

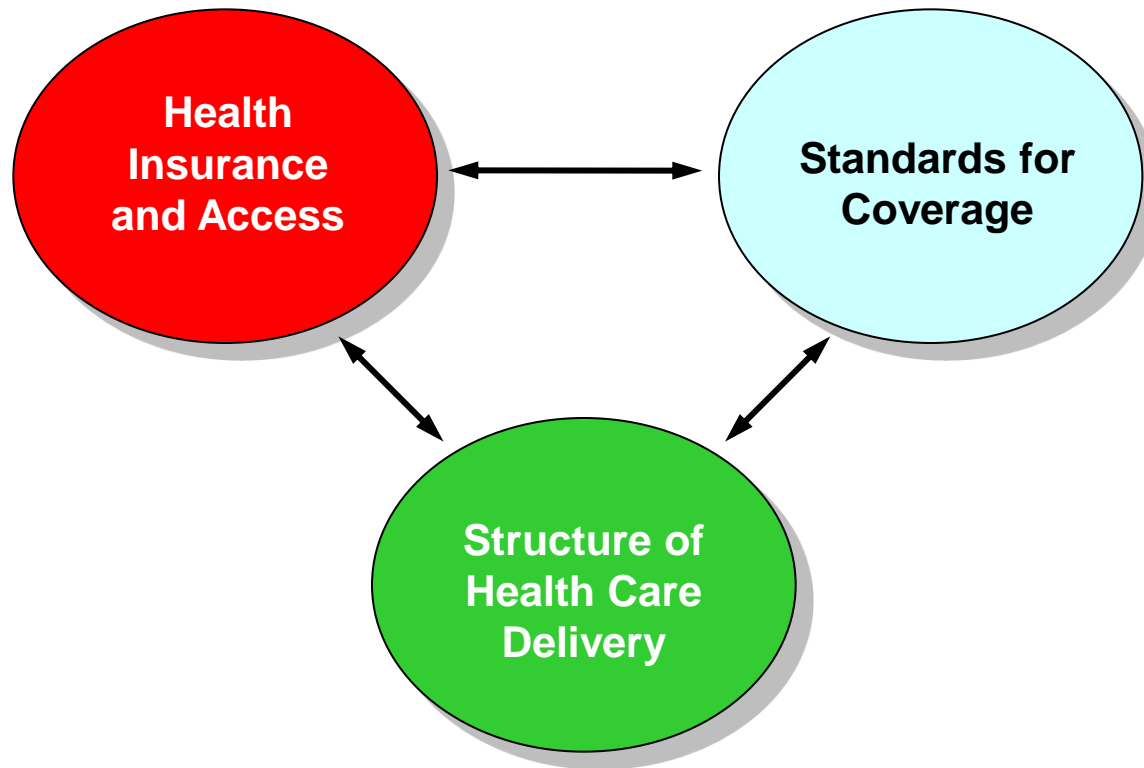
Redefining Health Care: Creating Value-Based Competition on Results

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Kooperationen und Allianzen
im Gesundheitswesen
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This presentation draws on a forthcoming book with Elizabeth Olmsted Teisberg ([Redefining Health Care: Creating Value-Based Competition on Results](#), Harvard Business School Press). Earlier publications about the work include the *Harvard Business Review* article “Redefining Competition in Health Care” and the associated *Harvard Business Review* Research Report “Fixing Competition in U.S. 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



Zero-Sum Competition in U.S. Health Care

- 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



- None of these forms of competition **increases value for patients**

Root Causes

- Competition in the health care system takes place at the **wrong levels** on the **wrong things**

Too Broad

- Between broad line hospitals, networks, and health plans

Too Narrow

- Performing discrete services or interventions

Too Local

- Focused on serving the local community

Principles of Value-Based Competition

1. The focus should be on **value for patients**, not just lowering costs.

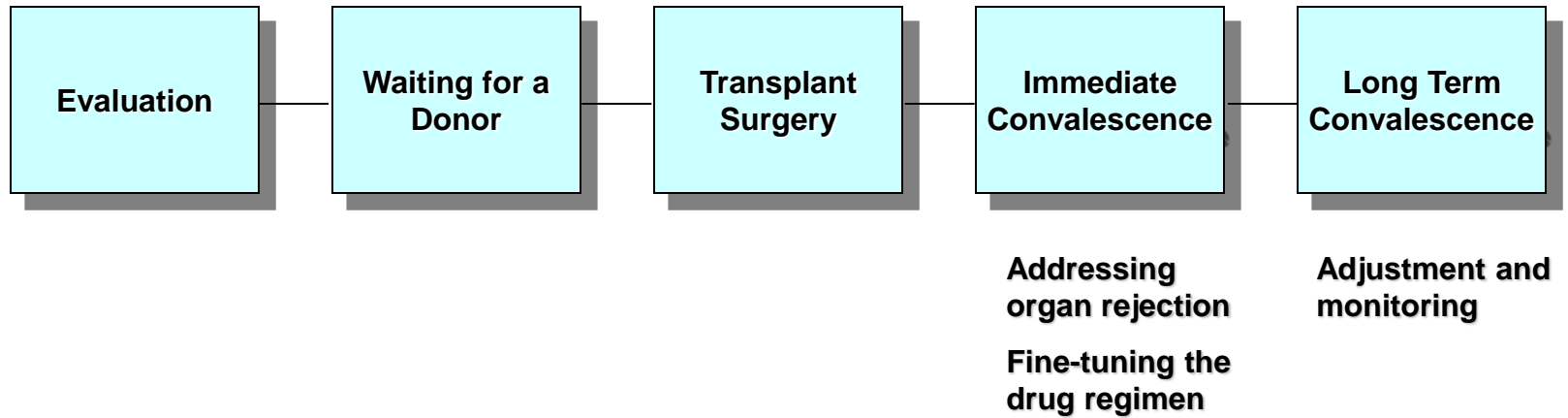
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Organ Transplant Care Cycle



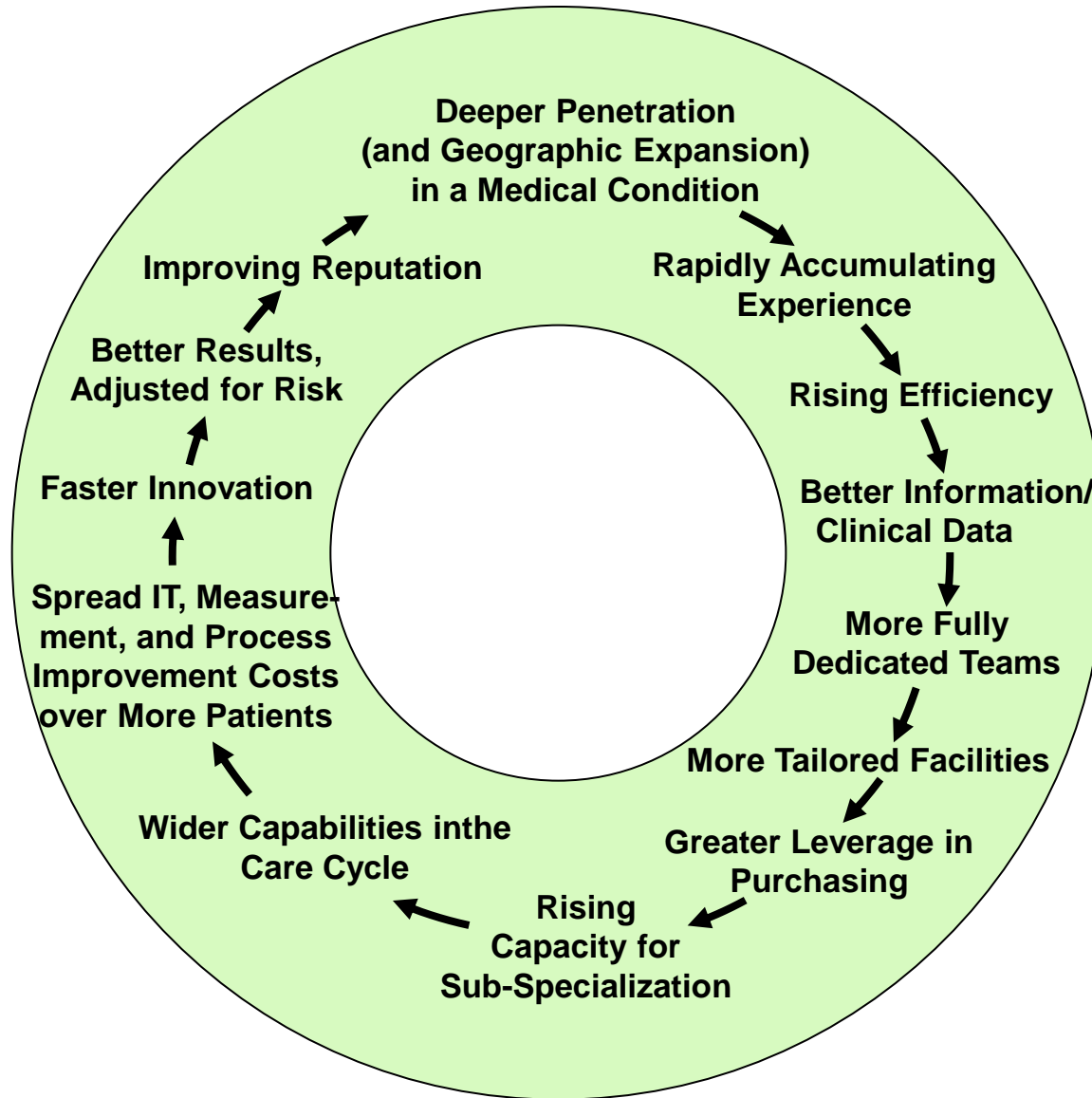
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The Virtuous Circle in a Medical Condition



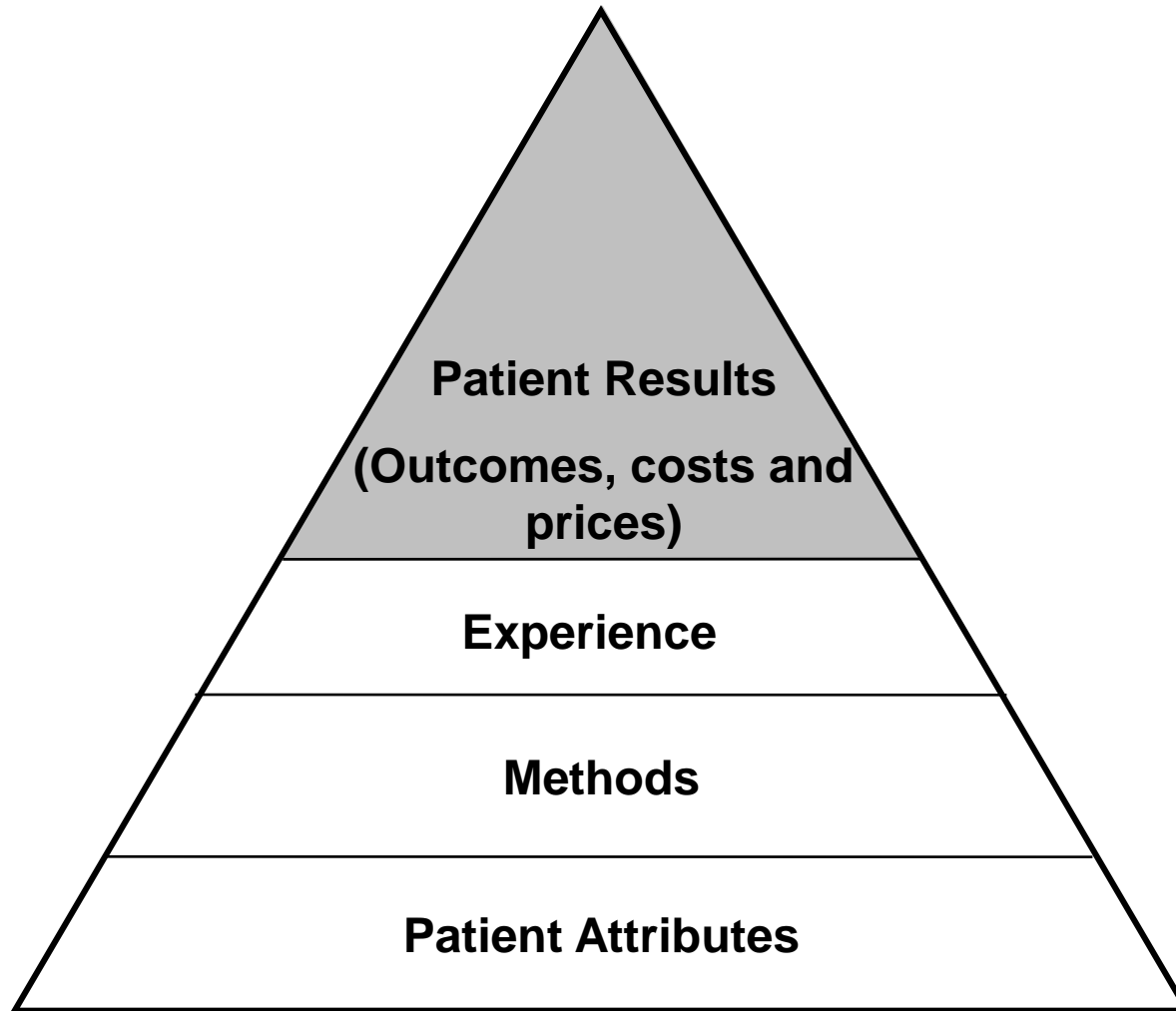
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The Information Hierarchy



Boston Spine Group

Clinical and Outcome Information Collected and Analyzed

OUTCOMES

Patient Outcomes

(before and after treatment, multiple times)

Visual Analog Scale (pain)

Owestry Disability Index, 10 questions (functional ability)

SF-36 Questionnaire, 36 questions (burden of disease)

Length of hospital stay

Time to return to work or normal activity

Service Satisfaction

(periodic)

Office visit satisfaction metrics (10 questions)

Overall medical satisfaction

("Would you have surgery again for the same problem?")

Medical Complications

Cardiac

Myocardial infarction

Arrhythmias

Congestive heart failure

Vascular deep venous thrombosis

Urinary infections

Pneumonia

Post-operative delirium

Drug interactions

Surgery Complications

Patient returns to the operating room

Infection

Nerve injury

Sentinel events (wrong site surgeries)

Hardware failure

METHODS

Surgery Process Metrics

Operative time

Blood loss

Devices or products used

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8. **Innovations** that increase value must be strongly rewarded.

Moving to Value-Based Competition

Providers

Strategic and Organizational Imperatives

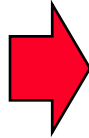
- Redefine the business around **medical conditions**
- Choose the **range and types of services provided**
- Organize around **medically integrated practice units**
- Create a **distinctive strategy** in each practice unit
- Measure **results, experience, methods, and patient attributes** by practice unit
- Move to **single bills** and new approaches to **pricing**
- **Market** services based on excellence, uniqueness, and results
- Grow locally and geographically in **areas of strength**

Enabling Conditions

- Analyzing the **care delivery value chain**
- Harnessing the power of **Information Technology**
- Systematizing **knowledge development**

What Businesses Are We In?

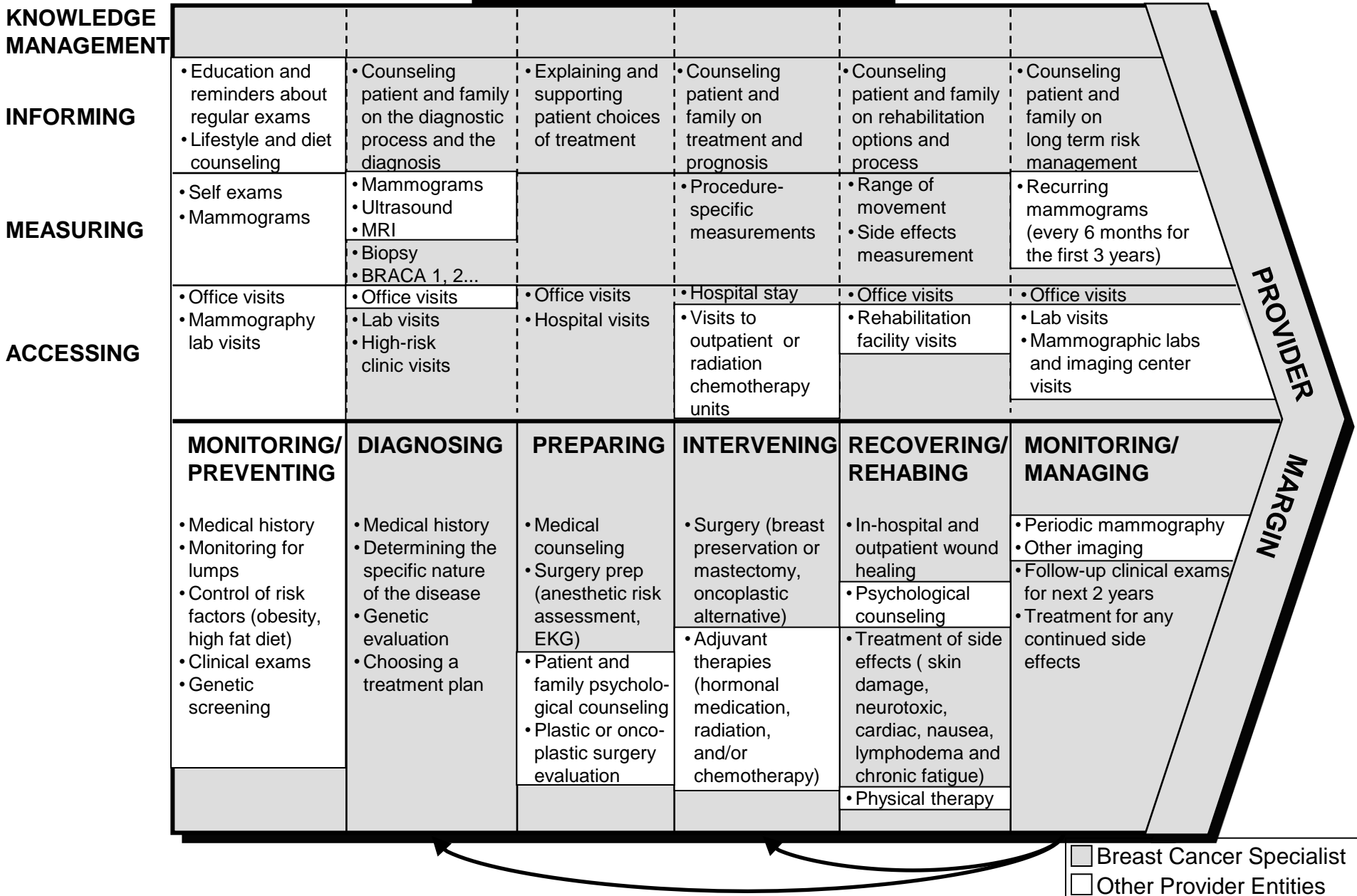
Nephrology practice



- Hypertension Management
- Chronic Kidney Disease
- End-Stage Renal Disease
- Kidney Transplants

The Care Delivery Value Chain

Breast Cancer Care



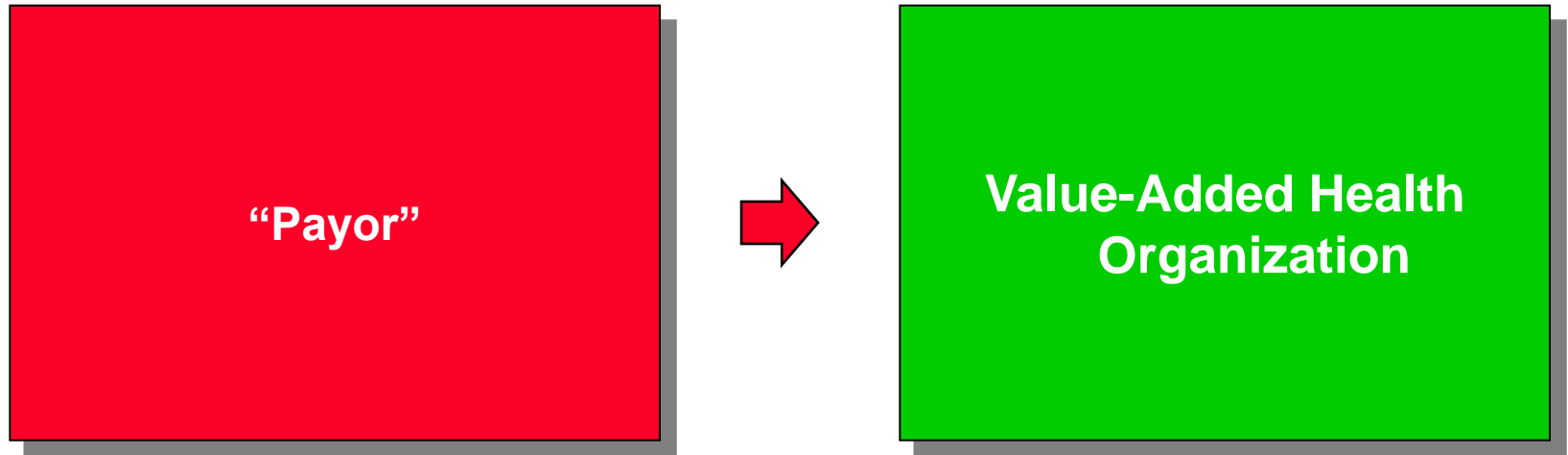
Moving to Value-Based Competition

Suppliers

- Compete on delivering **unique value** over the **full care cycle**
- **Demonstrate value** based on careful study of long term costs and results versus alternative therapies
- Ensure that the products are **used by the right patients**
- Ensure that drugs/devices are embedded in the **right care delivery processes**
- Market based on **value, information, and customer support**
- Offer support services that **contribute to value** rather than reinforce cost shifting

Moving to Value-Based Competition

Health Plans



Moving to Value-Based Competition

Health Plans

Provide Health Information and Support to Patients and Physicians

1. Organize around **medical conditions**, not geography or administrative functions
2. Develop measures and assemble results **information** on providers and treatments
3. Actively **support provider** and **treatment choice** with information and unbiased counseling
4. Organize information and patient support around the **full cycle of care**
5. Provide comprehensive **disease management** and **prevention** services to all members, even healthy ones

Restructure the Health Plan-Provider Relationship

6. Shift the nature of **information sharing** with providers
7. Reward provider **excellence** and value-enhancing **innovation** for patients
8. Move to **single bills** for episodes and cycles of care, and **single prices**
9. Simplify, standardize, and eliminate **paperwork** and **transactions**

Redefine the Health Plan-Subscriber Relationship

10. Move to **multi-year subscriber contracts** and shift the nature of plan contracting
11. **End cost shifting practices**, such as re-underwriting, that erode trust in health plans and breed cynicism
12. Assist in managing **members' medical records**

Moving to Value-Based Competition

Consumers

- Participate actively in **managing personal health**
- Expect **relevant information** and seek advice
- Make treatment and provider **choices** based on **excellent results** and **personal values**, not convenience or amenities
- Choose a health plan based on **value added**
- Build a **long-term relationship** with an excellent health plan
- Act **responsibly**

What Government Can Do: Policies to Improve the Structure of Health Care Delivery

- Enable universal **results information**
 - Establish a process of **defining outcome measures**
 - Enact **mandatory results reporting**
 - Establish information **collection** and **dissemination** infrastructure
- Improve **pricing practices**
 - Establish episode and **care cycle** pricing
 - Set limits on **price discrimination**
- Open up **competition** at the right level
 - Reduce **artificial barriers** to practice area integration
 - Require a value justification for captive referrals or treatment involving an economic interest
 - Eliminate artificial restrictions on **new entry**
 - Institute results-based **license renewal**
 - Strictly enforce **antitrust** policies
 - Curtail anticompetitive **buying group practices**
 - Eliminate barriers to competition **across geography**
- Develop **information technology standards** and rules to enable interoperability and information sharing
- Invest in medical and clinical **research**

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.