# Winning Competitive Strategies in Today's Shifting Global Marketplace

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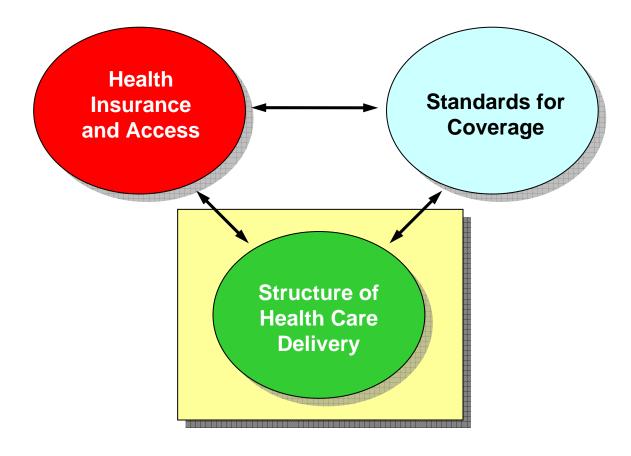
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The following portion of this presentation draws on Michael E. Porter and Elizabeth Olmsted Teisberg: Redefining Health Care: Creating Value-Based Competition on Results, Harvard Business School Press, May 2006. Earlier publications about health care include the *Harvard Business Review* article "Redefining Competition in Health Care" (June 2004). 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 Olmsted Teisberg.

## **Agenda**

- The Economic Foundations of Competition
- Principles of Strategy
- Creating, Growing, and Implementing a Strategy
- Integrating Strategy and Corporate Social Responsibility
- Strategy in Health Care: How to Solve the Health Care Problem

### **Issues in Health Care Reform**



## **Competition in Health Care**

#### **Bad Competition**

- Competition to shift costs
- 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

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

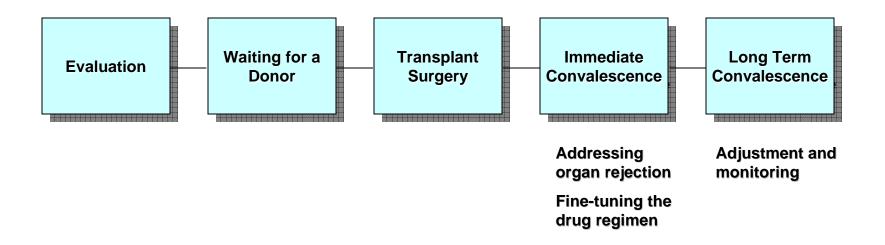
- 1. The goal should be value for patients, not just lowering costs.
- 2. There must be unrestricted competition based on results.
  - Results vs. supply control or process compliance
  - Get patients to excellent providers vs. "lift all boats"

- 1. The goal should be value for patients, not just lowering costs.
- 2. There must be unrestricted competition based on results.
- 3. Competition should center on **medical conditions** over the **full cycle of care**.

#### 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
  - Breast Cancer
  - Diabetes (including vascular disease, hypertension)

## What is the Cycle of Care? Organ Transplantation



Breast Cancer Care

Care Delivery Value Chain

KNOWLEDGE MANAGEMENT INFORMING	Education and reminders about regular exams	Counseling     patient and family     on the diagnostic		patient and	Counseling patient and family on rehabilitation	•Counseling patient and family on
	Lifestyle and diet counseling     Self exams	process and the diagnosis  • Mammograms	of treatment	treatment and prognosis  • Procedure-	options and process •Range of	long term risk management •Recurring
MEASURING	Mammograms	Ultrasound     MRI     Biopsy     BRACA 1, 2		specific measurements	movement Side effects measurement	mammograms (every 6 months for the first 3 years)
ACCESSING	Office visits     Mammography     lab visits	Office visits     Lab visits     High-risk     clinic visits	Office visits     Hospital visits	Hospital stay     Visits to     outpatient or     radiation     chemotherapy     units	Office visits     Rehabilitation facility visits	Office visits     Lab visits     Mammographic labs and imaging center visits
	MONITORING/ PREVENTING	DIAGNOSING	PREPARING	INTERVENING	RECOVERING/ REHABING	MONITORING/ MANAGING
	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	Medical counseling     Surgery prep (anesthetic risk assessment, EKG)     Patient and family psychological counseling     Plastic or oncoplastic surgery evaluation	Surgery (breast preservation or mastectomy, oncoplastic alternative)  Adjuvant therapies (hormonal medication, radiation, and/or chemotherapy)	In-hospital and outpatient wound healing  Psychological counseling  Treatment of side effects ( skin damage, neurotoxic, cardiac, nausea, lymphodema and chronic fatigue)  Physical therapy	MANAGING  Periodic mammography Other imaging Follow-up clinical exams for next 2 years Treatment for any continued side effects
2007042F Nuovodo ant				10		☐ Breast Cancer Specialist ☐ Other Provider Entities

- 1. The goal should be value for patients, not just lowering costs.
- 2. There must be unrestricted competition based on results.
- Competition should center on medical conditions over the full cycle of care.
- 4. High quality care should be less costly.
  - Prevention
  - Early detection
  - Right diagnosis
  - Early treatment
  - Right treatment to the right patients
  - Treatment earlier in the causal chain

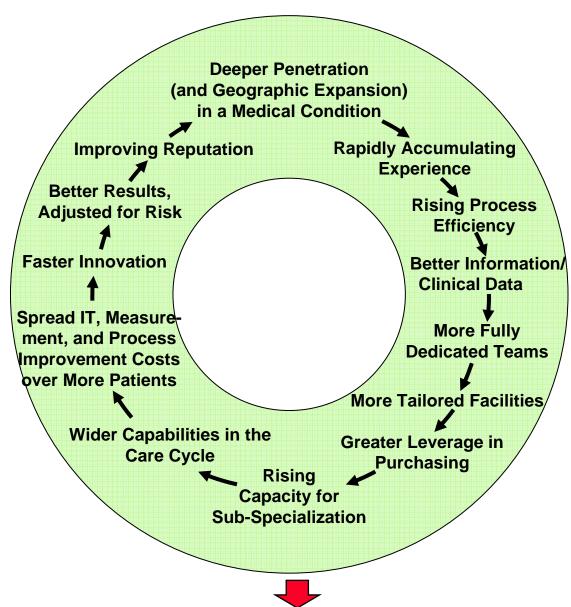
- Fewer mistakes and repeats in treatment
- Fewer delays in care delivery
- Less invasive treatment methods
- Faster recovery
- Less disability
- Slower disease progression
- Less need for long term care



Better health is inherently less expensive than worse health

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- 3. Competition should **center on medical conditions** over the **full cycle of care**.
- 4. High quality care should be less costly.
- 5. Value is driven by provider **experience**, **scale**, and **learning** at the **medical condition level**.

#### The Virtuous Circle in a Medical Condition

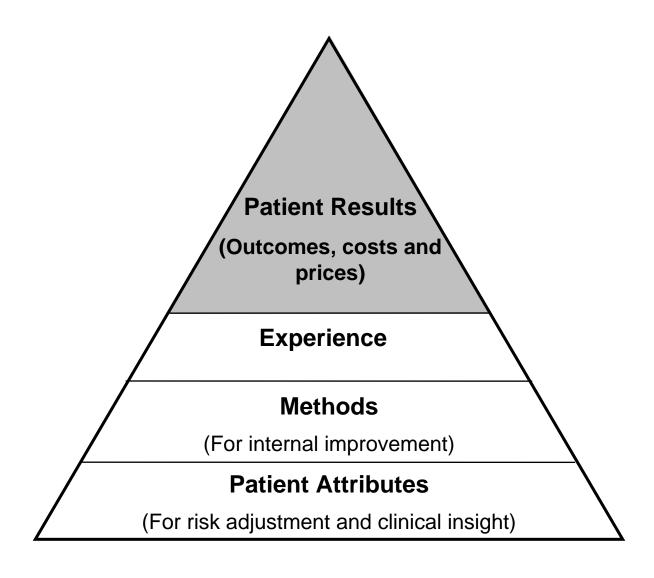


• Feed virtuous circles vs. fragmentation of care

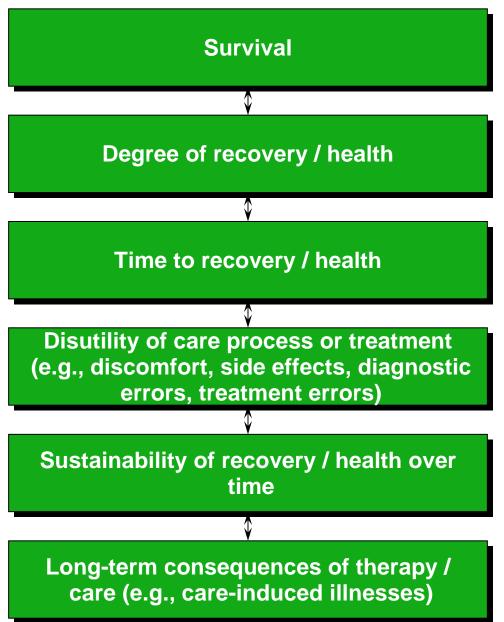
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- 5. Value is driven by **provider experience**, **scale**, and **learning** at the medical condition level.
- 6. Competition should be regional and national, not just local.
  - Management of care cycles across geography
  - Partnerships and inter-organizational integration

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- 7. Results Information must be widely available.

## **The Information Hierarchy**



## Measuring Results The Outcome Measures Hierarchy



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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.
- 7. **Information** on results and prices needed for value-based competition must be widely available.
- 8. **Innovations** that increase value must be strongly rewarded.
  - Reimbursement for care cycles, not discrete treatments or services

### Is Competition Desirable in Health Care?

#### **Bad Competition**

- Exercising power to shift costs to patients or other actors
- Restricting patients' choice of providers
- Ownership of physician practices to capture referrals
- Shifting care to outpatient facilities to capture more revenue
- Hospital mergers with no reallocation and integration of services

#### **Good Competition**

- Measuring and disseminating outcomes in medical conditions
- Competing to gain market share in medical conditions based outcomes and costs
- Integrating services over the care cycle
- Shifting care to outpatient facilities to improve patient value
- Organizing all care in a hospital system into an integrated organization for each medical condition
- Expanding excellent IPUs across geography



• The essential challenge is to align competition with patient value

## Moving to Value-Based Competition <u>Providers</u>

- Redefine the practice around medical conditions
- Organize around medically integrated practice units (IPU)
- Integrate services in each medical condition across geographic locations
- Measure results, methods, and patient attributes by IPU
- Move to single bills and pricing for care cycles
- Choose the scope of services based on excellence
- Grow service lines across geography in areas of strength
- Employ partnerships and alliances to achieve these aims
- Market services based on excellence, uniqueness, and results

## Moving to Value-Based Competition Health Plans

- Measure provider results by medical condition
- Advise patients (and referring physicians) in selecting excellent providers
- Reward excellent providers with more patients
- Coordinate patient care across the full care cycle
- Shift reimbursement to bundled prices for care cycles
- Assemble members' total medical records
- Provide comprehensive prevention and disease management services to all members, even healthy ones
- Move to multi-year subscriber contracts
- Organize around medical conditions, not geography or administrative functions

## Moving to Value-Based Competition Government

- Mandate the universal measurement, collection, and reporting of outcome and eventually results information
- Create common data definitions and IT standards to enable the collection and exchange of medical information
- Enable the restructuring of health care delivery around integrated care across the full care cycle of medical conditions
- Shift reimbursement to bundled prices for cycles of care and away from payments for discrete treatments or services
- End provider price discrimination across patients
- Remove artificial restraints to competition among providers and across geography
- Create neutrality (e.g. tax, risk pooling) between employer-provided and individually-purchased health insurance
- Move to an individual mandate to purchase health insurance