How will COVID-19 impact a value-based transformation in health care?

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Agenda

Part 1 – Review of the fundamental principals in VBHC
Part 2 – How have we fought the war against COVID-19?
Part 3 – Is our approach to COVID-19 in line with the VBHC framework?
Part 4 – What’s next? Can we go backwards?
Part 1
Review of the fundamental principles in VBHC
3 underlying axioms

1. The goal is to improve value
2. The unit of measurement is the medical condition
3. Measure across a patient’s complete cycle of care
3 underlying axioms

1. The goal is to improve value
2. The unit of measurement is the medical condition
3. Measure across a patient’s complete cycle of care
Why do we need VBHC?

- Enormous but hidden variation in outcomes and costs
- We’ve been paying for health care the wrong way
Why do we need VBHC?

• Enormous but hidden variation in outcomes and costs
• We’ve been paying for health care the wrong way
4 key steps to implement VBHC

1. Form multidisciplinary teams around the patient’s condition
2. Measure and communicate outcomes at the medical condition level
3. Measure and improve costs incurred in treating a patient’s medical condition
4. Move to value-based reimbursement
The 4 key steps, step by step
Why multidisciplinary teams?

- Volume is a big story
- Care is optimized when it’s done with the multidisciplinary team
- The multidisciplinary team can treat the patient over the complete cycle of care
Measure and communicate outcomes

• Health care and the lazy accountant’s trap which says “if we can’t measure what we want, then we should want what we can measure”
• Measure the outcomes that matter to the patient, and find out why we failed at some outcomes
Costing – what’s the nature of the problem?

- People get confused between costs and charges
- We’ve had the wrong unit of analysis. Get away from top-down allocations of expenses, and build the costs from the bottom-up
Time-Driven Activity-Based Costing

- Develop the process maps
- Estimate the time each resource spends in each portion of the care cycle
- Calculate the cost per unit of time for each type of resource
Time-Driven Activity-Based Costing

Exhibit 7  Process Maps: Office Visits to Department of Plastic Surgery

Plagiocephaly

Simple Skin Excision

Craniosynostosis

Key:

Source: Casewriter analysis. Time estimates have been disguised for case purposes and do not represent actual times at BCH.

Time-Driven Activity-Based Costing

- Develop the process maps
- Estimate the time each resource spends in each portion of the care cycle
- Calculate the cost per unit of time for each type of resource
Time-Driven Activity-Based Costing

• Multiply each time estimate by the respective cost per unit of time, add that up across all the steps of the care cycle
• Account for the consumables, and get the total direct cost
Why is this good for?

- It enables us to see process steps that don’t contribute to improve patient outcomes. Streamline and redesign the process to reduce waste
- Redesign the care process to avoid complications
- Opportunity to downshift tasks to lower paid/skilled people (when appropriate)
Value-based reimbursement

- Providers – Bundled payment
- Manufacturers – Pay for performance, Share savings models
Bundled payment

- A bundled payment is a single risk-adjusted payment for the overall care of a medical condition
- Ideally, the better the outcomes, the higher the payment
Value-based reimbursement

- Providers – Bundled payment
- Manufacturers – Pay for outcomes, Share savings models
Part 2
How have we fought the war against COVID-19?
How have health care providers fought this war?

- Multidisciplinary teams were formed around COVID-19
- Care has been delivered by dedicated multidisciplinary teams co-located in dedicated facilities
How have health care providers fought this war?

• Multidisciplinary teams were formed around COVID-19
• Care has been delivered by dedicated multidisciplinary teams co-located in dedicated facilities
How have health care providers fought this war?

• The multidisciplinary teams have taken responsibility for the complete cycle of care from diagnosis to discharge
• Hub and spoke structures have emerged to allocate care to the right site
How have health care providers fought this war?

• Outcomes have been measured at the patient level and communicated
• Constant quest for care improvement based on shared information and by learning with each other
How have health care providers fought this war?

• Alternative care processes have been tried to improve efficiency and ensure that capacity is maximum
• Telemedicine is being used as never before
How have health care providers fought this war?

• Front line clinical teams have worked heroically to save lives
• Every saved life is celebrated as a victory over death
How have governments helped so far?

• Science leads the way. Resources were made available. The priority is to save lives
• Strong focus on disease prevention and health promotion
• Attempts to integrate health and social care
How have governments helped so far?

- Additional resources ought to be made available to boost the economies and prevent unemployment and hunger
What are manufacturers doing?

- Pharmaceutical companies have been working to develop a vaccine
- Medical devices companies are keeping the health care systems functioning
What about the providers that are not in the front line?

- Those paid through fee-for-service have had sharp reductions in revenue
- Wage reductions, renegotiation of contracts with vendors, and postponement of payments are among the short-run solutions implemented
What about the rest of us?

• Health care is now seen as the bedrock of a well-functioning society
• No room for waste. Full capacity of the health care system is needed. Money is needed to help those in need
• People recognize the importance of science and data
Part 3
Is our approach to COVID-19 in line with the VBHC framework?
The 3 underlying axioms again

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The 4 key steps again

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| 2. Measure and communicate outcomes at the medical condition level | ✔️ |
| 3. Measure and improve costs incurred in treating a patient’s medical condition | ✔️ |
| 4. Move to value-based reimbursement | ✔️ |
Is our approach in line with the VBHC framework?

“Value-based thinking is restructuring care organizations, health systems strategy, and payment models.”

Thomas W. Feeley, Harvard Business School & The University of Texas MD Anderson Cancer Center
Part 4

What’s next? Can we go backwards?
Obstacles that may have been overcome thanks to COVID-19
Form multidisciplinary teams around conditions

- Health care providers have organized care around a medical condition
- They have learned to work in multidisciplinary teams that treat the patients over the complete care cycle
Form multidisciplinary teams around conditions

- Health care professionals have developed hub and spoke structures that have allocated care at the right sites
- Innovative health care delivery shall be encouraged
Form multidisciplinary teams around conditions

- Policy makers, payors and providers may accelerate hub and spoke across countries (health tourism)
Measure and communicate outcomes

- Health care providers have measured outcomes, shared information and learned with each other
- Health care is now seen as the bedrock of a well-functioning society
Measure and communicate outcomes

- Citizens recognize the importance of science and data, and shall become increasingly demanding
Measure costs for every patient

- Health care is now seen as the bedrock of a well-functioning society
- Everyone understands the need to have a system at its full capacity, and several understand that not all follow the same care processes
Measure costs for every patient

- No room for waste. Money is needed to help those in need
- Innovative health care delivery shall be encouraged
- Health care providers have thought of and implemented alternative care processes
Move to value-based reimbursement

• After an incredible public spending effort, there will be no room for waste, and innovative reimbursement models shall be encouraged
• Innovation in pharma and MedTech shall be encouraged through new payment models
Move to value-based reimbursement

- Health care professionals paid through fee-for-service have been through difficulties, may understand the advantages of bundled payments and may be willing to take the associated risk.
Where to start? We all have a role to play
Where to start if you are a policy maker?

- Work on regulation to accelerate the transformation to VBHC
Where to start if you are a payor?

- Encourage the formation of multidisciplinary teams around a medical condition over the complete care cycle making payments contingent on reporting outcomes and costs.
Where to start if you are a payor?

- Select a condition
- Negotiate the bundle of services included, the complications and warranties, plus the public reporting of outcome measures
- Negotiate the price, plus additional compensation
Where to start if you are a care provider?

- Select the condition – high volume, expensive and easy to work with, acute or chronic
- Have a clinical leadership around that condition
Where to start if you are a care provider?

• Get the clinicians together and figure out what outcomes you want to measure. Everyone should be measured.
• Encourage the clinicians to think about what is the right team to treat the condition. Decide what is the multidisciplinary team.
Where to start if you are a care provider?

• Do the costing so that you can understand your current cost, and then start to improve it. Then you will be able to negotiate a bundle price

• It takes 6-12 months to get some experience. The outcomes you get should be improved
Where to start if you are a manufacturer?

- Select the use case
- Make sure you fully understand the target patient population, the outcomes that are meaningful for patients, the treatment pathways and the timeframe required for optimal outcomes, and all costs associated with the patient cohort
Where to start if you are a manufacturer?

- (Examine your clinical trials, published data, and additional studies to determine the clinical and economic benefits from use of your product)
Where to start if you are a manufacturer?

• Develop a pay for outcomes model or a share savings model from using your product
• Negotiate your model with a care provider
• Measure outcomes and costs for proof of concept
Where to start if you are a patient organization?

- Advocate to encourage top-down approaches
- Make available an app to collect PROMs and report publicly with the support of a well-renowned scientific organization
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