

This is the second of a series of Issues Briefs framing the complex issue of affordability. These briefs can be used to initiate conversations with stakeholders in your community.

Introduction

There has been significant interest in and discussion around what value in health care delivery means. Yet, despite an increasing focus on value, there is no agreed-upon definition or expectation across the health care field. Perspectives vary widely, are at times inconsistent and, in many instances, do not align amongst various stakeholders involved with the delivery of health care. Consumers, employers, payers, health care providers, policy makers and community partners all approach this issue from different angles and with different goals.

Hospitals and health systems offer greater value to individual consumers by investing in strategies that lower costs, improve quality and enhance the patient experience of care. These strategies include, among other things, coordinating care, reducing clinical and operational variation, addressing the social determinants of health and managing the health of the populations they serve, all of which are occurring in a fragmented payment landscape.

Health care payers, including insurers, employers and governmental programs, are continuing to transition from fee-for-service to value-based payment methodologies, which are intended to support and incentivize many of the strategies deployed by hospitals and health systems and described above. The most significant shift occurred in 2016 when the Department of Health and Human Services announced its intent to shift payments away from fee-for-service, making 50 percent of Medicare payments through alternative payment models by the end of 2018.¹ In addition, the agency announced that it would link the remaining fee-for-service payments to quality and value – aiming to tie 90 percent of these payments to quality and value by the end of 2018.²

For individual consumers, the definition of value is very personal. For some, value is simply finding the right mix of health care services that meet their needs. Some only want the best there is to offer, regardless of price or convenience. For others, value means friction-free, convenient access to health care services. Yet others focus solely on price, typically the price of front-end premiums, to determine whether the health care services offered will match their budgets.

Varying Perspectives on Value

The University of Utah Health conducted a survey that illustrates how different stakeholders perceive value. In their *The State of Value in the U.S. Health Care Survey*, they asked more than 5,000 patients, over 600 physicians and more than 500 employers how they perceive the value equation below and would prioritize its three components – quality, service and cost.³

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They discovered that there were important differences in how each group defined value. For example, when asked to identify the key characteristics of high-value health care, patients focused on cost and service, with 45 percent of patients identifying “My Out-of-Pocket Costs are Affordable” as a key characteristic of value.⁴ Physicians, however, focused on responses related to clinical outcomes and high-quality care.⁵

These differing perspectives make it difficult to land on one common definition of value in the context of health care delivery. And, without a consistent definition, it is challenging to improve and enhance value across the field. In addition, focusing too much on any single approach may result in unintended consequences that negatively impact value. In this issue brief, we identify various definitions of value, explain why it is so difficult to define, and share how the AHA intends to address the value equation.



Rigorous, disciplined measurement and improvement of value is the best way to drive system progress. Yet, value in health care remains largely unmeasured and misunderstood.

- Michael E. Porter, Ph.D., Professor, Harvard Business School⁸

What does “Value” mean?

According to Merriam-Webster’s dictionary, value is either *“the monetary worth of something or a fair return or equivalent in goods, services, or money for something exchange.”* But, what does this mean for health care?

In 2006, Harvard Business School Professor Michael Porter offered the most commonly used definition of value for the health care field – health outcomes achieved per dollar spent. More specifically, he believed that the focus must be on improving value for patients – where value includes health care outcomes that matter to patients relative to the cost of achieving those outcomes.⁶ As a result, Porter argued that improving value will involve improving outcomes without raising costs or lowering costs without compromising outcomes, or both.⁷

Others in the health care field have adopted this working definition. And, generally speaking, there is a consensus that value resides at the intersection of an individual consumer’s perception of the quality of a good or service and the amount he or she is willing to pay for that good or service.⁹ In other words, it’s a concept of relative worth.¹⁰

While a starting point, this definition points to one of the true challenges in defining value – it means different things to different people. In their work on this issue, Healthcare Financial Management Association (HFMA) set forth four factors that expand upon this definition and influence an individual’s concept of value – access, safety, respect and outcomes. This, of course, raises additional questions about how best to define and measure these key concepts. In their work, HFMA explained that consumers want access to affordable health care. Once they have access, they assume that their care will be delivered in a safe manner and that their health care providers will respect their needs and desires. They also expect that the care will lead to outcomes that make them feel better and function at their desired level.¹¹



Challenges in Defining “Value”

Even with this working definition of value, it is extremely hard to hone in on exactly what value means at a practical level in health care. Many experts argue it is hard to define “value” because health care is complex and health care delivery is fundamentally different from other traditional markets for goods and services. As a result, individual consumers often lack the information needed to make good purchasing decisions, which makes determining value extremely challenging.

Another reason is that the factors that build the value equation also have no common definition. For example, there is no standard definition for quality – the numerator in the value equation. Payers have adopted a set of core measures to track processes and outcomes; however, these measures do

Generational Status and the Value Equation

The value equation is also viewed differently given an individual's age and generation. A study conducted by Oliver Wyman and Fortune Knowledge Group, which surveyed 2,016 U.S. consumers in October and November 2016, showed that, generally speaking, individuals are reluctant to pay for new or additional health care services.¹²

However, digging deeper, those results indicated that millennials view what is valuable to them in a different way than other generational groups. For example, millennials had a high degree of interest in new products or services (47 percent); compared to 30 percent of generation X and 11 percent of baby boomers and older.¹³ In addition, millennials with chronic illnesses had the greatest interest in additional health care services out of all individuals surveyed.¹⁴ Overall, this generation is most interested in additional services that were technology-related or services that offer advice and social support.¹⁵

As health care providers address value, it will be important to consider the wide range of opinions and significant differences between individuals when it comes to access, quality and the desire to obtain new health care services.



health systems must consider the needs and wants of patients as they move forward in this quest to enhance value.

They also indicated that we must consider the full story when looking at value – including not only the cost of care, but also patient experiences and outcomes. In other words, they do not view “value” as simply a code word for cost reduction. They view it as an opportunity to redesign the delivery system, improve quality and outcomes, manage risk and offer new payment models, and to implement operational solutions that will reduce costs.

not track what quality actually means to an individual consumer of health care. And those process and outcomes measures in place today focus on adverse events, not the positive outcomes that individual consumers desire. In other words, we lack meaningful, measurable standards that address patients' concerns and viewpoints when accessing health care services.

The denominator in the value equation, cost, is also hard to calculate. In most situations, individual consumers do not pay the entire cost of their care. They cover their out-of-pocket expenses, including the amount they pay for their co-pay or deductible at the time of care. But, a significant amount of their health care costs come in the form of monthly premiums that are deducted from their paycheck or financed by federal and state programs. In addition, for those consumers purchasing insurance directly, many choose an insurance product without fully knowing what their out-of-pocket spending will look like later, making it hard to predict what their costs will be.

Hospital's Take on Value

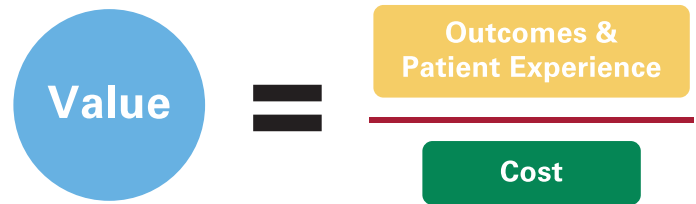
In 2017, the AHA held a series of conversations with hospital and health system leaders to discuss the issue of health care affordability and the role hospitals and health systems play in addressing rising health care costs. As part of those conversations, we asked our membership whether we should consider affordability through the lens of value. AHA members clearly indicated that value must be at the forefront as the hospital field addresses affordability.

The AHA membership offered their perspectives on the value equation. For example, they agreed that value is highly connected to an individual's personal experiences and perspectives. Life circumstances, including age, health status, cultural influences or simply one's proximity to health care services in their community, can have a significant impact on an individual's definition of value. And, while patient experience is extremely subjective, hospitals and

Based on this feedback, as the AHA works to address the issue of value, we will use the following definition:

While there are certainly challenges in defining value and each piece of the value equation, hospitals and health systems remain committed to delivering on this equation and providing leadership for the health care field on the issue of value.

We highlight just a few examples below of what hospitals and health systems across the country are doing to decrease costs and improve outcomes and the patient experience.



Hospitals and Health Systems Continue to Improve Value

The AHA *Members in Action* series highlights how hospitals and health system are implementing new value-based strategies. For more information on these and other case examples, please visit www.aha.org/TheValueInitiative.

Redesigning the Delivery System. Meadville (PA) Medical Center has developed a Community Care Network (CCN) that focuses on meeting patients' health and wellness goals. The CCN utilizes an interdisciplinary team of clinicians who work with physicians, health care providers and other agencies to manage patients with chronic illnesses. In this program, patients' goals drive care planning and progress. This program has successfully reduced readmissions by 45 percent and ED visits by almost 25 percent. On average, spending for CCN patients decreased by 28 percent, ranging from \$3,731 to \$6,112 per patient.

Improving Quality and Outcomes. Rush University Medical Center in Chicago implemented, through its colorectal surgery team, the enhanced recovery after surgery (ERAS) program. ERAS uses a multidisciplinary approach to allow patients to recover sooner and with fewer complications. This program is coupled with the Seamless MD app to assist patients throughout the surgery process. The app provides prompts, checklists and timelines to remind patients what they should do before surgery; helpful information while the patient is in the hospital; and prompts post-surgery to help patients recover at home. To date, more than 200 colorectal surgery patients have participated and have seen a reduction in length of stay by 2.2 days on average, lower readmission rates and a decrease in surgical complications from 30 percent to 16 percent – resulting in a cost savings of \$5,200 per patient on average.

Managing Risk and New Payment Models. Mount Sinai Health System in New York offers a Joint Replacement Bundled Payment Program in partnership with 32BJ Health Fund and Empire BlueCross BlueShield. Through this program, patients undergoing joint replacement have a single point of contact, which leads to a more coordinated, lower-stress care experience. Patients feel better prepared post-surgery, which keeps them out of the ED and better able to heal safely at home. Patient satisfaction among those patients in the program is at 91 percent, and the organization's cost per patient in the first year was \$13,600 less than the average for their New York peers.

Implementing Operational Solutions. Sutter Health in Sacramento collaborates with Qventus to use its artificial intelligence (AI) -based platform in its pharmacy operations. This platform brings together hospital, patient and pharmacy data in real time so that pharmacists may quickly identify patients that need additional assistance from a physician, pharmacist or the clinical team. It also allows pharmacists to prioritize patients for consultation at discharge to improve patient understanding of their medications. Sutter continues to track the impact on patient outcomes and satisfaction but estimates the cost savings related to three injectable drugs alone will be \$1 million per year.

AHA's Work on Value



Through *The Value Initiative*, the AHA will explore the value equation and its challenges. We will also continue to examine what value means to consumers and what we can do to help hospitals and health systems spread a culture of value across the health care field. For example, we will continue to create the forums and learning networks necessary to discuss the individual consumer's perspective on value. This will include helping hospitals as they seek feedback from individual consumers on what makes their health care experiences valuable.

We will also track measures that look at value from a variety of perspectives. We have started this work already with our *Affordability Data Book*, which analyzes this issue from the perspectives of consumers, employers, public and private payers, hospitals and health systems, and community partners. We will continue developing metrics,

tools and resources to inform and assist hospitals and health systems as they promote and communicate a culture of value in their own organizations. For example, we will provide assistance as hospitals and health systems define value for their organizational strategy and tools to help engage clinicians so they are conscious of cost implications and prepared to discuss quality outcomes and health care costs with patients.

Finally, we will continue to share the work that hospitals and health systems are doing around the country to deliver on this value equation. Our *Members in Action* case studies will help hospitals and health systems learn from each other, while also highlighting to other stakeholders the work our members are doing in this area.



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