Redefining Health Care

• Universal coverage is essential, but not enough

• The core issue in health care is the value of health care delivered

  Value: Patient health outcomes per dollar spent

• How to design a health care system that dramatically improves value
  – Ownership of entities is secondary (e.g. non-profit vs. for profit vs. government)

• How to create a dynamic system that keeps rapidly improving
Creating a Value-Based Health Care System

• Significant improvement in value will require **fundamental restructuring of health care delivery**, not incremental improvements

Today, 21st century medical technology is delivered with 19th century organization structures, management practices, and pricing models

- TQM, process improvements, and safety initiatives are beneficial but **not sufficient** to substantially improve value
- Consumers cannot fix the dysfunctional structure of the current system
Creating a Value-Based Health Care System

• Competition is a powerful force to encourage restructuring of care and continuous improvement in value
  – For patients
  – For health plan subscribers

• Today’s competition in health care is not aligned with value

| Financial success of system participants | ≠ | Patient success |

• Creating competition on value is a central challenge in health care reform
Zero-Sum Competition in U.S. Health Care

Bad Competition

• Competition to shift costs or capture a bigger share of revenue
• Competition to increase bargaining power
• Competition to capture patients and restrict choice
• Competition to restrict services in order to maximize revenue per visit or reduce costs

Zero or Negative Sum

Good Competition

• Competition to increase value for patients

Positive Sum
Principles of Value-Based Health Care Delivery

1. The goal must be **value for patients**, not lowering costs

   • Improving value will require going **beyond waste reduction** and **administrative savings**
Principles of Value-Based Health Care Delivery

1. The goal must be **value for patients**, not lowering costs

   • The best way to **contain costs** is to **improve quality**

   
   Quality = Health outcomes

<table>
<thead>
<tr>
<th>Prevention</th>
<th>Less invasive treatment methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early detection</td>
<td>Faster recovery</td>
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<tr>
<td>Right diagnosis</td>
<td>More complete recovery</td>
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<tr>
<td>Early and timely treatment</td>
<td>Less disability</td>
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<tr>
<td>Treatment earlier in the causal</td>
<td>Fewer relapses or acute</td>
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<tr>
<td>chain of disease</td>
<td>episodes</td>
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<td>Right treatment to the right</td>
<td>Slower disease progression</td>
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<td>patients</td>
<td>Less need for long term care</td>
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<td>Fewer delays in the care delivery</td>
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<td>process</td>
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<td>Fewer complications</td>
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<td>Fewer mistakes and repeats</td>
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<td>in treatment</td>
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   • Better health is **inherently less expensive** than poor health

   • **Better health** is the goal, not more treatment
Principles of Value-Based Health Care Delivery

1. The goal must be value for patients, not lowering costs

   • There must be competition for patients based on value
     – Not process compliance or administrative oversight
     – Get patients to excellent providers vs. “lift all boats”
     – Expand the proportion of patients cared for by the most effective teams
     – Grow the excellent teams by reallocating capacity and expanding across locations
Principles of Value-Based Health Care Delivery

1. The goal must be value for patients, not lowering costs

2. Health care delivery should be organized around medical conditions over the full cycle of care

- A medical condition is an interrelated set of patient medical circumstances best addressed in an integrated way
  - Defined from the patient's perspective
  - Involving multiple specialties and services

- Includes the most common co-occurring conditions

- Examples
  - Diabetes (including vascular disease, hypertension, others)
  - Migraine
  - Breast Cancer
  - Stroke
  - Asthma
  - Congestive Heart Failure
Restructuring Health Care Delivery
Migraine Care in Germany

Existing Model: Organize by Specialty and Discrete Services

- Imaging Centers
- Outpatient Physical Therapists
- Outpatient Neurologists
- Primary Care Physicians
- Outpatient Psychologists
- Inpatient Treatment and Detox Units

New Model: Organize into Integrated Practice Units (IPUs)

- Imaging Unit
- West German Headache Center
  - Neurologists
  - Psychologists
  - Physical Therapists
  - Day Hospital
- Essen Univ. Hospital Inpatient Unit
- Network Neurologists
- Primary Care Physicians

The Cycle of Care
Care Delivery Value Chain for Breast Cancer

- **Primary care providers** are often the **beginning** and **end** of the care cycle
- The medical condition is the **unit of value creation** in health care delivery
What is Integrated Care?

• Integration of specialties and services over the **care cycle for a medical condition (IPU)**
  – Many providers will operate multiple IPUs

• For some patients, coordination of care **across medical conditions**
  – A patient can be cared for by **more than one IPU**

• Integrated care is **not**:
  – Co-location of care
  – Care delivered by the same organization
  – A multispecialty group practice
  – Freestanding focused factories
  – A Center or an Institute
  – A health plan/provider system
Patients with Multiple Medical Conditions
Coordinating Care Across IPUs

- The primary organization of care delivery should be around the integration required for every patient
- IPUs will also greatly simplify coordination of care for patients with multiple medical conditions
- The patient with multiple conditions will be better off in an IPU model
Principles of Value-Based Health Care Delivery

• Value is driven by provider experience, scale, and learning at the medical condition level

The Virtuous Circle

- Greater Patient Volume (Including 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, Including Patient Engagement
- Rising Capacity for Sub-Specialization
- More Tailored Facilities
- More Fully Dedicated Teams
- Better Information/ Clinical Data
- Rising Process Efficiency
- Rapidly Accumulating Experience
- IRMS, Measurement, and Process Improvement Costs over More Patients
- Improved Leverage in Purchasing
- Patient Engagement
Principles of Value-Based Health Care Delivery

• Health care delivery should be integrated across facilities and regions, rather than take place in stand-alone units.

Children’s Hospital of Philadelphia (CHOP) Affiliations

- Grand View Hospital, PA
  Pediatric Inpatient Care
- Abington Memorial Hospital, PA
  Pediatric Inpatient Care
- Chester County Hospital, PA
  Pediatric Inpatient Care
- CHILDREN’S HOSPITAL OF PHILADELPHIA
- Shore Memorial Hospital, NJ
  Pediatric Inpatient Care

• Excellent providers can manage care delivery across multiple geographies.
Principles of Value-Based Health Care Delivery

1. The goal must be **value for patients**, not lowering costs

2. Health care delivery should be organized around **medical conditions** over the **full cycle of care**

3. **Value** must be universally measured and reported
   - Results must be measured at the **level at which value is created** for patients
   - **For** medical conditions over the cycle of care
     - Not for interventions or short episodes
     - Not for hospitals, practices, clinics, or departments
     - Not for types of service (e.g. inpatient, outpatient, tests, rehabilitation)
The Outcome Measures Hierarchy

Tier 1
Health Status Achieved
Survival

Tier 2
Process of Recovery
Degree of recovery / health

Tier 3
Sustainability of Health
Sustainability of recovery or health over time

Measuring Breast Cancer Outcomes

- **Survival**
  - Survival rate
    - (One year, three year, five year, longer)
- **Degree of recovery / health**
  - Remission
  - Functional status
- **Time to recovery or return to normal activities**
  - Time to remission
  - Time to achieve functional status
- **Disutility of care or treatment process**
  - Nosocomial infection
  - Febrile neutropenia
  - Nausea
  - Limitation of motion
  - Vomiting
  - Depression
- **Sustainability of recovery or health over time**
  - Cancer recurrence
  - Incidence of secondary cancers
  - Sustained functional status
  - Incidence of osteoporosis
  - Brachial plexopathy
  - Premature osteoporosis

Measuring Value: Key Principles

- **Physicians** need results measures in order to drive value improvement
- Outcomes must be **adjusted for patient initial conditions**
- We cannot wait for perfection: outcome measures and risk adjustment will **improve rapidly**

  ![Arrow pointing down]

- The feasibility of outcome measurement at the medical condition level has been **conclusively demonstrated**
- Failure to measure outcomes will **invite further micromanagement** of physician practice
Principles of Value-Based Health Care Delivery

1. The goal must be value for patients, not lowering costs

2. Health care delivery should be organized around medical conditions over the full cycle of care

3. Value must be universally measured and reported

4. Reimbursement should be aligned with value and reward innovation
   - Bundled reimbursement for care cycles, not payment for discrete treatments or services
     - Most DRG systems are too narrow
   - Reimbursement for prevention and screening, not just treatment
   - Reimbursement for overall management of chronic conditions
   - Reimbursement adjusted for patient complexity

- Providers should be proactive in moving to new reimbursement models, not wait for health plans and Medicare
Principles of Value-Based Health Care Delivery

1. The goal must be **value for patients**, not lowering costs.

2. Health care delivery should be organized around **medical conditions** over the **full cycle of care**.

3. **Value** must be universally measured and reported.

4. Reimbursement should be aligned with **value** and reward **innovation**.

5. Information technology will enable **restructuring of care delivery** and **measuring results**, but is not a solution by itself.

- Common data definitions
- Interoperability standards
- Patient-centered database
- Includes all types of data (e.g. notes, images)
- Cover the full care cycle, including referring entities
- Accessible to all involved parties
Principles of Value-Based Health Care Delivery
Implications for Providers

• Organize around integrated practice units (IPUs) for each medical condition
  – With mechanisms for cross-IPU coordination

• Choose the appropriate scope of services in each facility based on excellence in patient value

• Integrate services for each IPU / medical condition across geographic locations

• Employ formal partnerships and alliances with independent practices involved in the care cycle in order to integrate care

• Expand high-performance IPUs across geography using an integrated model
  – Instead of federations of broad line, stand-alone facilities

• Measure outcomes and costs for every medical condition over the full care cycle

• Lead the development of new contracting models with health plans based on bundled reimbursement for care cycles

• Implement a single, integrated, patient centric electronic medical record system which is utilized by every unit and accessible to partners, referring physicians, and patients
How Will Redefining Health Care Begin?

• It is **already happening** in the U.S. and other countries

• Providers, as well as health plans and employers, can take **voluntary** steps in these directions, and will **benefit** irrespective of other changes

• The changes will be **mutually reinforcing**

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

• Those organizations that **move early** will gain major benefits

• **Providers** can and should take the lead