Hospitals and Physicians Must Prepare Now for the Brave New World of Value Driven Health Care

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What is Value-Driven Health Care?
In August, 2006, President Bush signed an Executive Order requiring all those hospitals, physicians and other caregivers delivering health care services to federal beneficiaries in the Medicare and Medicaid programs, the Veterans and Military Health Systems and civilian federal employees (covered by the Office of Personnel Management) to make the quality and cost (price) of their services known. To do business with the federal government going forward, hospitals, physicians and health plans must:

• Provide price and quality information about doctors and hospitals and all other providers for all enrollees in their health care insurance programs;
• Help enrollees to use this information in their choice of health plans, providers and health care treatment options;
• Provide financial and professional incentives to providers, payers and patients to promote the delivery of higher quality care; and
• Promote interoperable health information technology systems to improve continuously the quality, safety and efficiency of health care.

How is this Value Driven Health Care Initiative Being Expanded to the Private Sector?
For the past several months, HHS Secretary Michael Leavitt has been traveling around the country (including the Metropolitan NYC area and New Jersey) to get major corporations and insurers to commit to these same value driven practices as their federal counterparts have. As of the middle of February, more than 175 major companies and insurers (up from 100 in December) have pledged to abide by this Federal Health Care Transparency Plan (http://www.hhs.gov/transparency).


How is all this Going to Work?
A newly formed consortium of U.S. businesses announced in early February the release of a guide designed to help employers purchase health care that supports the Department of Health and Human Services’ plan to establish value-driven healthcare in the U.S. The Partnership for Value Driven Health Care provides strategies that employers and other healthcare purchasers can use to meet each of the Bush Administration’s four cornerstones of value-driven health care. This guide, “The Purchaser Guide to Value-driven Health Care” is available at:


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The Partnership was formed in 2006 and includes the American Benefits Council, Bridges to Excellence, Corporate Health Care Coalition, the ERISA Industry Committee, HR Policy Association, the Leapfrog Group, National Association of Manufacturers, National Association of Wholesaler Distributors, National Business Coalition on Health, National Business Group on Health, National Federation of Independent Businesses, National Retail Federation, Society for human Resource Management, and the U.S. Chamber of Commerce.

For the initiative to work, care outcome and pricing information must be gathered and transmitted via health care information technology systems. “To do business with the federal government (and increasingly major private sector health plans) in the future, everything will have to be electronic,” Michael O. Leavitt, the U.S. Secretary of Health and Human Services, told members of the Medical Society of New Jersey, during a stop off in Lawrenceville late last year. This initiative roll out will be driven by the federal government and the major employer and payer groups having committed to purchasing health care based on the four value driven health care principles outlined above. Since it will be driven by those who ultimately pay for health care, those who deliver it, to be paid, will have little, if any, choice about giving payers, purchasers, and, most importantly, patients, what they require to fulfill these principles.

Preparing hospitals and physicians to survive and thrive in this brave new world will provide the ultimate challenge not only to health IT companies, but also those, like Princeton Insurance, which have a vested interest in its hospital and physician policyholders’ providing the highest quality and safest care to patients.

How can Princeton Insurance help its physician and hospital policyholders prepare for all this?
As we said in the January, 2007 “Risk Review” issue, for better or worse, the stakes of physicians, their hospitals and liability carriers are inextricably tied to each other. This will prove to be even more the case as Value Driven Health Care begins to be rolled out in earnest beginning in late 2007 during Open Enrollment for calendar 2008 at major corporations and insurers that have signed on to this initiative. Information concerning how well (or not so well) various liability carriers’ hospital and physician policyholders are doing in treating patients with a broad range of clinical conditions will become increasingly more available with not only value based purchasing, but also potential medical legal implications.

As we also said in that January issue: “The success of any quality and safety improvement initiative depends on the alignment of interests and ongoing cooperation of participating hospitals and their staff physicians.” Physicians seeking to optimize their quality ratings will need to affiliate with and participate in safety and quality initiatives at hospitals (as well as through their clinical practices) designed to improve the clinical and financial outcomes to be compared, evaluated and broadcast to those who receive and/or finance their medical services. Hospitals will need to gain the buy in and support of their key physicians for any of their quality and safety initiatives to bear fruit and improve their own standing in the eyes of their patients and payers soon to be wielding the clout which comes with unprecedented information concerning the comparative value of care being delivered.

Princeton, in conjunction with some of its strategic allies in patient safety and health data analysis, aims to help physician and hospital policyholders design and implement safety and quality initiatives that not only decrease the chances of getting sued, but also assist in the preparation of value-driven health care.

We are currently evaluating claims data that supports the adoption of specific patient safety initiatives. Our goal is to provide our insureds with some focus on their adoption.

Future Issues
Future issues will focus more upon some of the particular safety and quality improvement initiatives which hospitals and physicians looking to work together may undertake. These issues will also provide more specific ways by which Princeton may provide data, tools and resources not available from other sources to help hospital and physician policyholders to prepare for value driven health care, while optimizing the quality and safety of their care.