Value-Based Competition in Health Care

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Issues in Health Care Reform

Health Insurance and Access

Structure of Health Care Delivery

Standards for Coverage
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)
Breast Cancer Care
Care Delivery Value Chain

INFORMING
- Self exams
- Mammograms
- Mammograms
- Ultrasound
- MRI
- Biopsy
- BRACA 1, 2...

MEASURING
- Office visits
- Mammography lab visits
- Office visits
- Lab visits
- High-risk clinic visits
- Office visits
- Hospital visits
- Hospital stay
- Office visits
- Office visits
- Office visits

ACCESSING
- MONITORING/
PREVENTING
- Medical history
- Monitoring for lumps
- Control of risk factors (obesity, high fat diet)
- Clinical exams
- Genetic screening
- Medical history
- Determining the specific nature of the disease
- Genetic evaluation
- Choosing a treatment plan
- Medical history
- Medical counseling
- Surgery prep (anesthetic risk assessment, EKG)
- Patient and family psychological counseling
- Plastic or oncoplastic surgery evaluation
- Surgery (breast preservation or mastectomy, oncoplastic alternative)
- Adjuvant therapies (hormonal medication, radiation, and/or chemotherapy)
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- Plastic or oncoplastic surgery evaluation
- Surgery (breast preservation or mastectomy, oncoplastic alternative)
- Adjuvant therapies (hormonal medication, radiation, and/or chemotherapy)
- In-hospital and outpatient wound healing
- Psychological counseling
- Treatment of side effects (skin damage, neurotoxic, cardiac, nausea, lymphodema and chronic fatigue)
- Physical therapy
- Periodic mammography
- Other imaging
- Follow-up clinical exams for next 2 years
- Treatment for any continued side effects

PROVIDER MARGIN
- Breast Cancer Specialist
- Other Provider Entities
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
   - Early detection
   - Right diagnosis
   - Early treatment
   - Right treatment to the right patients
   - Treatment earlier in the causal chain
     - Fewer mistakes and repeats in treatment
     - Fewer delays in care delivery
     - Less invasive treatment methods
     - Faster recovery
     - Less disability
     - 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

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

Disutility of care or treatment process (e.g., treatment-related discomfort, adverse effects, diagnostic errors, treatment errors)

Sustainability of recovery or health over time

Long-term consequences of therapy (e.g., care-induced illnesses)
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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
Integrated Delivery of Migraine Care
KKH and University Hospital Essen

- Current delivery system structured along specialty of providers
- No coordinated multidisciplinary treatment available for migraine – patients move from specialist to specialist or never seek care (50%)
- Lack of systematic outcome data but evidence suggests only 27% of patients receive consistently effective care
- High disease burden with total cost estimated to be 5 billion EUR/year

Establishment of West German Headache Center, with staff and facility dedicated to migraine treatment
- Multidisciplinary treatment with neurologists, psychologists and physical therapists in the center
- Integration of outpatient clinic, day hospital, inpatient beds, and 51 network neurologists into one delivery system
- Strong focus on results measurement
- The number of patients with six or more sick days from work declined from 58% to 11% after 6 month and patient satisfaction is at 90%

Source: KKH, Westdeutsches Kopfschmerzzentrum
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

**Government**

- Measure and report health *results*
- Create standard *data definitions* and *interoperability standards* to enable the collection and exchange of medical information for every patient
- Enable the *restructuring of health care delivery* around the integrated care of *medical conditions* across the *full care cycle*
- Shift reimbursement to *bundled prices for cycles of care* instead of payments for discrete treatments or services
- End *provider price discrimination* across patients
- Remove *artificial restraints to competition* among providers and across geography
Moving to Value-Based Competition

Government – cont’d.

• Encourage the **responsibility of individuals** for their health and their health care

• Require health plans to measure and report **health outcomes** for members

• Enable **universal insurance** consistent with value-based principles
  – Create neutrality between employer-provided and individually-purchased health insurance
  – Move towards an individual mandate to purchase health insurance
  – All health insurance plans should include screening and preventive care in addition to disease management for chronic conditions
The Critics

- Practicality
  - “Utopian vision”
  - These ideas “might occur to anyone possessed of a modicum of common sense but not too familiar with the real world of health care.”
    - Uwe Reinhardt

- Medical Conditions / Provider Strategy
  - “Patients have a nasty habit of having more than one thing wrong with them.”
    - Gail Wilensky
  - “If each provider focuses on only one medical condition, they will not be able to treat the patient’s real problem…”
    - Various commentators

- Integrated Health Systems
  - “Integrated delivery systems can organize and arrange comprehensive health services for members.”
    - Alain Enthoven
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