



# Value-Based Health Care Is Inevitable and That's Good

by Toby Cosgrove | 10:00 AM September 24, 2013

Vaccines. Anesthesia. Penicillin. Bypass surgery. Decoding the human genome. Unquestionably, all are life-saving medical breakthroughs. But one breakthrough that will change the face of medicine is being slowed by criticism, misunderstanding, and a reluctance to do things differently.

That breakthrough is value-based care, the goal of which is to lower health care costs and improve quality and outcomes. It will eventually affect every patient across the United States. Not everyone, however, is onboard yet, because part of the value-based equation is that hospitals will be paid less to deliver better care. That's quite a challenge, but one that Cleveland Clinic is embracing as an opportunity to do better. Others must, too.

### How the Health Care World Will Change

We all know that U.S. health care is too expensive, too inefficient, and the quality is too varied. The goal of value-based care is to fix that.

A major component of the Affordable Care Act is to change the way hospitals are paid, moving away from a reimbursement model that rewards procedures to one that rewards quality and outcomes. No longer will health care be about how many patients you can see, how many tests and procedures you can order, or how much you can charge for these things. Instead, it will be about costs and patient outcomes: quicker recoveries, fewer readmissions, lower infection rates, and fewer medical errors, to name a few. In other words, it will be about value. And that is good.

Whether providers like it or not, health care is evolving from a proficiency-based art to a data-driven science, from freelance physicians to hospital-employed physicians, from one-size-fits-all community hospitals to vast hospital networks organized around centers of excellence. Each step in this process leads to another.

When hospitals employ physicians on an annual salary as we do at Cleveland Clinic, a doctor is paid the same no matter how many patients he sees, how many procedures he performs, or how many tests he orders. One-year contracts hold our doctors accountable, with yearly performance reviews that include each doctor's quality metrics, clinical outcomes, and research. And having all your doctors on the same team makes it easier to coordinate patient care among different groups of specialists.

As more independent physicians begin to be hired by hospitals, the opportunity for large group practices and hospital consolidation grows. As consolidation expands, data and transparency become increasingly important, as a way to ensure that caregivers across the system are providing comparable care.

All of this, of course, leads back to quality, which requires an effort to achieve standardization, reduce variation, and eliminate unpleasant surprises. It's analyzing processes, measuring outcomes, and changing practices until you get it right.

To remain viable in today's rapidly evolving environment, health care systems must reduce costs while continuing to improve quality and outcomes.

### **The Cleveland Clinic's Journey**

In the October issue of *Harvard Business Review*, [Michael Porter and Tom Lee](#) cite six components of high-value care-delivery systems: integrated practice units; cost and outcomes measurement; bundled payments; integrated care delivery across facilities; expanded services across geography; and an information technology platform to enable those processes.

As they note, Cleveland Clinic is one of two medical centers worldwide that has implemented all six, beginning with integrated practice units, which we call "institutes." A patient-focused institute combines medical and surgical departments for specific diseases or body systems. All of our institutes are required to publish outcomes and measure costs. With bundled payments, we combine all the services provided before, during, and after a complex procedure like joint replacement, into a single charge. We have integrated care through shared protocols and the electronic medical record at all of our 75 care-delivery sites. And our expansion across Northeast Ohio into Florida, Nevada, and overseas allows broad geographic access to our services.

What makes Cleveland Clinic different stretches back to our founding 92 years ago as a physician-led group practice that runs a hospital – not a hospital that employs doctors. This distinction is important. Decisions from the CEO on down are made by physicians based on what is best for the patient.

### **Mining Data**

As a leader in the electronic medical records, we have a wealth of data that can tell us what's working and what's not. For instance, we were able to comb through data of heart-surgery patients to find that those who received blood transfusions during surgery had higher complication rates and lower long-term survival rates. This finding – mined from our own data – changed the way we do things; we now have strict guidelines in place to limit transfusions.

We've made similar strides in many other clinical areas, using data to drive quality. By collecting data on provider performance and making that data transparent, central-line infections have decreased by more than 40%, while urinary-tract infections have dropped 50%.

Data can help identify variations in clinical practice, utilization rates, and performance against internal and external benchmarks, leading to improved quality and a sustained change in culture. Last year, we established a values-based care team, which seeks to eliminate unnecessary practice variation by developing evidence-based care paths across diseases and to improve comprehensive care coordination so that patients move seamlessly through the system, reducing unnecessary hospitalizations and ER visits.

### **Lowering Costs Without Compromising Quality**

American health care is on an unsustainable path. Health care spending topped \$2 trillion in 2011. The Centers for Medicare and Medicaid Services predicts that without major change, it will account for more than 20% of GDP by 2021, up from 5.2% percent in 1960. What that means is that if we continue on our current path, \$1 in every \$5 spent in the U.S. economy will go toward health care.

We can choose a different path, though. At Cleveland Clinic, we've been engaged in an ongoing effort to trim costs across the entire system. Through a concerted focus on our supply chain, we use rigorous value-based purchasing protocols, market intelligence, and business analytics to examine every purchase from the standpoint of value, utility, and outcomes. Over the past two years, this has resulted in cost savings of more than \$150 million.

Our electronic medical records are also programmed with a "hard stop" function to reduce unnecessary duplicate tests. This led to a 13% reduction in blood-gas determinations, generated \$10,000 in monthly savings for laboratory tests, and resulted in savings of \$117,000 in just the first month for genetic testing.

A key part of the cost solution is to educate all caregivers, including doctors, about what items cost. Earlier this year, we created a Cost Repositioning Task Force to work with all caregivers across the entire Cleveland Clinic system to assess everything we do and everything we spend. Now, as part of the purchasing process, dozens of doctors gather to discuss the merits of certain products: Which ones provide the best outcomes for patients? How many are needed? How much does it cost?

Traditionally, knowing the cost of a stitch or a catheter or a bone screw — or any of the thousands of other supplies used during surgeries — hasn't been part of doctors' medical consciousness. To remedy that, we've taped price lists to supply cabinets in some ORs. In others, posters remind everyone to choose supplies carefully, stressing this message: "Without compromising quality, consider cost-effective alternatives."

As health care reform kicks into high gear, providers are facing a difficult challenge: being paid less to produce better outcomes. We must view this as an opportunity, not a burden. After all, the providers who make the transition early will be rewarded with more satisfied patients, lower expenses, and pride in a job well done.

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