



Better Care, Lower Cost

Prescription for Value-Driven Health Care

Michael O. Leavitt

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*“Every American should
have access to a full
range of information
about the quality
and cost of their
health-care options.”*

– **Secretary Michael O. Leavitt**
Health and Human Services





Defining the System

American health care can be shaped into a system where doctors and hospitals succeed by providing the best value for their patients. Value in health care is a combination of high quality and low price.

That's a big change because today, people don't measure the value of their health care. We do not know the full cost of our medical treatments, nor do we have any way to find out how good they are.

Health-care value is central to our quality of life. Sometimes, it is about life itself. Every American needs to know — and we deserve to know — the value of our health care.

Americans are value-conscious consumers. We clip coupons, check the Web for the best travel prices and value, and carefully research our next car purchase. It's the American way! Given clear information, people will naturally select the best health-care value.

Providing reliable cost and quality information empowers patient choice. Patient choice creates incentives at all levels and motivates the entire system. Improvements come as providers and payers can see how their practice, service, or plan compares to others.

As value in health care becomes transparent, everything improves: costs stabilize; more people are insured; more people get better health care; and economic competitiveness is preserved.

Ultimately, this is a prescription for a value-driven system — a prescription of good medicine that works for everyone.

The need for change is self-evident. The will to change exists, and the time to act is now.



Four Cornerstones

Building a value-based health-care system requires four interconnected cornerstones. With the growing use of electronic health records, all four are within our grasp.

- **Connecting the System:** Every medical provider has some system for health records. Increasingly, those systems are electronic. Standards need to be identified so all health information systems can quickly and securely communicate and exchange data.
- **Measure and Publish Quality:** Every case, every procedure, has an outcome. Some are better than others. To measure quality, we must work with doctors and hospitals to define benchmarks for what constitutes quality care.
- **Measure and Publish Price:** Price information is useless unless cost is calculated for identical services. Agreement is needed on what procedures and services are covered in each “episode of care.”
- **Create Positive Incentives:** All parties — providers, patients, insurance plans, and payers — should participate in arrangements that reward both those who offer and those who purchase high-quality, competitively-priced health care.

The architecture of a value-driven health-care system is being drafted — each of us has a role in completing the design and building the structure.

$$\begin{array}{r} \textit{quality} \\ + \\ \textit{price} \\ \hline \textit{value} \end{array}$$

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A Prescription for Change

Exponential change often starts with a single small step.

It's difficult to imagine life today without the World Wide Web. This powerful and ubiquitous tool, with millions of Web sites and countless pages, started with the posting of a single document just 15 years ago, August 6, 1991, to be exact.

The genius of the Web is that the voluminous information flows freely. Working together, we need to apply that same genius to reshaping America's health care system:

- Implement the Presidential Executive Order on cost and quality transparency; gain the agreement of other stakeholders to take similar action
- Support the efforts of AQA (formerly the Ambulatory Quality Care Alliance) and Hospital Quality Alliance (HQA), among others, in connection with the American Medical Association (AMA) consortium-endorsed quality of care comparisons
- Create price and quality comparisons by defining "episodes of care" for frequent procedures and conditions
- Support existing private sector collaborations in making quality and price information available; expand the concept of Quality and Price Information Collaboratives (QPICs) across many communities
- Utilize the Medicare Quality Improvement Organizations to implement the QPIC concept to improve the quality of service and information to Medicare beneficiaries
- Create protocols to aggregate price and quality information at the regional and local levels
- Accelerate the creation and adoption of health IT standards
- Expand adoption of health IT among small to medium care providers
- Provide education and incentives for patients, doctors, and hospitals to stimulate adoption and drive change

With nascent technology standards in place, and with the experience of QPICs and QIOs providing a test bed for quality and price standards, we have the fuel for igniting change.

The Future

There is no way today for a patient to compare the value of health-care choices. In the future, people will get information that will allow them to compare cost, quality, and related facts necessary to find high-quality, low-cost health care. Likewise, physicians and hospitals will have the comparative information they need to improve.

Surgical Care Consumer Guide

Search Results: **Hip Replacement** [What's included in the cost?](#)

Summary
 Average Cost in Network Facility: \$11,249 - \$15,895
 Out of Network Facility: \$18,889 - \$23,460

Results sorted by: Distance **Sort by:** Quality

Key
Quality: ★★★★★ Highest | ★ Lowest **Cost:** \$ Least Expensive | \$\$\$\$ Most Expensive **Patient Assessment:** ★★★★★ Highest | ★ Lowest

Distance (Miles)	Facility Name	Patients per year	Quality	Cost Estimate	Insurer Pays	Patient Pays	Patient Assessment of Care
6.2	Clearwater General 14280 Bay Drive Clearwater, FL 22131	400	★★★	\$\$ \$15,895	85% (\$13,511)	15% (\$2,384)	★★
13.2	All Saints Medical Center 123800 All Saints Drive Tampa, FL 22122	86	★★★★	\$\$\$ \$20,700	80% (\$16,560)	20% (\$4,140)	★★★
25.6	Good Samaritan Hospital 11111 E. Samaritan Drive Tampa, FL 22222	232	★★★★	\$\$ \$15,895	90% (\$14,306)	10% (\$1,590)	★★★★
26.3	Tampa Hip Hospital 1400 East Tampa Boulevard Tampa, FL 22211	170	★★★	\$\$\$ \$20,700	75% (\$15,525)	25% (\$5,175)	★★★
27.3	Orthopedic Clinical Hospital 1444 Goodie Drive St. Petersburg, FL 22113	432	★	\$ \$11,600	70% (\$8,700)	30% (\$2,900)	★
33.2	Valley General Hospital 1400 Tampa Bay Way Tampa Bay, FL 22031	310	★★★	\$\$ \$16,230	85% (\$13,796)	15% (\$2,434)	★★★

Learn more and follow developments at:
www.hhs.gov/transparency

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