executive insight
HEALTHCARE CONSULTANTS

Value-based healthcare in practice: how far have we come?

The concept of value-based healthcare was first introduced in 2006, with a book called *Redefining Healthcare*. Since then, significant progress has been made in the journey from concept to implementation.

The progress is born of necessity. While life expectancy has increased in recent years (e.g. between 2002 and 2017, life expectancy in the EU increased by 3.2 years[1]), the number of years of healthy life in retirement is not keeping up, and the level of health expenditure has increased dramatically to cope with the number of people in poor health.[2]

Healthcare systems have been forced to become more selective, prioritizing solutions with proven value. Defining exactly what "value" means has been the focus of constant discussion over the past decade or more. Assessment of value requires evaluating both outcomes and cost in a more holistic manner, looking beyond clinical outcomes towards patient-reported outcomes and their effect on society as a whole (e.g. contribution to GDP). And the health outcomes that matter for non-communicable

diseases (NCDs) are significantly different to those for acute care or infectious diseases. It is a complex topic.

Even just in 2019, the European Commission concluded that "there is no single agreed definition of value-based healthcare or even of what value means."[3]

Nonetheless, huge progress has been made over the last few years with healthcare systems shifting the focus from cost to value when procuring and paying for healthcare services. Whether it's value-based procurement (buying guaranteed outcomes), value-based reimbursement (paying for outcomes after they are achieved) or value-based insurance (insuring for outcomes-based behavior), healthcare product manufacturers are starting to be paid for the outcomes their products deliver rather than for the products themselves.

It limits risk and forces healthcare product manufacturers to 'problem-solve' rather than simply develop products. The likelihood is that value-based healthcare improves patient outcomes, utilizes healthcare expenditure more efficiently and effectively, and enables greater trust and transparency between stakeholders. In addition, it puts the patient at the center – giving them a voice that they have not always had in the past.

Putting theory into practice

Public health bodies have worked hard to try to define what implementing value-based healthcare looks like in practice. A value-based procurement framework has been developed by the European Commission to support the shift towards value. The goal is to create a common language between stakeholders and present a set of considerations that can be leveraged and modified based on country needs and on a case-by-case basis.

What does it mean for industry reimbursement? Many novel reimbursement solutions have been introduced in the last few years, all designed to maximize value for money. These solutions mean that the risk is shared between healthcare product supplier and purchasers, such as healthcare providers and payers, although the degree of risk can vary significantly between them depending on the model.

Entering a true era of value-based healthcare

Of course, stakeholders enter such agreements with slightly different agendas, but everyone can agree that improving patient outcomes is beneficial to all. There are now many examples around the world of value-based healthcare agreements that are having a meaningful impact on outcomes and benefit all stakeholders involved in the process. Let's look at just a few examples from around Europe:

Netherlands: Outcome-based agreements for hospital beds

The Erasmus Medical Centre in Rotterdam signed an outcomes-based 15-year contract with Hill-Rom for the provision of hospital beds, matrasses and bedside cabinets. The deal includes **50 outcome measures** (e.g. how many falling accidents, reduced pressure ulcer, reduced infections, improved workflow efficiency, etc.). Ultimately, the outcome is that the **clinic receives the right bed for the right patient at the right time.**

Sweden: Innovative tender for wound care

This is a great example of value not being the same as cost. Stockholm County Council asked bidders to demonstrate total costs of wound care products. They ultimately awarded the tender to the most expensive product, because the supplier was able to **demonstrate the lowest total cost of care**.

Switzerland: A health platform and incentives for a healthy lifestyle

This is an example of a solution that puts the onus on patients / the general public to improve their own outcomes. A Swiss insurance company developed an insurance plan that **rewards personal fitness and prevention activities** in the areas of exercise, nutrition and relaxation with up to CHF 800 paid back by the insurer to reward healthy activities. Data is collected via a central health platform.

Norway: Tender for IV catheters based heavily on patient feedback

This is an example that puts **patient input front and center**. Following the purchase of low price syringes that caused high pain levels and many failed injections, the Norwegian regional health authorities tested products from competitive bidders for a

period of two months and awarded the tender to the product that received the best patient rating. These were more expensive, but caused less pain and were associated with lower failure rates.

Conclusion

It sometimes feels as though we have been talking about value-based healthcare for a very long time, but the truth is that it has been just little over a decade. In that time, significant progress has been made and the healthcare industry has now shifted from talking about it in theory to regularly implementing it in practice. We are starting to see tangible and meaningful results, which will help to inform future programs, and deliver even more value for money. It could be accelerated even further in the face of COVID-19, which has added to the burden of already financially challenged healthcare systems, and emphasized the vital importance of efficiently and effectively treating NCDs, given their link with poor outcomes related to COVID-19.

References

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3) The European Commission. 2019. Defining value in “value based healthcare”. Report of the Expert Panel on effective ways of investing in Health (EXPH). Retrieved from https://ec.europa.eu/health/expert_panel/sites/expertpanel/files/docsdir/024_defining-value-vbhc_en.pdf

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