

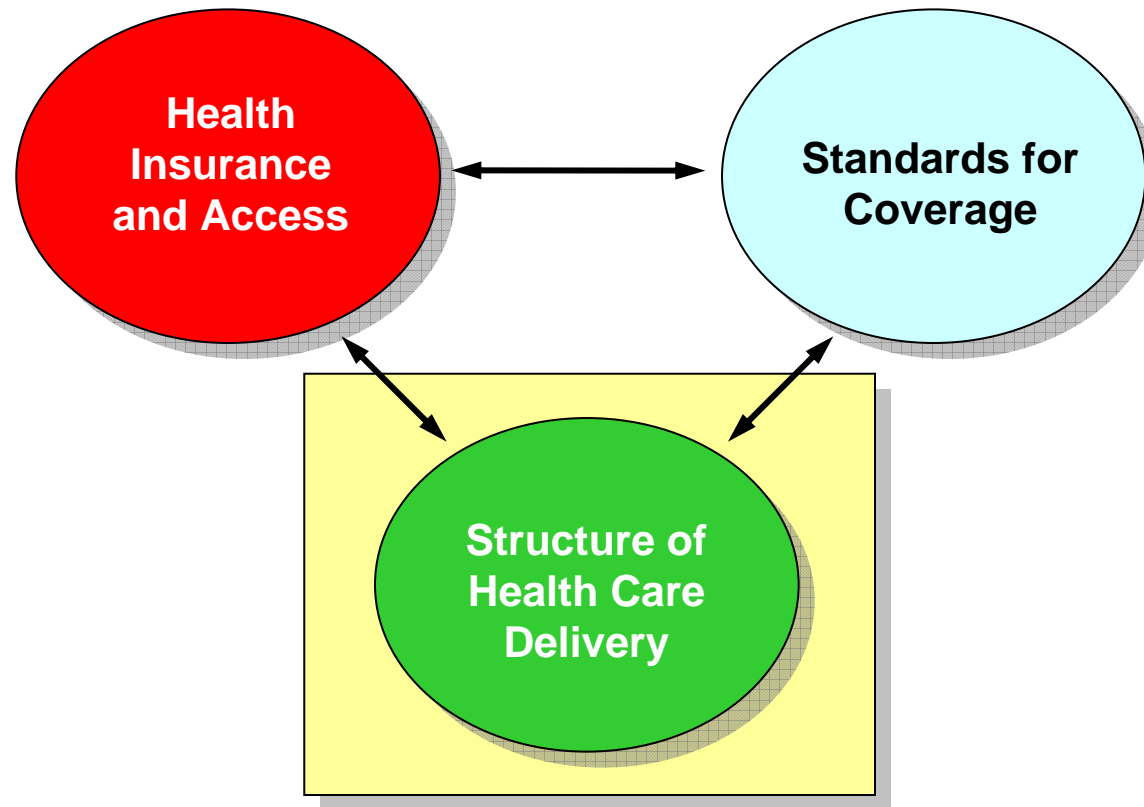
Value-Based Competition in Health Care

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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. Earlier publications about health care include the *Harvard Business Review* article “Redefining Competition in 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



Competition in Health Care

Bad Competition

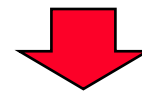
- Competition to **shift costs**
- Competition to **increase bargaining power**
- Competition to **capture patients** and **restrict choice**
- Competition to **restrict services** in order to reduce costs



- 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 just lowering costs.

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2. There must be **unrestricted competition** based on **results**.
 - Results vs. supply control or process compliance
 - Get patients to excellent providers vs. “lift all boats”

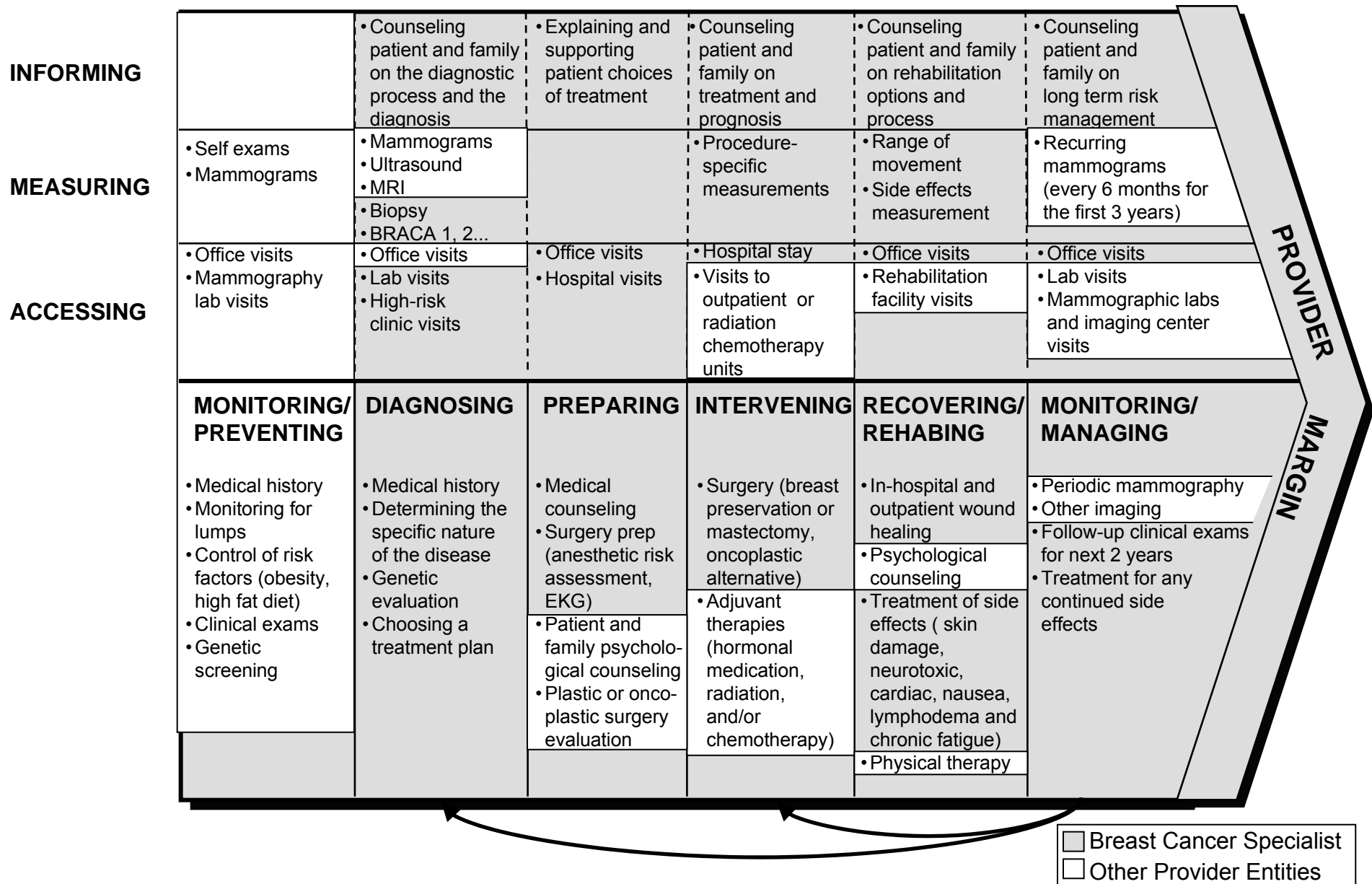
Principles of Value-Based Competition

1. The goal should be **value for patients**, not just lowering costs.
2. There must be **unrestricted competition** based on **results**.
3. Competition should center on **medical conditions** over the **full cycle of care**.

What is a Medical Condition?

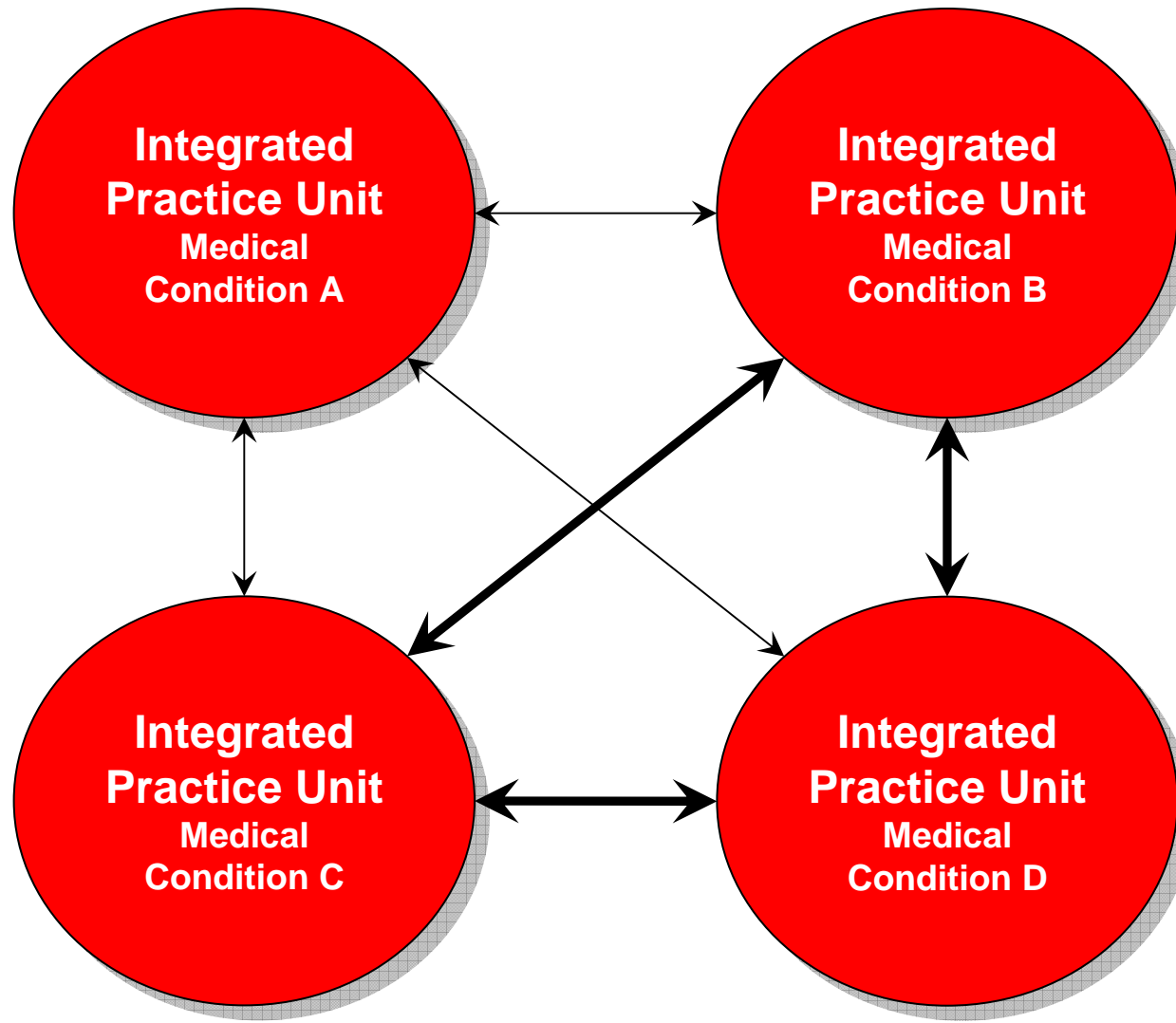
- A medical condition is **an interrelated set of patient medical circumstances best addressed in an integrated way**
 - From the patient's perspective
- **Includes** the most common co-occurrences
- Examples
 - Breast Cancer
 - Diabetes (including vascular disease, hypertension)

Breast Cancer Care Care Delivery Value Chain



Levels of Medical Integration

Within Medical Condition versus Across Medical Condition



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4. High quality care should be **less** costly.
 - Prevention
 - Early detection
 - Right diagnosis
 - Early treatment
 - Right treatment to the right patients
 - Treatment earlier in the causal chain
 - Fewer mistakes and repeats in treatment
 - Fewer delays in care delivery
 - Less invasive treatment methods
 - Faster recovery
 - Less disability
 - Slower disease progression
 - Less need for long term care

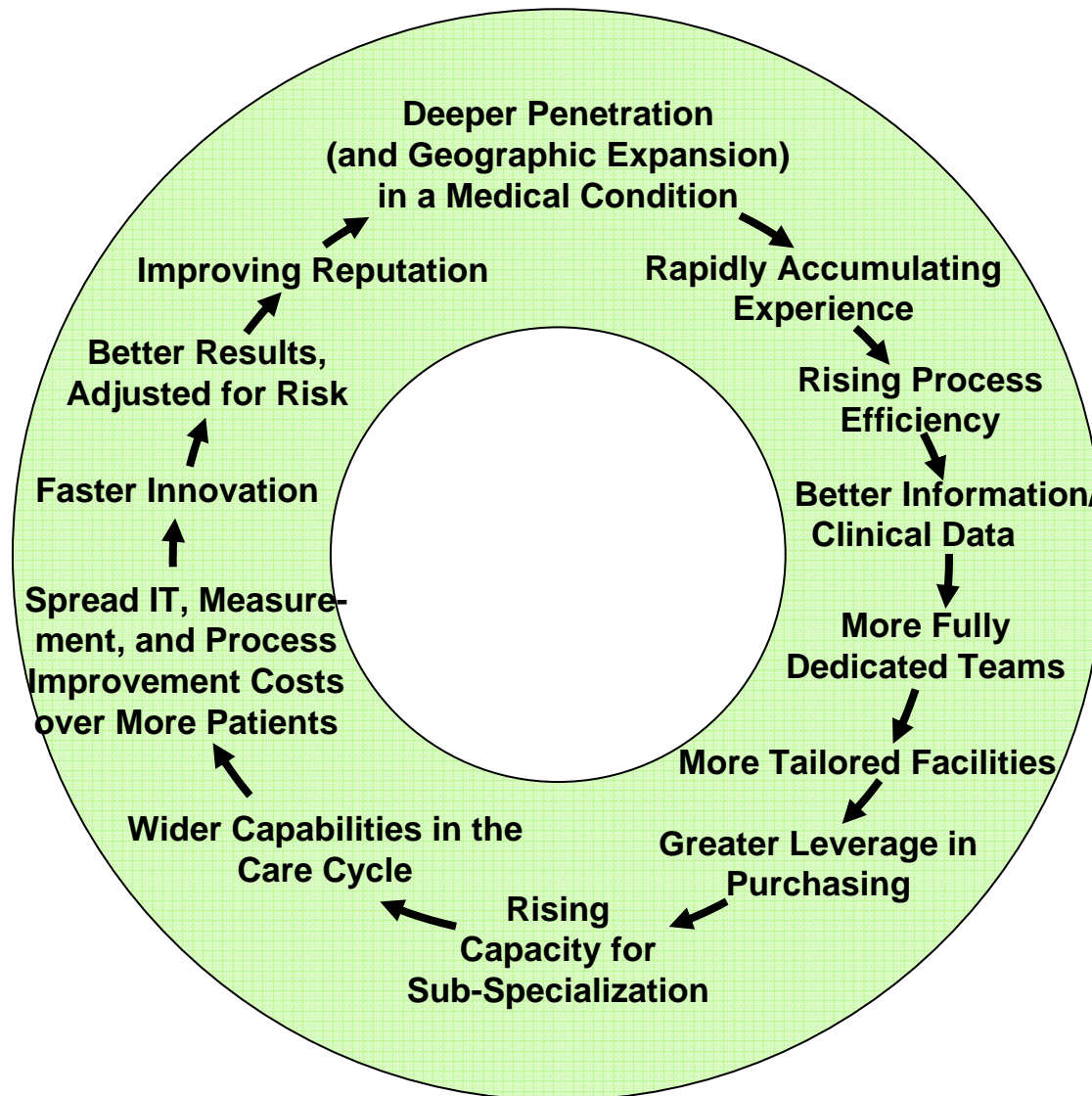


- Better health is **inherently less expensive** than worse health

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5. Value is driven by provider **experience**, **scale**, and **learning** at the **medical condition level**.

The Virtuous Circle in a Medical Condition



- Feed virtuous circles vs. fragmentation of care

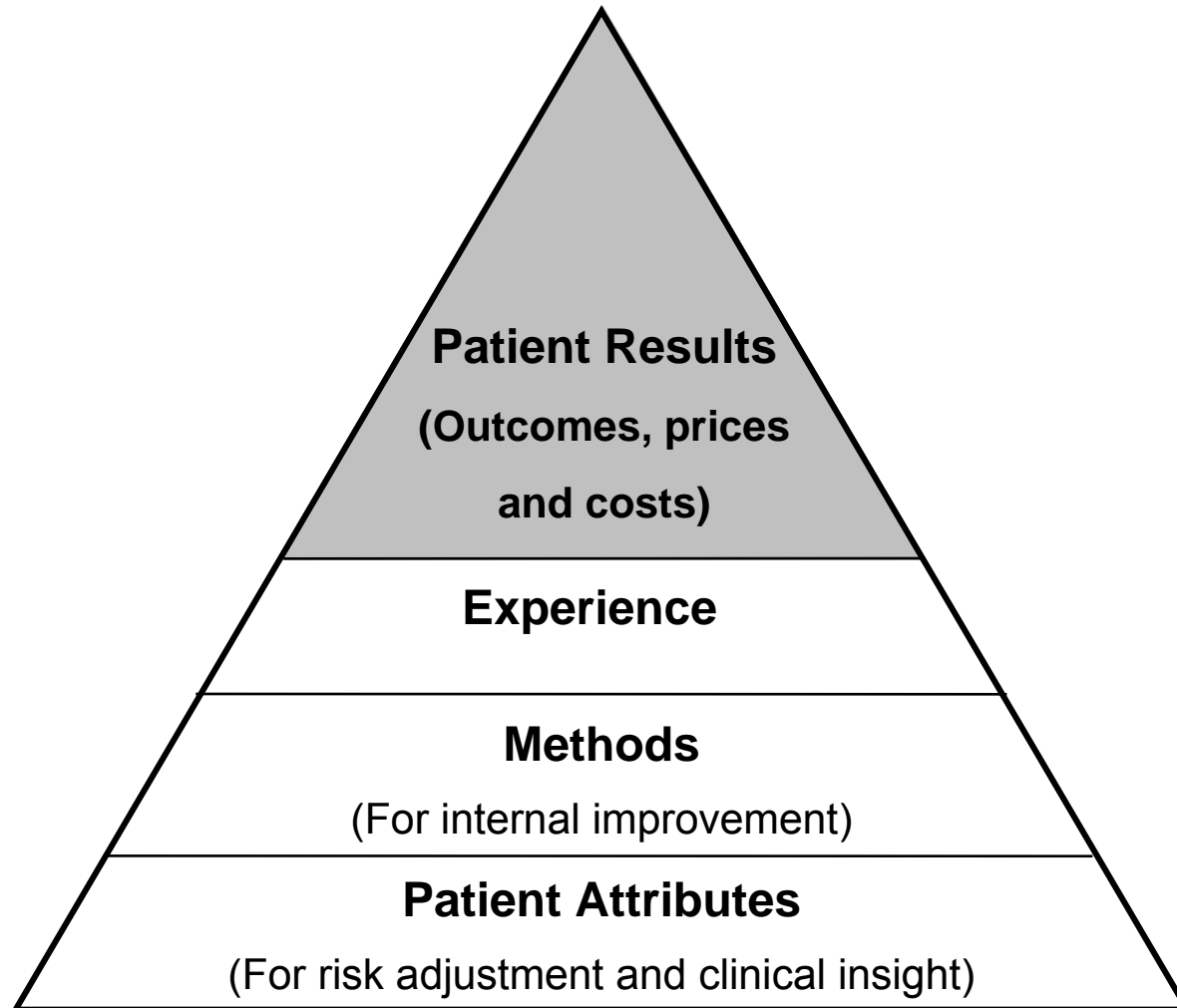
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6. Competition should be **regional** and **national**, not just local.
 - Management of care cycles across geography
 - Partnerships and inter-organizational integration

Principles of Value-Based Competition

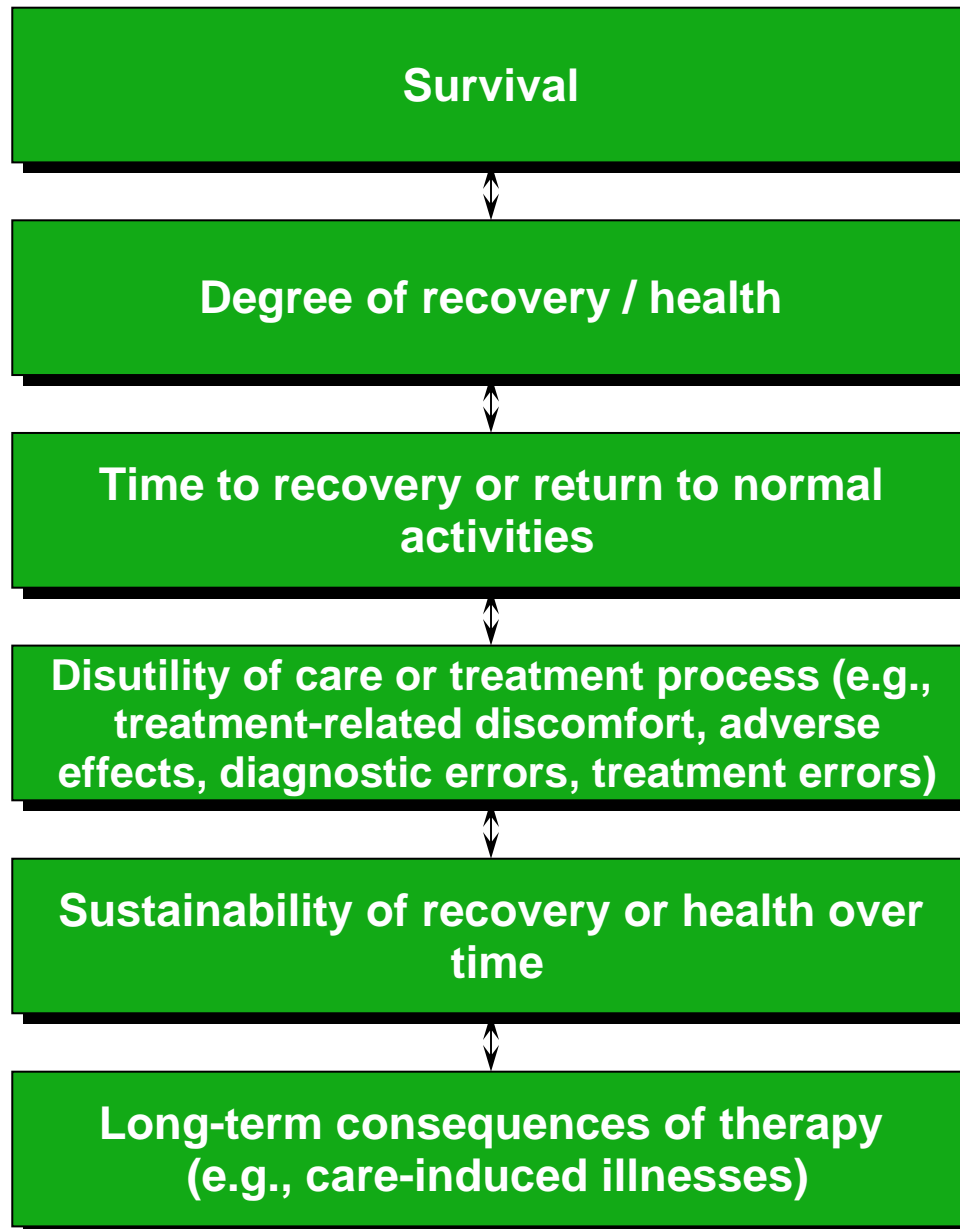
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7. Results **Information** must be widely available.

The Information Hierarchy



Measuring Results

The Outcome Measures Hierarchy



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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.
7. **Information** on results and prices needed for value-based competition must be widely available.
8. **Innovations** that increase value must be strongly rewarded.
 - Reimbursement for care cycles, not discrete treatments or services

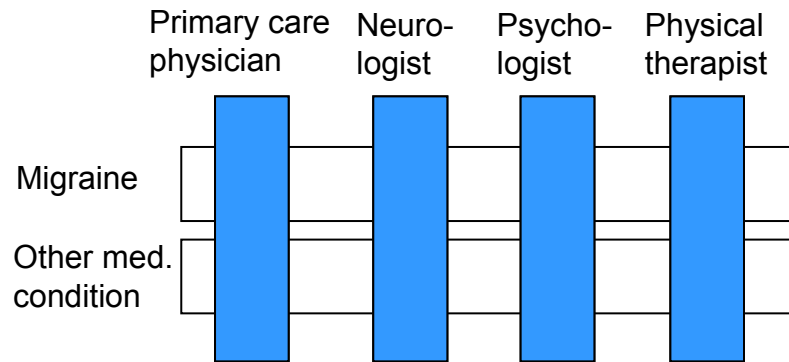
Moving to Value-Based Competition

Providers

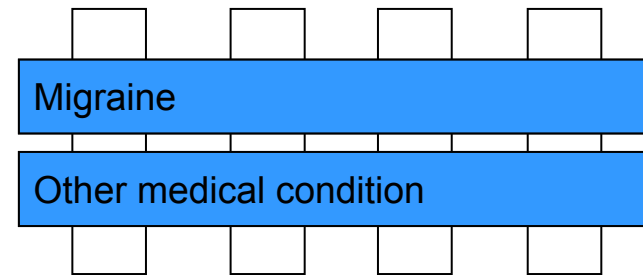
- Redefine the practice around **care cycles for medical conditions**, not specialties
- Organize around **medically integrated practice units (IPU)**
- Integrate services in each medical condition **across geographic locations**
- Measure **results, methods, and patient attributes** by IPU
- Move to **single bills** and pricing for **care cycles**
- Choose the **scope of services** based on excellence
- Grow service lines across geography in **areas of strength**
- Employ **partnerships** and **alliances** to achieve these aims
- **Market** services based on excellence, uniqueness, and results

Integrated Delivery of Migraine Care

KKH and University Hospital Essen



- Current delivery system structured along specialty of providers
- No coordinated multidisciplinary treatment available for migraine – patients move from specialist to specialist or never seek care (50%)
- Lack of systematic outcome data but evidence suggests only 27% of patients receive consistently effective care
- High disease burden with total cost estimated to be 5 billion EUR/year

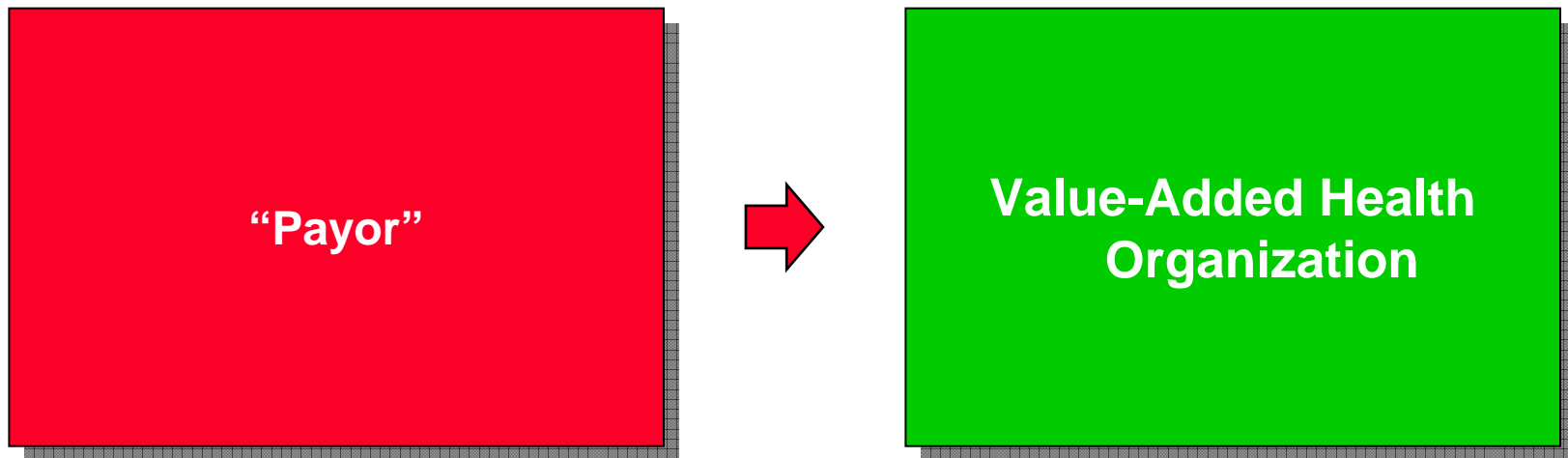


- Establishment of West German Headache Center, with staff and facility dedicated to migraine treatment
- Multidisciplinary treatment with neurologists, psychologists and physical therapists in the center
- Integration of outpatient clinic, day hospital, inpatient beds, and 51 network neurologists into one delivery system
- Strong focus on results measurement
- The number of patients with six or more sick days from work declined from 58% to 11% after 6 month and patient satisfaction is at 90%

Source: KKH, Westdeutsches Kopfschmerzzentrum

Moving to Value-Based Competition

Health Plans



Moving to Value-Based Competition

Health Plans

- Measure **provider results** by medical condition
- Advise patients (and referring physicians) in selecting **excellent** providers
- Reward **excellent** providers with more patients
- Coordinate patient care across the **full care cycle**
- Shift reimbursement to bundled prices for care cycles
- Assemble **members' total medical records**
- Provide comprehensive **prevention** and **disease management** services to all members, even healthy ones
- Move to **multi-year subscriber contracts**
- Organize around **medical conditions**, not geography or administrative functions

Moving to Value-Based Competition

Government

- Measure and report health **results**
- Create 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
- Remove **artificial restraints to competition** among providers and across geography

Moving to Value-Based Competition

Government – cont'd.

- Encourage the **responsibility of individuals** for their health and their health care
- Require health plans to measure and report **health outcomes** for members
- Enable **universal insurance** consistent with value-based principles
 - Create neutrality between employer-provided and individually-purchased health insurance
 - 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

The Critics

- Practicality
 - “Utopian vision”
 - These ideas “might occur to anyone possessed of a modicum of common sense but not too familiar with the real world of health care.”
 - Uwe Reinhardt
- Medical Conditions / Provider Strategy
 - “Patients have a nasty habit of having more than one thing wrong with them.”
 - Gail Wilensky
 - “If each provider focuses on only one medical condition, they will not be able to treat the patient’s real problem...”
 - Various commentators
- Integrated Health Systems
 - “Integrated delivery systems can organize and arrange comprehensive health services for members.”
 - Alain Enthoven

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