Transforming Health Services

Identifying the Most Promising Opportunities for Value-Based Healthcare
This brief was prepared by Jennifer Zelmer, PhD (President, Azimuth Health Group, Twitter: @jenzelmer) for the Canadian Foundation for Healthcare Improvement (CFHI). The author thanks key informants for their insights on Canadian value-based healthcare initiatives, as well as external reviewers and CFHI staff for their insightful comments and helpful suggestions.

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For More Information
Agenda
DESIGN DAY PLAN

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02 How to identify promising value-based healthcare initiatives

03 Empathy mapping to ‘stress test’ the criteria identified

04 Apply the criteria to seek leading opportunities for value-based healthcare

05 Revisit/refine value-based healthcare criteria

06 Reflective Summary/Next Steps
Overview of Value-Based Healthcare
Value-based healthcare (VBHC) is gaining traction. Popularized in recent years by Michael Porter and colleagues, the concept builds on decades of work in areas such as cost-effectiveness, outcomes measurement, patient preferences, and adoption of innovations.

While there are various ways of defining value, at its core VBHC is about linking dollars spent to outcomes that matter to patients, rather than to volumes of services or to specific processes or products that may or may not achieve those outcomes.

This conceptualization of VBHC focuses on goals that align with the intrinsic motivation of key stakeholders. It also recognizes that what works best for whom in different contexts will vary, and our knowledge will evolve over time. As a result, VBHC aims to avoid over-specifying how these outcomes will be achieved.

Formally, Porter defines value as outcomes relative to costs.²
"Value-based healthcare is a genuinely patient-centric way to design and manage health systems. Compared to what health systems currently provide, it has the potential to deliver substantially improved health outcomes at significantly lower cost."

World Economic Forum
WHAT VALUE-BASED HEALTHCARE IS NOT

The focus of VBHC is not cost-containment. Both overuse and underuse can affect value. Rather, the aim is to encourage services that deliver high value, scale back or drop those that do not, and/or re-balance the mix of services to improve the ratio of outcomes to overall costs. Better outcomes at the same or lower total cost is the goal.  

Equally, evidence-informed practice can facilitate more appropriate care and improved outcomes but it is not the ultimate goal of VBHC. Providers should and will use evidence regarding the effectiveness of interventions to design and continuously adapt models of care to optimize value. However, VBHC is not the same as pay-for-performance models that reward delivery of specific care processes, e.g. prescribing of medications recommended in clinical guidelines. (Such approaches have had mixed results.) Design features and context appear to have a strong influence on both direct results and broader effects on health sector governance and strategic purchasing.) Neither is it only focused on comparative performance measurement.

VBHC also does not reward cost reductions in isolation. Instead, it targets improvement in outcomes experienced by patients relative to resources used. Specific operational improvements may – or may not – deliver value for patients in this context.

In some cases, this increased value may come from options outside the health sector that improve health outcomes, not just services offered by traditional health care providers. How we learn, live, work, and play can all affect our health. A broader focus that includes interventions addressing social determinants of health is sometimes referred to as value-based care.

VBHC focuses on the whole, not the parts. It does not aim to optimize individual components of an episode of care in isolation. Rather, it seeks to understand and promote improvement in outcomes and costs that span an episode of care or population group, not just those delivered by a specific health care provider or at a particular time. Any targeted improvements must contribute to the overall goal that cuts across organizational and budgetary boundaries.

Value grows when the total costs of achieving the same or better outcomes fall.
Value-based health care (VBHC) links dollars spent to outcomes that matter to patients, rather than to the volume of services or to specific processes or products that may or may not achieve those outcomes.

As a result, scaling innovative models of care that improve value frequently requires transforming how we organize, pay for, and/or procure health services.

From rhetoric to action – enabling conditions: As in other countries, the extent to which key enablers of VBHC are in place varies. Robust information on outcomes and costs is central to success. So are mechanisms which make on-going feedback on performance and quality improvement routine. A relentless focus on value can also challenge existing professional and sectoral norms and boundaries.

In Canada, measurement of outcomes and costs at a patient level is routine in some care settings, absent in others. Similarly, while there are areas where services and information are seamlessly integrated throughout a patient’s journey, care coordination challenges are common.

Alignment of funding models with a strategic focus on value is also a work in progress. Those responsible for providing health services rarely receive the autonomy and tools to optimize value within an agreed accountability framework that directly links patient outcomes and resources.

Stakeholder support: Many voice support for a strategic focus on value across Canada. Ministers often emphasize the importance of spread and scale of innovations that improve quality of care and value for money. In 2017, the Canadian College of Health Leaders surveyed its members about value-based care. Seven in 10 health leaders said that their organization has a commitment to value-based care that is acted on. And stewardship of healthcare resources has been identified as an expected clinical competency across the country.
KEY CONSIDERATIONS (2)

**Early adopters:** Early adopters are navigating these complexities and have forged ahead to introduce VBHC principles in a variety of contexts. This Executive Brief provides links to selected international experiences, as well as profiles of six Canadian VBHC initiatives. These examples cut across the continuum from prevention to inpatient medical units and incent a variety of outcomes.

**Lessons learned:** Canadian experiences echo global findings. An explicit and structured focus on value – supported by compatible information and tools, care pathways and integration, funding models, and governance – is relatively new in the health sector. Its implementation is not widespread. Variation in enabling conditions contributes to differences in the readiness of individual Canadians, health care providers, suppliers, funders, and others to embrace VBHC. This is particularly true given that the process can involve deep patient and cross-team engagement, is data and evidence-intensive, may transfer risk between participants, and can change long-established care models and relationships.

**Looking ahead:** Value-based healthcare is a holistic strategy, not an isolated initiative or quick fix. It has significant cultural, policy, and practical implications for the health sector. A **broad-based focus on value has the potential to trigger fundamental change in how we design, organize, deliver, and evaluate health services.** Leading examples of VBHC highlight its promise for addressing some of the health sector’s enduring challenges. By building on these experiences, we have the potential to advance a more person-centred, integrated system that uses available resources to optimize the outcomes that matter most to those it serves.
Canadian value-based healthcare initiatives are diverse. They cover a range of health services, use a variety of funding and procurement models, and are at varying stages of implementation.

Building on a model for accountable care units originally developed at Emory University, Saskatchewan health regions in Saskatchewan are transforming the model of care on inpatient medical units. Target outcomes include improved clinical outcomes, patient flow, patient satisfaction, and staff satisfaction, retention, and recruitment.

From acquisition of medical devices to renovation and replacement of a hospital’s biochemistry and hematology lab technology, value-based procurement has been used in a variety of contexts in Canada. For instance, under the terms of a provincial procurement for cardiac devices, if a device had to be replaced before seven years, the supplier had to pay the cost of the replacement surgery.

New Brunswick’s ‘Primary Health-Care Integration Initiative’ aims to improve coordination and collaboration among several types of services provided outside of hospitals, including ambulance services and home care (extra-mural program). Payment under a 10-year $74 million incentive-based contract depends on results for indicators such as increased homecare visits and reduced emergency department visits by homecare patients.
Ontario has introduced **bundled payment models to align incentives for integrated care** in areas such as hip and knee replacement surgery, dialysis care, and selected chronic diseases.

Early adopters such as St. Joseph’s Health System have shown improved patient experience and outcomes, more satisfied providers and engaged teams, and overall cost savings.

More...

Open innovation challenges specify a desired outcome and reward innovators who best meet it, rather selecting those who will be supported in advance and specifying how a goal is to be achieved. The ImagineNation Challenges targeted **innovations to improve the quality of care and the patient experience with emerging digital solutions.**

More...

Varying approaches to **outcome-linked financing** have also been introduced. For instance, with partners in five provinces, Canada Health Infoway co-invested using an outcome-linked model in improving chronic disease management with telehomecare. Likewise, the Heart and Stroke Foundation and its partners aim to incent improved blood pressure control using a “pay for success” social impact bond investment model.

More...
Enablers of Value-Based Healthcare
The intent of value-based healthcare (VBHC) is to orient all those in the health sector around a shared goal: optimizing outcomes that matter to patients within available resources. Grounded by this guiding principle, stakeholders are then given “the autonomy, the right tools and the accountability to pursue the most rational ways of delivering value to patients.”

Easy to say; challenging to do. A range of important building blocks is required to make progress. For example, one must identify and be able to measure health outcomes and to track spending throughout the patient’s full care pathway. One must be able to track these data not just overall, but also for specific groups of patients. And one must be able to develop, implement, and scale approaches that increase value for different groups of people.

Together, these requirements imply a sophisticated set of tools, resources, and capacity for system transformation. Nurturing this foundation requires personal and organizational investments of time, energy, and resources. This includes cultivating the skills, experience, and relationships needed to drive a focus on value across the health system and its partners in change. There are examples of excellence, but also significant gaps.
### HOW PERSPECTIVES ON ENABLERS OF VALUE-BASED HEALTHCARE ALIGN

*Three recent reports based on a review of global experiences cite similar enablers of progress towards broad-based use of VBHC principles*

<table>
<thead>
<tr>
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<th>Economist Intelligence Unit⁹</th>
<th>Michael Porter¹⁰</th>
<th>World Economic Forum⁵,⁸</th>
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<tr>
<td><strong>Care pathways and integration</strong></td>
<td>Organizing clinical teams into integrated practice units</td>
<td>Innovations in organizing care delivery, to improve coordination across the health system</td>
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<td></td>
<td>Integrating care delivery systems</td>
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<td><strong>Measurement of outcomes and costs</strong></td>
<td>Measuring outcomes and costs for every patient</td>
<td>Benchmarking, research, and tools to leverage data on outcomes and costs for clinical practice improvement &amp; innovation</td>
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<td>Using enabling information technology platforms</td>
<td>Health informatics to facilitate collection, analysis, and sharing of outcomes and cost data</td>
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<td><strong>Outcome-based payments</strong></td>
<td>Moving to bundled payments for complete episodes of care</td>
<td>Value-based payments to create incentives for all to focus on value</td>
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<td><strong>Enabling context, policy, and institutions</strong></td>
<td>-</td>
<td>Policy, regulatory, and legal framework</td>
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<td>Expanding geographic reach where it improves value</td>
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Among the strengths identified was stakeholder consensus on the importance of value. From Ministers of Health and Auditors General to clinicians and health sector leaders, there is broad support for a strategic focus on value. Likewise, researchers in Ontario found that many potential adopters of accountable care organization-like models were willing to consider joint accountability between hospitals and physicians for cost and quality of care, including mechanisms to share financial gains or losses with funders based on the achievement (or lack thereof) of quality targets. The EIU also pointed to Canada’s universal health coverage, health technology assessment capacity, and similar strengths as enablers.

That said, they noted potential areas for development, such as strengthening health professional education on VBHC and publication of explicit strategies or plans to move towards this approach. In both the public and private sectors, there are natural tensions that prevent or delay great ideas from being translated into action. They can create challenges for moving from broad-based support for VBHC’s underlying principles to substantive action that achieves results at scale. Leadership commitment to change is key.

7 in 10 Canadian health leaders say that their organization has a commitment to value-based care that is acted on. More – 9 in 10 – say that achieving quality care outcomes is more important that cutting costs for sustainability. (2017 Canadian College of Health Leaders survey)
VBHC ENABLER 2: MEASUREMENT OF COSTS AND OUTCOMES

The EIU report identified national strengths and weaknesses with regards to measurement of costs and outcomes.

As a country, we have a long tradition of research on health status and health outcome measurement. For example, researchers at McMaster University did seminal work on defining quality-adjusted life years (QALYs) in the 1970s, metrics that are now used on a global basis.\(^\text{16}\)

There have been many advances over the decades since that early work. Today, the Canadian Institute for Health Information and Statistics Canada regularly report on a series of health outcomes and other indicators for organizations, regions, and provinces/territories.\(^\text{17}\) Jurisdictions, quality councils, researchers, and healthcare organizations also track a variety of health system performance measures. In addition, a range of research has explored what types of policies, programs, and interventions are effective in achieving healthier populations.\(^\text{18}\)

Nevertheless, here too there is more to do. For instance, in the same 2017 survey of members of the Canadian College of Health Leaders referenced above, only 4 in 10 indicated that their organization measures value in its information systems.\(^\text{14}\) About half (56\%) said that their organizations ask patients questions about the value of care they received. Gaps in outcome measurement also exist in other areas of the health sector.\(^\text{3}\)

In addition, there is variation in the extent to which costs are tracked at a patient level. And systematic tracking of costs outside of the publicly funded health system including those incurred by patients and families directly, such as time off work or travel costs, is rare.
This sentiment paralleled the findings of the EIU researchers. The report recognized work that has been undertaken related to care pathways for specific health conditions, but noted a lack of national policies to support care integration and systematic coordination of care throughout a patient’s journey.

“Moderate” was also the EIU researchers’ judgment of Canada’s status on the third enabler evaluated: care pathways and integration.

Across the country, there is broad policy consensus on the need to strengthen integration and coordination along the continuum of care to ensure more seamless services.

For instance, the Advisory Panel on Health Innovation concluded that “movement is being made to integrate services and budgets around patients, but far more work needs to be done to continue breaking down the silos that impede the achievement of patient-centred care.”19
In Canada, they highlighted efforts underway to develop bundled payment approaches. Experts in healthcare financing have suggested that progressing down this path requires a clear vision and desired end goal for new payment models, active engagement with physicians and other health care providers, strengthened analytic capacity, and a rigorous evaluation approach.\(^\text{20}\)

The EIU analysis also noted that Canada has a range of mechanisms to identify interventions that should be de-adopted (disinvestment) because of their lack of efficacy, whether or not directly related to outcome-based payments. The national Choosing Wisely campaign that engages health professionals and patients in identifying and addressing unnecessary tests and treatments is an example of this approach.\(^\text{21}\) So too are the efforts that provinces such as British Columbia, Saskatchewan, Manitoba, Ontario, and Quebec have made to use Lean techniques to optimize performance and root out waste in support of their healthcare reform efforts. The resulting tools and capacity may also be able to support broader implementation of value-based healthcare.
LEVERAGING LEADING PRACTICES IN FOSTERING POSITIVE CHANGE IN THE HEALTH SECTOR

Value-based healthcare provides a framework to guide healthcare transformation.

Achieving desired results depends on leveraging leading practices and lessons learned for managing change in the health sector from provinces and territories across Canada and beyond. Key considerations are described in the framework depicted on the right.

National Change Management Framework (LINK)
Identifying Opportunities to Move Ahead
Health system leaders, healthcare providers, patient organizations, governments, industry and other stakeholders gathered in March 2018 to share experiences and perspectives with respect to developing and implementing value-based healthcare.

Discussions at the Summit made it clear that there are many paths to value-based healthcare (VBHC). Context matters, and delivering real results requires team-work and heavy-lifting. In a learning health system, continuous improvement means on-going efforts to deliver more value and to reduce and/or eliminate that which does not generate value.

Various initiatives have incorporated novel approaches to financing and procurement, risk/gain sharing, data and measurement enhancements including patient-reported experience and outcome measures, and other innovations.

Many speakers at the Summit urged those interested in improving value to ‘just do it,’ getting started and evolving based on on-going learnings.

To this end, several suggested pathways to refine care delivery. Others offered complementary suggestions for pragmatic approaches to identify promising opportunities to apply value-based healthcare. Examples of both are profiled in the following slides.

Experiences of early adopters confirm the promise and potential of the approach, as well as the need for thoughtful implementation.
STEPS IN REDEFINING CARE DELIVERY

Source: Scott Wallace and Elizabeth Teisberg
**WHAT COULD HELP TO IDENTIFY PROMISING POTENTIAL INITIATIVES AND HOW TO ASSESS READINESS (1)**

*Reflections from the Value-Based Healthcare Summit*

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<thead>
<tr>
<th>FACTOR</th>
<th>WHAT WOULD THIS LOOK LIKE?</th>
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<tr>
<td>1. Material Impact on Value</td>
<td>Unknown or Limited Impact</td>
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<td>2. Time to Improve Value</td>
<td>Extended or Unknown Period</td>
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<tr>
<td>3. Meaningful Metrics</td>
<td>Development Needed</td>
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<td>4. Outcome &amp; Cost Data</td>
<td>No relevant existing data</td>
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- **Modest Likely Impact**
- ** Longer-Term**
- **Proposed Metrics**
- **Baseline exists**

- **High Probability of Large Impact**
- ** Shorter-Term**
- **Established & Tested Metrics**
- **Baseline & on-going tracking in place**

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**Note:**

- **1. Material Impact on Value**
- **2. Time to Improve Value**
- **3. Meaningful Metrics**
- **4. Outcome & Cost Data**
WHAT COULD HELP TO IDENTIFY PROMISING POTENTIAL INITIATIVES AND HOW TO ASSESS READINESS (2)

*Reflections from the Value-Based Healthcare Summit*

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<th>FACTOR</th>
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<tr>
<td>5. Defined patient groups &amp; pathways</td>
<td>Lack of clearly defined groups</td>
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<td>6. Proven Solutions</td>
<td>Mechanisms to grow value unclear</td>
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<tr>
<td>7. Aligned payment models</td>
<td>Existing models create barriers</td>
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<tr>
<td>8. Supportive policy &amp; structures</td>
<td>Existing structures create barriers</td>
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<tr>
<td>Groups defined, unclear pathways</td>
<td>Proven solutions</td>
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<td>Clear groups &amp; pathways</td>
<td>Solutions proven in similar context</td>
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<td>Workable payment models</td>
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<td>Well-aligned models</td>
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<td>Workable policy &amp; structure</td>
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<td>Well-aligned policy &amp; structure</td>
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For More Information
FOR MORE INFORMATION


Change Management Toolkit: Leading Change in Health Care (on-going) and Network


OECD. (2016). Focus on Better Ways to Pay for Health Care. [LINK]


REFERENCES (1)


REFERENCES (2)


