Redefining Health Care:
Creating Value-Based Competition on Results

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Forces of Change
Harvard School of Public Health
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Comments on Other Speakers

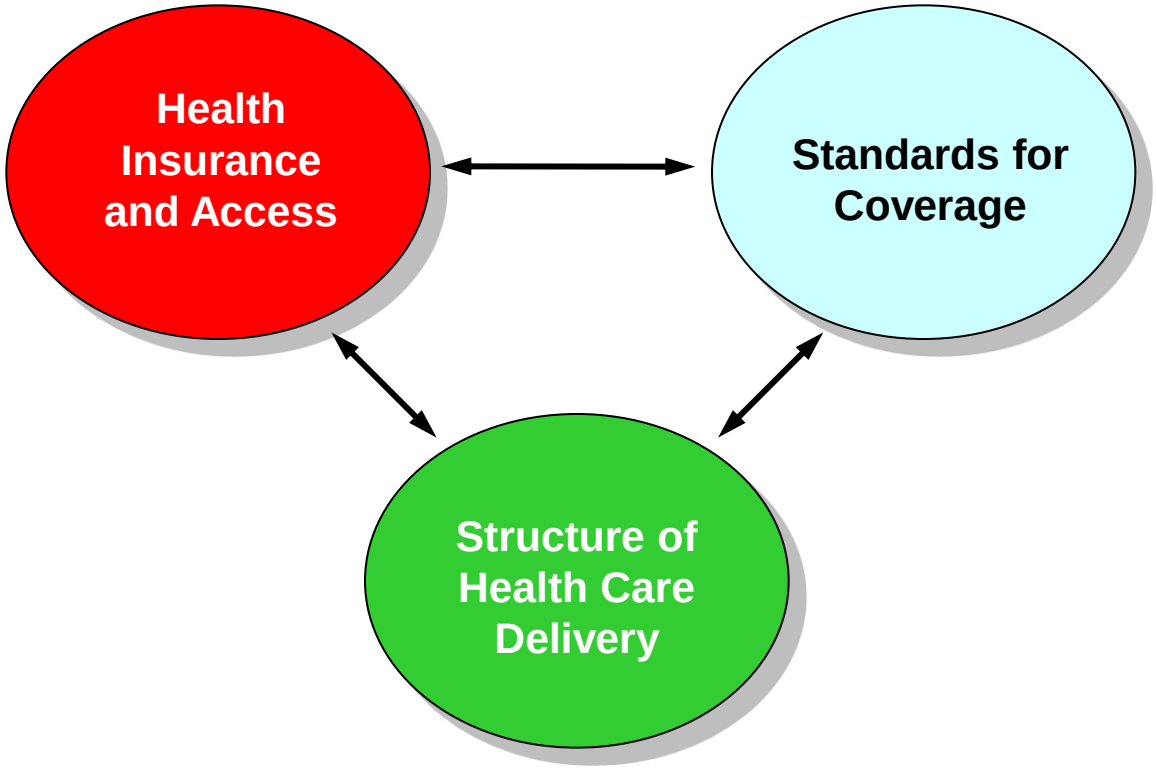
<u>David Cutler</u>
- Value, not cost
- Research at medical condition level
- Universal coverage is efficient too

<u>Regina Herzlinger</u>
- Opened up application of business thinking to health care
- Patients as consumers
- Ideas around some time: why not catch on or solve the problem?

<u>Arnold Epstein</u>
- We need to focus on quality
- PFP puts providers at the center of the system

But
- Micromanagement won't work
- PFP is pay for compliance/often at the wrong level too
- Builds in cost-escalation
  - Margin v. price
  - Patients much more of an incentive
- Results info will work: previous lack of consumer response was because poor info, health plans not involved, no consequences.

Issues in Health Care Reform



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 the local community

Principles of Value-Based Competition

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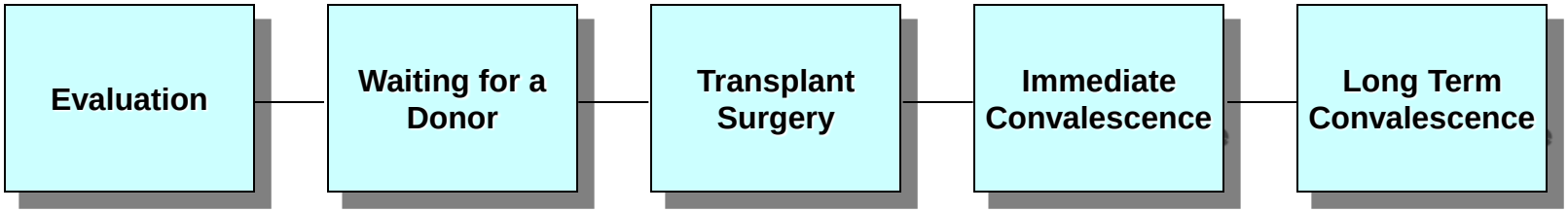
Organ Transplant Care Cycle

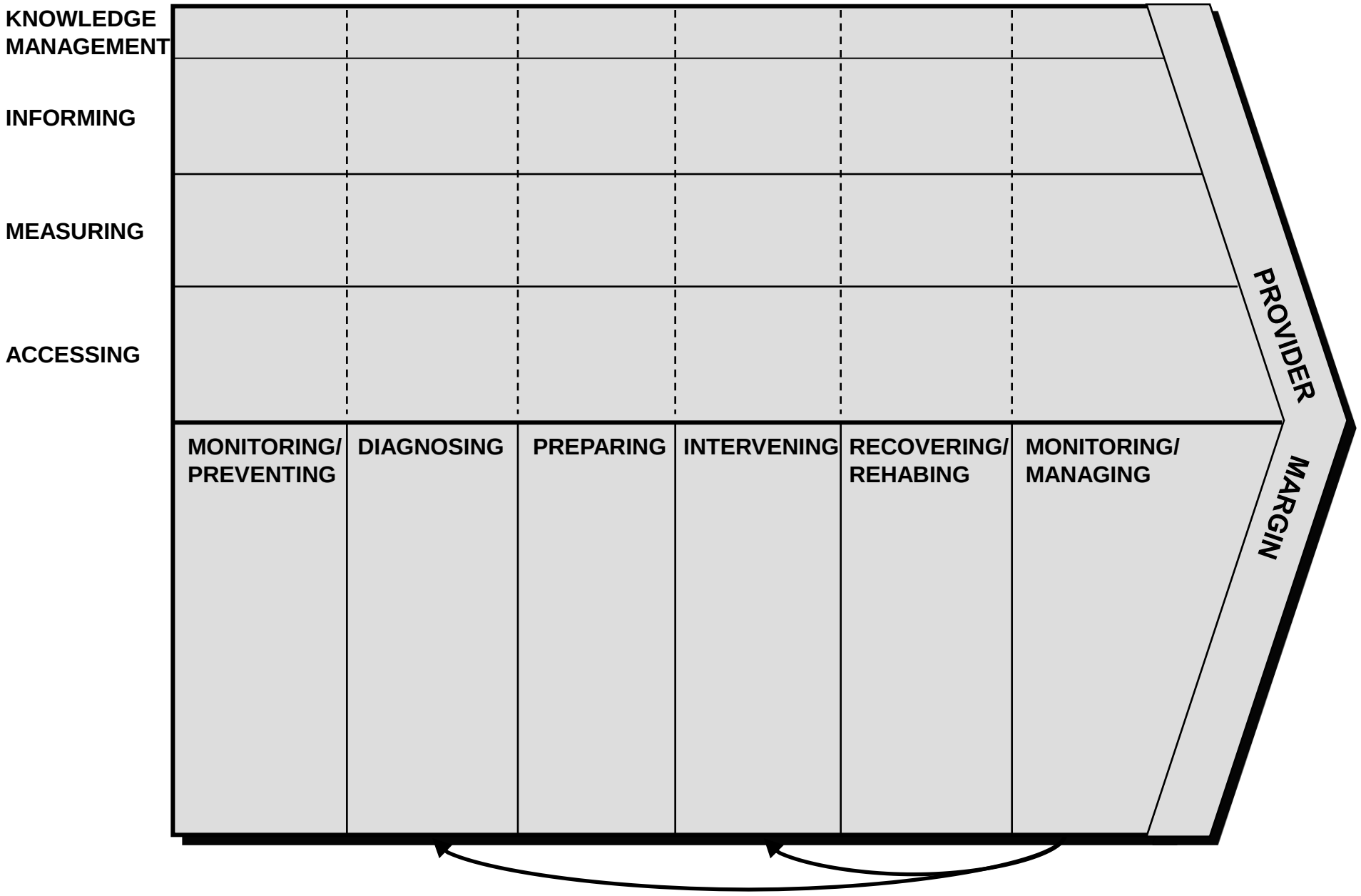


Addressing organ rejection

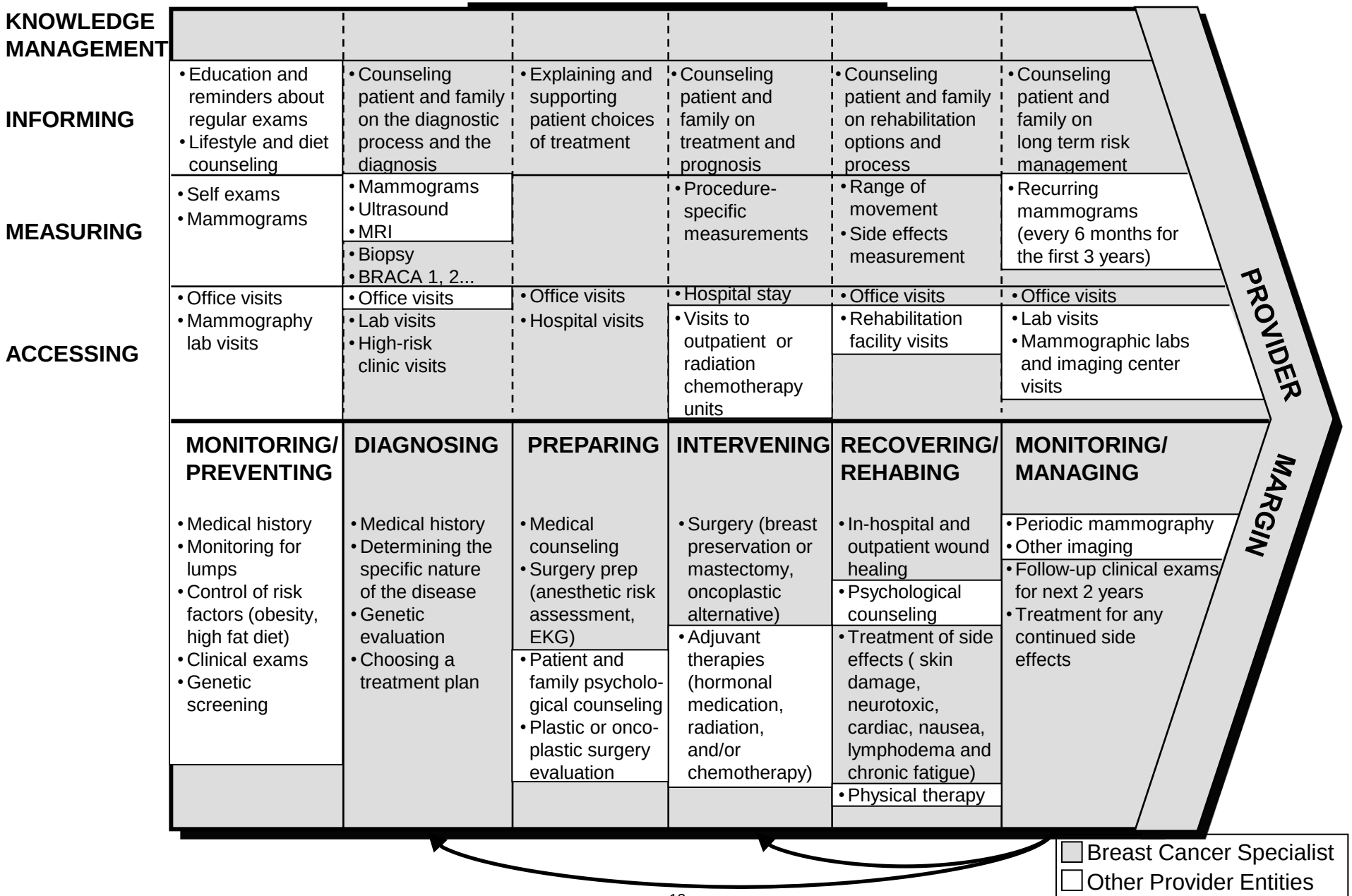
Fine-tuning the drug regimen

Adjustment and monitoring

The Care Delivery Value Chain



The Care Delivery Value Chain: Primary Activities
Breast Cancer Care



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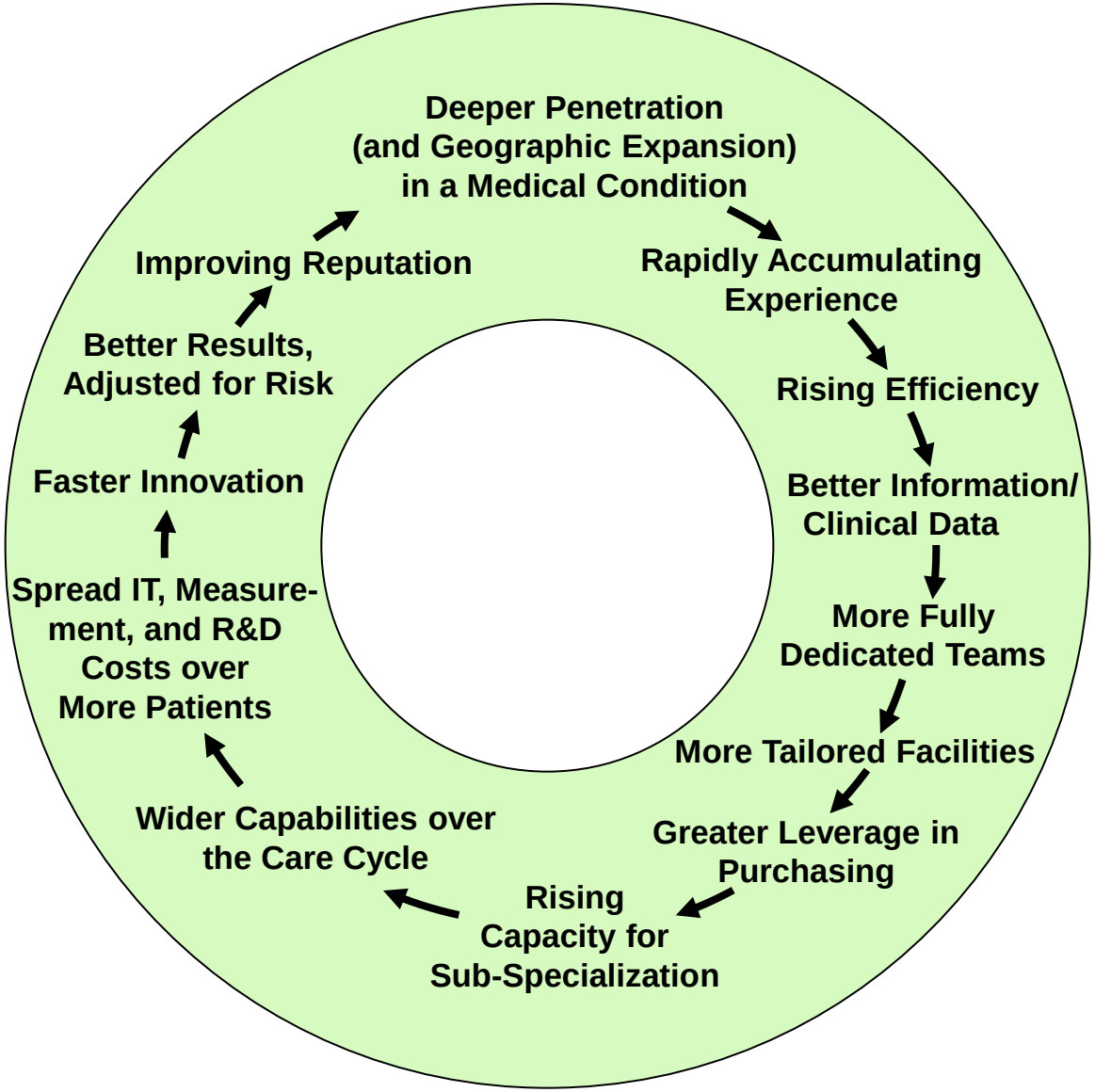
The Virtuous Circle in a Medical Condition



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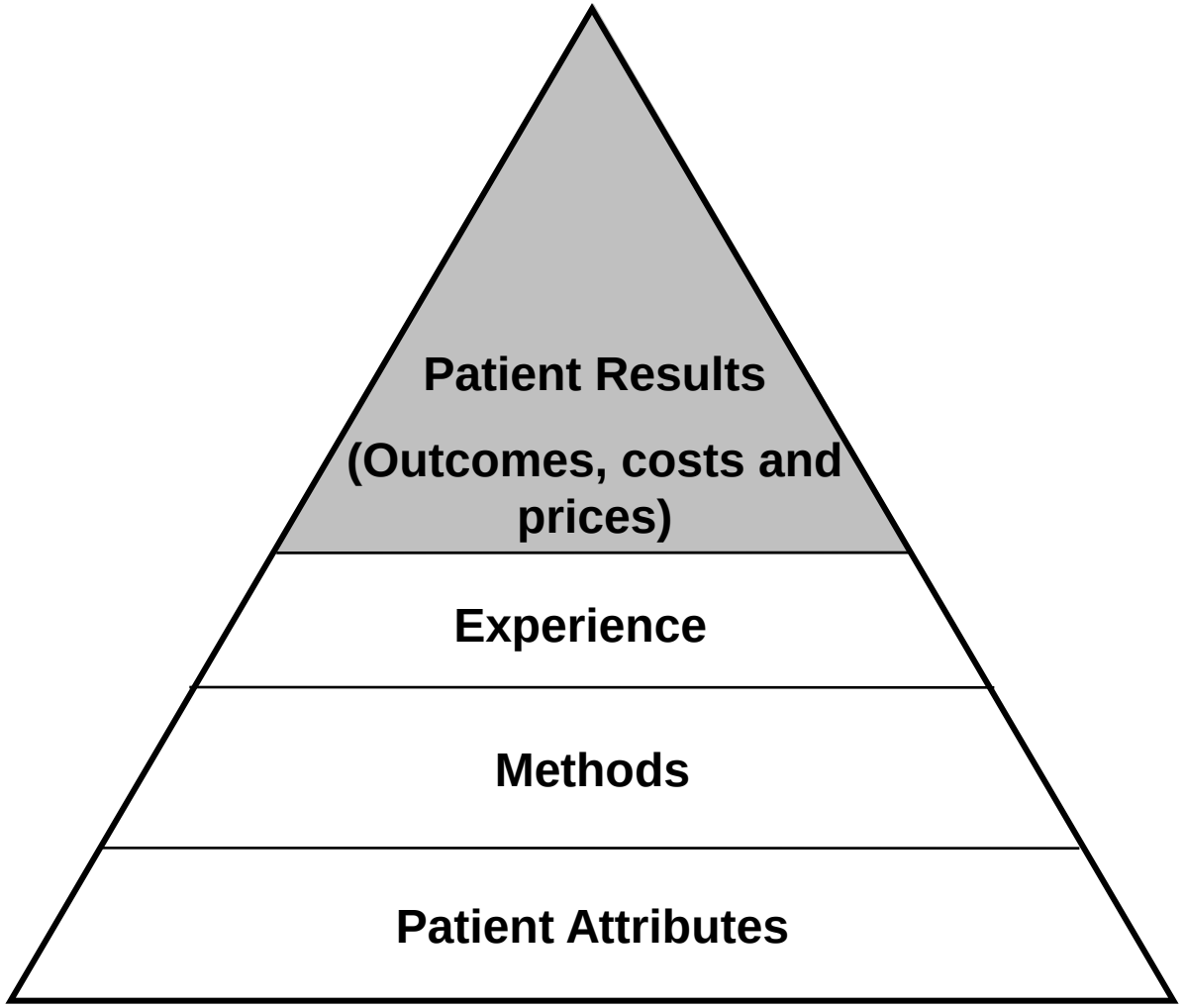
The Information Hierarchy



Boston Spine Group

Clinical and Outcome Information Collected and Analyzed

OUTCOMES

Patient Outcomes

(*before and after treatment, multiple times*)

Visual Analog Scale (pain)

Owestry 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

Service Satisfaction

(*periodic*)

Office visit satisfaction metrics (10 questions)

Overall medical satisfaction

("Would you have surgery again for the same problem?")

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

Surgery Process Metrics

Operative time

Blood loss

Devices or products used

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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**

What Businesses Are We In?

Nephrology practice

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

Moving to Value-Based Competition
Providers

Defining the Right Goals

- Superior **patient value**

Strategic and Organizational Imperatives

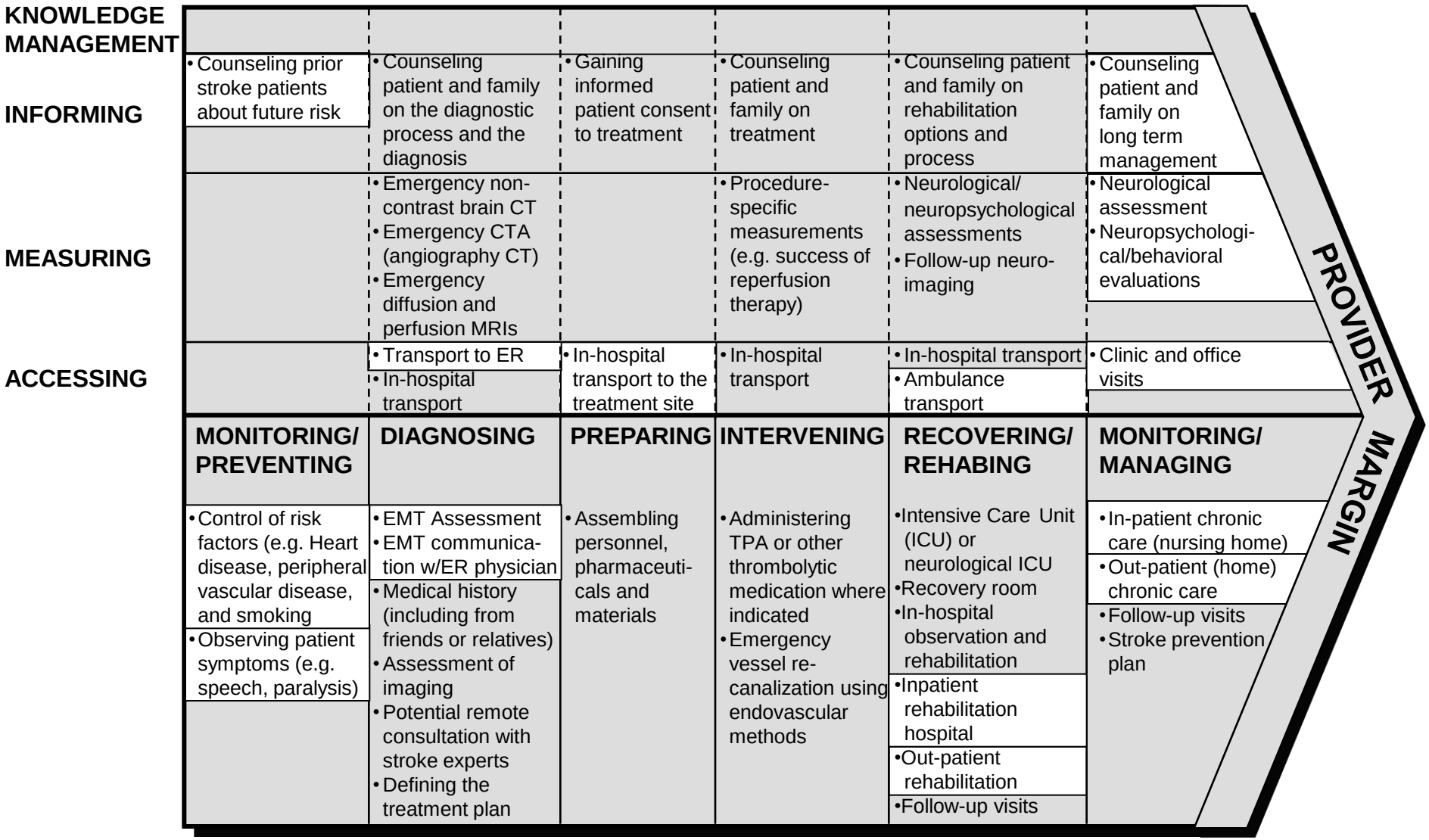
- Redefine the business around **medical conditions**
- Choose the **range and types of services provided**
- Organize around **medically integrated practice units**
- Create a **distinctive strategy** in each practice unit
- Measure **results**, **experience**, **methods**, and **patient attributes** 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**

Implementing Value-Based Strategies

Stroke Care: Major Vessel



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?

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

Transforming the Roles of Health Plans

Old Role	New Role
• Restrict patient choice of providers and treatment	• Enable informed patient and physician **choice** and patient **management** of their health
• Micromanage provider processes and choices	• Measure and reward providers based on **results**
• Minimize the cost of each service or treatment	• Maximize the value of care over the **full care cycle**
• Engage in complex paperwork and administrative transactions with providers and subscribers to control costs and settle bills	• **Minimize** the need for administrative transactions and simplify billing
• Compete on minimizing premium increases	• 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
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**

Moving to Value-Based Competition

Consumers

- Participate actively in **managing personal health**
- Expect **relevant information** and seek advice
- Make treatment and provider **choices** based on **excellent results** and **personal values**, not convenience or amenities
- Choose a health plan based on **value added**
- Build a **long-term relationship** with an excellent health plan
- Act **responsibly**

Roles of Government in Value-Based Competition

- Require the collection and dissemination of the **risk-adjusted outcome information**
- Open up **value-based competition** at the right level
- Provide for price **transparency**
- Limit or eliminate **price discrimination**
- Develop information technology standards and rules to enable **interoperability** and **information sharing**
- Invest in medical and clinical **research**

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**

Health Care for Low Income Americans

- Mandatory, universal health coverage is essential, with subsidies for those who need – for reasons of **economics** as well as **equity**.
- Two class care works **against** the fundamental dynamic of using quality improvement to reduce costs
- Competition does **not** mean substandard care for low income Americans.
- Results reporting makes substandard care for any patient reflect poorly on the provider of that care, so **quality and value will improve for all**.
  - Results reporting will **unmask disparities in care**, making them intolerable.
- The **price of a service should not depend on who is paying** (as it does today), but on the care needed and on the provider.

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.