Redefining Competition in Health Care

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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, and "How Physicians Can Change the Future of Health Care," Journal of the American Medical Association, 2007; 297:1103:1111. 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. Further information about these ideas, as well as case studies, can be found on the website of the Institute for Strategy & Competitiveness at http://www.isc.hbs.edu.
Redefining Competition in Health Care

• Universal insurance is not enough

• True reform must significantly increase the value of health care delivery

Value: Patient outcomes per dollar spent
Redefining Competition in Health Care

- Universal insurance **is not enough**
- True reform must significantly increase the **value of health care delivery**
- Increasing value will require going **beyond cost containment and administrative savings**
- Significant value improvement will require **fundamental restructuring of health care delivery**, not incremental improvements

Today, 21st century medical technology is delivered with 19th century organization structures, management practices, and pricing models
Breast Cancer Care Delivery Value Chain

INFORMING
- Education and reminders about regular exams
- Lifestyle and diet counseling

MEASURING
- Self exams
- Mammograms
- Mammography
- Ultrasound
- MRI
- Biopsy
- BRACA 1, 2...
- Procedure-specific measurements
- Range of movement measurements
- Side effects measurement

ACCESSING
- Office visits
- Mammography lab visits
- Lab visits
- High-risk clinic 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 psychosocial counseling
- Plastic or oncoplastic surgery evaluation

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

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

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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)
  – Stroke
  – Migraine
Migraine Care in Germany

Old Model
- Imaging Unit
- Outpatient Physical Therapist
- Inpatient Neurology
- Primary Care Physician
- Outpatient Psychologist
- Outpatient Neurology

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
Integrating Care Delivery: First Order and Second Order
Within Medical Condition versus Across Medical Condition
Redefining Competition in Health Care, cont’d.

• Today’s competition in health care is **not aligned with value**

<table>
<thead>
<tr>
<th>Financial success of system participants</th>
<th>≠</th>
<th>Patient success</th>
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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 Competition

Good Competition

• Competition to **increase value for patients**
• Positive Sum Competition
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
Redefining Competition in Health Care, cont’d.

• Today’s **competition** in health care is **not aligned with value**

• Restructuring health care delivery will require **realigning competition around value**
  – Compete on results, not process compliance
  – Get patients to excellent providers
  – Reimburse for care cycles, not discrete services
The Virtuous Circle in a Medical Condition

- The virtuous cycle extends **across geography**
Redefining Competition in Health Care, cont’d.

• Today’s competition in health care is not aligned with value

• Restructuring health care delivery will require redefining competition around value

• The most important single driver of improvement in health care is measuring results

<table>
<thead>
<tr>
<th>Results: Patient health outcomes over the care cycle</th>
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<tr>
<td>Total cost of achieving those outcomes</td>
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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, complications, or adverse effects, diagnostic errors, treatment errors)
- Sustainability of recovery or health over time
- Long-term consequences of therapy (e.g., care-induced illnesses)
Redefining Competition in Health Care, cont’d.

• Today’s competition in health care is not aligned with value

• Restructuring health care delivery will require redefining competition around value

• The most important single driver of improvement in health care is measuring results

• Information technology is an enabler of restructuring care delivery and measuring results, not a solution itself

• Value-based competition will involve new roles, organizational structures, and operating practices for each system participant
  – Providers
  – Health plans
  – Employers
  – Suppliers
Redefining Competition in Health Care, cont’d.

• Government policy should **set the right rules and ensure results measurement**, but restructuring health care delivery must occur from the **bottom up**

  – Government-led
  – Payer-centric
  – Consumer-driven
  – Physician-led
  – Patient-centric
  – Results-driven

• Achieving universal coverage must **reinforce, rather than complicate**, value-based competition and restructuring of care

  – **Neutrality** between employer and individual coverage
  – **Infrastructure** for individually purchased coverage
  – **Individual mandate** with subsidies
  – Patient responsibilities: **participation in care**, not just payment responsibility
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

• Appropriate government policy can speed up the process

• There is no need to wait