



June 2023

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1. What is Value-based Healthcare?

Value-based Healthcare (“VBHC”) definitions vary slightly however a concise version is “the measured improvement in a patient’s health outcomes for the cost of achieving that improvement. The goal of VBHC transformation is to enable the health care system to create more value for patients.”ⁱ This definition may come across as logical until one understands that healthcare is an industry where patients have historically paid for inputs instead of outcomes. A not-so-unusual case lays out what this means in the current fee-for-service healthcare model: a patient visits a physician for a particular issue and undergoes a series of diagnostic tests, obtains a diagnosis, is prescribed a regimen of drugs to undertake, pays for their consultation and medication and off (s)he goes. Despite diligently following the doctor’s orders and completing the prescribed regimen of medication, the issue remains. Said patient returns to the physician and the cycle repeats until the issue is solved; importantly, the patient pays for consultation and medication at every cycle without any guarantee of solving the issue. In most other industries, a customer (patient) has the right to demand a refund from a service provider (physician) for instances where the value sought has not been delivered, however, that is not the case in healthcare.

This is now changing with the key terms in the above definition of VBHC being “measured improvement in a patient’s health outcomes” and “cost”.

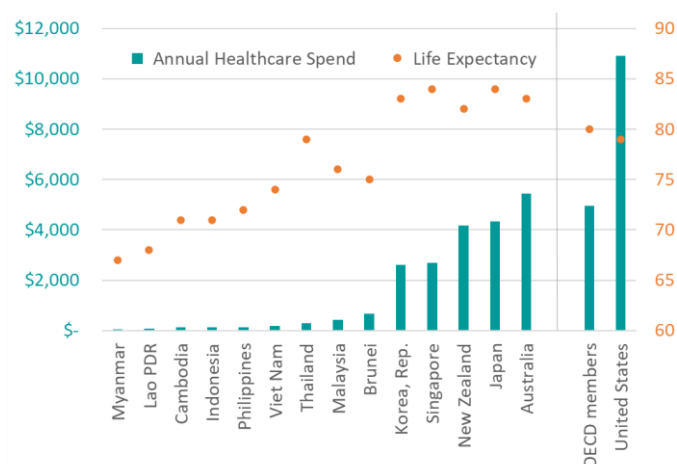
2. State of Healthcare in APAC

The APAC region comprises nations that span the entire spectrum of economic development – from advanced economies to frontier markets. Figure A is a telling chart that illustrates the range of healthcare spend across the region. Using life expectancy as a proxy for overall

health outcome, the chart shows that healthcare spend is positively correlated with life expectancy. Tellingly, the chart also depicts that this correlation applies only until a certain point; after which the correlation turns negative as is the case with the OECD average and the United States.

Figure A: 2019 Healthcare Spend vs. Life Expectancyⁱⁱ

This table plots the healthcare expenditure per capita against the life expectancy. Also plotted are the data for the OECD average and the United States.



The key takeaway for the APAC region is a single approach to increasing healthcare spend to improve population health has its limits and emerging and frontier nations ought to incorporate objective measures of value in their computation before expanding their healthcare budgets.

3. Data are the missing link

"Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it." H. James Harrington's quote aptly lays out the work before us and to drive the point home, we

don't just mean the Boolean data type (i.e., 0 or 1) that denotes the presence of a symptom or marker, the need is for more granular and informative data from quantifiable measures and subjective ones too (e.g., pain scale). This may sound like common sense however its practice is anything but common; just ask any physician about data on women's health, or pre-diabetic population who aren't aware of their impending condition, to name a few.

Data historically collected by the healthcare system were not patient centric. Specifically, the industry's definition of the delivery of "quality" healthcare focused on providers' compliance with guidelines and standard operating procedures (instead of patient outcomes) while its "cost" metric centered around fee-for-service charges (instead of the true cost of care).

In the world of finance, investors look to data to inform them of the return possibilities available for potential investment opportunities. In a similar fashion but in a less structured process, patients "shop around" for the best possible option for addressing their condition taking into consideration procedure costs, outcome, and the reputation of the provider. Value-based healthcare seeks to elevate this practice to optimize, and accordingly improve, healthcare systems.

Thankfully, the move to collect the appropriate patient-centric data measures is already underway with proposals from the International Consortium for Health Outcomes Measurement (ICHOM)ⁱⁱⁱ, real-world outcome and cost data published by leading providers such as the Cleveland Clinic^{iv}, and government regulation mandating the (albeit for a limited set of conditions)^v.

4. Prioritized KPIs and the Potential Misalignment in Developed Economies

The largest sources of healthcare spend stem from diagnostic tests, patient hospital stays, and readmissions. As such healthcare provider groups focus on limiting all three. This approach aims to tackle the traditional fee-for-service model, which while appropriate, hinges upon the provider groups taking greater care to ensure there are no delays in patient diagnosis or progression to specialist care, inappropriate early discharge from hospitals, and manipulation of data to patient readmissions.

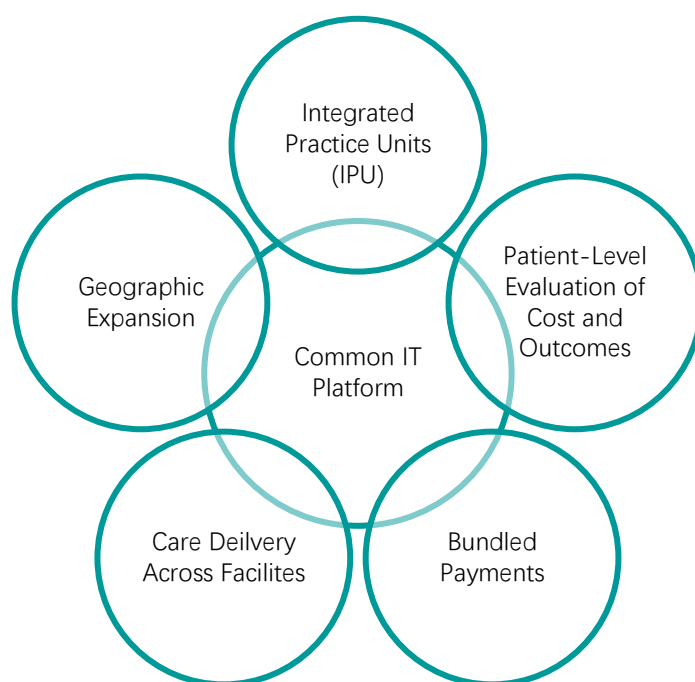
This is not easily achieved when one considers that the better-performing providers tend to cost more and thus the push for VBHC may potentially result in a swing to underspend in healthcare without the justifiable gains in outcomes. The way forward for VBHC is thus a multi-pronged approach that involves both internal and external stakeholders and the coordination between them.

5. The six necessary components of VBHC and why change should not be resisted in the Healthcare industry

Michael Porter and Thomas Lee have both combined forces to champion VBHC and through their extensive work and combined expertise have proposed what seem the essential components to transforming healthcare. Porter and Lee propose six components that are required for VBHC: integrated practice units (IPU), evaluation of cost and outcomes at the individual patient level, bundled payments, care delivery across facilities, geographical expansion, and a common IT platform.^{vi}

Figure B: 6 Essential Components for VBHC^{vii}

Porter and Lee's proposed essential components required for healthcare systems to deliver VBHC.



These six components shift the industry's focus from input and compliance to patient outcomes and the cost of delivery of appropriate care. Aside from the above requirements is the importance of stakeholders' willingness to

change. The world change is often synonymous with on-the-ground resistance; however, this is not the case for healthcare. The changes proposed, in fact, hit the sweet spot and deliver on the stakeholders' motivations and objectives: better coordination among care providers that makes them feel part of a team with complete ownership of the holistic care delivery; streamlined patient journeys, experiences, and outcomes that patients, nurses, and physicians seek; improved cost controls in line with management and payers' objectives; and growth in market share for providers who are able to demonstrate better outcome-cost profiles which favour all stakeholders.

Additionally, several healthcare provider networks already have some version of the six components in place so the positive is they are not starting from scratch. For those, the task at hand is to fill in the gaps and link all the components together. This calls for additional investment which can be justified under the promise of market share growth and improved financials.

6. An example of an Effective Value-based Healthcare Program?

There is no single silver bullet to achieve the value-based healthcare potential for all disease states and thus each nation should prioritize those which account for a significant burden of their respective budgets. Here is VBHC intervention that has unlocked value and benefitted all stakeholders.

Leading providers, such as Cleveland Clinic, Kaiser Permanente, Mayo Clinic, all have shared insights on how to optimize the care pathway for various conditions, thus the private and national provider systems have time-tested road maps for the way forward.

A successful example is Germany's bundled payments for hospital in-patient care. When compared to the fee-for-service model in the U.S., the same in-hospital care in Germany cost less than a third of that in the U.S., notably despite hospital stays in Germany being 50% longer. Bundles payment in this case also included care guarantees, meaning that the hospital is responsible for any rehospitalization related to the original care.

7. Conclusion

Each country requires a different antidote to address their respective healthcare challenges. However, the common thread is the need to focus on improved patient outcome and their associated costs – in short – value-based healthcare. One approach, as presented in this paper, is that the more a country spends on healthcare, the better the outcomes for its citizens, up to a certain point. The other approach, and rather an incentive for countries to invest in their population health is that the old adage “Health is Wealth” – the healthier the population, the more they can contribute to a nation's GDP, again, up to a certain point. In conclusion, the bottom line is to optimize outcomes, not inputs, or else countries risk ending up at the wrong end of the healthcare with exorbitant costs with suboptimal patient outcomes.

For emerging economies, this is an opportunity not to be overlooked as it presents yet another leapfrog moment to be captured. Just as seen in countless countries where governments leapfrogged over the landline telecommunication infrastructure investment to going mobile first, the same can be done for Healthcare – institute VBHC principles from the start or before the scaling of the disease state-focused care delivery.

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- ⁱ Teisberg E, Wallace S, O'Hara S. Defining and Implementing Value-Based Health Care: A Strategic Framework. *Acad Med.* 2020 May;95(5):682–685. doi: 10.1097/ACM.0000000000003122. PMID: 31833857; PMCID: PMC7185050.
- ⁱⁱ The World Bank
- ⁱⁱⁱ International Consortium of Health Outcomes Measurement ("ICHOM"), <https://www.ichom.org/>.
- ^{iv} The Cleveland Clinic published "Quality Performance Reports" for each of its hospitals aimed at demonstrating its progress in delivering healthcare that is patient-centric for certain common conditions (e.g., heart attack, heart failure, stroke) and also as a means to hold its teams accountable for continuous improvement.
- ^v The Centers for Disease Control ("CDC")'s Fertility Clinic Success Rate and Certification Act of 1992, mandates all clinics performing assisted reproductive procedures to collect and submit outcome metrics, including live birth rates.
- ^{vi} Porter, Michael E. and Thomas E. Lee, "The Strategy That Will Fix Health Care." *Harvard Business Review*, October 2013.
- ^{vii} *Ibid.*
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