

Value-Based Health Care Delivery

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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, 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 patient value**
 - Ownership of entities is secondary (e.g. non-profit vs. for profit vs. government)
- How to construct a **dynamic system** that keeps rapidly improving

Creating a Value-Based Health Care System

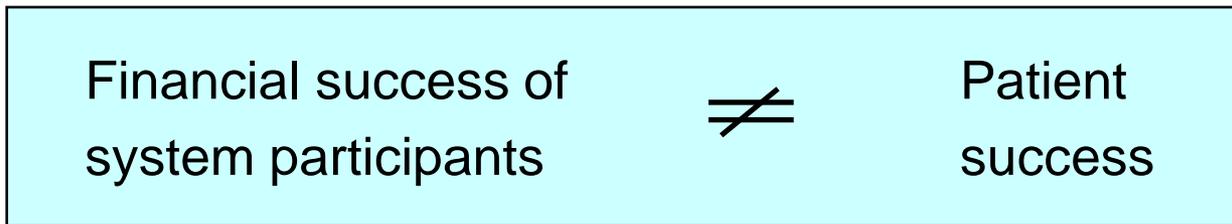
- Significant improvement in value will require **fundamental restructuring of health care delivery**, not incremental improvements

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

- Process improvements, lean production concepts, safety initiatives, disease management and other **overlays** to the current structure are beneficial but not sufficient
- Consumers **cannot fix the dysfunctional structure** of the current system

Harnessing Competition on Value

- **Competition for patients/subscribers** is a powerful force to encourage restructuring of care and continuous improvement in value
- Today's competition in health care **is not aligned with value**



- Creating positive-sum **competition on value** is a central challenge in health care reform in every country

Principles of Value-Based Health Care Delivery

1. Set the goal as **value for patients**, not access, equity, volume, convenience, or cost containment

$$\text{Value} = \frac{\text{Health outcomes}}{\text{Costs of delivering the outcomes}}$$



- Outcomes are the **full set of patient health outcomes** over the care cycle
- Costs are the **total costs for the care of the patient's condition**, not just the costs borne by a single provider

Principles of Value-Based Health Care Delivery

1. Set the goal as **value for patients**, not containing costs
2. **Quality improvement** is the key driver of cost containment and value improvement, where quality is **health outcomes**

- Prevention
- Early detection
- Right diagnosis
- Early and timely treatment
- Treatment earlier in the causal chain of disease
- Right treatment to the right patient
- Rapid cycle time of diagnosis and care
- Less invasive treatment methods
- Fewer complications
- Fewer mistakes and repeats in treatment
- Faster recovery
- More complete recovery
- Less disability
- Fewer relapses or acute episodes
- Slower disease progression
- Less need for long term care
- Less care induced illness



- **Better health** is the goal, not more treatment
- Better health is **inherently less expensive** than poor health

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3. Care delivery should be organized around the patient's **medical condition** 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

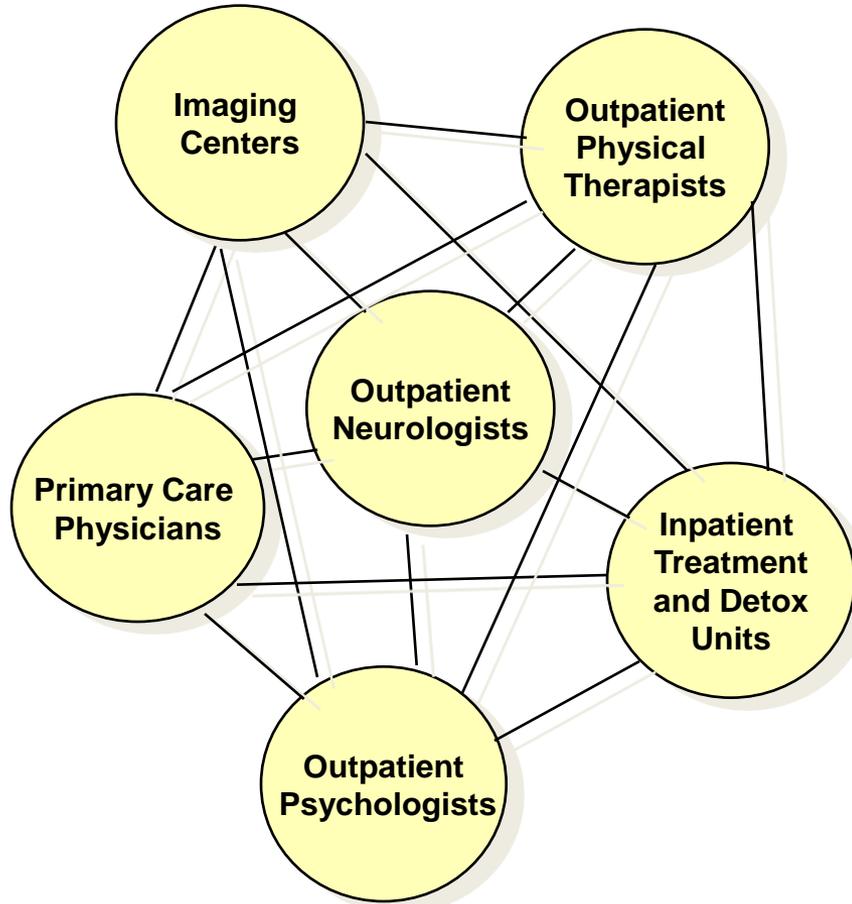


- The patient's medical condition is the **unit of value creation** in health care delivery

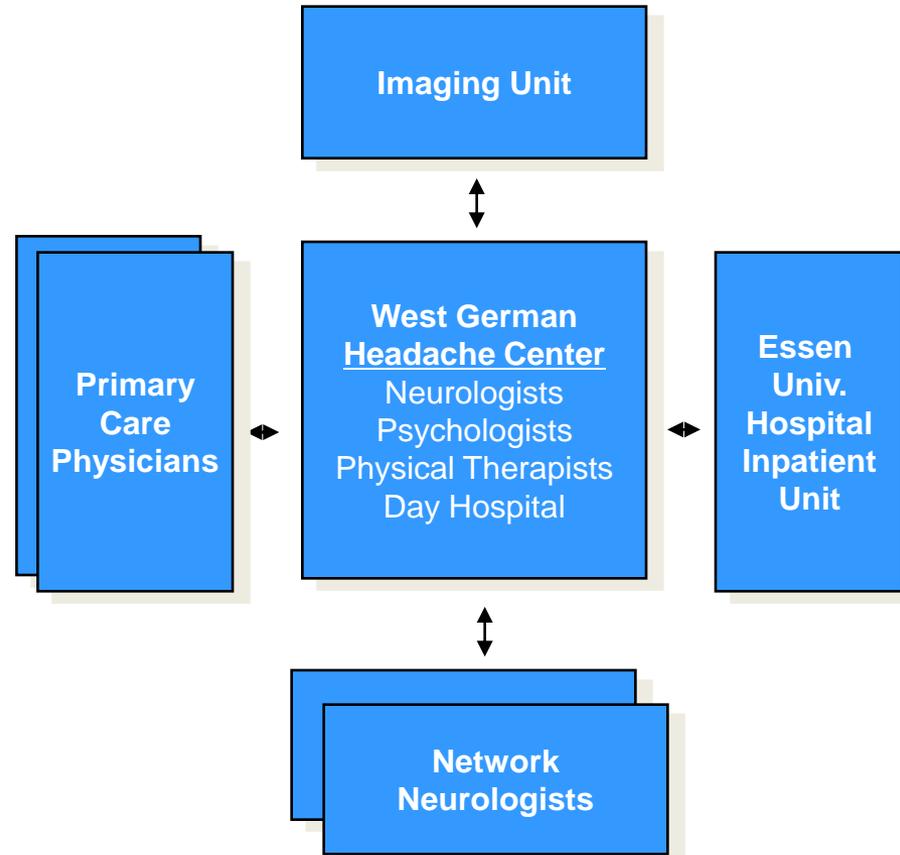
Restructuring Care Delivery

Migraine Care in Germany

Existing Model:
Organize by Specialty and Discrete Services



New Model:
Organize into Integrated Practice Units (IPUs)



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 Across the Cycle of Care

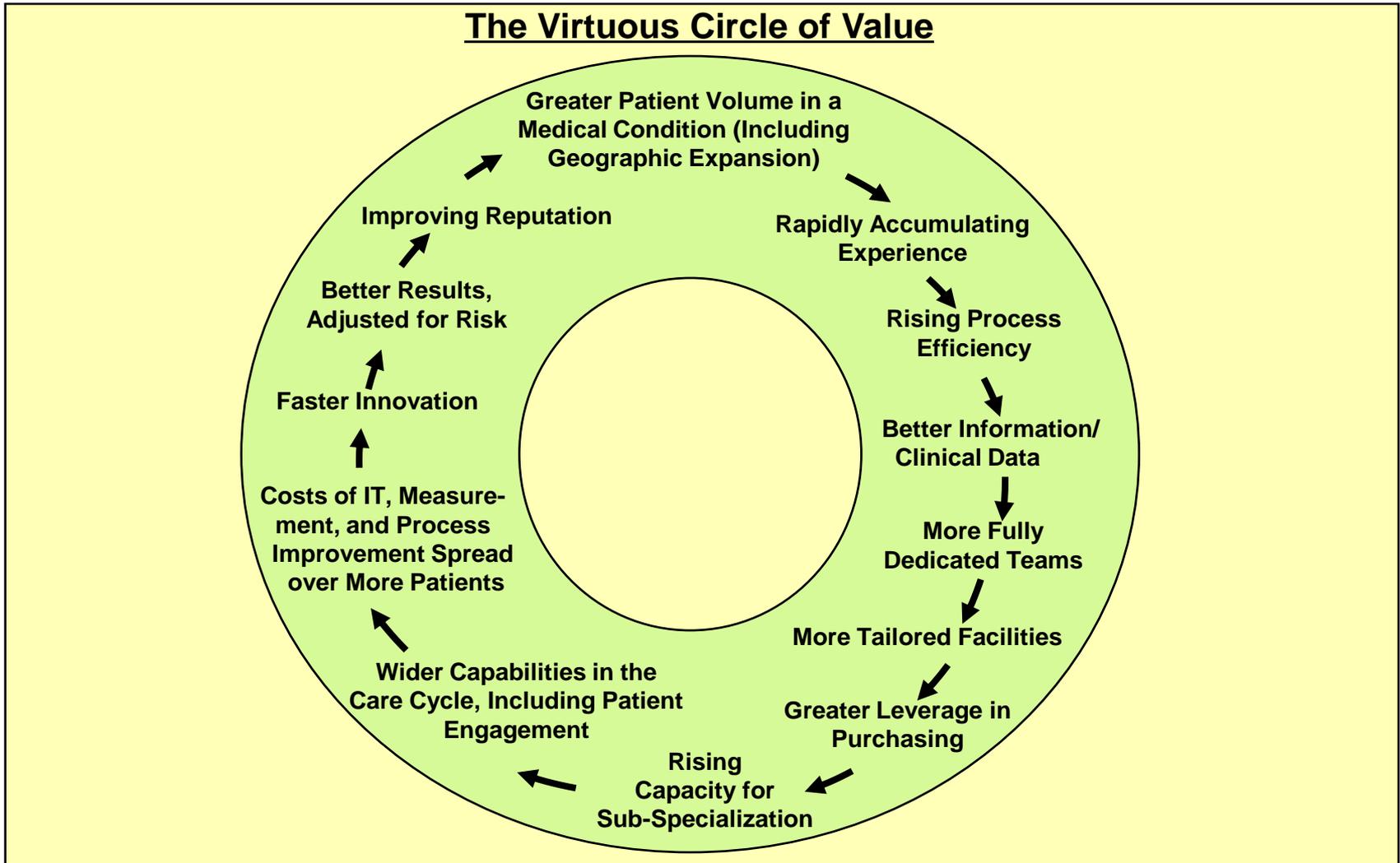
Breast Cancer

Informing and Engaging	<ul style="list-style-type: none"> ▪ Advice on self screening ▪ Consultations on risk factors 	<ul style="list-style-type: none"> ▪ Counseling patient and family on the diagnostic process and the diagnosis 	<ul style="list-style-type: none"> ▪ Explaining patient treatment options/shared decision making 	<ul style="list-style-type: none"> ▪ Counseling on the treatment process ▪ Education on managing side effects and avoiding complications of treatment ▪ Achieving compliance 	<ul style="list-style-type: none"> ▪ Counseling on rehabilitation options, process ▪ Achieving compliance 	<ul style="list-style-type: none"> ▪ Counseling on long term risk management ▪ Achieving Compliance
			<ul style="list-style-type: none"> ▪ Patient and family psychological counseling 		<ul style="list-style-type: none"> ▪ Psychological counseling 	
Measuring	<ul style="list-style-type: none"> ▪ Self exams ▪ Mammograms 	<ul style="list-style-type: none"> ▪ Mammograms ▪ Ultrasound ▪ MRI ▪ Labs (CBC, Blood chems, etc.) 	<ul style="list-style-type: none"> ▪ Labs 	<ul style="list-style-type: none"> ▪ Procedure-specific measurements 	<ul style="list-style-type: none"> ▪ Range of movement ▪ Side effects measurement 	<ul style="list-style-type: none"> ▪ MRI, CT ▪ Recurring mammograms (every six months for the first 3 years)
Accessing	<ul style="list-style-type: none"> ▪ Office visits ▪ Mammography lab visits 	<ul style="list-style-type: none"> ▪ Office visits 	<ul style="list-style-type: none"> ▪ Office visits 	<ul style="list-style-type: none"> ▪ Hospital stays 	<ul style="list-style-type: none"> ▪ Office visits 	<ul style="list-style-type: none"> ▪ Office visits
		<ul style="list-style-type: none"> ▪ Biopsy ▪ BRACA 1, 2... ▪ CT ▪ Bone Scans 	<ul style="list-style-type: none"> ▪ Hospital visits ▪ Lab visits 	<ul style="list-style-type: none"> ▪ Visits to outpatient radiation or chemotherapy units ▪ Pharmacy 	<ul style="list-style-type: none"> ▪ Rehabilitation facility visits ▪ Pharmacy 	<ul style="list-style-type: none"> ▪ Lab visits ▪ Mammographic labs and imaging center visits
		<ul style="list-style-type: none"> ▪ High risk clinic visits 				
MONITORING/PREVENTING DIAGNOSING PREPARING INTERVENING RECOVERING/REHABING MONITORING/MANAGING						
<ul style="list-style-type: none"> ▪ Medical history ▪ Control of risk factors (obesity, high fat diet) ▪ Genetic screening ▪ Clinical exams ▪ Monitoring for lumps 	<ul style="list-style-type: none"> ▪ Medical history ▪ Determining the specific nature of the disease (mammograms, pathology, biopsy results) ▪ Genetic evaluation ▪ Labs 	<ul style="list-style-type: none"> ▪ Choosing a treatment plan ▪ Surgery prep (anesthetic risk assessment, EKG) 	<ul style="list-style-type: none"> ▪ Surgery (breast preservation or mastectomy, oncoplastic alternative) 	<ul style="list-style-type: none"> ▪ In-hospital and outpatient wound healing ▪ Treatment of side effects (e.g. skin damage, cardiac complications, nausea, lymphedema and chronic fatigue) 	<ul style="list-style-type: none"> ▪ Periodic mammography ▪ Other imaging 	<ul style="list-style-type: none"> ▪ Follow-up clinical exams ▪ Treatment for any continued or later onset side effects or complications
		<ul style="list-style-type: none"> ▪ Plastic or onco-plastic surgery evaluation ▪ Neo-adjuvant chemotherapy 	<ul style="list-style-type: none"> ▪ Adjuvant therapies (hormonal medication, radiation, and/or chemotherapy) 	<ul style="list-style-type: none"> ▪ Physical therapy 		

Breast Cancer Specialist
 Other Provider Entities

Principles of Value-Based Health Care Delivery

4. Provider **experience**, **scale**, and **learning** at the medical condition level drive value improvement



- Volume and experience will have a **much greater impact** on value in an IPU structure
- The virtuous circle **extends across geography** when care for a medical condition is integrated across locations

Fragmentation of Hospital Services

Sweden

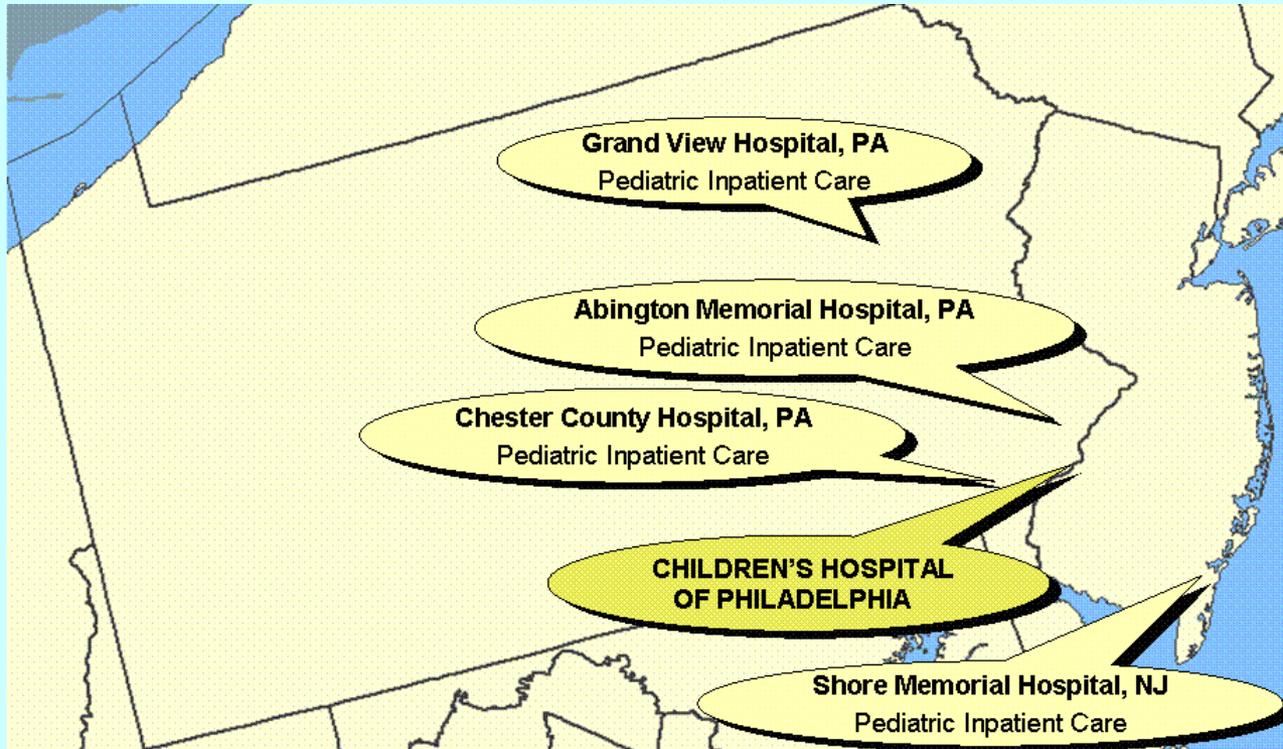
DRG	Number of admitting providers	Average percent of total national admissions	Average admissions/ provider/ year	Average admissions/ provider/ week
Knee Procedure	68	1.5%	55	1
Diabetes age > 35	80	1.3%	96	2
Kidney failure	80	1.3%	97	1
Multiple sclerosis and cerebellar ataxia	78	1.3%	28	1
Inflammatory bowel disease	73	1.4%	66	1
Implantation of cardiac pacemaker	51	2.0%	124	2
Splenectomy age > 17	37	2.6%	3	<1
Cleft lip & palate repair	7	14.2%	83	2
Heart transplant	6	16.6%	12	<1

Source: Compiled from The National Board of Health and Welfare Statistical Databases – DRG Statistics, Accessed April 2, 2009.

Principles of Value-Based Health Care Delivery

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

Children's Hospital of Philadelphia (CHOP) Affiliations

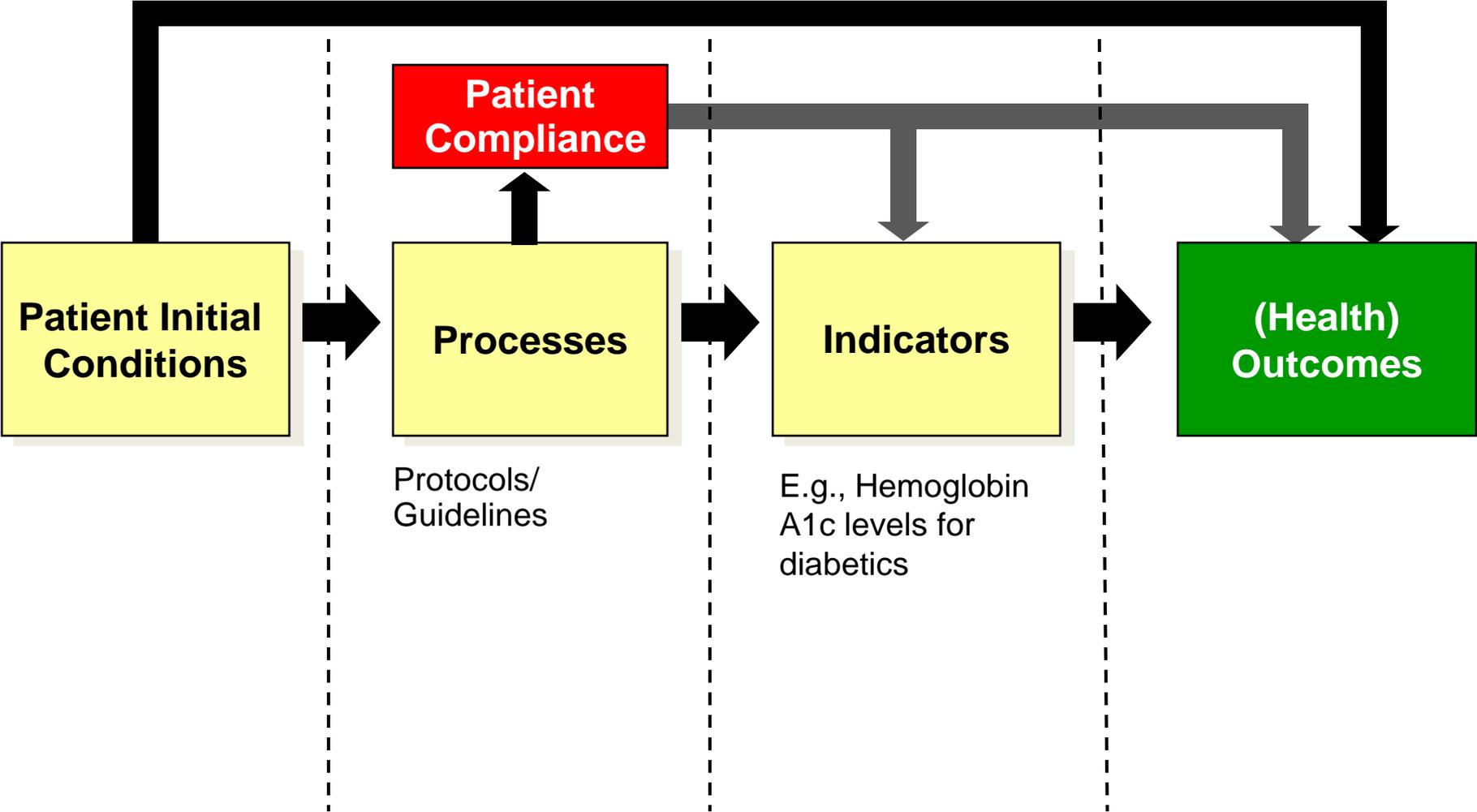


- Deliver services in the **appropriate** facility, not every facility
- Excellent providers can manage care delivery in **multiple geographic areas**

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4. Provider **experience**, **scale**, and **learning** at the medical condition level drive value improvement
5. **Integrate care across facilities** and **geography**, rather than duplicating services in stand-alone units
6. Measure and report **outcomes** and **costs** for every provider, every medical condition, and every patient

Measuring Value in Health Care



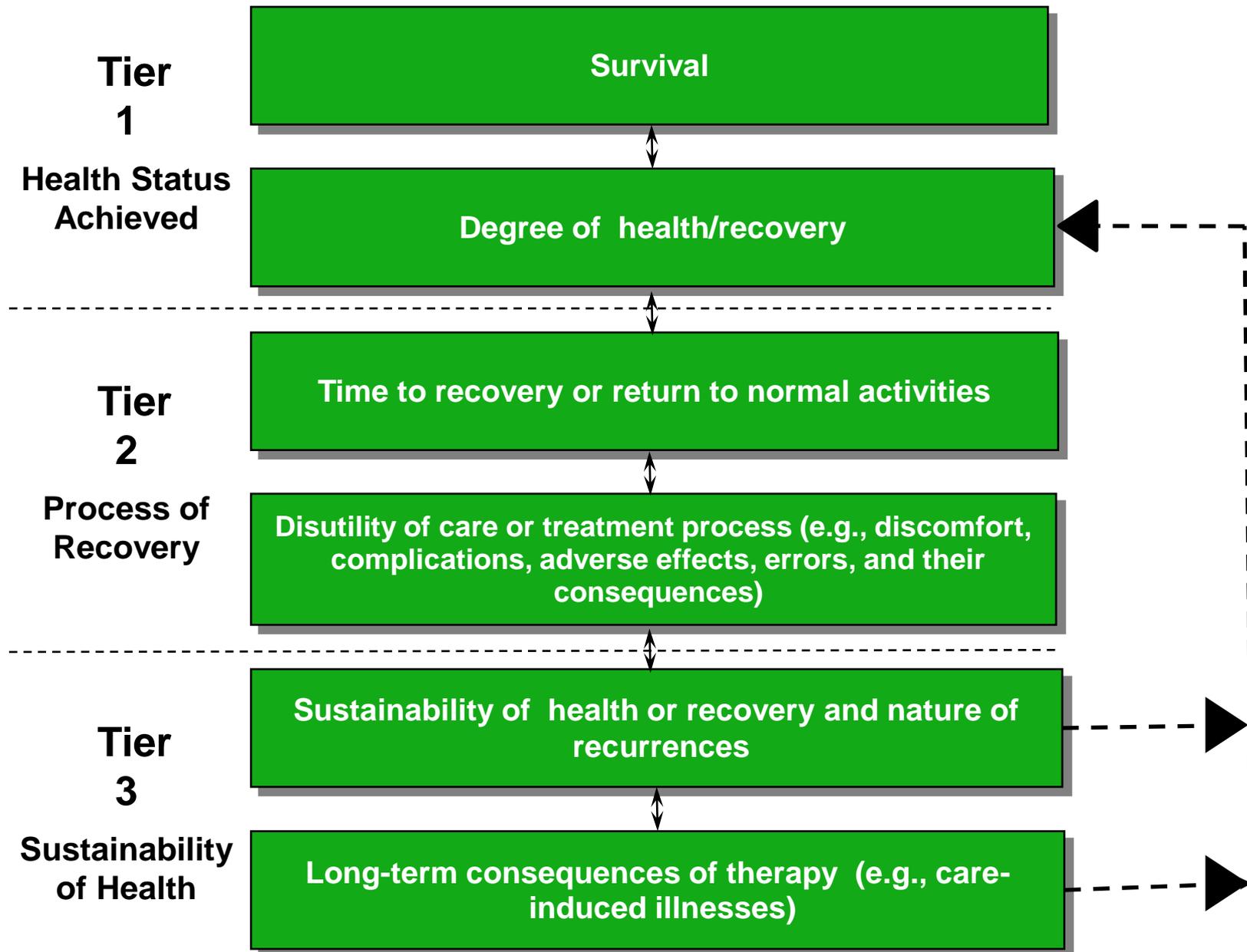
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- Outcomes should be measured for **each medical condition** over the **cycle of care**
 - Not for interventions or short episodes
 - Not for practices, departments, clinics, or entire hospitals
 - Not separately for types of service (e.g. inpatient, outpatient, tests, rehabilitation)
- Results must be measured at **the level at which value is created** not traditional organizational units

The Outcome Measures Hierarchy



The Outcome Measures Hierarchy

Breast Cancer

Survival

- **Survival rate**
(One year, three year, five year, longer)

Degree of recovery / health

- **Degree of remission**
- **Functional status**
- **Breast conservation outcome**

Time to recovery or return to normal activities

- **Time to remission**
- **Time to achieve functional status**

Disutility of care or treatment process
(e.g., treatment-related discomfort, complications, adverse effects, diagnostic errors, treatment errors)

- **Nosocomial infection**
- **Nausea**
- **Vomiting**
- **Failed therapies**
- **Febrile neutropenia**
- **Limitation of motion**
- **Depression**

Sustainability of recovery or health over time

- **Cancer recurrence**
- **Sustainability of functional status**

Long-term consequences of therapy (e.g., care-induced illnesses)

- **Incidence of secondary cancers**
- **Brachial plexopathy**
- **Fertility/pregnancy complications**
- **Premature osteoporosis**

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4. Provider **experience**, **scale**, and **learning** at the medical condition level drive value improvement
5. **Integrate care across facilities** and **geography**, rather than duplicating services in stand-alone units
6. Measure and report **outcomes** and **costs** for every provider for every medical condition
7. **Align reimbursement** with value and reward innovation

- **Bundled reimbursement** for **cycles of care** for medical conditions, not payment for discrete services or short episodes
- Time-base bundled reimbursement for **managing chronic conditions**
- Reimbursement for defined **prevention, screening, wellness/health maintenance** service bundles



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

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6. Measure and report **outcomes** and **costs** for every provider, every medical condition, and every patient
7. **Align reimbursement** with value and reward innovation
8. Utilize information technology to enable **restructuring of care delivery** and **measuring results**, rather than treating it as a solution itself

- Common data definitions
- Interoperability standards
- Architecture for combining all types of data (e.g. notes, images) for each patient over time
- Encompassing the full care cycle, including referring entities
- Templates for medical conditions to enhance the user interface
- Accessible and supporting communication among all involved parties

Value-Based Health Care Delivery

The Strategic Agenda

1. Integrated Practice Units

- **Partnerships** with other care organizations involved in the care cycle including the primary care cycle

2. Outcomes and Cost Measurement

- Engage health plans but also direct relationships with employers

3. New Reimbursement Models

4. Provider System Integration

- **Rationalize service lines/ IPU**s across facilities to improve volume, avoid duplication, and enable excellence
- Clinically integrate care **across facilities** within an IPU structure
- Common organizational unit across facilities
- Offer specific services at the **appropriate facility**
 - **e.g. acuity level, cost level, benefits of convenience**
- Formally link **primary care** units to specialty IPUs

5. Information Technology Platform

6. Growth Across Geography

Value-Based Health Care Delivery: Implications for Government

Restructure Delivery

- Establish universal and mandatory measurement and reporting of provider **health outcomes**
 - **Experience** reporting as an interim step
- Shift reimbursement systems to **bundled payment for cycles of care** instead of payments for discrete treatments or services
- Encourage **restructuring of health care delivery** around the integrated care for medical conditions
 - Eliminate obstacles such as Stark Laws, Corporate Practice of Medicine
 - Minimum volume standards as an interim step
- Create new integrated **prevention, wellness, screening** and **health maintenance** service bundles for defined patient groups
- Mandate **EMR adoption** that enables integrated care and supports outcome measurement
 - Software as a service model for smaller providers
 - National standards for data, communication, and aggregation
- Encourage **responsibility of individuals** for their health and health care
- **Open up value-based competition** for patients within and across state boundaries

Value-Based Health Care Delivery: Implications for Government

Shift insurance market competition and enable universal coverage:

- **Maintain competition** among private and public plans
- Shift insurance competition to **value-based competition for subscribers**
- Build upon the current **employer based system**
- Create a viable insurance option for **individuals and small groups**
- Create large statewide and multistate **insurance pools** coupled with a **reinsurance system** for high cost individuals
- Establish **income-based subsidies** on a sliding scale to for lower income individuals
- Once viable insurance options are established, **mandate the purchase of health insurance** for all Americans