9-2012

What Business are we in? The Emergence of Health as the Business of Health Care

David A. Asch
University of Pennsylvania

Kevin G. Volpp
University of Pennsylvania

Follow this and additional works at: http://repository.upenn.edu/fnce_papers

Part of the Business Administration, Management, and Operations Commons, and the Finance and Financial Management Commons

Recommended Citation

This paper is posted at ScholarlyCommons. http://repository.upenn.edu/fnce_papers/144
For more information, please contact repository@pobox.upenn.edu.
What Business are we in? The Emergence of Health as the Business of Health Care

Abstract
On January 19, 2012, after 131 years of operation, the Eastman Kodak Company filed for Chapter 11 protection in U.S. bankruptcy court. No doubt some people were surprised by this filing, because they grew up at a time when bright yellow boxes of film accompanied every family vacation and celebration. Those who were paying more attention offered many explanations for the bankruptcy. Central among them was that Kodak was late to recognize that it was not in the film and camera business: it was in the imaging business. With the advent of digital imaging, Kodak was outpaced by other companies that could better achieve consumer goals.

Disciplines
Business | Business Administration, Management, and Operations | Finance and Financial Management

This journal article is available at ScholarlyCommons: http://repository.upenn.edu/fince_papers/144
What Business Are We In? The Emergence of Health as the Business of Health Care

David A. Asch, M.D., M.B.A., and Kevin G. Volpp, M.D., Ph.D.

On January 19, 2012, after 131 years of operation, the Eastman Kodak Company filed for Chapter 11 protection in U.S. bankruptcy court. No doubt some people were surprised by this filing, because they grew up at a time when bright yellow boxes of film accompanied every family vacation and celebration. Those who were paying more attention offered many explanations for the bankruptcy. Central among them was that Kodak was late to recognize that it was not in the film and camera business: it was in the imaging business. With the advent of digital imaging, Kodak was outpaced by other companies that could better achieve consumer goals.

This lesson has been repeated many times over. In 1960, the editor of the Harvard Business Review, Theodore Levitt, wrote that the failure of railroads could be explained in part by the myopic view that they were in the railroad business and not the transportation business, which left them vulnerable to competition from cars, trucks, and planes. Levitt argued that it’s always better to define a business by what consumers want than by what a company can produce. Kodak had built a successful enterprise producing cameras, film, and photographic paper and chemicals, but what people wanted was images, and so when a better way to get those images was found, its customers followed.

The analogous situation in health care is that whereas doctors and hospitals focus on producing health care, what people really want is health. Health care is just a means to that end — and an increasingly expensive one. If we could get better health some other way, just as we can now produce images without film and transport people and freight without railroads, then maybe we wouldn’t have to rely so much on health care.

To some of us, the point may seem both obvious and irrelevant. We might concede that even if people don’t intrinsically desire doctors’ visits, medications, surgery, and imaging, those services are still the way to get people the health they want. Although that may be true, the leaders of Kodak or the railroads may have had similar thoughts in their own day. Yet they seem to have missed some signals. What signals might we be missing?

One signal is that while much of recent U.S. medical practice proceeds as if health and disease were entirely biologic, our understanding of health’s social determinants has become deeper and more convincing. An enormous body of literature supports the view that differences in health are determined as much by the social circumstances that underlie them as by the biologic processes that mediate them. Examples include the Whitehall study of British civil servants that revealed that civil-service grade is more strongly associated with mortality than any broad biomedical measure; research conducted in the Veterans Affairs health care system and elsewhere demonstrating the persistence of health disparities even within fixed health insurance and delivery systems; and models of fundamental causes that provide a conceptual explanation of how such disparities can persist over time, following different pathways in changing circumstances.

None of this evidence suggests that health care is not an important determinant of health or that it’s not among the most easily modifiable determinants. After all, we have established systems to support the writing of prescriptions and the performance of surgery or imaging but have found no easy way to cure poverty or relieve racial residential segregation. But the evidence does suggest that health care as conventionally delivered explains only a small amount — perhaps 10% — of premature deaths as compared with other factors, including social context, environmental influences, and personal behavior. If health care is only a small part of what determines health, perhaps organizations in the business of delivering health need to expand their offerings.

A second signal is that whereas in the past there was some implicit presumption that doctors and hospitals provide health care of consistently high quality, that presumption is now being challenged, and we’re getting much better at identifying, measuring, reporting, and targeting health outcomes. For decades, health plans, states, and the federal government have been publishing quality data at the levels of con-
From Sick Care to Health Care — Reengineering Prevention into the U.S. System

Farshad Fani Marvasti, M.D., M.P.H., and Randall S. Stafford, M.D., Ph.D.

Although the United States pays more for medical care than any other country, problems abound in our health care system. Unsustainable costs, poor outcomes, frequent medical errors, poor patient satisfaction, and worsening health disparities all point to a need for transformative change. Simultaneously, we face widening epidemics of obesity and chronic disease. Cardiovascular disease, cancer, and diabetes now cause 70% of U.S. deaths and account for nearly 75% of health care expenditures. Unfortunately, many modifiable risk factors for chronic diseases are not being addressed adequately. A prevention model, focused on forestalling the development of disease before symptoms or life-threatening events occur, is the best solution to the current crisis.

Disease prevention encompasses all efforts to anticipate the genesis of disease and forestall its progression to clinical manifestations. A focus on prevention does not imply that disease can be eliminated but instead embraces Fries’s model of “morbidity...