

Value-Based Health Care Delivery

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*São Paulo, Brazil
October 20, 2008*

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, “How Physicians Can Change the Future of Health Care,” *Journal of the American Medical Association*, 2007; 297:1103:1111, and “What is Value in Health Care,” ISC working paper, 2008. 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

- 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

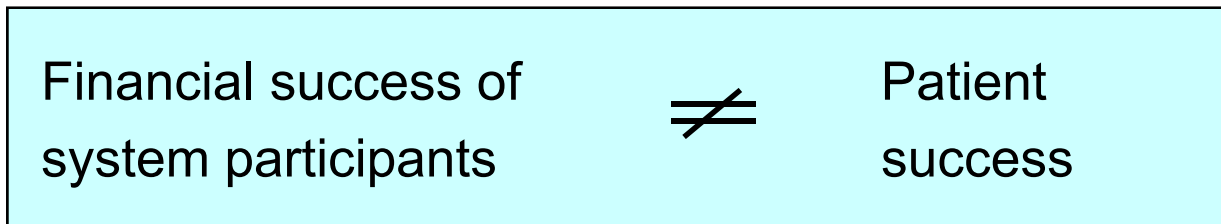
- Significant improvement in value will require **fundamental restructuring of health care delivery**, not incremental improvements

Today, 21st century medical technology is delivered with 19th century organization structures, management practices, and pricing models

- TQM, process improvements, and safety initiatives are beneficial but **not sufficient** to substantially improve value

Creating a Value-Based Health Care System

- 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**



- Creating **competition to improve value** is a central challenge in health care reform

Zero-Sum Competition in U.S. Health Care

Bad Competition

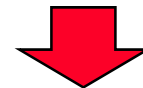
- Competition to **shift costs** or **capture more revenue**
- Competition to **increase bargaining power**
- Competition to **capture patients** and **restrict choice**
- Competition to **restrict services** in order to maximize revenue per visit or reduce costs



Zero or Negative Sum

Good Competition

- Competition to **increase value for patients**



Positive Sum

Principles of Value-Based Health Care Delivery

1. The goal must be **value for patients**, not lowering costs

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- The best way to **contain costs** is to **improve quality**

Quality = Health outcomes

- Prevention
- Early detection
- Right diagnosis
- Early and timely treatment
- Treatment earlier in the causal chain of disease
- Right treatment to the right patients
- Rapid care delivery process with fewer delays
- Fewer complications
- Fewer mistakes and repeats in treatment
- 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
- **Better health** is the goal, not more treatment

Principles of Value-Based Health Care Delivery

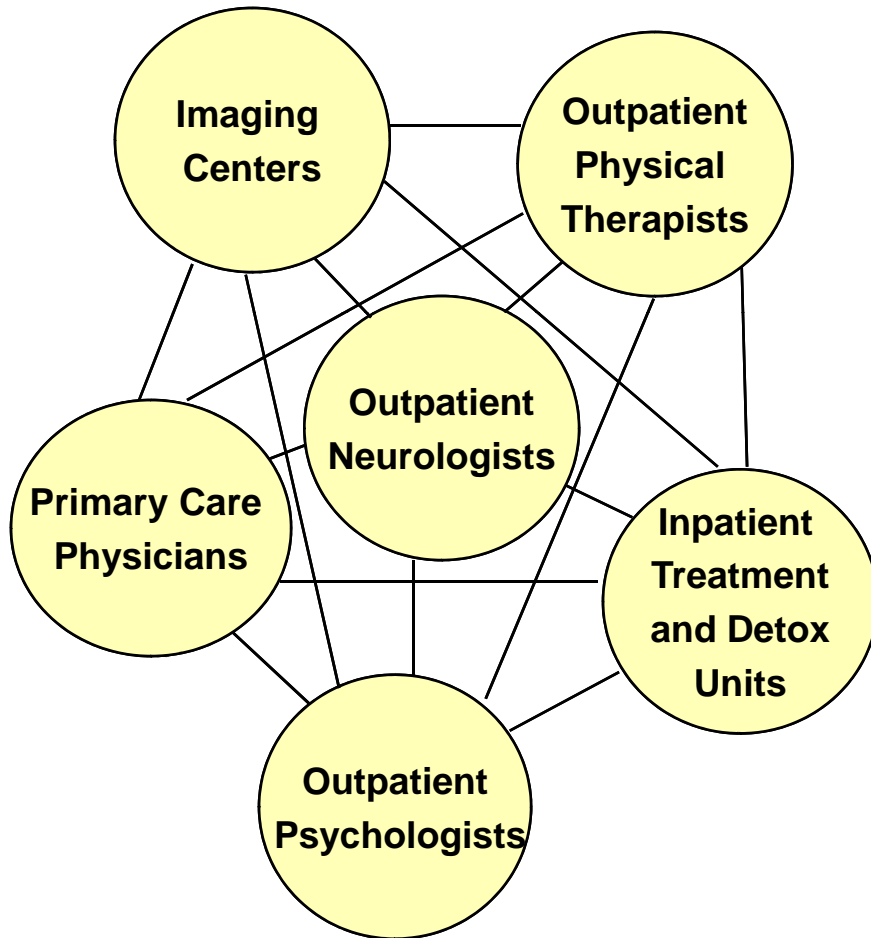
1. The goal must be **value for patients**, not lowering costs
2. To deliver value, health care must be re-organized around **medical conditions** over the **full cycle of care**

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

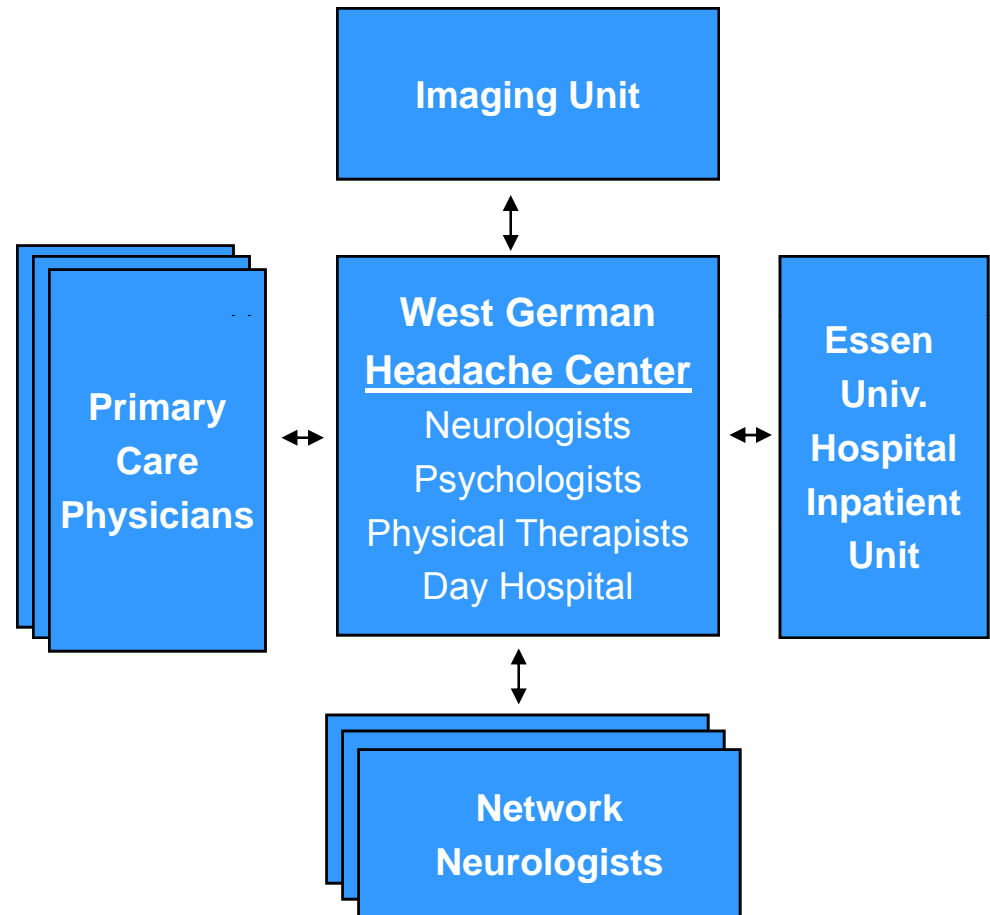
Restructuring Care Delivery

Migraine Care in Germany

Existing Model: Organize by Specialty and Discrete Services



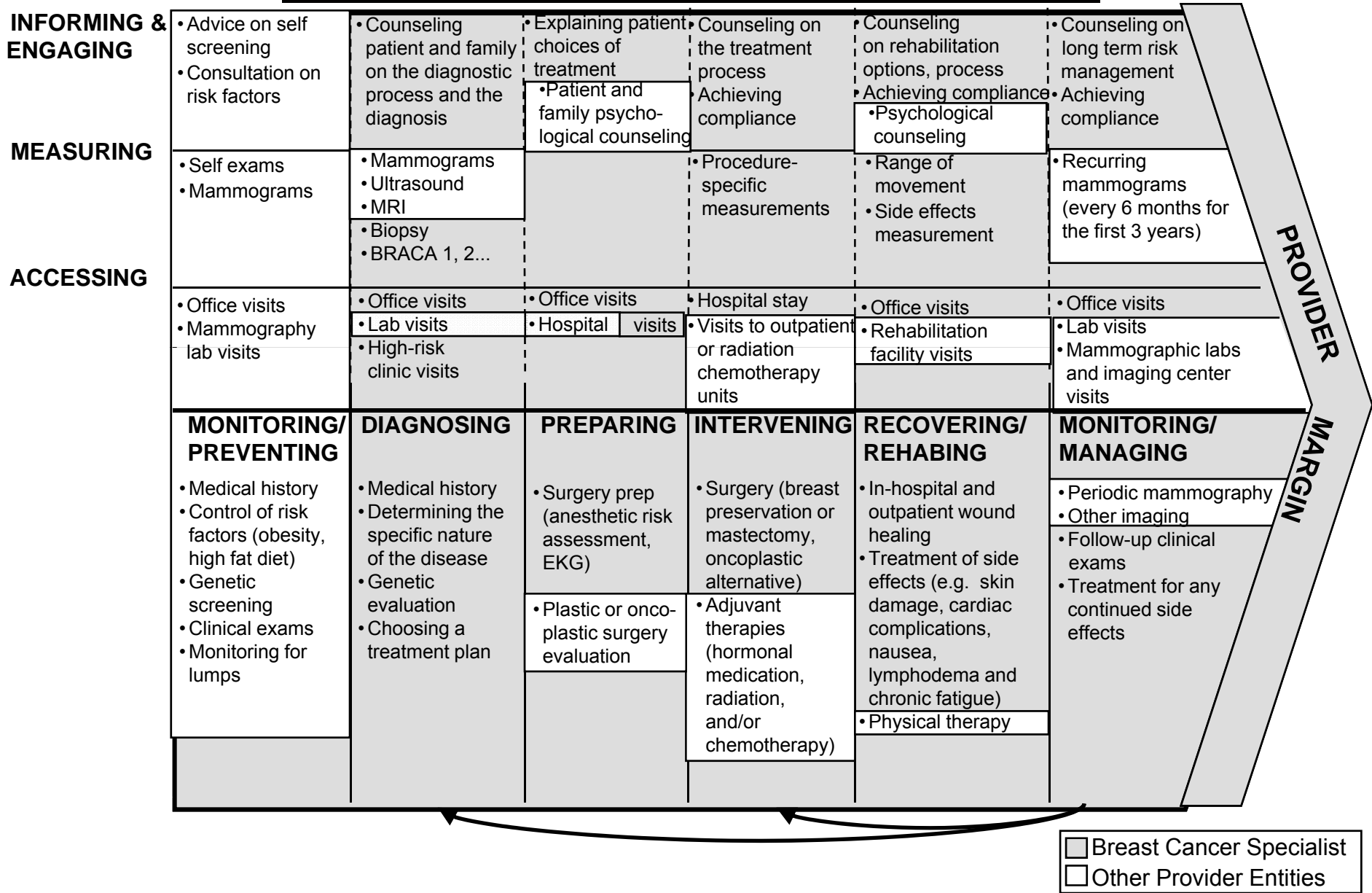
New Model: Organize into Integrated Practice Units (IPUs)



Source: Porter, Michael E., Clemens Guth, and Elisa Dannemiller, *The West German Headache Center: Integrated Migraine Care*, Harvard Business School Case 9-707-559, September 13, 2007

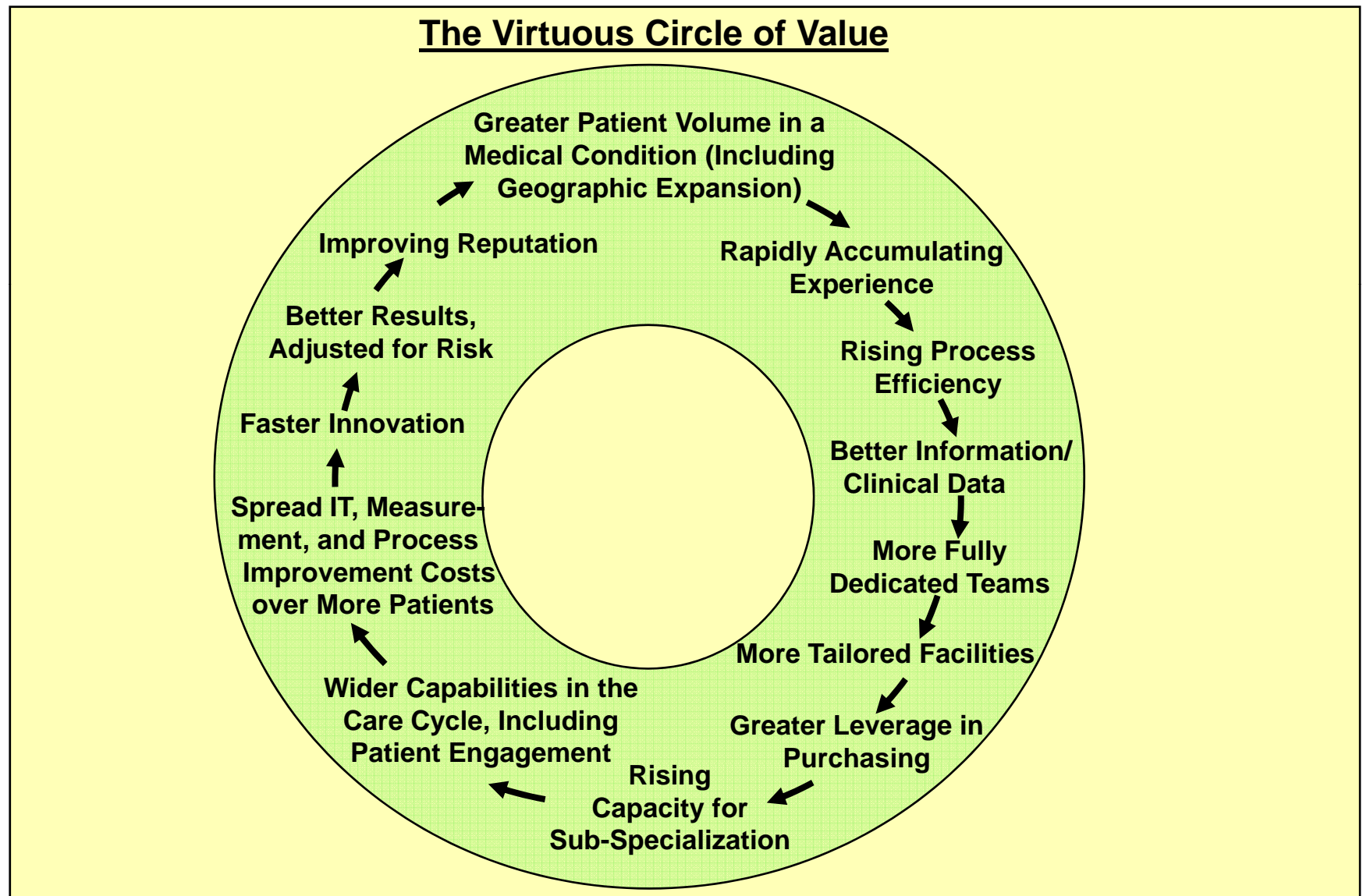
Integrating the Cycle of Care

Care Delivery Value Chain for Breast Cancer



Principles of Value-Based Health Care Delivery

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



Integrated Cancer Care

MD Anderson Head and Neck Center

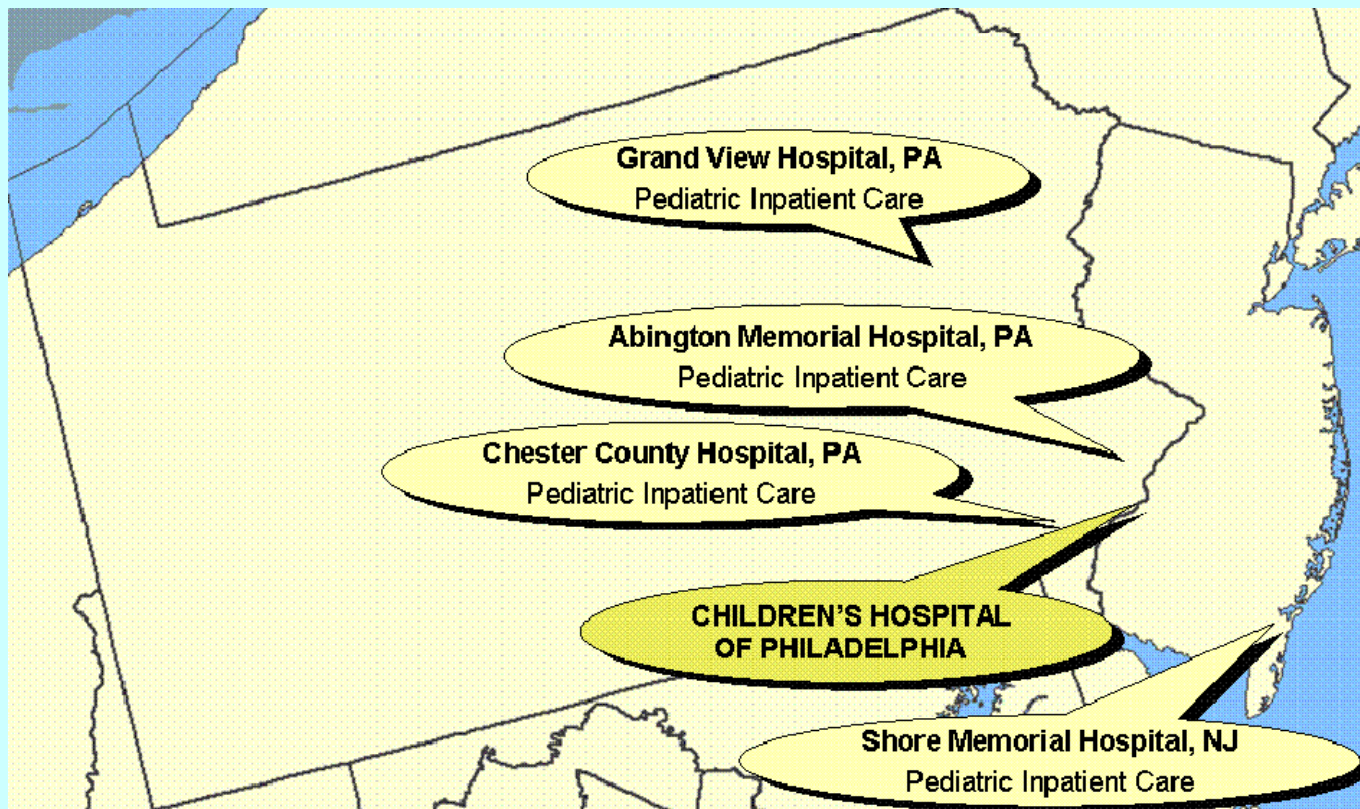
Dedicated	Shared
<p><u>Dedicated MDs</u></p> <ul style="list-style-type: none"> -8 Medical Oncologists -12 Surgical Oncologists -8 Radiation Oncologists -5 Dentists -1 Diagnostic Radiologist -1 Pathologist -4 Ophthalmologists <p><u>Dedicated Skilled Staff</u></p> <ul style="list-style-type: none"> -Nurses -1 Audiologist -1 Patient Advocate <div style="text-align: center; border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">Facilities</div> <ul style="list-style-type: none"> -Dedicated Outpatient Unit 	<p><u>Shared MDs</u></p> <ul style="list-style-type: none"> -Endocrinologists -Other specialists as needed (cardiologists, plastic surgeons, etc.) <p><u>Shared Skilled Staff</u></p> <ul style="list-style-type: none"> -Nutritionists -Social Workers <div style="text-align: center; border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">Shared Facilities</div> <ul style="list-style-type: none"> -Radiation Therapy -Pathology Lab -Ambulatory Chemo Center -Inpatient Wards →Medical Wards →Surgical Wards

Source: Jain, Sachin H. and Michael E. Porter, *The University of Texas MD Anderson Cancer Center: Interdisciplinary Cancer Care*, Harvard Business School Case 9-708-487, May1, 2008

Principles of Value-Based Health Care Delivery

- Health care delivery should be **integrated across facilities and regions**, rather than take place in stand-alone units

Children's Hospital of Philadelphia (CHOP) Affiliations



- Excellent providers can manage care delivery **across multiple geographies**

Principles of Value-Based Health Care Delivery

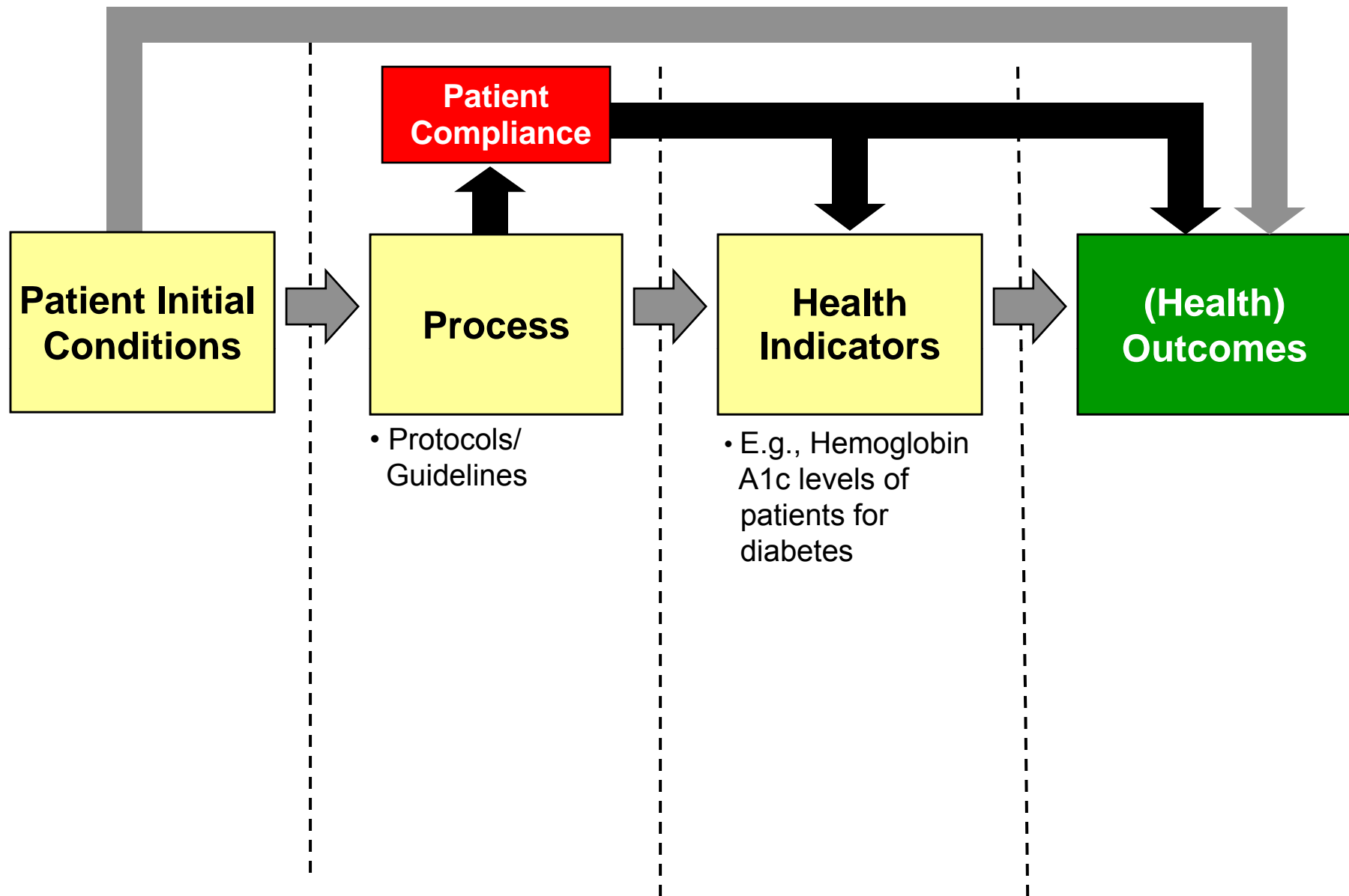
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3. Value is driven by provider **experience**, **scale**, and **learning** at the medical condition level
4. **Value** must be universally measured and reported

- **For** medical conditions 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)

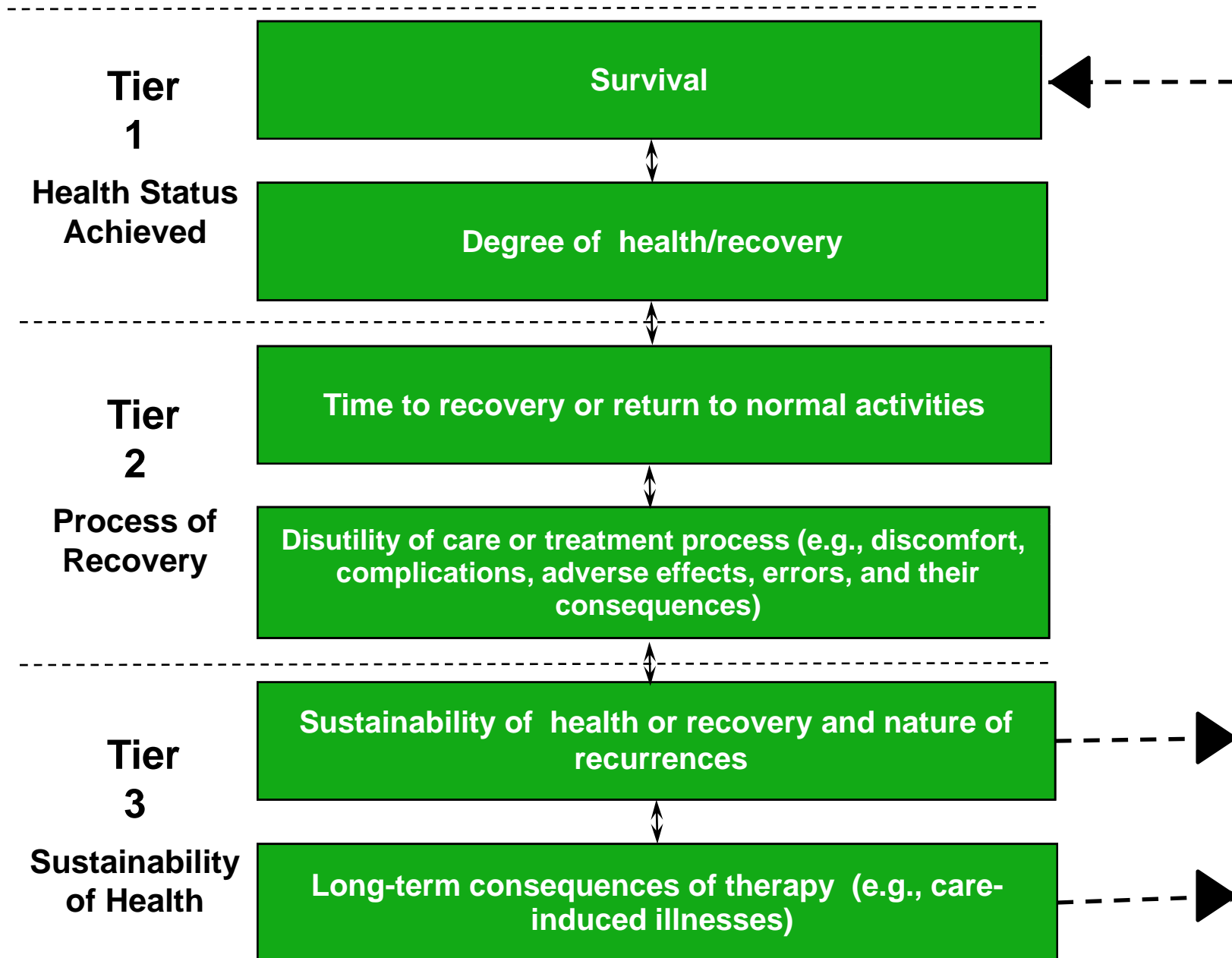


- Results must be measured at **the level at which value is created** for patients

Measuring Value in Health Care



The Outcome Measures Hierarchy



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5. Reimbursement should be aligned with **value** and reward **innovation**

- Bundled reimbursement for **care cycles**, not payment for discrete treatments or services
 - Adjusted for **patient complexity**
 - Most DRG systems are **too narrow**
- Reimbursement for **overall management of chronic conditions**
- Reimbursement for **prevention** and **screening**, not just treatment



- **Providers** must be proactive in driving new reimbursement models, not wait for health plans

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6. Information technology will enable **restructuring of care delivery** and **measuring results**, but is not a solution by itself

- Common data definitions
- Interoperability standards
- Patient-centered database
- Include all types of data (e.g. notes, images)
- Cover the full care cycle, including referring entities
- Accessible to all involved parties

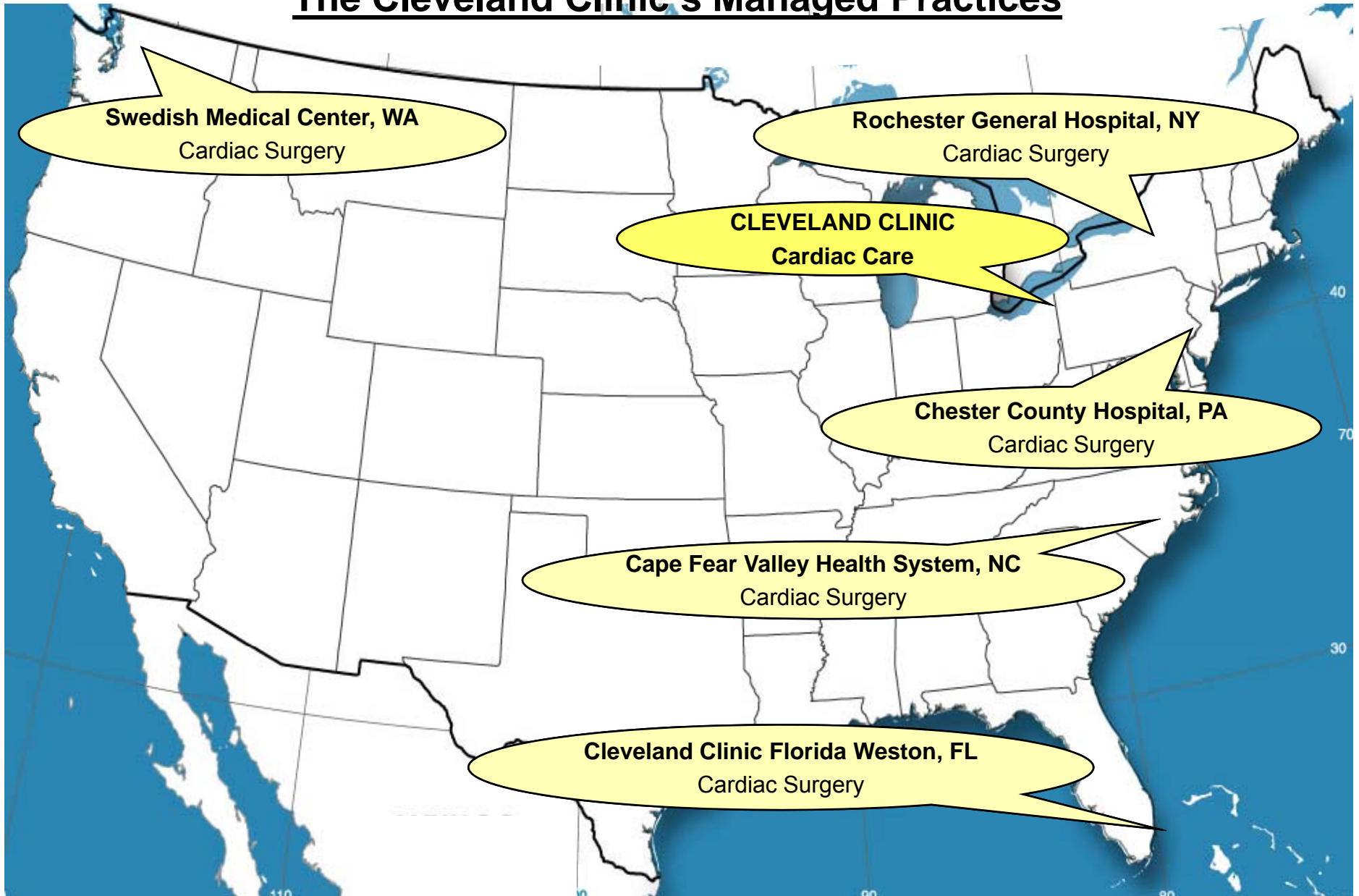
Principles of Value-Based Health Care Delivery

Implications for Providers

- **Choose service lines** based on excellence in patient value
- Organize around **integrated practice units** (IPUs)
- Integrate care for each IPU **across geographic locations**
- Employ formal **partnerships** and **alliances** with other organizations involved in care
- Expand high-performance practices **across regions**
- Measure **outcomes** and **costs** for every patient
- Lead the development of **new contracting models**
- Implement a single, integrated, patient centric **electronic medical record system**

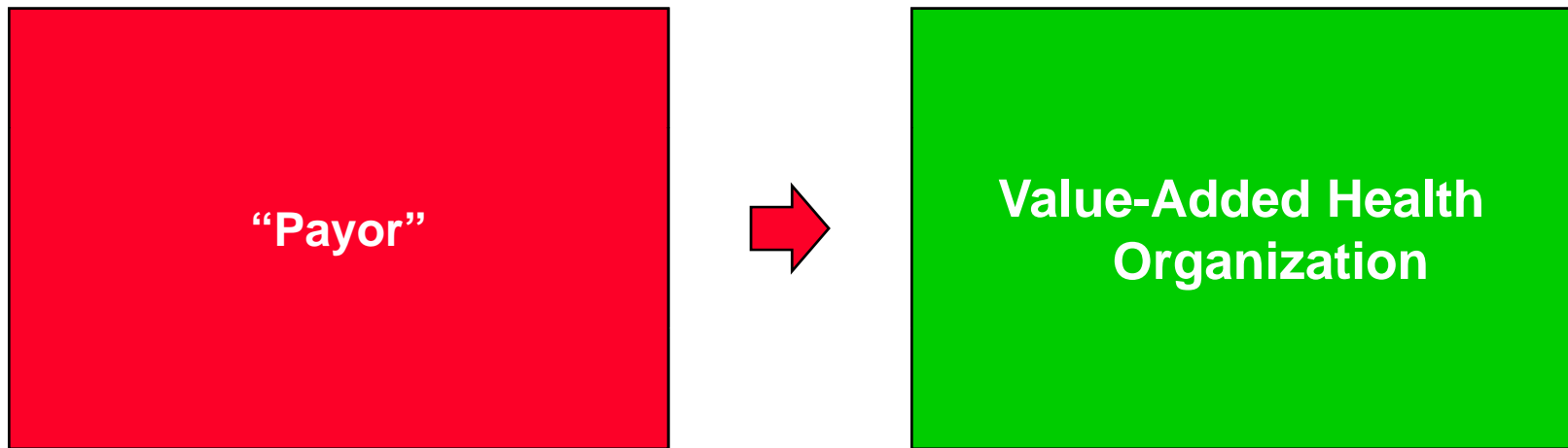
Managing Care Across Geography

The Cleveland Clinic's Managed Practices




Creating a High-Value Health Care System

Health Plans



Value-Adding Roles of Health Plans

- Measure and report **overall health results** for members by medical condition versus other plans
 - Assemble, analyze and manage the **total medical records** of members
 - Provide for comprehensive **prevention, screening, and chronic disease management** services to all members
 - 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 **care cycle** and **across medical conditions**
 - Encourage and reward **integrated practice unit** models by providers
 - Design new **bundled reimbursement structures** for care cycles instead of fees for discrete services
- 
- Health plans will require **new capabilities** and **new types of staff** to play these roles

Creating a High-Value Health Care System

Government

- Establish **universal measurement** and **reporting** of provider **health outcomes**
- Require universal reporting by health plans of **health outcomes** for members
- Create mandatory IT standards including **data definitions**, **interoperability standards**, and **deadlines for system implementation**
- Remove obstacles to the **restructuring of health care delivery** around the integrated care of medical conditions
- **Open up competition** among providers and across geography
- Shift reimbursement systems to **bundled prices for cycles of care** instead of payments for discrete treatments or services
- Limit **provider price discrimination** across patients based on group membership

Creating a High-Value Health Care System

Government, cont'd.

- Eliminate **zero-sum practices** of health plans such as re-underwriting and terminating sick members
- Encourage the **responsibility of individuals** for their health and their health care

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