

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.

Creating A High Value Delivery Organization

- 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



- Improving value is the only real **solution** to reforming health care versus **cost shifting to patients, restricting services, or reducing provider compensation**

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 a **legacy** of medical science, organizational structures, management practices, and payment models that are obsolete.

Care pathways, process improvements, safety initiatives, care coordinators, disease management and other **overlays** to the current structure can be beneficial, but not sufficient

Principles of Value-Based Health Care Delivery

$$\text{Value} = \frac{\text{Health outcomes that matter to patients}}{\text{Costs of delivering the outcomes}}$$

- Value is measured for the **care of a patient's medical condition** over the full cycle of care
 - 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

Creating a Value-Based Health Care Delivery System

The Strategic Agenda

1. Organize Care into **Integrated Practice Units (IPUs)** around Patient Medical Conditions
 - For primary and preventive care, organize to serve **distinct patient segments**
2. Measure **Outcomes** and **Costs** for Every Patient
3. Move to **Bundled Payments** for Care Cycles
4. Integrate Care Delivery **Systems**
5. Expand **Geographic Reach**
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**