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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At Virginia Mason
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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.

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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

- PCP
- PCP
- MRI
- PCP
- Neurology
- Physiatry
- PT visits 1-15

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

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

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3. Creates Evidence-based Value Streams

Current Pathway For Back Pain

Wait for appt → Spine Clinic → PT: 2.8 visits

TIME

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

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

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4. Uses Systems Engineering Tools
Great Doctors Necessary But Not Sufficient

Percent Defects in Med Orders at VMH

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4. Uses Systems Engineering Tools
Lessons from Toyota

STANDARDIZE PROCESSES

BUILD IN SPEED
• Just what is needed
• Just when needed
• Just where needed

Cost of variation

BUILD IN QUALITY
• Evidence based care
• Patient centered care

Cost of care

LESS WASTE
LOWER COST

Cost of absence

BETTER - FASTER - MORE AFFORDABLE
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

<table>
<thead>
<tr>
<th></th>
<th>Rehab Clinic</th>
<th>Spine Clinic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Less cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FTE (MD/Total)</td>
<td>2.0 / 7.0</td>
<td>1.2 / 5.2</td>
</tr>
<tr>
<td>Area, ft²</td>
<td>4369</td>
<td>940</td>
</tr>
<tr>
<td><strong>2. More revenue</strong></td>
<td></td>
<td></td>
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<tr>
<td>RVU/MD/day</td>
<td>33</td>
<td>58</td>
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<tr>
<td>New patients /yr</td>
<td>1404</td>
<td>2300</td>
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<tr>
<td><strong>3. Better margin</strong></td>
<td>$233,642/year</td>
<td>$363,514/year</td>
</tr>
<tr>
<td>Estimated from VM BSR &amp; direct costs</td>
<td></td>
<td></td>
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</tbody>
</table>

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5. Improves Margin For Providers

Spine Clinic Annual New Patients
Total Spine Clinic evals (9/2009) = 7112

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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