Redefining Health Care: Creating Value-Based Competition on Results

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Kooperationen und Allianzen im Gesundheitswesen
Medizinische Hochschule Hannover
May 31, 2006

This presentation draws on a forthcoming book with Elizabeth Olmsted Teisberg (Redefining Health Care: Creating Value-Based Competition on Results, Harvard Business School Press). Earlier publications about the work include the Harvard Business Review article “Redefining Competition in Health Care” and the associated Harvard Business Review Research Report “Fixing Competition in U.S. Health Care” (June 2004). No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means — electronic, mechanical, photocopying, recording, or otherwise — without the permission of Michael E. Porter and Elizabeth Olmsted Teisberg.
Issues in Health Care Reform

- Health Insurance and Access
- Standards for Coverage
- Structure of Health Care Delivery
Zero-Sum Competition in U.S. 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**
Root Causes

• Competition in the health care system takes place at the **wrong levels** on the **wrong things**

**Too Broad**
- Between broad line hospitals, networks, and health plans

**Too Narrow**
- Performing discrete services or interventions

**Too Local**
- Focused on serving the local community
Principles of Value-Based Competition

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3. Competition should center on **medical conditions** over the **full cycle of care**.
Organ Transplant Care Cycle

- Evaluation
- Waiting for a Donor
- Transplant Surgery
- Immediate Convalescence
- Long Term Convalescence

Addressing organ rejection
Fine-tuning the drug regimen

Adjustment and monitoring
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5. Value is driven by **provider experience**, **scale**, and **learning** at the medical condition level.
The Virtuous Circle in a Medical Condition

- Deeper Penetration (and Geographic Expansion) in a Medical Condition
- Improving Reputation
- Better Results, Adjusted for Risk
- Faster Innovation
- Spread IT, Measurement, and Process Improvement Costs over More Patients
- Wider Capabilities in the Care Cycle
- Greater Leverage in Purchasing
- More Tailored Facilities
- More Fully Dedicated Teams
- Better Information/ Clinical Data
- Rising Efficiency
- Rapidly Accumulating Experience
- Rising Capacity for Sub-Specialization
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7. 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
Boston Spine Group
Clinical and Outcome Information Collected and Analyzed

OUTCOMES

Patient Outcomes
(before and after treatment, multiple times)
Visual Analog Scale (pain)
Owestry Disability Index, 10 questions (functional ability)
SF-36 Questionnaire, 36 questions (burden of disease)
Length of hospital stay
Time to return to work or normal activity

Service Satisfaction
(periodic)
Office visit satisfaction metrics (10 questions)

Overall medical satisfaction
(“Would you have surgery again for the same problem?”)

Medical Complications
Cardiac
  - Myocardial infarction
  - Arrhythmias
  - Congestive heart failure
Vascular deep venous thrombosis
Urinary infections
Pneumonia
Post-operative delirium
Drug interactions

METHODS

Surgery Process Metrics
Operative time
Blood loss
Devices or products used

Surgery Complications
Patient returns to the operating room
Infection
Nerve injury
Sentinel events (wrong site surgeries)
Hardware failure
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7. Information on results and prices needed for value-based competition must be widely available.
8. Innovations that increase value must be strongly rewarded.
Moving to Value-Based Competition

Providers

Strategic and Organizational Imperatives

• Redefine the business around medical conditions
• Choose the range and types of services provided
• Organize around medically integrated practice units
• Create a distinctive strategy in each practice unit
• Measure results, experience, methods, and patient attributes by practice unit
• 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

Enabling Conditions

• Analyzing the care delivery value chain
• Harnessing the power of Information Technology
• Systematizing knowledge development
What Businesses Are We In?

Nephrology practice

• Hypertension Management
• Chronic Kidney Disease
• End-Stage Renal Disease
• Kidney Transplants
# The Care Delivery Value Chain
## Breast Cancer Care

<table>
<thead>
<tr>
<th>KNOWLEDGE MANAGEMENT</th>
<th>INFORMING</th>
<th>MEASURING</th>
<th>ACCESSING</th>
<th>MONITORING/ PREVENTING</th>
<th>DIAGNOSING</th>
<th>PREPARING</th>
<th>INTERVENING</th>
<th>RECOVERING/ REHABING</th>
<th>MONITORING/ MANAGING</th>
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<tr>
<td>• Education and reminders about regular exams</td>
<td>• Counseling patient and family on the diagnostic process and the diagnosis</td>
<td>• Self exams</td>
<td>• Office visits</td>
<td>• Medical history</td>
<td>• Medical history</td>
<td>• Medical counseling</td>
<td>• Surgery (breast preservation or mastectomy, oncoplastic alternative)</td>
<td>• Periodic mammography</td>
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<td>• Lifestyle and diet counseling</td>
<td>• Explaining and supporting patient choices of treatment</td>
<td>• Mammograms</td>
<td>• Lab visits</td>
<td>• Determining the specific nature of the disease</td>
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<td>• Surgery prep (anesthetic risk assessment, EKG)</td>
<td>• In-hospital and outpatient wound healing</td>
<td>• Other imaging</td>
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<td>• Accessing</td>
<td>• Counseling patient and family on treatment and prognosis</td>
<td>• Ultrasound</td>
<td>• High-risk clinic visits</td>
<td>• Genetic evaluation</td>
<td>• Genetic evaluation</td>
<td>• Patient and family psychological counseling</td>
<td>• Psychological counseling</td>
<td>• Follow-up clinical exams for next 2 years</td>
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<td>• Preparing</td>
<td>• Counseling patient and family on rehabilitation options and process</td>
<td>• MRI</td>
<td>• Hospital visits</td>
<td>• Choosing a treatment plan</td>
<td>• Choosing a treatment plan</td>
<td>• Plastic or oncoplastic surgery evaluation</td>
<td>• Treatment of side effects (skin damage, neurotoxic, cardiac, nausea, lymphodema and chronic fatigue)</td>
<td>• Treatment for any continued side effects</td>
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<td>• Intervening</td>
<td>• Counseling patient and family on long term risk management</td>
<td>• Biopsy</td>
<td>• Hospital stay</td>
<td>• Procedure-specific measurements</td>
<td>• Procedure-specific measurements</td>
<td>• Adjuvant therapies (hormonal medication, radiation, and/or chemotherapy)</td>
<td>• Physical therapy</td>
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<td>• Recurring mammograms (every 6 months for the first 3 years)</td>
<td>• BRACA 1, 2...</td>
<td>• Visits to outpatient or radiation chemotherapy units</td>
<td>• Range of movement</td>
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- **Breast Cancer Specialist**
- **Other Provider Entities**
Moving to Value-Based Competition

Suppliers

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

• **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

Health Plans

“Payor”

Value-Added Health Organization
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

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
What Government Can Do: Policies to Improve the Structure of Health Care Delivery

• Enable universal **results information**
  – Establish a process of **defining outcome measures**
  – Enact **mandatory results reporting**
  – Establish information **collection** and **dissemination** infrastructure

• Improve **pricing practices**
  – Establish episode and **care cycle** pricing
  – Set limits on **price discrimination**

• Open up **competition** at the right level
  – Reduce **artificial barriers** to practice area integration
  – Require a value justification for captive referrals or treatment involving an economic interest
  – Eliminate artificial restrictions on **new entry**
  – Institute results-based **license renewal**
  – Strictly enforce **antitrust** policies
  – Curtail anticompetitive **buying group practices**
  – Eliminate barriers to competition **across geography**

• 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.