Value-Based Competition in Health Care

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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

<table>
<thead>
<tr>
<th>Knowledge Management</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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</thead>
<tbody>
<tr>
<td>• Education and reminders about regular exams • Lifestyle and diet counseling</td>
<td>• Self exams • Mammograms</td>
<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) • Patient and family psychological counseling • Plastic or oncoplastic surgery evaluation</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) • Physical therapy</td>
<td>• Breast Cancer Specialist • Other Provider Entities</td>
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<tr>
<td>• Counseling patient and family on the diagnostic process and the diagnosis</td>
<td>• Office visits • Mammography lab visits</td>
<td>• Office visits • Lab visits • High-risk clinic visits</td>
<td>• Office visits • Hospital visits</td>
<td>• Hospital stay • Visits to outpatient or radiation chemotherapy units</td>
<td>• Office visits • Rehabilitation facility visits</td>
<td>• Office visits</td>
<td>• Periodic mammography • Other imaging • Follow-up clinical exams for next 2 years • Treatment for any continued side effects</td>
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<tr>
<td>• Explaining and supporting patient choices of treatment</td>
<td>• Procedure-specific measurements</td>
<td>• Range of movement • Side effects measurement</td>
<td>• Office visits</td>
<td>• Recurring mammograms (every 6 months for the first 3 years)</td>
<td>• Office visits</td>
<td>• Office visits</td>
<td></td>
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</tbody>
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Levels of Medical Integration
Within Medical Condition versus Across Medical Condition

- Integrated Practice Unit
  - Medical Condition A

- Integrated Practice Unit
  - Medical Condition B

- Integrated Practice Unit
  - Medical Condition C

- Integrated Practice Unit
  - Medical Condition D
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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
   - 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

- Feed virtuous circles vs. fragmentation of care
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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.
   - 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, prices and costs)

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 or treatment process (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
Moving to Value-Based Competition

Providers

• Redefine the practice around care cycles for medical conditions, not specialties

• 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

“Payor” → Value-Added Health Organization
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

Employers

- Set goal of increasing **health value**, not minimizing health benefit costs

- Shift System Structure
  - Set new expectations for health plans, including **self-insured** plans
  - Enhance provider competition on **results**
  - Find ways to **expand insurance coverage** and advocate reform of the insurance system

- Internal Health Care and Promotion
  - Provide for health plan **continuity** for employees, rather than plan churning
  - Support and motivate employees to **make good health care choices** and manage their own health
  - Measure and hold employee benefit staff accountable for the company’s **health value received**
Moving to Value-Based Competition

**Government**

- Mandate the universal measurement, collection, and reporting of *outcomes* and eventually *results* information by medical condition
- Create *common data definitions* and *IT standards* to enable the collection and exchange of medical information
- Enable the *restructuring of health care delivery* around the integrated care cycle for *medical conditions*
- Shift reimbursement to *bundled prices for care cycles* 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
- Make Medicare a *health plan*
- Create *neutrality* (e.g. tax, risk pooling, purchasing groups) between employer-provided and individually-purchased health insurance
- Move to an *individual mandate* to purchase health insurance
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
- **Providers** can and should take the lead