



The Health Care Dynamic from a Physician-Purchasers' Perspective

The world of health care looks very different when you are spending \$1 billion per year purchasing it. General Electric annually watches that sum of money flow out to health plans and from there to doctors, hospitals, nurses and others who serve our 220,000 employees and their families. The GE business that I work for, Power Systems, purchases about \$30 million worth of care from Kaiser Permanente in Upstate New York.

I thought it would be valuable to share my perspectives on health care purchasing with the Kaiser Permanente health professionals to give them a fresh look into a purchaser's thinking.

Global Markets

It is often difficult to appreciate the impact of local health care on global sales competition. Perhaps the easiest way of thinking about it is to be aware that health care quality and costs directly affect GE's ability to compete successfully in Europe, Asia, and elsewhere. If the cost inputs associated with health care are inordinately high, our products will be too expensive and will not sell. If our products fail to meet customers' specifications, that has a direct impact on our labor needs. Hence, the U.S. health care industry (which is again experiencing significant cost growth) can directly affect sales and jobs. What U.S. businesses seek is the most efficient care we can buy. Providers need to "spend" money as if it were their own.

If health care quality is poor, costs go up, driven by extra tests and treatments. These are the direct costs. If patients have prolonged hospitalizations and days of disability, it impacts GE's efficiency—an indirect cost. Hence, poor quality care hurts us in the global market as well. If our pro-

ductivity is low, we are at a competitive disadvantage. It is clear that Kaiser Permanente can play an important role in keeping GE a globally competitive company by helping to maintain a healthy and productive work force.

Value

The concept of value is familiar to everyone who buys an appliance, a car, or clothing. Value is derived by dividing quality by price. It is the value equation that drives most Americans to buy cars like the Toyota Camry or Ford Taurus. Our perception is: excellent quality and attractive price—hence high value. Businesses cannot view either quality or price in isolation because the concepts are inextricably connected in the notion of value. To purchase low-quality health care at a high price would be a low-value transaction. Value is GE's present and future focus in health care.

An important lesson that has been learned by American businesses has to do with another relation between cost and quality. In general, as quality improved in cars, computers, and VCRs, production costs decreased and prices

fell pleasantly. The falling prices reflect the decreased costs associated with producing quality products. After some study, many health care quality experts believe that health care costs also will fall as quality improves. This suggests that companies like GE can and should expect a dramatic improvement in value from health care in the future. This value improvement will be driven by the price reductions passed on to us as costs go down. Value, however, cannot improve unless progressive plans like Kaiser Permanente focus intensely on quality.

Quality

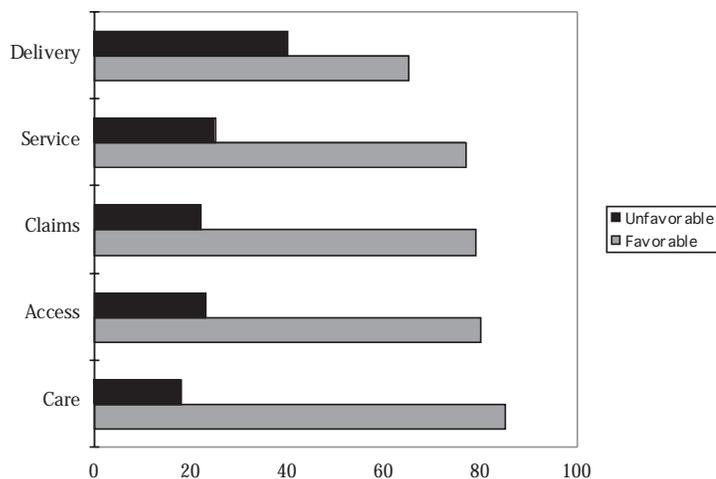
GE is currently in the midst of a Quality Revolution. Two years ago we launched a program entitled Six Sigma. Six Sigma is a quality methodology based on the notion that it is possible to reduce defects in processes and products to less than 3.4 per million operations. Implementation is based on measurement, analysis, improvement, and control strategies applied to every key process in our business.

In Six Sigma, the customer is king. Every quality improvement

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What GE Employees and Families Think About Their Health Care 1996



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effort begins by asking customers which things are critical to their perception of quality. Once we know the customers' desires, we look at the processes that impact the customer and identify opportunities to make quality breakthroughs for them.

The Six Sigma system has provided excellent quality improvement for Motorola, Texas Instruments, and Allied Signal. Results at GE to date are very promising. The Health Care Team at GE is using the Six Sigma methods to improve the quality of service to our clients. Our efforts, built on solid survey data, brought one immediate “ah ha!” We learned that GE employees and families were most concerned about delivery and service issues and were generally satisfied with their care. The graph on the preceding page shows these results.

Based on our customers' concerns and our quality opportunities, we are joining forces with our health plans, including Kaiser Permanente, to build projects to dramatically improve services and delivery to our customers.

What our customers have told us in the survey is that service in health care is currently poor. This poor quality is not news to any of us who have waited on the phone or in front of a receptionist trying to get an appointment—or a prescription. From a business perspective, it is unthinkable to pay \$1,200 for a hospital room and be unable to get a call light answered immediately! The opportunity is great and must involve every member of the health care team. Doctors can and should be powerful exemplars of great customer service.

Variation

Another concern, very closely related to quality, is variation. Variation is the enemy of quality. As employers like GE look across regions of the country, they see wild variation in many health services—hysterectomies, C-sections, radical prostatectomies and coronary angioplasties, to name a few. If rates vary by three times, employers want to know: what is the correct rate? Great variation suggests we are getting low value in some areas or high value elsewhere. At present, it is impossible to tell which is which. The skilled providers at Kaiser Permanente must work to drive out variation and address a more standard approach to health care problems—these may be critical pathways or treatment guidelines. What they are called is unimportant: the outcome we seek is high quality care that is free of undue variation.

Compassion

Finally, the pressure on the health care system is great and getting greater. In spite of this in the end, all care is person to person, people touching people. GE puts a high premium on the compassion and caring given our employees and their families. Our people are the most important asset we have. Your kind, compassionate, deliberate care of these precious resources is critical to quality for all of GE.

GE is proud to partner with Kaiser Permanente. We look forward to breaking new ground in value and quality with all the Kaiser Permanente teams. ❖

“You think because you understand *one* you must understand *two*, because one and one makes two. But you must also understand *and*.”

Ancient Sufi Teaching