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Innovation: Disruptive & Constructive?

PROLOGUE: “Disruptive innovation,” a concept popularized by Harvard Business School’s Clayton Christensen (right), has intuitive appeal to people who believe in markets and capitalism. We celebrate the fact that Japanese automakers’ emphasis on quality and lean production methods forced Detroit to build better cars; consumers clearly benefited, even if displaced American autoworkers did not. But what constitutes “disruptive innovation” in health care—and when is it desirable, not just for the owners of capital, but also for patients?

In the first of the Perspectives in this section, Christensen and his colleague, Jason Hwang, offer one framework—and point to specific examples of disruptive innovations that are already occurring in health care. The classic example is specialty heart hospitals. As Hwang and Christensen see it, these institutions have taken the “value-adding processes” of focused cardiac care away from community hospitals and left them with the big elephant: overhead and cross-subsidization of different reimbursement levels for different procedures. The result: cardiac care prices as much as 60 percent lower than what community hospitals can deliver. That may be great for those paying the bill, but, on the other hand, such “innovation” is at least in part about cherry-picking the best-reimbursed services. Could the “disruptive” result be that some community hospitals go out of business—and that patients might be harmed in the process?

In an interview conducted by e-mail with Rob Cunningham of Health Affairs, Christensen acknowledged that health care is a special case. “The real problem is that hospitals constantly face cuts in reimbursement for work that is inherently complex and costly,” Christensen wrote. “The proper solution must involve appropriately compensating hospitals for their high-value, intuitive work, so that they willingly transfer the lower-value, rules-based work to new business models that can perform these services much more efficiently.”

If Christensen’s optimism about the value of disruptive innovation is borne out, it may be that it will produce better health care at lower cost and greater efficiency. In the Perspectives that follow Hwang and Christensen’s essay, Richard Bohmer and David Lawrence; Clark Havighurst; Peter Lee and David Lansky; Mark Pauly; and James Robinson and Mark Smith evaluate these prospects and offer other innovation models of their own.