

Value Based Health Care Delivery: Welcome and Introduction

Professor Michael E. Porter
Harvard Business School

Texas Medical Center
Value Based Health Care Delivery Seminar
www.isc.hbs.edu

April 2014

This presentation draws on *Redefining Health Care: Creating Value-Based Competition on Results* (with Elizabeth O. Teisberg), Harvard Business School Press, May 2006; “A Strategy for Health Care Reform—Toward a Value-Based System,” *New England Journal of Medicine*, June 3, 2009; “Value-Based Health Care Delivery,” *Annals of Surgery* 248: 4, October 2008; “Defining and Introducing Value in Healthcare,” *Institute of Medicine Annual Meeting*, 2007. Additional information about these ideas, as well as case studies, can be found the Institute for Strategy & Competitiveness Redefining Health Care website at <http://www.hbs.edu/rhc/index.html>. 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 O. Teisberg.

Creating A High Value Delivery Organization

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

Value: Patient health outcomes per dollar spent

- Delivering high and improving value is the **fundamental purpose** of health care
- Value is the only goal that can **unite the interests** of all system participants



- Improving value is the only real **solution** to reforming health care versus **cost shifting to patients, restricting services, or reducing provider compensation**

Creating a Value-Based Health Care System

- Significant improvement in value will require **fundamental restructuring of health care delivery**, not incremental improvements
- Today's delivery approaches reflect a **legacy** of medical science, organizational structures, management practices, and payment models that are obsolete.

Care pathways, process improvements, safety initiatives, care coordinators, disease management and other **overlays** to the current structure can be beneficial, but not sufficient

Principles of Value-Based Health Care Delivery

$$\text{Value} = \frac{\text{Health outcomes that matter to patients}}{\text{Costs of delivering the outcomes}}$$

- Value is measured for the **care of a patient's medical condition** over the full cycle of care
 - Outcomes are the **full set of health results for a patient's condition** over the care cycle
 - Costs are the **total costs of care for a patient's condition** over the care cycle

Creating a Value-Based Health Care Delivery System

The Strategic Agenda

1. Organize Care into **Integrated Practice Units (IPUs)** around Patient Medical Conditions
 - For primary and preventive care, organize to serve **distinct patient segments**
2. Measure **Outcomes** and **Costs** for Every Patient
3. Move to **Bundled Payments** for Care Cycles
4. Integrate Care Delivery **Systems**
5. Expand **Geographic Reach**
6. Build an Enabling **Information Technology Platform**

Texas Medical Center

Value Based Health Care Delivery Course

	Tuesday, April 22 BRC Lecture Hall 280	Wednesday, April 23 BRC Lecture Hall 280
8:30 AM	Breakfast: (8:30 am - 9:00 am)	Breakfast: (8:30 am - 9:00 am)
8:45 AM	Welcome: (9:00 am - 9:15 am): <i>Michael Porter & Bob Kaplan</i>	Case Session 3: (9:00 am - 10:30 am) <i>The Schön Klinik Case</i> <i>Measuring Cost & Value</i> <i>Bob Kaplan</i>
9:00 AM	Case Session 1: (9:15 am - 10:30 am) <i>Texas Children's Hospital Case</i>	
9:15 AM	<i>Integrated Practice Units & Outcomes Measurement</i> <i>Michael Porter</i>	
9:30 AM		
9:45 AM		
10:00 AM	Protagonist: (10:30 am - 11:15 am) <i>Dr. Charles Fraser & Kathy Carberry</i>	Protagonist (10:30 am - 10:45 am) : <i>Axel Fischer video (Length: 15 minutes)</i>
10:15 AM		Break: (10:45 am - 11:00 am)
10:30 AM		Topic Lecture: (11:00 pm - 12:00 pm) <i>Cost & Reimbursement</i>
10:45 AM		<i>Bob Kaplan</i>
11:00 AM	Break: (11:15 am - 11:25 am)	
11:15 AM	Topic Lecture: (11:25 am - 12:05 pm) <i>Introduction to Value-Based Health Care Delivery</i> <i>Michael Porter</i>	Lunch (12:00 pm - 1:00 pm) <i>Small Group Discussions</i>
11:30 AM		
11:45 AM		
12:00 PM	Lunch (12:05 pm - 12:50 pm) <i>Small Group Discussions</i>	
12:15 PM		
12:30 PM	Case Session 2: (12:50 pm - 2:10 pm) <i>Martini Klinik Case</i>	Topic Lecture: (1:00 pm - 2:00 pm) <i>Reimbursement Case Discussion:</i> <i>Stockholm/UCLA Bundle Case</i> <i>Bob Kaplan</i>
12:45 PM	<i>Integrated Practice Units & Outcomes</i> <i>Michael Porter</i>	Break: (2:00 pm - 2:15 pm)
1:00 PM		
1:15 PM	Protagonist: (2:10 pm - 2:50pm) <i>Dr. Hartwig Huland</i>	Case Session 4: (2:15 pm - 3:45 pm) <i>Cleveland Clinic Case</i> <i>Regional Care Delivery</i> <i>Michael Porter</i>
1:30 PM		
1:45 PM	Break: (2:50 pm - 3:05 pm)	
2:00 PM	Topic Lecture: (3:05 pm - 3:50 pm) <i>Outcome Measurement</i> <i>Michael Porter</i>	Protagonist: (3:45 pm - 4:30 pm) <i>Toby Cosgrove video</i>
2:15 PM		
2:30 PM	Topic Lecture: (3:50 am - 4:35 pm) <i>TDABC</i> <i>Bob Kaplan</i>	Topic Lecture: (4:30 pm - 5:15 pm) <i>Systems Integration</i> <i>Michael Porter</i>
2:45 PM	Group Photo: (4:35 pm - 4:45 pm)	
3:00 PM	Reception: (4:45 pm - 6:00 pm)	Stump the Professor (Q&A): (5:15 pm - 5:45 pm) <i>Michael Porter & Bob Kaplan</i>
3:15 PM		
3:30 PM		Take Aways & Wrap Up: (5:45 pm - 6:00 pm)
3:45 PM		
4:00 PM		
4:15 PM		
4:30 PM		
4:45 PM		
5:00 PM		
5:15 PM		
5:30 PM		
5:45 PM		
6:00 PM		

The Case Method

- **Name cards** and assigned seating
- **Raise your hand** to participate
- Use **case facts only** during the discussion
- **No questions** to the instructor are appropriate **during the case discussion**
- There are **no “right” answers**