## Value-Based Health Care Delivery: Implications for Providers

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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, and "How Physicians Can Change the Future of Health Care," *Journal of the American Medical Association*, 2007; 297:1103:1111. 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. Further information about these ideas, as well as case studies, can be found on the website of the Institute for Strategy & Competitiveness at http://www.isc.hbs.edu.

#### The Paradox of U.S. Health Care

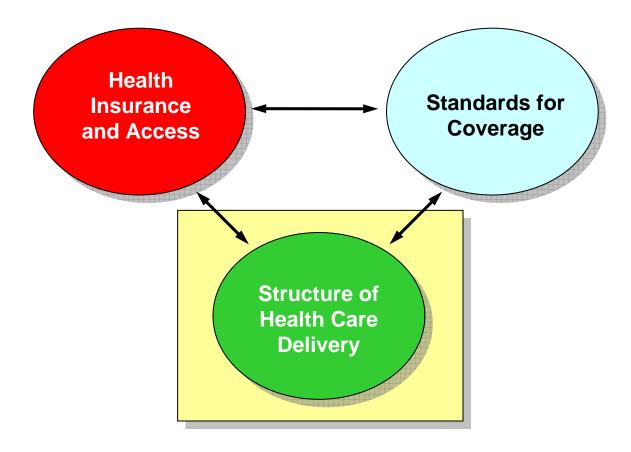
The United States has a private system with intense competition But

- 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?

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



## **Redefining Health Care**

- 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
  - Ownership of entities is secondary
- 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<sup>st</sup> century medical technology is delivered with 19<sup>th</sup> 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 is a powerful force to encourage restructuring of care and continuous improvement in value
- Today's competition in health care is often not aligned with value

Financial success of system participants



Patient success

## **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



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Creating competition on value is the central challenge in health care reform

- 1. The goal should be **value for patients**, not capturing revenue, community service or lowering costs
  - This will require going beyond cost containment and administrative savings

- 1. The goal should be **value for patients**, not capturing revenue, community service or 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

- 1. The goal should be **value for patients**, not capturing revenue, community service or lowering costs
- 2. The best way to contain costs is to drive improvement in quality
- 3. There must be unrestricted competition based on results

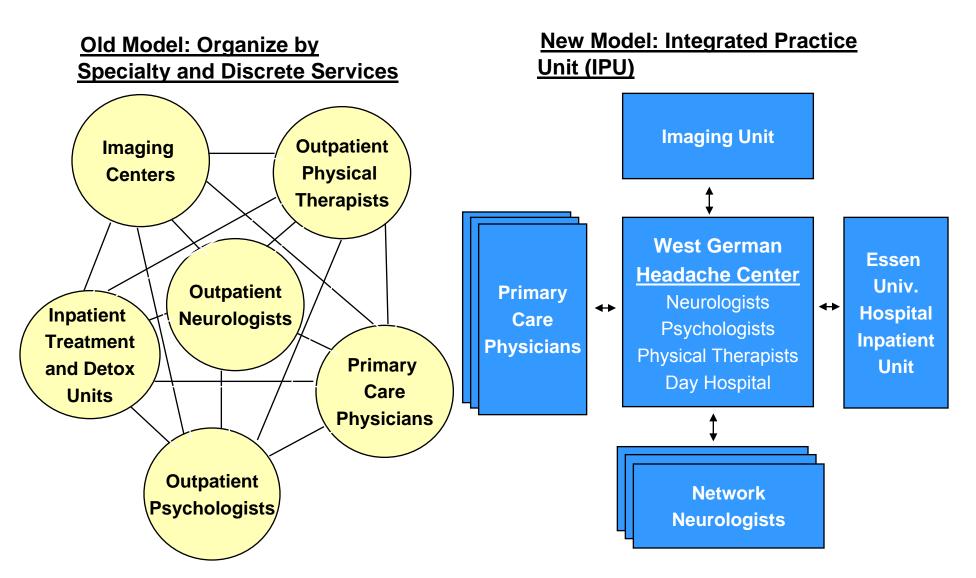
Value: Patient health outcomes

Total cost of achieving those outcomes

- 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 expanding across locations

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- 4. Competition should center on **medical conditions** over the **full cycle of care**

## Restructuring Health Care Delivery <u>Migraine Care in Germany</u>



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
- Includes the most common co-occurrences
- Examples
  - Diabetes (including vascular disease, hypertension, others)
  - Breast Cancer
  - Stroke
  - Migraine
  - Asthma
  - Congestive Heart Failure
- The value delivered at the medical condition level is inevitably the joint responsibility of the providers involved

## **The Cycle of Care Care Delivery Value Chain for Breast Cancer**

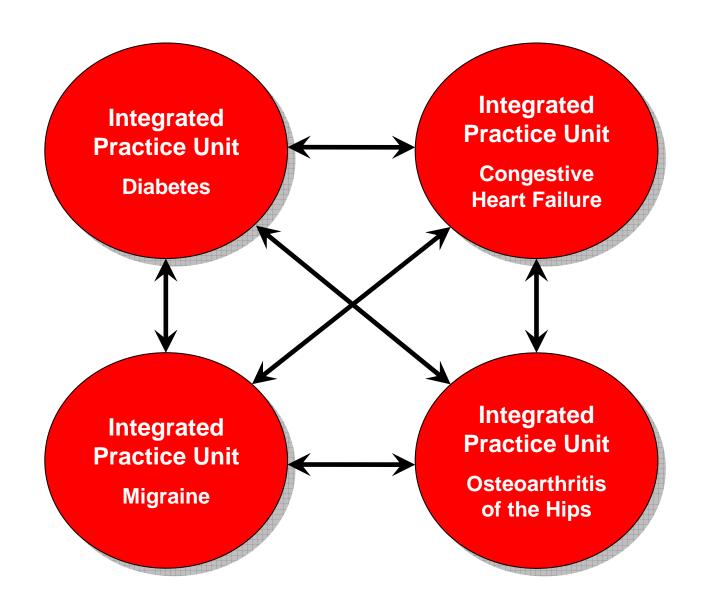
INFORMING & ENGAGING  MEASURING  ACCESSING	Advice on self screening     Consultation on risk factors     Self exams     Mammograms      Office visits     Mammography lab visits	Counseling patient and family on the diagnostic process and the diagnosis  Mammograms  Ultrasound  MRI  Biopsy  BRACA 1, 2  Office visits  Lab visits  High-risk clinic visits	patient choices of treatment •Achieving compliance	treatment and prognosis	Counseling     on rehabilitation     options, process     Achieving     compliance     Range of     movement     Side effects     measurement      Office visits     Rehabilitation     facility visits	Counseling on long term risk management Achieving compliance Recurring mammograms (every 6 months for the first 3 years)  Office visits Lab visits Mammographic labs and imaging center visits
	MONITORING/ PREVENTING  • Medical history • Control of risk factors (obesity, high fat diet) • Genetic screening • Clinical exams • Monitoring for lumps	• 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)	RECOVERING/ REHABING  • In-hospital and outpatient wound healing  • Psychological counseling  • 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 • Treatment for any continued side effects
Primary c	are providers	☐ Breast Cancer Specialist ☐ Other Provider Entities				

Primary care providers are often the beginning and end of care cycles

## The Care Delivery Value Chain HIV/AIDS

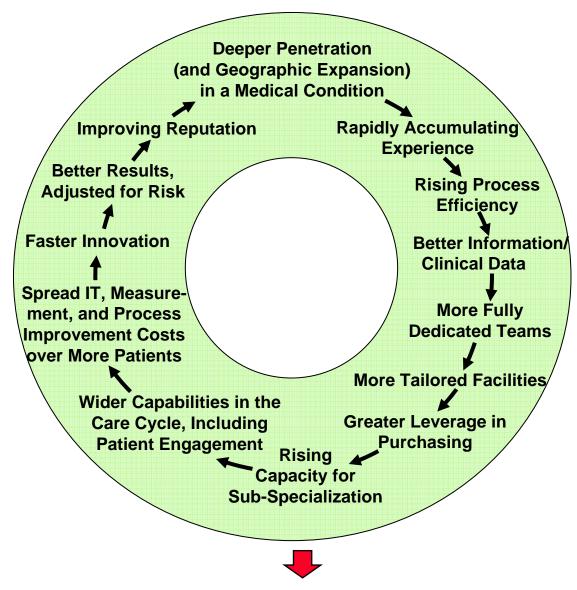
INFORMING & ENGAGING	Prevention counseling on modes of transmission on risk factors	Explaining     diagnosis and     implications     Explaining course     and prognosis of     HIV	Explaining approach to forestalling progression	Explaining medical instructions and side effects	Counseling     about adherence;     understanding     factors for non-     adherence	• Explaining co-morbid diagnoses •End-of-life counseling	
MEASURING	<ul><li>HIV testing</li><li>TB, STI screening</li><li>Collecting baseline demographics</li></ul>	HIV testing for others at risk     CD4+ count, clinical exam, labs	<ul><li>Monitoring CD4+</li><li>Continuously assessing co- morbidities</li></ul>	<ul><li>Regular primary care assessments</li><li>Lab evaluations for initiating drugs</li></ul>		HIV staging, response to drugs     Regular primary care assessments	PATIENT VALUE
ACCESSING	<ul><li>Meeting patients in high-risk settings</li><li>Primary care clinics</li><li>Testing centers</li></ul>	Primary care clinics Clinic labs Testing centers	<ul><li>Primary care clinics</li><li>Food centers</li><li>Home visits</li></ul>	Primary care clinics  Pharmacy  Support groups	Primary care clinics  Pharmacy  Support groups	<ul><li>Primary care clinics</li><li>Pharmacy</li><li>Hospitals, hospices</li></ul>	
	PREVENTION & SCREENING  • Connecting patient with primary care • Identifying high-risk individuals • Testing at-risk individuals • Promoting appropriate risk reduction strategies • Modifying behavioral risk factors • Creating medical records	DIAGNOSING & STAGING  • Formal diagnosis, staging • Determining method of transmission • Identifying others at risk • TB, STI screening • Pregnancy testing, contraceptive counseling • Creating treatment plans	DELAYING PROGRESSION  Initiating therapies that can delay onset, including vitamins and food Treating comorbidities that affect disease progression, especially TB Improving patient awareness of disease progression, prognosis, transmission Connecting patient with care team	INITIATING ARV THERAPY  Initiating comprehensive ARV therapy, assessing drug readiness  Preparing patient for disease progression, treatment side effects  Managing secondary infections, associated illnesses	ONGOING DISEASE MANAGEMENT  • Managing effects of associated illnesses  • Managing side effects  • Determining supporting nutritional modifications  • Preparing patient for end-of-life management  • Primary care, health maintenance	MANAGEMENT OF CLINICAL DETERIORATION  Identifying clinical and laboratory deterioration  Initiating second- and third-line drug therapies  Managing acute illnesses and opportunistic infection through aggressive outpatient management or hospitalization  Providing social support  Access to hospice care	(Health outcomes per unit of cost)

## Integrating Care Delivery: Patients With Multiple Medical Conditions



- 1. The goal should be **value for patients**, not capturing revenue, community service or lowering costs
- 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

#### The Virtuous Circle in a Medical Condition



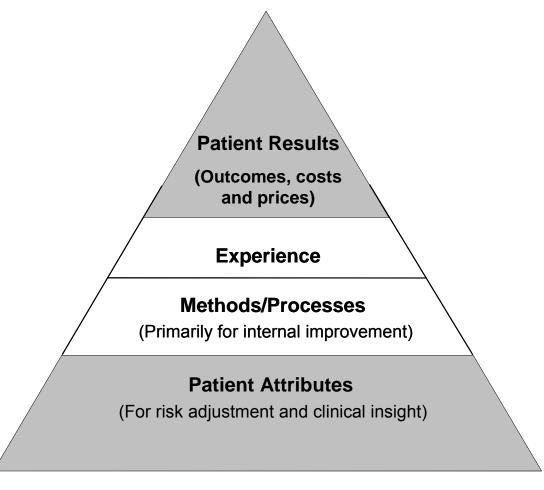
- The virtuous cycle extends across geography
- Fragmentation of provider services works against patient value

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- 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

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- 7. Results must be universally measured and reported

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

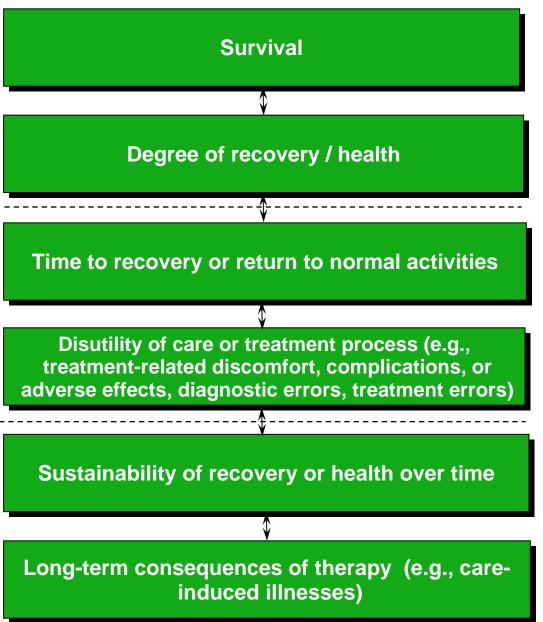
## **Measuring Results The Information Hierarchy**



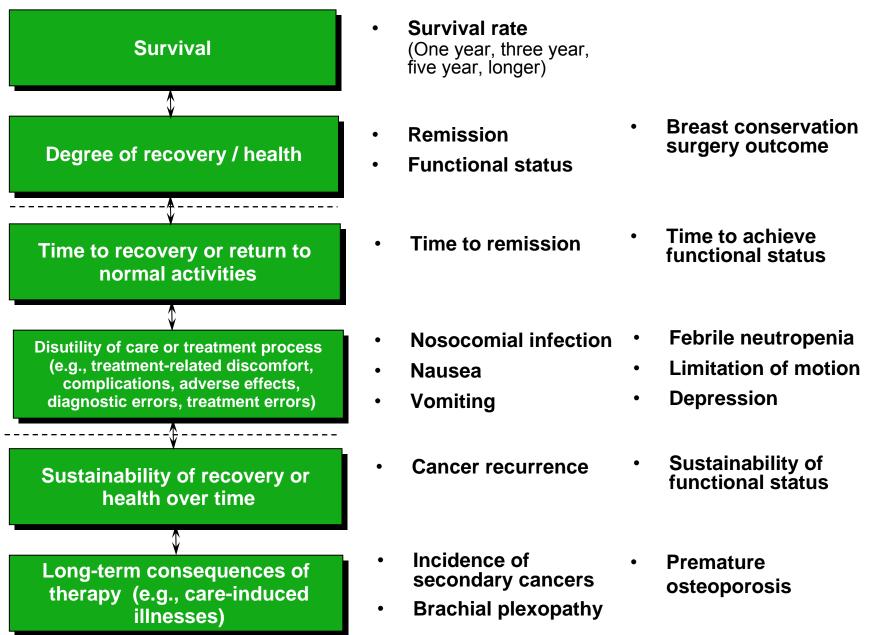


- Outcome and cost measurement should take place:
  - At the **medical condition** level
  - Over the cycle of care

## Measuring Outcomes The Outcome Measures Hierarchy



### **Measuring Breast Cancer Outcomes**



## Measuring Breast Cancer Outcomes Initial Conditions

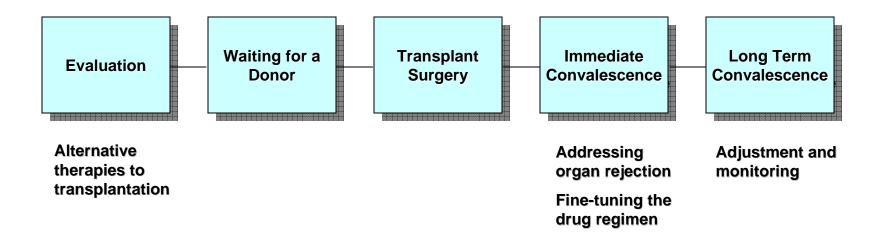
- Stage of disease
- Type of cancer (infiltrating ductal carcinoma, tubular, medullary, lobular, etc.)
- Estrogen and progesterone receptor status (positive or negative)
- Sites of metastases
- Age
- Menopausal status
- General health, including co-morbidities



 As care delivery improves, some initial conditions will decline in importance for outcomes

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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 discrete treatments or services
  - Most DRG systems are too narrow

## **Organ Transplantation Care Cycle**





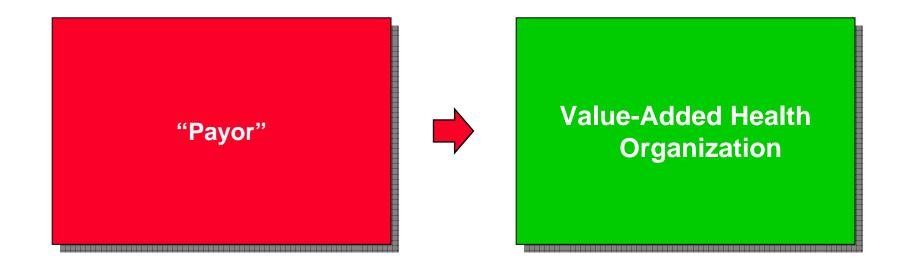
Leading transplantation centers quote a single price

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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 <u>Implications for Providers</u>

- 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



## 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

#### **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 individuallypurchased 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