Value-Based Competition in Health Care

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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
- Standards for Coverage
- Structure of Health Care Delivery
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
Creating a Value-Based Health Care System

- 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**
Creating a Value-Based Health Care System

• Competition must be harnessed as a powerful force to encourage restructuring of care and **continuous improvement in value**
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?
Zero-Sum 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 | ≠ | 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**

<table>
<thead>
<tr>
<th>Results: Patient health outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost of achieving those outcomes</td>
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</tbody>
</table>

- Results vs. supply control
- Results vs. process compliance
- Get patients to excellent providers vs. “lift all boats” or “pay for performance”
- Expand the proportion of patients cared for by the most effective teams
- Grow the excellent teams by reallocating capacity and operating multiple locations
Principles of Value-Based Competition

1. The goal should be **value for patients**, not just lowering costs
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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 Physical Therapists
- Inpatient Neurologists
- Outpatient Psychologists
- Primary Care Physicians
- Outpatient Treatment and Detox Units

New Model: Integrated Practice Units (IPUs)

- Imaging Unit
- West German Headache Center
  - Neurologists
  - Psychologists
  - Physical Therapists
  - Day Hospital
- Primary Care Physicians
- 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, others)
  - Breast Cancer
  - Stroke
  - Migraine
  - Asthma
  - Congestive Heart Failure
  - HIV/AIDS
**The Care Delivery Value Chain**

**Breast Cancer**

**INFORMING & ENGAGING**
- **Consultation on risk factors**
- **Self exams**
- **Mammograms**

**MEASURING**
- **Office visits**
- **Laboratory visits**
- **High-risk clinic visits**

**ACCESSING**
- **Office visits**
- **Mammography lab 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)**

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

**RECOVERING/ REHABING**
- **In-hospital and outpatient wound healing**
- **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**

- **Primary care providers** are often the beginning and end of care cycles
Cycles of Care vs. Discrete Services

• Value is created by the cycle of care, not individual interventions

• Prevention, screening, and ongoing disease management are integral to the care cycle of every medical condition
  – Disease management must be integral to the provision of care delivery, not an overlay

• 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
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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6. Competition should be **regional and national**, not just local
   - Manage care cycles **across geography**
   - Utilize partnerships and inter-organizational integration among separate institutions
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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, costs and prices)

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
Measuring Outcomes

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)
Measuring Results

Principles

• Outcomes must be adjusted for risk/patient initial circumstances
• 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
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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
   - Most DRG systems are **too narrow**
Organ Transplantation Care Cycle

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
Principles of Value-Based Competition

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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 excellence in patient value

• Integrate services for each medical condition across geographic locations

• Employ formal partnerships and alliances across entities involved in the care cycle to integrate care and improve capabilities

• Measure results by medical condition

• Expand high-performance IPUs across geography using an integrated model
  – Instead of merging broad line, stand-alone facilities

• Lead the development of new contracting models with health plans based on care cycle reimbursement
Moving to Value-Based Competition

Health Plans

“Payor”

Value-Added Health Organization
Moving to Value-Based Competition

Value-Adding Roles of Health Plans

• 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
  - Assist subscribers in *accessing excellent providers* for their medical conditions
  - Contract for *care cycles* rather than discrete services
  - Make prevention, screening, and disease management integral to health benefits
- 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*
Creating a High-Value Health Care System: Roles and Responsibilities

Consumers

- Participate actively in managing personal health
- Expect relevant information and seek advice
- Make treatment and provider choices based on outcomes, not convenience, waiting time, or amenities
- Get informed and comply with care
- Work with the health plan in long-term health management
- But “consumer-driven health care” is the wrong metaphor for reforming the system
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

• Open up competition among providers and across geography
Moving to Value-Based Competition

Government – cont’d.

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

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

• Enable universal insurance consistent with value-based principles
  — Create neutrality between employer-provided and individually-purchased health insurance
  — Establish risk pooling adjustment vehicles that eliminate incentives for cherry picking healthier patients
  — 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