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A purchasing decision

Think value, not cost, in health-plan decisions



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When I talk with area business people, the conversation inevitably turns to the cost of healthcare. It's clear that employers are desperate to find ways to reduce the cost of buying healthcare for their employees. My best advice: Purchase healthcare the same way you buy other products and services—search for the best value based on quality and cost.

In its report, *Reducing the Costs of Poor Quality Care through Responsible Purchasing Leadership*, the Midwest Business Group on Health identified three ways purchasers unknowingly promote poor quality:

- Making purchasing decisions based on price without examining plan and provider performance.
- Using transaction-based (rather than outcomes-based) payment structures that discourage quality improvement and promote waste.
- Missing opportunities to engage the consumer on quality and cost issues.

Most purchasing experts buy the lowest-cost, highest-quality products and services. They understand the direct and indirect costs of every purchasing decision. They stop buying when suppliers don't meet their standards. They ask hard questions of themselves and their suppliers: "How much will it cost?" and "How can we get the greatest value for our money?" They make informed decisions based on getting the right answers to those questions.

What if you purchased health services the way you buy other services, equipment and supplies? Why not apply the proven supply-chain purchasing processes to your healthcare purchases?

A Wisconsin company, nationally recognized for its quality-purchasing processes by the American Society for Quality, asks the following questions each time it considers a purchase. Consider asking these queries of your human resources team, which is in charge of examining your healthcare purchases. Could your team answer these questions? If not, maybe it's time you started.

- Do we know our requirements?
- Do our suppliers know our requirements?
- Can they meet our requirements?
- How do our suppliers know they are meeting our requirements?
- Do we measure performance to requirements?
- Do our suppliers know how they are doing?

- Can we demonstrate that our suppliers consistently meet our requirements?
- Can we verify that our suppliers are meeting continuous improvement objectives?

Gaining control of your total healthcare spending requires a partnership among employers, employees and providers. Many providers want to work directly with employers to reduce costs.

Because providers drive value in care delivery, the end product, it makes sense that employers should involve providers in the process of evaluating company needs. As a former president and chief executive officer of health system ThedaCare, I know the organization works directly with a number of customers. Are you working with providers to solve your cost issues?

Unfortunately, in today's system, the insurance company is deemed successful when it extracts bigger discounts from the provider. What if the focus shifted to the root cause of why employers' total spending is too high? Would that new focus change the way care is delivered? If providers weren't paid on a piecemeal basis, would utilization patterns change? If providers were actually paid to keep people healthy instead of delivering sickness care, would health outcomes improve? Instead of relying on solutions being proposed by politicians, isn't it time to collaborate with the people who can fix this? Business has a vital role in reducing healthcare costs. I invite you to think differently about how you purchase healthcare. I invite you to challenge your company's healthcare purchasing processes and results. As the business community improves its value-based buying behaviors, it will prompt needed changes in the provider community.