

**We can't solve problems by using
the same kind of thinking we used
when we created them.**

-Einstein

Better, Faster and More Affordable Health Care

The Marketplace Collaborative Model

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Virginia Mason Medical Center

1. **Integrated multi-specialty delivery system with hospital and clinics**
2. **450 employed physicians**
3. **Revenue-based salaries**
4. **807,000 outpatient visits; 17,000 hospital visits; \$733M revenue**

Marketplace Collaborative Model

Overview

1. **The right group:** purchasers, providers and plans
2. **The right task:** highest-cost, actionable conditions
3. **The right tools:** to achieve rapid access and quality
 - a. **Quality defined in five market-relevant dimensions**
 - b. **Standardization and reliable systems limit variation**
 - c. **Design ensures financial sustainability for buyer and seller**

Marketplace Collaborative Model

Working Together

- 1. Employer uses purchasing power to specify health care product, quality specifications and price.**
- 2. Provider produces reliable health care product according to quality specifications of employer.**
- 3. Health plan pays for quality according to objective measures using transparent reimbursement model.**
- 4. Employer makes purchasing decision based on quality and value.**

Marketplace Collaborative Model

How it Works

- 1. Focuses on customers' highest costs**
- 2. Adopts customers' definition of quality**
- 3. Creates evidence-based value streams**
- 4. Employs systems engineering tools**
- 5. Uses cost reduction business model**

1. Focuses On Customers' Highest Costs

Doing the Right Thing

- 1. Screening and prevention**
- 2. Back pain**
- 3. Shoulder, knee and hip pain**
- 4. Headache**
- 5. Breast nodules**
- 6. Chest pain**
- 7. Abdominal pain**
- 8. Depression**

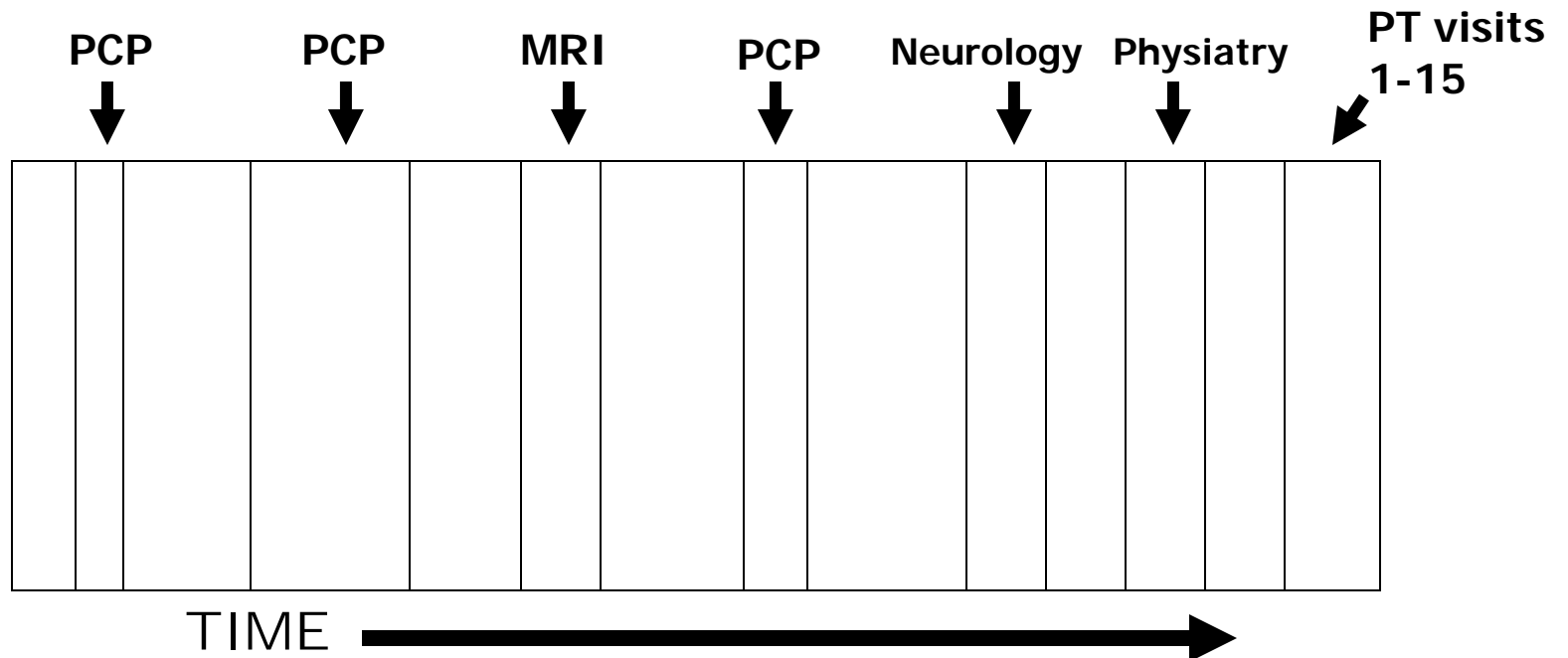
2. Adopts Customers' Definition of Quality

Doing Things Right

- 1. Same day access**
- 2. Rapid return to function**
- 3. Evidence-based care**
- 4. 100% patient satisfaction**
- 5. Improved finances for employer and provider**

3. Creates Evidence-based Value Streams

Conventional Pathway for Back Pain

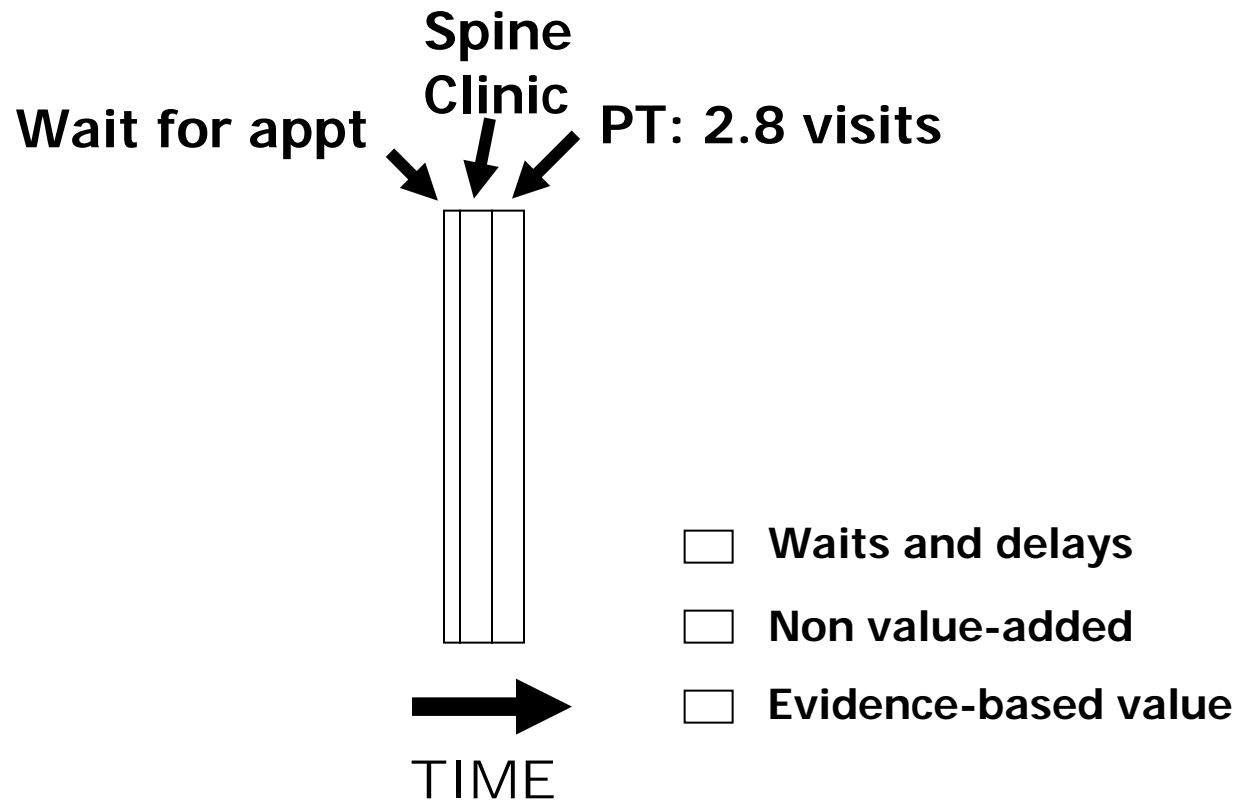


- Waits and delays
- Non value-added
- Evidence-based value

Waiting has indirect cost to employer of over \$18/hr

3. Creates Evidence-based Value Streams

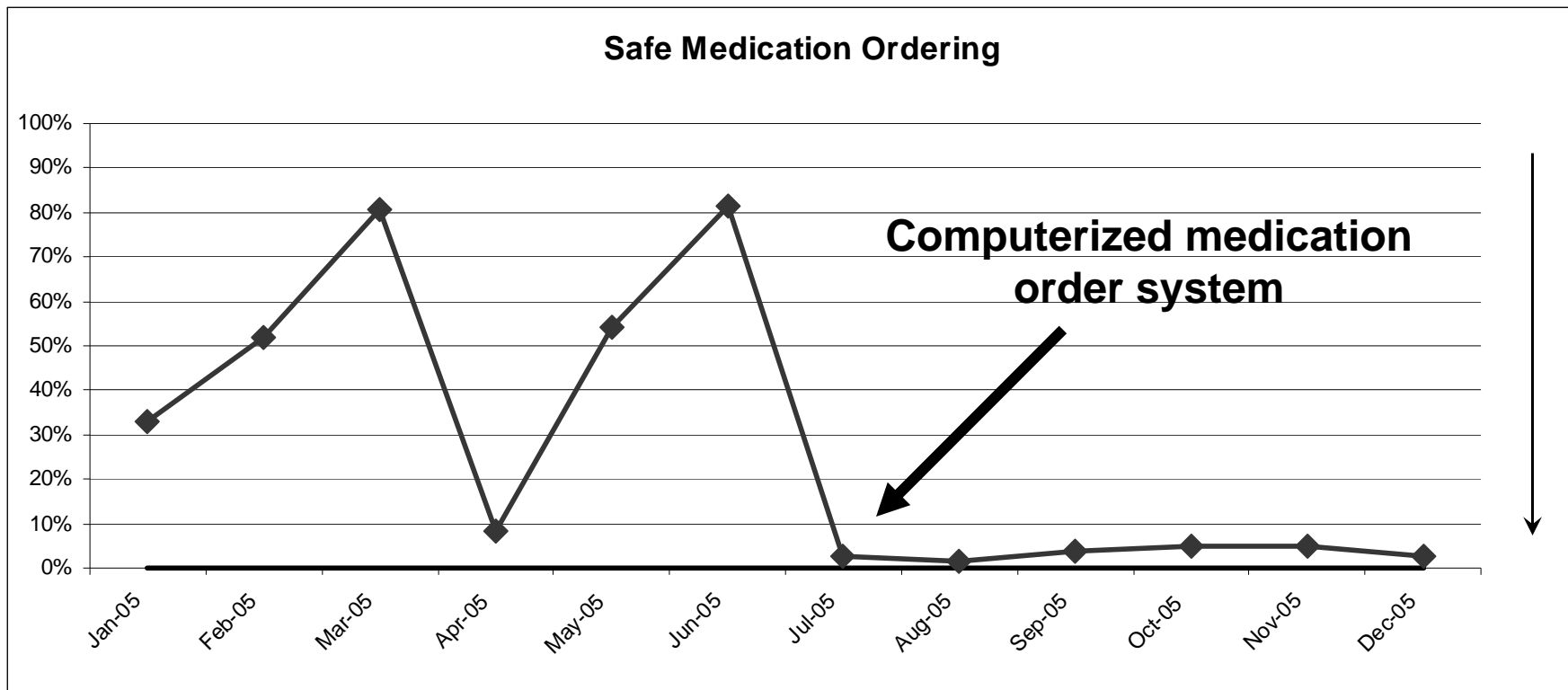
Current Pathway For Back Pain



Waiting has indirect cost to employer of over \$18/hr

4. Uses Systems Engineering Tools

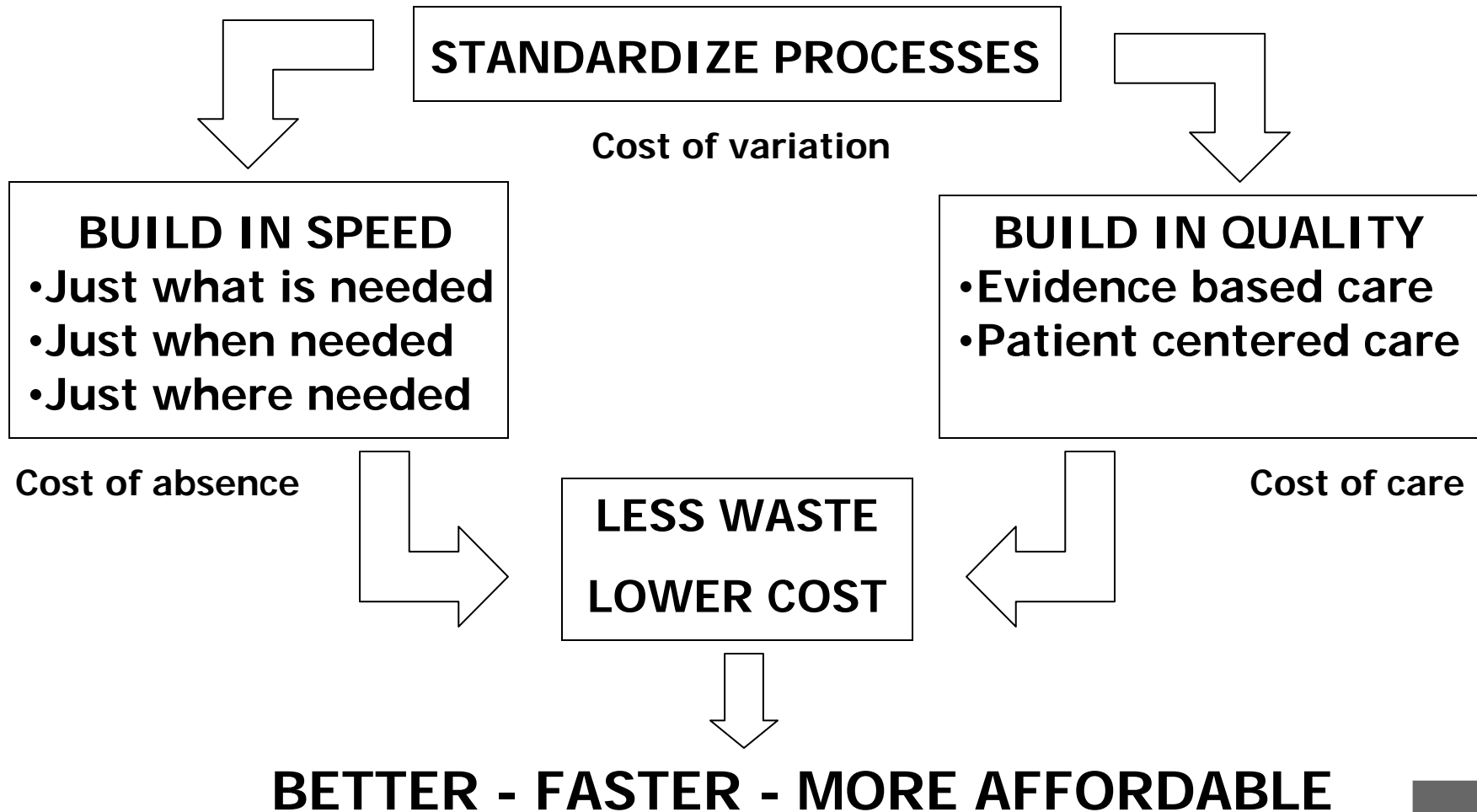
Great Doctors Necessary But Not Sufficient



Percent Defects in Med Orders at VMH

4. Uses Systems Engineering Tools

Lessons from Toyota



5. Reduces Cost for Purchasers

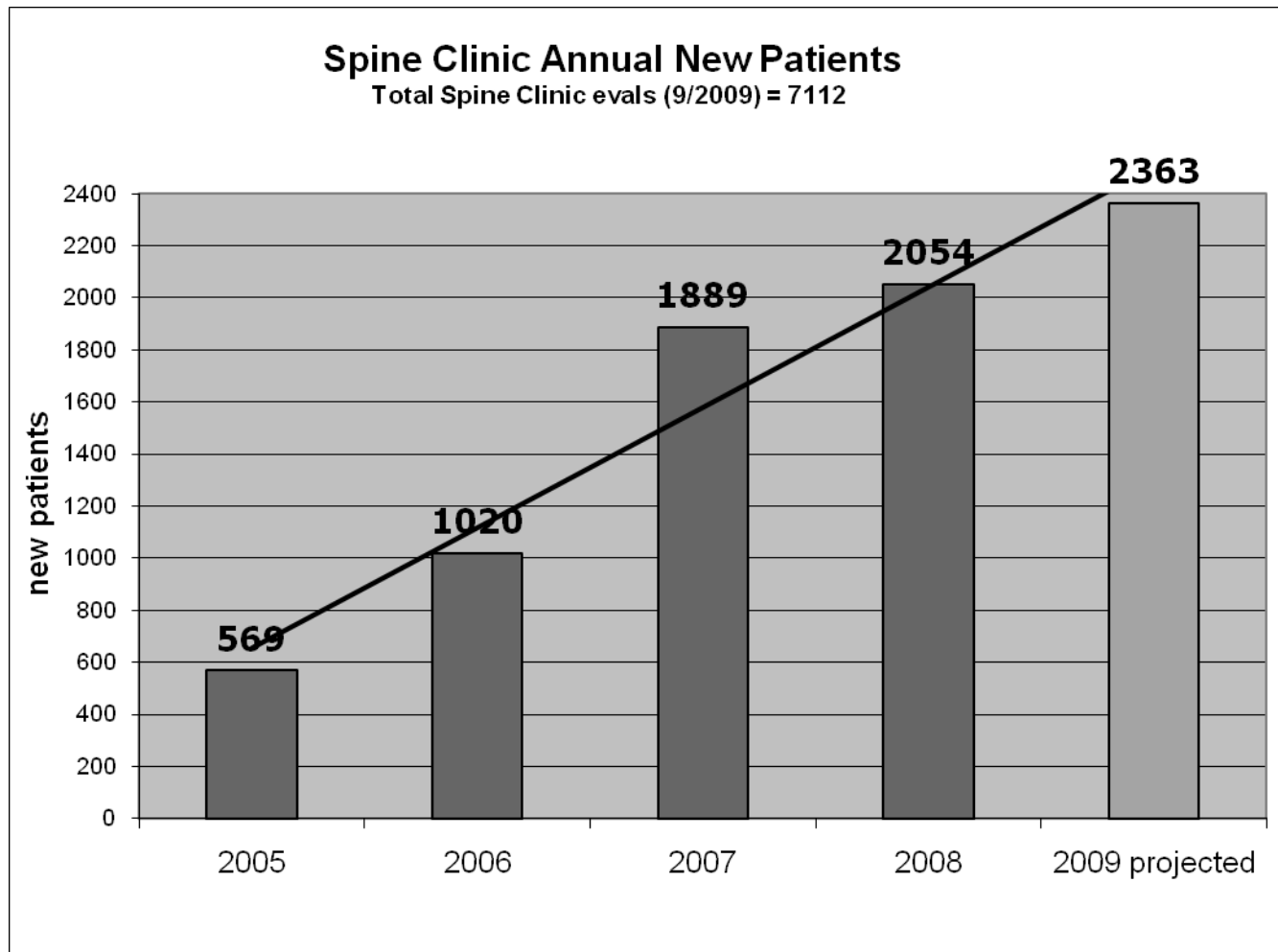
\$1.7M savings per year for purchasers

- \$0.12M annual savings in direct cost of imaging
- \$0.63M annual savings in direct cost of PT
- \$0.18M annual saving in time off for visits
- \$0.77M annual savings in time off for absenteeism

5. Improves Margin For Providers

	Rehab Clinic	Spine Clinic
1. Less cost FTE (MD/Total) Area, ft ²	2.0 / 7.0 4369	1.2 / 5.2 940
2. More revenue RVU/MD/day New patients /yr	33 1404	58 2300
3. Better margin Estimated from VM BSR & direct costs	\$233,642/year	\$363,514/year

5. Improves Margin For Providers



5. Improves Margin For Providers

Lower Production Costs with Skill-Task Alignment

1. Labor is 65% of cost of production
2. Over 50% of episodes of care are uncomplicated
3. Use lowest-cost qualified provider to deliver care
 - a. Proceduralist MD \$4/minute
 - b. Non-proceduralist MD \$2/minute
 - c. ARNP or PA \$1/minute

High Patient Satisfaction

**How was your overall experience in
the Spine Clinic today? 4.9/5.0**

**What is the likelihood that you would
recommend Spine Clinic to others? 4.82/5.0**

What Did Marketplace Collaboratives Accomplish?

- 1. Lowered costs for customers**
- 2. Improved finances for VM and providers**
- 3. Improved access and patient volumes**
- 4. Improved quality outcomes**
- 5. Achieved high patient satisfaction**

Barriers: A Personal Perspective

1. Purchasers:

- a. cannot buy value in health care when quality is ill-defined and finances are not transparent.
- b. outsource purchasing of health care.
- c. may be fearful of limiting poor choices among their employees.

2. Providers:

- a. may benefit from lack of transparency.
- b. may resist changing current business model based on quantity of care and long patient queues.

3. Health plans:

- a. benefit from lack of transparency.
- b. face competing interests between shareholders and customers for publicly traded plans .

Policy Implications

- 1. Create incentives for training of non-MD providers**
- 2. Enhance function of Public Health Service**
- 3. Require CMS and health plans to pay for value**
- 4. Regulate health plans to reduce conflict of interest**
- 5. Require financial transparency from health plans**
- 6. Require public reporting of quality information**