

Health Policy Forums

The Role of Innovation in Value-Based Healthcare Delivery

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Christopher McFadden, managing director of Health Evolution Partners, offered a unique perspective on innovation in health care delivery at a recent forum. Health Evolution Partners (HEP) is a healthcare-focused private equity firm based in San Francisco. Founded by David J. Brailer, MD, PhD, the former National Coordinator of the Office of Health Information Technology, HEP invests in commercial-stage companies and medical product sectors. HEP seeks to invest in companies that increase the effectiveness, efficiency, and quality of healthcare delivery.

Mr. McFadden introduced the audience to the concept of innovation and provided a framework in which to explore the various touch points of innovation such as suppliers, payers, and

providers. Innovation in general, refers to the introduction of a new idea, service, process or product designed to improve treatment, diagnosis, prevention, education, and research with the long-term goals of improving quality, safety, outcomes, efficiency and costs.¹

McFadden explained how the costs of delivering health care are unsustainably high and crowd vulnerable populations. Some of the contributing factors driving cost include: low productivity (cost/quality of many delivery systems); ineffective alignment of incentives; low levels of market transparency; and rampant free-rider effect. Innovation is often the healthcare market response to under-performance. The healthcare system obviously has very

complex systemic needs which pose major challenges when it comes to innovation. Some of the major challenges include: increasing clinical efficiency; reducing frictional costs; improving stakeholder alignment; increasing accountability; and improving the coordination of care. The advent of accountable care organizations creates a new landscape that does not quite fit into the traditional framework of innovation.

McFadden summarized his presentation by describing some of the most critical themes related to the future of innovation. He stressed the need for bold novel solutions, and strong, creative, collaborative clinical and operating leadership.

REFERENCES

1. Omanchonu VK, Einspruch NG. Innovation in healthcare delivery systems: A conceptual framework. *The Innovation Journal: The Public Sector Innovation Journal*. 2010;12(1). http://www.innovation.cc/scholarly-style/omachonu_healthcare_3innovate2.pdf. Accessed May 5, 2011.