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Q&A with Laura Kaiser: 'Tectonic moves' in the insurance, pharma industries make for interesting times

By Matthew Weinstock | January 6, 2018

Laura Kaiser took over as CEO at SSM Health in May 2017 and immediately set her sights on harnessing the strengths of each of the Catholic health system's four major markets. In Wisconsin, that means expanding on the organization's only integrated delivery system, which Kaiser calls an incubator of sorts. Kaiser formerly was chief operating officer of Intermountain Healthcare and CEO of Ascension Health's Sacred Heart Health System. Modern Healthcare Managing Editor Matthew Weinstock recently spoke with Kaiser about SSM Health's future and challenges. The following is an edited transcript.

Modern Healthcare: How do you manage promoting value-based care and risk-based contracts across different markets?

Laura Kaiser: I would say that each of the markets want to move toward value-based care, but each of the markets is a little bit different. So in Wisconsin we have a little more—I'm holding up my fingers in quotes—control, if you will, because of Dean Health Plan. In Illinois, we're in a few smaller communities. They are not as far along in value-based care, but it's coming along. In St. Louis (where SSM Health is headquartered), we partner with a number of different health plans and have some risk-based contracts through our medical group, and the same is true in Oklahoma.

MH: Have you set a goal for how much of your revenue you want to have in risk-based contracts?

Kaiser: When I was at Intermountain Healthcare, I used to think that the desire was about 60% value-based and the balance fee-for-service. I thought there would always be a need for some fee-for-service because you have people who need care that isn't available in their market and may go out of network, which probably would not be part of

a risk-based contract. Even though with both fee-for-service and with risk, there are fundamentals that apply no matter what. You need to be fiscally responsible. You need to be as cost-effective as you possibly can be. Those are all true no matter what the payment structure is. So I still think the 60/40 split is probably right, but there's really no science behind that.

MH: So Wisconsin is testing some ideas that you think you can carry through to other markets down the line?

Kaiser: Yes, I think so. We're in a little bit of transition right now. We're searching for a new president and CEO for Dean Health Plan. That person, and the regional president who has accountability for Wisconsin, will help drive that charge. I'd like to see us continue to grow the Dean Health Plan. We have a blend of commercialized, Medicare Advantage and Medicaid. I think Medicare Advantage can grow. In Missouri, I'd like to continue to push our virtual visits reaching people where they are. Millennials who have grown up attached to their smartphones will want that more in the future. We're a bit farther ahead on that in Missouri than we are in Wisconsin, but I think that plays in every market across the country.

MH: But what about reimbursement? Kaiser Permanente says that 50% or more of their visits are virtual now, but they own the plan and the hospitals, so they're able to do that.

Kaiser: First, we do own a plan. Secondly, some employers are writing contracts that require health plans to include that in their products. Medicaid in different states is now covering telemedicine, so that barrier is declining. And with more high-deductible plans, more patients are going to be paying out of pocket. And I believe that people will become even more comfortable with it once they have just tried it. There's a little bit of a hurdle of thinking, "Well, am I really going to just talk to my doctor on screen?" It worked really well for me and I expect others will find the same.

MH: What are your plans for growth?

Kaiser: Our board of trustees and senior leadership team will be refreshing our strategic plan in 2018. SSM is committed to growth and has been growing pretty significantly over the past few years. But we don't need to own everything. I see a lot of opportunity in partnerships. We don't have the expertise in everything. We don't have the deep capital reserves of some of the other gigantic forces in the healthcare industry, nor should we. So we'll be partnering with others that have expertise that aids patients. You look at the big tectonic moves in the industry right now with the insurance plans and pharma and I think it makes for interesting times. There are a lot of people interested in healthcare right now and that's good for patients. We need some great players to help all of us have good access to healthcare. A lot of people are scared about that, but I'm optimistic. I'm excited about having new partners at the table.

MH: Intermountain recently announced a restructuring that moves away from a

regional leadership and aims to establish consistent stewardship over quality and safety. What are you doing to bring continuity across the states you're in?

Kaiser: This is one of my favorite things to talk about. Many, many years ago, SSM, through the farsighted leadership of Sister Mary Jean Ryan (CEO from 1986 when SSM was founded to 2011) was the first healthcare organization to earn the Baldrige Award for quality. That's part of who we are. There's always been a devotion to quality and patient safety and what I did recently after my listening-and-learning tour is to move us to be more clinically driven and to have clinicians involved in care redesign. I created a new role called the chief clinical officer who will pull the senior levels of the organization to systemically approach patient safety, quality, experience and access. And I have the chief medical officer, the chief nursing officer, the chief medical information officer and a chief quality officer all reporting to this leader. We have a chief operations officer, a chief strategy officer and we just hired a chief transformation officer—a former colleague from Intermountain, who also will be working closely with the chief clinical officer. I feel really strongly about having that synergy at the senior-most levels of the organization. And I want to develop more clinical leaders faster. There's a real need for that.

MH: How will they balance the individuality of your markets?

Kaiser: Until recently, we had dyad leadership reporting. We had regional leaders reporting in to St. Louis to the COO and to a former physician leader for the medical group operations. We had a physician leader and an administrative leader jointly responsible for the regional markets that we had reporting to two different people at the system management level. I've seen dyads work really well for things like service lines. What I really wanted was to simplify the structure. And the best analogy I can give you is, if you think about little kids playing softball or baseball, for the early years, if you look at the outfielders—the left and center fielder—and somebody hits a pop-up and they both run toward the ball and then they look at each other and the ball drops . . . that sometimes happens with dyads, despite the best of intentions, and so we need to move more nimbly and more purposely in terms of, "I have the ball," as a single point of accountability for a given reason. So there is now a single point of accountability for a full region. We also have Epic as our electronic health record and we are looking at having common order sets for different types of care. So with sepsis, for example, there are standard order sets no matter where you are, because the care of sepsis is the same no matter where you are. That will allow us also to share data across the system, so that peers can learn from each other.

MH: You've put a financial improvement plan in place that included a reduction in staff. Where are you feeling the most financial pressures?

Kaiser: They're in two buckets: Payments are reducing through the federal government, through state governments with Medicaid and through commercial payers. Everybody is ratcheting down. There's increasing customer sensitivity on the high-deductible health plans. There's a lot of scrappy, disruptive innovators that are raising the competition and that's increasing and compressing some revenue. On the expense side, we're

committed to paying market rates for our team, and that's increasing with inflation. Our second-biggest expense category is pharma. Last I looked, it was increasing on an annual basis of 13%. Some specialty drugs are in the four-digit increases. There's a lot of pressure coming from every direction, pressures on downward revenue and increases in expenses and it makes for a difficult formula.

MH: How can you combat those cost increases?

Kaiser: There are a few ways. One way is to control the formulary, what are the drugs that you offer and that are available on your internal formulary, and you negotiate with the different suppliers to get the best cost you can. That's a small lever, but it's a lever and it's not very effective, as you can see. There is, unfortunately, a really strong lobby with pharma. I know there's investment in R&D and I'm absolutely in favor of that, but the average profit margin for pharma is upwards of 30%, so there's some room there. I'd like to see what concrete things we can do together, because the next million-dollar drug is coming and there will be some patients who will not be able to afford that. That's not OK.

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Matthew Weinstock assigns, edits and directs coverage for Modern Healthcare. He joined Modern Healthcare in 2017 as the managing editor. Previously, he was director of communications and publication relations for the College of Healthcare Information Management Executives. Prior to that, he spent 12 years as an editor at Hospitals & Health Networks. He’s won numerous national and regional journalism awards, including the prestigious McAllister Editorial Fellowship in 2013. He began his reporting career in the late 1990s in Washington, D.C., covering Congress and federal regulatory agencies. He has a bachelor's degree in English and political science from the University of Wisconsin.