Value-Based Competition in Health Care

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Issues in Health Care Reform

Health Insurance and Access

Structure of Health Care Delivery

Standards for Coverage
Competition in Health Care

Bad Competition

• Competition to **shift costs**
• Competition to **increase bargaining power**
• Competition to **capture patients and restrict choice**
• Competition to **restrict services** in order to reduce costs

• Zero or Negative Sum

Good Competition

• Competition to **increase value for patients**

• Positive Sum
Principles of Value-Based Competition

1. The goal should be *value for patients*, not just lowering costs.
Principles of Value-Based Competition

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

2. There must be *unrestricted competition* based on *results*.
   - Results vs. supply control or process compliance
   - Get patients to excellent providers vs. “lift all boats”
Principles of Value-Based Competition

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

2. There must be *unrestricted competition* based on *results*.

3. Competition should center on *medical conditions* over the *full cycle of care*.
What is a Medical Condition?

• A medical condition is **an interrelated set of patient medical circumstances best addressed in an integrated way**
  – From the patient’s perspective

• **Includes** the most common co-occurrences

• **Examples**
  – Breast Cancer
  – Diabetes (including vascular disease, hypertension)
What is the Cycle of Care?
**Organ Transplantation**

- **Evaluation**
- **Waiting for a Donor**
- **Transplant Surgery**
- **Immediate Convalescence**
- **Long Term Convalescence**

- Addressing organ rejection
- Fine-tuning the drug regimen
- Adjustment and monitoring
Breast Cancer Care
Care Delivery Value Chain

**Knowledge Management**
- Education and reminders about regular exams
- Lifestyle and diet counseling

**INFORMING**
- Counseling patient and family on the diagnostic process and the diagnosis
- Explaining and supporting patient choices of treatment
- Counseling patient and family on rehabilitation options and process
- Counseling patient and family on long term risk management

**Measuring**
- Mammograms
- Ultrasound
- MRI
- Biopsy
- BRACA 1, 2...
- Range of movement
- Side effects measurement
- Recurring mammograms (every 6 months for the first 3 years)

**Accessing**
- Office visits
- Mammography lab visits
- Lab visits
- High-risk clinic visits
- Hospital visits
- Visits to outpatient or radiation chemotherapy units
- Rehabilitation facility visits
- Lab visits
- Mammographic labs and imaging center visits

**Monitoring/Preventing**
- Medical history
- Monitoring for lumps
- Control of risk factors (obesity, high fat diet)
- Clinical exams
- Genetic screening
- In-hospital and outpatient wound healing
- Psychological counseling
- Treatment for any continued side effects

**Diagnosing**
- Medical history
- Determining the specific nature of the disease
- Genetic evaluation
- Choosing a treatment plan
- Procedure-specific measurements
- Periodic mammography
- Other imaging
- Follow-up clinical exams for next 2 years

**Preparing**
- Medical counseling
- Surgery prep (anesthetic risk assessment, EKG)
- Patient and family psychological counseling
- Plastic or oncoplastic surgery evaluation
- Surgery (breast preservation or mastectomy, oncoplastic alternative)
- Adjuvant therapies (hormonal medication, radiation, and/or chemotherapy)
- Physical therapy

**Intervening**
- In-hospital and outpatient wound healing
- Psychological counseling
- Treatment of side effects (skin damage, neurotoxic, cardiac, nausea, lymphedema and chronic fatigue)

**Recovering/Rehabing**
- In-hospital and outpatient wound healing
- Psychological counseling
- Physical therapy
Levels of Medical Integration
Within Medical Condition versus Across Medical Condition

Integrated Practice Unit
Medical Condition A

Integrated Practice Unit
Medical Condition B

Integrated Practice Unit
Medical Condition C

Integrated Practice Unit
Medical Condition D
Principles of Value-Based Competition

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2. There must be unrestricted competition based on results.
3. Competition should center on medical conditions over the full cycle of care.
4. High quality care should be less costly.
   - Prevention
   - Early detection
   - Right diagnosis
   - Early treatment
   - Right treatment to the right patients
   - Treatment earlier in the causal chain
   - Fewer mistakes and repeats in treatment
   - Fewer delays in care delivery
   - Less invasive treatment methods
   - Faster recovery
   - Less disability
   - Slower disease progression
   - Less need for long term care

• Better health is inherently less expensive than worse health
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4. High quality care should be less costly.
5. Value is driven by provider experience, scale, and learning at the medical condition level.
The Virtuous Circle in a Medical Condition

- Feed virtuous circles vs. fragmentation of care
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4. High quality care should be *less* costly.
5. Value is driven by *provider experience, scale*, and *learning* at the medical condition level.
6. Competition should be *regional* and *national*, not just local.
   - Management of care cycles across geography
   - Partnerships and inter-organizational integration
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7. Results **Information** must be widely available.
The Information Hierarchy

- **Patient Results**
  - (Outcomes, prices and costs)
- **Experience**
- **Methods**
  - (For internal improvement)
- **Patient Attributes**
  - (For risk adjustment and clinical insight)
Measuring Results

The Outcome Measures Hierarchy

- Survival
- Degree of recovery / health
- Time to recovery / health
- Disutility of care or treatment process (e.g., discomfort, side effects, diagnostic errors, treatment errors)
- Sustainability of recovery / health over time
- Long-term consequences of therapy / care (e.g., care-induced illnesses)
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4. High quality care should be **less** costly.
5. Value is driven by **provider experience, scale, and learning** at the medical condition level.
6. Competition should be **regional** and **national**, not just local.
7. **Information** on results and prices needed for value-based competition must be widely available.
8. **Innovations** that increase value must be strongly rewarded.
   - Reimbursement for care cycles, not discrete treatments or services
Moving to Value-Based Competition
Providers

• Redefine the practice around care cycles for medical conditions, not specialties

• Organize around medically integrated practice units (IPU)

• Integrate services in each medical condition across geographic locations

• Measure results, methods, and patient attributes by IPU

• Move to single bills and pricing for care cycles

• Choose the scope of services based on excellence

• Grow service lines across geography in areas of strength

• Employ partnerships and alliances to achieve these aims

• Market services based on excellence, uniqueness, and results
Moving to Value-Based Competition

Health Plans

“Payor” → Value-Added Health Organization
Moving to Value-Based Competition

Health Plans

• Measure **provider results** by medical condition
• Advise patients (and referring physicians) in selecting **excellent** providers
• Reward **excellent** providers with more patients
• Coordinate patient care across the **full care cycle**
• Shift reimbursement to bundled prices for care cycles
• Assemble **members’ total medical records**
• Provide comprehensive **prevention** and **disease management** services to all members, even healthy ones
• Move to **multi-year subscriber contracts**
• Organize around **medical conditions**, not geography or administrative functions
Moving to Value-Based Competition

**Employers**

- Set goal of increasing **health value**, not minimizing health benefit costs

**Shift System Structure**
- Set new expectations for health plans, including **self-insured** plans
- Enhance provider competition on **results**
- Find ways to **expand insurance coverage** and advocate reform of the insurance system

**Internal Health Care and Promotion**
- Provide for health plan **continuity** for employees, rather than plan churning
- Support and motivate employees to **make good health care choices** and manage their own health
- Measure and hold employee benefit staff accountable for the company’s **health value received**
Moving to Value-Based Competition

**Government**

- Mandate the universal measurement, collection, and reporting of outcomes and eventually results information by medical condition
- Create common data definitions and IT standards to enable the collection and exchange of medical information
- Enable the restructuring of health care delivery around the integrated care cycle for medical conditions
- Shift reimbursement to bundled prices for care cycles and away from payments for discrete treatments or services
- End provider price discrimination across patients
- **Remove artificial restraints to competition** among providers and across geography
- Make Medicare a health plan
- Create neutrality (e.g. tax, risk pooling, purchasing groups) between employer-provided and individually-purchased health insurance
- Move to an individual mandate to purchase health insurance
How Will Redefining Health Care Begin?

• It is *already happening*

• Each **system** participant can take **voluntary** steps in these directions, and will **benefit** irrespective of other changes

• The changes are **mutually reinforcing**

• Once competition begins working, value improvement will **no longer be discretionary or optional**

• Those organizations that **move early** will gain major benefits

• **Providers** can and should take the lead