**Ep 20: How AI is Reshaping Healthcare Operations**

**Dr. Bob Kaiser:** Today we welcome Dr. Heather Bassett, Chief Medical Officer of Xsolis, an AI-driven healthcare technology company that serves hundreds of hospitals, health systems, and health plans nationwide. Welcome to the podcast, Heather.

**Heather Bassett:** Oh, thank you very much. I'm excited to be here, and I'm looking forward to some really good conversation.

**Dr. Bob Kaiser:** I'm so glad to finally reconnect with excellence. Believe it or not, I interviewed your co-founder and CEO Joan Butters in 2018. That was seven years ago. I was hosting the Business of Healthcare Podcast for the University of Texas at Dallas, and your topic then was how cognitive computing can break down silos between healthcare providers and payers.

**Heather Bassett:** Now we've changed quite a bit since then.

**Dr. Bob Kaiser:** I know, and back then the words AI and machine learning were used in the interview and discussed, but they just weren't understood by many people. Now, Xsolis has been transformed into a preeminent AI company. You leverage machine learning, data science, and you're still breaking down the silos. So tell us, how did the culture of Xsolis become so AI-centric? What happened?

**Heather Bassett:** I think you mentioned Joan Butters in the conversation you had previously we like to joke that we started in AI before AI became “sexy,” and I think we were able to ingrain that culture very early.

We recognized, once we came live with a couple of hospitals and started accumulating data, that we could improve our analytics through AI. So, we hired a data scientist and basically started in a sandbox at that point. We fairly quickly created our first machine learning predictive model, layered that into our workflow, and were very successful with it. Then we just continued to roll out further AI initiatives or products.

You spoke about culture, so I think people were very interested. AI’s been around for many years but not really front and center. People in our company were very curious about it and felt like they were doing something cutting-edge a different approach to solving a problem. They really latched onto that.

We also made sure, from an education standpoint, that they really understood the pros and cons. That became the underpinning of everything we did moving forward.

**Dr. Bob Kaiser:** I've seen circumstances where the topic of AI gets brought up early on, and it's kind of like hallowed ground where just a few people know something about it, and it’s amazing what they’re doing it’s so remarkable and exciting while the rest of the crowd is standing around going, “Okay…”

How do you get people to actually take the time, without feeling threatened, to learn just a little bit about what it really is? Because on one hand, it’s always been there like you said, back in the day when you were shopping on Amazon, it was using AI, but people didn’t think of it like that. And now all of a sudden, AI emerges as this powerful technology.

Maybe in the future it just becomes so ubiquitous again that we don’t care. But the question for you is: how do you get people inside your company to start to embrace it? Was that a hard thing to do? Is everybody on board with it now, or are there still some stragglers?

**Heather Bassett:** I think you’ll always have some stragglers who are a little skeptical of things. But when we bring on new employees, part of the reason they gravitate to our company is because, if you look us up on our website, we’re clear that we’re an AI-driven company.

The individuals who come and want to work with us want to work with AI.

I think you brought up an interesting point people sometimes are scared of it because they don’t understand it. AI has historically been this black box.

In 2023, when ChatGPT came onto the scene, it was just an explosion of what it could do news cycles, VC money going into all these startups. But what was very interesting about that is, unlike predictive AI that works in the background, you could just log on to the internet, open up ChatGPT didn’t even have to pay for it and start using it.

It was tangible. My mom could get on there and ask, “These are the things in my pantry. Can you give me a recipe for dinner?”

That tangibility being able to type in a question in plain English and get a result really opened people’s eyes to the art of the possible.

That’s why we see people recognizing the opportunity to make their day better.

You mentioned skeptics, though. On the flip side, with AI being so prevalent, there are people who fear AI will take their jobs.

We’ve seen in the news like with Kaiser nurses concerns that you can’t replace the human piece, the skillset of nurses, with AI. There’s pushback there.

So yes there’s a lot of excitement, a lot of people see what it can do, but there’s also caution.

**Dr. Bob Kaiser:** Yeah, there’s a lot of fear. There’s fear of missing out that if I don’t get involved, I’m going to get left behind. And then there’s fear of being overtaken as well.

I think you overcome all these fearful circumstances with education. I know personally, Heather, I didn’t want to get left behind, so I signed up for a program at MIT. It was basically AI and Healthcare. I joined 150 other people from around the world.

It was all online, so not in person, but I was intimidated because I thought, “Boy, it’s MIT and they’re super smart and I’m just an average guy.”

But everyone on that course was in the same circumstances as me they were curious, they wanted to learn more, they were far from experts, but they weren’t going to get left behind.

So, I was just trying to imagine what it’d be like at Xsolis as you guys transformed because as I go through your material and learn more, you guys are heavyweights. This isn’t something where you’re tinkering. You’re really leaning hard into it.

The next question I’ve got is not so much inside your company but about your customers. They include both payers and providers, and typically in healthcare we don’t fall into the category of early adopters. We’re pretty slow to change.

Have you seen a change in mindset or willingness in recent times with your clients to start to listen and engage more in the topic of AI utilization?

**Heather Bassett:** Oh, 100%.

We do business reviews with our clients, walking through their metrics and obviously the return on the investment they’ve made.

The very first question that now comes up on the call before we even get into the business review is:

“Are you guys doing anything new in generative AI? Are you looking to use agentic AI? And if so, can we sign up to be a beta?”

That’s the level hospitals are at particularly the very forward-thinking ones.

As a company, from a mission standpoint, we’re trying to get rid of friction in healthcare, and a lot of that friction is administrative waste. There are all kinds of numbers out there about how many trillions of dollars are being wasted in healthcare.

That’s where hospitals really see efficiency wins and revenue capture through AI.

We almost don’t even have to sell it anymore.

Hospitals have narrow margins and pressures especially since COVID. They recognize they can’t throw more people at the problem because there are staffing shortages. This is really front and center as a way to solve those problems.

**Dr. Bob Kaiser:** Yeah, there’s no doubt about it. When you said there’s inefficiency, waste, and fraud in a $4 trillion industry, almost 25% a trillion dollars is unaccounted for, unacceptable, inefficient waste.

You can’t hide from that. It’s obvious, but no one’s willing to take on the issue and solve that problem holistically.

I guess you have to start somewhere with some of the simpler, low-hanging fruit, some of the fundamental things.

It doesn’t have to be “superhuman,” so to speak.

I think there’s a case for some superhuman type things. You’ve published a lot of articles I recently read one you had in Forbes related to the human side of AI adoption.

I think you touched on issues of trust and transparency, success and failures.

Can you share with our audience a little bit more about that topic the human side of AI?

**Heather Bassett:** Yeah. One piece of it is around change management.

When you bring on a new product whether it has AI or not there’s always change management.

But adding AI, again, makes it more complex. People get concerned: “Here’s this new tool will it take my job?”

Change management is really about understanding human response to change.

You’re dealing with emotions. You’re dealing with, “I like things done this way.”

Now you’re asking people to, as the adage goes, “move their cheese.”

That’s often at the crux of the problem.

Also, when you come in from the healthcare provider side, there’s this sense of urgency right now AI is buzzy, so they say: “Oh, we need AI. We need AI.”

But the first question has to be: What problem am I trying to solve?

If you don’t have a problem to solve, why bring this stuff in? You’ll just frustrate people.

In that article, I talked about sitting down with the folks doing the day-to-day work.

Ask them:

* What frustrates you?
* What repetitive tasks drive you nuts?
* Why do you have all these sticky notes around your monitor?

Those tend to be the problems AI can solve.

If it’s something in utilization management or revenue cycle, that’s where you might reach out to a vendor like us and see if we can help.

When you do that, it also helps with change management people are more receptive if AI is clearly solving a problem that makes their lives better.

 **Dr. Bob Kaiser:** So you specialize in change management using AI, in a way. I think that’s a safe statement.

I remember you said, “Who Moved My Cheese?” I remember that book by Spencer Johnson.

I used it with my kids growing up. I had to negotiate with them and explain why things were happening.

But change management is huge especially in an industry that doesn’t want to change sometimes.

**Heather Bassett:** Yeah. One of the things we learned along the way: it’s easy (and makes you feel better) to gravitate toward the folks who are excited.

You always have those individuals they’re like, “Oh, this is something new, I want to learn it, I want to use it.”

And then you have your naysayers.

It’s easy to lean into the excited group and ignore the others.

But we learned you need to include the person who’s not excited the one who’s being negative.

Because if you can figure out how to get that individual on board, and even turn them into a champion you’ve really won.

That was something we learned: don’t just focus on the “easy” adopters.

**Dr. Bob Kaiser:** I think we all experienced that with Epic and Cerner when we tried to bring in electronic health records trying to get people to try something new, be early adopters, take advantage of it.

Now we’ve layered another set of tools and capabilities on top of that whole platform.

Another question I have: the “superhuman” question.

We sometimes see things done with AI and think, “Wow, that’s amazing.”

In that MIT course I mentioned, they gave an example someone coughed three times.

Cough one.
Cough two.
Cough three.

Can you tell any difference in those coughs? No, you can’t not with the human ear.

But they built an AI model that could tell whether you had COVID even if you were asymptomatic or didn’t have COVID.

Tens of millions of coughs analyzed. It was highly accurate.

That’s superhuman.

You couldn’t do that in a normal environment.

And then the other day in the Wall Street Journal, I read about a robotic masseuse. The reporter got a massage from it, then one from a regular masseuse, then compared the two.

Really AI is getting involved now in your body workouts.

Another exciting development.

I can see why there’s apprehension at times, but when you go into an organization, working with these large health systems they probably think AI can solve any problem.

It’s superhuman.

But do you need a good environment first?

Or can AI actually fix a broken process?

**Heather Bassett:** AI cannot fix a broken process.

Say that again: AI cannot fix a broken process.

That is front and center.

I’ve been on several calls with health systems, and fortunately, they recognize that you have to be thoughtful about what steps need to happen first before layering a new process or AI on top of it.

We do get questions, though.

Part of rolling out a new AI tool into a health system back in 2016 or even 2018 I would get one question: “How accurate is the model?”

That was it.

Now I get a hundred questions.

About the type of data used to train the model.

Security questions.

Fairness.

Responsible AI.

And an interesting question I’ve heard: Do you really need AI to solve this problem?

Could it be solved with something simpler without adding complexity or safeguards?

That’s a great question. Sometimes you can end up over-engineering things, adding cost, when there was a simpler solution.

**Dr. Bob Kaiser:** That’s like the old saying if you have a hammer, everything looks like a nail.

Use AI for everything drive it all in with your hammer.

**Heather Bassett:** Exactly.

And tying into that we’re now talking about “classic rock” AI.

Predictive machine learning models are classic AI.

Now we’ve moved into generative AI.

And now the new buzzword is “agentic” AI.

I have to remind people: don’t just gravitate toward whatever’s buzzy or in the news cycle.

You always go back to: What problem are you trying to solve?

Because the solution might be predictive AI, or generative, or agentic or a combination.

I think of them as tools in my toolbox.

**Dr. Bob Kaiser:** Okay. So, what’s been your assessment, Heather, when it comes to these large accounts?

Who’s leading the AI strategy?

Is anyone really leading it?

Who’s paying attention to governance CIO, CMIO, COO?

Who’s leaning in?

**Heather Bassett:** You’ll notice there are now more “Chief AI Officers.”

That role really emerged in the last year or two.

They aren’t always highly technical people some are but some are more clinically focused and have AI experience either through work or education.

And we leaned into that this year we’re trying to figure out who to align with.

I think it’s critical to come in with a responsible AI standpoint.

There are organizations driving that charge.

We haven’t had good federal regulation.

States are all over the place one does one thing, another does another.

You mentioned EMRs when Epic, Cerner, Meditech, all of them rolled out physicians didn’t have a voice.

We didn’t know we even needed to.

Now, healthcare needs to step up and lead the charge on responsible AI and governance instead of waiting for regulation.

If we wait, that could suppress innovation instead of aligning governance with innovation.

So earlier this year, we joined CHAI the Coalition of Health AI.

One reason we joined is their ecosystem aligns with ours prominent healthcare organizations, payers, vendors.

It represents the key stakeholders in the AI space.

It’s important to have a voice at the table.

**Dr. Bob Kaiser:** I like the name CHAI. It’s my favorite tea.

They’ve done a good job Coalition for Healthcare AI.

I’m just starting to learn more.

On a previous podcast interview and that’s one of the fun things for me, Heather I learn every day.

I just started learning about model cards.

CHAI has some sort of model card registry they’re working on.

Are you familiar with that?

**Heather Bassett:** Yes.

We’ve actually had model cards for many years for each of our predictive models.

CHAI is trying to standardize things because our model card might look different than another company’s.

They’ve put out a standard.

It’s very well done they like to think of it like a nutrition label on a cereal box.

What do you need to know about this model?

Performance. Safety. Use case.

They’re also creating a registry so if I’m a healthcare system and I want to understand a vendor’s AI, I can go to CHAI and see their model cards.

**Dr. Bob Kaiser:** I’ve seen similar organizations emerge with quality standards for AI.

Like you said it’s like a nutrition label.

It simplifies the buying process.

The vendor publishes it, you read it, you know what you’re getting.

Does it satisfy your needs? Does it have the “good housekeeping” seal of approval?

I can see that being a useful application.

I know they let small startups join too I’m looking into joining myself.

Heather, I want to recognize and promote your new podcast.

I’m grateful you’re here today, but you’ve got your own podcast now: **AI Amplified.**

I love the name.

It tells the message of what you’re trying to do.

You have a rich history articles in Newsweek, Forbes, InformationWeek so I think this podcast is going to be a great environment for you to learn and share.

We’ll reference it in the show notes.

Congratulations! Was that a hard decision?

**Heather Bassett:** No. Maybe if you’d asked me five years ago, I would’ve had a panic attack.

I’ve always been a quieter person I like to work through data.

Being on a podcast wasn’t on my career bingo card.

But I’ve been fortunate to be a guest on podcasts, yours and others.

It’s a great opportunity and like you mentioned, you learn so much.

In this space AI is changing so quickly conversations help us collectively make the best decisions and provide the best quality products.

I’m excited about some of the guests we have lined up.

I’m a geek at heart I did research in DNA repair before med school.

Some guests are from totally different areas where AI is showing impact, not just what I do day to day.

I’m really excited.

**Dr. Bob Kaiser:** The name Amplified says it all.

It’s going to focus on areas that aren’t well understood and help people understand them better.

Two episodes a month that’s great.

I do one a month.

Diana is my producer, and if I said “two a month,” she’d leave.

It’s a lot of work but rewarding.

If you don’t mind, can we talk about **Care Level Score**?

That’s something you created.

How does it impact payers, providers, and patients?

**Heather Bassett:** We work primarily in utilization management and mid-revenue cycle.

A lot of what utilization review nurses do is look at clinical information in the electronic medical record and make decisions about patient status.

Inpatient status equals higher billing.

Observation is shorter stay, lower billing.

Historically, it’s been a manual process.

When a patient comes into the hospital through the ED and then stays days the amount of data points is massive: vital signs, labs, clinical documents.

It was impossible for nurses to keep up not because they weren’t doing a good job, but because it was too much.

Things slipped through the cracks which meant revenue loss or increased denial risk.

That’s where we saw opportunity.

We started pulling real-time data from EMRs and applied analytics to create the **Care Level Score.**

It’s a robust score that looks at all clinical data points and outputs a score from 0 to 157.

* Over 75? More likely inpatient.
* Under 75? More likely outpatient or observation.

It updates during the hospital stay.

Someone might start appropriate for observation but then a new MRI report comes in, and suddenly they’re inpatient.

The score changes and alerts someone to re-review the case.

I like to call it your personal assistant working 24/7 in the background prioritizing your day, flagging revenue risks, making sure you address what matters.

**Dr. Bob Kaiser:** See, I would welcome that tool my sidekick, helping me through the day.

**Heather Bassett:** Exactly.

**Dr. Bob Kaiser:** Wrapping things up young students graduating now in healthcare administration.

What advice would you give them?

Should they embrace AI?

Run from it?

Or go in deeper?

**Heather Bassett:** From an AI standpoint I’d strongly suggest they upskill.

Take a course.

Intern somewhere.

Make sure you understand the pros and cons.

You don’t need to be at data science level, but you need to understand the basics.

AI is not going away it will be part of your day-to-day.

To be honest, I’m a little jealous of those entering med school now.

Some of the tools I’ve seen that are helping clinicians I wish I’d had them.

But if you want to be successful and not be left behind, AI education is critical.

**Dr. Bob Kaiser:** I remember getting my engineering degree before the internet that’s a whole different story.

My advice to them: become part of the steamroller or part of the pavement.

Get on top of this.

These are exciting times.

Heather, this has been great Dr. Heather Bassett, Chief Medical Officer at Xsolis.

Thanks for sharing your insights.

We look forward to following your new podcast, **AI Amplified.**

**Heather Bassett:** Oh, thank you very much. I really enjoyed the conversation today, and thank you for having me.