Value Based Health Care Delivery: Welcome and Introduction

Professor Michael E. Porter
Health Care Strategy Seminar
www.isc.hbs.edu

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This presentation draws on Redefining Health Care: Creating Value-Based Competition on Results (with Elizabeth O. Teisberg), Harvard Business School Press, May 2006; “A Strategy for Health Care Reform—Toward a Value-Based System,” New England Journal of Medicine, June 3, 2009; “Value-Based Health Care Delivery,” Annals of Surgery 248: 4, October 2008; “Defining and Introducing Value in Healthcare,” Institute of Medicine Annual Meeting, 2007. Additional information about these ideas, as well as case studies, can be found the Institute for Strategy & Competitiveness Redefining Health Care website at http://www.hbs.edu/rhc/index.html. 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 O. Teisberg.
Creating A High Value Delivery Organization

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

  Value: Patient health outcomes per dollar spent

• Delivering high and improving value is the **fundamental purpose** of health care

• Value is the only goal that can **unite the interests** of all system participants

• Improving value is the only real **solution** to reforming health care versus **cost shifting to patients, restricting services, or reducing provider compensation**
Creating a Value-Based Health Care System

• Significant improvement in value will require **fundamental restructuring of health care delivery**, not incremental improvements
• Today’s delivery approaches reflect a **legacy** of medical science, organizational structures, management practices, and payment models that are obsolete.

Care pathways, process improvements, safety initiatives, care coordinators, disease management and other **overlays** to the current structure can be beneficial, but not sufficient
## Principles of Value-Based Health Care Delivery

<table>
<thead>
<tr>
<th>Value</th>
<th>Health outcomes that matter to patients</th>
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<tbody>
<tr>
<td></td>
<td>Costs of delivering the outcomes</td>
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- Value is measured for the **care of a patient’s medical condition** over the full cycle of care
  - Outcomes are the **full set of health results for a patient’s condition** over the care cycle
  - Costs are the **total costs of care for a patient’s condition** over the care cycle
Creating a Value-Based Health Care Delivery System

The Strategic Agenda

1. Organize Care into Integrated Practice Units (IPUs) around Patient Medical Conditions
   - For primary and preventive care, organize to serve distinct patient segments

2. Measure Outcomes and Costs for Every Patient

3. Move to Bundled Payments for Care Cycles

4. Integrate Care Delivery Systems

5. Expand Geographic Reach

6. Build an Enabling Information Technology Platform
The Case Method

- **Name cards** and assigned seating
- **Raise your hand** to participate
- Use **case facts only** during the discussion
- **No questions** to the instructor are appropriate **during the case discussion**
- There are **no “right” answers**