Creating a High-Value Health Care System: Implications for Sweden

Professor Michael E. Porter
Harvard Business School

Blicka
Stockholm, Sweden
April 27, 2007
Sweden’s Next Health Care Challenge

- Universal Health Care
- Equitable Health Care
- Safe Health Care

High-value health care delivery system
Issues in Health Care Reform

- Health Insurance and Access
- Standards for Coverage
- Structure of Health Care Delivery
Redefining Health Care

• Universal insurance is not enough

• The core issue in health care is the value of health care delivered

Value: Patient outcomes per dollar spent

• How to design a health care system that dramatically improves value

• How to create a dynamic system that keeps rapidly improving
Creating a Value-Based Health Care System – cont’d.

- Significant improvement in value 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

- TQM, process improvements, and safety initiatives are beneficial but **not sufficient**
Restructuring Health Care Delivery: Medical Conditions
Migraine Care in Germany

Old Model: Organize by Specialty and Discrete Services

- Imaging Centers
- Outpatient Physical Therapists
- Inpatient Neurologists
- Outpatient Psychologists
- Primary Care Physicians

New Model: Integrated Practice Units

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

Source: KKH, Westdeutsches Kopfschmerzzentrum

Copyright 2007 © Michael E. Porter and Elizabeth Olmsted Teisberg
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
  – Diabetes (including vascular disease, hypertension)
  – Breast Cancer
  – Stroke
  – Migraine
  – Spine
  – Asthma
  – Congestive Heart Failure
Restructuring Health Care Delivery: The Cycle of Care
Organ Transplantation

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

- Alternative therapies to transplantation
- Addressing organ rejection
- Fine-tuning the drug regimen
- Adjustment and monitoring
### The Care Delivery Value Chain

#### Breast Cancer

<table>
<thead>
<tr>
<th>Accessing</th>
<th>Informing</th>
<th>Measuring</th>
<th>Monitoring/Preventing</th>
<th>Diagnosing</th>
<th>Preparing</th>
<th>Intervening</th>
<th>Recovering/Rehabing</th>
<th>Monitoring/Managing</th>
</tr>
</thead>
</table>
| • Office visits  
• Mammography lab visits | • Education and reminders about regular exams  
• Lifestyle and diet counseling | • Self exams  
• Mammograms  
• Mammograms  
• MRI  
• Biopsy  
• BRACA 1, 2... | • Procedure-specific measurements  
• Range of movement  
• Side effects measurement | • 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 | • Surgery (breast preservation or mastectomy, oncoplastic alternative)  
• In-hospital and outpatient wound healing  
• Psychological counseling | • Treatment of side effects (skin damage, neurotoxic, cardiac, nausea, lymphedema and chronic fatigue)  
• Physical therapy | • Periodic mammography  
• Other imaging  
• Follow-up clinical exams for next 2 years  
• Treatment for any continued side effects |
| | | | | | | | | |

- **Primary care providers** are often the beginning and end of care cycles.
Integrating Care Delivery: Patients With Multiple Medical Conditions

- Integrated Practice Unit
  - Diabetes

- Integrated Practice Unit
  - Congestive Heart Failure

- Integrated Practice Unit
  - Migraine

- Integrated Practice Unit
  - Osteoarthritis of the Hips
Restructuring Health Care Delivery

- Value is driven by provider **experience**, **scale**, and **learning** at the **medical condition level**

  The Virtuous Circle

- **The virtuous cycle extends across geography**
- **Fragmentation** of provider services works against patient value
Restructuring Health Care Delivery – cont’d.

- Value is driven by provider experience, scale, and learning at the medical condition level

- Reimbursement should encompass the cycle of care, not discrete treatments or services
  - DRGs are too narrow
Integrating Services Across Geography

Current Model: Each Unit is Stand Alone and Offers Most Services

- PCP
- Community Hospital A
- Specialist Practice
- Academic Medical Center
- Community Hospital B
- Specialist Practice

New Model: Care is Specialized and Integrated Across Geographic Units By Medical Conditions

- Referral / Disease Management
- Satellite Hospital Unit
- Regional Outpatient Hub
- Inpatient Unit
- Referral / Disease Management
- Referral / Disease Management
- Referral / Disease Management
Moving to Value-Based Competition

Providers

• Organize around integrated practice units (IPU) for each medical condition

• Choose the scope of services in each facility based on excellence

• Integrate services in the medical condition across geographic locations

• Employ formal partnerships and alliances with other entities in the care cycle

• Measure results by medical condition

• Extend service lines across geographic regions in areas of excellence
Creating Value-Based Competition

• Competition is a powerful force for stimulating continuous improvement in value
Creating Value-Based Competition

• Competition is a powerful force for stimulating continuous improvement in value

• Today’s competition in health care is often not aligned with value
Creating Value-Based Competition

• Competition is a powerful force for stimulating *continuous improvement in value*

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

<table>
<thead>
<tr>
<th>Financial success of system participants</th>
<th>≠</th>
<th>Patient success</th>
</tr>
</thead>
</table>
Competition in U.S. 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
Creating Value-Based Competition - cont’d.

- Competition is a powerful force to stimulate **continuous improvement in value**
- Today’s **competition** in health care is **not aligned with value**

- Creating **competition around value** is a central challenge in health care reform
  - Compete on results
  - Get patients to the excellent providers in each medical condition
  - Expand the proportion of patients treated by the best teams
  - Grow the best teams by reallocating personnel and capacity
Creating Value-Based Competition - cont’d.

- Competition is a powerful force to stimulate continuous improvement in value
- Today’s competition in health care is not aligned with value
- Creating competition around value is a central challenge in health care reform

- Competition should be regional and national, not just local
  - Manage care cycles across geography
  - Utilize partnerships and inter-organizational integration among separate institutions
Creating Value-Based Competition - cont’d.

- The most important single driver of value improvement is to **measure results**

<table>
<thead>
<tr>
<th>Results: Patient health outcomes over the care cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost of achieving those outcomes</td>
</tr>
</tbody>
</table>
Measuring Results
Principles

• Measure **outcomes** versus processes of care

• Outcome measurement should take place:
  – At the **medical condition** level
  – Over the **cycle of care**

• There are **multiple outcomes** for every medical condition

• Outcomes must be **adjusted for risk**

• Outcomes are as important for **physicians** as for consumers and health plans

• The feasibility of universal outcome measurement at the medical condition level has been **conclusively demonstrated**
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)
Creating Value-Based Competition - cont’d.

• **Information technology** is an enabler of restructuring care delivery and measuring results, **not a solution itself**
  – Common data definitions
  – Interoperability standards
  – Patient-centered database
Creating a High-Value Health Care System: Roles and Responsibilities

• Value-based competition involves new roles, organizational structures, and operating practices for each system participant

Consumers

– Participate actively in managing personal health

– Expect relevant information and seek advice

– Make treatment and provider choices based on excellent results and personal values, not convenience or amenities

– Work with the health plan in long-term health management

– But “consumer-driven health care” is the wrong metaphor
Creating a High-Value Health Care System: Roles and Responsibilities

Health Plans

“Payor”

Value-Added Health Organization

Single Payor

Competing Regional or National Health Plans
Moving to Value-Based Competition

Roles of a Health Plan

- Monitor and compare **provider results** by medical condition
- Provide advice to patients (and referring physicians) in selecting **excellent providers**
- Assist in coordinating patient care across the **full care cycle** and **across medical conditions**
- Provide for comprehensive **prevention** and **chronic disease management** services to all members
- Design new reimbursement models **for care cycles**
- Assemble and manage the **total medical records** of members
- Measure and report **overall health results** for members
Creating a High-Value Health Care System: Roles and Responsibilities

**Employers**

- Set the goal of **employee health**
- Assist employees in **healthy living** and **active participation in their own care**
- Provide for convenient access to **prevention, screening, and disease management** services
Creating a High-Value Health Care System: Roles and Responsibilities

**Government**

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

  → Government-led
  → Consumer-driven
  → Payment-centric

  → Results-driven
  → Patient-centric
  → Physician-led
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
Implications for Sweden

• Organize care around **integrated practice units** for medical conditions

• Integrate management and care delivery for each medical condition **across geographic units**

• **Limit duplication of service lines** among providers to reach threshold patient volume for excellent care

• Move to **care cycle reimbursement**, not fee-for-service or global budgets

• Truly **open up competition** across counties

• Expand **outcome** and **cost measurement** across all medical conditions and providers
  
  – From episodes to care cycles

• Set **IT standards** and enable universal IT adoption

• Create **true health plans**, not multiple government payor organizations

• Significantly increase the **role of patients** in their health and their health care
How Will Redefining Health Care Begin?

- It is **already happening** in a number of countries, including the U.S.
- 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** to get started.