



*Over the next 3 years how will the enterprise evolve to meet the greater needs for efficiency, scale, and execution?*

### **Healthcare IT: Making Smart Business Decisions in an Industry of Necessity**

There is no greater challenge today than trying to fix our nation's healthcare system. We spend more as a nation than others, but get no better or even worse results.

Entrepreneurs are drawn to great problems, so that may explain why I landed in healthcare IT.

Our last company was one of the pioneers in the SaaS movement, developing efficient and economical business software.

Our new company is all about bringing the efficiencies of the cloud to healthcare.

Technology, though, is not enough to change an industry. More commonly technology enables leaders to understand their enterprises better and then make changes. This is not an easy process.

One of the greatest technology spends in recent history has been driven by the Federal

Government's stimulus package, which directed \$19 billion to traditional software vendors who provide electronic medical record software. It has been an uneven ride, attracting [criticism for how money has been spent](#)

, to concerns that the expected [efficiencies of going "electronic" might not arrive](#)

The lesson is the oldest one in technology – that for all its wonders, technology in the enterprise is a double edge sword. Sound business process is a prerequisite for successful innovation. In healthcare, business process is driven to a remarkable extent by Government policy.

Healthcare is an extremely unusual enterprise with some unusual contradictions. Although people worry about the nationalization of healthcare, the Government influence is already great. By some calculations, more than half of every healthcare dollar is spent by the government. Obamacare still has very uncertain outcomes – it requires universal insurance, eliminates the ability for insurance companies to cap payout amounts and eliminates insurance exclusions for pre-existing conditions, but has little direction on how to control costs.

And, it is surely spiraling costs, which are threatening our competitiveness as a nation.

So, how do you innovate in this environment? Acclaimed healthcare journalist Atul Gawande wrote one version in [a famous article for the New Yorker, called Big Med](#). He recommended that healthcare look to the Cheesecake Factory as a model for industrial efficiency.

It is interesting to think about how to bring about scale, efficiency and effectiveness in healthcare, but it is difficult given our societal imperative that all should receive care. In Houston, I drove past a restaurant (not the Cheesecake Factory) that featured the words John 3:65 in the logo. The citation is: "I feed all those who are hungry."

The Cheesecake Factory may need people to be hungry, but it only serves people who can pay. The enterprise works because it has massive incentive to build a profitable enterprise, rather than making sure people don't go hungry.

Healthcare is struggling with this mix of charitable imperatives and profit incentives. In a powerful article, Steve Brill in Time Magazine [“The Bitter Pill,”](#) highlights how complex billing regimes, a not-for-profit status that is anything but and a set of complex rules that prevent effective negotiation by Government payers, leads us to overpay as a nation with the most vulnerable being hurt the most. Brill makes suggestion for change in policy, which also amount to dramatic change in business process.

The next three years will be a critical time for the healthcare industry. As more people enter the system, new processes will have to come to the fore to figure out how to drive more transparency in the system. For markets to work, there has to be real competition. Technology can play an important role. Software systems are uniquely good at sharing and moving large amounts of data across distributed enterprises.

Hospital systems still rely heavily on closed systems, effectively LAN-based architecture that works well within the four walls of a hospital, but poorly across a network. If the way hospitals did business were the norm, Novell would be the largest software company in the world.

The transformation to a networked architecture will take a transformation in technology, but also policy as business model and payment incentives drive the need for information sharing and efficiency.

There are no easy answers, but the increasing investment and focus in Healthcare IT reflects the direction of innovation. Understanding this new world may become priority one for emerging entrepreneurs and policy makers, alike.

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