Innovation in Health Care – Government vs Private Sector

Gail R. Wilensky
Project HOPE
May 14, 2018
Not a Matter of Which is Best But... Relative Strength of Each

Basic divisions:

-- gov’t is best at investing in bench sciences, areas with few commercialization prospects or requiring long lead times

-- gov’t is best at implementing large scale changes and funding large scale projects

-- private sector is best at developing and implementing new products (and payment models) and commercializing new products/processes

But …

-- *only* gov’t can create large scale change on a timeline
Areas Where Gov’t is Relatively Stronger

- Long term research with *unknown* commercial projects
  -- much of NIH research; health services research
- Funding *large scale* surveys with *new innovative* techniques
  -- National Medical Care Expenditure Survey
  -- Medical Expenditure Panel Survey
  -- Health Interview Survey
- Funding research primarily for military purposes
  -- Defense Advanced Research Project Agency
Areas Where the Private Sector is Relatively Stronger

- Developing innovative *new products* and *payment models*
  - HMO’s in the private sector, slowly brought into Medicare and Medicaid in the 1990’s
  - Patient-centered medical home was used by Geisinger in mid 1990’s
  - *artificial intelligence* still in relatively early stages of development, lots of investment needed
Areas Where the Private Sector is Relatively Stronger (cont’d)

-- commercializing new products and processes
-- Employers: pioneering/scaling cons engagement and wellness plans
-- Health plans: consumer-friendly health care pricing; quality transparency tools
-- developing consumer-friendly information sources
-- Amazon/Berkshire Hathaway/JP Morgan, the “disruptors”
Some Reasons Private Sector can Lead are Obvious

- IT related work – hard to compete with private sector salaries
- Hard to have multi-year contracts
- Not subject to appropriations and regulatory processes
- Answerable only to shareholders and customers
  -- public sector has 435 House/100 Senators on “their board”