



THIS WEEK'S SPEAKER

May 18, 2021

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Susan Devore, CEO, Premier

By Rick Handford

Henry Bostic, who spent 10 years working for Susan Devore at Premier, handled her introduction. Setting aside the information included in today's meeting notice, he instead offered personal observations about her that he gleaned during the years they worked together. Henry noted that Susan had inherited a mess resulting from merging three separate organizations together, but with her vision, plan, focus and leadership she soon set things right. In 2013 she completed the two-year reorganization process that allowed her to take the company public. He attributes much of her success to the fact that she is a consummate communicator, who works at it diligently. Henry describes her as one of the most knowledgeable leaders in healthcare, who was deeply involved in seeing that the healthcare systems had the tools and equipment they needed to confront the pandemic.

Susan started her talk by noting that she was the out-going CEO of Premier, and that she would be retiring at the end of June. Premier serves some 4,100 hospitals and over 200,000 providers of healthcare; and their goal in life is to lower the cost while improving the quality and safety of healthcare. She told us that she had been asked to discuss three topics, and proceeded to do so.

How has COVID-19 changed healthcare?

The response to the virus was a massive effort requiring collaboration and coordination of thousands of organizations. The speed with which the vaccines were developed and made available was truly remarkable. The fact that we would be unprepared and short of all kinds of basic supplies was not unexpected, given that some 80% of these, including masks, gowns, and gloves, are manufactured in China and other parts of Asia, and any interruption of supplies coming from there would leave us short of needed items. Government had allowed the emergency stockpiles of these items to be

depleted and had not replaced items that needed to be kept fresh, so we found that the stockpiles that were expected to be there were largely empty or contained items that had spoiled and had to be discarded.

Healthcare is a fragmented industry, with many independent players that are not set up to communicate with each other. The technology infrastructure required to enable manufacturers and distributors and hospitals and the government to communicate effectively did not exist; so it was hard to know what the virus was doing, what the individual providers had available to deal with it, and where to target scarce resources and get them to where they were needed most. That infrastructure needs to be put in place to allow real-time knowledge and responses to be shared seamlessly.

We learned that we need to be more resilient, with multiple sources of supplies from different parts of the world, including within the United States. We need to incentivize (not mandate) more domestic manufacturing of critical items so that we do not remain dependent on sources in one country or area outside of our borders. Susan also believes that we need to come up with a better method of providing/paying for health care that is not based on individual providers and insurers working in a fee-for-service model.

At the start of the pandemic, when the shortages and the inability of the government to react effectively became apparent, Susan worked to organize a private sector response that would work. She formed a cooperative between Premier and its top 25 competitors to share information and resources to respond to the needs as determined by their coalition and as requested by FEMA. She also saw that healthcare providers rose to the occasion and did tremendous work. When some areas had critical shortages of skilled nurses, staffing agencies helped to move nurses into these areas, and governments relaxed some of their licensing rules, recognizing credentials across state lines to allow this to happen.

Susan's hope is that as the crisis abates, the lessons learned will not be forgotten, and that the stockpiles will be built up, the necessary manufacturing will be brought online in this country, government agency technology will be improved and provide for more connectivity between the various entities, nursing home technology will be upgraded, and payment methodologies improved.

What will the Biden administration do about healthcare?

Their number one priority is to get as many people vaccinated as possible. Having overcome the distribution and delivery problems, the focus will shift to convincing the unvaccinated to get the shot. Second priority will be to position the Health and Human Services department so that they never find themselves in the predicament that they faced in 2020. Implementation of the strategies in the above paragraph would be a good way to do that.

They have talked about controlling drug prices. Because direct control would limit the development of new drugs and perhaps their manufacture here, she does not think that there will be a government takeover, although there may be compromises worked out with Pharma to improve affordability and transparency.

A drive to expand Medicaid availability in those states that have not expanded already is a sure thing, and she hopes that whatever infrastructure package is adopted will include improving the technology

in the healthcare space to improve communication between the private sector and the government, and between the various government entities involved.

Paying for all of this spending could be problematic, as raising taxes reduces incentives to invest and produce. The sheer amount of spending will increase inflation across the board, including in the healthcare space. This will lead to a push for some of the new payment models discussed above. It appears that the Biden administration will be doubling down on the Obamacare model, and although they are not likely to get new legislation passed, there are things they can do administratively to push on this.

What is next for healthcare in the US?

Employers are getting fed up with the inability of insurance companies to deliver care that is more cost-effective, less variable, higher quality and safer. Some large companies, and even some smaller ones, are looking to bypass the insurance companies entirely and team up directly with healthcare systems to deliver care for their employees. Improved technology and the ability to use Artificial Intelligence at the provider level could give providers data-driven menus of possible treatments and drugs that allow for the most cost-effective courses of treatment in real time. This is estimated to reduce expenses by around \$1,000 per year per patient.

It will be necessary to improve technology across the board, including in the public health departments and healthcare systems, and this needs to include interoperability between the various players to improve efficiencies. By way of example, around 80% of purchases by hospitals involve paper invoices and payments with paper checks. Electronic billing and payments would not only be magnitudes faster but would reduce costs significantly. Telemedicine, which got a huge boost during the COVID lockdowns, is here to stay, and hopefully grow and become better.

There are disparities of care among various populations, and Susan sees the need for study to determine the social determinants of healthcare issues, and how to reach all populations in an efficient manner. Government handouts are not the solution and cannot be efficient, but healthcare systems, working with providers, suppliers, and employers can devise and scale alternative delivery systems that can deliver care to all populations.

She estimates that some 25% of healthcare expenditures are wasted. Waste is defined as variations in care, overutilization of care, underutilization of care by those that really need it, use of high-cost drugs when lower cost alternatives would work, and other inefficiencies in the system. Most decisions impacting costs are made at the provider level, and so it is important that they are more fully informed about the cost impacts of their decisions. Technology can provide them with this information, reducing variability of care and the waste in the system.

From Premier's perspective, collaboration between suppliers, providers and healthcare systems to develop technologies that share information and give providers the data they need to make good decisions can result in improved models for delivery of care. This can best be done in the private sector, which maintains competition, which maintains innovation and differentiation. The issue is how

you bring private companies together to collaborate, aggregate, improve technology and continue to make care affordable, consistent, higher-quality and safer.

The presentation was excellent and contained more information than can be included here. I recommend that you take 30 minutes or so to watch it. Thank you, Susan, it was “quite a treat”!

*A recording of the program is available here: <https://vimeo.com/552086360>

Ms. Devore’s introduction begins at approximately 9:40 minutes.