Redefining Health Care: Creating Value-Based Competition on Results
The Paradox of Health Care

- Costs are **high** and **rising**
- Services are **restricted** and fall well short of recommended care
- In other services, there is **overuse** of care
- Standards of care often **lag** and fail to follow accepted benchmarks
- **Diagnosis errors** are common
- Preventable **treatment errors** are common
- Huge **quality** and **cost differences** persist across **providers**
- Huge **quality** and **cost differences** persist across **geographic areas**
- Best practices are **slow** to spread
- Innovation is **resisted**

How is this state of affairs possible?
Issues in Health Care Reform

Health Insurance and Access

Structure of Health Care Delivery

Standards for Coverage
Zero-Sum Competition in Health Care

• Competition to *shift costs*
• Competition to *increase bargaining power*
• Competition to *capture patients* and *restrict choice*
• Competition to *restrict services* in order to reduce costs

• None of these forms of competition *increases value for patients*
Principles of Value-Based Competition

- The focus should be on *value for patients*, not just lowering costs.
- There must be *unrestricted competition* based on *results*.
Outcome Variation, Selected Surgical Procedures

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- Competition should **center on medical conditions** over the **full cycle of care**.
The Care Delivery Value Chain: Primary Activities
Breast Cancer Care

<table>
<thead>
<tr>
<th>KNOWLEDGE MANAGEMENT</th>
<th>INFORMING</th>
<th>MEASURING</th>
<th>ACCESSING</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Education and reminders about regular exams • Lifestyle and diet counseling</td>
<td>• Counseling patient and family on the diagnostic process and the diagnosis • Explaining and supporting patient choices of treatment</td>
<td>• Procedure-specific measurements • Range of movement • Side effects measurement</td>
<td>• Office visits • Mammography lab visits</td>
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<tr>
<td>• Self exams • Mammograms</td>
<td>• Mammograms • Ultrasound • MRI • Biopsy • BRACA 1, 2...</td>
<td>• Hospital stay • Visits to outpatient or radiation chemotherapy units</td>
<td>• Office visits</td>
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<tr>
<td>• Office visits • Mammography lab visits</td>
<td>• Office visits • Lab visits • High-risk clinic visits</td>
<td>• Office visits • Laboratory visits</td>
<td>• Office visits</td>
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<thead>
<tr>
<th>MONITORING/ PREVENTING</th>
<th>DIAGNOSING</th>
<th>PREPARING</th>
<th>INTERVENING</th>
<th>RECOVERING/ REHABING</th>
<th>MONITORING/ MANAGING</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Medical history • Monitoring for lumps • Control of risk factors (obesity, high fat diet) • Clinical exams • Genetic screening</td>
<td>• Medical history • Determining the specific nature of the disease • Genetic evaluation • Choosing a treatment plan</td>
<td>• Medical counseling • Surgery prep (anesthetic risk assessment, EKG)</td>
<td>• Surgery (breast preservation or mastectomy, oncoplastic alternative) • Adjuvant therapies (hormonal medication, radiation, and/or chemotherapy)</td>
<td>• In-hospital and outpatient wound healing • Psychological counseling • Treatment of side effects (skin damage, neurotoxic, cardiac, nausea, lymphedema and chronic fatigue)</td>
<td>• Periodic mammography • Other imaging • Follow-up clinical exams for next 2 years • Treatment for any continued side effects</td>
</tr>
<tr>
<td>• Office visits • Mammography lab visits</td>
<td>• Office visits • Hospital visits</td>
<td>• Patient and family psychological counseling • Plastic or oncoplastic surgery evaluation</td>
<td>• Physical therapy</td>
<td>• Office visits</td>
<td></td>
</tr>
</tbody>
</table>

- Breast Cancer Specialist
- Other Provider Entities

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Principles of Value-Based Competition

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• There must be unrestricted competition based on results.
• Competition should center on medical conditions over the full cycle of care.
• Quality and cost will often improve simultaneously.
• Value is driven by provider experience, scale, and learning at the medical condition level.
The Virtuous Circle in Health Care Delivery

Deeper Penetration (and Geographic Expansion) in a Medical Condition

Improving Reputation

Better Results, Adjusted for Risk

Faster Innovation

Spread IT, Measurement, and R&D Costs over More Patients

Wider Capabilities over the Care Cycle

Rising Capacity for Sub-Specialization

Greater Leverage in Purchasing

More Tailored Facilities

More Fully Dedicated Teams

Better Information/Clinical Data

Rising Efficiency

Rapidly Accumulating Experience

Better Results, Adjusted for Risk

Faster Innovation
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• Competition should be regional and national, not just local.
• Information on results and prices needed for value-based competition must be widely available.
The Information Hierarchy

- Patient Results (Outcomes, costs and prices)
- Experience
- Methods
- Patient Attributes
Principles of Value-Based Competition

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• Competition should be **regional** and **national**, not just local.
• **Information** on results and prices needed for value-based competition must be widely available.
• **Innovations** that increase value must be strongly rewarded.
Transforming the Roles of Health Plans

**Old Role**

- Restrict patient choice of providers and treatment
- Micromanage provider processes and choices
- Minimize the cost of each service or treatment
- Engage in complex paperwork and administrative transactions with providers and subscribers to control costs and settle bills
- Compete on minimizing premium increases

**New Role**

- Enable informed patient and physician choice and patient management of their health
- Measure and reward providers based on results
- Maximize the value of care over the full care cycle
- Minimize the need for administrative transactions and simplify billing
- Compete on subscriber health results
Moving to Value-Based Competition
Health Plans

Provide Health Information and Support to Patients and Physicians
1. Organize around **medical conditions**, not geography or administrative functions
2. Develop measures and assemble results **information** on providers and treatments
3. Actively **support provider** and **treatment choice** with information and unbiased counseling
4. Organize information and patient support around the **full cycle of care**
5. Provide comprehensive **disease management** and **prevention** services to all members, even healthy ones

Restructure the Health Plan-Provider Relationship
6. Shift the nature of **information sharing** with providers
7. Reward provider **excellence** and value-enhancing **innovation** for patients
8. Move to **single bills** for episodes and cycles of care, and **single prices**
9. Simplify, standardize, and eliminate **paperwork** and **transactions**

Redefine the Health Plan-Subscriber Relationship
10. Move to **multi-year subscriber contracts** and shift the nature of plan contracting
11. **End cost shifting practices**, such as re-underwriting, that erode trust in health plans and breed cynicism
12. Assist in managing **members’ medical records**
Moving to Value-Based Competition

Providers

Defining the Right Goals

• Patient value

Strategic and Organizational Imperatives

• Redefine the business around medical conditions
• Choose the range and types of services provided
• Organize around medically integrated practice areas
• Create a distinctive strategy in each practice area
• Measure results, experience, methods, and patient attributes by practice area
• Move to single bills and new approaches to pricing
• Market services based on excellence, uniqueness, and results
• Grow locally and geographically in areas of strength
What Businesses Are We In?

Nephrology practice

• Chronic Kidney Disease
• End-Stage Renal Disease
• Kidney Transplants
• Hypertension Management
Moving to Value-Based Competition

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Enabling Conditions

• Explicit care delivery value chains
• Integrated IT Infrastructure
• Systematic processes for knowledge development
Moving to Value-Based Competition

Suppliers

• Compete on delivering unique value over the full cycle of care

• Demonstrate value based on careful study of long term costs and results versus alternative therapies

• Ensure that the products are used by the right patients

• Ensure that drugs/devices are embedded in the right care delivery processes

• Market based on value, information, and customer support

• Offer support services that contribute to value rather than reinforce cost shifting
Moving to Value-Based Competition

Consumers

- Participate actively in managing personal health
- Expect relevant information and seek advice
- Make treatment and provider choices based on excellent results and personal values, not convenience or amenities
- Choose a health plan based on value added
- Build a long-term relationship with an excellent health plan
- Act responsibly
Roles of Government in Value-Based Competition

• Require the collection and dissemination of the risk-adjusted outcome information

• Open up value-based competition at the right level

• Provide for price transparency

• Limit or eliminate price discrimination

• Develop information technology standards and rules to enable interoperability and information sharing

• Invest in medical and clinical research
How Will Redefining Health Care Begin?

• It is **already happening**!

• Each **system** participant can take **voluntary** steps in these directions, and will **benefit** irrespective of other changes.

• The changes are **mutually reinforcing**.

• Once competition begins working, value improvement will **no longer be discretionary** or **optional**

• Those organizations that **move early** will gain major benefits.