Value-Based Health Care Delivery
Part I

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This presentation draws on Redefining Health Care: Creating Value-Based Competition on Results (with Elizabeth O. Teisberg), Harvard Business School Press, May 2006; "A Strategy for Health Care Reform—Toward a Value-Based System," *New England Journal of Medicine*, June 3, 2009; "Value-Based Health Care Delivery," *Annals of Surgery* 248: 4, October 2008; "Defining and Introducing Value in Healthcare," *Institute of Medicine Annual Meeting*, 2007. Additional information about these ideas, as well as case studies, can be found the Institute for Strategy & Competitiveness Redefining Health Care website at http://www.hbs.edu/rhc/index.html.

Redefining Health Care Delivery

- Achieving universal coverage and access to care are **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 patient value**
  - Ownership of entities is secondary (e.g. non-profit vs. for profit vs. government)
- How to construct 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 often delivered with 19th century organization structures, management practices, and payment models

  - Process improvements, safety initiatives, disease management and other **overlays** to the current structure are beneficial, but not sufficient
  - **Consumers alone** cannot fix the dysfunctional structure of the current system

Creating Competition on Value

- **Competition** and **choice** for patients/subscribers are powerful forces to encourage restructuring of care and continuous improvement in value
- Today's competition in health care **is often not aligned with value**

Financial success of system participants	≠	Patient success

- Creating positive-sum **competition on value** is a central challenge in health care reform in every country

Principles of Value-Based Health Care Delivery
Defining the Goal

- The central goal in health care must be **value for patients**, not access, volume, convenience, or cost containment

$$\text{Value} = \frac{\text{Health outcomes}}{\text{Costs of delivering the outcomes}}$$

  - Outcomes are the **full set of patient health outcomes** over the care cycle
  - Costs are the **total costs of care for the patient's condition** over the care cycle

- How to design a health care system that **dramatically improves patient value**

Principles of Value-Based Health Care Delivery

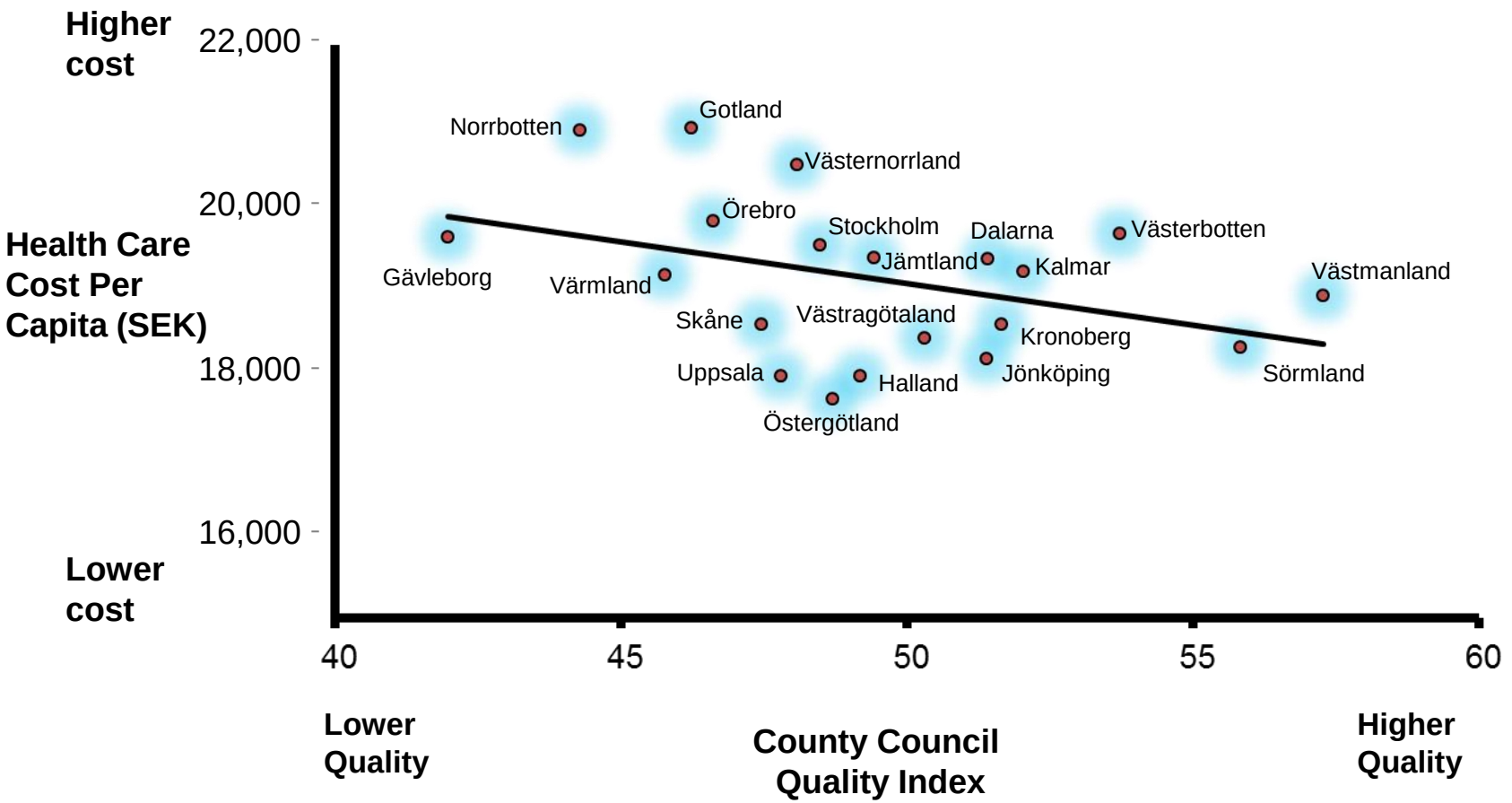
- **Quality improvement** is the key driver of cost containment and value improvement, where quality is **health outcomes**

- Prevention of illness
- Early detection
- Right diagnosis
- Right treatment to the right patient
- Early and timely treatment
- Treatment earlier in the causal chain of disease
- Rapid cycle time of diagnosis and treatment
- Less invasive treatment methods
- Fewer complications
- Fewer mistakes and repeats in treatment
- Faster recovery
- More complete recovery
- Less disability
- Fewer recurrences, relapses, flare ups, or acute episodes
- Slower disease progression
- Greater functionality and less need for long term care
- Less care induced illness

- **Better health** is the goal, not more treatment
- Better health is **inherently less expensive** than poor health

Cost versus Quality

Health Care Spending by Swedish County, 2008



Note: Cost including; primary care, specialized somatic care, specialized psychiatry care, other medical care, political health- and medical care activities, other subsidies (e.g. drugs)
Source: Öpnna jämförelser, Socialstyrelsen 2008;Sjukvårdsdata i fokus 2008; BCG analysis

Role of Volume in Value Creation

Fragmentation of Hospital Services in Sweden

DRG	Number of admitting providers	Average percent of total national admissions	Average admissions/ provider/ year	Average admissions/ provider/ week
Knee Procedure	68	1.5%	55	1
Diabetes age > 35	80	1.3%	96	2
Kidney failure	80	1.3%	97	2
Multiple sclerosis and cerebellar ataxia	78	1.3%	28	1
Inflammatory bowel disease	73	1.4%	66	1
Implantation of cardiac pacemaker	51	2.0%	124	2
Splenectomy age > 17	37	2.6%	3	<1
Cleft lip & palate repair	7	14.2%	83	2
Heart transplant	6	16.6%	12	<1

Source: Compiled from The National Board of Health and Welfare Statistical Databases – DRG Statistics, Accessed April 2, 2009.

- **Minimum volume standards** in lieu of compelling outcome information is an interim step to drive service consolidation

Creating a Value-Based Health Care Delivery System

The Strategic Agenda

1. **Organize into Integrated Practice Units (IPUs) Around Patient Medical Conditions**
   - **Organize primary and preventive care to serve distinct patient populations**
2. **Establish Universal Measurement of Outcomes and Cost for Every Patient**
3. **Move to Bundled Prices for Care Cycles**
4. **Integrate Care Delivery Across Separate Facilities**
5. **Expand Excellent IPUs Across Geography**
6. **Create an Enabling Information Technology Platform**

The Case Method

- **Raise your hand** to participate
- Use **case facts only** during the discussion
- **No questions** to the instructor are appropriate **during the case discussion**
- There are **no "right" answers**

Value-Based Health Care Delivery Seminar December 15, 2010	
8:45-9:00am	**Check In**
9:00-9:15am	**Introductions**
9:15-9:45am	**Welcome and Introduction to Value-Based Health Care Delivery**
9:45-11:00am	**Session 1: Integrated Care and Reimbursement** Case Study: The West German Headache Center: Integrated Migraine Care
11:00-11:15am	**Break**
11:15-11:30am	**Case Protagonists** Video: Klaus Bottcher, Sr. Manager, KKH & Astrid Gendolla, Sr. Physician, West German Headache Center
11:30am-12:00pm	**Topic Lecture and Q&A: Integrated Practice Units, Outcome and Cost Measurement**
12:00-1:00pm	**Lunch**
1:00-2:15pm	**Session 2: Value-Based Models of Primary Care** Case Study: Commonwealth Care Alliance: Elderly and Disabled Care
2:15-2:30pm	**Break**
2:30-3:15pm	**Case Protagonists** Guests: Bob Master, CEO, Lois Simon, COO, and Bob Fallon, CFO, Commonwealth Care Alliance
3:15-3:45pm	**Topic Lecture and Q&A: Bundled Reimbursement**
3:45-4:45pm	**The Patient Protection and Affordable Care Act: Opportunities and Challenges for States**
4:45-5:00pm	**Course Wrap-Up**