

# 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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# 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**

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