Executive Summary

BRIDGING THE VALUE GAP

Collaborating Along the Health Care Supply Chain to
IMPROVE HEALTH AND CONTROL COSTS
One Community at a Time

By CHUCK REYNOLDS and JACK NIGHTINGALE

— Foreword by —
Alex Gorsky of Johnson & Johnson
Bridging the Value Gap is a book about collaboration among health care stakeholders—employers, providers, and health plans—to improve health care quality and value.

The Value Gap in Health Care

If Google Maps had a button for Health Care Value, it would show deep ravines in most communities between provider organizations on one side and employers and health plans on the other. The ravines represent destructive lifestyle habits, escalating health risks, high costs and quality that too often falls short in delivering better health, vitality and workforce productivity. Misaligned incentives, lack of quality and price transparency and persistent distrust among stakeholders are among the abrasive forces working to deepen and broaden the divide.

Bridging the Gap from Both Sides

In just about any community that’s medium-sized or larger, business and health care leaders are aware that they have a health care value gap. And often, there is at least one organization—perhaps a health care delivery system, a large medical group, a major employer or a health plan—that is attempting to bridge the gap. The problem is that these solo efforts are inherently limited in their effectiveness because they lack critical mass and/or are not collaborative enough to be sustained. The result: the health care landscape of most markets features half-built bridges jutting out from both banks of the gap.
The purpose of this book is to present compelling case studies of markets where complete bridges are being built collaboratively by stakeholders working from both sides of the gap—purchasers, providers and plans who are in alignment about what needs to be done, and who are committed to building sustainable solutions. Each case study presents a successful effort to bridge the value gap. In one case, a provider organization, ThedaCare, has led the way. In another, an employer, Hannaford Brothers, has taken the lead. In Cincinnati (the third case), bridge-building has been a broad-based community effort.

This book is intended for leaders and aspiring leaders at health care stakeholder organizations, including employers, providers and health plans. In particular, it is for leaders who are dissatisfied with the status quo and who are looking for practical guidance on steps they can take to change health care for the better in their communities. Our hope is that leaders will read this book, share it with their peers and colleagues on both sides of the value gap in their community and begin a dialogue focused on the question: "How can we collaborate to span the gap, improving health and productivity while managing the total economic cost of health care?"

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A FRAMEWORK FOR SPANNING THE VALUE GAP

Applying Supply Chain Management Principles to Health Care

Like other industries, health care depends on a complex chain of customers and suppliers working together to clearly define and deliver value. Every stakeholder has a critical role to play. Employers, in particular, are the “focal company” in this supply chain (see Figure 1-1). They are responsible for determining (and funding most of) the health benefits available to their employees. But ultimately, all these stakeholders have to work together with a common purpose to achieve dramatic progress in improving quality and value.

FIGURE 1-1

The Health Benefit Supply Chain

Health care stakeholders haven’t always seen themselves as part of a supply chain. Relationships among them have more often been characterized by a zero-sum mentality in which one party’s gains came at the expense of another. Nevertheless, there have also been examples of genuine collaboration, which have led to better outcomes and greater value for the stakeholders in their regional markets. This book describes three of those examples.
Whether they know it or not, the employers, providers and health plans involved in these collaborations have been applying the same concepts of supply chain management (see definition) that have created so much value in other industries such as automotive manufacturing. Understanding the principles of strategic supply chain management (SSCM) can help health care stakeholders in other markets pursue effective collaborations that deliver greater value.

The starting point is developing a common understanding of what “value” means in health care. While the answer to the question may seem obvious, in many places, there is no consensus around value. A good place to begin is to define it from the perspective of the ultimate payer, which for nearly 160 million Americans, is their employer:

\[
\text{VALUE} = \begin{align*}
\text{• Better outcomes for the same cost} \\
\text{• The same outcomes for lower cost} \\
\text{• Better outcomes for lower cost}
\end{align*}
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THEDA CARE CASE STUDY

A Health Care Delivery System Gets Rewarded for Creating Differentiated Value

ThedaCare is an integrated health care delivery system in northeast Wisconsin. Since 2001, ThedaCare has received numerous quality awards as a result of its commitment to continuous improvement, including its pioneering efforts to apply Lean management principles to health care. Like other provider organizations that deliver superior quality and value, ThedaCare has faced a fundamental challenge: how to be rewarded for creating value in a system that’s set up to reward volume. ThedaCare has responded to this challenge by pursuing an aggressive, multi-pronged strategy:

**TAKING A VALUE-BASED APPROACH TO EMPLOYEE HEALTH**

As a major employer in its own right, ThedaCare has adopted leading-edge tactics to engage employees as active partners in managing their own health and health care spending. ThedaCare also makes its purchasing decisions for employee health benefits based on value, not on network provider discounts alone.

**LEADING STATEWIDE INITIATIVES**

John Toussaint has chaired multi-stakeholder initiatives that have established Wisconsin as a leader in increased transparency for hospital quality and cost information. Now, he is leading an initiative to develop a new payment system. Dr. Toussaint’s leadership reflects his confidence in ThedaCare’s ability to compete: “As long as we continuously improve, ThedaCare will do well if purchasing is based on value.”
APPLYING LEAN TO HEALTH CARE

Toyota and other manufacturing companies developed Lean as a methodology to improve quality and reduce costs through the relentless elimination of waste. ThedaCare has proven that Lean principles and techniques apply equally well to health care. The organization has achieved breakthrough improvements—improving patient outcomes and satisfaction while reducing costs and medical errors.

THE THEDACARE—MILLER ELECTRIC PARTNERSHIP

ThedaCare has developed value-based partnerships with large local employers. One relationship began when the CEO of Miller Electric Mfg. Co. issued a challenge to local providers: “How are you going to help us become a stronger company?” Miller Electric moved all its employees and dependents to ThedaCare because its response demonstrated a commitment to quality and value. ThedaCare also staffs Miller Electric’s on-site clinic and manages health and wellness programs for Miller’s employees.

EDUCATING CUSTOMERS ABOUT LEAN

ThedaCare invites the public to attend reporting meetings conducted by the organization’s Lean “Rapid Improvement Event” project teams. Many local employers have sent managers to attend these meetings. ThedaCare has also hosted Lean conferences for local businesses.

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HANNAFORD BROTHERS
CASE STUDY

A Major Employer Drives Positive Changes in Medical Practice

Hannaford Brothers is the largest supermarket chain in the northeastern U.S., with more than 175 stores in 5 states. Hannaford is also one of the largest employers in Maine, with more than 9,000 employees in the state. For several years, Hannaford has actively engaged with its health benefits supply chain to pursue innovative solutions to reduce costs while improving employee health. So, it’s no surprise that when Ethicon Endo-Surgery, Inc. approached Hannaford in 2007 with data showing: A) the benefits of minimally invasive procedures (MIPs); and B) Maine's lagging adoption rate, that Hannaford became an effective champion for accelerating adoption of MIPs.

The Fit with Hannaford's Health Benefit Strategies

The advantages of MIPs immediately resonated for Hannaford Brothers because they fit the company’s health benefit strategies. Hannaford is continually looking for ways to lower costs while improving employee health and productivity. The company knows that higher quality care leads to better outcomes and lower costs. Hannaford also knows that one of the keys to better quality is adherence to evidence-based guidelines.

The MIP Value Proposition

MIPs involve inserting surgical tools and a video camera through small incisions in the patient’s skin. Compared with traditional “open surgery,” the direct procedure costs can sometimes be higher, but the outcomes tend to be better, and the total medical costs are often lower. In addition, patients are generally able to resume normal activities much sooner.2

Achieving Change through Influence and Collaboration

The way this initiative unfolded demonstrates the power of engaging and collaborating across the entire supply chain.

**STEP 1:** A manufacturer reaches out to an employer
- Ethicon Endo-Surgery representatives met with Hannaford Brothers to present the data on MIPs and the opportunity to accelerate adoption in Maine.

**STEP 2:** The employer turns to its health plan for support
- Hannaford asked Aetna to evaluate this opportunity and help engage providers.
- Hannaford also recruited the State of Maine (another major employer) as an ally.

**STEP 3:** These stakeholders work to engage providers as partners
- Hannaford, the State of Maine, Aetna and Ethicon Endo-Surgery met with the leading health care delivery systems, which agreed to support the initiative.

**STEP 4:** All leading stakeholders collaborate to implement a comprehensive solution
- Ethicon Endo-Surgery delivered training on MIP to surgeons. Aetna paid for the training. Hannaford and the State of Maine educated their employees on MIP. With help from Aetna, Hannaford changed its benefit design in a way that aligned incentives for employees to choose MIP over traditional procedures for certain operations.

The Results

The MIP initiative has led to greater use of MIPs in Maine. Hannaford Brothers has achieved cost savings and better outcomes as a result of this change.
CINCINNATI AF4Q CASE STUDY

A Community Builds the Infrastructure for Leadership in Health Care Quality and Value

In 2007, the Health Improvement Collaborative of Greater Cincinnati—representing a broad set of health care stakeholders—received a grant from the Robert Wood Johnson Foundation’s Aligning Forces for Quality (AF4Q) Program. This grant set in motion an ambitious initiative to develop community-wide capabilities in support of greater health care quality and value. Cincinnati AF4Q’s remarkable progress since then has already established it as a model of community-based change.

A Successful Start-Up Venture

The initiative has benefited from a solid “business plan” and the external funding that it attracted. But the real key to success has been the exceptional leadership, including many volunteers from Cincinnati’s healthcare delivery systems, health plans, major employers and the University of Cincinnati College of Medicine.

THE KEY STAKEHOLDERS

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**PROVIDERS**
- TriHealth
- Mercy Health Partners
- Health Alliance/UC Health
- St. Elizabeth’s

**HEALTH PLANS**
- UnitedHealthcare
- Humana
- Anthem

**EMPLOYERS**
- Procter & Gamble
- GE Aviation
- Kroger, Macy’s and others
Pursuing an Ambitious, Integrated Program

Cincinnati AF4Q has pursued an integrated design to address all the critical levers of health care transformation. From the beginning, the initiative has consisted of five work groups, each of which has ambitious objectives:

1. Public reporting of physician quality measures based on clinical records and evidence-based guidelines
2. Piloting quality improvement methodologies for primary care practices
3. Piloting the Patient Centered Medical Home model using health plan funding
4. Creating consumer-friendly websites for physician score reporting based on consumer research led by a Proctor & Gamble executive
5. Expanding the local health information exchange to support physician quality reporting and enable physician access to patient medical information

Maintaining a Disease Focus

“By focusing initially on adult-onset diabetes, we know that we’re only paving one lane [of the new highway], but we’re grading eight lanes.” — Craig Osterhues, GE Aviation

To keep this complex initiative manageable and make tangible progress, Cincinnati started with a focus on adult-onset diabetes. However, each element was designed to extend easily to additional conditions such as cardiovascular disease, asthma, etc.

Critical Success Factors

Cincinnati AF4Q has been extraordinarily effective at:

- Engaging stakeholders—especially the local physician community
- Recruiting and managing a large corps of volunteers
- Learning and adapting during implementation
- Sustaining progress and building future capability—as evidenced by major new grants from the Federal Government and a local foundation
Five Strategies for Leading Stakeholder-Driven Transformation of Health Care

The three case studies in this book point to a common set of strategies for successful change initiatives:

1. **Place the central focus on improving quality and value.**
   All health care stakeholders can rally around a shared interest in achieving better patient health and productivity outcomes. Placing the focus there establishes the platform for collaboration.

2. **Build a complete “bridge” to health care value.** Comprehensive solutions are needed in order to change complex systems. Both physicians and patients must be held accountable for improving the patient’s health and reducing the cost of care. To do this, they need transparent quality and cost information and their incentives need to be aligned. They also need better access to medical information through information technology. Piecemeal efforts like limited pay-for-performance initiatives can be helpful as a starting point, but unless pursued in context of a broader vision, they will have limited impact and may not be sustainable.
3. **Think big, but start small.** Like a Silicon Valley start-up, the initiatives should pursue an ambitious vision but take a pragmatic approach to implementation. Over time, make use of the virtuous cycle to build on initial successes.

4. **Pursue real “win/win” partnerships with other stakeholders.** Each of these initiatives provided clear “wins” for all of the stakeholders. In particular, they gave special attention to engaging and supporting physicians.

5. **Engage strong leaders to drive the initiative.** Leadership is an essential ingredient to any successful initiative. Effective leaders exhibit passion, vision, pragmatism and persuasiveness.
Leaders from the Case Studies Offer Valuable Advice to their Peers Around the Country

“What does all this imply for me, my organization and my community?” To answer this fundamental question for the reader, we turned to some of the exceptional leaders profiled in the case studies. Here is a small sample of their responses….

What are the most important reasons to become involved in multi-stakeholder collaborations?

“Collaborations are the only way that health care will really be transformed in the short run.”
Tom Finn, Procter & Gamble

“We can’t wait for Washington to tell us what to do. American companies are drowning due to excessive health care costs. We providers need to be part of the solution to this and work with our employer base to figure out things that work for them to lower cost and improve quality.”
Dr. John Toussaint, ThedaCare

What actions should leaders take?

“Focus on improving primary care quality and access. Use health care technology to enable physicians and patients to make informed decisions. Pursue innovative payment strategies that reward value.”
Craig Osterhues, GE Aviation

“Pick something that—as a leader—you feel that you can stand behind. Because there will be resistance, you’ve got to have courage, and that goes back to having passion.”
Peter Hayes, Consultant
What issues and opportunities should leaders be aware of?

“Never underestimate the importance of producing measurable results.”
Dr. Richard Shonk, UnitedHealthcare

“Sustainable change takes tremendous focus, and it takes the ability to be humble and know you don’t have all the answers. At the same time, it takes prioritization and really understanding what the ‘true north’ metrics (the most important things for the customer) are—the customer being both the patient and the one paying the bill.”
Dr. John Toussaint, ThedaCare

What are the key takeaways from the book?

“Organizations taking activist responses to managing their own destiny can make progress on it…on a regional level, on a statewide level or across town…”
Dr. Erik Steele, Eastern Maine Health System

“No one in health care can solve the issues of access and affordability better than we can if we work together. We have the ability to make changes, and we should take that opportunity.”
Dr. Kirsten Anderson, Aetna

“We can make significant change here. The question is: ‘Are we willing to get out and do it?’ The end in mind is definitely worth the effort.”
Mike Weller, Miller Electric Mfg. Co.
Executive Summary

There is a value gap in health care. Bridging that gap will require strong leaders working across stakeholders and within communities to design, implement and build upon collaborative solutions. As the stories within attest, it is not easy work. My hope is that this book will serve not only to inform your actions, but also to inspire your leadership, helping to ensure that your organization doesn't simply survive, but thrives in these dynamic times.

Alex Gorsky
Vice Chairman, Executive Committee
Office of the Chairman
Johnson & Johnson

About the Authors

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About the Sponsor

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