Creating a High-Value Health Care System: Implications for Sweden

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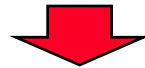*April 27, 2007*

Sweden's Next Health Care Challenge

- Universal Health Care

- Equitable Health Care

- Safe Health Care

High-value health care delivery system

Issues in Health Care Reform
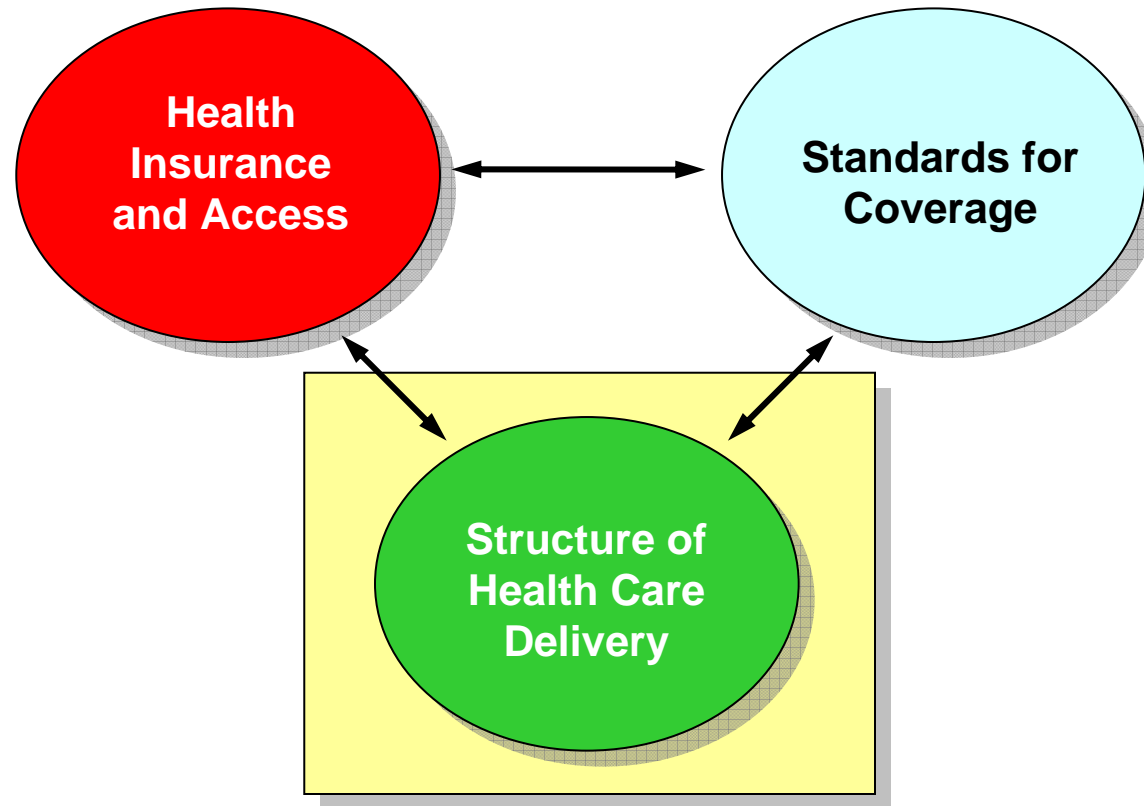
Redefining Health Care

- Universal insurance **is not enough**

- The core issue in health care is the **value of health care delivered**

> Value: Patient outcomes per dollar spent
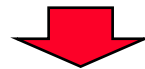
- How to design a health care system that **dramatically improves value**
- How to create a **dynamic system** that keeps rapidly improving

Creating a Value-Based Health Care System – cont'd.

- 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**

Restructuring Health Care Delivery: Medical Conditions
Migraine Care in Germany

Old Model: Organize by Specialty and Discrete Services

- Imaging Centers
- Outpatient Physical Therapists
- Outpatient Neurologists
- Inpatient Treatment and Detox Units
- Primary Care Physicians
- Outpatient Psychologists
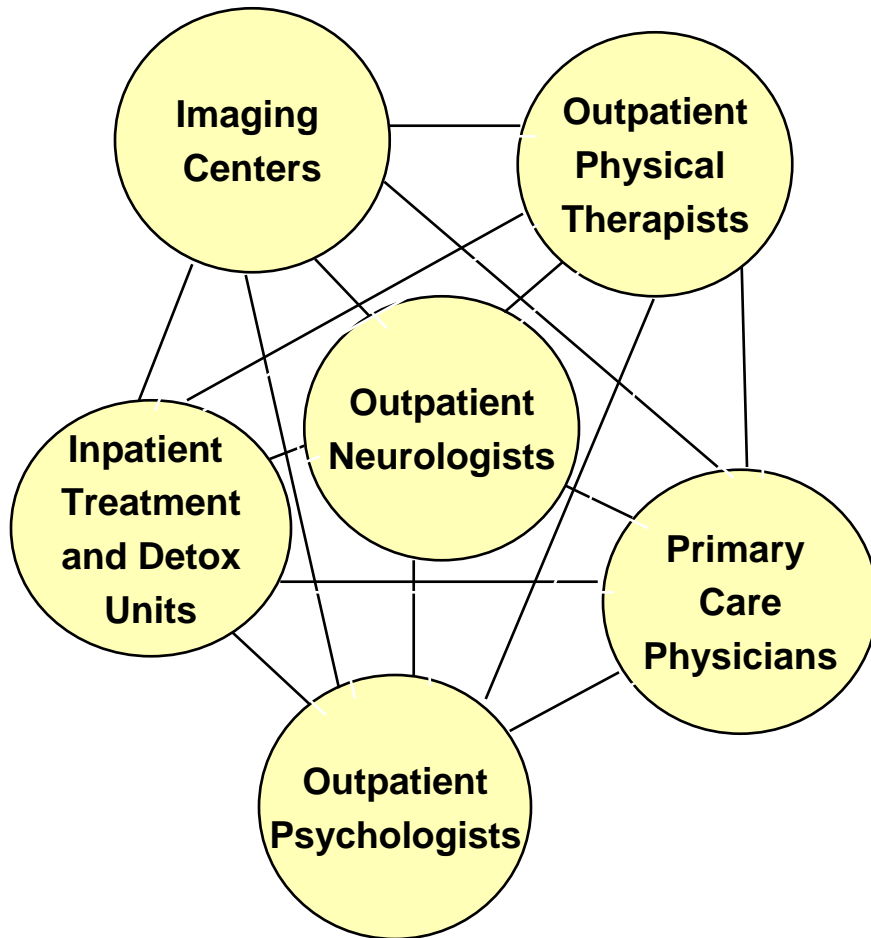
New Model: Integrated Practice Units

- Imaging Unit
- Primary Care Physicians
- West German Headache Center
  - Neurologists
  - Psychologists
  - Physical Therapists
  - Day Hospital
- Essen Univ. Hospital Inpatient Unit
- Network Neurologists
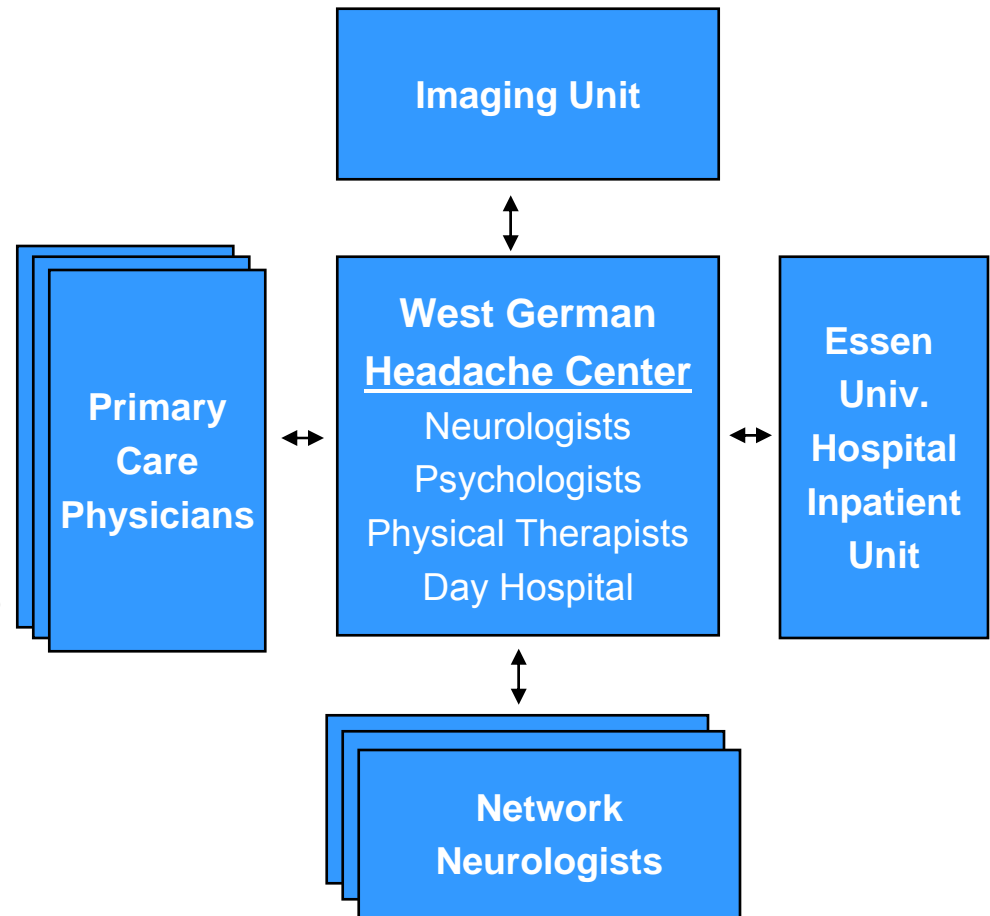
Source: KKH, Westdeutsches Kopfschmerzzentrum

What is a Medical Condition?

- A medical condition is **an interrelated set of patient medical circumstances best addressed in an integrated way**
  - From the patient's perspective

- **Includes** the most common co-occurrences

- Examples
  - Diabetes (including vascular disease, hypertension)
  - Breast Cancer
  - Stroke
  - Migraine
  - Spine
  - Asthma
  - Congestive Heart Failure

Restructuring Health Care Delivery: The Cycle of Care
Organ Transplantation

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

Alternative therapies to transplantation

Addressing organ rejection

Fine-tuning the drug regimen

Adjustment and monitoring

The Care Delivery Value Chain
<u>Breast Cancer</u>

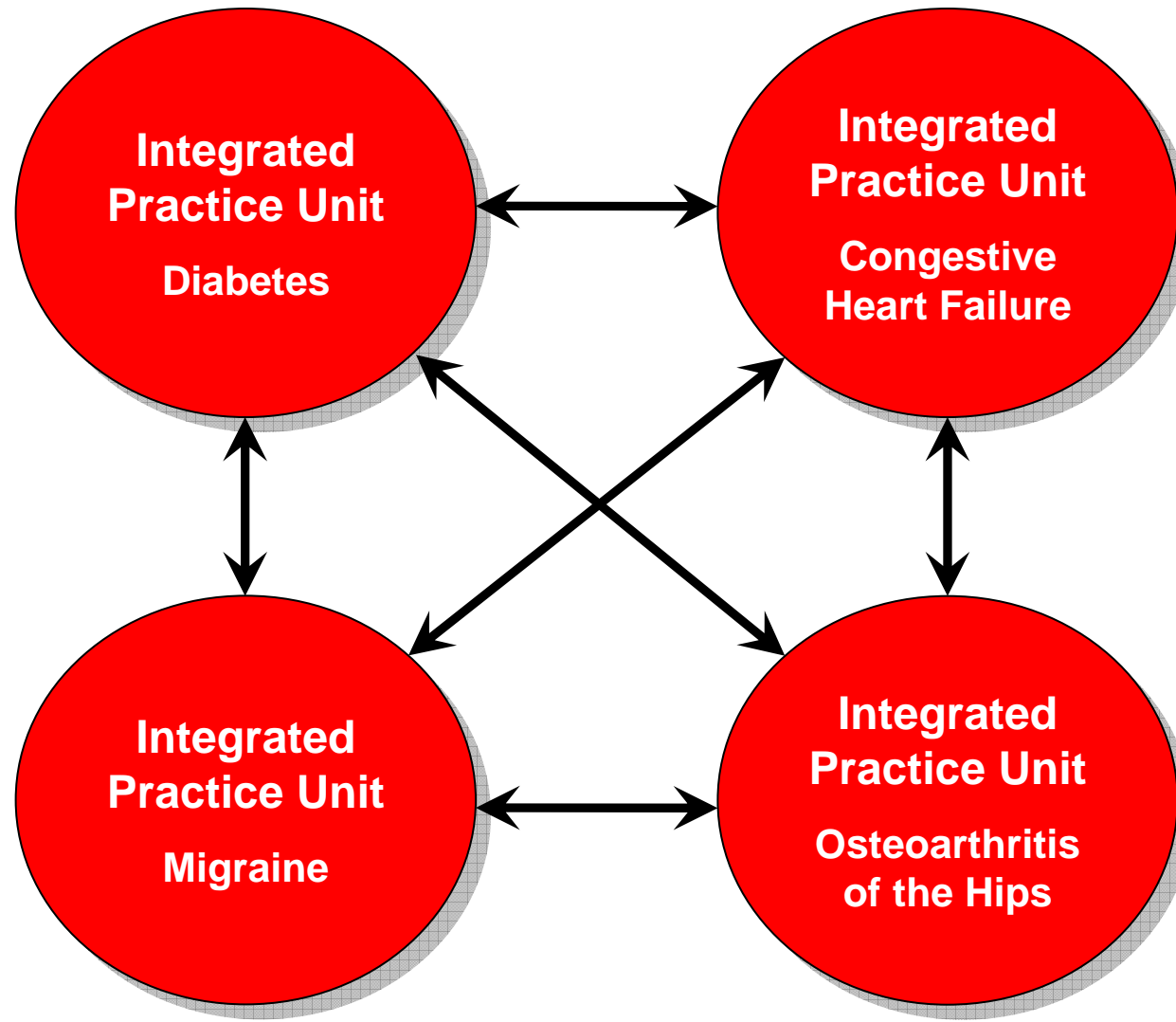|	MONITORING/ PREVENTING	DIAGNOSING	PREPARING	INTERVENING	RECOVERING/ REHABING	MONITORING/ MANAGING
INFORMING	• Advice on self screening • Consultation on risk factors	• Counseling patient and family on the diagnostic process and the diagnosis	• Explaining and supporting patient choices of treatment	• Counseling patient and family on treatment and prognosis	• Counseling patient and family on rehabilitation options and process	• Counseling patient and family on long term risk management
MEASURING	• Self exams • Mammograms	• Mammograms • Ultrasound • MRI • Biopsy • BRACA 1, 2...		• Procedure-specific measurements	• Range of movement • Side effects measurement	• Recurring mammograms (every 6 months for the first 3 years)
ACCESSING	• Office visits • Mammography lab visits	• Office visits • Lab visits • High-risk clinic visits	• Office visits • Hospital visits	• Hospital stay • Visits to outpatient or radiation chemotherapy units	• Office visits • Rehabilitation facility visits	• Office visits • Lab visits • Mammographic labs and imaging center 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 onco-plastic 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

PROVIDER MARGIN

☐ Breast Cancer Specialist
☐ Other Provider Entities

• **Primary care providers** are often the beginning and end of care cycles

Integrating Care Delivery: Patients With Multiple Medical Conditions

Integrated Practice Unit

Diabetes

Integrated Practice Unit

Congestive Heart Failure

Integrated Practice Unit

Migraine

Integrated Practice Unit

Osteoarthritis of the Hips

Restructuring Health Care Delivery
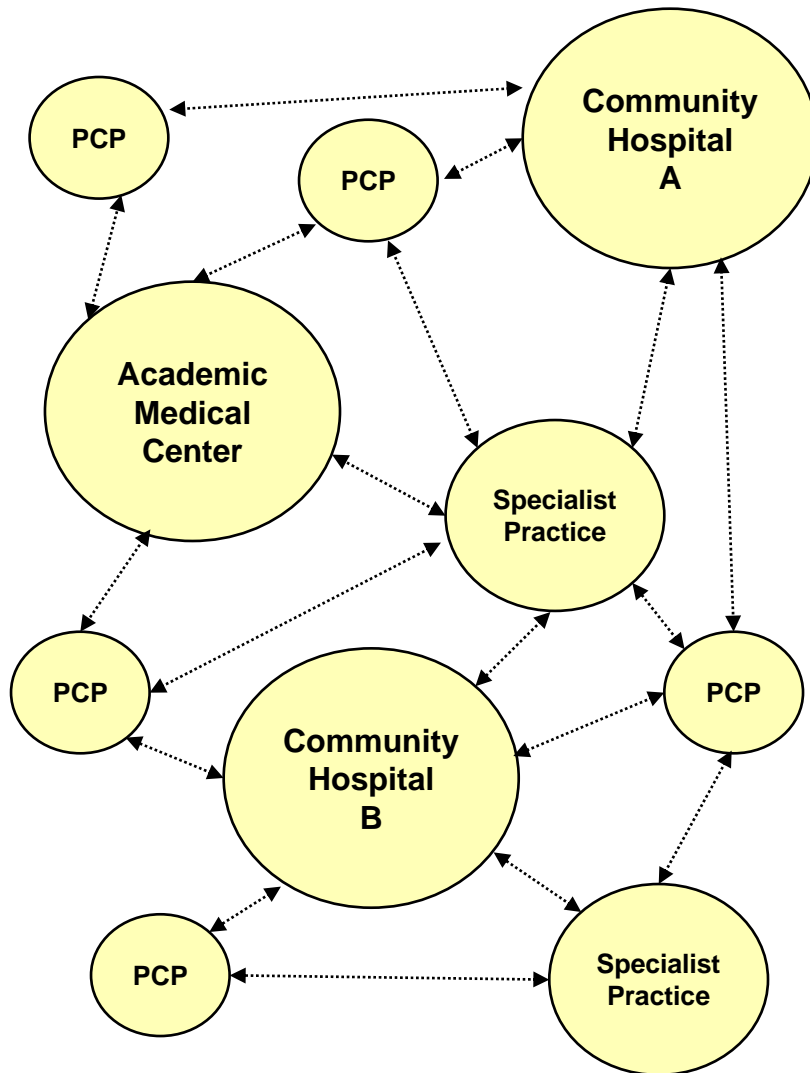
- Value is driven by provider **experience**, **scale**, and **learning** at the **medical condition level**

The Virtuous Circle

Deeper Penetration (and Geographic Expansion) in a Medical Condition → Rapidly Accumulating Experience → Rising Process Efficiency → Better Information/Clinical Data → More Fully Dedicated Teams → More Tailored Facilities → Greater Leverage in Purchasing → Rising Capacity for Sub-Specialization → Wider Capabilities in the Care Cycle → Spread IT, Measurement, and Process Improvement Costs over More Patients → Faster Innovation → Better Results, Adjusted for Risk → Improving Reputation → Deeper Penetration

- The virtuous cycle extends **across geography**
- **Fragmentation** of provider services works against patient value

Restructuring Health Care Delivery – cont'd.

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

- Reimbursement should encompass the **cycle of care, not discrete treatments or services**
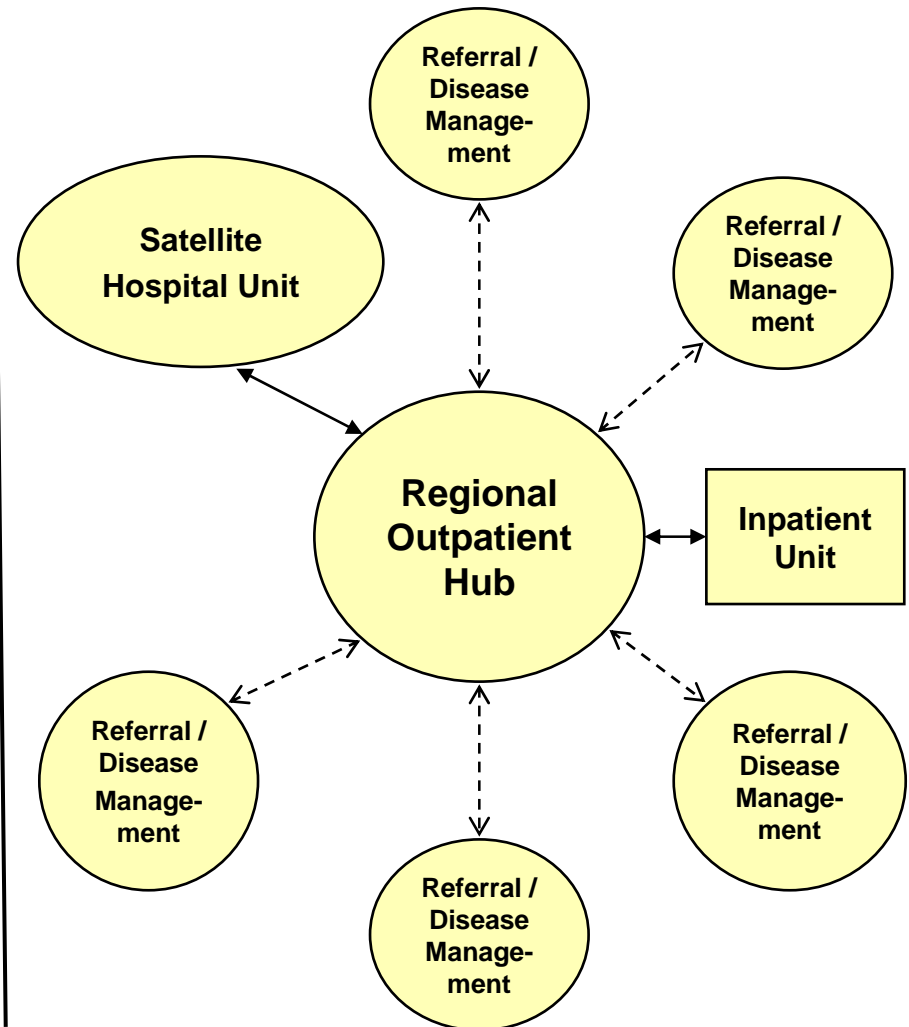
  – DRGs are too narrow

Integrating Services Across Geography

Current Model: Each Unit is Stand Alone and Offers Most Services

- PCP
- PCP
- Community Hospital A
- Academic Medical Center
- Specialist Practice
- PCP
- PCP
- Community Hospital B
- PCP
- Specialist Practice

New Model: Care is Specialized and Integrated Across Geographic Units By Medical Conditions

- Satellite Hospital Unit
- Referral / Disease Management
- Referral / Disease Management
- Regional Outpatient Hub
- Inpatient Unit
- Referral / Disease Management
- Referral / Disease Management
- Referral / Disease Management

Moving to Value-Based Competition
Providers

- Organize around **integrated practice units** (IPU) for each medical condition

- Choose the **scope of services** in each facility based on excellence

- Integrate services in the medical condition **across geographic locations**

- Employ formal **partnerships** and **alliances** with other entities in the care cycle

- Measure **results** by medical condition

- Extend service lines across geographic regions in **areas of excellence**

Creating Value-Based Competition

- Competition is a powerful force for stimulating **continuous improvement in value**

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Financial success of system participants $\neq$ Patient success

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 reduce costs

- Zero or Negative Sum

Good Competition

- Competition to **increase value for patients**
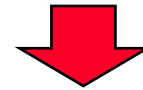
- Positive Sum

Creating Value-Based Competition - cont'd.

- Competition is a powerful force to stimulate **continuous improvement in value**

- Today's **competition** in health care is **not aligned with value**

- Creating **competition around value** is a central challenge in health care reform

  – Compete on results

  – Get patients to the excellent providers in each medical condition

  – Expand the proportion of patients treated by the best teams

  – Grow the best teams by reallocating personnel and capacity

Creating Value-Based Competition - cont'd.

- Competition is a powerful force to stimulate **continuous improvement in value**

- Today's **competition** in health care is **not aligned with value**

- Creating **competition around value** is a central challenge in health care reform

- Competition should be **regional** and **national**, not just local

  – Manage care cycles across geography

 – Utilize partnerships and inter-organizational integration among separate institutions

Creating Value-Based Competition - cont'd.

- The most important single driver of value improvement is to **measure results**

Results: $\dfrac{\text{Patient health outcomes over the care cycle}}{\text{Total cost of achieving those outcomes}}$
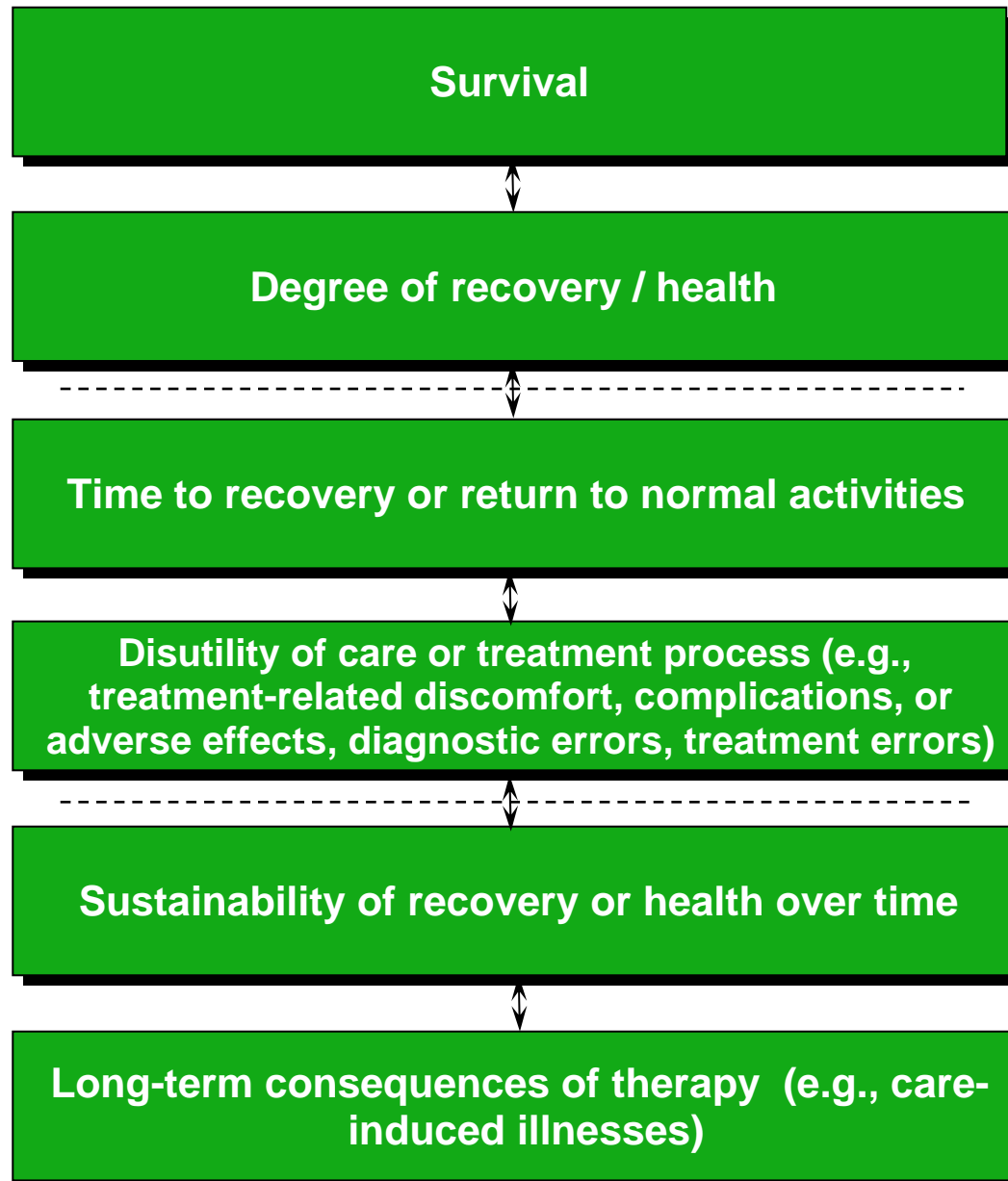
Measuring Results
Principles

- Measure **outcomes** versus processes of care

- Outcome measurement should take place:
  - At the **medical condition** level
  - Over the **cycle of care**

- There are **multiple outcomes** for every medical condition

- Outcomes must be **adjusted for risk**

- Outcomes are as important for **physicians** as for consumers and health plans
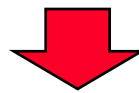
- The feasibility of universal outcome measurement at the medical condition level has been **conclusively demonstrated**

Measuring Results
The Outcome Measures Hierarchy

Survival

Degree of recovery / health

- -

Time to recovery or return to normal activities

Disutility of care or treatment process (e.g., treatment-related discomfort, complications, or adverse effects, diagnostic errors, treatment errors)

- -

Sustainability of recovery or health over time

Long-term consequences of therapy (e.g., care-induced illnesses)

Creating Value-Based Competition - cont'd.

- **Information technology** is an **enabler** of restructuring care delivery and measuring results, **not a solution itself**

    - Common data definitions
    - Interoperability standards
    - Patient-centered database

Creating a High-Value Health Care System: Roles and Responsibilities

- Value-based competition involves **new roles, organizational structures, and operating practices** for each system participant

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

- Work with the health plan in **long-term health management**

- But "consumer-driven health care" is the **wrong metaphor**

Creating a High-Value Health Care System: Roles and Responsibilities

Health Plans

"Payor"	→ **Value-Added Health Organization**
Single Payor	→ **Competing Regional or National Health Plans**
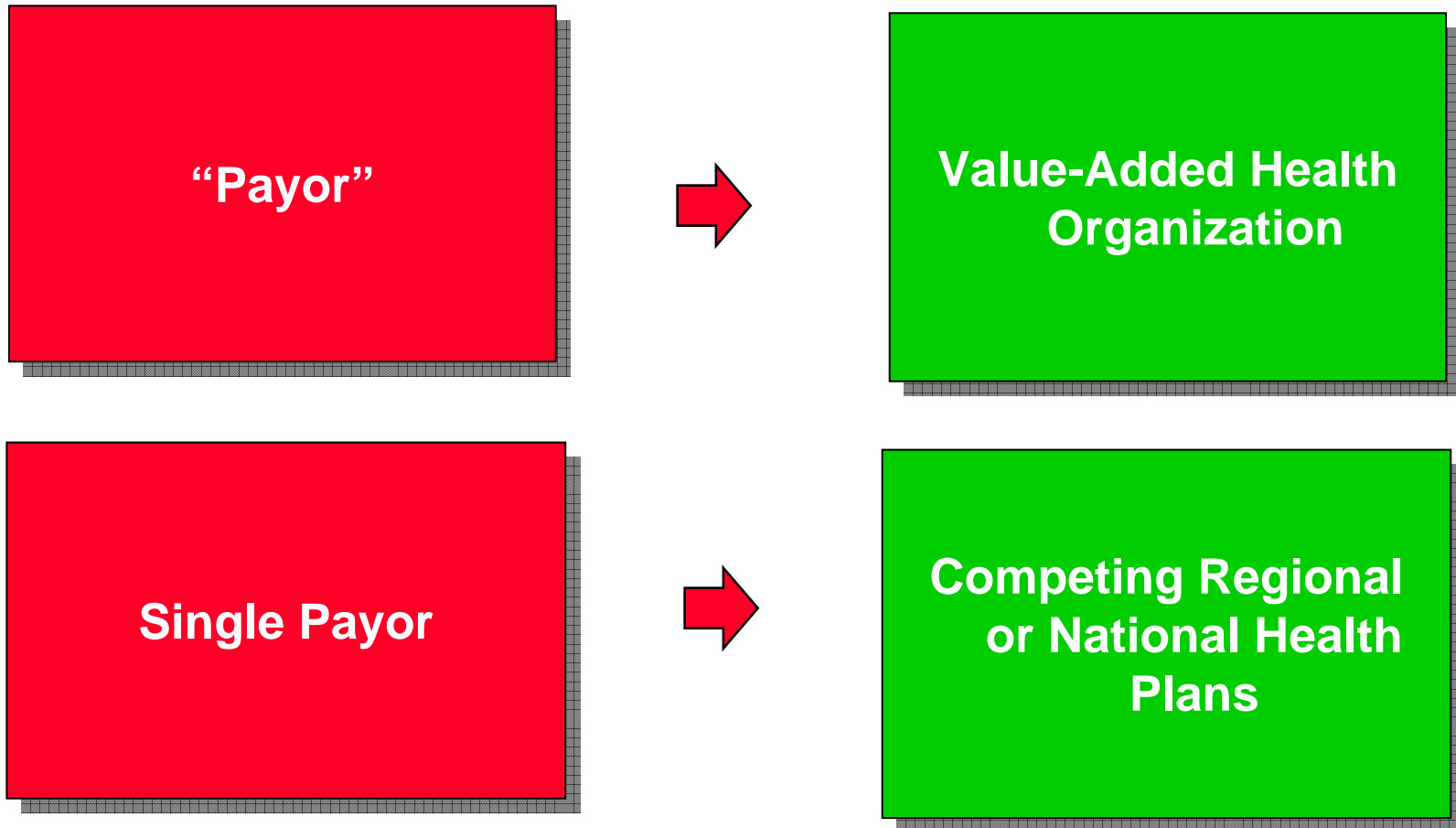
Moving to Value-Based Competition
Roles of a Health Plan

- Monitor and compare **provider results** by medical condition

- Provide advice to patients (and referring physicians) in selecting **excellent providers**

- Assist in coordinating patient care across the **full care cycle** and **across medical conditions**

- Provide for comprehensive **prevention** and **chronic disease management** services to all members

- Design new reimbursement models **for care cycles**

- Assemble and manage the **total medical records** of members

- Measure and report **overall health results** for members

Creating a High-Value Health Care System: Roles and Responsibilities

Employers

– Set the goal of **employee health**

– Assist employees in **healthy living** and **active participation in their own care**

– Provide for convenient access to **prevention, screening,** and **disease management** services

Creating a High-Value Health Care System: Roles and Responsibilities

Government

- Government policy should **set the right rules and ensure results measurement,** but restructuring health care delivery must occur from the **bottom up**

→ Government-led
→ Consumer-driven
→ Payment-centric
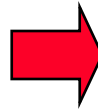
→ Results-driven
→ Patient-centric
→ Physician-led

Moving to Value-Based Competition
Government

- Measure and report health **results**

- Create standard **data definitions** and **interoperability standards** to enable the collection and exchange of medical information for every patient

- Enable the **restructuring of health care delivery** around the integrated care of **medical conditions** across the **full care cycle**

- Shift reimbursement to **bundled prices for cycles of care** instead of payments for discrete treatments or services

- End **provider price discrimination** across patients

- Remove **artificial restraints to competition** among providers and across geography

Moving to Value-Based Competition
Government – cont'd.

- Encourage the **responsibility of individuals** for their health and their health care

- Require health plans to measure and report **health outcomes** for members

Implications for Sweden

- Organize care around **integrated practice units** for medical conditions

- Integrate management and care delivery for each medical condition **across geographic units**

- **Limit duplication of service lines** among providers to reach threshold patient volume for excellent care

- Move to **care cycle reimbursement**, not fee-for-service or global budgets

- Truly **open up competition** across counties

- Expand **outcome** and **cost measurement** across all medical conditions and providers

  - From episodes to care cycles

- Set **IT standards** and enable universal IT adoption

- Create **true health plans**, not multiple government payor organizations

- Significantly increase the **role of patients** in their health and their health care

How Will Redefining Health Care Begin?

- It is **already happening** in a number of countries, including the U.S.

- 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

- Appropriate government policy **can speed up the process**

- There is **no need to wait** to get started