



# THE CONCEPT OF VALUE-BASED HEALTHCARE IN LATVIA

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## EXECUTIVE SUMMARY

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## Executive Summary

The ageing population, the growth of chronic diseases and co-morbidities, the availability of new treatment technologies and personalized medicine, shift to more integrated delivery models are the main factors driving the growing demand for health services and digital health transformation. It puts a great pressure on healthcare system to create more efficient and sustainable models able to deliver real value for the patients with optimized cost. As in other countries, the growth rate of healthcare expenditure exceeds the growth rate of GDP in Latvia, but the total expenditure on healthcare per capita in Latvia is still one of the lowest among the European Union (EU) member countries.

**Value-based healthcare (VBHC) is conceptual approach** to the transformation of healthcare around the world that aims to improve patient health outcomes and the performance of the healthcare system while controlling rising healthcare costs. The VBHC builds on previously used concepts of health system governance, such as evidence-based healthcare, the application of health economic principles, and a comprehensive system of quality and patient safety, complemented by a healthcare payment system linked to the outcomes achieved.

### The proposed definition of VBHC:



**Value-Based Healthcare is a model for the delivery/ organization of healthcare services that aims to improve each patient's health outcomes by meeting the patient's personal goals, replacing payment for quantity with payment for outcome and quality, thus ensuring cost control and fair distribution of limited resources to all patient groups.**



## Potential benefits of VBHC for system participants:

- 1 For patients:** cost savings, reduced treatment time, improved treatment outcomes and experience, improved access to the innovations and personalized therapies;
- 2 For service providers:** increase of operational efficiency, professional performance and quality of services, transfer of new treatment standards know-how;
- 3 For payers:** cost control and reduction of financial risk, ensuring the best possible health benefits within existing resources;
- 4 For medical technology providers:** ensuring the positive impact of technology on the actual value to patients, implementation of an extended individualized treatment approach;
- 5 For the healthcare system:** the ability to manage costs increases and make better use of limited resources by improving overall public health outcomes.

The best results can be achieved by implementing a VBHC approach at the level of the entire healthcare system, but the implementation of VBHC is also possible at the level of individual programs according to the degree of readiness of each clinical field or service providers. VBHC programs are developed in the context of specific diseases or patient groups by agreeing on standardized measurements of patient outcomes and costs, the data platforms required for their accounting, the data accounting process, and the development of integrated payment models for services in the full care cycle.<sup>1</sup>

## There are several prerequisites for starting the implementation of VBHC:

- Political decision on the direction of the healthcare system towards VBHC approach supporting digital health transformation;
- Definition of the value of the health system in the relevant field by linking it to specific goals, which are understandable and supported by the participants of the system;
- New forms of partnership and integrated health services: patients, researchers, providers, payers and IT companies, focusing on the generation and processing of care outcome data to demonstrate high value healthcare;
- Investment planning and redirection in support of VBHC strategic initiatives.

The VBHC concept paper is a comprehensive document that provides evidence-based information on the nature, elements and feasibility of VBHC approach, as well as an overview of other countries' experiences in this field. To assess the situation in Latvia, focus groups were organized for representatives of patients' and service providers' organizations, in which the readiness of the Latvian healthcare system for the implementation of the VBHC was assessed according to an internationally tested and adapted methodology. The concept document can be used as a guide for the implementation of VBHC on national or specific program level.

<sup>1</sup> Porter ME, Teisberg EO. Redefining Health Care: Creating Value-Based Competition on Results. 2006, Boston, MA: Harvard Business School Press.

## About the American Chamber of Commerce in Latvia

The American Chamber of Commerce in Latvia speaks on behalf of around 140 leading U.S. and international companies in Latvia. It is committed to fostering trade, investment, partnership and friendship between the U.S and Latvia and serves as a business, knowledge, networking and policy forum. Among AmCham's priorities is the development of human capital in areas including preparing for the future of work and improving health outcomes of Latvia's society with the aim to increase and secure investments.

## About Healthcare work group

The American Chamber of Commerce in Latvia's Healthcare work group is an executive forum for organizations from across various industries. It brings together international experience and perspective aiming to improve the quality and access to healthcare, improve health outcomes, increase efficiency and drive innovation into the healthcare system.