



# Value-Based Health Care A Global Perspective

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# What are the problems in health care?

Rising costs

Highly variable quality

Skewed incentives

Fragmented care cycles



# Everyone knows 3 things about U.S. health care:

- Extremely costly per capita
- Fails on equity: 40 million people are uninsured
- Population-wide outcomes are not better

## WHY?

Competition in the U.S. system occurs over cost shifting.  
Zero Sum competition divides value and increases costs.



Positive sum competition to improve health results ***creates value.***



# Other Insights on U.S. Cost Drivers

Poorly designed for **chronic care**;

often excellent results for complex acute care

- Chronic care is 65-80% of costs --Wrong structure drives costs up
- Employers pay 3x more for poor health than for health care
- **Improving value requires innovation in structure & organization**

Provides **universal access** to emergency room care only,

- less effective AND less efficient
- **Cutting early stage care ADDS expense**

Committed \$25 billion to **eHealth**

- **Could enable redesign for coordination & measured outcomes**
- Or, may simply automate today's systems and accelerate spending

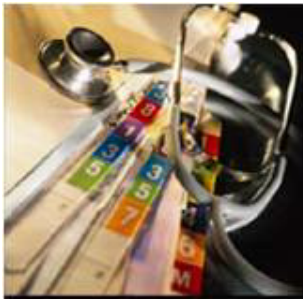


# The goal of health care reform?

More care?

Less care?

Cost reduction?



# The goal of health care reform?



## *BETTER HEALTH*

Current US reform will be insurance reform.

Health care delivery transformation will unfold through additional efforts.



# Value in Health Care

$$\text{Value} = \frac{\text{Health Outcomes}}{\text{Money spent}}$$

Everyone must be in the system for equity and efficiency.

Then, to control spending, the choice is to  
**limit health care** or **improve value**.

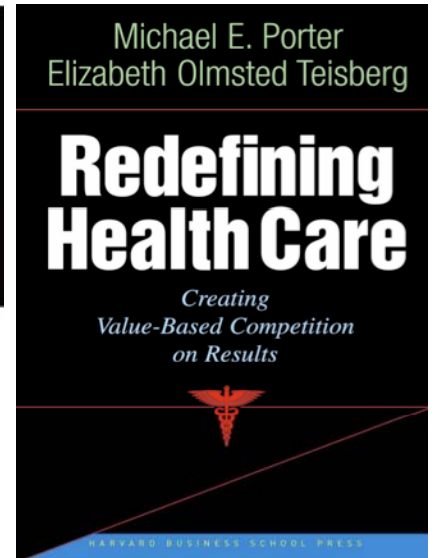


In every nation

**The challenge is  
to drive dramatic and ongoing  
improvements  
in health care value.**



# Five key ideas in Redefining Health Care



- Improving **value**
- Value creating **solutions** for patients and families
- **Teams** treating medical **conditions** over the **full cycle** of care
- **Measuring outcomes** to accelerate improvement
- **Aligning financial** and medical success



# Opportunities for Value-Based Health Care Delivery

## Improving Value



# Value in Health Care

$$\text{Value} = \frac{\text{Health Outcomes}}{\text{Money spent}}$$

Efficiency is a function of Quality.



Patients want more health,  
not more treatment.

# **INSEAD** Health Care

## Alumni Summit 2009



In health care, the best way to contain costs  
is to *improve* quality

## Quality drives efficiency in many ways:

- Prevention
- Early detection
- Right diagnosis
- Early and timely treatment
- Treatment earlier in the causal chain of disease
- Right treatment to the right patients
- Rapid care delivery process with fewer delays
- Fewer complications
- Fewer mistakes and repeats
- Less invasive treatment methods
- Faster recovery
- More complete recovery
- Less disability
- Fewer relapses or acute episodes
- Slower disease progression
- Less need for long term care



**Better health is inherently less expensive  
than poor health**



# Value-Based Health Care Delivery

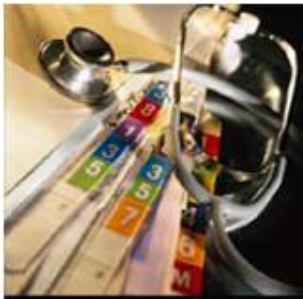
## **Restructure Care around Patient Solutions**





# Definition of a Medical Condition

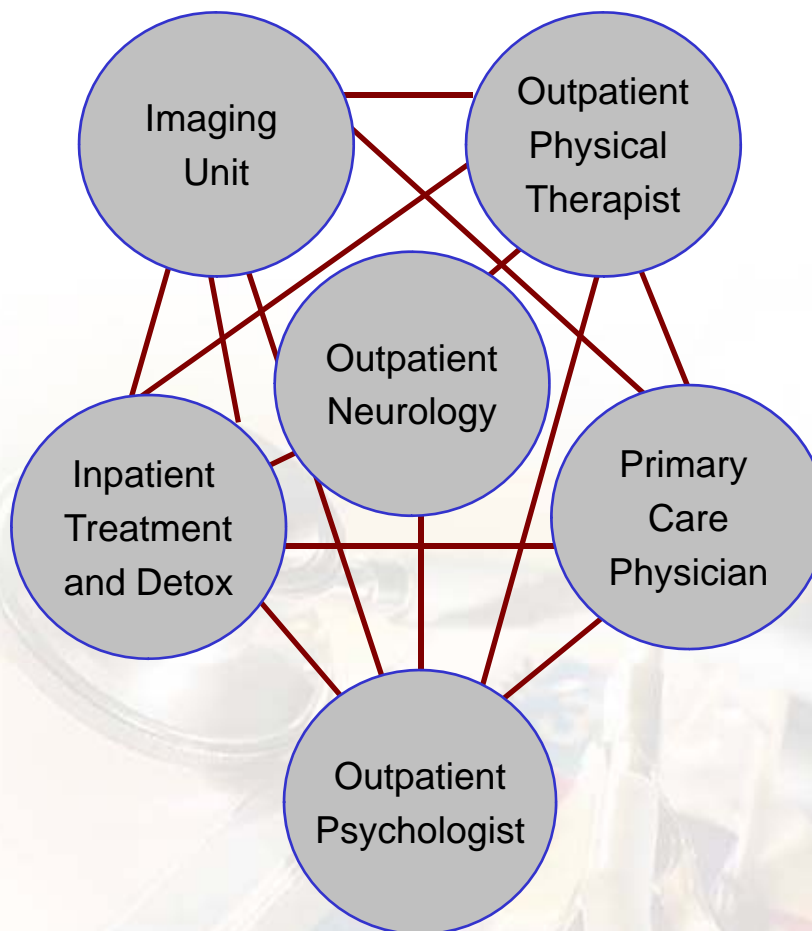
- Includes the common co-occurring conditions
  - Diabetes is not just a disease of the pancreas;
  - Includes multiple diseases that often occur together
- Extends through the full cycle of care
  - Consider breast cancer a medical condition



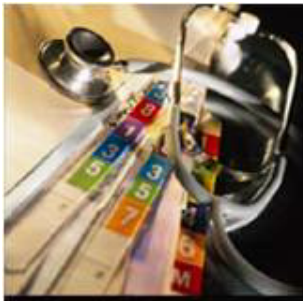
# Migraine Care in Germany

## Old model

Organized by  
specialty in discrete,  
fragmented services



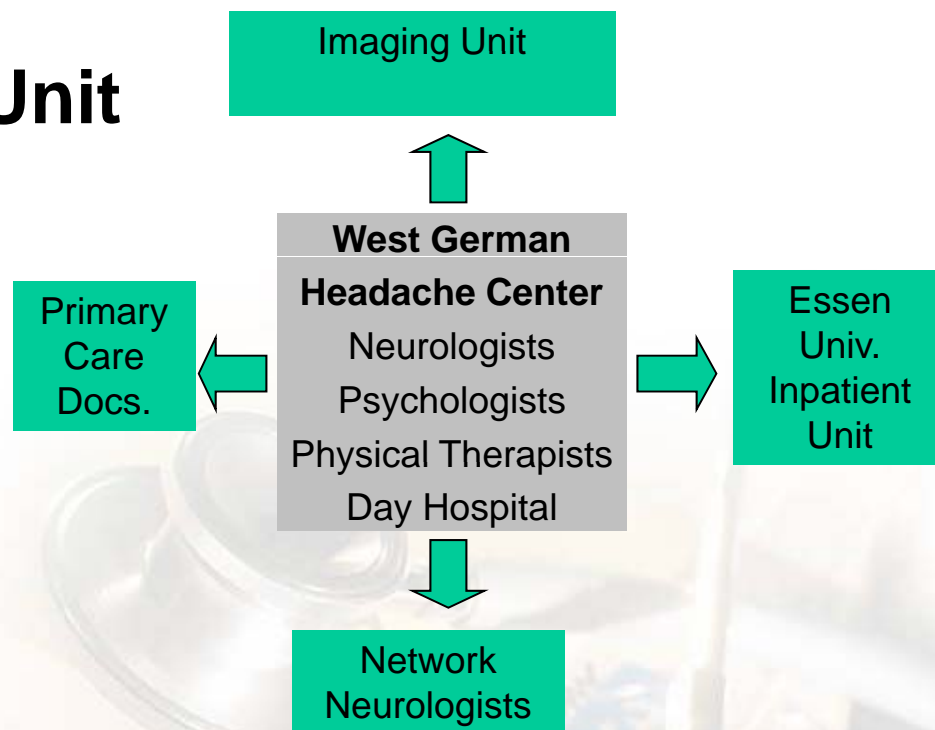
Source: KKH, Westdeutsches Kopfschmerzzentrum



# West German Headache Center New model

## Integrated Practice Unit

*Patient Value is  
the beacon of  
inspiration for  
organizational  
innovation.*



Source: KKH, Westdeutsches Kopfschmerzszentrum



# Opportunities for Value-Based Health Care Delivery

## Redesign Teams for Clinical Integration



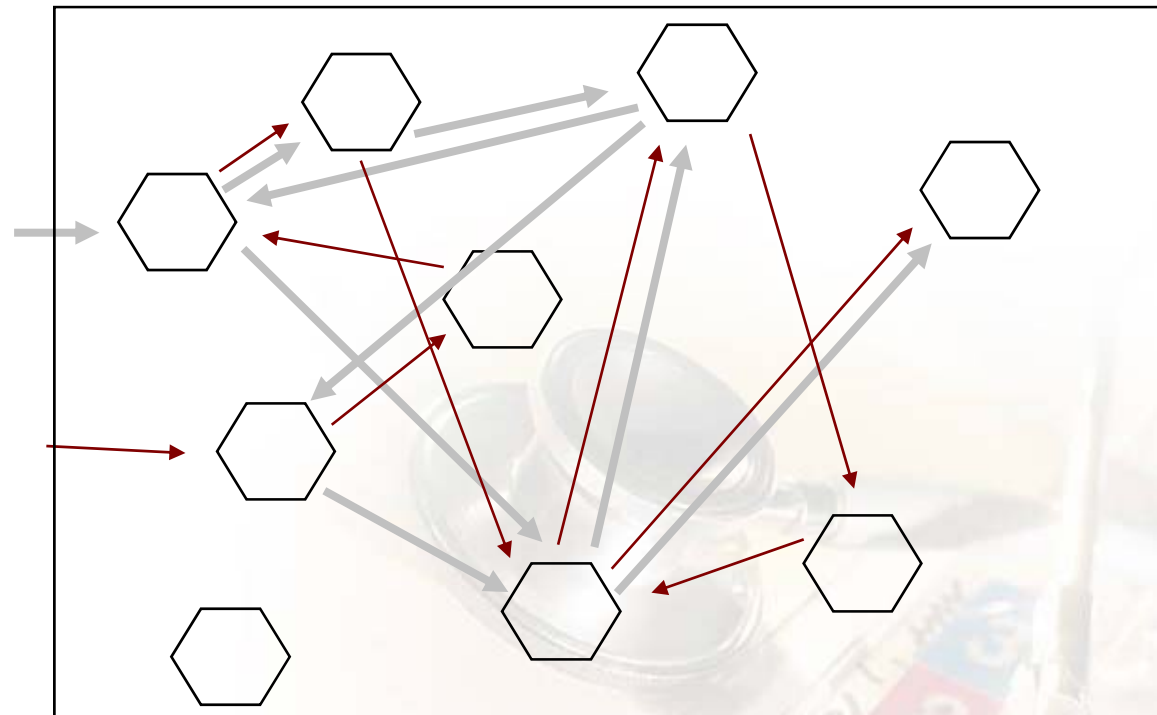


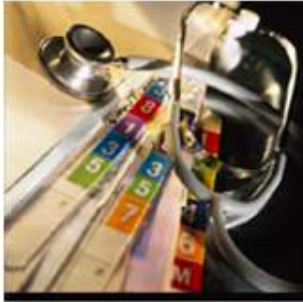
# Teams and Medical Conditions

- Define to offer patients and families a solution to their medical circumstances
- Organize for patients
- SUVA

***The coming tidal wave of chronic disease makes redefinition of care structures an urgent priority.***

# Clinically Integrated Care Team or Collection of Fragmented Services?

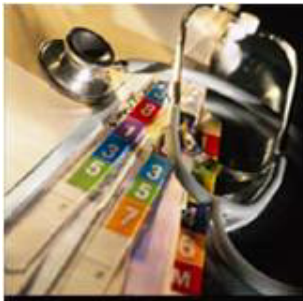




# What is Different with Teams?

- Learning
- Health Outcomes
- Clinical Judgments
- Efficiency
- Coordination
- Research
- Satisfaction

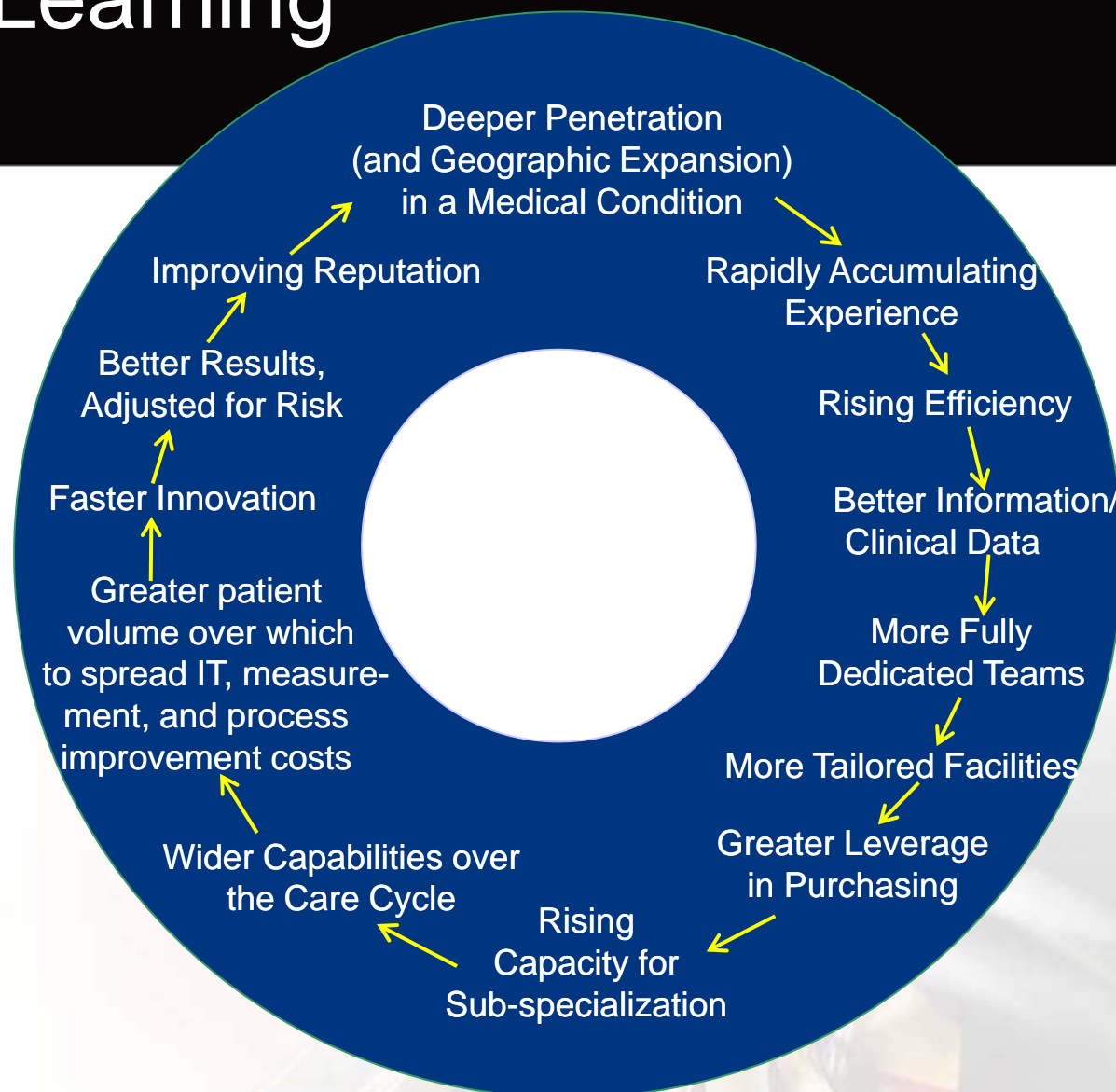
Why?



# Driving Learning

Broad expertise develops over the care cycle for the patient.

Attention to results enables and inspires improvement.





# Value-Based Health Care Delivery

## Measure Results to Accelerate Learning





# Outcomes should be universally measured and reported

- **For medical conditions over the cycle of care**

- Not for interventions or short episodes
- Not for practices, departments, clinics, or hospitals
- Not separately for types of service (e.g. inpatient, outpatient, tests, rehabilitation)



- Results must be measured at the ***level at which value is created*** for patients

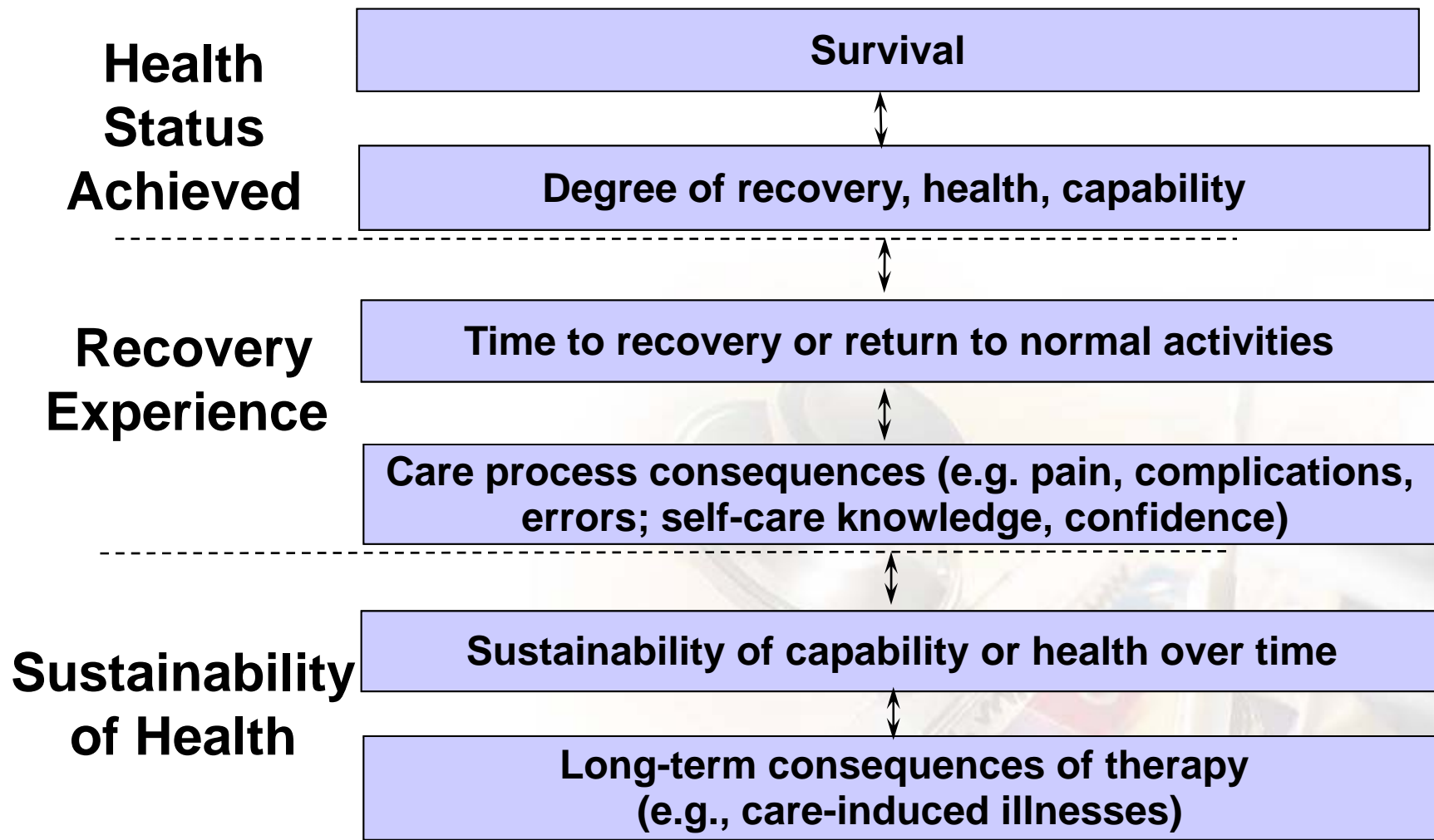


# Measurement of health care outcomes

- To accelerate learning and improvement:
  - Measure and report risk-adjusted outcomes by clinical team and by medical condition.
- To accelerate universal measurement and overcome hesitation:
  - The government should actively support outcome measurement.



# Outcome Measures have multiple dimensions





# Measuring Value: Essential Principles

- **Clinicians** need to measure results in order to drive value improvement and learning
- Outcomes should be **adjusted for patient initial conditions**
- Outcome measurement should not wait for perfection: Measures and risk adjustment methods will **improve rapidly**
- 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



# Opportunities for Value-Based Health Care Delivery

## **Align Medical Success and Financial Success**




# Reimbursement should be aligned with **value.**

Today...

Financial success of system participants  $\neq$  Patient success

Shift reimbursement to...  
**Bundled prices for cycles of care,**  
not global budgets or payment for discrete services.



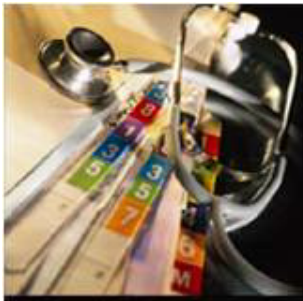
**Effective, sustainable changes in incentives require changes in structure and organization.**

- Bundled reimbursement for ***care cycles***, by ***teams***.
- Pay for ***prevention, screening and diagnosis***, not just treatment.
- Pay for ***overall management of chronic conditions***.
- Adjust for ***patient complexity***.



# Thinking in redefined terms





# Current Model v. Redefined Model

The product is treatment

➔ The product is **health**

Measure volume of services  
(# tests, treatments)

➔ Measure **value of services**  
(**health outcomes per unit of cost**)

Focus on overall facilities,  
specialties or types of  
practitioners

➔ **Coordinated and integrated care delivery**

Discrete interventions

➔ **Care cycles**

Individual diseases or overall  
facilities

➔ Sets of prevalent **co-occurrences**

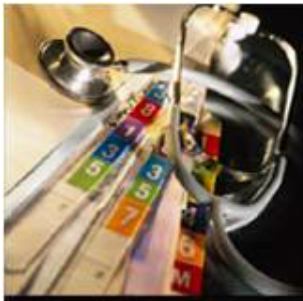
Fragmented, localized, pilots.  
programs and entities

➔ **Integrated care delivery systems**

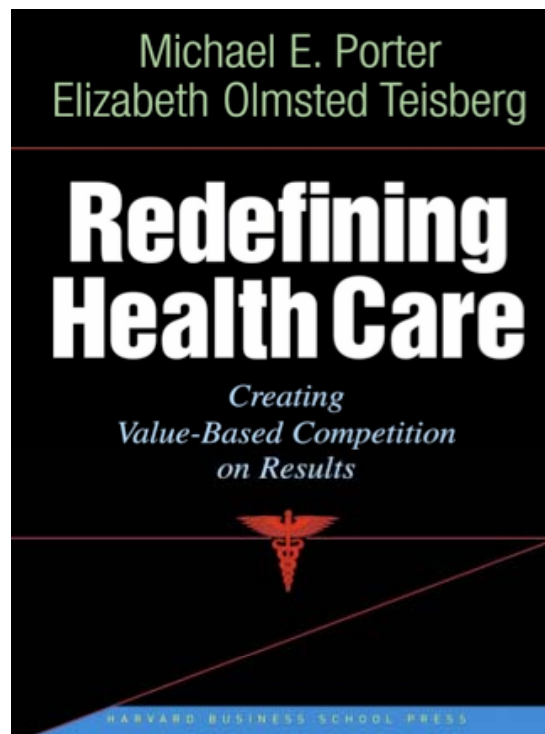


# Care delivery redefined

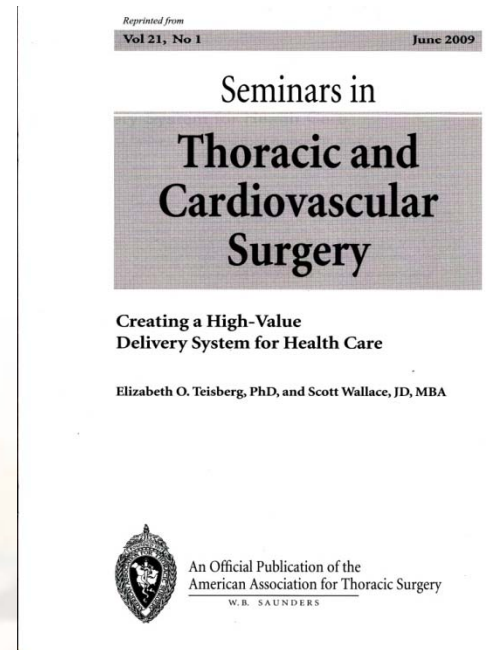
- *Patient centric:* Value-creating care solutions
- *Clinician led:* Teams treating medical conditions over the full cycle of care
- *Results driven:* Measuring patient outcomes to accelerate learning
- *Value based:* Paying teams for value



Slides and information posted on:  
<http://www.hbs.edu/rhc/speaking.html>



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