

Innovation in Health Care – Government vs Private Sector

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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 Hathway/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”