



Mayo Clinic's cure for an ailing medical system

Interview by Geoff Colvin, senior editor-at-large @FortuneMagazine October 31, 2013: 6:52 AM ET



CEO John Noseworthy says Mayo Clinic's "culture of teamwork" serves patients.

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When you run the world's largest private medical practice, you don't just respond to sweeping changes in health care -- you can also influence them. That's one goal of Mayo Clinic chief Dr. John Noseworthy, who wants Washington to consider quality and effectiveness when reimbursing health care providers, a change he believes would benefit Mayo and motivate others to improve. Noseworthy, 62, is a Massachusetts-born neurologist whose specialty is multiple sclerosis; he joined Mayo 23 years ago and became CEO of the nonprofit in 2009. He talked recently with Geoff Colvin about why he predicts chaos in the U.S. health care

system, the reasons costs are so high, investing billions in Rochester, Minn., and much else. Edited excerpts:

Q: How will the advent of the Affordable Care Act affect Mayo Clinic?

A: In a number of ways. Most particularly, we expect that it will reduce how well we're reimbursed for the work we do. But the Affordable Care Act, on which we're all putting so much attention at the moment, is in the context of an anemic recovery in our economy and a marked shift in the demographics of the American people, with the aging population, plus the prevalence of chronic disease, the rising costs of health care, the rising costs of research. All of that contributes to an unsustainable health care system. It's too costly -- we're spending too much on health care. This is an effort [by elected officials] **to try to get their arms around the cost**, and we will need to deal with that.

America's health care spending is still growing faster than GDP. That trend cannot go on forever. What will cause it to stop, since something must?

One approach is to pay less for the unit of work. I'm not sure that's anywhere near the whole answer. We're spending too much on health care because it's fragmented and the quality is so uneven in our country. There are pockets of outstanding health care, and there are other places not at that level. There are highly efficient, high-quality health care groups, and others that are expensive and don't deliver that quality.

At Mayo Clinic we're focusing on the fragmented health care part and on delivering higher quality. We believe that if we can get health care **to be more integrated** and that if we drive quality through the system, it will actually save money and provide what patients need, which is trusted, affordable, safe health care. Mayo's focused like a laser on those two aspects: integration of care and providing safer, more efficient care.

Mayo consistently achieves better-than-average outcomes at lower-than-average cost. Is what you have just described a part of the secret?

It is part of the secret of how Mayo has been successful. But that piece is missing in the Affordable Care Act. The Affordable Care Act is really insurance reform. It gets people covered with insurance, but nothing in the Affordable Care Act really addresses the varying complexity of illness and certainly not the varying quality of the work that's done. That's why we're working with the Senate and House to reform the SGR [sustainable growth rate -- the method used by Medicare to control spending] and put these elements in it. We think it's the right thing to do, and we think it'll help the health system move to more team-based care, sharing of information, and trying for better outcomes.

The Mayo model of salaried physicians and team-based care is used at a few other institutions, but not many. In light of its effectiveness, why isn't it used more widely?

That's a tough question to answer. The model comes down to the mission of Mayo Clinic. Our primary value is the needs of the patient come first. Every decision we've ever made at the Mayo Clinic over the past century and a half is based on what's right for the patient. That involves a culture of teamwork centered on the patient. That's hard for other groups that are heavily fragmented -- and the whole health care system basically is heavily fragmented.

How are you trying to replicate Mayo's care for patients who can't come to Rochester, Minn.?

One approach we believe could be helpful is to take what Mayo knows about how to practice medicine and also how we work, digitize that in our Information Knowledge Management System, and then make that available to high-quality groups around the country who want to have Mayo Clinic's approach to care. We believe the best care for patients is generally delivered in their hometown, and we're there to help groups do that, and then we're there for them if they want to do an electronic consultation, and of course if they want to send us a patient. That's the Mayo Clinic Care Network. We have 21 of these high-quality groups, and that number is growing rapidly.

At the same time, Mayo is planning to spend billions to expand over the next several years. What's the strategy there?

Our strategy is to grow robustly in the upper Midwest and almost certainly in Arizona and Florida [where Mayo already has hospitals]. We believe that's scalable, sustainable, and unique, and that's why over the

next 20 years Mayo will invest probably another \$3 billion or \$3.5 billion in Rochester and the community, and we anticipate attracting \$2 billion of other private investment. And we just secured legislation in Minnesota to provide \$585 million to support the infrastructure for that growth.

Patients around the world need high-end services, what we call top-of-the-pyramid services for complex diagnosis and complex care. Mayo has been very strong in that part of the market. We believe our model is something we will grow because people around the world and in this country will need it. They'll seek out who provides the best care most efficiently at the lowest cost. We believe that is and will be Mayo Clinic. Patients from 135 countries come to Mayo Clinic every year because of the need to get that extra expertise.

The place is famous because Presidents and billionaires go there, but obviously they must be a small percentage of total patients.

More than 50% of the patients we see are over 65 and in the Medicare age group. We're privileged to help them with their health care needs. But we struggle to pay for that because Medicare rates do not cover the cost of the care, and that's only going to get more difficult. Hence the need to do so much work to continue to drive out unnecessary costs and drive up the quality of our work.

Do you have a sense of what's going to happen more broadly around the nation as Medicare reimbursements get squeezed and the number of Medicare patients increases?

If our economy **gets strong again** and the **workforce grows**, we'll be in better shape. If we have a slow recovery, a jobless recovery, it's going to be pretty hard for Americans, and they will struggle more to pay their own health care bills because there will be more out-of-pocket expenses with these low-premium, high-deductible plans that are going to be sold on the exchanges.

Systems that don't have an integrated workforce and a mission to drive higher quality at lower cost are going to struggle. We're starting to see that. Some important institutions have announced layoffs to get ready for the next wave of the Affordable Care Act. The American Hospital Association predicts that there will be closures of many hospitals -- they'll be closing full of patients but unable to pay their bills because the reimbursement isn't there. That's a sharp contrast to just a few years ago, when hospital administrators wanted to keep their hospitals full so they could be successful.

There's going to be an awful lot of chaos in the system, which is tough for our citizens. We're a great nation. We'll sort this through. But there's going to be some pain.

In a partnership with UnitedHealth Group (UNH, Fortune 500), you've launched something called Optum Labs to do very sophisticated analysis of patient data. What's the objective?

It's to understand what drives better outcomes and safer care, related to the spending. The Optum database has what 149 million people spent on health care over the past 20 years. Mayo Clinic and now others will be putting in their outcomes data, what actually happened to patients, which will allow us to break apart the value equation of outcomes over cost.

I think this is a game changer, and we're very excited about it. We're looking for other academic health groups, large high-quality health groups, research-oriented organizations, policymakers, device companies, drug companies, and others to pool their data so we can all get at this issue of how to have a health care system that's high quality, affordable, sustainable, and ideally world-leading.

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