

PREFACE

The Core Elements of Value in Healthcare emerged from the healthcare landscape of the early part of the second decade of this century. By that point, it had become apparent that healthcare—in the manner it was currently being delivered, financed, and experienced—was on a pathway to unsustainability. Given the importance of healthcare as a critical social good, leaders agreed that it could not be allowed such a fate. Soon, debate about waste in the system intensified, and the idea emerged that more could be achieved with less and with better results. The delivery of value in healthcare took center stage.

The concept of value in healthcare was not a novel idea, but the intersection of political, financial, social, and industry interest that arose in the concept was somewhat unique. As a result of a significant effort that continues to this day, legislative and market forces have begun increasing the amount of value being delivered in healthcare. This book attempts to encapsulate many of these forces. However, the book should not be construed to suggest that all efforts have been successful. Challenges exist, efforts have foundered, and the path forward is still not clear or well worn. Nonetheless, initial efforts, results, and societal expectations have demonstrated significant support for value in healthcare. As the book will show, a variety of tactics and strategies have been effective.

In writing this book, I have drawn upon my experiences as a physician in practice, as a hospital executive, and as the founder of a medical group and a health plan. Many of the concepts in pedagogy took shape in the classes I teach as an adjunct professor in an executive master of health administration program. This book is aimed at graduate students and healthcare executives who have an interest in the delivery of value-based care. It seeks to introduce and develop the concept in a comprehensive manner. It integrates material that could be covered in courses across a variety of fields, such as health economics, financial management, health policy, and quality improvement.

Complete programs dedicated to value-based healthcare will take some time to implement. In the meantime, this book can be used in multiple courses in health administration graduate programs. Use of the book's various chapters, with supervisory oversight, can ensure that the courses comprehensively cover value delivery while minimizing unnecessary overlap with other courses. The book can also be used in a capstone course, in which students conclude their

graduate studies with a series of team-based projects that focus on delivering value. To support such an effort, the book includes case-based team projects in the discussion questions at the end of each chapter. These case studies are hypothetical but draw upon real examples, providing opportunities for students to apply their experiences and develop practical skills relevant to the concepts of each chapter.

The overall theme of the book is the realignment of the current manner of delivering care. The steps involved are evolutionary. As stakeholders purposefully move their organizations toward value delivery, healthcare should evolve meaningfully, without painful transitions. This book will illustrate that all the ideas and strategies needed for value-focused healthcare are in place or have been in place in the past. What is needed now is a concerted effort to move the entire sector in this direction.

Chapter 1 formally introduces the idea of value in healthcare delivery. It discusses the triad of better quality, lower cost, and increased patient satisfaction, and it explores some of the ways that value can be delivered. Chapter 2 focuses on clinical strategies that can be employed to deliver value. These strategies are not new: Care coordination, readmission reduction, and transitions in care are all time-honored concepts that have been successful in the past and are being reintroduced here. The chapter also introduces concepts related to clinical integration.

Clinical innovations will not succeed if they are not accompanied by payment reform that rewards value-enhancing clinical activity. Thus, chapter 3 looks at some of the finance-related changes that aim to incentivize value delivery. The overall theme of this innovation is to move more of the financial risk to providers. The key is to ensure that financial risk matches the clinical responsibility, so that the new arrangement is structurally sound. Such risk-bearing entities include accountable care organizations (ACO), which are discussed in detail in chapter 4. The details governing ACOs may change every year, but the underlying concepts remain: providers and payers sharing risk, continuous measurement of outcomes standardized for cost, adherence to quality metrics, and the involvement of consumers in decisions. Lessons learned from the launch, success, and failure of individual ACOs should be well learned and applied across the value-based healthcare landscape.

ACOs and other iterations of value-based healthcare concepts must incorporate clinical integration, which is the topic of chapter 5. The need for clinical integration is well accepted and was highlighted in the Institute of Medicine report titled *Crossing the Quality Chasm: A New Health System for the 21st Century* (2001). This chapter looks at ways to eliminate breakdowns in operations that occur as patients navigate disparate stakeholders in healthcare. Resources are already available to help patients; what is needed is an effective way to communicate across the spectrum and coordinate those resources.

Such synchronized activity should take advantage of extant resources while reducing waste.

Chapter 6 takes this concept further and applies globally to communities. It introduces the exciting and evolving field of population health in the context of delivering value. The population health approach recognizes that patients exist as part of their communities, have different needs and illnesses, and react and adapt differently to their environments. Policy, preventive care, comprehensive care, and wellness programs are all aspects of population health. A number of excellent books have been written about population health, and the reader should seek them out for further discussion. Many of the texts are referenced in this chapter.

Information technology (IT) is an important enabler of value in health-care, and chapter 7 explores the topic in detail. The chapter is not intended to be technical in nature; rather, it aims to illustrate the role that IT can play in helping organizations capture data, analyze data, create information, and develop knowledge to guide value-enhancing changes. Significant legislative efforts and support have facilitated the sector's adoption of technology, and these efforts also are discussed in chapter 7. This material can help the reader anticipate how specific regulations will affect the delivery of value-based care.

High-quality care is fundamental to value in healthcare. All the effort devoted to this evolving concept of value should lead to healthier patients having better experiences and improved outcomes. Chapter 8 explores quality improvement and defines how quality should be measured. As payers, providers, and consumers all demand better quality, the importance of evidence-based delivery and data transparency come to the forefront. Examples of such initiatives are presented in the chapter. Chapter 9 continues this theme by introducing the tools that are increasingly being used to improve quality and safety in healthcare. A culture of constant improvement is essential for value-based care, and the acceptance and success of such a culture depend on the fluency of the workforce in using the tools that facilitate change. Chapter 10 focuses on the cultural shift toward constant vigilance to avoid harm. Here, the reader is introduced to the concept of High-Reliability Organizations and the competencies that such entities exhibit to deliver high-quality care. The chapter also examines the role of external evaluation and measurement through the work of accreditation bodies.

Payment reform, clinical innovation, and quality improvement are essential to enhancing value, but none of these aims can be achieved without operational effectiveness. Organizations must deliver value while maintaining a sustainable cost structure. Chapter 11 introduces techniques that have been used effectively to assess the cost structure, negotiate sustainable contracts, and improve operational effectiveness. Activity-based costing—which will likely be important as healthcare organizations seek to understand the cost

structure—is discussed, and the chapter suggests several excellent references for the reader to access.

Although the concept of value in healthcare is becoming increasingly accepted, it is important to recognize that value-based care is a response to the needs of the time. What works today may need to change tomorrow if it is to remain relevant. Historically, healthcare delivery has developed to address the needs of particular times, and crises have developed when the field has been slow to adapt to societal changes. Chapter 12 delves into the historical evolution of healthcare and links the past with the present state. An appreciation for history provides valuable context for the current political debate over healthcare, and it helps stakeholders make decisions and devise solutions that are historically informed.

Public funds play a critical role in financing healthcare, determining the amount of resources allocated and the nature of the services delivered. As a result, the field is heavily regulated. Industry leaders must have a solid understanding of the regulations that affect their field, and stakeholders have a duty to deliver care in a just, ethical, and compliant manner. Chapter 13 provides an overview of these subjects and demonstrates how value can be delivered compliantly while eliminating waste.

My hope is that this book brings together diverse elements of quality, operations, finance, and healthcare delivery in a comprehensive manner. Several of the concepts presented here can themselves be the subject of entire books or courses. All the ideas presented here have been applied elsewhere. I hope the reader finds value in this book from the perspective of a practitioner who must apply these concepts daily while helping an organization toward success.

This book emerged from my need to understand and deliver value in the organizations in which I have served. Fundamentally, this book is about enabling professionals to deliver a product of which they are proud, to patients who have a right to expect excellence in clinical care. I hope that this book contributes to our healthcare system becoming truly sustainable and value based. That success will depend on the people working in the industry—many of whom will hopefully read this book.

This book was six years in the making, and I am grateful to numerous people who enabled me to write it. All my teachers and colleagues have contributed to this book by giving me the experience to share. I am especially thankful to Peter Slavin, MD, at the Massachusetts General Hospital; Michael Parmacek, MD, and Martin St. John Sutton, MBBS, at the University of Pennsylvania Health System; and June Kinney at the Wharton School for facilitating my academic exposure to principles of administrative healthcare. Robert Curry, CEO at Citrus Valley Health Partners, is the reason I obtained the experience that helped me write this book. Rob's belief in hiring for attitude and capability gave me that break I needed to get experience as a hospital executive. His

subsequent mentorship has helped me develop the skills to hopefully deliver value in healthcare.

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Instructor Resources

This book's Instructor Resources include a test bank, PowerPoint slides, and case studies with discussion questions and teaching notes.

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