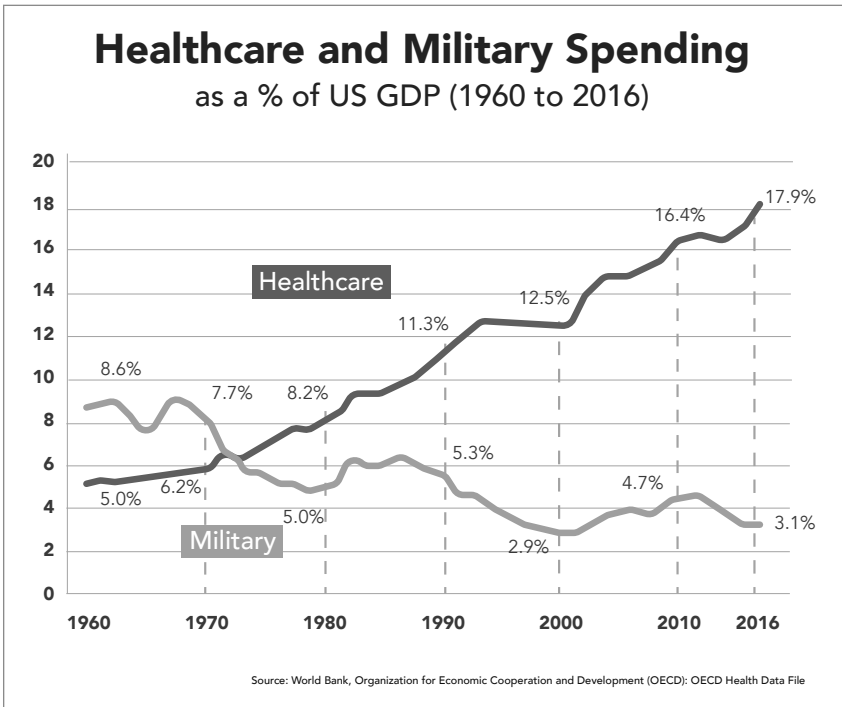


FIGURE I.3 Healthcare expenditures now greatly outweigh military expenditures.

The United States spends far more on healthcare per capita than any other advanced economy yet experiences much lower health status. The developed country with the next highest percentage of healthcare expenditure is France at 12 percent of its GDP. Life expectancy in France is almost four years longer than in the United States. In fact, American life expectancy is now declining for the first time in the nation's history.

The average birth in the United States costs 21 percent more than a royal birth in Great Britain (Figure I.4). Prince William and Princess Kate welcomed eight-pound-seven-ounce Louis to this world on April 23, 2018, in the posh Lindo Wing at St. Mary's Hospital in London. The cost for a non-Cesarean birth at Lindo in 2015 was \$8,900. An equivalent birth in the United States that year cost \$10,808. Does that turn every American-born baby into a prince or princess?²

The Healthcare Industrial Complex is the military industrial complex on steroids. Congress, a massive healthcare bureaucracy, and an even

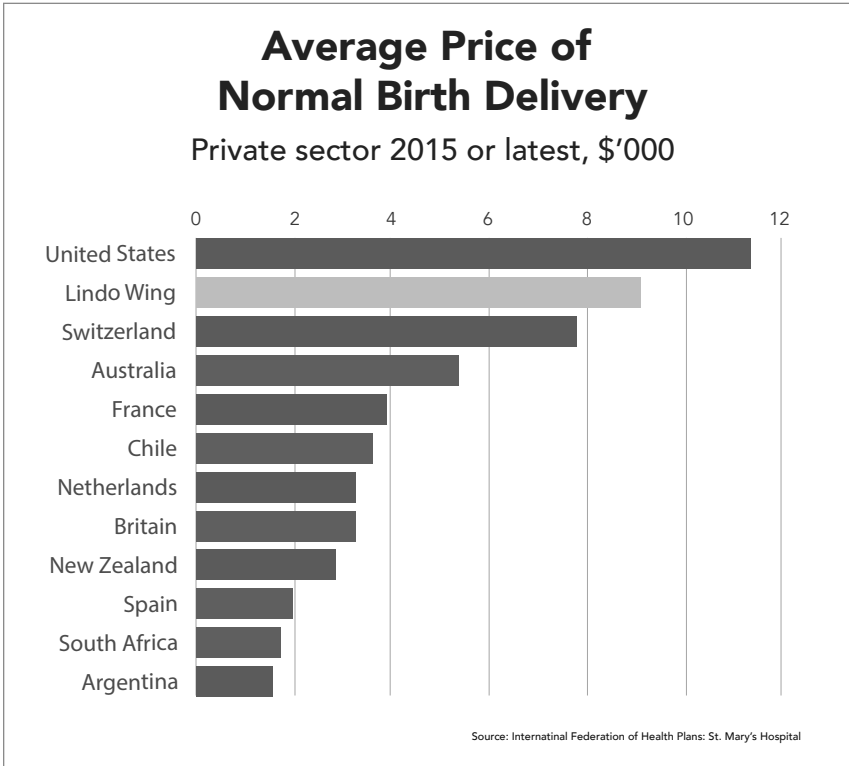


FIGURE I.4 Births cost more in the United States than in other developed countries.

more massive healthcare industry conspire to drive US healthcare spending ever higher without delivering commensurate health benefits.

Healthcare's all-consuming appetite for resources steals from more productive sectors of the American economy. More important, the healthcare services the System delivers are not the services the American people need, want, and deserve. The Healthcare Industrial Complex is the root cause of America's healthcare crisis.

THE SCIENTIFIC- TECHNOLOGICAL ELITE

After explaining the dynamics of the military industrial complex, Eisenhower issued a second warning against an emerging

“scientific-technological elite” that is dependent upon government contracts and funding:

Today, the solitary inventor, tinkering in his shop, has been overshadowed by task forces of scientists in laboratories and testing fields. In the same fashion, the free university, historically the fountainhead of free ideas and scientific discovery, has experienced a revolution in the conduct of research. Partly because of the huge costs involved, a government contract becomes virtually a substitute for intellectual curiosity. For every old blackboard there are now hundreds of new electronic computers.

The prospect of domination of the nation’s scholars by Federal employment, project allocations, and the power of money is ever present and is gravely to be regarded.

Yet, in holding scientific research and discovery in respect, as we should, we must also be alert to the equal and opposite danger that public policy could itself become the captive of a scientific-technological elite.

Fast-forward to the current day, and Eisenhower’s prophecy has become reality in academic medicine. Academic medical enterprises rank themselves according to the numbers and amounts of National Institutes of Health (NIH) funding they receive. The competition among principal investigators (PIs) retards collaboration and creates research silos.

The vast majority of NIH funding targets biomedical breakthrough research that supports the Healthcare Industrial Complex’s ability to consume ever-greater percentages of societal resources. More disturbingly, medical research underinvestigates how social determinants of health (housing, transportation, poverty, food insecurity, etc.) influence the American people’s health status. The System funds the research that pays, not the research that generates the greatest benefit for society.

MORTGAGING AMERICA’S FUTURE

Finally, Eisenhower warned against excessive public spending and public debt:

As we peer into society’s future, we—you and I, and our government—must avoid the impulse to live only for today, plundering, for our own ease and convenience, the precious resources of

tomorrow. We cannot mortgage the material assets of our grandchildren without risking the loss also of their political and spiritual heritage. We want democracy to survive for all generations to come, not to become the insolvent phantom of tomorrow.

Healthcare-related debt is the leading cause of personal bankruptcy. Healthcare is the largest and fastest-growing budget item for federal and state governments. It's the leading driver of deficit spending. If President Eisenhower were to give his farewell address today, he would surely cite the bloated and inefficient healthcare system as a fundamental threat to the nation's prosperity and quality of life.

Other presidents have pushed for reform. President Franklin D. Roosevelt tried to include public funding for health insurance in his New Deal legislation but dropped his proposal because of fierce opposition from the American Medical Association. After World War II, President Harry S. Truman called for universal coverage in his Fair Deal legislation. Instead, employer-sponsored health insurance emerged as the principal health insurance funding mechanism.

As the civil rights movement unfolded, President Lyndon B. Johnson gained passage for the landmark legislation that established Medicare and Medicaid. Though ensuring care for the elderly and poor, these massive new programs contained perverse economic incentives that have spawned 50+ years of fragmented care delivery and relentless expenditure growth.

In the early 1970s, President Richard M. Nixon proposed market-based reforms that prefigured the Affordable Care Act (ACA) but failed to win support from Democrats. In the 1990s, Republicans, with help from the insurance industry, blocked President Bill Clinton's expansive healthcare reform proposals.

President George W. Bush expanded Medicare's prescription drug coverage and modernized the Medicare Advantage program. President Barack Obama applied market-based reform principles pioneered under Republican Mitt Romney in Massachusetts to enact the Affordable Care Act with no Republican support. Fierce and unrelenting political opposition to the ACA has defined healthcare policy debate since its passage.

Sadly, a century of reform initiatives has accomplished very little.

As the political balance swings toward Democrats after the 2018 midterm elections, there is renewed interest in a single-payer "Medicare for All" health system. That approach runs the substantial risk of locking in the System's current dysfunction even as it increases access. As Albert

Einstein famously observed, “The definition of insanity is doing the same thing over and over again but expecting different results.”

We, the people, get nothing close to commensurate value for our healthcare expenditure. American healthcare fails to generate superior health outcomes, provide universal access to appropriate and affordable care services, or foster healthier communities.

The problems are not *in* the System. The problem *is* the System. It’s time to fight the Healthcare Industrial Complex, blow it up and replace it. The coming revolution will not be top down but bottom up. In fact, it’s already underway.

WE THE PEOPLE

In Philadelphia, on July 4, 1776, the representatives of the Second Continental Congress formally adopted the Declaration of Independence. This document announced that the 13 colonies would no longer suffer under the unjust rule of a distant power. As the signers stated,

when a long train of abuses and usurpations, pursuing invariably the same Object evinces a design to reduce them under absolute Despotism, it is their right, it is their duty, to throw off such Government, and to provide new Guards for their future security.—Such has been the patient sufferance of these Colonies; and such is now the necessity which constrains them to alter their former Systems of Government.

Two and a half centuries later, American citizens retain the inalienable rights of life, liberty, and the pursuit of happiness but confront a different form of tyranny. The sprawling Healthcare Industrial Complex imposes itself unjustly on Americans at great human and economic cost. The System does not serve the American people’s interests, meet their needs, provide for their welfare, minimize their financial burdens, or support their pursuit of better, healthier lives.

For complex conditions and “miracle” treatments, American healthcare is the best money can buy. From the inside, where it counts, the System generates subpar outcomes. It treats sickness but does not promote health. It ignores convenience, service preferences, affordability, and value. It rewards vested interests. It needlessly harms individuals and communities. It is a drag on national productivity, quality of life, and living standards.

The System is a dispiriting, frustrating, corrupting, burdensome, and lethal combination of bad medical practices, bad policy design, and bad market behaviors. Its villains are easy to identify: Big Medicine, Big Pharma, Big Insurance, and Big Government. The System consumes societal resources with vigor and exhibits an appalling indifference to societal needs. It's time to revolt. It's time for healthcare customers to use their purchasing power to demand health and healthcare services that meet their needs.

The unsung heroes of American healthcare are everywhere. They are:

- The doctors and nurses who deliver expert care with compassion despite the churn of 15-minute appointments and the mind-numbing demands of data entry.
- The patients, family members, and social workers who arrange care, coordinate information, and resolve problems by stitching together a broken system through their unpaid or underpaid labor.
- The administrators who overcome red tape and bureaucratic processes to meet real needs. They are technicians, technologists, and support staff who somehow keep the wheels turning.
- The executives and leaders who steer their organizations along a righteous path despite counterincentives that offer greater rewards for mediocrity, ruthlessness, and indifference.
- The entrepreneurs and visionaries striving to build better tools and services for a system that does its best to thwart or reject new approaches.

It shouldn't be so hard to do the right thing, but the System is unrelenting in pursuing its own interests. When push comes to shove, the System wins, and the people lose. The good news is that a new era is dawning. Revolutionary Healthcare is coming with payment models that reward service and value.

New delivery models are liberating healthcare professionals to provide personalized care with compassion, empathy, and shared medical decision making. They are giving patients and families the information, tools, and services they need to be powerfully engaged in their own health outcomes, decisions, and priorities. New technologies are making it easier to learn, communicate, and act. As a result, enlightened organizations are winning by delivering service excellence, not by exploiting regulatory loopholes or optimizing payment formularies.

In this new era, the market rewards integrity, kindness, innovation, service, performance, and quality. When that happens, the villains will no longer be the System. Instead, our common enemies will be injury, disease, suffering, anxiety, waste, and inefficiency.

There is no stopping this revolution because healthcare's customers and consumers are mad as hell. Their battle cry is a market-driven declaration for better value.

BALANCE AND SKEPTICISM

Lost in the political healthcare reform discussion is the necessity of achieving balance among competing interests: individual and societal needs; costs and benefits; government and private markets; influence and justice; reward and sacrifice; consumption and investment. Healthcare is dangerously out of balance and needs to regain it. Americans shouldn't have to live their lives in caves to afford great healthcare services.

Let's return to Eisenhower. His lifetime of leadership under the most demanding circumstances gave him a hardheaded appreciation for the role balance plays in governance while striving for the twin goals of "world peace and human betterment." Eisenhower fundamentally understood that human beings can be agents for good or evil. Productive societies accentuate human potential and limit human depravity. In this sense, Eisenhower's worldview exhibits a theological wisdom about human nature.

Reinhold Niebuhr was a contemporary of Eisenhower and the twentieth century's most influential theologian. Niebuhr's books and sermons addressed the need for moral action while acknowledging the flawed nature of human reasoning and judgment. As acclaimed historian Arthur Schlesinger Jr. observed, "Niebuhr's analysis of human nature and history came as a vast illumination. His argument had the double merit of accounting for Hitler and Stalin and for the necessity of standing up to them."

Niebuhr synthesized humanity's creative-destructive dynamism eloquently in his 1944 book *The Children of Light and the Children of Darkness*:

Man's capacity for justice makes democracy possible, but man's inclination toward injustice makes democracy necessary.

Eisenhower's leadership embodied "Niebuhrian" logic. Managing the affairs of nations requires a healthy dose of skepticism regarding human motivation. Applying Niebuhrian logic to healthcare reveals a harsh

truth. The American healthcare industry operates the US healthcare system for its own benefit, not for the benefit of the American people.

Since Eisenhower's time in office, the conjunction of congressional, industrial, and bureaucratic interests has spread beyond the military and infected the entire US healthcare system. Healthcare is on its way to consuming 20 percent of the US economy and has demonstrated no ability to restrain its voracious appetite. The scale of healthcare's malfeasance threatens societal well-being at the national, state, community, and individual levels.

America has the ability to create and operate a healthcare system that meets the real health and healthcare needs of the American people with fairness, compassion, and effectiveness. To paraphrase Niebuhr, healthcare's capacity for innovation makes value possible. Healthcare's proclivity for waste makes value necessary. The future state of the nation depends on whether and how the American people take up this challenge.

THE CUSTOMER REVOLUTION IN HEALTHCARE

American healthcare operates within an artificial economic environment. Health companies exploit inefficient and perverse payment formularies to maximize revenues. An outdated regulatory structure and government capture encourage monopoly and monopsony business practices.

The result is a wasteful, fragmented, high-cost healthcare delivery system that neglects customer needs and delivers suboptimal care outcomes. The System is a tangled mess of bureaucratic bungling, profiteering, crony capitalism, and soul-destroying institutionalized care.

The Healthcare Revolution is coming. A confluence of better healthcare purchasing, technological advances, consumerism, and entrepreneurial innovation are turning healthcare inside out, upside down, and right-side up.

First, some definitions.

- **Customers** are the organizations and people paying for healthcare services. In the US healthcare system, customers are usually governments and corporations, not end users. The buyers of healthcare are the real drivers of change.
- **Consumers or patients** are the end users of health and healthcare services. The more that patients think and act like customers, the faster the Healthcare Revolution will advance.

- **Revolution** is the two-step process of decommissioning the System and replacing it with a new American healthcare system that rewards outcomes, customer service, and value.
- **Revolutionaries** are the individuals and organizations leading the bottom-up, market-driven transformation to a new American healthcare system.

The Customer Revolution in Healthcare has three parts: “Revolutionary Conditions,” “Revolutionary Forces,” and “Revolutionary Healthcare.” Part I, “Revolutionary Conditions,” details the reasons the American people must declare independence from the System. Part II, “Revolutionary Forces,” describes the driving forces disrupting the System from the bottom up and empowering revolutionary health companies to victory. Part III, “Revolutionary Healthcare,” describes how revolutionary upstarts and incumbents can deliver holistic health and healthcare services to all Americans.

Revolutionary Healthcare aligns payment with desired outcomes. It liberates caregivers, patients, and administrators and empowers consumers to make informed medical decisions. It requires governments to develop, apply, and enforce enlightened regulatory policies that support level-field competition. Supply and demand adjust to deliver the right care at the right time in the right place at the right price.

The System will not relent without a fight, but its days are numbered. Like the American war for independence, Revolutionary Healthcare empowers Americans to achieve greatness, advance humanity, and redefine the terms of engagement. It delivers the care people need, when and where they need it, at fair prices. It elevates and heals.

High-cost, inefficient, and impersonal healthcare is not our destiny. Enlightened health companies thrive under fair and transparent market conditions. They adapt to consumer needs and market demands by reconfiguring their business models to deliver healthcare that is appropriate, accessible, holistic, reliable, and affordable.

A modern-day customer revolution is remaking one-fifth of the US economy. This is a revolution that the American people want and need to win. Revolutionary Healthcare already has achieved critical mass in select markets, and it’s spreading quickly. Revolutionary Healthcare will transform the well-being, productivity, and life quality of all Americans and all communities.

The road to revolution is never easy. Revolutionizing healthcare is not for the faint of heart. It inspires disruptive, bottom-up, market-driven,

and customer-centric competitors who capture market share by conquering inefficient and entrenched business practices. Healthcare revolutionaries win by delivering customers the services they want with great service and transparent, competitive prices.

The revolution will turn many sacred cows into hamburger. Powerful incumbents will adapt or disappear. New companies will emerge, change lives, and thrive. When the dust settles, revolutionized American healthcare will serve the people, not the System.

In the last sentence of the Declaration of Independence, the signers mutually pledged to each other their “lives, fortunes and sacred honor.” The current generation of Americans owes itself and future generations nothing less. It’s time to take up arms and deliver Revolutionary Healthcare to the American people.