Value-Based Health Care Delivery

Professor Michael E. Porter
Harvard Business School

HBS & Healthcare Centennial
May 14, 2008

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, "How Physicians Can Change the Future of Health Care," *Journal of the American Medical Association*, 2007; 297:1103:1111, and "What is Value in Health Care," ISC working paper, 2008. 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 Health Care

- Universal coverage **is essential**, **but not enough**
- The core issue in health care is the **value of health care delivered**

Value: Patient health outcomes per dollar spent

- How to design a health care system that **dramatically improves value**
  - – Ownership of entities is secondary (e.g. non-profit vs. for profit vs. government)
- How to create 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, 21st century medical technology is delivered with 19th century organization structures, management practices, and pricing models

  - TQM, process improvements, safety initiatives, pharmacy management, and disease management overlays are beneficial but **not sufficient** to substantially improve value
  - Consumers **cannot fix the dysfunctional structure** of the current system

Creating a Value-Based Health Care System

- Competition is a powerful force to encourage **restructuring of care** and **continuous improvement in value**
  - For patients
  - For health plan subscribers
- Today's competition in health care **is not aligned with value**

Financial success of system participants	$\neq$	Patient success

- Creating **competition on value** is a central challenge in health care reform

Zero-Sum Competition in U.S. Health Care

Bad Competition

- Competition to **shift costs** or **capture more revenue**
- Competition to **increase bargaining power**
- Competition to **capture patients** and **restrict choice**
- Competition to **restrict services** in order to maximize revenue per visit or reduce costs

Zero or Negative Sum

Good Competition

- Competition to **increase value for patients**

Positive Sum

Principles of Value-Based Health Care Delivery

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

- Improving value will require going **beyond waste reduction** and **administrative savings**

Principles of Value-Based Health Care Delivery

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

   - The best way to **contain costs** is to **improve quality**

Quality = Health outcomes

- Prevention
- Early detection
- Right diagnosis
- Early and timely treatment
- Treatment earlier in the causal chain of disease
- Right treatment to the right patients
- Rapid care delivery process with fewer delays
- Fewer complications
- Fewer mistakes and repeats in treatment

- Less invasive treatment methods
- Faster recovery
- More complete recovery
- Less disability
- Fewer relapses or acute episodes
- Slower disease progression
- Less need for long term care

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

Principles of Value-Based Health Care Delivery

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

- There must be **competition for patients** based on **value**
  - Not supply control, process compliance, or administrative oversight

  - Get **patients** to excellent providers vs. “lift all boats”
  - Expand the **proportion of patients** cared for by the most effective organizations
  - **Grow the excellent organizations** by reallocating capacity and expanding across locations

Principles of Value-Based Health Care Delivery

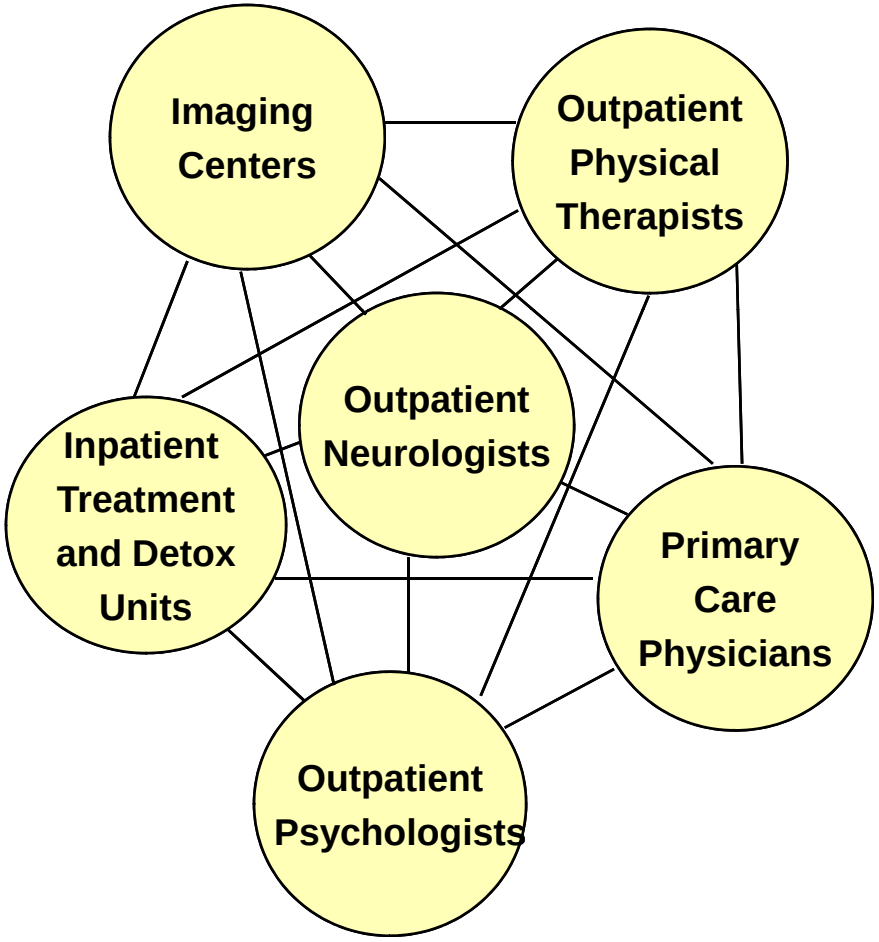
1. The goal must be **value for patients**, not lowering costs

2. Health care delivery should be organized around **medical conditions** over the **full cycle of care**

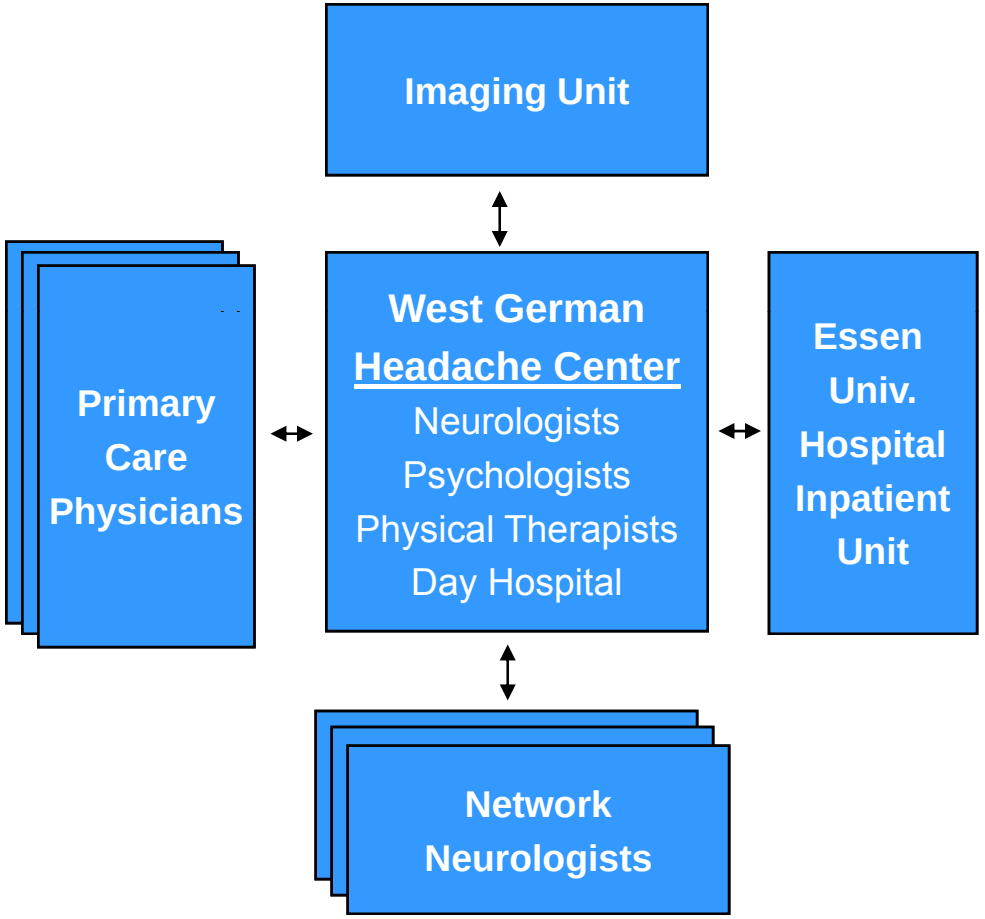
- A medical condition is **an interrelated set of patient medical circumstances best addressed in an integrated way**
  - Defined from the **patient's** perspective
  - Involving **multiple** specialties and services
- **Includes** the most common co-occurring conditions
- Examples
  - Diabetes (including vascular disease, hypertension, others)
  - Migraine
  - Breast Cancer
  - Stroke
  - Asthma
  - Congestive Heart Failure

Restructuring Health Care Delivery
Migraine Care in Germany

Existing Model: Organize by Specialty and Discrete Services



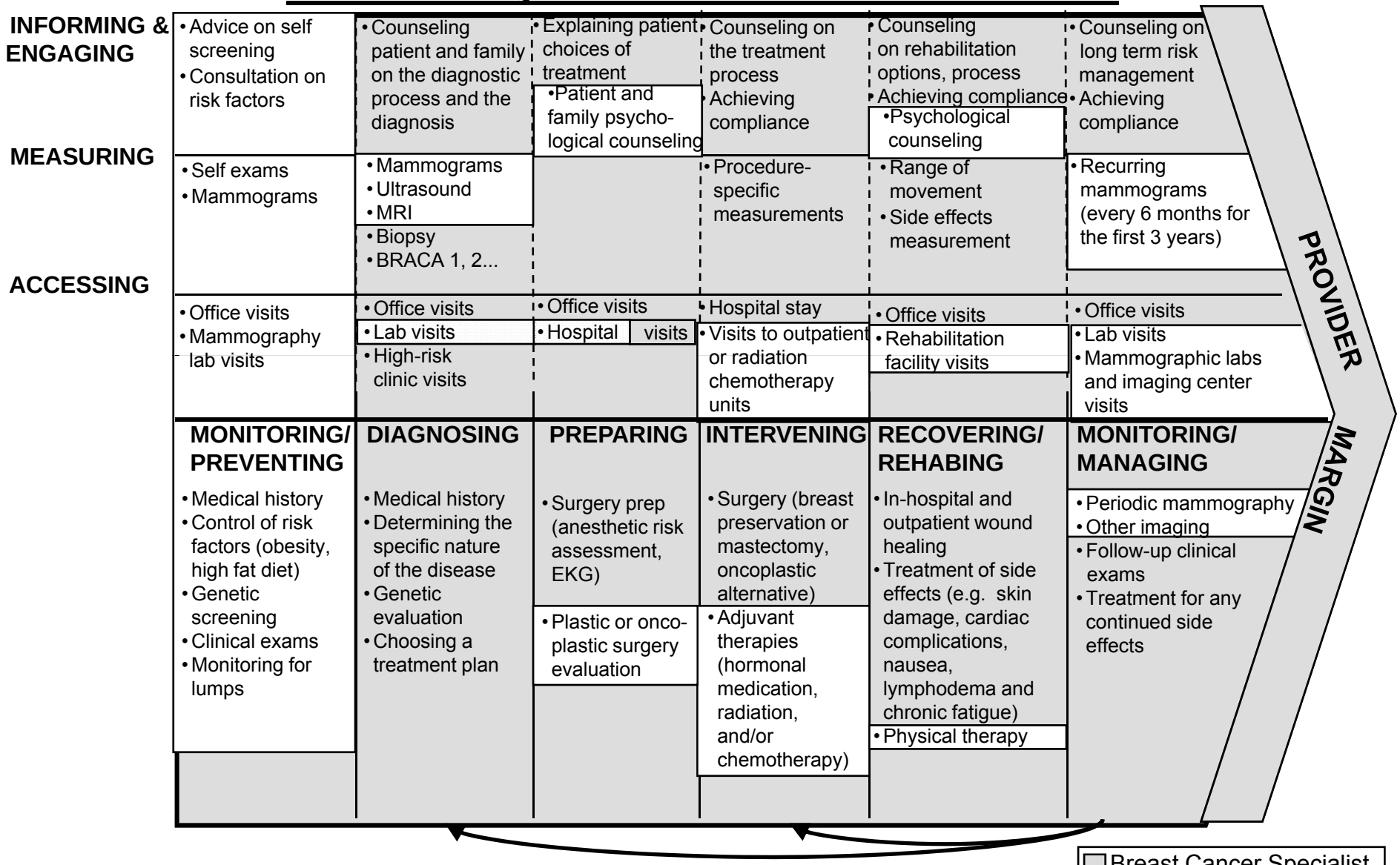
New Model: Organize into Integrated Practice Units (IPUs)



Source: Porter, Michael E., Clemens Guth, and Elisa Dannemiller, *The West German Headache Center: Integrated Migraine Care*, Harvard Business School Case 9-707-559, September 13, 2007

The Cycle of Care

Care Delivery Value Chain for Breast Cancer



- **Primary care providers** are often the **beginning** and **end** of the care cycle
- The medical condition is the **unit of value creation** in health care delivery

Integrated Cancer Care

MD Anderson Head and Neck Center

Staff	
Head and Neck Center	**Shared**
Dedicated MDs -Medical Oncologists -Surgical Oncologists -Radiation Oncologists -Dentists -Diagnostic Radiologist -Pathologist -Opthalmologists **Dedicated Skilled Staff** -Nurses -Audiologist -Patient Advocate	**Shared MDs** -Endocrinologists -Other specialists as needed (cardiologists, plastic surgeons, etc.) **Shared Skilled Staff** -Nutritionists -Social Workers

Facilities	
Head and Neck Center	**Shared**
-Dedicated Outpatient Unit	-Radiation Therapy -Pathology Lab -Ambulatory Chemo Center -Inpatient Wards →Medical Wards →Surgical Wards

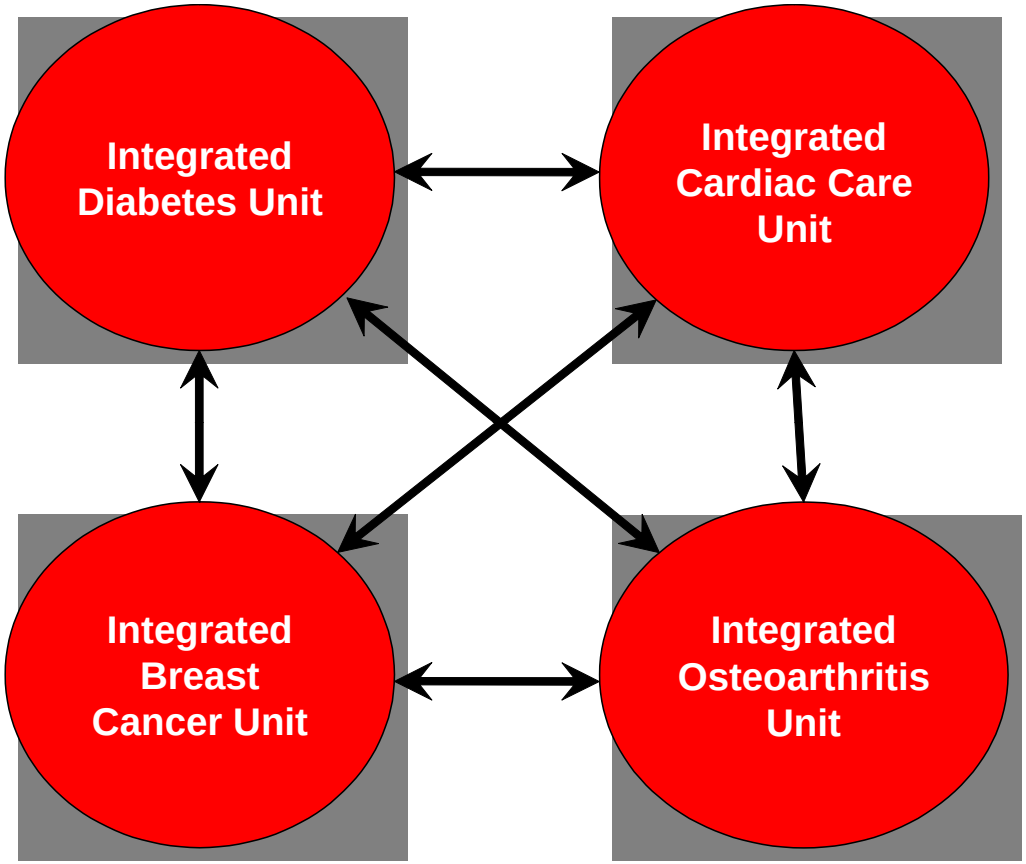
Source: Jain, Sachin H. and Michael E. Porter, *The University of Texas MD Anderson Cancer Center: Interdisciplinary Cancer Care*, Harvard Business School Case 9-708-487, Draft April 1, 2008

What is Integrated Care?

- Integration of specialties and services over the **care cycle for a medical condition (IPU)**
  - Providers will often operate multiple IPUs
- For some patients, coordination of care **across medical conditions**
  - A patient can be cared for by **more than one IPU**
- Integrated care is **not**:
  - Co-location
  - Care delivered by the same organization
  - A multispecialty group practice
  - Freestanding focused factories
  - A Center or an Institute
  - A health plan/provider system

Patients with Multiple Medial Conditions

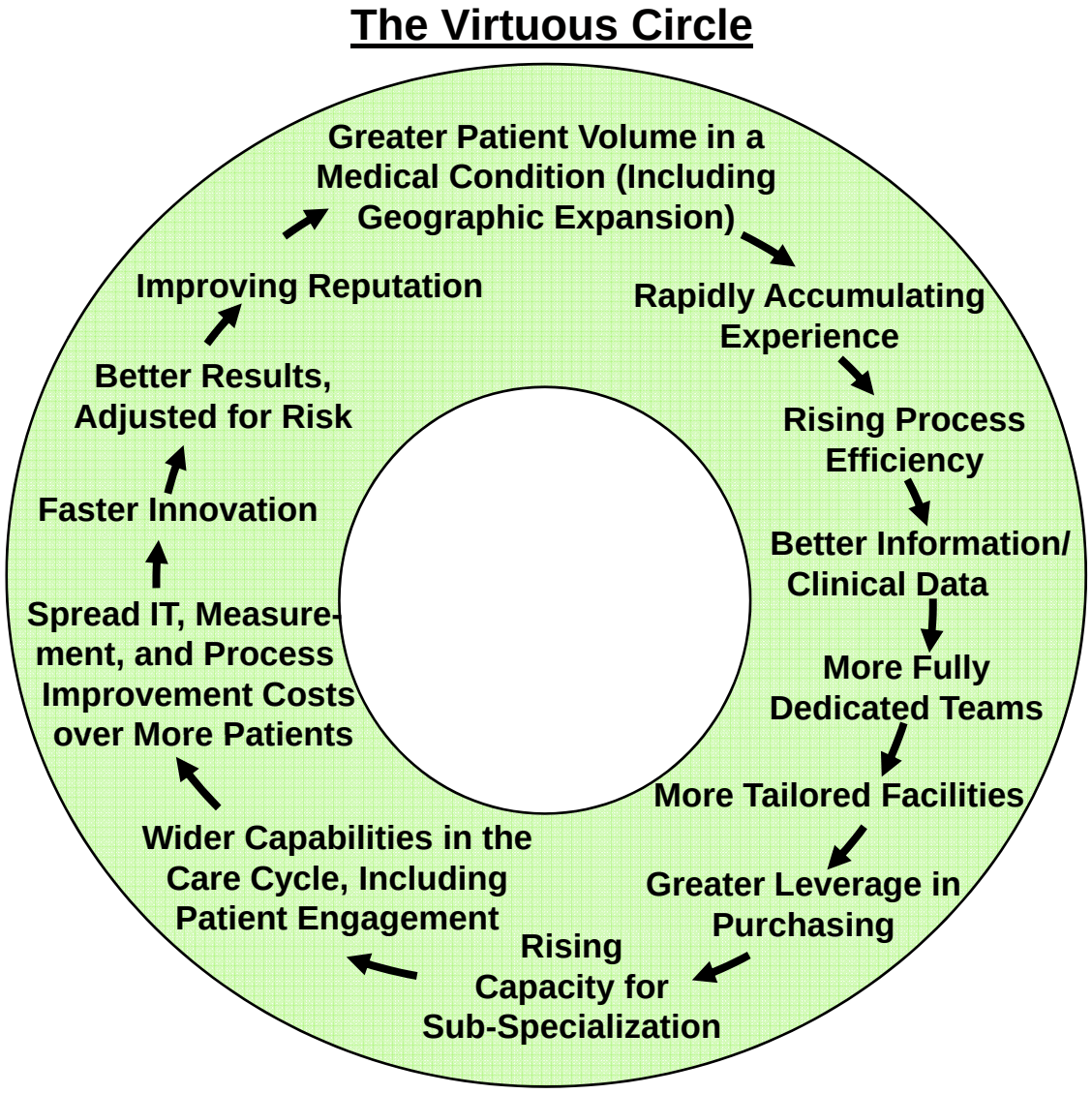
Coordinating Care Across IPUs



- The primary organization of care delivery should be around the integration required for **every patient**
- IPUs will also greatly simplify coordination of care for patients with multiple medical conditions
- The patient with multiple conditions will be **better off** in an IPU model

Principles of Value-Based Health Care Delivery

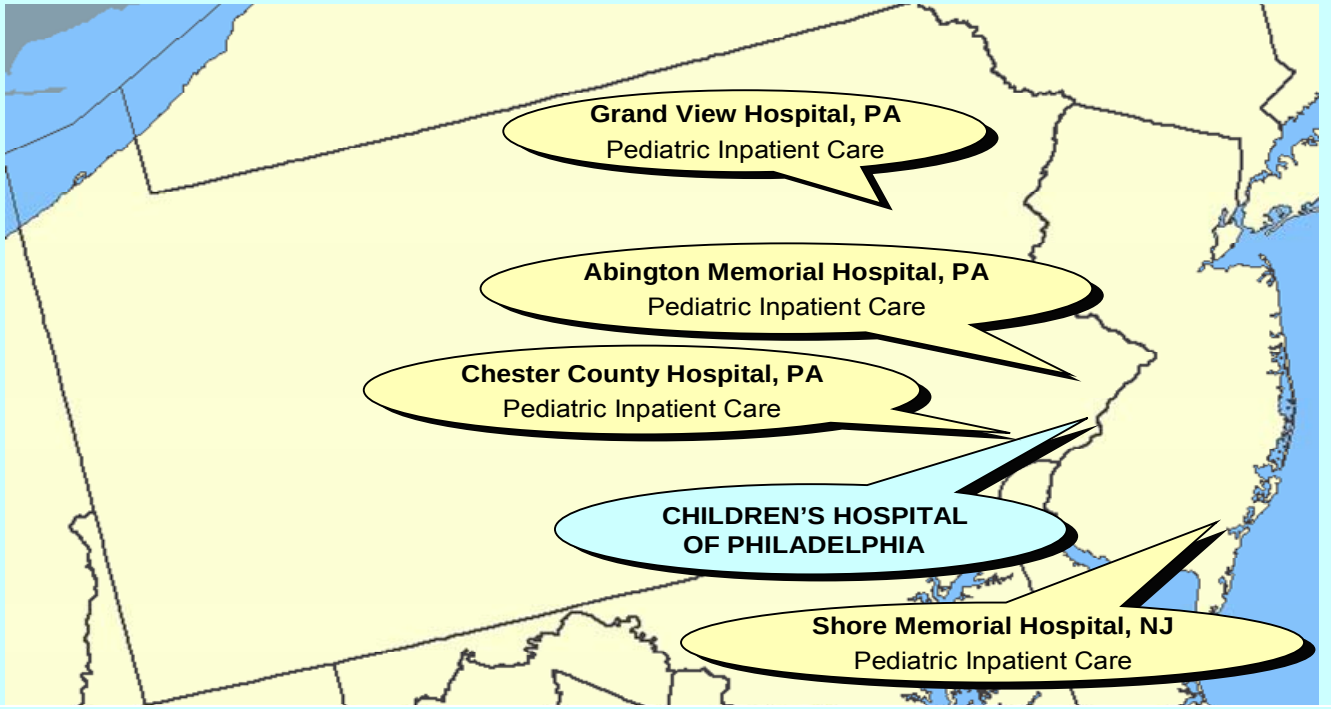
- Value is driven by provider **experience**, **scale**, and **learning** at the medical condition level



Principles of Value-Based Health Care Delivery

- Health care delivery should be **integrated across facilities and regions**, rather than take place in stand-alone units

Children's Hospital of Philadelphia (CHOP) Affiliations



- Excellent providers can manage care delivery **across multiple geographies**

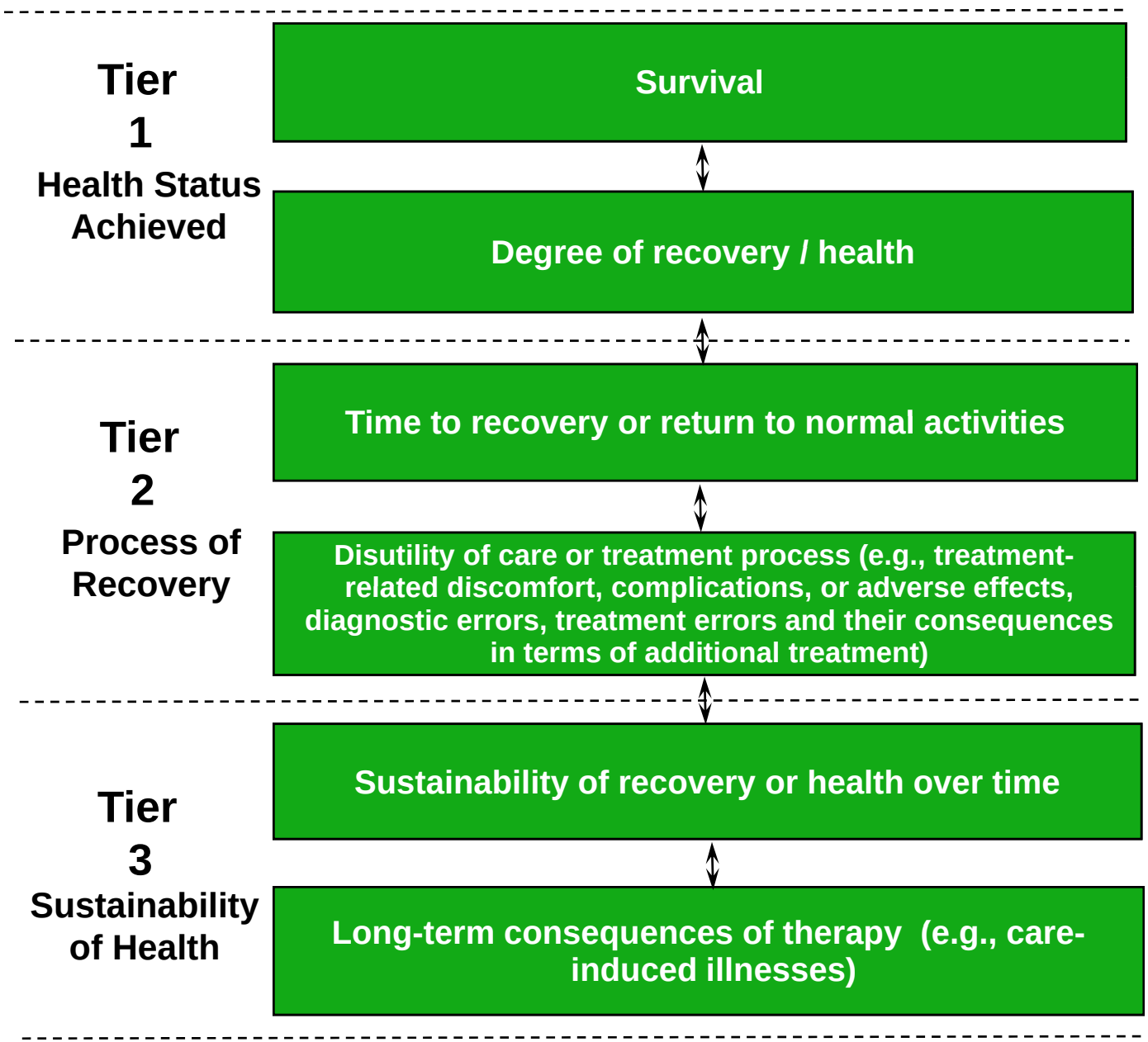
Principles of Value-Based Health Care Delivery

1. The goal must be **value for patients**, not lowering costs
2. Health care delivery should be organized around **medical conditions** over the **full cycle of care**
3. **Value** must be universally measured and reported

- **For** medical conditions over the cycle of care
  - Not for interventions or short episodes
  - Not for hospitals, practices, clinics, or departments
  - Not for types of service (e.g. inpatient, outpatient, tests, rehabilitation)

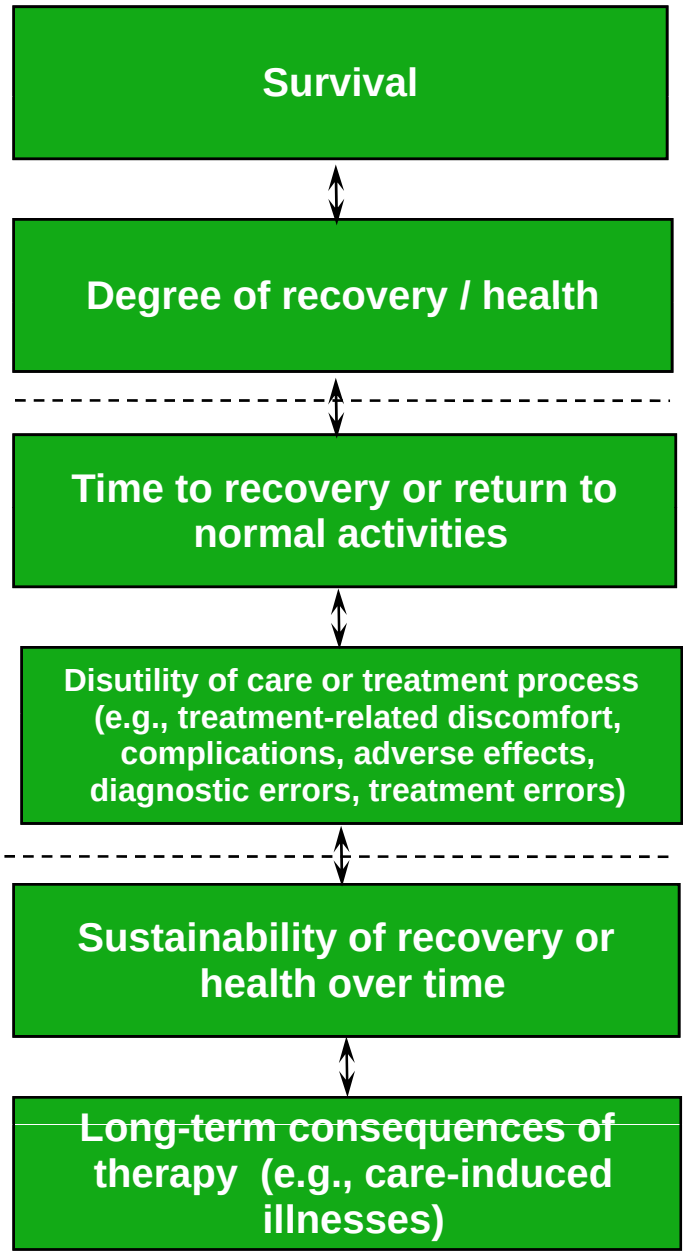
- Results must be measured at the **level at which value is created** for patients

The Outcome Measures Hierarchy



Source: Porter, Michael E., "What is Value in Health Care?" ISC working paper, 2008, and presented at the Institute of Medicine Annual Meeting, October 8, 2007

Measuring Breast Cancer Outcomes



- **Survival rate** (One year, three year, five year, longer)

- **Remission**
- **Functional status**
- **Breast conservation outcome**

- **Time to remission**
- **Time to achieve functional status**

- **Nosocomial infection**
- **Nausea**
- **Vomiting**
- **Febrile neutropenia**
- **Limitation of motion**
- **Depression**

- **Cancer recurrence**
- **Sustainability of functional status**

- **Incidence of secondary cancers**
- **Brachial plexopathy**
- **Premature osteoporosis**

Source: Porter, Michael E., "What is Value in Health Care?" ISC working paper, 2008, and presented at the Institute of Medicine Annual Meeting, October 8, 2007, with assistance from Dr. Andrew Huang, Sun Yat-Sen Cancer Center, and Dr. Jason Wang, Boston University

Measuring Value: Key Principles

- **Physicians** need results measures in order to drive value improvement
- Outcomes should be **adjusted for patient initial conditions**
- Outcome measurement cannot wait for perfection: measures and risk adjustment methods will **improve rapidly**

- The feasibility of outcome measurement at the medical condition level has been **conclusively demonstrated**
- Failure to measure outcomes will **invite further micromanagement** of physician practice

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4. Reimbursement should be aligned with **value** and reward **innovation**

- Bundled reimbursement for **care cycles**, not payment for discrete treatments or services
  - Most DRG systems are **too narrow**
- Reimbursement for **prevention and screening**, not just treatment
- Reimbursement for **overall management of chronic conditions**
- Reimbursement adjusted for **patient complexity**

- **Providers** should be proactive in moving to new reimbursement models, not wait for health plans and Medicare

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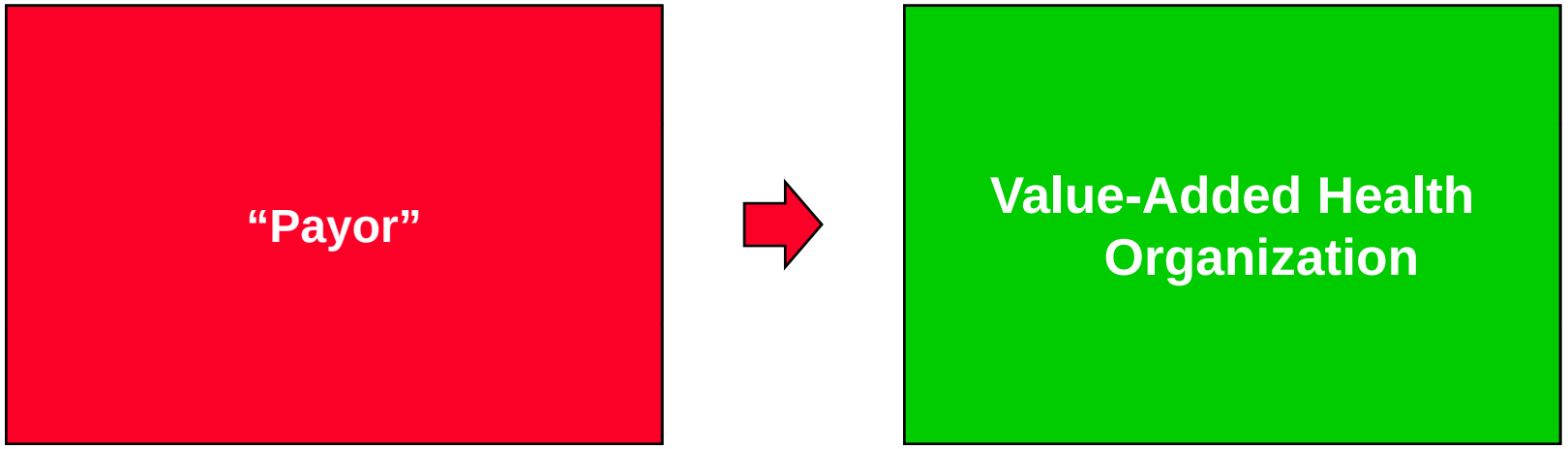
5. Information technology will enable **restructuring of care delivery** and **measuring results**, but is not a solution by itself

- Common data definitions
- Interoperability standards
- Patient-centered database
- Include all types of data (e.g. notes, images)
- Cover the full care cycle, including referring entities
- Accessible to all involved parties

Principles of Value-Based Health Care Delivery
Implications for Providers

- Organize around **integrated practice units** (IPUs) for each medical condition
  - Make prevention and disease management integral to the IPU model
  - With mechanisms for cross-IPU coordination
- Choose the appropriate **scope of services** in each facility based on excellence in **patient value**
- Integrate services **across geographic locations** for each IPU / medical condition
- Employ formal **partnerships** and **alliances** with independent parties involved in the care cycle in order to integrate care
- Expand high-performance IPUs **across geography** using an integrated model
  - Instead of federations of broad line, stand-alone facilities
- Measure **outcomes** and **costs** for every medical condition over the full care cycle
- Lead the development of **new contracting models** with health plans based on bundled reimbursement for care cycles
- Implement a single, integrated, patient centric **electronic medical record system** which is utilized by every unit and accessible to partners, referring physicians, and patients

Creating a High-Value Health Care System
Health Plans



Value-Adding Roles of Health Plans

- Assemble, analyze and manage the **total medical records** of members
- Provide for comprehensive **prevention**, **screening**, and **chronic disease management** services to all members
- Monitor and compare **provider results** by medical condition
- Provide advice to patients (and referring physicians) in selecting **excellent providers**
- Assist in coordinating patient care across the **care cycle** and **across medical conditions**
- Encourage and reward **integrated practice unit** models by providers
- Design new **bundled reimbursement structures** for care cycles instead of fees for discrete services
- Measure and report **overall health results** for members by medical condition versus other plans

- Health plans will require **new capabilities** and **new types of staff** to play these roles

Creating a High-Value Health Care System
Suppliers

- Compete on delivering **unique value** measured over the **full care cycle**
- **Demonstrate value** based on careful study of long term outcomes and costs versus alternative approaches
- Ensure that the products are **used by the right patients**
- Ensure that drugs/devices are embedded in the **right care delivery processes**
- Market based on **value**, **information**, and **customer support**
- Offer support services that **contribute to value** rather than reinforce cost shifting
- Move to **value-based pricing**

Creating a High-Value Health Care System
Employers

- Set the goal of **employee health**
- Assist employees in **healthy living** and **active participation in their own care**
- Provide for convenient and high value **prevention, screening,** and **disease management** services
  - On site clinics
- Set **new expectations for health plans**, including self-insured plans
  - Plans should assist subscribers in **accessing excellent providers** for their medical condition
  - Plans should contract for care **cycles rather** than discrete services
- Provide for **health plan continuity** for employees, rather than plan churning
- Find ways to **expand insurance coverage** and advocate **reform of the insurance system**

- Measure and hold employee benefit staff accountable for the company's **health value received**

Creating a High-Value Health Care System
Consumers

- Participate actively in **managing personal health**
- Expect **relevant information** and **seek advice**
- Make treatment and provider choices based on **outcomes**, not convenience or amenities
- **Comply** with treatment and preventative practices
- Work with the health plan in **long-term health management**
  - Shifting plans frequently is not in the consumer's interest

- But "consumer-driven health care" is the **wrong metaphor** for reforming the system

Creating a High-Value Health Care System
Government

- Establish **universal measurement** and **reporting** of **health outcomes**
- Create IT standards including **data definitions**, **interoperability standards**, and **deadlines for implementation** to enable the collection and exchange of medical information for every patient
- Remove obstacles to the **restructuring of health care delivery** around the integrated care of medical conditions
  - E.g. Stark Laws
- Shift reimbursement systems to **bundled prices for cycles of care** instead of payments for discrete treatments or services
- Limit **provider price discrimination** across patients based on group membership
- **Open up competition** among providers and across geography

Creating a High-Value Health Care System
Government, cont'd.

- Establish universal reporting by health plans of **health outcomes** for members
- Encourage the **responsibility of individuals** for their health and their health care

How Will Redefining Health Care Begin?

- It is **already happening** in the U.S. and other countries
- Providers, as well as health plans and employers, can take **voluntary** steps in these directions, and will **benefit** irrespective of other changes
- The changes will be **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

Value-Based Health Care Delivery

Immersion Course, January 7-11, 2008

	Monday, January 7	Tuesday, January 8	Wednesday, January 9	Thursday, January 10	Friday, January 11
8:30-9:00am	Welcome & Course Overview				
9:00-10:30am Case Sessions	**Session 1: Introduction to Value-Based Health Care Delivery** Case: ThedaCare: System Strategy	**Session 3: Integrated Care Delivery** Case: The West German Headache Center: Integrated Migraine Care	**Session 5: Integrated Primary Care Models** Case: Commonwealth Care Alliance: Elderly and Disabled Care	**Session 7: Integrated Practice Units** Case: MD Anderson: The University of Texas MD Anderson Cancer Center: Interdisciplinary Cancer Care	**Session 9: Integrated Care Delivery** Case: Brigham and Women's Hospital: Shapiro Cardiovascular Center
10:30-11:00am	Break	Break	Break	Break	Break
11:00am-12:00pm Guest Lectures with Q&A	Guest: Dr. John Toussaint, CEO, ThedaCare	Guests: Klaus Boettcher, Senior Manager, KKH, and Dr. Astrid Gendolla, Senior Physician, West German Headache Center	Guests: Dr. Robert Master, President/CEO, and Lois Simon, COO, Commonwealth Care Alliance	Guests: Dr. Thomas Burke, Physician-In-Chief, Ehab Hanna, Deputy Chair, Dept. of Head and Neck Surgery, MD Anderson, and other senior leaders	Guests: Dr. Gary Gottlieb, President, Brigham and Women's, and other senior leaders
12:00pm-12:30pm Mini-lecture	Topic Lecture and Q&A	Topic Lecture and Q&A	Topic Lecture and Q&A	Topic Lecture and Q&A	Topic Lecture and Q&A
12:30-1:30pm	LUNCH	(12:30pm) Group Photo (12:40pm) LUNCH	LUNCH	LUNCH	LUNCH
1:30-3:00pm Case Sessions	**Session 2: Medical Conditions/Care Cycles** Case: Park Nicollet Health Services: Diabetes Care	**Session 4: Results Measurement** Case: In-Vitro Fertilization: Outcomes Measurement	**Session 6: Role of Health Plans and Employers** Case: Aetna: Health Insurance Strategy	**Session 8: Care Delivery in Resource-Poor Settings** Case: HIV Care in Rwanda: The Rwinkwavu Program	**Session 10: Provider Growth Strategy** Case: Cleveland Clinic: Growth Strategy 2007
3:00-3:15pm	Break	Break	Break	Break	Break
3:15-4:15pm Guest Lectures with Q&A	Guests: Dr. Richard Bergenstal, Executive Director, and Beth Schneider, Executive Director for Operations, Minneapolis International Diabetes Center	Guest: Dr. James Goldfarb, Cleveland Clinic	Guests: Ron Williams, CEO, Aetna	Guest: Dr. Joia Mukherjee, Medical Director, Partners in Health	Guest: Dr. Toby Cosgrove, CEO, Cleveland Clinic
4:15pm-4:45pm Mini-lecture	Topic Lecture and Q&A	Topic Lecture and Q&A	Topic Lecture and Q&A	Topic Lecture and Q&A	Topic Lecture and Q&A
4:45-5:00pm					Course Wrap-Up