Value-Based Competition in Health Care

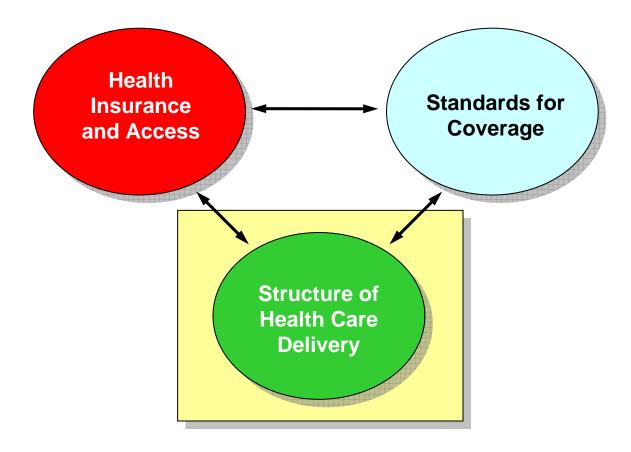
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Healthcare Leadership Council Washington, DC

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This presentation draws on Michael E. Porter and Elizabeth Olmsted Teisberg: <u>Redefining Health Care</u>: <u>Creating Value-Based Competition on Results</u>, 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.

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.

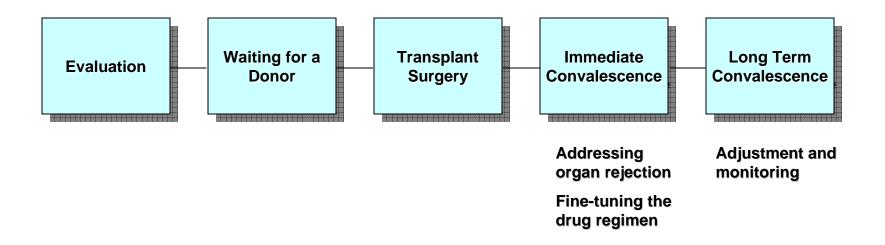
- 1. The goal should be value for patients, not just lowering costs.
- 2. There must be unrestricted competition based on results.
 - Results vs. supply control or process compliance
 - Get patients to excellent providers vs. "lift all boats"

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- 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

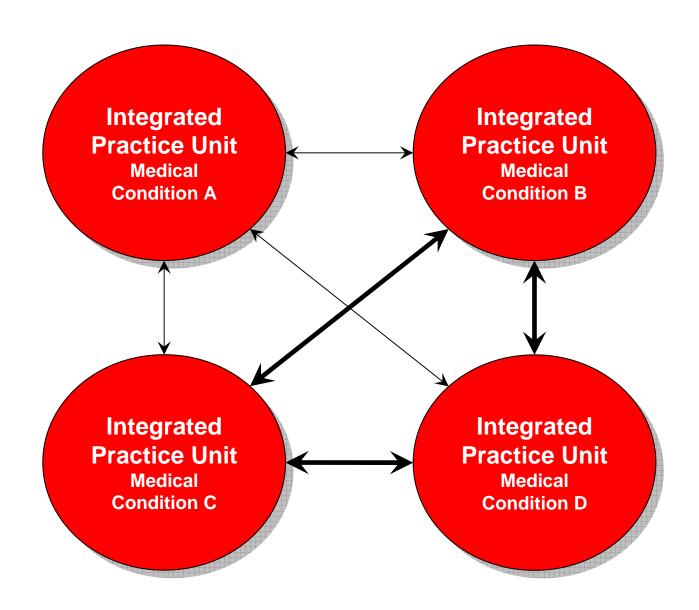


Breast Cancer Care

Care Delivery Value Chain

KNOWLEDGE MANAGEMENT			 	 		
INFORMING	Education and reminders about regular exams Lifestyle and diet counseling	Counseling patient and family on the diagnostic process and the diagnosis	supporting patient choices of treatment	patient and family on treatment and prognosis	Counseling patient and family on rehabilitation options and process	Counseling patient and family on long term risk management
MEASURING	Self exams Mammograms	Mammograms Ultrasound MRI Biopsy BRACA 1, 2		Procedure- specific measurements	Range of movement Side effects measurement	•Recurring 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
20070424 Usakhassa Landa						☐ Breast Cancer Specialist☐ Other Provider Entities

Levels of Medical Integration Within Medical Condition versus Across Medical Condition



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

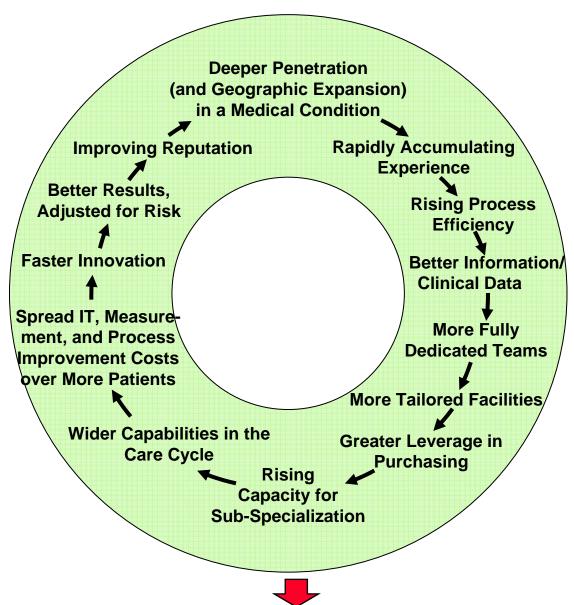
- Fewer mistakes and repeats in treatment
- Fewer delays in care delivery
- Less invasive treatment methods
- Faster recovery
- Less disability
- Slower disease progression
- Less need for long term care



Better health is inherently less expensive than worse health

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- 5. Value is driven by provider **experience**, **scale**, and **learning** at the **medical condition level**.

The Virtuous Circle in a Medical Condition

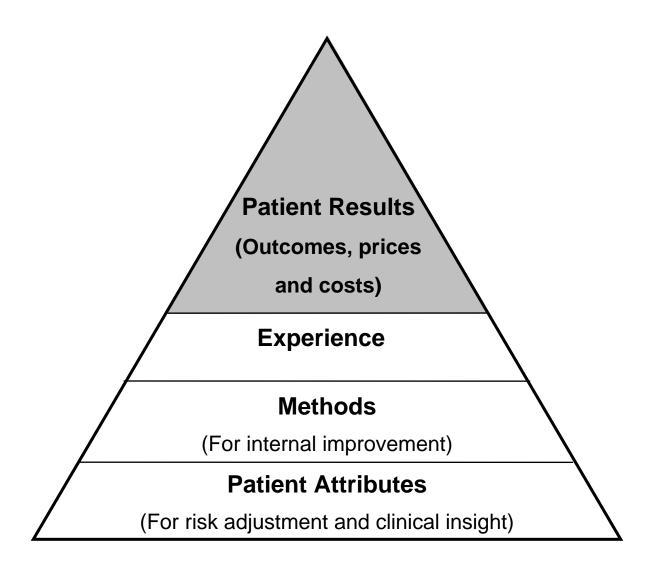


Feed virtuous circles vs. fragmentation of care

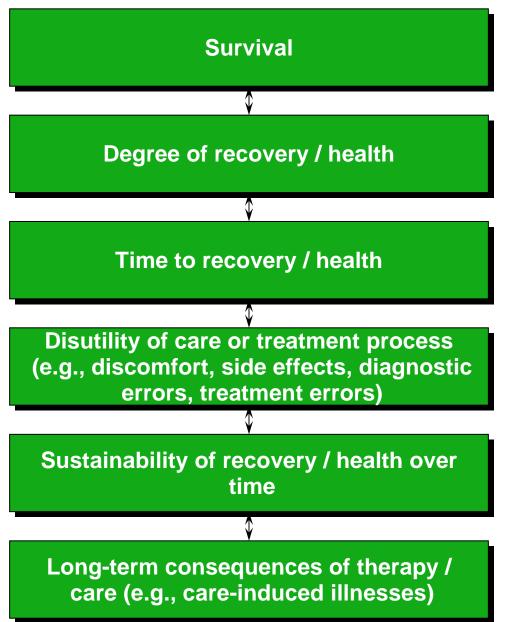
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- 6. Competition should be regional and national, not just local.
 - Management of care cycles across geography
 - Partnerships and inter-organizational integration

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- 7. Results Information must be widely available.

The Information Hierarchy



Measuring Results The Outcome Measures Hierarchy

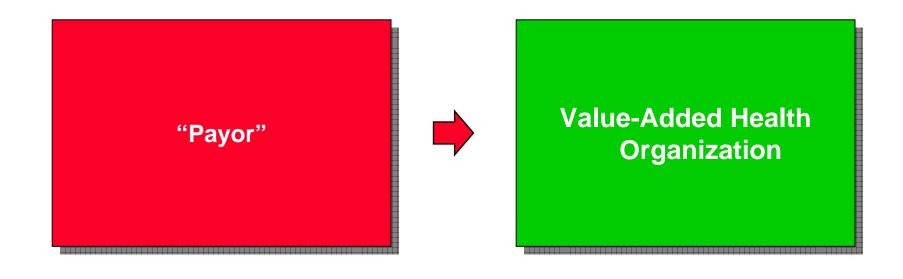


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- 6. Competition should be regional and national, not just local.
- 7. **Information** on results and prices needed for value-based competition must be widely available.
- 8. **Innovations** that increase value must be strongly rewarded.
 - Reimbursement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

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

- Redefine the practice around care cycles for medical conditions, not specialties
- 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



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 Employers

Shift System Structure

Internal Health Care and Promotion

- Set goal of increasing health value, not minimizing health benefit costs
- Set new expectations for health plans, including self-insured plans
- Enhance provider competition on **results**
- Find ways to expand insurance coverage and advocate reform of the insurance system

- Provide for health plan continuity for employees, rather than plan churning
- Support and motivate employees to make good health care choices and manage their own health
- Measure and hold employee benefit staff accountable for the company's health value received

Moving to Value-Based Competition Government

- Mandate the universal measurement, collection, and reporting of outcomes and eventually results information by medical condition
- Create common data definitions and IT standards to enable the collection and exchange of medical information
- Enable the restructuring of health care delivery around the integrated care cycle for medical conditions
- Shift reimbursement to bundled prices for care cycles 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
- Make Medicare a health plan
- Create neutrality (e.g. tax, risk pooling, purchasing groups) between employer-provided and individually-purchased health insurance
- Move to an individual mandate to purchase health insurance

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