Understanding and Applying the Concept of Value Creation in Radiology

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Abstract

The concept of value in radiology has been strongly advocated in recent years as a means of advancing patient care and decreasing waste. This article explores the concept of value creation in radiology and offers a framework for how radiology practices can create value according to the needs of their referring clinicians. Value only exists in the eyes of a customer. We propose that the primary purpose of diagnostic radiology is to answer clinical questions using medical imaging to help guide management of patient care. Because they are the direct recipient of this service, we propose that referring clinicians are the direct customers of a radiology practice and patients are indirect customers. Radiology practices create value as they understand and fulfill their referring clinicians’ needs. To narrow those needs to actionable categories, we propose a framework consisting of four major dimensions: (1) how quickly the clinical question needs to be answered, (2) the degree of specialization required to answer the question, (3) how often the referring clinician uses imaging, and (4) the breadth of imaging that the referring clinician uses. We further identify three major settings in which referring clinicians utilize radiological services: (1) emergent or urgent care, (2) primary care, and (3) specialty care. Practices best meet these needs as they engage with their referring clinicians, create a shared vision, work together as a cohesive team, structure the organization to meet referring clinicians’ needs, build the tools, and continually improve in ways that help referring clinicians care for patients.

Key Words: Value, customer, patients, referring clinicians

INTRODUCTION

The concept of value in radiology has been strongly advocated in recent years as a means of improving patient care and decreasing waste [1-4]. Nevertheless, defining value in diagnostic radiology is challenging for a variety of reasons, especially because the majority of radiologists’ efforts are focused on diagnosis and treatment decisions are usually made by other providers.

In this article, we explore the concept of value creation in radiology and offer a framework for how radiology practices can best serve patients and referring clinicians by identifying and addressing their differing needs.

THE CONCEPT OF VALUE CREATION

Defining Value

Value can be defined at its most basic level as something of worth to an individual [5]. Value is created when one party provides a service or good to another party, such as a physician providing care to a patient [6]. In this case, the physician is the provider of the service and the patient is the recipient who deems the service to be of worth. It is important to recognize that value exists only in the eyes of the recipient of the service; value essentially represents the fulfillment of the recipient’s needs and desires [7]. Depending on the setting, the recipient of the service may be termed patient, client, constituent, or customer; in this article, we use the term customer to describe this relationship.

Despite the fact that it is the customer who finds the service to be of worth, both the provider and the customer benefit from value creation because the customer, or another party acting in the customer’s behalf, financially
There are only winners when value is created.

In economic terms, value is typically measured as the total amount of money that a customer would be willing to pay for a service. Both the provider and the customer gain value when a service is provided for less than what the customer would be willing to pay. The provider “captures” a certain amount of the value in monetary compensation, and the customer “captures” a certain amount of benefit that is deemed by the customer to be of greater worth than the price of the service [6].

The basic steps of value creation are to (1) recognize who are the providers’ customers, (2) understand the customers’ expectations, and then (3) consistently meet those expectations [8,9].

Value Creation Versus Value Capture

Note that value creation and value capture are distinct entities [6]. Value creation focuses on providing new services or improving upon existing services in a way that increases their worth to a customer. In other words, value creation expands the pie. Sometimes value can be created at little or no cost to the provider, especially when it comes to less tangible aspects of a service such as courtesy or responsiveness. On the other hand, activities in which providers engage that do not result in greater value to the customer can be considered waste [10].

Value capture, on the other hand, is focused on how the pie is divided. Providers may capture greater value by increasing prices or in other ways such as increasing market share, enjoying stronger contract negotiating positions, or discouraging competitors from entering a market.

It is important not to confuse value creation with value capture. Value creation is concerned with creating something beneficial whereas value capture is concerned with how much of the total benefit each party receives. There are only winners when value is created.

This article focuses on the concept of value creation in the radiology setting. We leave to other discussions the question of how radiology practices can better demonstrate and capture the value they create.

Variation in Customer Desires

In most transactions, many attributes of a service are important to a customer. These can be distilled to two general categories: technical quality and service quality [11]. Technical quality refers to how well the product or service does what it is primarily designed to do. Service quality refers to how pleasant the experience is for the customer and is often influenced by subjective factors such as staff courtesy, the appearance of the facility, and timeliness of service. Customers generally prefer to receive the best possible technical and service quality at the lowest possible price. Though many variations abound, the concept that value is a function of technical quality, service quality, and price is commonly referred to as the “value equation” [12]. Specifically, Harvard Business School professor Michael Porter has championed this concept in health care by defining value as a function of health outcomes and cost [13-15].

Customers’ relative values of technical quality, service quality, and price tend to vary [6]. Because value means different things to different customers, a major part of creating value is understanding the diverse needs of one’s different customers. The extent to which a provider understands and fulfills its customers’ nuanced desires can be described as “alignment” (see the case study in Fig. 1 and Table 1).

Defining the Customer

To seek alignment with one’s customers, one should start by defining the customer. Differentiating the customer from other stakeholders can be challenging. A helpful rule of thumb is to consider the recipient of the service to be the customer, regardless of whether he or she directly pays for the transaction [16]. By this definition, a stakeholder that is not the recipient of a good or service is not a customer. Differentiating the customer from other stakeholders helps the provider decide whose benefits to maximize to create value; maximizing the benefit to stakeholders who are not customers typically does not create value and may, in fact, destroy value. In the context of health care, the customer is the patient and, to a certain extent, the patient’s loved ones.

Direct Versus Indirect Customers

In some cases, instead of directly serving the end customer, a business may serve an intermediate customer who, in turn, serves the end customer [17]. For example, an air bag manufacturer sells its product to an automobile maker, who incorporates it into an automobile, which is then sold to an end customer through a distributor. The air bag manufacturer’s direct customer is the automaker; the end user is an indirect customer. The automaker acts
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