Redefining Competition in Health Care

Professor Michael E. Porter Harvard Business School

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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. Earlier publications about health care include the *Harvard Business Review* article "Redefining Competition in Health Care" (June 2004). 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 Competition in Health Care

- Universal insurance is not enough
- True reform must significantly increase the value of health care delivery

Value: Patient outcomes per dollar spent

Redefining Competition in Health Care

- Universal insurance is not enough
- True reform must significantly increase the value of health care delivery
- Increasing value will require going beyond cost containment and administrative savings
- Significant value improvement will require fundamental restructuring of health care delivery, not incremental improvements

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

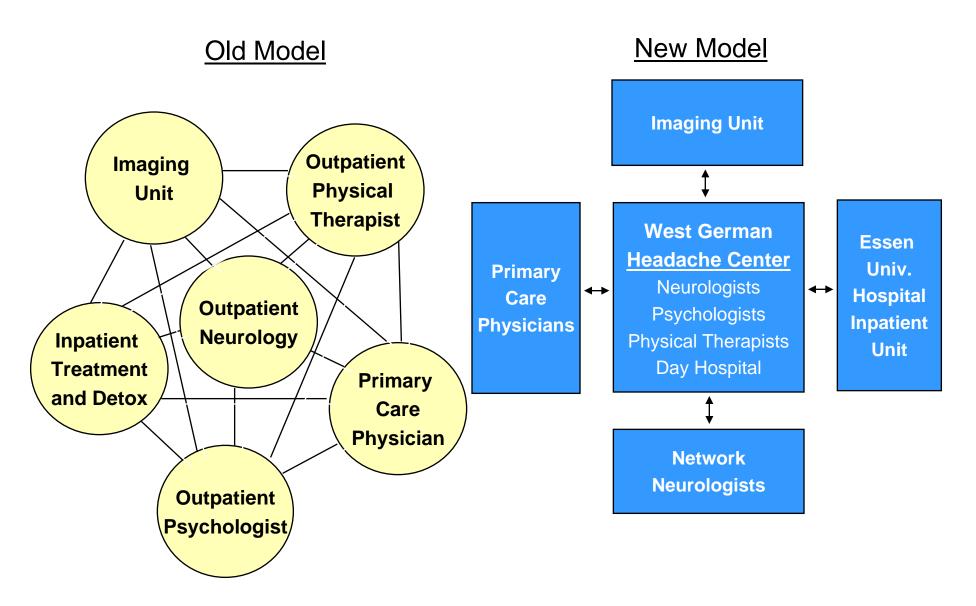
Integrated Care By Medical Condition Breast Cancer Care Delivery Value Chain

INFORMING MEASURING ACCESSING	Self exams Mammograms Office visits Mammography lab visits	Counseling patient and family on the diagnostic process and the diagnosis Mammograms Ultrasound MRI Biopsy BRACA 1, 2 Office visits Lab visits High-risk clinic visits	supporting patient choices of treatment	Counseling patient and family on treatment and prognosis Procedure- specific measurements Hospital stay Visits to outpatient or radiation chemotherapy units	Counseling patient and family on rehabilitation options and process Range of movement Side effects measurement Office visits Rehabilitation facility visits	Counseling patient and family on long term risk management Recurring mammograms (every 6 months for the first 3 years) Office 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	Medical history Determining the specific nature of the disease Genetic evaluation Choosing a treatment plan	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	outpatient wound	MONITORING/MANAGING • Periodic mammography • Other imaging • Follow-up clinical exams for next 2 years • Treatment for any continued side effects
						☐ Breast Cancer Specialist☐ Other Provider Entities

What is a Medical Condition?

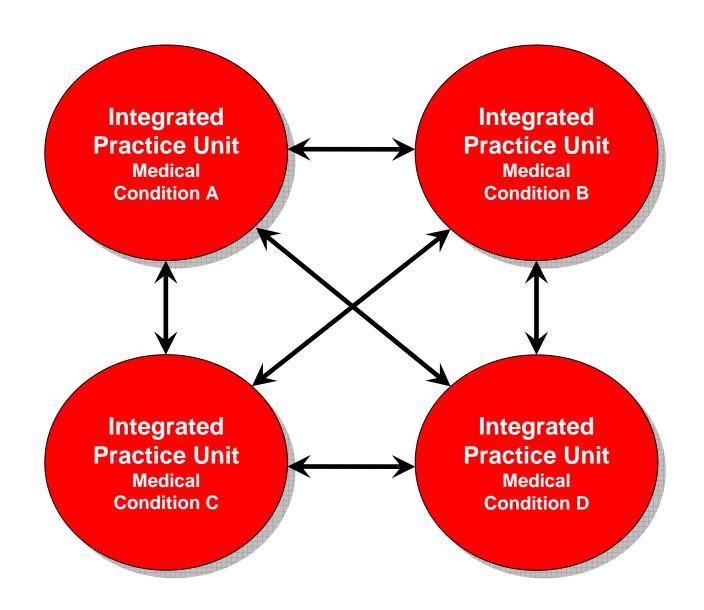
- A medical condition is an interrelated set of patient medical circumstances best addressed in an integrated way
 - From the patient's perspective
- Includes the most common co-occurrences
- Examples
 - Breast Cancer
 - Diabetes (including vascular disease, hypertension)
 - Stroke
 - Migraine

Migraine Care in Germany



Source: KKH, Westdeutsches Kopfschmerzzentrum

Integrating Care Delivery: First Order and Second Order Within Medical Condition versus Across Medical Condition



Today's competition in health care is not aligned with value

Financial success of system participants

Patient success

Competition in Health Care

Bad Competition

- Competition to shift costs or capture a bigger share of revenue
- 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 Competition

Good Competition

 Competition to increase value for patients



Positive Sum Competition

Competition at the Wrong Levels

Too Broad

Between broad line hospitals, networks, and health plans

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Too Narrow

Performing discrete services or interventions

Too Local

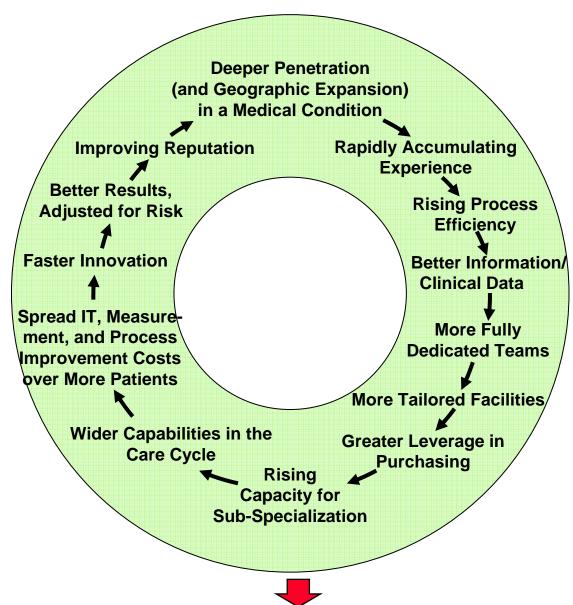
 Focused on serving the local community



Market definition is misaligned with patient value

- Today's competition in health care is not aligned with value
- Restructuring health care delivery will require realigning competition around value
 - Compete on results, not process compliance
 - Get patients to excellent providers
 - Reimburse for care cycles, not discrete services

The Virtuous Circle in a Medical Condition



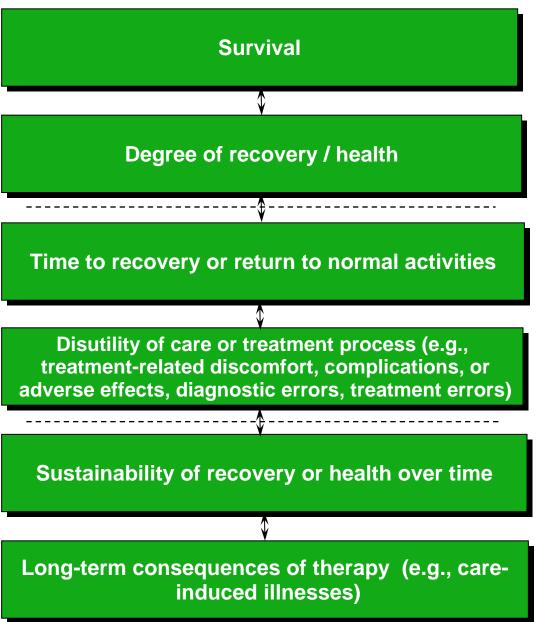
The virtuous cycle extends across geography

- Today's competition in health care is not aligned with value
- Restructuring health care delivery will require redefining competition around value
- The most important single driver of improvement in health care is measuring results

Results: Patient health outcomes over the care cycle

Total cost of achieving those outcomes

Measuring Results The Outcome Measures Hierarchy



- Today's competition in health care is not aligned with value
- Restructuring health care delivery will require redefining competition around value
- The most important single driver of improvement in health care is measuring results
- Information technology is an enabler of restructuring care delivery and measuring results, not a solution itself
- Value-based competition will involve new roles, organizational structures, and operating practices for each system participant
 - Providers
 - Health plans
 - Employers
 - Suppliers

- Government policy should set the right rules and ensure results measurement, but restructuring health care delivery must occur from the bottom up
 - Government-led
 - Payer-centric
 - Consumer-driven



- Physician-led
- Patient-centric
- Results-driven
- Achieving universal coverage must reinforce, rather than complicate, value-based competition and restructuring of care
 - Neutrality between employer and individual coverage
 - Infrastructure for individually purchased coverage
 - Individual mandate with subsidies
 - Patient responsibilities: participation in care, not just payment responsibility

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
- Appropriate government policy can speed up the process



There is no need to wait