



Fight hard in the war on waste

With the squeeze on health funding getting tighter, commissioners must spend less. But bargain hunters beware – low cost services do not necessarily offer good value

Chancellor Alistair Darling has already admitted to worse Treasury finances than currently budgeted. Whoever ends up in government after the next election will probably say that, rather than £5bn savings in public spending over the next few years, more like £50bn will have to be made.

The NHS is likely to face tight pay settlements, and trusts are going to have to face up to the need for substantial revisions to their funding assumptions. Care Quality Commission chair Baroness Young has warned the new regulator will “keep a close eye on” providers as they ways of cutting costs “can sometimes mean cutting corners”.

This is not about cutting “costs”, but adding “value”.

Any attempt to cut costs by cutting corners shows a basic lack of understanding of the economics of healthcare. *HSJ* was right to focus on “[stripping] out on the waste of unnecessary operations” (leader, page 3, 9 April), which the NHS appears to spend tens of millions on each year (news, page 4, 14 May), while “improving quality, safety and patient experience”. In doing so, *HSJ* argued for improving “value” in healthcare rather than simply cutting costs.

As the pressure increases on reducing public expenditure, we must embark on a critical debate about the meaning of “value”. In my opinion, value is defined not just as price, but rather as quality relative to price. In healthcare, quality must be defined as health outcome plus patient experience. Thus we can represent the concept of value as a simple equation (see box).

It is at this level of “value” that any judgement on healthcare services should be

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made by commissioners and consumers of healthcare.

If such a definition became widely accepted, it could have a profound effect on the expectations and consequently the delivery of healthcare. It is therefore worth taking a brief look at each component.

Effective procedure

Clinical outcomes should be measured as a composite of the most effective procedure, done correctly, safely, and with minimum discomfort for the patient. The complexity of

measuring this has often led to resistance. But it must be measured, since what gets measured gets improved.

Consumers and commissioners must have free access to this information so they can make a practical judgement on the value of the services they get.

Patient experience

While clinical outcomes are objective, patient experience is subjective. It is also a key area in which providers can differentiate themselves (in the same way that airlines rarely promote themselves on safety, but on passenger experience). Providers need to understand what really matters to patients and improve these elements. Patients develop from their experiences a picture of how they should be treated, which becomes the standard they measure against.

In the past 20 years, the

quality of the British service sectors has improved greatly. It is time that experience translates in to our healthcare delivery too.

In the National Patient Choice Survey, patients repeatedly put staff friendliness as one of the most important factors in choosing a hospital. A key part of value, for patients, is compassionate care and a hospitable experience. This is an area where substantial improvement can be achieved at relatively low cost, adding vastly to the value of our healthcare.

Cut waste, not corners

Cost cutting should not affect quality of care or patient experience. If it does, it reduces value and is counterproductive. Controlling spending should be a war on waste – an endeavour to manage lean processes, efficient supply chains and effective patient pathways.

Eliminating defects lowers costs because it cuts wasted effort and lowers remedial costs. The costs of preventable complications are exponentially high and, in some cases, a poor diagnosis or the failure to use the right treatment the first time can never be corrected. A low cost intervention is no bargain if it comes at the expense of quality outcomes and patient experience as well as extra remedial costs.

As the debate over funding inevitably flares up in the coming months, we should be clear about what constitutes value for the NHS. Healthcare must be commissioned and provided, not on quality or price alone, but on value, which is a combination of the two. Anything else will be bad news for the health of the nation. ● *Ali Parsa is managing partner of Circle.*

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THE VALUE EQUATION

$$\text{Value} = \frac{\text{Quality}}{\text{Price}} = \frac{\text{Clinical outcomes} + \text{Patient experience}}{\text{Unit of cost expended}}$$

