Michael J. Dowling

EDITORS' NOTE *Michael Dowling is President and Chief Executive Officer of North Shore-LIJ Health System. He has held his current post since January 2002, after having served as the health system's Executive Vice President and Chief Operating Officer. Before joining North Shore-LIJ in 1995, he served in New York State government for 12 years, including seven years as State Director of Health, Education and Human Services and Deputy Secretary to the Governor. He was also Commissioner of the New York State Department of Social Services.*

INSTITUTION BRIEF *North Shore-LIJ Health System (www.northshorelij.com) is the nation's second-largest, nonprofit, secular health care system. It includes 16 hospitals throughout Long Island, Queens, Staten Island, and Manhattan; long-term care facilities; The Feinstein Institute for Medical Research; five home health agencies; three trauma centers; the Hospice Care Network; and more than 400 outpatient locations across the region. In addition, the Hofstra North Shore-LIJ School of Medicine admitted its first class of 40 students in August 2011. Excluding its affiliate organizations, North Shore-LIJ facilities house more than 5,600 hospital and long-term care beds, more than 9,000 physicians, more than 10,000 nurses, and a total workforce of about 46,000 employees.*

How do you read the current health care delivery environment? Is real change occurring?

There is real change taking place and it has been built upon a foundation of change that has been occurring for the past seven to nine years, especially in large integrated organizations.

It has been stimulated by the Accountable Care Act, but was not initiated by it, because a lot of this was going on anyway.

I believe strongly that while you can pass legislation and announce wonderful things from a national level, if you really want to change things, it has to happen locally. It has been happening among the high-end integrated organizations over the past 10 years and it is beginning to bear fruit.

If total cost is going up at two-and-a-half times inflation, will this reform result in a meaningful reduction in cost escalation?

Health care costs have been going up at a much slower pace over the past four to five years, as they have been moderated a great deal.

Fundamentally, there are two things that have to be addressed if we're going to have a long-term dramatic change in health care costs: lifestyle and behavior.

Anybody can cut budgets if you don't care about what the result is. You can push down what you pay hospitals and doctors. You can reduce the utilization, but in the long run, most of the problems that drive health care costs are not driven by the current health care system – they're driven by lifestyle and behavior. Until we fundamentally address those issues, like obesity and smoking, you're not going to have all the other results that people would like.

Across the Accretive Health database, we are processing about $24 billion in provider revenue working with Ascension, Intermountain, etc. For years, we have seen prices at a hospital go up just at CPI and no higher, on average. So if health care costs are going up at 2.5 times inflation, it seems that utilization inflation is driving costs up. Is that what you are seeing?

Hospitals are not going to be the center of the universe in the future; more care can now be delivered outside of a hospital. Most organizations like ours are moving more services to the ambulatory and outpatient world. This is also a result of the advances in science where you can do things outside of a hospital today that you couldn't imagine doing years ago.

The in-patient side of the business as a percentage of the total is going to go down. This doesn't mean that the overall total of health care expenditures is going to dramatically decrease, because you have 10,000 people turning 65 every day of the week and, over time, aging is going to impact some of that, as well as the lifestyle and the behavior.

We have been so successful at keeping people alive, partly because of the advances in health care, that now it is becoming a problem of being able to afford it.

The fundamental problem that all industrialized societies are facing is aging.

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There has been a lot of national research to find those that are successful at bending the cost curve while improving quality. Is the idea of population health and taking on risk something that is taking hold in your organization's thinking about the future?

I'm a big believer that one of the things that has to occur is very difficult: moving away from the fee-for-service method, which is tied to volume – the more you do, the more you get paid. You have to move more toward taking on risk where you get a set amount to manage a population of people, you promote health and interfere early to avoid the results downstream. We are taking risk in our organization today. We currently manage care for our own employees, who number 46,000 at the moment. We have been able to keep the cost growth for the non-union members of our workforce to about 1.8 percent per year, while the trend had been about 8 or 9 percent – that's because we put our focus more on managing risk.

I want to be completely vertically integrated. I want to have control of the dollars at true risk and to have control of the multiplicity of delivery points, which is ambulatory, long-term care, in-patient, home care, hospice, etc.

Once you get into the business of managing populations and going into risk, your whole focus is different – you don't want people coming to the hospital if it is possible to deal with their condition in a different environment outside of the hospital.

The transition for the next five to seven years is going to be difficult because you have to keep the business afloat while you dramatically try to change it and, in many ways, undermine it.

What do you think of the push for scale in the industry?

I think organizations are going to get bigger, although getting bigger doesn't necessarily mean you pick up more hospitals but rather that you expand the care distribution system, which can be home care, ambulatory, and outpatient – innovative ways of providing care in nontraditional settings.

For instance, we recently did a deal with CVS where we are going to have clinics at CVS locations all over the region. There is no need to go to the hospital emergency room for the basic emergency when you can handle those situations in other locations.

Innovation capital being deployed in health care in the U.S. has historically gone into drugs and devices which, in some ways, has been part of the cost escalation. Are innovative companies knocking on your door and bringing new ideas on how to create value in health care?

A lot of entrepreneurs and innovators want to get into the health care space and we're in discussion with a number of them.

Over the years we have worked with Ritz-Carlton, GE, and the aviation industry because they do things in their areas that we need to learn from and we have adopted some of what we learned from those companies.

You're going to see more of this over time because we will have to define health in a much broader way – health is more than the traditional delivery of medical care. People spend a lot of their own money on health that we in the medical field sometimes don't consider part of our portfolio but we have to change our attitude.

I do think that, over time, organizations like ours have to be in the business of promoting health – not just treating illness.

What are your concerns for the future of the industry?

I look at the next decade as an exciting, opportunistic time. The one thing we have to be careful of is that government doesn't get into the business of micromanagement and believe that they have to regulate everything. If everything becomes rules-based, you can destroy innovation and entrepreneurship. So we have to remain leery. ●