Women Leaders

Creating Value in Health Care

An Interview with Mary A. Tolan,
Founder and Chief Executive Officer, Accretive Health

EDITORS' NOTE *Mary Tolan has served as Founder, Chief Executive Officer, and Director since November 2003. Prior to joining the company, Tolan spent 21 years at Accenture Ltd. serving in several leadership roles, including as Group Chief Executive for the Resources Operating Group and as a member of Accenture's executive committee and management committee. She serves on the board of trustees of the University of Chicago, Loyola University, and the Lyric Opera of Chicago.*

Mary A. Tolan

COMPANY BRIEF *Accretive Health (www.accretivehealth.com) partners with health care providers to help them more effectively manage their revenue process, strengthen their financial stability, and improve the quality of care they provide while reducing overall health care costs.*

What did you see in the market that encouraged you to create this company?

I had spent my career inside Accenture looking for ways to create measured economic value in businesses and for ways to go beyond just having technology that has potential impact to where innovation has absolute accountability for getting results.

I built solutions within Accenture on the revenue side of the industry and found that individual industries have unique complexities in how their revenues flow, and often, their revenue flows are leaky.

When I was at Accenture, we built the largest meter-to-cash business in the electric power business, which is a major global business where they were leaking revenue.

What I loved about this particular way of unleashing value is that it required sophistication in understanding technology, process, and people, and it required proprietary expertise. It wasn't garden-variety cost-cutting, which a lot of people can do, and would be more of a commodity service. This was where you could bring advanced analytics and technology to help the business grow their top line.

At Accenture, we created tremendous value for our clients. In the electric power business, we went from a starting position of zero revenue to $400 million in annual revenue in one year by signing up major clients around the world in a new effort to help them manage their revenue.

My co-founder came to me and said, you have to take a look at the payment systems in health care – they are the most complex revenue processes. The providers in the industry – 85 percent of which are not-for-profit hospitals in the country – do not have a level playing field and they operate on a shoestring with only a 2 percent operating margin. They're going against insurance companies and those that have far more technology. But they're being asked to administer the most complex revenue process in any industry. The net result is they're losing a lot of their revenue on the cutting room floor because it's too complex of a process for them to administer.

So I realized that an entrepreneurial effort to come up with a solution for the industry that could level the playing field, bring technology and capital to this complex process, and begin to provide economic relief for hospitals would be a good thing. This is a chance to do well by doing good, because if we can help these hospitals have more economic wherewithal, they can invest in more of the clinical talent and diagnostic equipment, and we can keep them driving forward.

We had a wonderful opportunity to meet with the largest of the not-for-profits in the country, Ascension Health, to collaborate with them whereby we would put up the money to invest in the technology and people, and build out the infrastructure. They would only fund us out of the net value that was being delivered – so it would be a very accountable partnership. The hospital industry doesn't have a lot of excess capital; it's operating on a small 2 percent operating margin. So that was a useful way of getting started in the industry because it's an industry that would much prefer to invest its capital where direct patient care could be improved, such as in advanced diagnostic equipment.

Once we got into it, we discovered there were so many other ways we could be a positive partner for the industry. We could see in the data that there was tremendous variation in the practice of medicine in terms of best practices that could improve quality, and the reality was that improving quality would result in lower costs. So if we could find a way to avoid complications after a surgery, for instance, costs would come down; it's errors and lack of coordination that cause costs to go up.

So we invested in our quality platform and in finding a way to create people, process, technology, and incentives to assist physicians in getting better integrated care to patients so we can keep them healthier and reduce costs.

There are two ways we do this: one is by helping a primary care physician use technology to predict which 5 percent of her patients – absent a lot more integrated care – are going to drive over 50 percent of the medical expense in the next year. Once we identify those patients who will benefit from more care, we change the paradigm from where doctors might see them for only 15 minutes to one where doctors realize that for that patient who has three co-morbidities, they have to do a 60-minute health assessment and put together a thorough care plan for the patient.

For the first time in American medicine, outside of a clinical trial, we could have a longitudinal care plan that can be automated and monitored. So if, for instance, patients are not yet successful in getting their blood sugar levels in control, we can reach out to them and attempt to understand if a barrier exists. If we can help that patient get more engaged in their own care and we can get the physician's scientific and clinical knowledge to play out, we're going to get to a much better outcome. Costs can come down by 25 percent or more, while quality is going up.

If you look at where this 25 percent cost reduction comes from, it's the avoidance of an in-patient admission. If you're well enough that you don't have to go to the emergency room, that's a good thing.

So we get physicians more information and infrastructure to support their spending more time with their sickest patients. Many payers we have been able to work with today are willing to give that physician an incentive to spend more time with those patients in order to create this better health outcome and cost savings for society.

It's the beginning of something that is healthy and progressive and at the heart of what everybody is looking for with accountable care.

The other thing we can do is help providers with patients who were going to have a hospital stay anyway on how to use best practice information to make their hospital stay as good as it can be. Providers have figured out, for instance, how to get the post-surgical length of stay down, which is tremendous in terms of efficiency. It requires doing things that are so good for the patient that it reduces the readmission rate. But that information isn't available

everywhere and not every hospital knows how to take advantage of it.

Why hasn't this change within health care already happened?

Incentives can get in the way. As a physician, when your reimbursement keeps going down, you have to see more patients and spend less time with each. That works against certain patients who will benefit from doctors spending a lot more time with them. The patient care improves when we can support the primary care physician in the role of integrator of care.

If we weaken that position and pay it less, the net result is costs that spiral out of control because nobody is the quarterback of care and complex patients are bounced from one specialist to another.

We need to take the infrastructure we have and add on incentives so that when a doctor is doing the right thing, she's not harming herself or losing more reimbursement but is creating value for the patient and for society.

We have to consider how we're going to have the best and brightest continuing to go into medicine. If we can underpin that primary care physician with more data, technology, and infrastructure, then we create a chance for that person to practice the right kind of medicine. Then the physician is in a position to direct and avoid the tyranny of fee-for-service medicine where you spend 15 minutes with each patient.

Are business leaders aware of how the system works and are they being engaged in the discussion?

There is more of that dialogue and discussion today. People are starting to see not only private sector engagement but top health systems leading the way. People are breaking out of the pack and saying, we can engage our clinical leadership in innovative ways to improve quality and reduce costs, as well as to improve the patient experience.

Previously, no one was pursuing how to get the highest quality at the most affordable cost. The insurance companies are administering the process but the employers were taking the risk. There was a latent incentive; when you're just processing transactions in a cost-plus fashion, when costs go up, your percentage of a larger base goes up. So there wasn't an incentive there.

On the provider side, they're just getting paid to do things. There was little study of the basic science of taking primary care physicians' patients and treating them to keep them healthier and reduce overall costs. And the technologies that did come into play were often a more expensive way of doing things as they were done before.

Our focus is on accountable care and we can achieve that with these global gain share agreements. We're working with the insurance companies and the providers to say, we can bring in this new infrastructure and help get to this new set of best practices on a consistent basis; and every time we can save society a dollar, a quarter can go to the insurance company and back to the employer, a quarter can go to the physician, a quarter can go to the health system, and a quarter can go to pay for the infrastructure that was required to make it happen in the first place.

"One of the things we value most about any partner that we do business with is what they bring to the table in terms of extra value and whether or not they are partners and not just another vendor. Accretive Health is truly a partner that delivers value beyond our business expectations. They go above and beyond and even participate in our community goals of offering educational opportunities and tutoring to enrich the lives of our Chicago youth."

-Guy A. Medaglia,
President and Chief Executive Officer,
Saint Anthony Hospital, Chicago

This is how all parties can succeed in that triple aim of improving quality, improving patient experience, and reducing costs.

A new arena of innovation will be centered on patient engagement. Human beings require support in engaging them in complex care and oftentimes there are other issues that also need to be integrated into the care plan, be it behavioral health issues or issues around barriers to getting care. If we take down those barriers, the pay back to society is huge.

Everybody agrees we're spending 25 to 35 percent more than we need to. And the primary care physician is only making four cents on the dollar. We know that we're not getting enough of our best and brightest wanting to go into the profession anymore.

If we can get the primary care physician to be the quarterback of care, reducing costs by 25 percent, we can return the profession to one that is very attractive.

How do you balance the technology while maintaining the human component of the business?

If you just give people technology, they will generally lightly engage with it, but human beings do not rush to change. You need leaders who can partner with a group of people and make them want to take the journey.

We go through a collaborative process where people who have been running things historically feel listened to, so new ideas can come into the dialogue along with the resources to overcome historical barriers. When we create a wonderful atmosphere of "best idea wins", there aren't any issues.

We conduct blueprint sessions at the beginning of a process and many people come to the realization that it will be the most exciting thing they have ever worked on in their career. Then you get them thinking about what they could do if they had these additional resources and colleagues, and then you begin to work on it in a very detailed fashion. This creates a spirit of "can-do" where everyone feels they're an author of this collaborative design.

What would those who have worked with you say about your management style?

For me, everything starts with, where is the value going to come from? What are we trying to accomplish? So it's a purposeful way of thinking about things.

Also, once we're into working on an objective, there is a notion of debate among friends – that the best idea wins.

We look for two traits in people above their accomplishments and knowledge: being naturally happy and self-confident. Naturally happy people aren't afraid to go for lofty goals; they are resilient when things don't work out perfectly; and they generally take personal responsibility if there is something they haven't worked out. Self-confident people will bring up an idea when they're in a meeting as opposed to being reserved.

There is a team atmosphere here. That creates an environment of challenge and new learning so that everyone on the team is engaged and enthusiastic. ●