Redefining Health Care: 
Creating Value-Based Competition on Results
Issues in Health Care Reform

- Health Insurance and Access
- Standards for Coverage
- Structure of Health Care Delivery
The Paradox of Health Care

- Costs are high and rising
- Services are restricted and fall well short of recommended care
- In other services, there is overuse of care
- Standards of care often lag and fail to follow accepted benchmarks
- Diagnosis errors are common
- Preventable treatment errors are common
- Huge quality and cost differences persist across providers
- Huge quality and cost differences persist across geographic areas
- Best practices are slow to spread
- Innovation is resisted

- Competition is not working
- How is this state of affairs possible?
Zero-Sum Competition in Health Care

• Competition to *shift costs*
• Competition to *increase bargaining power*
• Competition to *capture patients and restrict choice*
• Competition to *restrict services* in order to reduce costs

• None of these forms of competition *increases value for patients*
Root Causes

- Competition in the health care system takes place at the **wrong levels** on the **wrong things**

### Too Broad
- Between broad line hospitals, networks, and health plans

### Too Narrow
- Performing discrete services or interventions

### Too Local
- Focused on serving the local community
Principles of Value-Based Competition

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Organ Transplant Care Cycle

Evaluation → Waiting for a Donor → Transplant Surgery → Immediate Convalescence → Long Term Convalescence

- Addressing organ rejection
- Fine-tuning the drug regimen

- Adjustment and monitoring
The Care Delivery Value Chain

- KNOWLEDGE MANAGEMENT
- INFORMING
- MEASURING
- ACCESSING
- MONITORING/PREVENTING
- DIAGNOSING
- PREPARING
- INTERVENCING
- RECOVERING/REHABING
- MONITORING/MANAGING
# The Care Delivery Value Chain: Primary Activities

## Breast Cancer Care

### KNOWLEDGE MANAGEMENT
- Education and reminders about regular exams
- Lifestyle and diet counseling

### INFORMING
- Self exams
- Mammograms
- Mammography lab visits

### MEASURING
- Office visits
- Mammograms
- Ultrasound
- MRI
- Biopsy
- BRACA 1, 2

### ACCESSING
- Office visits
- Lab visits
- High-risk clinic visits

### MONITORING/PREVENTING
- Medical history
- Monitoring for lumps
- Control of risk factors (obesity, high fat diet)
- Clinical exams
- Genetic screening

### DIAGNOSING
- Medical history
- Determining the specific nature of the disease
- Genetic evaluation
- Choosing a treatment plan

### PREPARING
- Medical counseling
- Surgery prep (anesthetic risk assessment, EKG)
- Patient and family psychological counseling
- Plastic or oncoplastic surgery evaluation

### INTERVENING
- Surgery (breast preservation or mastectomy, oncoplastic alternative)
- Adjuvant therapies (hormonal medication, radiation, and/or chemotherapy)

### RECOVERING/REHABING
- In-hospital and outpatient wound healing
- Psychological counseling
- Treatment of side effects (skin damage, neurotoxic, cardiac, nausea, lymphodema and chronic fatigue)
- Physical therapy

### MONITORING/MANAGING
- Periodic mammography
- Other imaging
- Follow-up clinical exams for next 2 years
- Treatment for any continued side effects

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The table above outlines the primary activities involved in the care delivery value chain for breast cancer care, categorizing tasks into KNOWLEDGE MANAGEMENT, INFORMING, MEASURING, ACCESSING, MONITORING/PREVENTING, DIAGNOSING, PREPARING, INTERVENING, RECOVERING/REHABING, and MONITORING/MANAGING. Each category lists specific procedures and measurements relevant to breast cancer care.
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4. High quality care should be **less** costly.
5. Value is driven by **provider experience, scale**, and **learning** at the medical condition level.
The Virtuous Circle in a Medical Condition

- Deeper Penetration (and Geographic Expansion) in a Medical Condition
- Improving Reputation
- Better Results, Adjusted for Risk
- Faster Innovation
- Spread IT, Measurement, and Process Improvement Costs over More Patients
- Wider Capabilities in the Care Cycle
- Rising Capacity for Sub-Specialization
- Greater Leverage in Purchasing
- More Tailored Facilities
- More Fully Dedicated Teams
- Better Information/Clinical Data
- Rising Efficiency
- Rapidly Accumulating Experience
- Faster Innovation
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6. Competition should be **regional** and **national**, not just local.
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6. Competition should be regional and national, not just local.
7. Information on results and prices needed for value-based competition must be widely available.
The Information Hierarchy

- Patient Results (Outcomes, costs and prices)
- Experience
- Methods
- Patient Attributes
Boston Spine Group
Clinical and Outcome Information Collected and Analyzed

**OUTCOMES**

**Patient Outcomes**
*(before and after treatment, multiple times)*
- Visual Analog Scale (pain)
- Oswestry Disability Index, 10 questions (functional ability)
- SF-36 Questionnaire, 36 questions (burden of disease)
- Length of hospital stay
- Time to return to work or normal activity

**Medical Complications**
- Cardiac
  - Myocardial infarction
  - Arrhythmias
  - Congestive heart failure
- Vascular deep venous thrombosis
- Urinary infections
- Pneumonia
- Post-operative delirium
- Drug interactions

**Surgery Complications**
- Patient returns to the operating room
- Infection
- Nerve injury
- Sentinel events (wrong site surgeries)
- Hardware failure

**METHODS**

**Medical Complications**
- Operative time
- Blood loss
- Devices or products used

**Service Satisfaction**
*(periodic)*
- Office visit satisfaction metrics (10 questions)

**Overall medical satisfaction**
("Would you have surgery again for the same problem?")
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7. Information on results and prices needed for value-based competition must be widely available.
8. Innovations that increase value must be strongly rewarded.
Moving to Value-Based Competition

Providers

Defining the Right Goals
• Superior patient value

Strategic and Organizational Imperatives
• Redefine the business around medical conditions
• Choose the range and types of services provided
• Organize around medically integrated practice units
• Create a distinctive strategy in each practice unit
• Measure results, experience, methods, and patient attributes by practice unit
• Move to single bills and new approaches to pricing
• Market services based on excellence, uniqueness, and results
• Grow locally and geographically in areas of strength

Enabling Conditions
• Analyzing the care delivery value chain
• Harnessing the power of Information Technology
• Systematizing knowledge development
What Businesses Are We In?

- Chronic Kidney Disease
- End-Stage Renal Disease
- Kidney Transplants
- Hypertension Management

Nephrology practice
Moving to Value-Based Competition

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Enabling Conditions

• Analyzing the **care delivery value chain**
• Harnessing the power of **Information Technology**
• Systematizing **knowledge development**
Analyzing the Care Delivery Value Chain

1. Is the set and sequence of activities in the CDVC aligned with value?
2. Is the appropriate mix of skills brought to bear on each activity and across activities, and do individuals work as a team?
3. Is there appropriate coordination across the discrete activities in the care cycle, and are handoffs seamless?
4. Is care structured to harness linkages across different parts of the care cycle?
5. Is the right information collected, integrated, and utilized across the care cycle?
6. Are the activities in the CDVC performed in appropriate facilities and locations?
7. What provider departments, units and groups are involved in the care cycle? Is the provider’s organizational structure aligned with value?
8. What are the independent entities involved in the care cycle, and what are the relationships among them? Should a provider’s scope of services in the care cycle be expanded or contracted?
Transforming the Roles of Health Plans

Old Role: culture of denial

• Restrict patient choice of providers and treatment
• Micromanage provider processes and choices
• Minimize the cost of each service or treatment
• Engage in complex paperwork and administrative transactions with providers and subscribers to control costs and settle bills
• Compete on minimizing premium increases

New Role: enable value-based competition on results

• Enable informed patient and physician choice and patient management of their health
• Measure and reward providers based on results
• Maximize the value of care over the full care cycle
• Minimize the need for administrative transactions and simplify billing
• Compete on subscriber health results
Moving to Value-Based Competition

Health Plans

Provide Health Information and Support to Patients and Physicians
1. Organize around medical conditions, not geography or administrative functions
2. Develop measures and assemble results information on providers and treatments
3. Actively support provider and treatment choice with information and unbiased counseling
4. Organize information and patient support around the full cycle of care
5. Provide comprehensive disease management and prevention services to all members, even healthy ones

Restructure the Health Plan-Provider Relationship
6. Shift the nature of information sharing with providers
7. Reward provider excellence and value-enhancing innovation for patients
8. Move to single bills for episodes and cycles of care, and single prices
9. Simplify, standardize, and eliminate paperwork and transactions

Redefine the Health Plan-Subscriber Relationship
10. Move to multi-year subscriber contracts and shift the nature of plan contracting
11. End cost shifting practices, such as re-underwriting, that erode trust in health plans and breed cynicism
12. Assist in managing members’ medical records
Moving to Value-Based Competition

**Suppliers**

- Compete on delivering *unique value* over the *full care cycle*
- **Demonstrate value** based on careful study of long term costs and results versus alternative therapies
- Ensure that the products are *used by the right patients*
- Ensure that drugs/devices are embedded in the *right care delivery processes*
- Market based on *value, information, and customer support*
- Offer support services that **contribute to value** rather than reinforce cost shifting
Moving to Value-Based Competition

Employers

• Set the goal of increasing health value, not minimizing health benefit costs

• Set new expectations for health plans, including self-insured plans

• Provide for health plan continuity for employees, rather than plan churning

• Enhance provider competition on results

• Support and motivate employees to make good health care choices and manage their own health

• Find ways to expand insurance coverage and advocate reform of the insurance system

• Measure and hold employee benefit staff accountable for the company’s health value received
How Will Redefining Health Care Begin?

• It is already happening!

• Each system participant can take voluntary steps in these directions, and will benefit irrespective of other changes.

• The changes are mutually reinforcing.

• Once competition begins working, value improvement will no longer be discretionary or optional

• Those organizations that move early will gain major benefits.
What Government Can Do: Policies to Improve Health Insurance, Access, and Coverage

Insurance and Access

• Enact **mandatory health coverage**
• Provide **subsidies** or vouchers for **low-income** individuals and families
• Create **risk pools** for high-risk individuals
• Enable **affordable insurance plans**
• Eliminate **unproductive** insurance rules and billing practices
  – **Ban** re-underwriting
  – ** Clarify legal responsibility** for medical bills
  – Eliminate **balance billing**

Coverage

• Establish a **national standard** for required coverage
• The Federal Employees Health Benefit Plan (FEHBP) as a **starting point**
What Government Can Do: Policies to Improve the Structure of Health Care Delivery

• Enable universal results information
  – Establish a process of defining outcome measures
  – Enact mandatory results reporting
  – Establish information collection and dissemination infrastructure

• Improve pricing practices
  – Establish episode and care cycle pricing
  – Set limits on price discrimination

• Open up competition at the right level
  – Reduce artificial barriers to practice area integration
    • Modify Stark laws
    • Phase-out corporate practice of medicine laws
  – Require a value justification for captive referrals or treatment involving an economic interest
  – Eliminate artificial restrictions on new entry
  – Institute results-based license renewal
  – Strictly enforce antitrust policies
  – Curtail anticompetitive buying group practices
  – Eliminate barriers to competition across geography
    • Establish reciprocity in state-level licensing
    • Modify tax treatment of medical travel
What Government Can Do: Policies to Improve the Structure of Health Care Delivery (continued)

• Establish standards and rules that enable information technology and information sharing
  – Develop standards for interoperability of hardware and software
  – Develop standards for medical data
  – Enhance identification and security procedures
  – Provide incentives for IT adoption

• **Reform** the malpractice system

• **Redesign** Medicare policies and practices
  – Make Medicare a **health plan**, not a payer or a regulator

• Modify counterproductive **pricing practices**

• Improve Medicare **Pay-for-Performance**

• **Align** Medicaid with Medicare

• Invest in medical and clinical **research**