Health care is a unique service industry that goes against many conventional business thought processes. The need for a high level of quality is ubiquitous in health care. As a result, the standards of quality and cost containment are paramount in the delivery of health care. This factor, coupled with regulatory and accreditation standards, yields a high bar for all health care organizations to meet. Many of these performance and quality standards are now tied to financial and operational incentives, thus increasing their importance.

**Not a Standard Service Industry**

The root of the debate over health care focuses on two key factors: cost and quality (Hussy, Wertheimer, & Mehrotra, 2013). These key factors may seem simplistic, but it is far from simple because of the unique characteristics of health care. Think about other service industries such as the hotel and hospitality industry and what denotes quality in their operations or products. Generally, the quality of the traveler's stay, the room, and the amenities are directly proportional to cost; that is, the higher price yields better quality. This is true in many other markets as well. For example, when purchasing a cell phone, the cost of the phone is directly proportional to the quality and the features the phone offers. The more buyers pay, the more features and better quality they get. This standard relationship to cost versus quality is embedded in social culture; it is a learned and automatic association. The same is not true for health care; it is one of the few industries the goes against normal constructs of cost versus quality.

**The Relationship of Quality Versus Cost**

In the majority of markets, cost is directly proportional to quality. In health care, cost is *inversely* proportional to quality; that is, as the cost of care decreases, the quality of care increases. This relationship can be difficult to understand because it is counterintuitive to the normal hard-wired thought process. So why do cost and quality have this relationship in health care? The premise is that the majority of cost and waste in health care stems from variation in processes or lack of standardization that creates quality issues (Neumann, 2012). These quality issues, in turn, increase the costs of care by influencing things such as overstaffing, unneeded testing or diagnostics procedures, poor communication resulting in redundancies in care, and so forth. Each one of those factors listed translates into increased operational costs for the organization, as well as a bigger bill to the patient.
Why Quality Matters

As hospitals begin to standardize processes and operations, they begin to reduce variations and redundancies, and in many cases, they significantly reduce the steps and time needed to perform functions. This process then drives cost down and increases efficiency; when efficiency is increased, more work can be done with less effort. These factors are what drives the relationship between cost and quality in health care, and why significant health care reform efforts are directed at specific quality indicators that contribute to cost, such as readmission rates. This is ultimately the most effective strategy for driving down the cost of health care while simultaneously increasing quality; this approach also has a positive effect on patient well-being and outcomes.

References
