Value-Based Competition in Health Care

Professor Michael E. Porter
Healthways
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Issues in Health Care Reform

Health Insurance and Access

Standards for Coverage

Structure of Health Care Delivery
The Paradox of U.S. Health Care

The United States has a **private system** with **intense competition**

**But**

- 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**

- Competition is **not** working
- How is this state of affairs possible?
Competition on the Wrong Things
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**
Competition at the Wrong Levels

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

Market definition is misaligned with patient value
Principles of Value-Based Competition

1. The focus should be on value for patients, not just lowering costs.
Principles of Value-Based Competition

1. The focus should be on value for patients, not just lowering costs.

2. There must be unrestricted competition based on results.
   - Results vs. supply control
   - Results vs. process compliance
   - Reward results with patients vs. “lift all boats”
Principles of Value-Based Competition

1. The focus should be on **value for patients**, not just lowering costs.
2. There must be **unrestricted competition** based on **results**.
3. Competition should center on **medical conditions** over the **full cycle of care**.
What Businesses Are We In?

- Hypertension Management
- Chronic Kidney Disease
- End-Stage Renal Disease
- Kidney Transplants

Nephrology practice
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
The Care Delivery Value Chain
Chronic Kidney Disease

INFORMING
- Lifestyle counseling
- Diet counseling
- Explanation of the diagnosis and implications
- Medication counseling and compliance follow-up
- Lifestyle and diet counseling

MEASURING
- Serum creatinine
- Glomerular filtration rate (GFR)
- Proteinuria
- Special urine tests
- Renal ultrasound
- Serological testing
- Renal artery angioplasty
- Kidney biopsy
- Nuclear medicine scans
- Procedure-specific pre-testing
- Procedure-specific measurements
- Kidney function tests
- Kidney function tests
- Bone metabolism
- Anemia

ACCESSING
- Office visits
- Lab visits
- Various
- Office visits
- Office visits
- Hospital visits
- Office/lab visits
- Telephone/Internet interaction
- Office/lab visits
- Telephone/Internet interaction

MONITORING/ PREVENTING
- Monitoring renal function (at least annually)
- Monitoring and addressing risk factors (e.g., blood pressure)
- Early nephrologist referral for abnormal kidney function
- Medical and family history
- Directed advanced testing
- Consultation with other specialists
- Data integration
- Formal diagnosis
- Formulate a treatment plan
- Procedure-specific preparation (e.g., diet, medication)
- Tight blood pressure control
- Tight diabetes control
- Pharmaceutical
- Kidney function (ACE Inhibitors, ARBs)
- Procedures
- Renal artery angioplasty
- Urological
- (if needed)
- Endocrinological
- (if needed)
- Vascular access graft at stage 4

PREPARING
- Fine-tuning drug regimen
- Determining supporting nutritional modifications

INTERVENING
- Managing renal function
- Managing kidney side effects of other treatments (e.g., cardiac catheterization)
- Managing the effects of associated diseases (e.g., diabetes, hypertension, uremia)
- Referral for renal replacement therapy (RRT)

RECOVERING/ REHABING
- Managing renal function
- Managing kidney side effects of other treatments (e.g., cardiac catheterization)
- Managing the effects of associated diseases (e.g., diabetes, hypertension, uremia)
- Referral for renal replacement therapy (RRT)

MONITORING/ MANAGING
- Referring to other specialists
- Data integration
- Formal diagnosis
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Feedback Loops

Nephrology Practice
Other Provider Entities
Principles of Value-Based Competition

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2. There must be unrestricted competition based on results.
3. Competition should center on medical conditions over the full cycle of care.
4. High quality care should be less costly.
   - Prevention
   - Early detection
   - Right diagnosis
   - Treatment earlier in causal chain
   - Right treatment to the right patients
   - Fewer mistakes and repeats in treatment
   - Less delay in care delivery
   - Less invasive treatment methods
   - Less disability
   - Faster recovery
   - Slower disease progression
   - Less long term care

- Better health is inherently less expensive than worse health
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4. High quality care should be **less** costly.
5. Value is driven by provider **experience, scale, and learning** at the **medical condition level**.
The Virtuous Circle in a Medical Condition

- Feed virtuous circles vs. fragmentation of care
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4. High quality care should be **less** costly.
5. Value is driven by **provider experience, scale**, and **learning** at the medical condition level.
6. Competition should be **regional** and **national**, not just local.
   - Virtuous circles extend across geography
   - Management of care cycles across geography
   - Partnerships and inter-organizational integration
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5. Value is driven by **provider experience, scale**, and **learning** at the medical condition level.
6. Competition should be **regional** and **national**, not just local.
7. **Information** on results, costs, and prices needed for value-based competition must be widely available.
The Information Hierarchy

Patient Results
(Outcomes, costs and prices)

Experience

Methods
(For internal improvement)

Patient Attributes
(For risk adjustment and clinical insight)
# Boston Spine Group

## Clinical and Outcome Information Collected and Analyzed

### OUTCOMES

**Patient Outcomes**
*(before and after treatment, multiple times)*
- Visual Analog Scale (pain)
- Oswestry 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?”)*

### MEDHODS

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

**Surgery Complications**
- Patient returns to the operating room
- Infection
- Nerve injury
- Sentinel events (wrong site surgeries)
- Hardware failure

**Surgery Process Metrics**
- Operative time
- Blood loss
- Devices or products used
Measuring Value
The Outcome Measures Hierarchy

- Survival
- Completeness or degree of recovery / health
- Time to recovery / health
- Sustainability over time of recovery / health
- Disutility of treatment or care process (e.g., discomfort, side effects, errors)
- Long-term consequences of therapy / care (e.g., care-induced illnesses)
Principles of Value-Based Competition

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4. High quality care should be less costly.
5. Value is driven by provider experience, scale, and learning at the medical condition level.
6. Competition should be regional and national, not just local.
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

Defining the Right Goals

• Superior 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 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

• Employ partnerships and alliances to achieve these aims
The Care Delivery Value Chain
Breast Cancer Care

**KNOWLEDGE MANAGEMENT**
- Education and reminders about regular exams
- Lifestyle and diet counseling

**INFORMING**
- Counseling patient and family on the diagnostic process and the diagnosis
- Explaining and supporting patient choices of treatment
- Counseling patient and family on treatment and prognosis
- Counseling patient and family on rehabilitation options and process
- Counseling patient and family on long term risk management

**MEASURING**
- Mammograms
- Ultrasound
- MRI
- Biopsy
- BRACA 1, 2...

**ACCESSING**
- Office visits
- Mammography lab visits
- Lab visits
- High-risk clinic visits
- Hospital visits
- Hospital stay
- Visits to outpatient or radiation chemotherapy units
- Visits to rehabilitation facility visits

**MONITORING/ PREVENTING**
- Medical history
- Monitoring for lumps
- Control of risk factors (obesity, high fat diet)
- Clinical exams
- Genetic screening
- Periodic mammography
- Other imaging
- Follow-up clinical exams for next 2 years
- Treatment for any continued side effects

**DIAGNOSING**
- Determining the specific nature of the disease
- Genetic evaluation
- Choosing a treatment plan
- Surgery (breast preservation or mastectomy, oncoplastic alternative)
- Psychological counseling

**PREPARING**
- Medical counseling
- Surgery prep (anesthetic risk assessment, EKG)
- Patient and family psychological counseling
- Plastic or oncoplastic surgery evaluation
- Treatment of side effects (skin damage, neurotoxic, cardiac, nausea, lymphodema and chronic fatigue)
- Physical therapy

**INTERVENCING**
- Adjuvant therapies (hormonal medication, radiation, and/or chemotherapy)
- In-hospital and outpatient wound healing

**RECOVERING/ REHABING**
- Physical therapy
- Psychological counseling

**Breast Cancer Specialist**

**Other Provider Entities**
Analyzing the Care Delivery Value Chain

1. Is the **set and sequence** of activities in the CDVC aligned with value?
2. Is the appropriate **mix of skills** brought to bear on each activity and across activities, and do individuals work as a **team**?
3. Is there **appropriate coordination** across the discrete activities in the care cycle, and are handoffs seamless?
4. Is care structured to **harness linkages** across different parts of the care cycle?
5. Is the **right information** collected, integrated, and utilized across the care cycle?
6. Are the activities in the CDVC performed in **appropriate facilities and locations**?
7. What provider departments, units and groups are involved in the care cycle? Is the provider’s **organizational structure** aligned with value?
8. What are the **independent entities** involved in the care cycle, and what are the relationships among them? Should a provider’s **scope of services** in the care cycle be expanded or contracted?
Levels of Medical Integration
Within Medical Conditions versus Across Medical Conditions
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

Employers

• Set the goal of increasing health value, not minimizing health benefit costs

• Set new expectations for health plans, including self-insured plans

• Provide for health plan continuity for employees, rather than plan churning

• Enhance provider competition on results

• Support and motivate employees to make good health care choices and manage their own health

• Find ways to expand insurance coverage and advocate reform of the insurance system

• Measure and hold employee benefit staff accountable for the company’s health value received
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

- Consumers cannot (and should not) be the only drivers
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

• Enable bundled prices and 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.
Moving to Value-Based Competition

Suppliers

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

• Demonstrate value based on careful study of long term costs and results versus alternative approaches and 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
The Care Delivery Value Chain

KNOWLEDGE MANAGEMENT

INFORMING

MEASURING

ACCESSING

MONITORING/PREVENTING  DIAGNOSING  PREPARING  INTERVENING recovering/rehabing  MONITORING/MANAGING
Why Competition Went Wrong?

- **Wrong definition of the product**: health care as a commodity, health care as discrete interventions/treatments

- **Wrong objective**: reduce costs (vs. increase value)
  - Piecemeal view of costs

- **Wrong geographic market**: local

- **Wrong provider strategies**: breadth, convenience and forming large groups

- **Wrong industry structure**: mergers and regional consolidation, but highly fragmented at the service level

- **Wrong information**: patient satisfaction and (recently) process compliance, not prices and results

- **Wrong patient attitudes and incentives**: little responsibility

- **Wrong health plan strategies and incentives**: the culture of denial

- **Wrong incentives for providers**: get big, pay to treat, reward invasive care

- **Employers went along**: discount, minimize annual costs, and push costs to employees
The Evolution of Reform Models

**Past**
- Focus on Cost Control, Bargaining, and Rationing
  - Limiting provider compensation
  - Medical arms race
  - Managed care
  - Clinton Plan

**Present**
- Focus on Recourse/Regulation
  - “Patients’ rights”
- Focus on Consumer Responsibility and Health Plan Choice
  - “Consumer-driven health care”

**Future**
- Focus on Provider/Hospital Practices
  - “Quality” and “Pay for performance”
  - IT as the silver bullet (EMR, CPOE, genetics, decision support)
- Focus on the Nature of Competition
  - “Value-based competition”
  - Specific medical conditions
  - Patient-centric
  - Information on results

- **Past**
- **Present**
- **Future**
### Transforming the Roles of Health Plans

**Old Role: culture of denial**

- 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 value-based competition on results**

- 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**
Overcoming Barriers to Health Plan Transformation

Health Plans

External
• Medicare practices
• Provider resistance
• Lack of information on results and costs

Internal
• Information technology
• Medical expertise
• Trust
• Mindsets
• Culture and values

• Health plans that are integrated with a provider network have had advantages in moving in these directions in the current system, but independent health plans offer greater potential to support value-based competition
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**
What Government Can Do: Policies to Improve Health Insurance, Access, and Coverage

Insurance and Access

• Enact mandatory health coverage
• Provide subsidies or vouchers for low-income individuals and families
• Create risk pools for high-risk individuals
• Enable affordable insurance plans
• Eliminate unproductive insurance rules and billing practices
  – Ban re-underwriting
  – Clarify legal responsibility for medical bills
  – Eliminate balance billing

Coverage

• Establish a national standard for required coverage
• The Federal Employees Health Benefit Plan (FEHBP) as a starting point
What Government Can Do: Policies to Improve the Structure of Health Care Delivery (continued)

• Establish standards and rules that enable information technology and information sharing
  – Develop standards for interoperability of hardware and software
  – Develop standards for medical data
  – Enhance identification and security procedures
  – Provide incentives for IT adoption

• Reform the malpractice system

• Redesign Medicare policies and practices
  – Make Medicare a health plan, not a payer or a regulator

• Modify counterproductive pricing practices

• Improve Medicare Pay-for-Performance

• Align Medicaid with Medicare

• Invest in medical and clinical research
Health Care for Low Income Americans

• Mandatory, universal health coverage is essential, with subsidies for those who need – for reasons of economics as well as equity.

• Two class care works against the fundamental dynamic of using quality improvement to reduce costs

• Competition does not mean substandard care for low income Americans.

• Results reporting makes substandard care for any patient reflect poorly on the provider of that care, so quality and value will improve for all.
  – Results reporting will unmask disparities in care, making them intolerable.

• The price of a service should not depend on who is paying (as it does today), but on the care needed and on the provider.
Moving to Value-Based Competition

Drug Stores

Strategic Questions
• How can drug stores add value?
• Can drug stores move beyond providing discrete services?

Role of Drug Stores
• Drug stores bring **numerous assets** to value-creation in health care
  – Convenient and accessible to the patients
  – Low-cost and well-managed setting for providing health care
  – Reasonably trusted by both patients and physicians
  – Not intimidating
• Drug stores are a **part of care cycles** for medical conditions
  – Where do they fit in?
  – Where could they fit in?
    • Routine health maintenance in the care cycles
    • Preventative care
    • More complex/chronic disease management
• Potential roles for drug stores include providing:
  – Products used in care cycles
  – Information about drug and product usage
  – Information about the patient’s personal role in their care
  – Help monitor compliance with therapy
  – Health coaching beyond the pharmacist
  – Measurement, screening and monitoring
  – Selective rehabilitation, physical therapy, quasi health clubs

Enablers
• To play these roles, drug stores need to establish IT linkages with care cycles providers
• Relationship with providers
• Relationships with the health plans
• Play as part of a team