

REVERSE

HOW TO MAKE

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VALUE-BASED

IN HEALTH

DELIVERY WORK

CARE

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billions of dollars."

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Former CEO,
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VIJAY GOVINDARAJAN
NEW YORK TIMES BESTSELLING AUTHOR

RAVI RAMAMURTI

HARVARD BUSINESS REVIEW PRESS

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Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

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The web addresses referenced in this book were live and correct at the time of the book's publication but may be subject to change.

Library of Congress Cataloging-in-Publication Data

Names: Govindarajan, Vijay, author. | Ramamurti, Ravi, author.

Title: Reverse innovation in health care : how to make value-based delivery work / by Vijay Govindarajan and Ravi Ramamurti.

Description: [Boston, Massachusetts] : Harvard Business Review Press, [2018] | Includes index.

Identifiers: LCCN 2018002101 | ISBN 9781633693661 (hardcover : alk. paper)

Subjects: LCSH: Medical care—India—Quality control. | Medical care—United States—Quality control. | Medical care—India—Cost effectiveness. | Medical care—United States—Cost effectiveness. | Value analysis (Cost control) | Competition. | Health planning.

Classification: LCC RA410.55.I4 G684 2018 | DDC 362.10954—dc23

LC record available at <https://lcn.loc.gov/2018002101>

ISBN: 9781633693661

eISBN: 9781633693678

The paper used in this publication meets the requirements of the American National Standard for Permanence of Paper for Publications and Documents in Libraries and Archives Z39.48-1992.

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1.

An Unhealthy Problem Meets an Unlikely Solution

One spring day a few years back, a fifty-something man named George found himself short of breath. His wife drove him to the emergency room at the University of Texas Southwestern Medical Center, where he was diagnosed with pneumonia. When George was released from the hospital four months later, he was presented with a 161-page bill of \$474,064 as his share of the costs.

George survived the pneumonia, but he didn't know if he could survive the bill. His room alone cost \$73,376, and respiratory services, oxygen, and breathing tests added up to \$94,799. "Special drugs," most of which were listed as "Sodium Chloride .9%," otherwise known as IV saline solution, came to \$108,663.

George hired a billing advocate, a woman who had worked as a claims processor for Blue Cross Blue Shield until she was sent an astronomical bill for a daughter's emergency-room visit and decided to go over to the other side. She helped a bit, and the hospital, the president of which was

paid \$1,244,000 a year, agreed to revise the bill downward to “only” \$313,000.

Roughly ten thousand miles away, in a small farming village a couple of days’ drive from Bangalore, India, an eighteen-month-old boy named Deep was keeping his parents awake with worry. Deep had a heart condition. He was smaller than other children his age, and he didn’t have much interest in eating, or in anything else for that matter. But Deep’s parents knew there was hope. They had been in these worry shoes before, five years earlier, when they learned that their daughter would need an operation on her heart. So they took their son to the same hospital, Narayana Health in Bangalore, a private for-profit cardiac hospital that specialized in pediatric heart surgeries, performing sixteen a day—half of its total practice.

Narayana was famous throughout India, not only for its excellent surgical outcomes but for its prices. A typical heart surgery at Narayana cost only about \$2,100, tens of thousands of dollars less than the same procedure would cost at hospitals in the United States. More important for families like Deep’s, 60 percent of the pediatric surgeries were provided free or at a discounted price. And yet, Narayana was a profitable company, and in December 2017 had a market valuation of over \$1 billion.

Deep’s parents paid just a fraction of the full price for Deep’s heart procedure. “Don’t worry about the money,” the hospital told them. “Just take Deep home and see if his appetite improves.” It did, and the boy flourished.

These two stories raise an interesting question: What can all countries, rich and poor, learn from organizations like Narayana Health about how to deliver world-class health care affordably? In the United States, the question is timely, because Americans are at a pivotal—perhaps decisive—moment in health-care policy. But the question is relevant

in every country. In the United Kingdom, for instance, the National Health Service (NHS) struggles with issues of costs, quality, and access. Jim Mackey, head of its statutory watchdog group, says bluntly: “The NHS is in a mess.”¹ In France, the health-care system is believed to be near bankruptcy.² And in poor countries, the problem is worse: America and Europe may have millions of people who need *better* care, but the developing world has billions of people with *no* care.

It is time to consider some unconventional remedies to the problem, and that is what we attempt in this book. It isn’t just hospital leaders, doctors, consultants, and policy makers who should be interested in innovative solutions to the health-care conundrum. We hope this book will also interest insurers; CEOs of companies that spend a fortune on employee benefits; suppliers of drugs, devices, and services to the health-care industry; and entrepreneurs looking to disrupt the industry. We hope there will be more experiments of the kind announced in January 2018 by three big employers—Amazon, Berkshire Hathaway and JPMorgan Chase—to form an independent company to disrupt health care for their million-plus employees.³ We further hope this book will help mobilize grassroots support for deep and lasting reforms of the health-care sectors in all countries.

Let’s begin by taking a closer look at the situation in the United States.

An Unhealthy Problem

The story of the American health-care system involves the good, the bad, and the ugly. The United States is home to the world’s best hospitals and the world’s best doctors, and it has produced more health-care miracles than any other country in the world. Americans and American universities dominate the Nobel Prize in Medicine. US pharmaceutical companies develop new drugs that save countless lives. And US medical-device companies produce a steady stream of innovations. Americans