

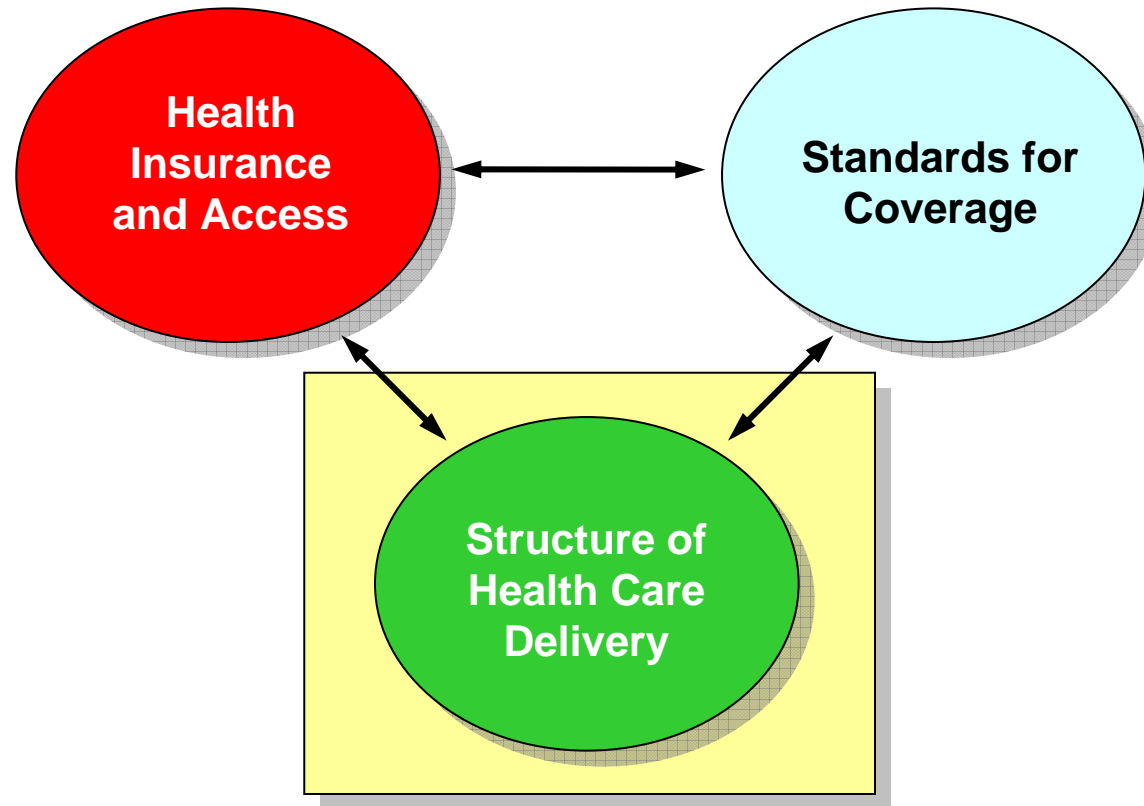
Value-Based Health Care Delivery: Implications for Providers

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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>.

Issues in Health Care Reform



Redefining Health Care

- Universal insurance **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
- How to create a **dynamic system** that keeps rapidly improving

Creating a Value-Based Health Care System

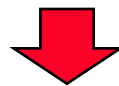
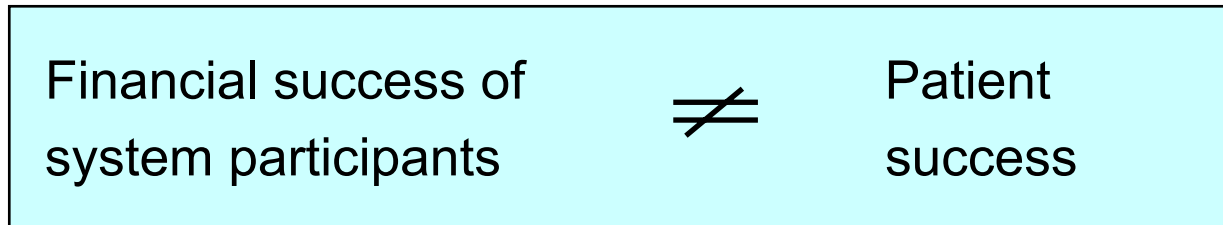
- Significant improvement in value will require **fundamental restructuring of health care delivery**, not incremental improvements

Today, 21st century medical technology is delivered with 19th 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 not aligned with value**



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

Zero-Sum Competition in U.S. Health Care

Bad Competition

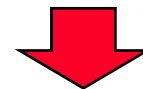
- Competition to **shift costs** or **capture a bigger share of revenue**
- Competition to **increase bargaining power**
- Competition to **capture patients** and **restrict choice**
- Competition to **restrict services** in order to maximize revenue per visit or reduce costs



Zero or Negative Sum

Good Competition

- Competition to **increase value for patients**



Positive Sum

Principles of Value-Based Competition

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

Principles of Value-Based Competition

1. The goal should be **value for patients**, not community service or lowering costs
2. The best way to **contain costs** is to drive **improvement in quality**

Quality = Health outcomes

- 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

Principles of Value-Based Competition

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

$$\text{Value: } \frac{\text{Patient health outcomes}}{\text{Total cost of achieving those outcomes}}$$

- 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

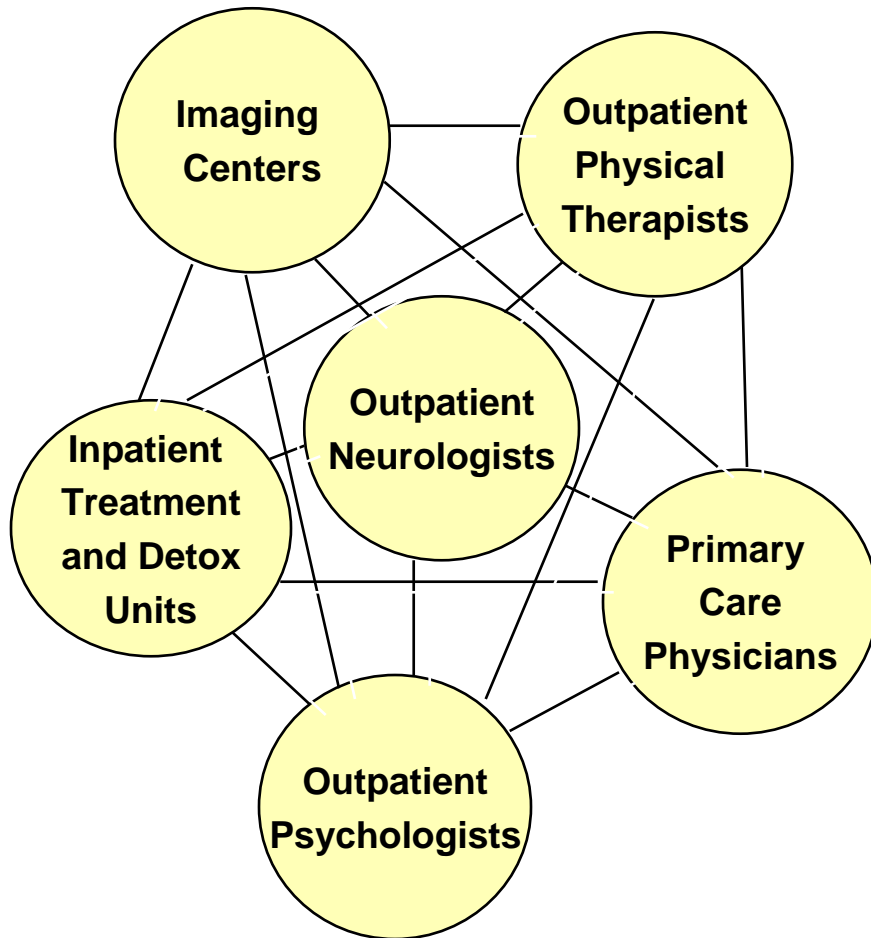
Principles of Value-Based Competition

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

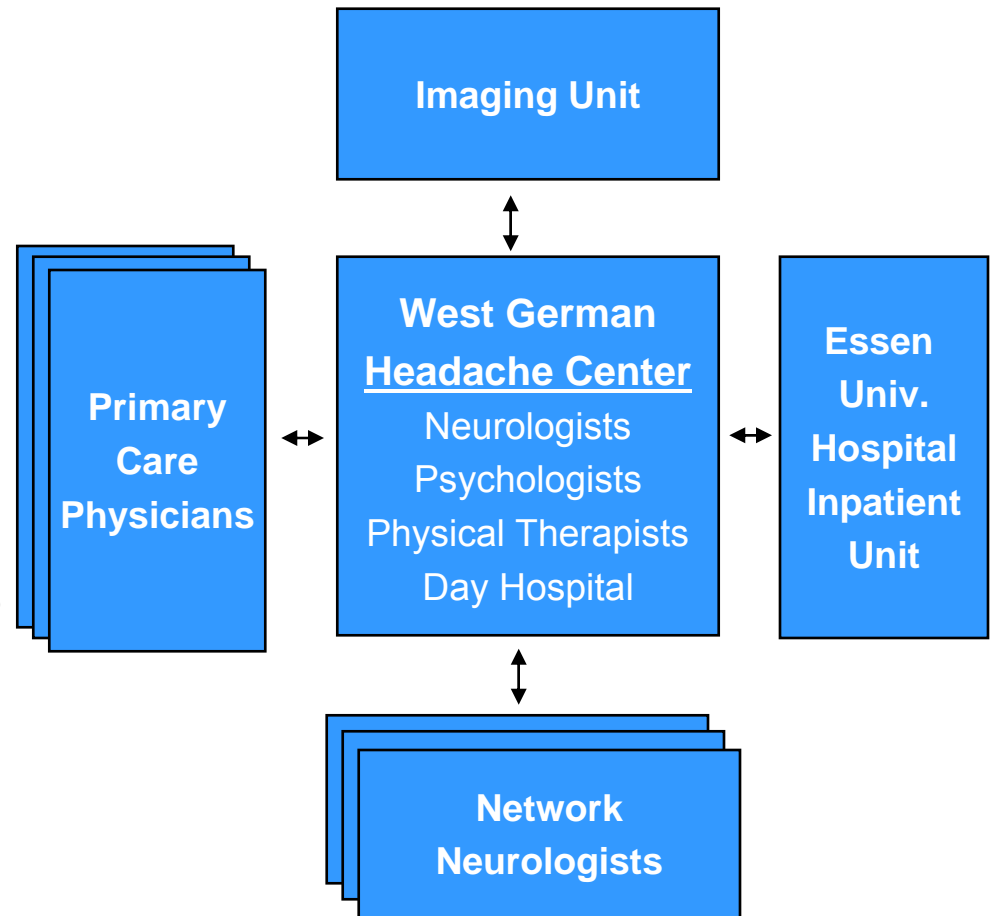
Restructuring Health Care Delivery

Migraine Care in Germany

Old Model: Organize by Specialty and Discrete Services




New Model: Organize into Integrated Practice Units (IPUs)



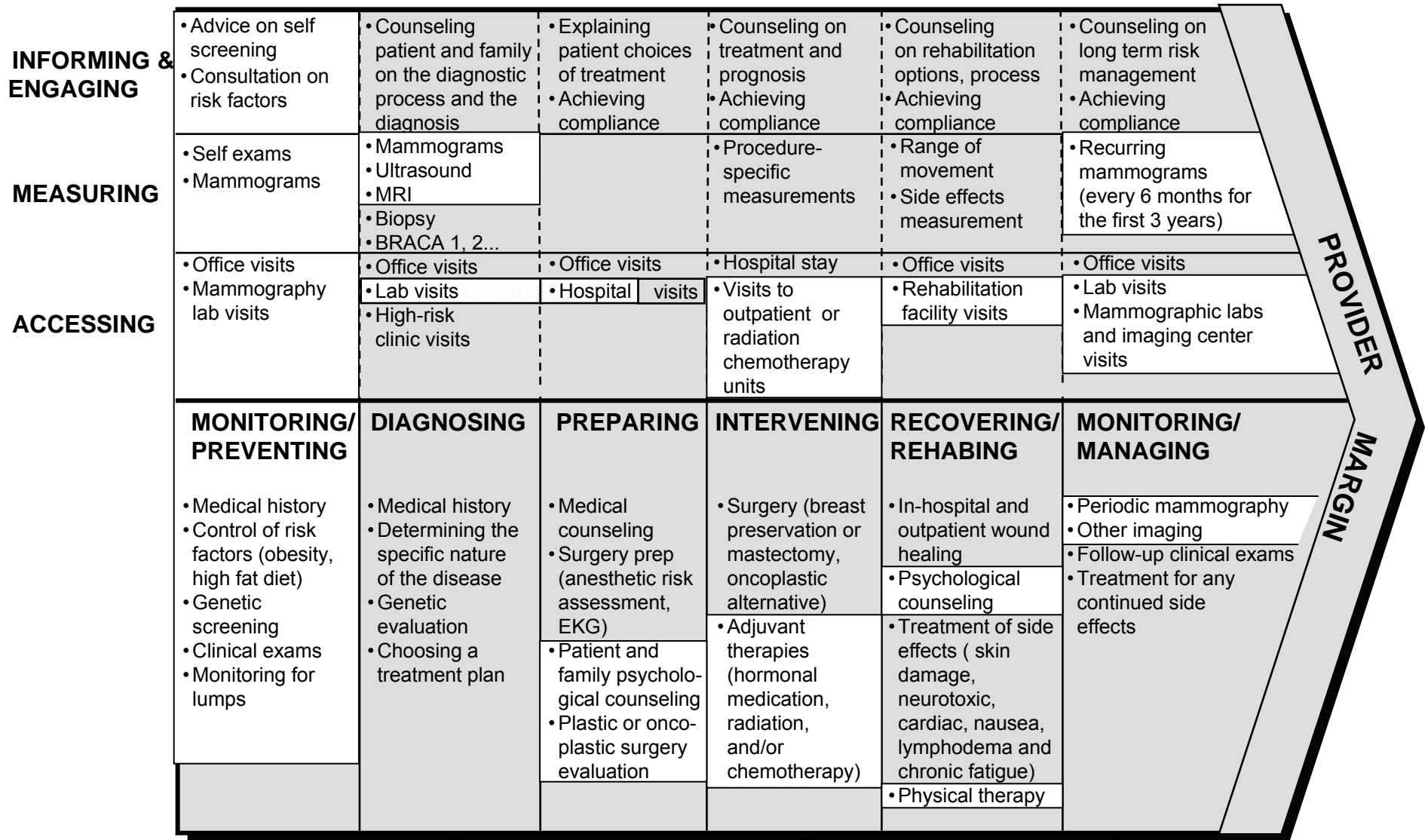
Source: KKH, Westdeutsches Kopfschmerzzentrum

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
- 
- The medical condition is the **unit of value creation** in health care delivery

The Cycle of Care

Care Delivery Value Chain for Breast Cancer



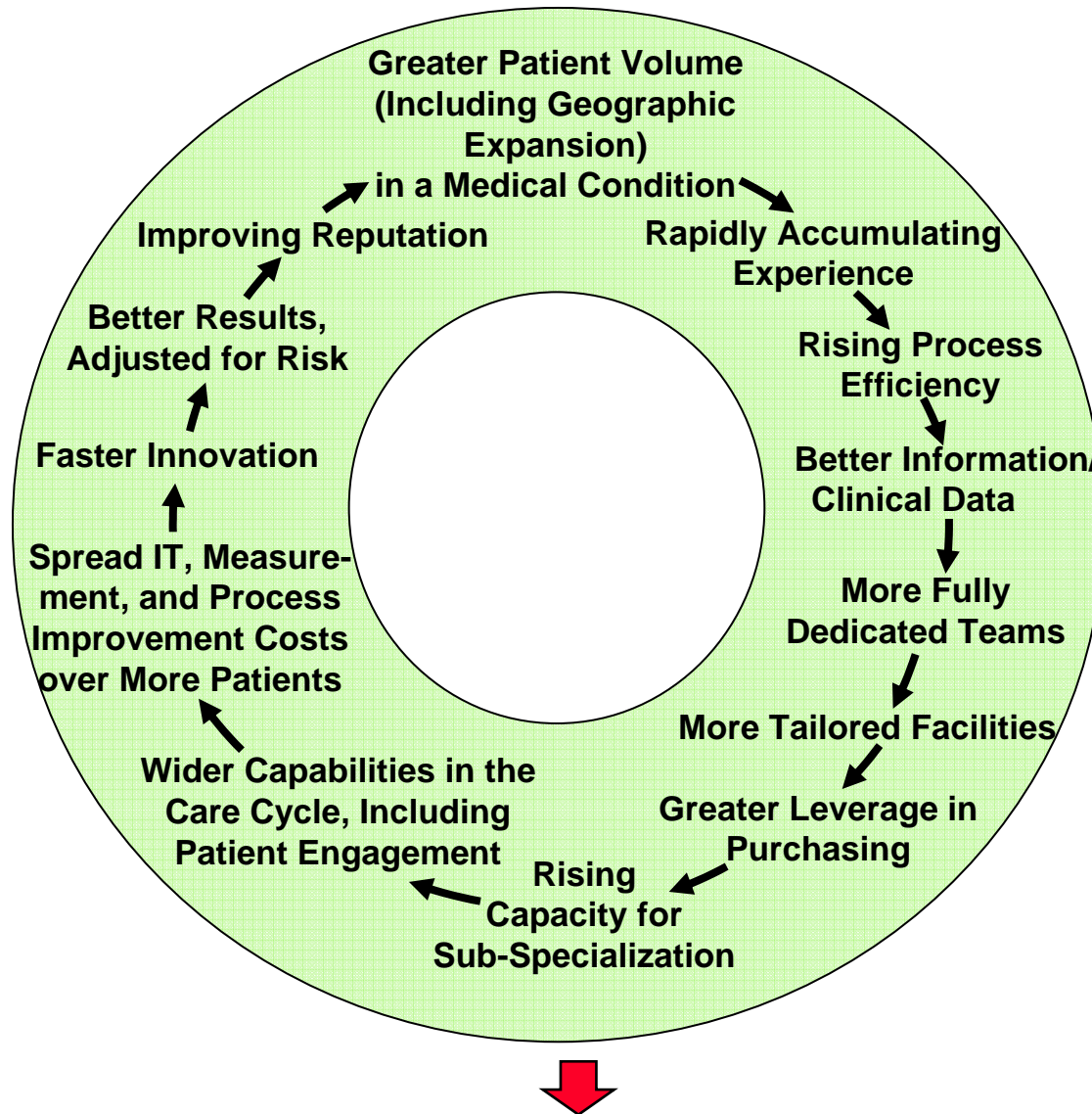
- **Primary care providers** are often the beginning and end of care cycles

- Breast Cancer Specialist
- Other Provider Entities

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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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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:
$$\frac{\text{Patient health outcomes over the care cycle}}{\text{Total cost of achieving those outcomes}}$$

Measuring Value: Unit of Analysis

- The **appropriate unit for measuring value** must align with **how value is created for patients**
 - Across services
 - Across time
- Value should be measured for **medical conditions** over the **cycle of care**
 - vs. for hospitals, practices, or clinics
 - vs. types of service (e.g. inpatient, outpatient, tests, rehabilitation)
 - vs. for interventions or short episodes



- Current efforts suffer from measuring value at **differing/ inappropriate levels**

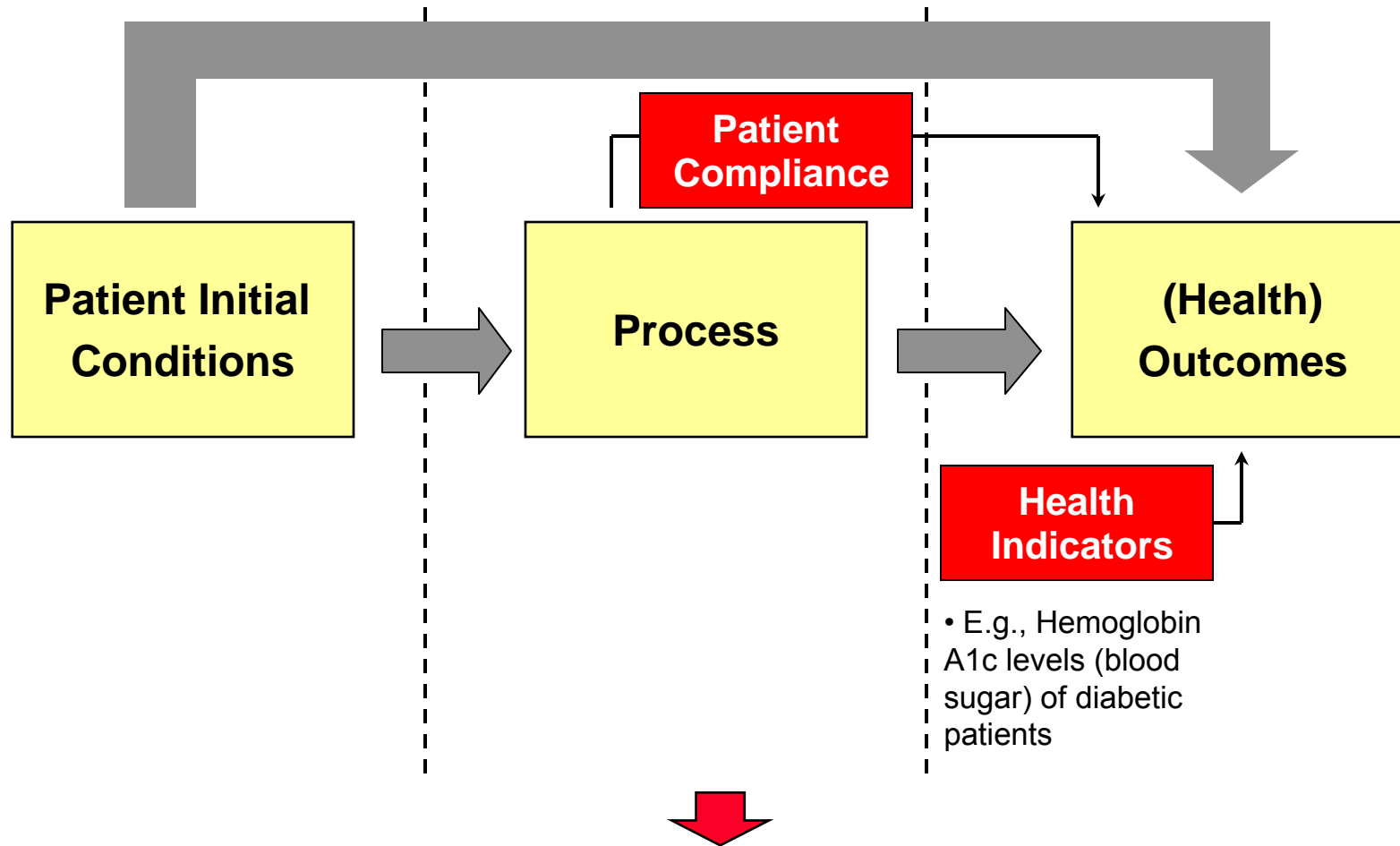
Measuring Results

Principles

- Measure **outcomes** versus processes of care
- Outcomes must be **adjusted for risk/patient initial circumstances**

Measuring Value in Health Care

Outcomes versus Processes



- Process compliance is **not quality**

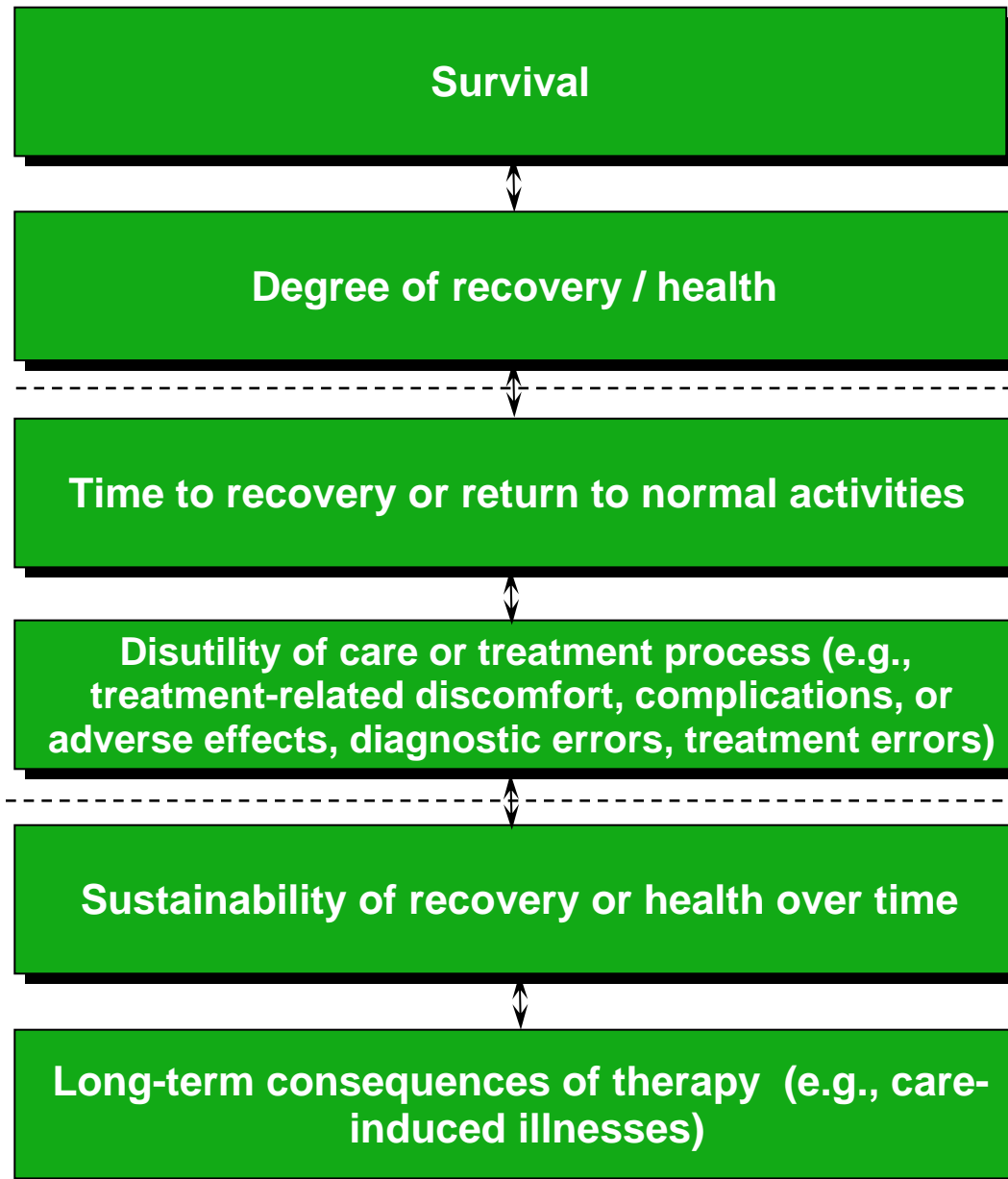
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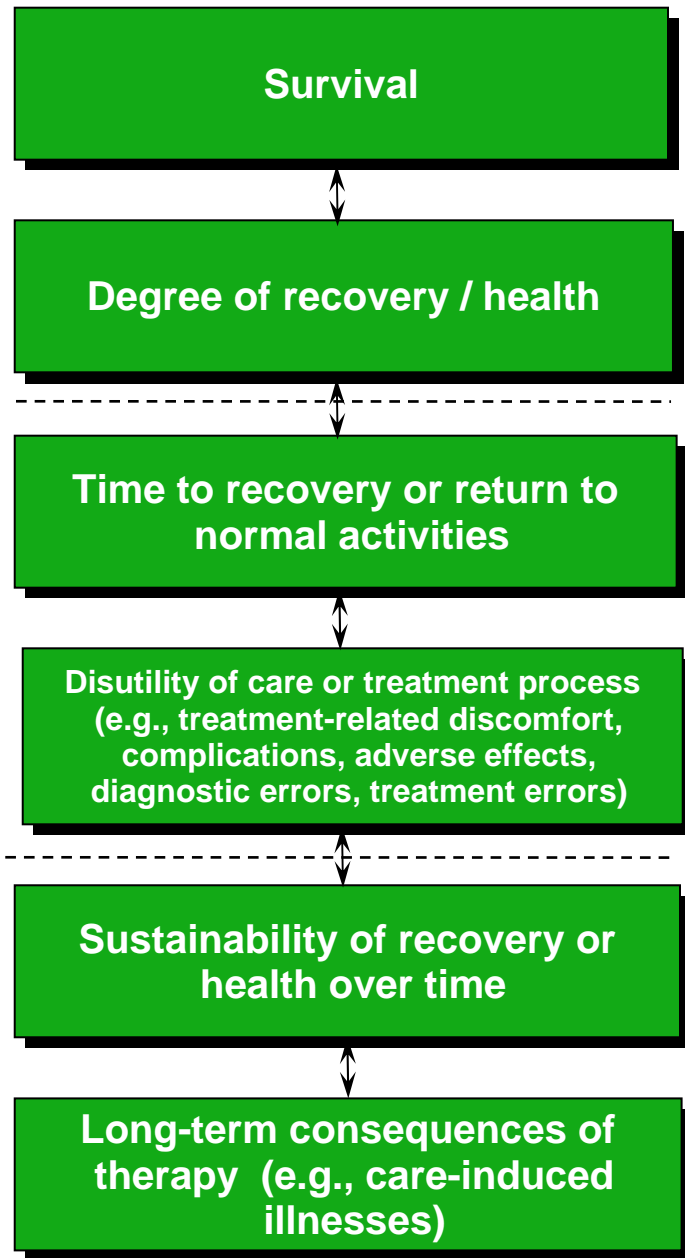
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- Outcomes must be **adjusted for risk/patient initial circumstances**
- Outcome measurement should take place:
 - At the **medical condition** level
 - Over the **cycle of care**
- There are **multiple outcomes** for every medical condition

Measuring Outcomes

The Outcome Measures Hierarchy



Measuring Breast Cancer Outcomes



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

- **Remission**
- **Functional status**

- **Breast conservation surgery outcome**

- **Time to remission**

- **Time to achieve functional status**

- **Nosocomial infection**
- **Nausea**
- **Vomiting**

- **Febrile neutropenia**
- **Limitation of motion**
- **Depression**

- **Cancer recurrence**

- **Sustainability of functional status**

- **Incidence of secondary cancers**
- **Brachial plexopathy**

- **Premature osteoporosis**

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

Measuring Results

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- Measure **outcomes** versus processes of care
- Outcomes must be **adjusted for risk/patient initial circumstances**
- Outcome measurement should take place:
 - At the **medical condition** level
 - Over the **cycle of care**
- There are **multiple outcomes** for every medical condition
- Outcomes are as important for **physicians** as for consumers and health plans

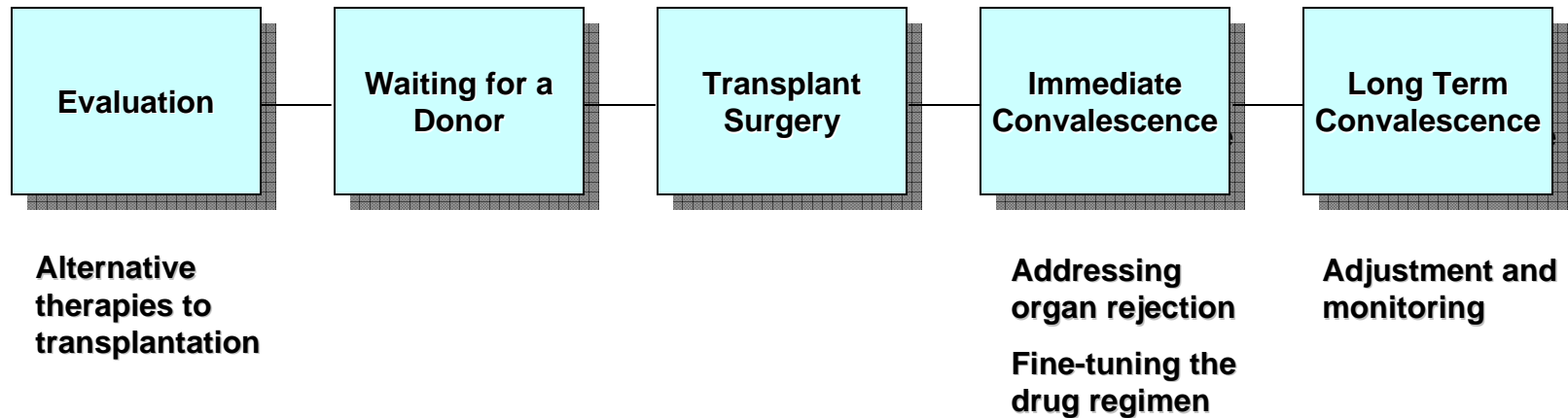


- The feasibility of universal outcome measurement at the medical condition level has been **conclusively demonstrated**
- Providers and health plans must **measure outcomes** (and costs) for every patient

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

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
 - Full care cycle

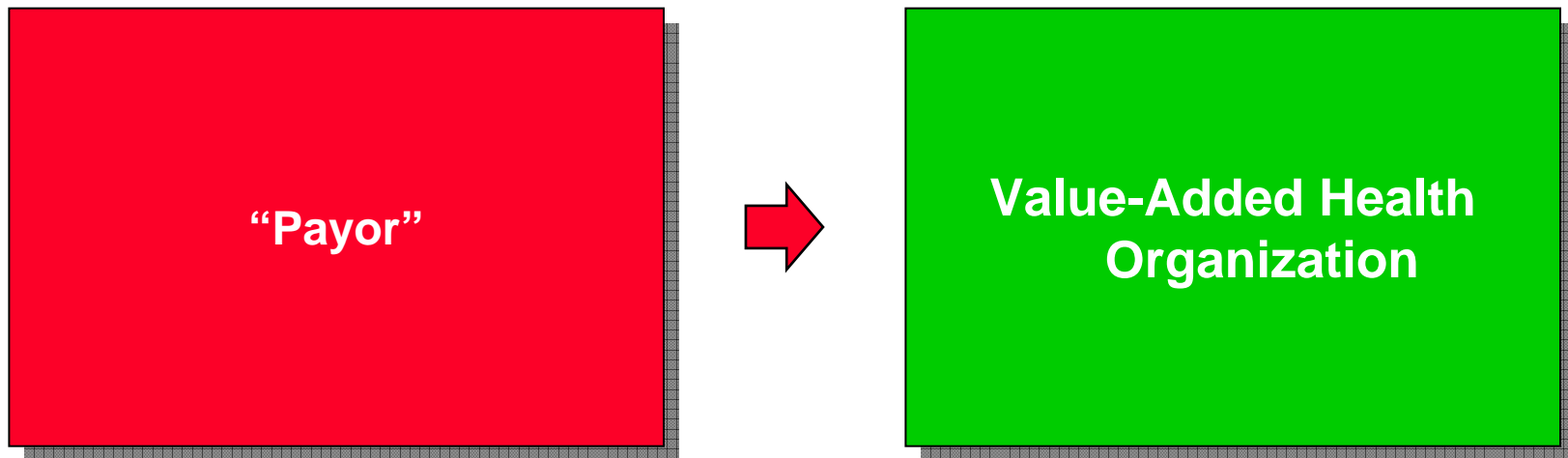
Moving to Value-Based Competition

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**
- IPUs should **integrate services** for each medical condition **across geographic locations**
- Employ formal **partnerships** and **alliances** with outside 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 delivery structures and bundled 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

How Will Redefining Health Care Begin?

- It is **already happening**
- 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** can and should take the lead