

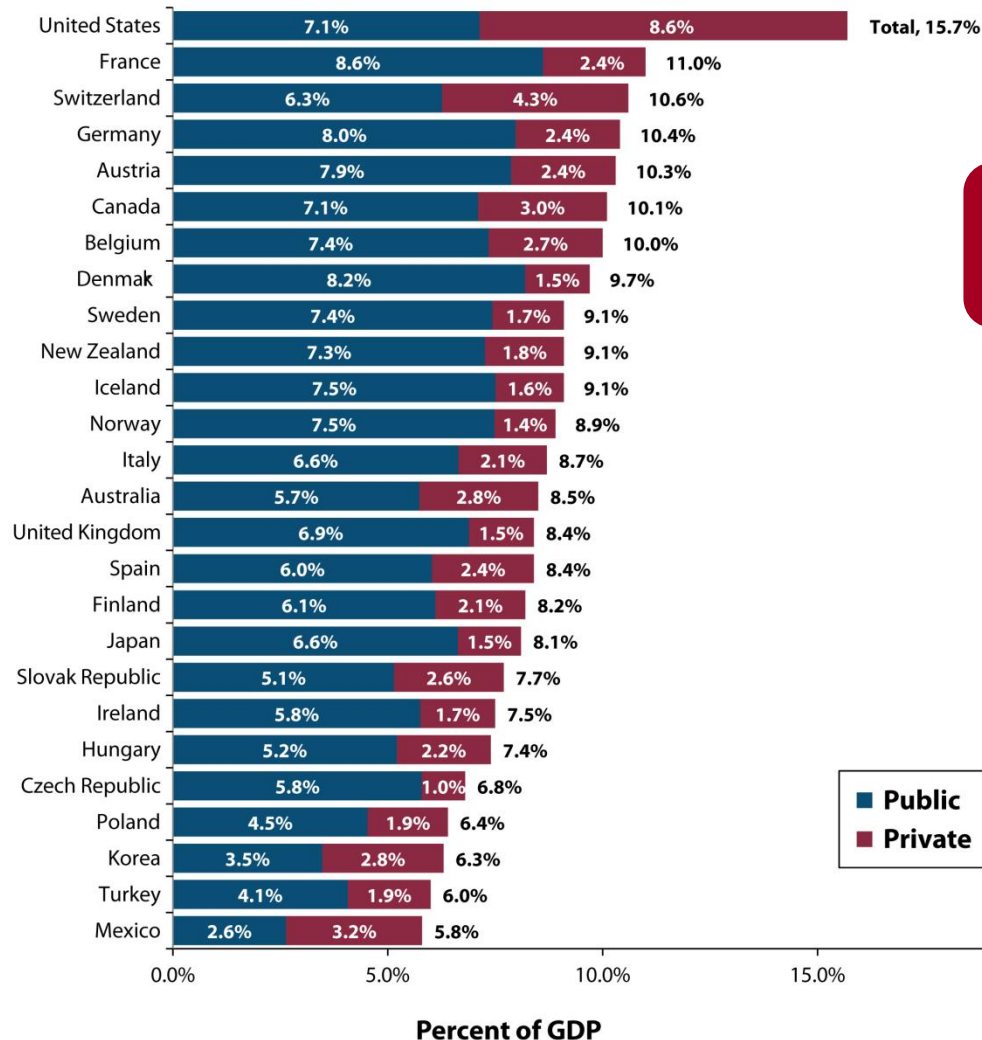


The Value Agenda

(Why we are doing what we are doing.)

United States spends more than any other country on health care

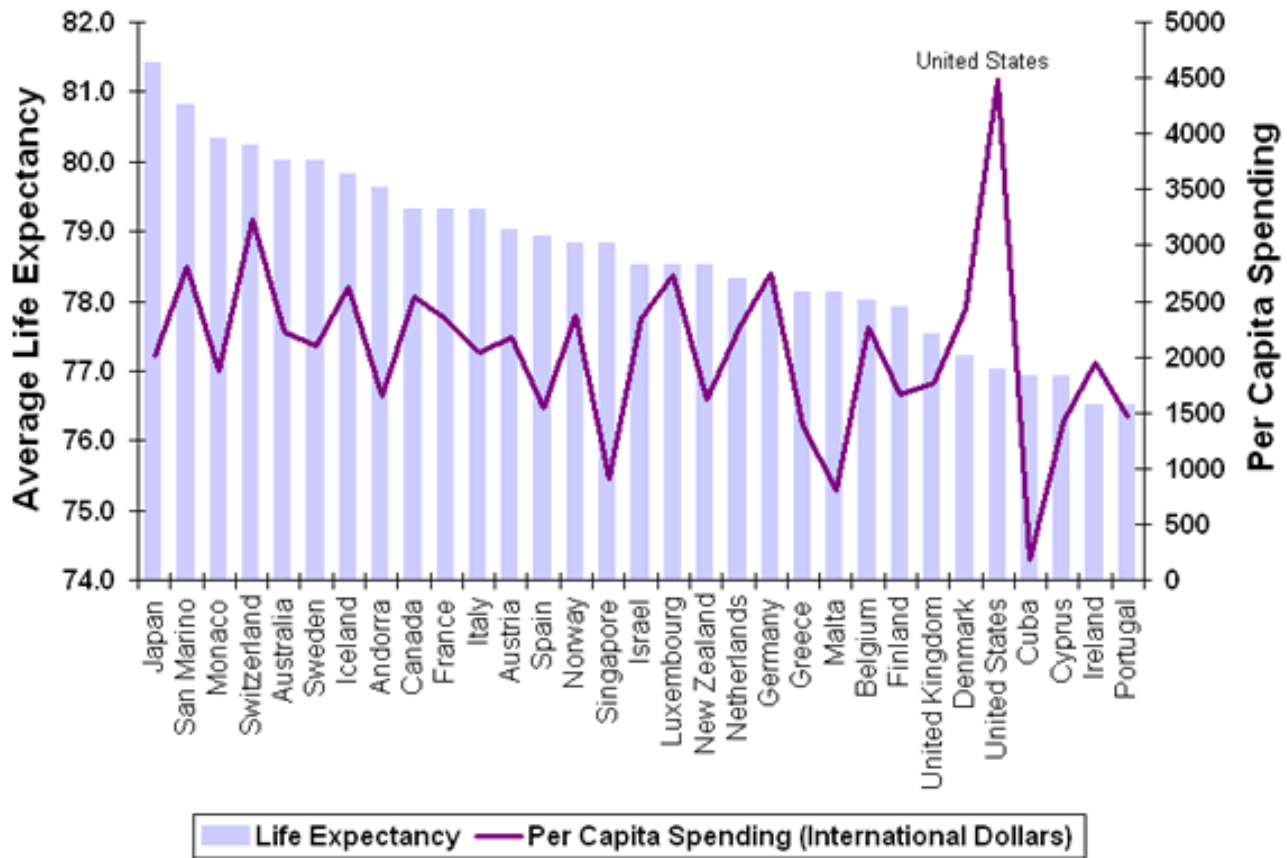
Public and private expenditures on health care spending (as percent of GDP), 2007*

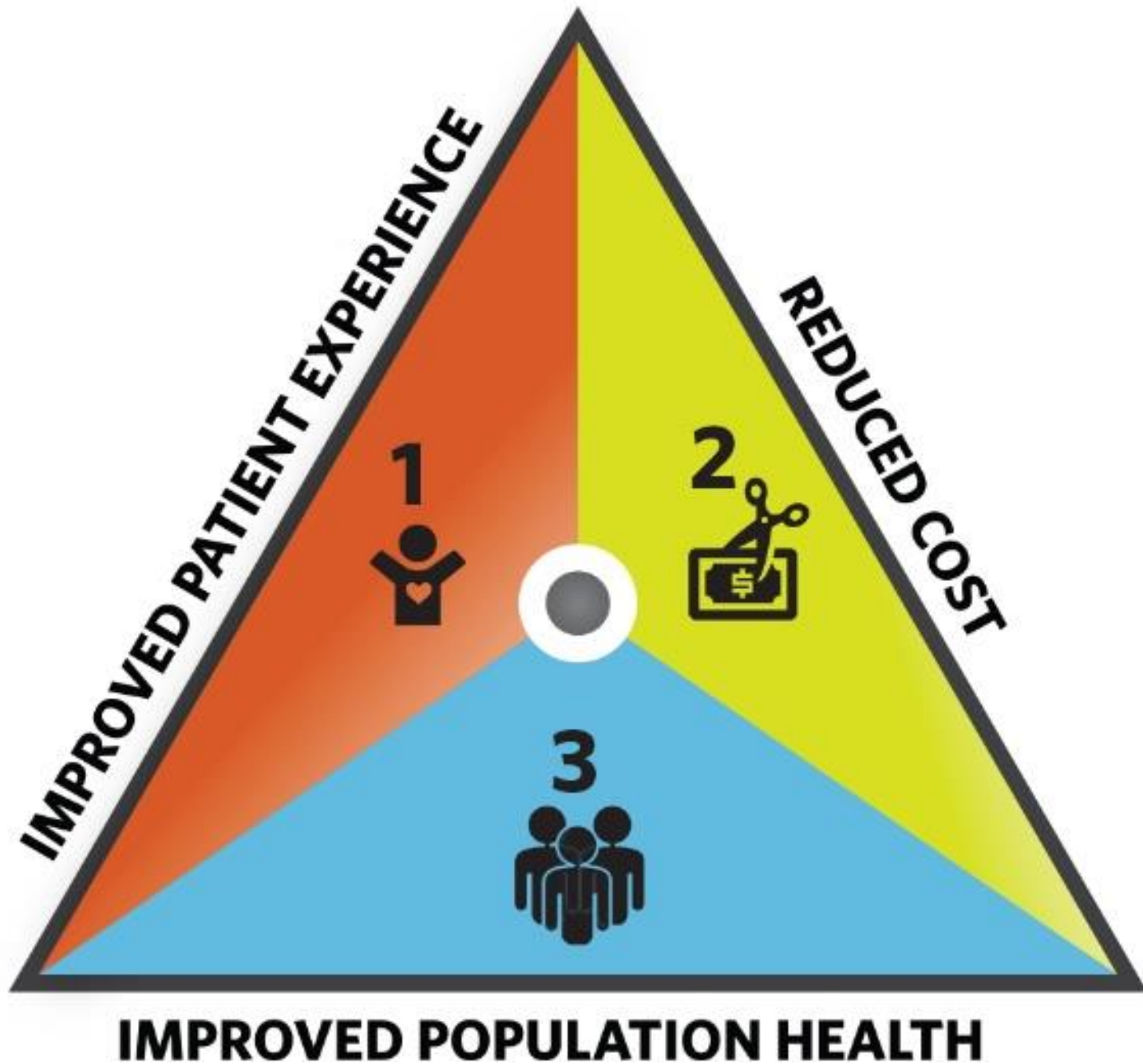


Note: Because of insufficient data, Chile, Greece, Luxembourg, Netherlands and Portugal not shown.

Source: EPI analysis of Organization for Economic Cooperation and Development Health Data.

The Cost of a Long Life





Behaviors incentivized in current system

- Highly reimbursed procedures
- Volume
- Not spending money until absolutely must



PERVERSE INCENTIVES!

What do we value?

- Health
- Prevention
- Outcomes / function

value = outcomes / costs

Providers must lead
the way in making value the
overarching goal.



**Harvard
Business
Review**

Michael Porter, Thomas Lee. "The Strategy That Will Fix Health Care." Harvard Business Review. October 2013.

OLD WAY OF THINKING

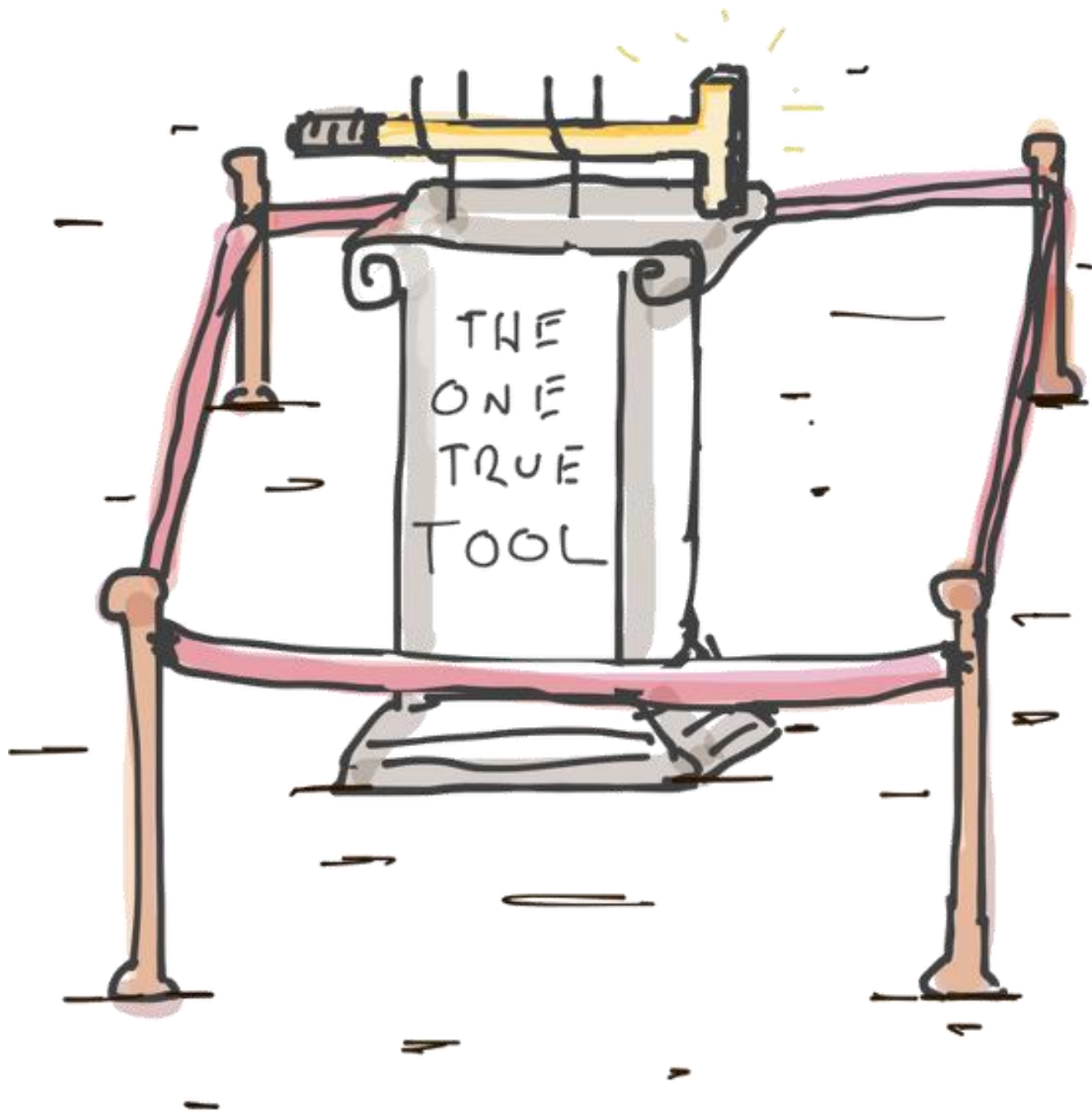
What do I have?

My skills?

My facilities?

My resources?

And how can I apply these to
patients?







NEW WAY OF THINKING

What does this patient and their family need and want?

- Or even -

How can we support this patient and family in health creation?

What skills? What facilities?

What resources?

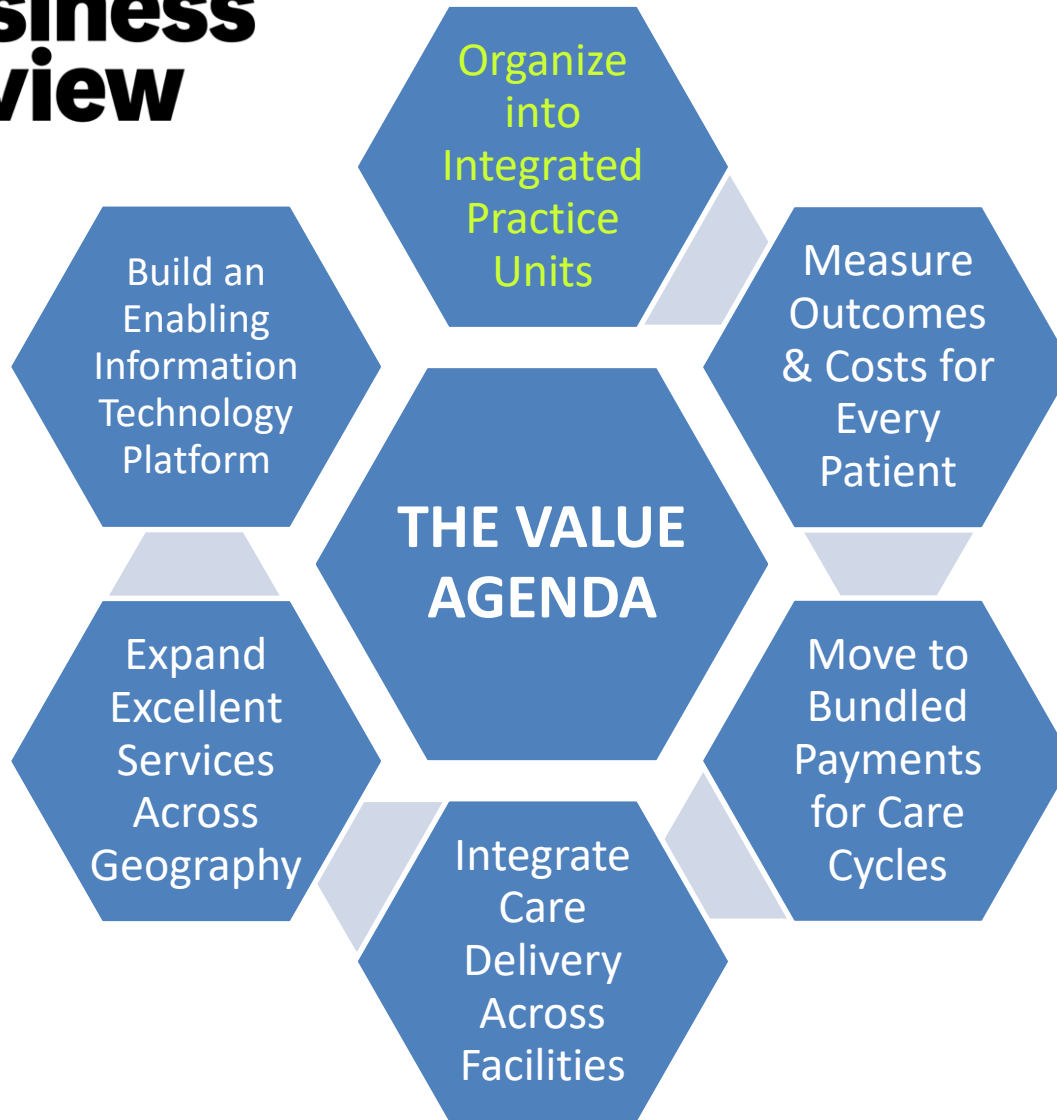


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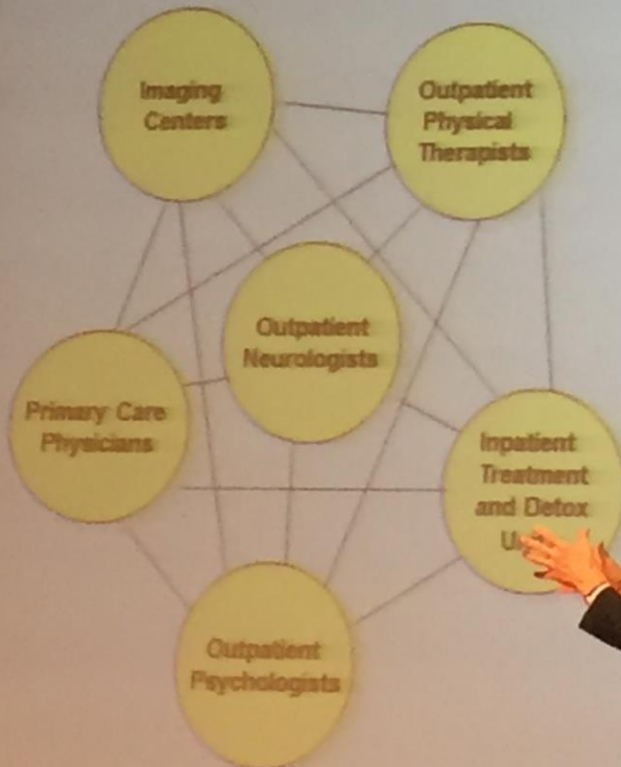


Organizing around conditions

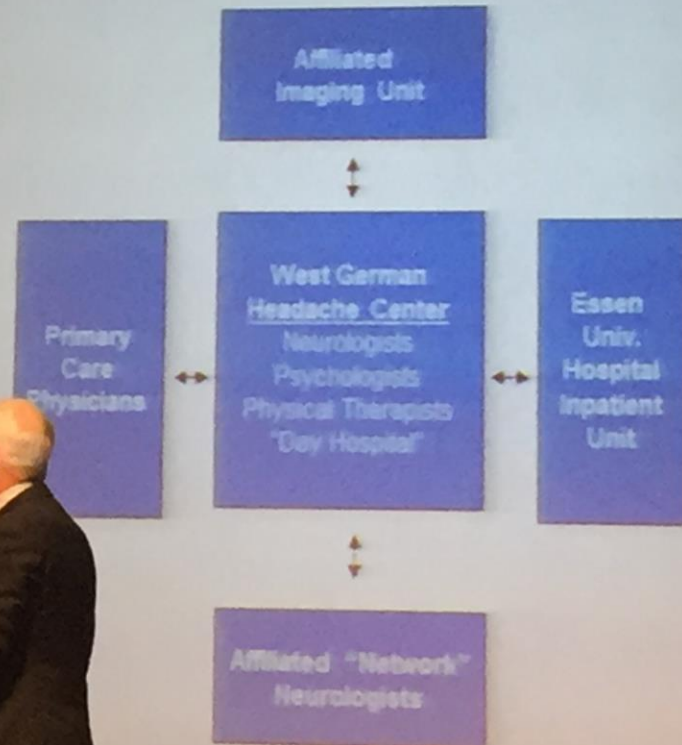
Integrated Practice Units (IPUs)

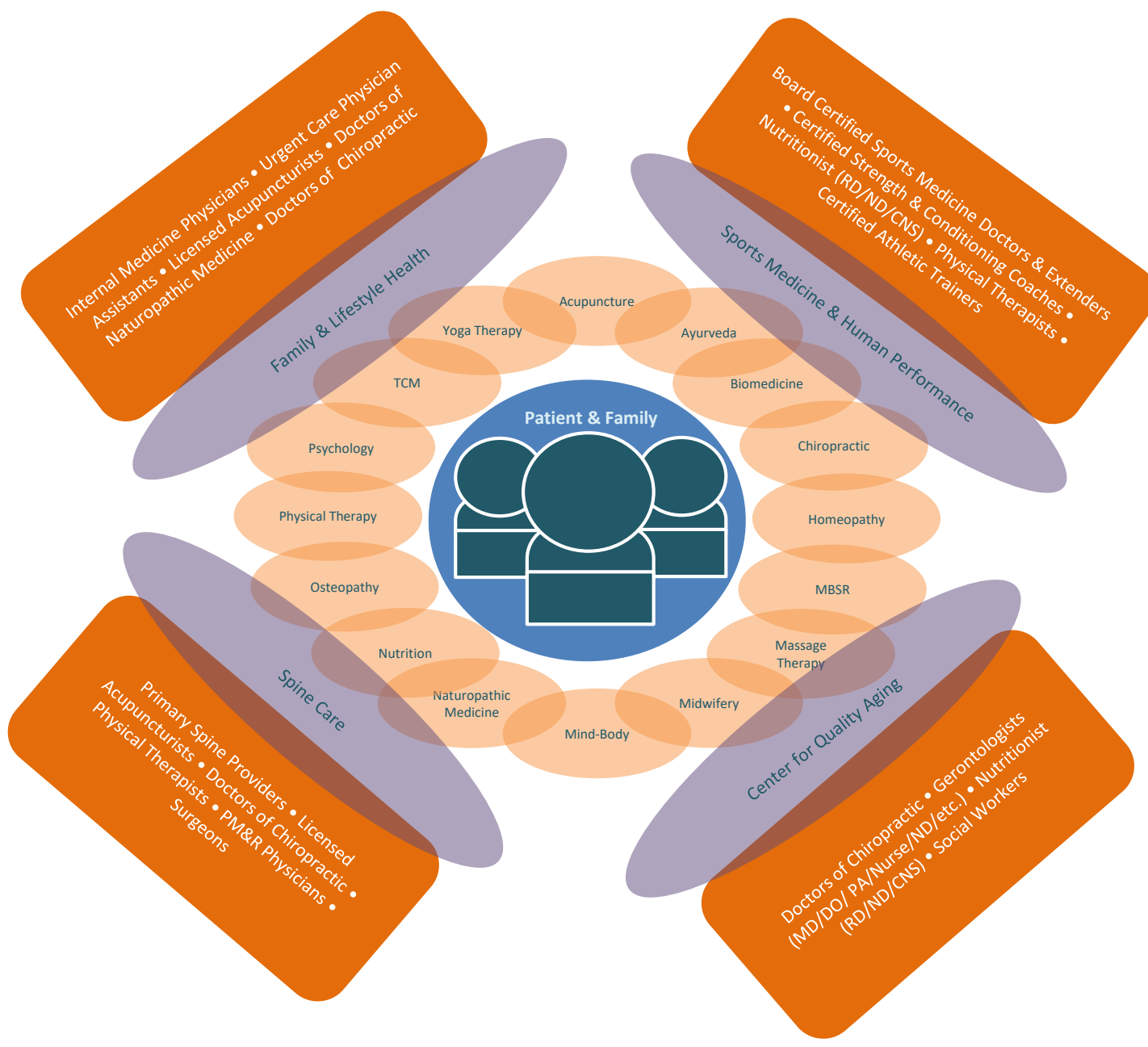
Organizing Care Around Medical Conditions Migraine Care in Germany

Existing Model:
Organize by Specialty and
Discrete Service



New Model:
Organize Around Conditions into
Integrated Practice Units (IPUs)








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Major Cost Reduction Opportunities in Health Care

- Utilize **physicians and skilled staff** at the top of their licenses
 - Eliminate **low- or non-value added** services or tests
 - Reduce **process variation** not justified by outcomes that increases complexity
 - **Reduce cycle times** across the care cycle
 - Move uncomplicated services **out of highly-resourced** facilities
 - Reduce **service duplication and fragmentation** across sites
 - Rationalize redundant **administrative** and **scheduling** units
 - Invest to **lower the overall cost across the care cycles**
 - Increase **cost awareness** in clinical teams
- 
- Our work reveals typical **cost reduction opportunities of 20-30%**
 - Many cost reduction opportunities will actually **improve outcomes**



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Capitation (Population-Based)

- A single risk-adjusted payment for the overall care for a **life**
- Responsible for **all needed care** in the covered population
- Accountable for **population level quality metrics**
- At risk for sum of payments **versus overall spending**



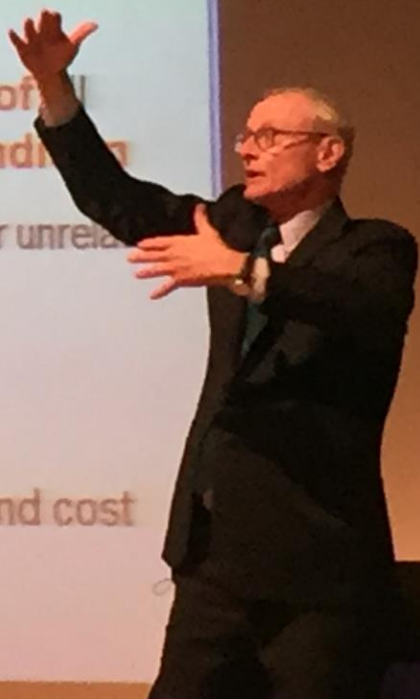
- Accountable for **overall cost and population quality outcomes**

Bundled Payment

- A single risk adjusted payment for the care of a **condition**
 - contract for **integrated care**
- Covers the **full set** of services and facilities needed to treat the condition **over the full care cycle**
- Contingent on **condition-specific outcomes**
- At risk for price versus **cost of all included services for the condition**
 - **limits of responsibility** for unrelated care and outliers

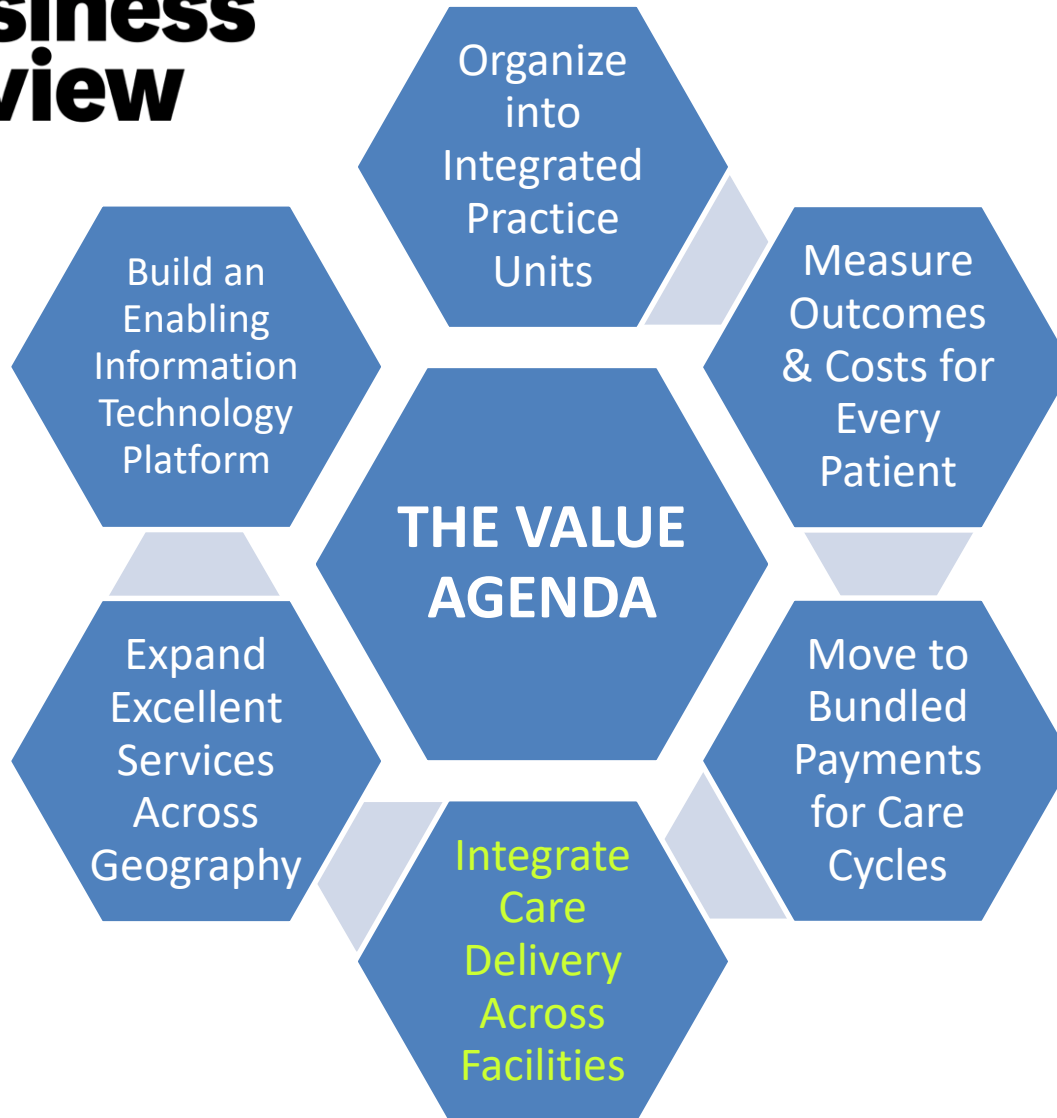


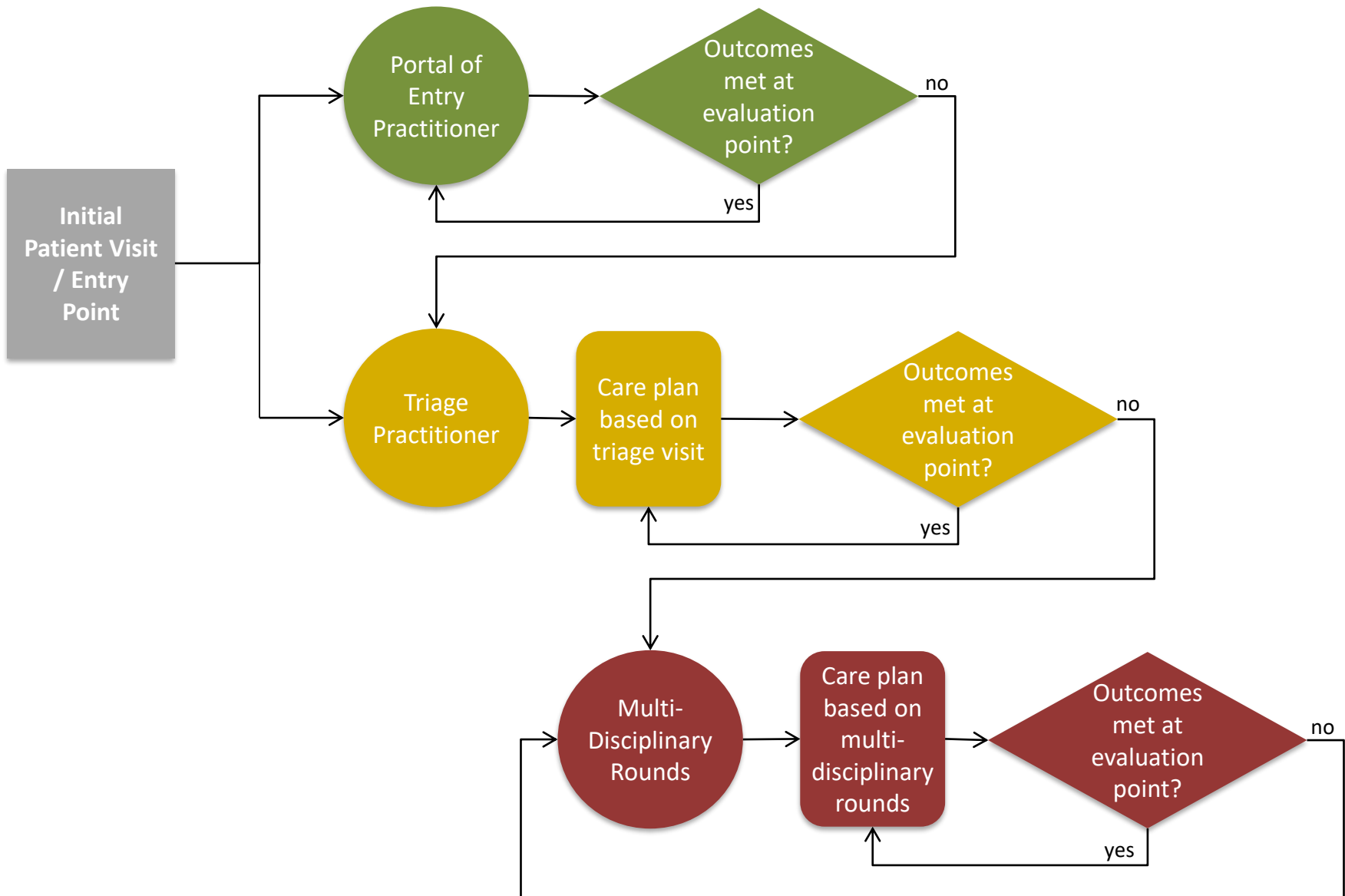
- Accountable for outcomes and cost **condition by condition**



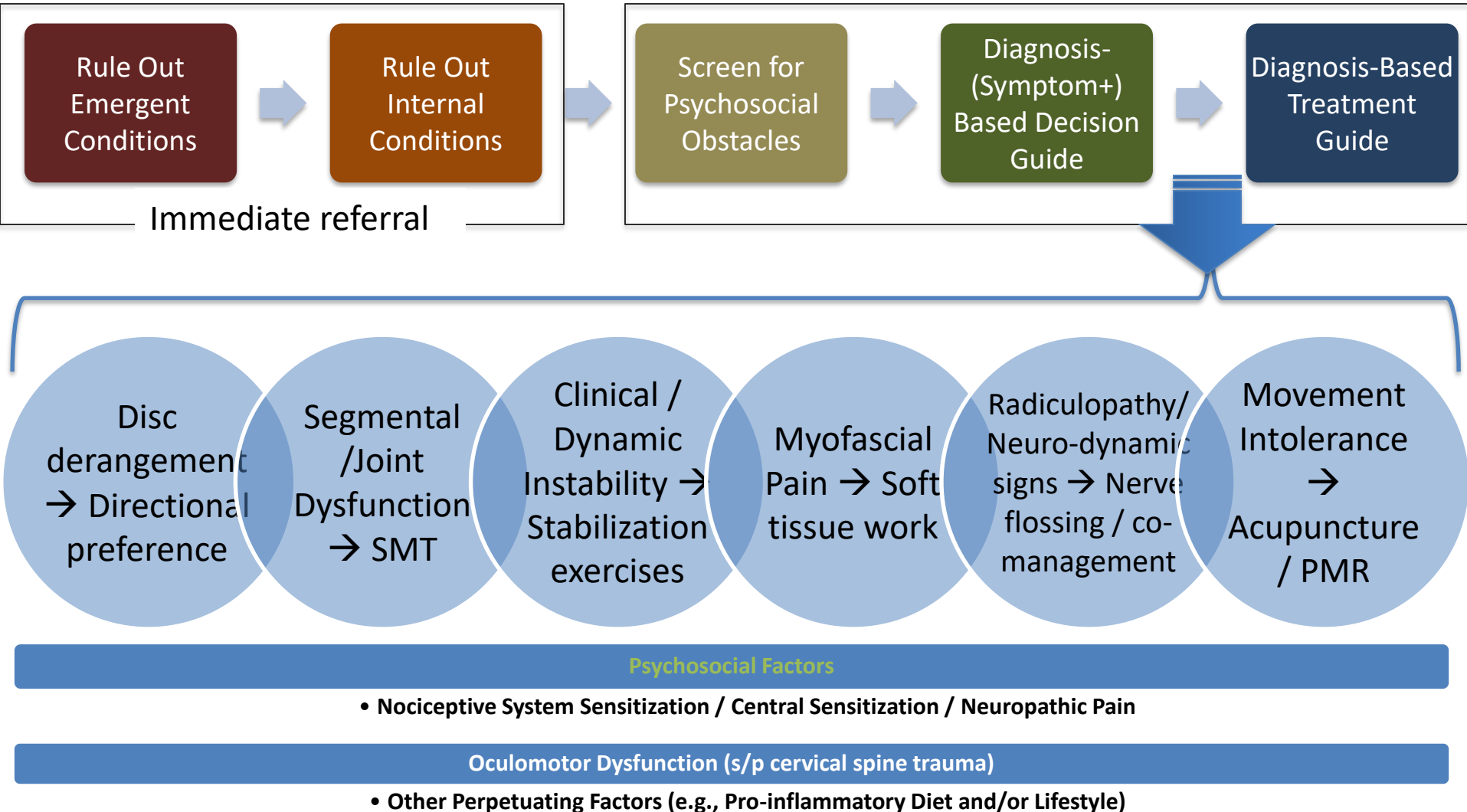


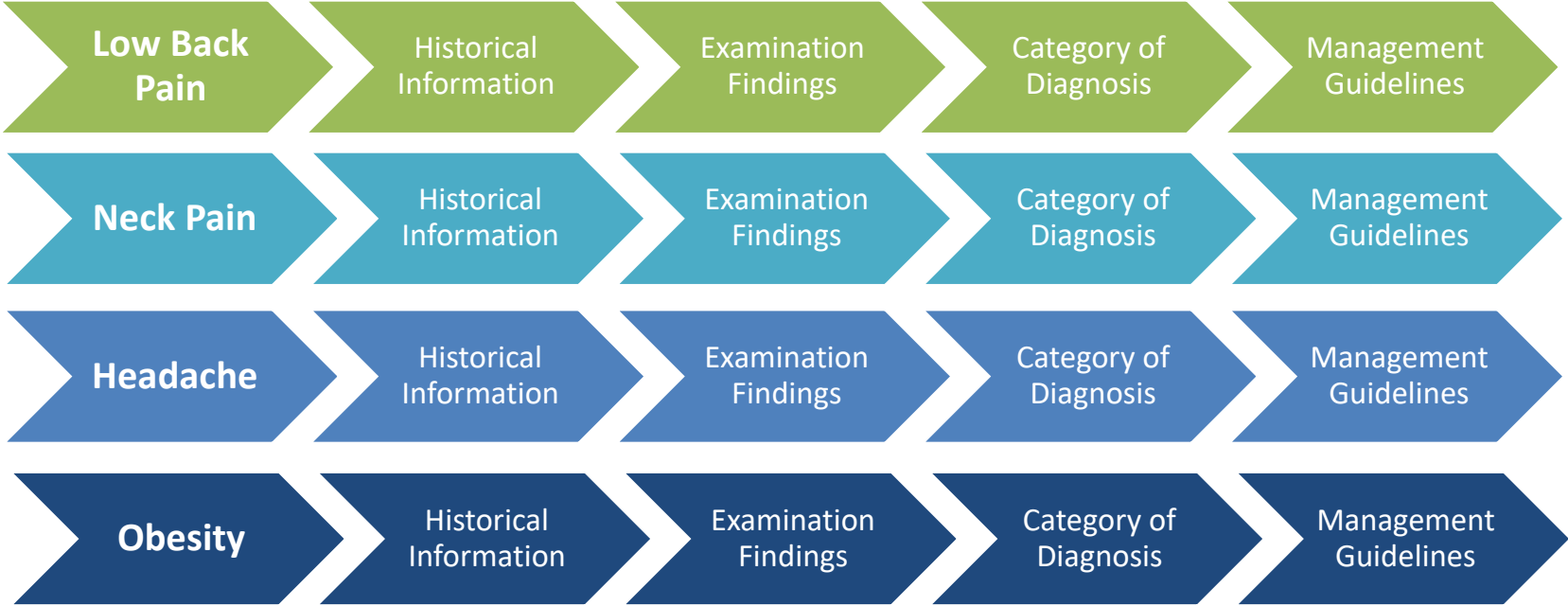
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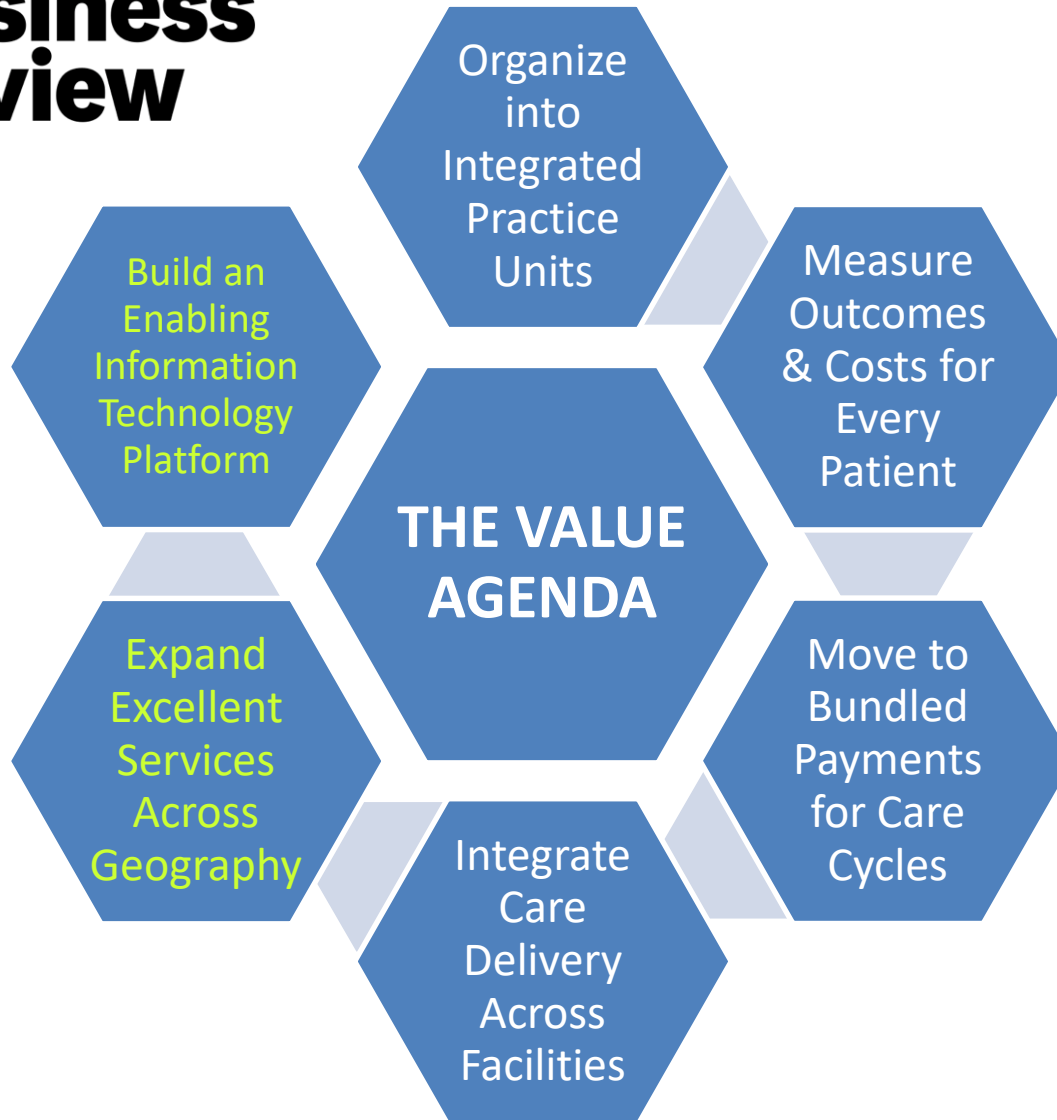
Subcategorization / Stratification







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SOUTHERN CALIFORNIA UNIVERSITY
OF HEALTH SCIENCES

 **ISCUC** HEALTH SYSTEM