Winning Competitive Strategies in Today's Shifting Global Marketplace

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The following portion of this presentation draws on Michael E. Porter and Elizabeth Olmsted Teisberg: Redefining Health Care: Creating Value-Based Competition on Results, Harvard Business School Press, May 2006. Earlier publications about health care include the Harvard Business Review article "Redefining Competition in 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.
Agenda

• The Economic Foundations of Competition

• Principles of Strategy

• Creating, Growing, and Implementing a Strategy

• Integrating Strategy and Corporate Social Responsibility

• **Strategy in Health Care: How to Solve the Health Care Problem**
Issues in Health Care Reform

Health Insurance and Access

Standards for Coverage

Structure of Health Care Delivery
Competition in Health Care

**Bad Competition**
- 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
- Zero or Negative Sum

**Good Competition**
- Competition to *increase value for patients*
- Positive Sum
Principles of Value-Based Competition

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

1. The goal should be **value for patients**, not just lowering costs.
2. There must be **unrestricted competition** based on **results**.
   
   - Results vs. supply control or process compliance
   
   - Get patients to excellent providers vs. “lift all boats”
Principles of Value-Based Competition

1. The goal should be 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 is a Medical Condition?

• A medical condition is **an interrelated set of patient medical circumstances best addressed in an integrated way**
  – From the patient’s perspective

• **Includes** the most common co-occurrences

• **Examples**
  – Breast Cancer
  – Diabetes (including vascular disease, hypertension)
What is the Cycle of Care?
Organ Transplantation

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

Addressing organ rejection
Fine-tuning the drug regimen

Adjustment and monitoring
# Breast Cancer Care

## Care Delivery Value Chain

**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 rehabilitation options and process

**Measuring**
- Procedure-specific measurements
- Range of movement
- Side effects measurement

**Accessing**
- Self exams
- Mammograms
- Office visits

**Monitoring/Preventing**
- Medical history
- Monitoring for lumps
- Control of risk factors (obesity, high fat diet)
- Clinical exams
- Genetic screening

**Diagnosing**
- Medical history
- Determining the specific nature of the disease
- Genetic evaluation
- Choosing a treatment plan

**Preparing**
- Medical counseling
- Surgery prep (anesthetic risk assessment, EKG)
- Patient and family psychological counseling
- Plastic or oncoplastic surgery evaluation

**Intervening**
- Surgery (breast preservation or mastectomy, oncoplastic alternative)
- Adjuvant therapies (hormonal medication, radiation, and/or chemotherapy)

**Recovering/Rehabbing**
- In-hospital and outpatient wound healing
- Psychological counseling
- Treatment of side effects (skin damage, neurotoxic, cardiac, nausea, lymphedema and chronic fatigue)
- Physical therapy

**Monitoring/Managing**
- Periodic mammography
- Other imaging
- Follow-up clinical exams for next 2 years
- Treatment for any continued side effects

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**Provider Margin**

- Breast Cancer Specialist
- Other Provider Entities
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4. High quality care should be **less** costly.
   - Prevention - Fewer mistakes and repeats in treatment
   - Early detection - Fewer delays in care delivery
   - Right diagnosis - Less invasive treatment methods
   - Early treatment - Faster recovery
   - Right treatment to the right patients - Less disability
   - Treatment earlier in the causal chain - Slower disease progression
   - Slower disease progression - Less need for long term care

- Better health is **inherently less expensive** than worse health
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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

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

- 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.
   - Management of care cycles across geography
   - Partnerships and inter-organizational integration
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6. Competition should be **regional** and **national**, not just local.

7. Results **Information** 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)
Measuring Results

The Outcome Measures Hierarchy

- Survival
- Degree of recovery / health
- Time to recovery / health
- Disutility of care process or treatment (e.g., discomfort, side effects, diagnostic errors, treatment errors)
- Sustainability of recovery / health over time
- Long-term consequences of therapy / care (e.g., care-induced illnesses)
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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.
   – Reimbursement for care cycles, not discrete treatments or services
# Is Competition Desirable in Health Care?

## Good Competition
- Measuring and disseminating outcomes in medical conditions
- Competing to gain market share in medical conditions based on outcomes and costs
- Integrating services over the care cycle
- Shifting care to outpatient facilities to improve patient value
- Organizing all care in a hospital system into an integrated organization for each medical condition
- Expanding excellent IPUs across geography

## Bad Competition
- Exercising power to shift costs to patients or other actors
- Restricting patients’ choice of providers
- Ownership of physician practices to capture referrals
- Shifting care to outpatient facilities to capture more revenue
- Hospital mergers with no reallocation and integration of services

## The essential challenge is to **align** competition with patient value
Moving to Value-Based Competition

Providers

- Redefine the practice around medical conditions
- Organize around medically integrated practice units (IPU)
- Integrate services in each medical condition across geographic locations
- Measure results, methods, and patient attributes by IPU
- Move to single bills and pricing for care cycles
- Choose the scope of services based on excellence
- Grow service lines across geography in areas of strength
- Employ partnerships and alliances to achieve these aims
- Market services based on excellence, uniqueness, and results
Moving to Value-Based Competition

Health Plans

• Measure **provider results** by medical condition
• Advise patients (and referring physicians) in selecting **excellent** providers
• Reward **excellent** providers with more patients
• Coordinate patient care across the **full care cycle**
• Shift reimbursement to bundled prices for care cycles
• Assemble **members’ total medical records**
• Provide comprehensive **prevention** and **disease management** services to all members, even healthy ones
• Move to **multi-year subscriber contracts**
• Organize around **medical conditions**, not geography or administrative functions
Moving to Value-Based Competition

Government

- Mandate the universal measurement, collection, and reporting of outcome and eventually results information
- Create common data definitions and IT standards to enable the collection and exchange of medical information
- Enable the restructuring of health care delivery around integrated care across the full care cycle of medical conditions
- Shift reimbursement to bundled prices for cycles of care and away from payments for discrete treatments or services
- End provider price discrimination across patients
- **Remove artificial restraints to competition** among providers and across geography
- Create neutrality (e.g. tax, risk pooling) between employer-provided and individually-purchased health insurance
- Move to an individual mandate to purchase health insurance