

# Value Based Health Care Delivery

## Welcome and Introduction

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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.

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# Redefining Health Care Delivery

- 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



- How to design a health care delivery system that **dramatically improves patient value**
- How to construct a **dynamic system** that keeps rapidly improving

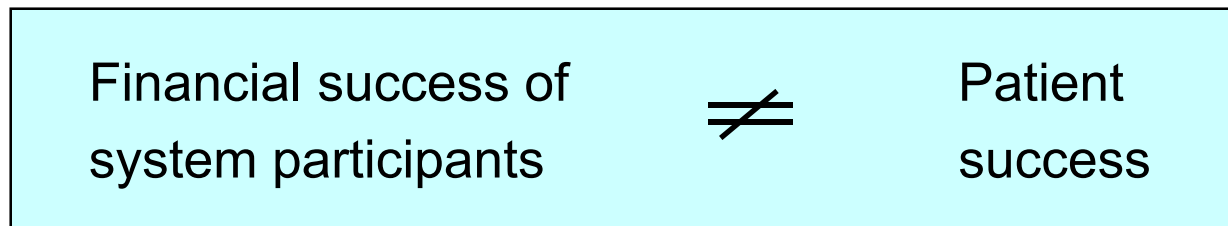
# Creating a Value-Based Health Care System

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

Care pathways, process improvements, safety initiatives, case managers, disease management and other **overlays** to the current structure are beneficial, but not sufficient

# Creating The Right Kind of Competition

- Patient **choice** and **competition** for patients are powerful forces to encourage continuous improvement in value and restructuring of care
- But today's competition in health care **is not aligned with value**



- Creating positive-sum **competition on value** for patients is fundamental to health care reform in every country

# Principles of Value-Based Health Care Delivery

- The overarching goal in health care must be **value for patients**, not access, cost containment, convenience, or customer service

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

- 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

# Principles of Value-Based Health Care Delivery

- **Quality improvement** is the most powerful driver of cost containment and value improvement, where quality is **health outcomes**

- Prevention of illness
- Early detection
- Right diagnosis
- Right treatment to the right patient
- Rapid cycle time of diagnosis and treatment
- Treatment earlier in the causal chain of disease
- Less invasive treatment methods
- Fewer complications
- Fewer mistakes and repeats in treatment
- Faster recovery
- More complete recovery
- Greater functionality and less need for long term care
- Fewer recurrences, relapses, flare ups, or acute episodes
- Reduced need for ER visits
- Slower disease progression
- Less care induced illness



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

# Creating a Value-Based Health Care Delivery System

## The Strategic Agenda

1. Organize Care into **Integrated Practice Units (IPUs)** around Patient Medical Conditions
  - Organize primary and preventive care to serve **distinct patient segments**
2. Measure **Outcomes** and **Cost** for Every Patient
3. Reimburse through **Bundled Prices** for Care Cycles
4. Integrate Care Delivery Across **Separate Facilities**
5. Expand Geographic Coverage by **Excellent Providers**
6. Build an Enabling **Information Technology Platform**

# 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**