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Book Review Essay: How to Craft a Value-Based Strategy for Your Healthcare Organization

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Abstract
This essay synthesizes insights from the following three books on the theme 'How to craft a value-based strategy for your healthcare organization': (1) Salazar II, R. E. (2022). A Guide to Humanizing Healthcare. Business Expert Press. (2) Topol, E. (2015). The Patient Will See You Now: The Future of Medicine is in Your Hands. Basic Books. (3) Porter, M. E., & Teisberg, E. O. (2006). Redefining health care: creating value-based competition on results. Harvard Business Press.

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Current Healthcare Environment in the USA

The healthcare system in the United States is unique in that while it is highly competitive, none of the benefits of a competitive system actually accrue to the economy. Costs keep rising even as quality is in-commensurate with patient expectations. This is a persistent anomaly in this sector, reminiscent of the arms race of the 1980s. Even as providers keep upgrading technology and attracting more patients, they fail to pass on cost savings to the consumer. Instead, costs get shifted among various parties: from customer to payer, from Medicare (the national healthcare insurance agency of the USA) to the federal treasury, from the insured to their employer and so on. As may be expected, this causes several inefficiencies in the system.

Topol (2015) deals at length with these inadequacies through two sections spanning chapters 1 through 9 in his book, 'The Patient Will See You Now: The Future of Medicine is in Your Hands'. Topol calls doctors' attitudes to not share

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much information with patients as a historically conditioned, 'paternalistic' attitude (Chapter 1); and proposes that the smartphone is the ultimate reckoning, a tool for emancipating patients from their doctors and from hospitals (chapter 3). In doing so, he declares: "Luther confronted the supreme authority of the church, with over three hundred thousand copies of the 95 Theses that were widely distributed. We've never seen such a discrete challenge to the medical profession, but we've not had the platform or landscape for that to be accomplished. Until now." (p. 50). Ignoring the hyperbole though, I found the vignette about the genome sequencing company '23andme' (chapter 4) and their bid to personalise medical prescriptions, quite interesting. Whether online sharing of medical data has any unwanted externalities involved or not, is a discussion that I am reserving for later in this writeup.

Section 2 in Topol (2015) recapitulates the current problems that beset the American healthcare industry and how the access to and utilization of healthcare data may help to alleviate them. One chapter each is devoted to the themes of geographic information systems (chapter 5), lab tests and imaging (chapter 6), electronic health records (chapter 7), treatment costs (chapter 8) and the power of the smartphone to replace a doctor (chapter 9). It is curious that Topol mentions Brill's seminal article in the TIME magazine that bemoaned the costs of getting treated in the USA, and which, at 36 pages, turned out to be the longest article in the history of this illustrious magazine (p. 140). Brill (2015) of-course went on to write a full-fledged and best-selling book on the matter, which is a subject for another review. There are a whole lot of interesting facts in this section and some interesting possibilities as well.

Nature of Competition

The book: 'Redefining health care: creating value-based competition on results' by Porter and Teisberg (2006) presents an incisive analysis of the dysfunctional nature of competition in the healthcare sector. The first two chapters describe how the aforementioned problems lead to a zero-sum competition where all interested parties are incurring losses one way or another. The core thesis is that competition is occurring at the wrong levels, it either occurs at the level of corporations (health systems/employers/insurers) or at the level of discrete episodes of care, both of which create inefficiencies. The authors first (chapter 3) trace the legislative history of healthcare in the USA and how reforms have malfunctioned. Next, they give us a deep dive in the economic theory of healthy competition and why it is required to treat the sector (chapter 4). It is inferred that in order to inculcate value-based competition in this sector, the competition among care providers needs to happen at the national and state levels, not just at the local levels.

The Value-Based Proposition

The patient relationship cycle unique to their organization, must be carefully evaluated by each healthcare organization before they embark on crafting a value-based strategy. There are typically, four stages in this lifecycle, which are: New referral or prospective patient; Current patient; Retained and engaged patient; and Returning and referring patient. Through a detailed metric analysis, Salazar (2022) shows that revenue is highest when the enterprise achieves the maximum numbers of unbroken patient relationship cycles. That is, engaged patients who choose to come back with repeated referrals are the most valuable customers.

The above learnings apply to the organizational entity's philosophical premise' level. At a structural level, some fundamental tenets of healthy competition need to be consciously inculcated (Porter & Teisberg, 2006). The first of these is expense related information. The more information prospective patients have on procedures, the more providers will feel the pressure to become efficient. However, correcting the current pricing inefficiencies and discrepancies in the system would take more than just making cost information public. Hospitals may do well to pass on value created from service delivery to payers and employers. This would have ripple effects on the economy in that the public may get access to better provisioned and cheaper health plans and more of the uninsured might move into the insured category. The second tenet is about bolstering innovation. Currently innovation is not in sync with costs. To change this state of affairs, customers must be given more choices. A pricing strategy that isolates and embeds the cost of innovation into an advanced procedure and allows willing customers with the means to pay to buy it, will systematically incentivize innovators. A third possible fallout of creating healthy competition is the reduction in malpractice related legal costs and administrative costs. If patients have access to better services for less costs along with more say in their treatment, there are likely to be much less lawsuits. Chapter five in Porter and Teisberg (2006) is the most important one in the book from our perspective as it offers high level strategic and tactical recommendations for providers to spruce up their processes and systems. Chapters six and seven offer recommendations for health plans and for groups such as employers, consumers and suppliers respectively. Chapter eight wraps up the book with a high-level discussion of how policy-makers can inculcate a value-driven mindset. Overall, the antidote to the current problems of American healthcare as discussed in this book, offer a refreshing take as they assume an organization's point of view. There have been too many books about what managed care companies and the government can do to redirect competition and rationalize the cost structure; however, Porter and Teisberg present one of those rare discourses on what a hospital CEO may do as well, to design a new strategic lens and redefine competition for themselves.

It follows from our thematic review around our three chosen books, that, there are three value drivers which a healthcare organization must evaluate while making its strategy. These are: process, medical technology, and the clinical model.

Process as a Value Driver

Porter and Teisberg (2006) speak to the probable contributions that each constituent party may make towards the value revolution in healthcare: patients, employers, payers and the government. Specifically, though, from the perspective of a provider organization's CEO, there is a compelling motivation to craft a value-based strategy. The authors offer clear guidelines which may be executed to redesign the provider systems. First, they must choose the right goal to chase. According to the authors, this is superior patient value rather than maximum revenue per patient or maximum patient satisfaction. Second, the organization should be structured around medical conditions. For a given medical condition, the provider needs to create value in each step of the full cycle of care from patient admission and diagnosis to post-discharge care. To facilitate the above two core processes, a number of infrastructural and administrative improvements are needed. Effective information technology and knowledge management systems must be installed. Billing departments should integrate databases so that they can offer a single bill to the patient after a full cycle is completed for a given medical condition. Practice units should have appropriate protocols to monitor results, experience, methods and patient attributes and compare the changes or improvements made at regular intervals. In other words, there should be a continuous learning and quality improvement orientation. Each practice unit may use the information thus collected to create a distinctive strategy at their level. At the hospital or health system level, they must have a clearly defined strategy to grow locally and geographically in pre-identified areas of strength. Hospitals may also have an early mover advantage with this strategic renewal option.

Medical Technology as a Value-Driver

Section 3, with chapters 10 to 15, is the meat of Topol's book (2015), so to speak, and deals at great length with what technology holds for patients in the future. Chapter 10 deals cursorily with the concept of a smart hospital and the devices that can make it so. The best part comes after though. Chapter 11 underscores the importance of knowledge management systems and information systems in the timely analysis of health data and the generation of complex population level insights. One may argue that hospitals in the USA have been undertaking population level research in their local service areas and presenting reports on health gains made over time. It is however an open question if these efforts are enough and if these hospitals may perhaps do more for the communities they serve (Franz et al., 2021). Chapter 12 briefly touches upon the subject of medical identity theft and data breaches, only to revert to the idea that sharing patient data unhindered is going to be critical to medical progress. To elaborate, he has an ambitious vision about an open science campaign for pharmaceuticals very much akin to that in open-source software. He theorises that 'massive open online medicine platforms' (MOOMS) can source medical records shared by patients in websites such as PatientsLikeMe.com and Curatio.com. The MOOMs, would then anonymise and share these medical records with doctors and researchers, who would then use it to improve treatment decisions by filtering the

data according to demographic, diagnostic, and other characteristics (p. 350). There are so many things left unsaid in this proposition.

The Clinical Model as a Value Driver

The book: 'A Guide to Humanizing Healthcare' by Raphael Salazar (2022) is written from the perspective of the clinical leader or physician manager. Since doctors constitute the most critical component of a healthcare organization, Salazar argues that the entire clinical model of doctor-patient interaction, all through the patient lifecycle, needs to be overhauled. Specifically, clinical leaders need to commit themselves to what he calls the 8 commitments. These are: 'Adopt a bio-psycho-social approach'; 'Build meaningful relationships'; 'Put ahead of policies'; 'Confidently communicate value'; 'Prioritize patient engagement'; 'Embrace transparency'; 'Forget time-based productivity' and 'Lead our patients'. Each commitment has a chapter to itself; suffice to say that the bi-psycho-social approach is a foundational philosophy which posits that a healthcare enterprise must try to balance three realms of value-based care: the biological, social and psychological.

Negotiating Regulatory and Other Hurdles

The Affordable Care Act (ACA) of 2010 was a defining moment in American healthcare policy. While much has happened since then in terms of healthcare policies in the US, one of the core issues of concern, which is cost, has persisted. If we examine the motivations of the authors discussed, in the backdrop of the modern regulatory scenario, it is not difficult to appreciate their relevance. The first modern regulatory initiative that is worth mentioning in the context of measuring and capturing value is the 'Resource Based Relative Value Scale' (RBRVS) system of physician reimbursement. This system highlighted the mechanics of how physician remuneration may be directly linked to the value they create. In the post-Affordable Care Act (ACA) policy environment, there is increasing pressure from the government to rationalize prices of products and services in healthcare. The more recent Inflation Reduction Act, the No Surprises Act and the Prescription Drug price negotiations guidelines point towards a trend of increasing austerity. In the future, government regulators may elect to closely examine cost structures for various hospital procedures and services as they are currently doing for prescription drugs. In anticipation of such a scenario, it may bode well for hospital system CEOs to proactively adopt a value-conscious proposition. They must also have a strategy in place to communicate that value to not just regulators but also other groups such as payers and patients. Lately, the Federal Trade Commission has also been quite active in prosecuting and pre-emptively deterring antitrust moves by large health systems. In the past some of them have attempted to unfairly corner a larger share of a market with the intention to drive up prices. At least four such attempted hospital mergers have been thwarted recently by the Biden administration (Meyer, 2022). Another regulatory innovation that has been recently implemented by the CMS (Centers for

Medicare and Medicaid Services) is the Accountable Care Organizations (ACO) model. If a particular provider is the designated nodal agency for a particular ACO, they would be responsible for coordinating and monitoring value delivered to the patient over the entire cycle of care delivered through all providers. This is a real opportunity for providers because if they are a nodal agency, they may be able to harvest substantial savings from the CMS. The value-based proposition, as inferred from the three books makes a strong case for a sustainable healthcare organization which will likely weather regulatory challenges with grace.

Information Technology, Data Science and Healthcare Policy

Information technology and data science have a tortuous relationship with healthcare policy. It bothers me that Topol (2015) underplays the negative externalities and policy implementation-based complexities involved in the far-reaching data portability initiatives that he discusses and hopes for. A case in point is the company, 'Fitbit' recently selling its massive database comprised of sensor-based health data of its subscribers, to Amazon Inc. A second instance is the takeover of Cerner Corporation by Oracle. In both cases it is not clear how the patient data gathered at Fitbit and Cerner respectively, are going to be used by the acquiring conglomerates, to further their gains (Bourreau et al., 2020). In a world where consumers have little control over who sells their confidential and sensitive data to whom, it is a moot point as to how much sharing is the right amount. Given the current situation around data precariousness and the potential risks they pose to institutions and individuals, I am inclined to believe that the USA does need a stronger and more stringent patient data protection regime than is currently provided under the HIPAA (Healthcare Information Portability and Assurance Act) and HITECH (Health Information Technology for Economic and Clinical Health) acts. The three books taken together, do not begin to scratch the surface on this complex and multi-layered issue.

I would like to further illustrate the practical constraints at the intersection of data, medicine and policymaking with an example. Consider biologics, which are large complex molecules derived from living sources, and are the new poster child of pharmaceutical research achievements. Compared to chemical pills, biologics are more targeted and can be personalised to patient needs. If we closely look at the value proposition of biologics, there are several implications here for healthcare providers and hospitals to contribute positive value in service delivery. For example, continuous and real time data on the progress of the patient through the biologic can help the provider take quick decisions regarding treatment protocol change recommendations, as and when required. The patients would be able to avail these recommendations promptly and there will be substantial cost savings in terms of unwanted procedures. However, I do find another aspect about biologics and future medicine worrisome. It seems that compared to chemical pills, it is really difficult to create generic versions of biologics. This is likely to create future patents that are insurmountable even after they expire (Buffery, 2010). This may in turn never bring these medicines within the reach of a lot of people who need them.

Chapter 13 in Topol (2015) deals with the technical aspects of disease prediction and does a good job at that. Specifically, I like how Topol has lucidly and accessibly presented the concept of machine learning in the context of health data interpretation and prediction. Any reader without a formal exposure to the topic can understand it and that makes this chapter indeed commendable. Chapter 14 summarises a lot of disease related information at the global level and how the many technologies discussed in the book (Topol, 2015) can address them. Finally, chapter 15 closes by touching upon how employers control many of the medical decisions that individuals may take today regarding their own bodies and treatments.

Closing Remarks

All three books in this essay contribute to our understanding of crafting a value-based strategy for a healthcare organization. Salazar's (2022) book speaks to the importance of upholding the organization' values to the key stakeholder: the patient. It is written in a simple way and designed to appeal to professionals. Salazar is himself a healthcare entrepreneur, and thus his insights emerge from his own professional experiences. The key principles of a value-based strategy, as laid out by Porter and Teisberg (2006), are likely going to be an important tool for forward looking healthcare organizations in the near future. At the heart of it, this book is a systemic approach to achieving equity within the health system. The authors emphatically note that all Americans should be able to access the optimum quality of care for the right price. We certainly need more such ideas from thought leaders in organizations and economics. The final book in our repertoire, Dr. Eric Topol's book, dealing ostensibly with the coming medical revolution, is as futuristic today, as when it was first published. I chose to read and appraise this book because Topol is himself a physician; as such his plea to empower patients does bring a fresh perspective. Also, the book made several claims at the time; after seven years we may perhaps be able to see for ourselves if those claims have stood the test of time. Another curious mention worth noting in this book is of the erstwhile Theranos' founder, Elizabeth Holmes (p. 105–107). Topol actually visited their premises as part of his research and despite not being clear about certain things, comes off in the book as awed from the experience. As of the date of writing this review, that is November 2022, the very idea of Holmes has been discredited and the sheer brazen-ness of predicting the human condition itself with just a pinprick worth of blood has shocked many in the medical and bio-technology fields (Williams, 2022). In overall terms though, the book does reflect the author's research rigour and academic sincerity, if only a bit impassioned. By articulating many difficult-to-implement visions, the book, in the very least, puts them up for public scrutiny and debate, which is a good sign for any democratic process. It is a good read for any healthcare practitioner or even a layperson who wants an update on patient care technologies and who can take things with a pinch of salt.

It is pertinent to mention a caveat that applies to this essay; which is that all three books are written keeping in mind the American healthcare environment. This environment is extremely dynamic and vibrant in terms of medical innovations, yet it is also true that several antitrust suits have been brought by the government in recent times to oppose large hospital mergers. The thesis behind these

developments being that the patients' best interests are not preserved when such mergers take place. Empirical data suggests that inevitably one hospital becoming a monopoly in a specific geographic region causes the price of treatment to go up there (Capps et al., 2002). Having said that, we may very well appreciate that the strategic roadmap laid out for a value-based proposition may be applied for healthcare organizations in other economies and nations as well.

Data Availability Not applicable as no new data was generated for this research.

Declarations

Ethical Approval Not applicable.

Informed Consent Not applicable as no human participants are involved in this study.

Conflict of Interest The author reports no conflict of interest relevant to this submission.

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