

*The [Dorenfest Group](#) is a healthcare investment and consulting firm offering a variety of improvement services to help support a more positive world future. Its founder, Mr. Sheldon I. Dorenfest, is one of the world's foremost experts in healthcare systems improvement. He has personally consulted with the governments of the USA, France, England, Australia and Canada on a variety of healthcare issues. Mr. Dorenfest has managed a series of successful healthcare improvement businesses and has personally consulted with over 300 hospitals on a worldwide basis to help them strategize, select, and implement information systems to improve hospital operations. He has also worked with over 200 Health Information Technology (HIT) suppliers to help them improve their understanding of the HIT market, shape new products and strategies, and better serve their customers.*

*In 2006 The Dorenfest Group formed The [Dorenfest China Healthcare Group](#) to offer a variety of investment and consulting services to the healthcare industry in China. Based in Shanghai, The Dorenfest China Healthcare Group will invest its skill, technology, and capital in well defined projects to help China to improve its healthcare system. After an 18-month investigation, The Dorenfest China Healthcare Group is now providing a variety of improvement services to the China healthcare system.*

*Currently, The Dorenfest Group efforts are focused internationally with a major thrust in China, which spurred MedicExchange to sit down with Sheldon Dorenfest for this interview.*

*MedicExchange: How and why was the Dorenfest China Healthcare Group founded?*

**Dorenfest:** We decided we wanted to share our worldwide HIT experience with China at this critical time of improvement in the China Healthcare system. We had experience in many countries, such as Australia Canada, England, EU and Latin America, and thought this experience fit the situation in China HIT very well and we could help China accomplish its improvement goals.

I first visited China in 1992. When I returned to China in 2004, I saw dramatic changes which looked like 50 years of progress in a 12 year period. I was amazed and then motivated to study China as a place to apply the Dorenfest skills. We looked at both India's and China's Healthcare system back in 2005 with the idea of investing in hospitals in those countries. After we visited 17 cities and 100+ hospitals in China, we concluded upon a 2 phase strategy for entering the China Healthcare industry. In the first phase, we would offer consulting, education and training services to Chinese Hospitals and Health Bureaus in order to build a value to the skills we could

bring to China and to learn how to do business in China.

In the second phase, we would begin to make targeted investments in partnership with Chinese Hospitals and Health Bureaus to help them accomplish their improvement goals.

Dorenfest wanted to start with a small investment to see if we could create a successful business before we moved into our phase two program.

Currently, Dorenfest has over 10 Chinese hospitals and Health Bureau clients including Peking University Third Hospital, Shanghai Changning District Maternity and Infant Hospital, Rizhao City People's Hospital, Shenzhen Health Bureau, Chongqing Health Bureau and Hong Kong Hospital Authority.

Dorenfest's largest hospital client is Peking University Third Hospital, which is one of the largest hospitals in Beijing. Dorenfest helped them evaluate their current IT efforts, and create a plan for improving those IT efforts. In addition to evaluation and planning services like those provided to Peking University Third Hospital, Dorenfest also helps its hospital clients to select products and vendors and helps them to implement those systems.

Dorenfest's first client was the Shenzhen Health Bureau who we started working with in 2006. We helped them to create a plan for implementing a regional health network and digital hospitals in the city of Shenzhen.

When Dorenfest entered the China Healthcare market to provide HIT consulting services there were no foreign consulting businesses operating in the China HIT market. IBM made its first consulting sale in the fall of 2005 and Dorenfest made its first sale in the summer of 2006. Since that time the market for HIT consulting services in China has begun to emerge. IBM Consulting now has about 20 clients, and Dorenfest is the only other foreign consulting firm to make significant inroads into the China HIT market. . Through the provision of a variety of educational services to Chinese hospital leaders, the need for consulting services in Chinese hospitals has become apparent. We feel that Dorenfest is now in a good position to grow rapidly as the HIT market in China continues to develop.

*MedicExchange*. Explain for our readers the evolution, and present situation in China HIT vs. U.S. and how you view the future of HIT in those countries.

**Dorenfest:** Happy to do that. When I first came into HIT in 1970, US hospitals' work processes were completely manual. The US was spending 7% of GDP on Healthcare, or \$75 billion, with less than 0.25% of Healthcare spending devoted to HIT at that time. Now, the US spends over 16% of GDP on Healthcare, or over \$2 trillion. Currently, almost 4% of that is devoted to HIT. So, today, over \$70 billion is spent on HIT alone. The CMS forecasts that by 2015 the US will spend 20% of GDP on healthcare and the share devoted to HIT will be even larger at that time.

The problem in the United States Healthcare system in 1970 was that we were spending too much on Healthcare. Today the problem is we are still spending too much on Healthcare, but in the act of trying to reduce Healthcare spending over the past 4 decades we have increased Healthcare spending substantially and hurt quality of care in the process.

Similarly, the US HIT investment results have not been good. Expenditures on HIT have grown dramatically as the US went through 5 generations of HIT changes during the period. In 1970, everything was manual with much redundancy in manual work processes. It was easy for industry leaders to observe that if everyone could be notified and all files updated at once, it would save time and money and reduce opportunity for error. With that vision, the software companies in the 1970s were creating their products to automate the medical record, reduce errors and make hospital care more efficient. In retrospect, because of poor management of change, the 5 generations of HIT implementation in hospitals resulted in much more redundancy and duplication than existed in the manual system. The problem was that each generation of change kept something from the previous generation, and side by side, added a new system so that process became more complex and grew more costly and error prone. Until our awareness and the effort is put into work process improvement and better change management the problem will keep getting worse.

From my experience in other countries, the later a country starts its adoption of information technology in Healthcare, and the more it learns from the poor results of earlier adopters, the better that country will do with its investment in HIT. For example, Hong Kong started with 3 programmers in 1991 and has evolved by 2009 into one of the most advanced HIT programs in the world. With over 8 million citizen's health records in an electronic database, Hong Kong citizens can go to any of 43 hospitals in Hong Kong as an outpatient where a physician can call up the patient records and treat the patients with a great deal of knowledge and awareness. The Hong Kong Hospital Authority work processes are relatively seamless, with little redundancy.

Dorenfest found in its investigation of HIT in China that Chinese hospitals were beginning to

resemble US hospitals in their early adoption of IT and were adding work, instead of taking away work, when new IT systems were implemented. This is where Dorenfest is providing extremely valuable insights and services to the China Healthcare system to help China manage the work process changes and IT systems implementation in a more effective way. By paying more attention and learning from the factors that created poor results in early adopter countries and the factors creating better results amount later adopters, China will be able to improve results from HIT investment and leapfrog the rest of the world in HIT use to become a showplace similar to what China has been able to accomplish in other industries.

*MedicExchange:* What is your forecast of how HIT will change in the U.S. and China over the next two decades?

**Dorenfest:** The US economy is troubled due to its past mistakes. Money became so easy to make that the US began to lose a lot of its skills in primary industries such as manufacturing. The situation of easy money permitted US Healthcare spending to get wasteful and out of control.

Among ten leading developed countries, including Germany, UK, France, Japan, Australia, Canada, Italy, Spain, Korea and the US, that are among the largest economies with the best Healthcare, the US spends over \$7,000 per person, which is more than double the amount spent by the next leading spender, Germany, and spending drops from there for the remaining countries.

Looking at life expectancy, in 1960 US was number 5 among these countries. In 2004, the US was number 9. In 1960, the number 10 country was over 15 years behind the United States in life expectancy. In 2004, that country was less than 1 year behind us and looks like it would soon surpass us. Obviously our money is not buying good results.

In HIT, even the 20 to 30 billion in EMR Stimulus funds may not be a good investment for the country, and that money could be devoted to higher priority activities with better results. Even, if 20 to 30 billion dollars were invested to eliminate redundancy in work processes, the return on investment would be much higher.

On the other side of the world, China finds itself in the opposite position from the US:

1. China does not spend enough on healthcare,
2. China has very efficient Healthcare providers, with the average hospital in China having between 1 and 2 employees per hospital bed, while the average hospital in the United States

has 4 to 5 employees per hospital bed

3. China's spending on HIT is relatively small, at only a couple billion dollars a year compared to over \$70 billion in the US,

4. China has a stimulus program for healthcare of \$ 125 billion to reform the healthcare industry and HIT is one of the 8 pillars of this reform effort.

Both China and the US need to reform and improve their Healthcare systems. In the US we spend too much and do not get a good result. ROI is too small.

China spends too little. While China gets a very good ROI, it has many Healthcare problems associated with underinvestment. China's Healthcare difficulties can be addressed by spending more at the same level of efficiency. Increasing ROI from US Healthcare spending is a much more difficult problem to solve.

We believe the economy in China is burgeoning and will become the leading world economy in the next decade. With China's Healthcare in the early stages of reform and ready to take big leaps forward, we think that by bringing the experience of the West to China to help China do more of what the West has done right and less of what the West has done wrong, China will leapfrog the West in many areas of healthcare. This is why we have picked this point in time to enter the China Healthcare Industry.

*MedicExchange:* Any predictions regarding US healthcare insurance reform?

**Dorenfest:** In the US, we have a large uninsured population, and if you happen to lose a job when you are sick, and your insurance terminates, the preexisting condition, may cause new health insurance to be very expensive and hard to obtain. So it is of great benefit to society to address this problem more effectively. Any one of us could meet up with the situation I have described. It will cost money to solve this problem, and we need to find ways to offset this cost.

The insurance industry in the US, with a myriad of insurance plans and companies, no longer provides the useful function it once did. There is great waste in the administrative costs and high profits of the insurance industry, with insufficient offsetting benefits to compensate society for the waste. We believe that by simplifying the insurance industry, the reduced costs would more than offset the higher costs of universal insurance coverage.

Just a concluding comment I would like to make. At key points over the last 40 years, when the US Government took major action to better control the cost of Healthcare, the aftermath provided the sharpest jumps in Healthcare costs and often quality problems to follow.

Examples are abundant. To cite a few, as follows:

1. In the early 1980's inpatient costs of care were rising, patients stayed in the hospital too long and there was an over abundance of inpatient admissions. Through a variety of actions the government and the healthcare industry increased the use of ambulatory care hoping to decrease the cost of inpatient care. The net result was inpatient care rose anyway and ambulatory care costs grew substantially.
2. Also in the 1980's, DRG's came into being. They were meant to provide guidance, to manage care and save money. Instead, the DRG process increased administrative costs substantially and the hospital industry learned how to manage the reimbursement process to the benefit of their revenue causing rising costs for the nation.
3. In the 1990's, managed care and integrated delivery were created to control the costs of the Healthcare industry. For a period of time that was accomplished as costs grew at a slower rate. About equal to GDP growth for a few years. The procedures that allowed that to happen were very coercive and society rebelled against managed care because of a huge number of quality problems associated with it. Then costs rose sharply again.

There are many ways to reform the US Healthcare industry. The cornerstone of insuring the uninsured is a great step. But it is hard to believe that this will not cost the nation a lot of money. So our leaders need to look very hard at how they can reverse the trend of healthcare cost as a percentage of GDP in the future, and increase ROI on Healthcare spending.

We can only hope our leaders have an epiphany, stop paying attention to the special interest groups and start to properly fix up the healthcare industry.

*MedicExchange: Thank you for the interview.*

**Dorenfest:** It's my pleasure.

• To learn more about *The Dorenfest Group*, a healthcare investment and consulting firm offering a variety of improvement services to help support a more positive world future, visit [The Dorenfest Group website](#)

• To learn more about [The Dorenfest China Healthcare Group](#), who offer a variety of investment and consulting services to the healthcare industry in China, visit the website.

• To learn more about the Dorenfest perspective on the US healthcare crisis see [The American Healthcare Crisis Presentation](#)

*on the website.*