Value-Based Health Care Delivery

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Issues in Health Care Reform

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

• Universal coverage is **essential, but 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**
  – Ownership of entities is secondary (e.g. government vs. non-profit vs. for profit)

• How to create 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, 21\(^{st}\) century medical technology is delivered with 19\(^{th}\) century organization structures, management practices, and pricing models

  - TQM, process improvement, and safety initiatives are beneficial but **not sufficient**
Creating a Value-Based Health Care System

• Competition is a powerful force to encourage *restructuring of care* and *continuous improvement in value*

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

| Financial success of system participants | ≠ | Patient success |

• Creating *competition on value* is the central challenge in health care reform
Zero-Sum 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 **limit 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
Principles of Value-Based Competition

1. The goal should be value for patients, not lowering costs or serving the community

- Health outcomes are objective outcomes, not patient perceptions alone

- The costs of achieving outcomes are the total costs, not the costs borne by any one party

- Improving value will require going beyond waste reduction and administrative savings
Principles of Value-Based Competition

1. The goal should be *value for patients*, not lowering costs or serving the community.

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

Quality = Health outcomes

- Prevention
- Early detection
- Right diagnosis
- Early treatment
- Treatment earlier in the causal chain of disease
- Right treatment to the right patients
- 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 lowering costs or serving the community

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

3. There must be **competition** based on **results**

<table>
<thead>
<tr>
<th>Value:</th>
<th>Patient health outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total cost of achieving those outcomes</td>
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- Reward **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 expanding across locations
Principles of Value-Based Competition

1. The goal should be **value for patients**, not lowering costs or serving the community
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
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: Organize into Integrated Practice Units (IPUs)

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

Source: KKH, Westdeutsches Kopfschmerzzentrum
What is a Medical Condition?

• A medical condition is an interrelated set of patient medical circumstances best addressed in an integrated way
  – Defined from the patient’s perspective
  – Involves multiple specialties and services

• Includes the most common co-occurring conditions

• Examples
  – Diabetes (including vascular disease, hypertension, others)
  – Breast Cancer
  – Stroke
  – Migraine
  – Asthma
  – Congestive Heart Failure
  – HIV / AIDS

• The medical condition is the unit of value creation in health care delivery
The Cycle of Care
Care Delivery Value Chain for Breast Cancer

- **Primary care providers** are often the beginning and end of care cycles
Patients with Multiple Medical Conditions
Integrating Care Across IPUs

- The primary organization of care delivery should be around the integration required for every patient. This will greatly simplify the coordination of care for patients with multiple medical conditions.
Principles of Value-Based Competition

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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

5. Value is driven by provider experience, scale, and learning at the medical condition level
Driving Value Improvement
The Virtuous Circle in a Medical Condition

- The virtuous cycle extends across geography within integrated organizations
- Fragmentation of provider services works against patient value
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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
   - Manage integrated care **across geography**
   - Utilize partnerships and inter-organizational integration among separate institutions
Integrating Services Across Geography

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

- Primary Care Physician
- Specialist Practice
- Academic Medical Center
- Community Hospital B
- Community Hospital A

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

- Satellite Inpatient Unit
- Referral / Disease Management
- Inpatient Unit
- Regional Outpatient Hub
- Referral / Disease Management
Principles of Value-Based Competition

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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.
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.

Value: Patient health outcomes over the care cycle
Total cost of achieving those outcomes
Measuring Results
Fundamentals

• 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
Measuring Outcomes
The Outcome Measures Hierarchy

1. Survival

2. Degree of recovery / health

3. Time to recovery or return to normal activities

4. Disutility of care or treatment process (e.g., treatment-related discomfort, complications, adverse effects, diagnostic errors, treatment errors)

5. Sustainability of recovery or health over time

6. Long-term consequences of therapy (e.g., care-induced illnesses)
Measuring Breast Cancer Outcomes

- Survival
  - Survival rate (One year, three year, five year, longer)

- Degree of recovery / health
  - Remission
  - Functional status
  - Breast conservation surgery outcome

- Time to recovery or return to normal activities
  - Time to remission
  - Time to achieve functional status

- Disutility of care or treatment process (e.g., treatment-related discomfort, complications, adverse effects, diagnostic errors, treatment errors)
  - Nosocomial infection
  - Nausea
  - Vomiting
  - Febrile neutropenia
  - Limitation of motion
  - Depression

- Sustainability of recovery or health over time
  - Cancer recurrence
  - Sustainability of functional status

- Long-term consequences of therapy (e.g., care-induced illnesses)
  - Incidence of secondary cancers
  - Brachial plexopathy
  - Premature osteoporosis
Measuring Results
Fundamentals

• 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/patient initial circumstances**
Measuring Breast Cancer Outcomes
Initial Conditions

- Stage of disease
- Type of cancer (infiltrating ductal carcinoma, tubular, medullary, lobular, etc.)
- Estrogen and progesterone receptor status (positive or negative)
- Sites of metastases
- Age
- Menopausal status
- General health, including co-morbidities

- As care delivery improves, some initial conditions that once affected outcomes will decline in importance
Measuring Results
Fundamentals

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• 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/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**

• Providers and health plans must **measure outcomes** (and costs) for every patient
Principles of Value-Based Competition

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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 for discrete treatments, services, or per diem
   - Reimbursement for prevention and screening, not just treatment
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

- Leading transplantation centers quote a single price
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8. Reimbursement should be aligned with **value** and reward **innovation**

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

- Organize around **integrated practice units** (IPUs) for each medical condition
- Choose the appropriate **scope of services** in each facility based on excellence in **patient value**
- **Integrate services** for each IPU / medical condition **across geographic locations**
- Employ formal **partnerships** and **alliances** with independent practices involved in the care cycle to integrate care, improve capabilities, and/or obtain consultations
- Measure **outcomes** and **costs** for every medical condition
- Implement a **single, integrated, patient centric electronic medical record system** which is utilized by every unit and accessible to partners, referring physicians, and patients
- Lead the development of **new contracting models** with health plans based on care cycle delivery structures and bundled reimbursement
- Expand high-performance IPUs **across geography** using an integrated model
  - Instead of merging broad line, stand-alone facilities
Managing Care Across Geography
The Children’s Hospital of Philadelphia (CHOP) Affiliations

- Grand View Hospital, PA
- Abington Memorial Hospital, PA
- Chester County Hospital, PA
- Shore Memorial Hospital, NJ

CHILDREN’S HOSPITAL OF PHILADELPHIA
Managing Care Across Geography
The Cleveland Clinic Managed Practices

- Swedish Medical Center, WA
- Rochester General Hospital, NY
- CLEVELAND CLINIC Cardiac Care
- Chester County Hospital, PA
- Cape Fear Valley Health System, NC
- Cleveland Clinic Florida Weston, FL
Moving to Value-Based Competition

Health Plans

“Payor”  ➔  Value-Added Health Organization
Moving to Value-Based Competition

Value-Adding Roles of Health Plans

- Assemble, analyze and manage the **total medical records** of members
- 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 **care cycle** and across **medical conditions**
- Provide for comprehensive **prevention, screening, and chronic disease management** services to all members
- Encourage and reward **integrated practice unit** models by providers
- Design new **bundled reimbursement structures** for care cycles instead of fees for discrete services
- Measure and report **overall health results** for members versus other plans
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 and high value *prevention, screening, and disease management* services
  - On site clinics
- Set *new expectations for health plans*, including self-insured plans
  - Plans should assist subscribers in *accessing excellent providers* for their medical condition
  - Plans should contract for care *cycles rather* than discrete services
- 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 or amenities

• Get informed and comply with care

• Work with the health plan in long-term health management
  – Shifting plans frequently is not in the consumer’s interest

• But “consumer-driven health care” is the wrong metaphor for reforming the system
Moving to Value-Based Competition

Government

• Establish **universal measurement** and **reporting** of **health outcomes**

• Create IT standards including **data definitions**, **interoperability standards**, and **deadlines for implementation** to enable the collection and exchange of medical information for every patient

• Remove obstacles to the **restructuring of health care delivery** around the integrated care of medical conditions

• Shift reimbursement systems to **bundled prices for cycles of care** instead of payments for discrete treatments or services

• Limit **provider price discrimination** across patients based on group membership

• **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
How Will Redefining Health Care Begin?

• It is **already happening** in the U.S. and other countries

• Providers, as well as health plans and employers, can take **voluntary** steps in these directions, and will **benefit** irrespective of other changes

• The changes will be **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** and **health plans** can and should take the lead