Value-based procurement in Social and Healthcare

VABPRO

Project presentation

February 2015
VABPRO – project was funded by Nordic Innovation and Tekes – the Finnish Funding Agency for Technology and Innovation - and was carried out between March 2013 and December 2014.
About the Vabpro - project

Objective

- The main objective is to support and develop procurement that creates overall system level value

   A Procurement that is user-driven based on real needs
  
   B Procurement that delivers better quality services and patient satisfaction

   C Procurement that is problem solving in co-creation with the suppliers

Deliverables

1. Gather knowledge base of value based procurement in primary care from global experiences and literature

2. Analysis of structural, legislative and analytical characteristics in the countries. Identification of common key success factors for development of value based procurement.

3. Create a training and coaching program to increase value based procurement understanding within participating healthcare organizations.

4. Design value based procurement models with the participating healthcare provider organizations.

5. Gather experiences from the components 1-4 into a value based procurement manual to distribute value based procurement skills within Nordic healthcare organizations.
Problem statement
The incentive paradox

Hardly any of today’s service providers have clear financial incentives to improve outcome or subjective value of caretakers.

- Objectives on increased value need to be aligned with provider incentives. The primary focus of social and healthcare professionals is to help their patients, but financial incentives set the frames of the operations.

- From our experience, provider incentives are primarily achievable through financial mechanisms. Current performance-based reimbursement models applied in health and social care do not offer incentives to providers to reduce needs or overall costs for services. Rather, the incentive is to achieve an increased demand for their services.

- The objectives of any health or social care service must clearly be aligned with provider incentives, since provider incentives direct the results of the service.
Harness value in social and healthcare services and stimulate innovativeness through value based procurement

- Although outcome and value are concepts that are discussed in health care policy, procurement in the Nordic countries today almost exclusively focus on resources, production and output. Below is a schematic presentation of the production process of health and social care services. The VABPRO ambition is to harness value in health and social care services and stimulate innovativeness through value based procurement. The aim is to provide commissioners with directions to how to pursue value by focusing on the more advanced steps in the process of service production within the context of procurement.
VABPRO seeks to promote value overlapping with outcome by an innovative procurement process design taking into account both the commissioner perspective as well as the user/patient perspective. A foundation for this is obtained through identification of outcome and value metrics that are agreed to be overlapping.

In the identification of values overlapping with outcome, a dialogue with users/patients is often required on their needs and requirements to reach a thorough understanding of their perception of value, e.g. with user driven innovation methodology.

The framed outcomes/values will then be used in a process of developing provider incentives. A critical step in this process is the identification of outcome/value metrics that can be used by the procurer. These metrics must be highly objective and linked to provider performance in order to be relevant. Established and validated instruments and analytical models are preferable and require less time to put in place. Regardless if the metrics are new or established, it is important that from all perspectives (commissioner, provider and user/patient) they are appropriate and trustworthy.
Creating a win-win-… situation

- Value based innovation should thus lead to a “win-win-win” situation for the payer, user and provider of the services (service system level cost/benefit, user value, business case) with following gains:
  - Win. 1: Cost-effective and high quality public services
  - Win. 2: Sustainable Service and Business models
  - Win. 3: Better user needs adopted timely services, incl. user engagement & empowerment and service adaptability

- This VABPRO process approach fully supports this aim while each step taken adds to the value generating outcome. This situation can be seen in the following illustration, where the first modules contains the user-driven design of the new service, the second module includes the economic rational and parameters that drive a cost-efficient way of providing the services and the third module represents the outcome – i.e. a situation where all three (payer, user and provider) actors value objectives are fulfilled.
Methodological inspiration

Examples

UK: Reablement

- Reablement is a service that has been adopted nationwide in the UK as well as in Australia for the last decade. Reablement services are targeting different users in different ways in different places, but there are a few distinct definitions:
  - Support for people with poor physical or mental health or a disability to help them live as independently as possible by learning or relearning the skills necessary for daily living.
  - An approach or a philosophy within homecare services – one which helps people do things for themselves, rather than having things done for them.
  - A temporary service offered for a limited period of time

- Reablement is generally designed to help people learn or relearn the skills necessary for daily living which may have been lost through deterioration in health and/or from increased support needs. A focus on regaining physical ability is central, as is active reassessment throughout the reablement episode.

- Studies have shown that reablement improves outcomes, particularly in terms of restoring people’s ability to perform usual activities and improving their perceived quality of life. Reablement has also been found to achieve cost savings through reducing or removing the need for ongoing support from traditional home care and other related services. However, there is currently little research on or evidence to suggest that it reduces primary care or hospital care costs, although indications point to that it can be achieved.

USA. Accountable care organizations (ACOs)

- The affordable Care act is a health care law from 2010 that includes provisions for the implementation of ACOs. An ACO has a payment and care delivery model that tie provider reimbursement to quality metrics and reductions in total care costs. So far, three pilot programs have been initiated. There are three main characteristics of an accountable care organization:
  - The organization is led by health care providers and has a strong element of primary care. Healthcare providers in the organization are jointly responsible for the total health care cost and quality of care for a well-defined population.
  - The reimbursement model is linked to quality improvements and cost reductions for the defined population. If cost savings are achieved (compared to predicted costs) the ACO may receive a financial bonus.
  - The organization makes use of reliable and progressively more sophisticated quality measurements to ensure that the savings are achieved by better coordination of care and prevention. The financial bonuses are linked to the fulfilment of the quality measurements.

- There are some evidence suggesting that ACOs reduce costs, especially for patients with high and complex care need. Also, results from pilot studies suggest that clinical quality is improved by ACOs.
The Vabpro model
Generic steps

- Design of Value-based procurement model
- Design of Value-based reimbursement model
- Securing monitoring and evaluation mechanism
- Definition of value metrics
- Identification of joint interface
- Definition of outcome (objective) and value (subjective)
- Definition of the service
- Definition of target group(s)
VABPRO modell
Some challenges and issues to be considered in implementation

- Value-based procurement model
- Value-based reimbursement model
- Monitoring and evaluation mechanism
- Value metrics
- Identified joint interface (Outcome | Value)
- Definition of Outcome (objective) and Value (subjective)
- Service and impact objectives
- Target Group(s)

Result

Challenges: Competence and Data
- Knowledge and resources to construct, manage and develop Values based practices –
- In cases where new services are produced internally in an organization or procured from suppliers on the market
- Availability of necessary data and data processing tools / capabilities for establishing the base line and evaluating outcomes

Challenge: Defining the new services/concepts:
- User-focused, analytically driven
- Handling organisational boundaries (causality and power), profit-sharing
- Potential legal or other system level barriers
- Focus on prevention
## Case studies

<table>
<thead>
<tr>
<th>Participant</th>
<th>Target group</th>
<th>Objective</th>
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<tbody>
<tr>
<td>Norrbotten county council (SE)</td>
<td>Adults with treatment of alcohol and drug abuse or addiction</td>
<td>Develop patient-centered interventions and implement learnings in procurements related to identified target groups</td>
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<tr>
<td>City of Landskrona (SE)</td>
<td>Elderly with need of short-term housing after hospital admission</td>
<td>Increase level of independence and need for care services</td>
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<tr>
<td>Forum Virium Helsinki (FI)</td>
<td>Middle-aged men with elevated risk for Cardiovascular Disease (CVD)</td>
<td>Package digital service concept aiming at improving the engagement of and commitment to behaviour change in various lifestyle choices.</td>
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<tr>
<td>City of Jyväskylä (FI)</td>
<td>Young females around 20 years of age with long term mental problems and difficulties in communication and self-expression</td>
<td>Improved mental and social situations and improved self-esteem as well as a lowered burden on the social and health care costs of the target group. Strengthened preventive services (primary and secondary prevention), and less remittals to specialist care services.</td>
</tr>
<tr>
<td>City of Espoo (FI)</td>
<td>Autistic persons with housing needs</td>
<td>Develop procurement practices in housing services that create cost-efficient results and more benefits to the end-user. This is thought to be achieved by identifying the end-user’s essential needs and modifying them into service packages and practices that ensure the flexibility needed in producing housing services.</td>
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The Vabpro model
Complementary input and experiences from case studies

- Design of Value-based procurement model
- Design of Value-based reimbursement model
- Securing monitoring and evaluation mechanism
- Definition of value metrics
- Identification of joint interface
- Definition of outcome (objective) and value (subjective)
- Definition of service
- Definition of target group(s)
The Vabpro model
With reference to objectives (A – C)

- Value-based procurement model
- Value-based reimbursement model
- Monitoring and evaluation mechanism
- Value metrics
- Identified of joint interface (Outcome | Value)
- Definition of Outcome (objective) and Value (subjective)
- Target group(s)
- Service

Result

**Service provisioning**

- **A** User driven through increased focus on user characteristics, problems and needs

- **B** Reimbursement model design to promote the delivery of higher quality services and ensuring individual satisfaction ensuring improved outcome and value

- **C** Procurement model does not micro-manage how services are provided, thereby encouraging problem-solving and innovation among service providers

Activities are designed to maximize value
Value based service design and procurement – future development and application possibilities

Value based approaches are implementable in most social and healthcare services and can be;

- Further developed and used in a wide variety of services spanning across all social and healthcare services – and also extended further to cover new types of service concepts with holistic approach.
- Seen as an instrument to redesign services in a user-centric manner, to procure cost-efficient services and also to support alternative investments in services with strong focus on prevention.

VABPRO approach could also:

- Support the user-centric development of new ICT / technology based services and drive their deployment
- Speed the scaling up of integrated and person centred care with innovative uses of ICT / eHealth
- Secure that the new solution is actually integrated into the existing or modified care concept and continuum.
Future undertakings and Nordic value

The Nordics could jointly:

- Support the creation of demand–driven and user-centric service markets in Nordic countries.
- Move from consumer eHealth markets to integrated service markets.
- Provide a platform for cross-border Nordic innovative service design and value based procurement undertakings.
- Offer an interesting possibility to create a joint Nordic test market for eHealth services that actually integrate with the publicly paid/provided health and care services.
- Make use of the digitalized Nordic systems and connected data sources.
- Showcase new integrated patients-centered value propositions with incentive and reimbursement models that drive continuous improvement and benefits for all parties.-> export these new care models.

Radical Innovation and Disruptive Care/Business Models in Nordic Healthcare

- System level Value creation and the opportunities it can create for different actors (including the public payers, patients, the suppliers/companies and investors) has been studied and made visible with in the VABPRO –project report / manual and also in the Nordic PPI Net-project report: Value based procurement manual – a road map to radical innovation*. Together these two sources of inspiration with practical case description aim to pave the way for future Nordic practices and new services with wider commercialization potential.

VABPRO final report can be found from: [www.nhg.fi/vabpro](http://www.nhg.fi/vabpro)

Contact information

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