

# Value-Based Healthcare's Behavioral Challenge

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## Summary

Value-based healthcare is a matter of teams – not stars. Many health problems, especially chronic diseases that are continuing to gain importance on a global scale, require the cooperation of various doctors, nurses, therapists, counselors and other medical industry stakeholders over a long period of time. For example, the successful and cost-efficient management of diabetes requires cooperation among various payers, providers, drug companies and medical device manufacturers. From a behavioral theory point of view, cooperation means acting in ways that improve the effectiveness of others. A shift to a culture of cooperation cannot be forced through artificially introduced control systems; instead, the organizational context must be changed so that cooperation for every individual person proves to be the best option for behavior in the long term. In other words, enabling cooperative behavior requires not only making it a worthwhile organizational objective but also a rational strategy for individuals. This in turn leads to better results while using fewer resources. However, today's healthcare systems contain many elements that, if anything, prevent a cooperative approach, such as medical training that is too focused on isolated treatments or remuneration-related incentives that pay based on single services rather than the overall result for the patient. Improving these systems require a holistic approach – one that begins by understanding why people operate in their current fashion and then leverages a variety of strategic interventions, such as creating feedback loops that force clinicians to take into account the long-term impacts of their decisions, to empower and impel cooperation.

### **The need – and challenge – to be cooperative**

Complex treatments require the close collaboration of numerous actors. One example of this: chronic diseases, which are continuing to gain importance on a global scale and usually require private practice and hospital physicians in various disciplines, nurses, therapists, and counselors to cooperate over a long period of time to achieve an ideal outcome and a high quality of life (in other words, a high value) for the patient. Value-based medicine has, at its core, the idea that healthcare services should not be viewed as isolated and selective interventions, but rather as carefully attuned steps in a comprehensive process (a “patient pathway”). Value-based healthcare is a matter of teams – not stars.

However, this brings with it significant challenges for the behavior of all the actors in the healthcare system. There are already team-based treatment approaches in many places, but there is often a lack of coherent integration of different treatment areas, both internally as well as outside the boundaries of the institution. In addition, doctors are typically judged (and often also paid) based on their individual performance – but not the end result for the patient. Furthermore, in many cases, healthcare service providers receive compensation for individual services instead of for the successful total management of health problems. So how can we achieve a culture of cooperation in healthcare?

### Overcoming variations of value: the case of diabetes

The urgency of this question is illustrated by the example of diabetes, which is one of the most critical diseases for the healthcare system. In the United States, around 10% of total healthcare expenditure is dedicated to the treatment of diabetes alone, with wide variability and overall less-than-satisfactory outcomes. Per Peter Tollman, Senior Partner and Managing Director of The Boston Consulting Group, who has served many prominent firms around the globe on matters of leadership, strategy, and organizational and operational effectiveness, the US has roughly twice the prevalence of diabetes, and spends twice as much on treatment, as Sweden, for example. "In the U.S., we could save \$2.5 trillion over 10 years, simply by managing diabetes as they do in Sweden," claims Tollman.

He explains that in the U.S. healthcare system almost all of the money is spent on treating symptoms rather than focusing on prevention and the underlying root causes of the disease. Further, this expenditure primarily goes toward isolated healthcare services provided by individual doctors. In Sweden, by contrast, capitation-based reimbursement per patient and outcome measurement are common practice, and coordinating doctors ("integrators") ensure that clinicians across diabetes specialty areas work together to treat patients. The result is significantly better treatment outcomes in Sweden relative to the US.

It is clear that there are also significant differences between the countries at the macro level. For example, Sweden has considerably higher social expenditures than the US. Swedes, on average, also enjoy healthier lifestyles, at least as measured through physical activity and eating habits. For example, Swedes are more active and consume ~1.5 times less sugar than Americans.

Nevertheless, the example of diabetes shows that value-based, more integrated, and cooperative healthcare can, at least in part, improve the health of the population – and lower the costs of treatment. Cooperation is a key element in achieving these improvements, and in the overall success of a healthcare system.

### Levers for behavioral change

Tollman defines cooperation as, in essence, "acting in ways that improve the effectiveness of others." There are numerous examples of this in sports – such as basketball, soccer and track – where organizations have succeeded by focusing on team rather than individual success. When applied to medicine, cooperative care ensures that individualistic approaches take a backseat to team-based ones, long-term strategies are chosen over short-term concepts, and doctors treat the underlying causes instead of just treating the symptoms.

Tollman stresses that true cooperation goes beyond the coordination of procedures or mere collaboration. Cooperation requires sacrifices from the individual (such as foregoing a personal image boost, for example). Seen as a whole, however, working together pays off. "Cooperation enables better performance with fewer resources," states Tollman.

In principle, cooperative behavior cannot be forced through artificially introduced control systems, Tollman stresses. Instead, human behavior is a rational response to existing organizational contexts. In other words, to improve the healthcare system as a whole, the organizational context needs to be changed in such a way that cooperation proves to be the best and most logical behavior in the long term for every individual player. Financial incentives that reward cooperative (instead of uncooperative) behavior and reimbursement systems that provide a fixed fee per patient for all the care received (capitation) are examples of systemic changes that could help toward this goal.

When viewed from the management level, it is clear that an organization's design determines the behavior patterns of its employees through various levers. For example, resource allocation and reporting systems, the definition of decision-making processes, roles, and responsibilities, as well as talent management and skill building can influence individual behavior. "In order to encourage cooperative behavior and change the culture of an institution into one of cooperation, one must first understand what causes employees to actually do what they do," explains Tollman. This analysis provides starting points to determine what changes are needed. For example, to strengthen the role of those promoting cooperation across the organization ("integrators"), develop a mutual conviction that the success of each individual depends on the success of the team ("reciprocity"), and create feedback loops that force individuals to take into account the long-term impacts of their decisions.

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