Value-Based Competition in Health Care

Professor Michael E. Porter
Harvard Business School

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Proposals for Reforms

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

Health Insurance and Access

Structure of Health Care Delivery

Standards for Coverage
Creating a Value-Based Health Care System

• 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 design a dynamic system that keeps rapidly improving

• 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
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 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 maximize revenue per visit or reduce costs

Zero or Negative Sum

Good Competition

• Competition to **increase value for patients**

Positive Sum
Creating a Value-Based Health Care System

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

| Financial success of system participants | $\neq$ | Patient success |

- Creating **competition around value** is the central challenge in health care reform
Principles of Value-Based Competition

1. The goal should be **value for patients**, not just lowering costs.
   - This will require going **beyond cost containment** and **administrative savings**
Principles of Value-Based Competition

1. The goal should be **value for patients**, not just lowering costs.

2. The best way to contain costs is to drive improvement in **quality**
   - Prevention
   - Early detection
   - Right diagnosis
   - Early treatment
   - Right treatment to the right patients
   - Treatment earlier in the causal chain of disease
   - Fewer mistakes and repeats in treatment
   - Fewer delays in the care delivery process
   - Less invasive treatment methods
   - Faster recovery
   - More complete recovery
   - Less disability
   - Fewer relapses or acute episodes
   - Slower disease progression
   - Less need for long term care

   • Better health is **inherently less expensive** than poor health
Principles of Value-Based Competition

1. The goal should be **value for patients**, not just lowering costs

2. The best way to contain costs is to drive improvement in **quality**

3. 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. The best way to contain costs is to drive improvement in **quality**
3. There must be **unrestricted competition** based on **results**
4. Competition should center on **medical conditions** over the **full cycle of care**
Restructuring Health Care Delivery: Medical Conditions
Migraine Care in Germany

Old Model: Organize by Specialty and Discrete Services

- Imaging Centers
- Outpatient Neurologists
- Inpatient Treatment and Detox Units
- Outpatient Physical Therapists
- Primary Care Physicians
- Outpatient Psychologists

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

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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**
  – Diabetes (including vascular disease, hypertension)
  – Breast Cancer
  – Stroke
  – Migraine
  – Asthma
  – Congestive Heart Failure
  – HIV/AIDS
The Care Delivery Value Chain
Breast Cancer

- **INFORMING & ENGAGING**
  - Advice on self screening
  - Consultation on risk factors
  - Self exams
  - Mammograms
  - Office visits
  - Mammography lab visits

- **MEASURING**
  - Counseling patient and family on the diagnostic process and the diagnosis
  - Mammograms
  - Ultrasound
  - MRI
  - Biopsy
  - BRAC1, 2...
  - Office visits
  - Lab visits
  - High-risk clinic visits
  - Hospital stay
  - Visits to outpatient or radiation chemotherapy units

- **ACCESSING**
  - Explaining and supporting patient choices of treatment
  - Procedure-specific measurements
  - Range of movement
  - Side effects measurement

- **MONITORING/RECOVERING**
  - Counseling patient and family on rehabilitation options and process
  - Counseling patient and family on long term risk management
  - Recurring mammograms (every 6 months for the first 3 years)

- **PREPARING**
  - Counseling patient and family on treatment and prognosis
  - Counseling patient and family on treatment and prognosis
  - Counseling patient and family on long term risk management

- **INTERVENCING**
  - Procedure-specific measurements
  - Range of movement
  - Side effects measurement

- **RECOVERING/REHABING**
  - Counseling patient and family on rehabilitation options and process
  - Counseling patient and family on long term risk management
  - Recurring mammograms (every 6 months for the first 3 years)
  - Counseling patient and family on rehabilitation options and process

- **MONITORING/MANAGING**
  - Counseling patient and family on rehabilitation options and process
  - Counseling patient and family on long term risk management

- **PROVIDER MARGIN**
  - Office visits
  - Lab visits
  - Mammographic labs and imaging center visits

- **Primary care providers** are often the beginning and end of care cycles

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The Patient/Family Engagement

- Health care is **co-produced** between the patient and the medical team
- The patient and his/her family must be **actively involved** in their health and their health care
- Excellent providers make patient engagement and compliance monitoring an **integral part of care delivery**
HIV/AIDS Care Delivery Value Chain: Resource Poor Settings

- Delaying Progression
- Diagnosing & Staging
- Initiating ARV Therapy
- Ongoing Disease Management
- Management of Clinical Deterioration

(Inform & Engaging, Measuring, Accessing, Patient Value
(Health outcomes per unit of cost))
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
Principles of Value-Based Competition

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4. Competition should center on **medical conditions** over the **full cycle of care**
5. Value is driven by provider **experience, scale, and learning** at the medical condition level
The Virtuous Circle in a Medical Condition

- The virtuous cycle extends across geography
- Fragmentation of provider services works against patient value
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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
   - Manage care cycles across geography
   - Utilize partnerships and inter-organizational integration among separate institutions
Principles of Value-Based Competition

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4. Competition should center on **medical conditions** over the full **cycle of care**.
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. **Results** must be universally measured and reported.

Results: Patient health outcomes over the care cycle
Total cost of achieving those outcomes
Measuring Results
The Information Hierarchy

Patient Results
(Outcomes, prices and costs)

Experience

Methods/Processes
(Primarily for internal improvement)

Patient Attributes
(For risk adjustment and clinical insight)
Measuring Results

Principles

• Measure **outcomes** versus processes of care
  – Process control is the wrong model

• 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)
Principles of Value-Based Competition

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4. Competition should center on medical conditions over the full cycle of care.
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. Results must be universally measured and reported
8. Reimbursement should be aligned with value and reward innovation
   - Reimbursement for care cycles, not discrete treatments or services
Organ Transplantation Care Cycle

- Evaluation
  - Alternative therapies to transplantation
- Waiting for a Donor
- Transplant Surgery
- Immediate Convalescence
  - Addressing organ rejection
  - Fine-tuning the drug regimen
- Long Term Convalescence
  - Adjustment and monitoring
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8. Reimbursement should be aligned with **value** and reward **innovation**

9. **Information technology** is an **enabler** of restructuring care delivery and measuring results, **not a solution itself**
   - Common data definitions
   - Interoperability standards
   - Patient-centered database
Moving to Value-Based Competition
Implications for Providers

- Organize around **integrated practice units** (IPU) for each medical condition
- Choose the appropriate **scope of services** in each facility based on **value delivered**
- Integrate services for each medical condition **across geographic locations**
- Employ formal **partnerships** and **alliances** with other entities in the care cycle to integrate care and improve capabilities
- Measure **results** by medical condition
- Expand care delivery in high-performance medical conditions to **multiple geographic areas** using an integrated model
Integrating Services Across Geography

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

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

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 (Specialist Practice)
- Referral / Disease Management (Academic Medical Center)
- Referral / Disease Management (Community Hospital A)
- Referral / Disease Management (Community Hospital B)
- Referral / Disease Management (PCP)

Moving to Value-Based Competition

Health Plans

“Payor”

Value-Added Health Organization
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
- Set new expectations for health plans, including **self-insured** plans
- Provide for health plan **continuity** for employees, rather than plan churning
- Find ways to **expand insurance coverage** and advocate reform of the insurance system
- Measure and hold employee benefit staff accountable for the company’s **health value received**
Moving to Value-Based Competition

Government

- Measure and report health results
- Create IT 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