Value-Based Competition in Health Care

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Proposed Solutions

• Single Payer System
• Consumer-Driven Health Care
• Pay for Performance
• Integrated Payer-Provider Systems
• Electronic Medical Records
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 often 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 in Health Care

**Bad Competition**

- Competition to **shift costs** or capture a bigger share of revenue
- 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”
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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

ACCESSING
- 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)

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

RECOVERING/ REHABING
- In-hospital and outpatient wound healing
- Psychological counseling
- Treatment of side effects (skin damage, neurotoxic, cardiac, nausea, lymphodema and chronic fatigue)
- Physical therapy

PROVIDER MARGIN

- Recurring mammograms (every 6 months for the first 3 years)
- Lab visits
- Mammographic labs and imaging center visits

MONITORING/ MANAGING
- Periodic mammography
- Other imaging
- Follow-up clinical exams for next 2 years
- Treatment for any continued side effects

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
   - Treatment earlier in the causal chain - 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
- Improving Reputation
- Rapidly Accumulating Experience
- Rising Process Efficiency
- Better Information/Clinical Data
- More Fully Dedicated Teams
- More Tailored Facilities
- Greater Leverage in Purchasing
- Wider Capabilities in the Care Cycle
- Rising Capacity for Sub-Specialization
- Faster Innovation
- Spread IT, Measurement, and Process Improvement Costs over More Patients
- Better Results, Adjusted for Risk

• 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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7. Results information must be widely available.
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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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

- Choose the **scope of services** based on excellence
- 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**
- **Market** services based on excellence, uniqueness, and results
- Grow service lines across geography in **areas of strength**
- Employ **partnerships** and **alliances** to achieve these aims
Migraine Care in Germany

**Old Model**

- Imaging Unit
- Outpatient Neurology
- Outpatient Physical Therapist
- Primary Care Physician
- Inpatient Treatment and Detox
- Outpatient Psychologist

**New Model**

- Imaging Unit
- West German Headache Center
  - Neurologists
  - Psychologists
  - Physical Therapists
  - Day Hospital
- Network Neurologists
- Essen Univ. Hospital Inpatient Unit

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

Employers

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

<table>
<thead>
<tr>
<th>Shift System Structure</th>
<th>Internal Health Care and Promotion</th>
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<tr>
<td>• Set new expectations for health plans, including <strong>self-insured</strong> plans</td>
<td>• Provide for health plan <strong>continuity</strong> for employees, rather than plan churning</td>
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<tr>
<td>• Enhance provider competition on <strong>results</strong></td>
<td>• Support and motivate employees to <strong>make good health care choices</strong> and manage their own health</td>
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<tr>
<td>• Find ways to <strong>expand insurance coverage</strong> and advocate reform of the insurance system</td>
<td>• Measure and hold employee benefit staff accountable for the company’s <strong>health value received</strong></td>
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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
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