



Spring 4-18-2013

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Recommended Citation

Hill, Kim, "Kannaday: Healthcare Industry Needs to Drive Changes" (2013). *News and Events*. 2196.

<https://digitalcommons.iwu.edu/news/2196>

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Kannaday: Healthcare Industry Needs to Drive Changes

April 18, 2013

BLOOMINGTON, Ill. – Community leaders gathered at Illinois Wesleyan University to hear about healthcare reform at a luncheon Wednesday featuring Colleen Kannaday, president of Advocate BroMenn Medical Center.

The Illinois Wesleyan Associates, a group of business leaders that was founded in 1953 to support the University and its students, invited Kannaday to speak at its annual spring luncheon. The Associates provide Illinois Wesleyan students with internship opportunities and scholarship support for students from McLean County.

Kannaday provided insights into how Advocate BroMenn and its healthcare partners began responding in 2010 to the adoption of the Patient Protection & Affordability Care Act.

She said some of the factors that led the industry and the country to rethink our approach to healthcare include:

- A federal deficit of \$16 trillion driven in part by Medicare, the fastest growing government spending program.
- The percentage of the nation's total healthcare spending related to Gross Domestic Product (GDP) growing from nine to 18 percent between 1980 and 2011, according to Kannaday.

"Other countries, however, spend somewhere between 8 and 10 percent, so we spend twice on healthcare nationally what other countries spend," said Kannaday. She said a common misconception is that this higher level of spending in the U.S. is justified by better health outcomes.

"The reality is the statistics do not bear that out," she said, noting that the U.S. life expectancy is 42nd in the world. "I can't stand here before you and justify what we are spending on healthcare."

Kannaday also noted that the Medicaid program in the state of Illinois is on the brink of collapse. "We currently provide Medicaid to 2.7 million Illinois residents in need with many more out there without coverage," she said. "Medicaid and pensions combined account for 39 percent of the state general revenue spending. This is not a force that can continue."

She also discussed healthcare costs to businesses. "Statistics show that per employee, you probably spend over \$10,000 per employee to provide healthcare coverage. The reality is, in the United States, that is not sustainable," she said.

"When you bring all these factors together, it has led us as a nation to say 'what are we going to do about it because the course that we are on is not sustainable,' " she said.

Kannaday noted that when the Affordable Care Act was passed, many healthcare providers took a "wait and see" attitude.

She said other healthcare providers, including the Advocate Healthcare System, began healthcare reform immediately upon the passage of the legislation in March 2010. Advocate has been a frontrunner in bringing doctors, hospitals and managed



Colleen Kannaday

care systems together to look at new ways to deliver healthcare, Kannaday said.

"In the old world, doctors and hospitals got paid when people got sick and came to the hospital," Kannaday said. "More emergency department visits was good, more admissions was good, more MRIs, more testing meant more revenue.

"That is part of what led us to this collision course that we are on," she added.

Kannaday explained that physicians and the hospital came together with a payer – Blue Cross –to focus for the first time on an infrastructure that would keep patients healthy rather than treating them when they are sick, and noted the importance of aligning incentives for all entities when those goals are reached.



Jessica Scharf '13

"We've gotten the managed care companies, in this case Blue Cross, to set aside additional dollars of funding for physicians and hospitals," she explained. "Once we are able to demonstrate that we are providing better care, keeping patients out of the hospital and lowering the costs, that money gets paid back to the physicians. For the first time, we have actually aligned the incentives of the physicians, the patients and the hospitals around a new system."

Kannaday said that in the past two and a half years since Advocate began the new infrastructure with Blue Cross, Advocate has been able to demonstrate a "bend in the cost curve."

"This means costs have gone up at a lesser rate than everybody else in the market," she said. "And we have been able to show we have provided better outcomes."

She noted an example of prescribing generic medications. In the Advocate system, Kannaday said physicians have prescribed generic medications at a rate of 71 percent compared to about 66 percent with major insurance carriers.

"The savings was \$26 million in our system alone by that small increase in prescribing generic medications," she said.

Kannaday acknowledged there are still those people who seek the repeal of the Affordable Care Act, and said she was approached by those in Wednesday's audience who hoped her talk would focus on a repeal.

"That train has left the station," she said, noting that the healthcare industry is focusing on moving forward. "What we need to focus on now is, how can we in the industry lead the efforts and not let the government be the ones to drive? Let the physicians, the systems, the hospitals be the ones to come together to drive what needs to be done.

"At Advocate we are doing it, and we are doing it with great outcomes and by reducing costs," she added, acknowledging that the challenges ahead are numerous, particularly with regard to the Affordable Care Act's health insurance exchanges and individual mandates fully implemented in 2014.

"We as healthcare providers are very focused on how we transform the delivery of care to become more efficient," she said.

"What is certain is we will be doing more with less. It's a very exciting time to be leading in healthcare."

Also on Wednesday's program were Associates board member G. Timothy Leighton of the Leighton Legal Group in Bloomington, who spoke on his own internship experience as a student and the value that his firm's interns provide; and Jessica Scharf '13, a business administration major from Bloomington, who thanked the Associates group for what they have done for her and other students through their scholarships and internship programs.

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