Value-Based Health Care Delivery

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May 27, 2009

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.
Redefining Health Care Delivery

• Universal coverage and access to care are **essential, but not enough**

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

  Value: Patient health outcomes per dollar spent

• How to design a health care system that **dramatically improves value**
  – Ownership of entities is secondary (e.g. non-profit vs. for profit vs. government)

• 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
Harnessing Competition on Value

• Competition is a powerful force to encourage restructuring of care and continuous improvement in value
  – Competition for patients
  – Competition for health plan subscribers

• Today’s competition in health care is not aligned with value

| Financial success of system participants | ≠ | Patient success |

• Creating competition on value is a central challenge in health care reform
Principles of Value-Based Health Care Delivery

1. Set the goal as **value for patients**, not containing costs
2. Drive value and cost containment by **improving quality**, where quality is health **outcomes**
3. Reorganize health care delivery around **medical conditions** over the **full cycle of care**

- A medical condition is an interrelated set of patient medical circumstances best addressed in an integrated way
  - Defined from the **patient’s** perspective
  - **Including** the most common co-occurring conditions
  - Involving **multiple** specialties and services

- The medical condition is the **unit of value creation** in health care delivery
Restructuring Care Delivery
Migraine Care in Germany

Existing Model:
Organize by Specialty and Discrete Services

New Model:
Organize into Integrated Practice Units (IPUs)

# The Cycle of Care
## Breast Cancer

<table>
<thead>
<tr>
<th>ENGAGING</th>
<th>MEASURING</th>
<th>ACCESSING</th>
<th>MONITORING/ PREVENTING</th>
<th>DIAGNOSING</th>
<th>PREPARING</th>
<th>INTERVENING</th>
<th>RECOVERING/ REHABING</th>
<th>MONITORING/ MANAGING</th>
</tr>
</thead>
</table>
| • Advice on Self screening  
• Consultations on risk factors | • Self exams  
• Mammograms | • Office visits  
• Mammography lab visits | • 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 | • Surgery prep (anesthetic risk assessment, EKG) | • Surgery (breast preservation or mastectomy, oncoplastic alternative) | • In-hospital and outpatient wound healing  
• Treatment of side effects (e.g. skin damage, cardiac complications, nausea, lymphodema and chronic fatigue) | • Periodic mammography  
• Other imaging  
• Follow-up clinical exams  
• Treatment for any continued side effects |
| • Counseling patient and family on the diagnostic process and the diagnosis | • Mammograms  
• Ultrasound  
• MRI | • Hospital visits  
• Visits to outpatient or radiation chemotherapy units | • Surgery prep (anesthetic risk assessment, EKG)  
• Plastic or onco-plastic surgery evaluation | • Adjuvant therapies (hormonal medication, radiation, and/or chemotherapy)  
• Physical therapy | | | |
| • Explaining patient choices of treatment  
• Patient and family psychological counseling | • Procedure-specific measurements | • Rehabilitation facility visits | | | | | |
| • Counseling on the treatment process  
• Achieving compliance | • Range of movement  
• Side effects measurement | • Lab visits  
• Mammographic labs and imaging center visits | | | | | |
| • Counseling on rehabilitation options, process  
• Achieving compliance  
• Psychological counseling | • Recurring mammograms (every six months for the first 3 years) | | | | | | |

**PROVIDER MARGIN**

- Breast Cancer Specialist
- Other Provider Entities
Principles of Value-Based Health Care Delivery

4. **Increase** provider **experience**, **scale**, and **learning** at the **medical condition level**

- The virtuous circle **extends across geography** when care for a medical condition is integrated across locations
## Fragmentation of Hospital Services
### Sweden

<table>
<thead>
<tr>
<th>DRG</th>
<th>Total admissions per year nationwide</th>
<th>Number of admitting providers</th>
<th>Average admissions/provider/year</th>
<th>Average admissions/provider/week</th>
<th>Average percent of total national admissions per provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetes age &gt; 35</td>
<td>7,649</td>
<td>80</td>
<td>96</td>
<td>2</td>
<td>1.3%</td>
</tr>
<tr>
<td>Kidney failure</td>
<td>7,742</td>
<td>80</td>
<td>97</td>
<td>1</td>
<td>1.3%</td>
</tr>
<tr>
<td>Multiple sclerosis and cerebellar ataxia</td>
<td>2,218</td>
<td>78</td>
<td>28</td>
<td>1</td>
<td>1.3%</td>
</tr>
<tr>
<td>Inflammatory bowel disease</td>
<td>4,816</td>
<td>73</td>
<td>66</td>
<td>1</td>
<td>1.4%</td>
</tr>
<tr>
<td>Implantation of cardiac pacemaker</td>
<td>6,324</td>
<td>51</td>
<td>124</td>
<td>2</td>
<td>2.0%</td>
</tr>
<tr>
<td>Splenectomy age &gt; 17</td>
<td>129</td>
<td>37</td>
<td>3</td>
<td>&lt;1</td>
<td>2.6%</td>
</tr>
<tr>
<td>Cleft lip &amp; palate repair</td>
<td>583</td>
<td>7</td>
<td>83</td>
<td>2</td>
<td>14.2%</td>
</tr>
<tr>
<td>Heart transplant</td>
<td>74</td>
<td>6</td>
<td>12</td>
<td>&lt;1</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

Principles of Value-Based Health Care Delivery

5. **Integrate care across facilities** and **across regions**, rather than Duplicate services in stand-alone units

- Excellent providers can manage care delivery **across multiple geographies**
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3. Reorganize health care delivery around **medical conditions** over the full cycle of care
4. **Increase** provider **experience, scale, and learning** at the **medical condition level**
5. **Integrate care across facilities** and **across regions**, rather than duplicate services in stand-alone units
6. **Measure** and ultimately **report** value for every provider for every medical condition

- Outcomes should be measured for each **medical condition** over the **cycle of care**
  - Not for interventions or short episodes
  - Not for practices, departments, clinics, or hospitals
  - Not separately for types of service (e.g. inpatient, outpatient, tests, rehabilitation)

- Results should be measured at **the level at which value is created**
The Outcome Measures Hierarchy

- **Tier 1**: Health Status Achieved
  - **Degree of health/recovery**

- **Tier 2**: Process of Recovery
  - **Time to recovery or return to normal activities**
  - **Disutility of care or treatment process (e.g., discomfort, complications, adverse effects, errors, and their consequences)**

- **Tier 3**: Sustainability of Health
  - **Sustainability of health or recovery and nature of recurrences**
  - **Long-term consequences of therapy (e.g., care-induced illnesses)**
Swedish Obesity Registry Indicators

Initial Conditions

- Demographics (age, sex, height, weight, BMI, waist circumference etc)
- Baseline labs – HbA1c (a measure of long-term blood glucose control), Triglycerides, Low Density Lipoprotein (bad cholesterol), High Density Lipoprotein (good cholesterol), Comorbidities (sleep apnea, diabetes, depression, etc)
- SF-36/OP-9 (validated quality of life measures)

Surgery

- Background (Previous surgeries, anesthesia risk class)
- Operation type and concurrent operations (gall bladder removal, appendix removal, etc)
- Perioperative complications
- Surgery data (surgery/anesthesia times, blood loss, etc)
- 6 week follow-up

Source: SOReg: Swedish National Obesity Registry
### 6-week follow-up
- Length of stay
- <30d surgical complications (bleeding, leakage, infection, technical complications, etc)
- <30d general complications (blood clot, urinary infection, etc)
- Other operations required (gall bladder, plastic surgery, etc)
- Repetition of anthropometric measurements (height, weight, waist, BMI, and change from initial)
- Diabetes labs (HbA1c)

### 1,2 & 5-year follow-up
- Anthropometrics and change from initial
- Labs (diabetes, triglycerides & cholesterol)
- Comorbidities, and ongoing treatments
- Delayed complications of operation (hernia, ulcer, treatment related malnutrition or anemia, etc)
- Other surgeries since registration
- SF-36/OP-9 (validated quality of life measures)

Source: SOReg: Swedish National Obesity Registry
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7. Align reimbursement with **value** and reward **innovation**

- **Bundled reimbursement** for care cycles, not payment for discrete treatments or services
- Time-base bundled reimbursement for **managing chronic conditions**
- Reimbursement for **prevention, wellness, screening, and health maintenance** service bundles, not just treatment

- **Providers** and **health plans** must be proactive in driving new reimbursement models, not wait for government
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8. Utilize information technology to enable **restructuring of care delivery** and **measuring results**, rather than treat it as a solution itself

- Common data definitions
- Precise interoperability standards
- Patient-centered data warehouse
- Include all types of data (e.g. notes, images)
- Cover the full care cycle, including referring entities
- Accessible to all involved parties
- Templates for medical conditions to enhance the user interface
Value-Based Health Care Delivery: Implications for Providers

- Organize around **integrated practice units** (IPUs)
  - Employ formal **partnerships** and **alliances** with other organizations involved in the care cycle
- Measure **outcomes** and **costs** for every patient
- Lead the development of **new IPU reimbursement models**
- **Specialize** and **integrate** across facilities
- Grow high-performance practices **across regions**
- Implement an integrated **electronic medical record** system to support these functions
Value-Based Healthcare Delivery: Implications for Health Plans

“Payor”

Value-Added Health Organization
How Will Redefining Health Care Begin?

• It is **already happening** in the U.S. and other countries
• Steps by pioneering institutions will be **mutually reinforcing**
• Once competition begins working, value improvement will **no longer be discretionary**
• Those organizations that **move early** will gain major benefits

• **Providers** can and should take the lead