Redefining Health Care: Creating Value-Based Competition on Results

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Health Information Technology Symposium
Massachusetts Institute of Technology
July 19, 2006

This presentation draws on a forthcoming book with Elizabeth Olmsted Teisberg (Redefining Health Care: Creating Value-Based Competition on Results, Harvard Business School Press). Earlier publications about the work include the Harvard Business Review article “Redefining Competition in Health Care”. 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.
Issues in Health Care Reform

Health Insurance and Access

Standards for Coverage

Structure of Health Care Delivery
The Paradox of U.S. Health Care

• Costs are high and rising
• Services are restricted and fall well short of recommended care
• In other services, there is overuse of care
• Standards of care often lag and fail to follow accepted benchmarks
• Diagnosis errors are common
• Preventable treatment errors are common
• Huge quality and cost differences persist across providers
• Huge quality and cost differences persist across geographic areas
• Best practices are slow to spread
• Innovation is resisted

• Competition is not working
• How is this state of affairs possible?
Zero-Sum Competition in Health Care

- 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

- None of these forms of competition *increases value for patients*
Root Causes

- Competition in the health care system takes place at the **wrong levels** on the **wrong things**

<table>
<thead>
<tr>
<th>Too Broad</th>
<th>Too Narrow</th>
<th>Too Local</th>
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<tbody>
<tr>
<td>Between broad line hospitals, networks, and health plans</td>
<td>Performing discrete services or interventions</td>
<td>Focused on serving the local community</td>
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Principles of Value-Based Competition

1. The focus should be on **value for patients**, not just lowering costs.
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2. There must be unrestricted competition based on results.
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3. Competition should center on medical conditions over the full cycle of care.
Organ Transplant Care Cycle

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

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

Chronic Kidney Disease

**INFORMING**
- Lifestyle counseling
- Diet counseling
- Explanation of the diagnosis and implications
- Medication counseling
- Diet counseling
- Education on procedures
- Medication counseling and compliance follow-up
- Lifestyle and diet counseling
- Medication counseling and compliance follow-up
- Lifestyle and diet counseling
- Medication compliance follow-up
- Lifestyle & diet counseling
- RRT therapy options counseling

**MEASURING**
- Serum creatinine
- Glomerular filtration rate (GFR)
- Proteinuria
- Special urine tests
- Renal ultrasound
- Serological testing
- Renal artery angioplasty
- Kidney biopsy
- Nuclear medicine scans
- Procedure-specific pre-testing
- Procedure-specific measurements
- Kidney function tests
- Kidney function tests
- Bone metabolism
- Anemia

**ACCESSING**
- Office visits
- Lab visits
- Various
- Office visits
- Hospital visits
- Office/lab visits
- Telephone/Internet interaction

**MONITORING/PREVENTING**
- Monitoring renal function (at least annually)
- Monitoring and addressing risk factors (e.g. blood pressure)
- Early nephrologist referral for abnormal kidney function
- Medical and family history
- Directed advanced testing
- Consultation with other specialists
- Data integration
- Formal diagnosis
- Procedure-specific preparation (e.g. diet, medication)
- Tight blood pressure control
- Tight diabetes control
- Fine-tuning drug regimen
- Determining supporting nutritional modifications
- Managing renal function
- Managing kidney side effects of other treatments (e.g. cardiac catheterization)
- Managing the effects of associated diseases (e.g. diabetes, hypertension, uremia)
- Referral for renal replacement therapy (RRT)

**DIAGNOSING**
- Formulate a treatment plan
- Pharmaceutical
- Kidney function
- (ACE Inhibitors, ARBs)
- Procedures
- Renal artery angioplasty
- Urological
  - (if needed)
- Endocrinological
  - (if needed)
- Vascular access graft at stage 4

**PREPARING**
- Medication counseling and compliance follow-up
- Lifestyle and diet counseling
- Monitoring and addressing risk factors (e.g. blood pressure)
- Directed advanced testing
- Consultation with other specialists
- Data integration
- Formal diagnosis
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**INTERVENING**
- Kidney function tests
- Kidney function tests
- Bone metabolism
- Anemia

**RECOVERING/REHABING**
- Kidney function tests
- Kidney function tests
- Bone metabolism
- Anemia

**MONITORING/MANAGING**
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Feedback Loops

□ Nephrology Practice
□ Other Provider Entities
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4. High quality care should be less costly.
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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.
5. Value is driven by **provider experience, scale**, and **learning** at the medical condition level.
The Virtuous Circle in a Medical Condition

Deeper Penetration (and Geographic Expansion) in a Medical Condition

Rapidly Accumulating Experience

Rising Efficiency

Better Information/Clinical Data

More Fully Dedicated Teams

More Tailored Facilities

Greater Leverage in Purchasing

Rising Capacity for Sub-Specialization

Wider Capabilities in the Care Cycle

Spreading IT, Measurement, and Process Improvement Costs over More Patients

Faster Innovation

Better Results, Adjusted for Risk

Improving Reputation
Principles of Value-Based Competition

1. The focus should be on *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*.
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.
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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.
The Information Hierarchy

Patient Results
(Outcomes, costs and prices)

Experience

Methods

Patient Attributes
Principles of Value-Based Competition

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3. Competition should center on medical conditions over the full cycle of care.

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.
Moving to Value-Based Competition

Providers

Defining the Right Goals
• Superior patient value

Strategic and Organizational Imperatives
• Redefine the business around medical conditions
• Choose the range and types of services provided
• Organize around medically integrated practice units
• Create a distinctive strategy in each practice unit
• Measure results, experience, methods, and patient attributes by practice unit
• Move to single bills and new approaches to pricing
• Market services based on excellence, uniqueness, and results
• Grow locally and geographically in areas of strength

Enabling Conditions
• Analyzing the care delivery value chain
• Harnessing the power of Information Technology
• Systematizing knowledge development
What Businesses Are We In?

Nephrology practice

• Hypertension Management
• Chronic Kidney Disease
• End-Stage Renal Disease
• Kidney Transplants
# OUTCOMES

**Patient Outcomes**  
(before and after treatment, multiple times)
- Visual Analog Scale (pain)
- Oswestry Disability Index, 10 questions (functional ability)
- SF-36 Questionnaire, 36 questions (burden of disease)
- Length of hospital stay
- Time to return to work or normal activity

**Service Satisfaction**  
(periodic)
- Office visit satisfaction metrics (10 questions)

**Overall medical satisfaction**  
(“Would you have surgery again for the same problem?”)

# METHODS

**Medical Complications**
- Cardiac
  - Myocardial infarction
  - Arrhythmias
  - Congestive heart failure
- Vascular deep venous thrombosis
- Urinary infections
- Pneumonia
- Post-operative delirium
- Drug interactions

**Surgery Process Metrics**
- Operative time
- Blood loss
- Devices or products used

**Surgery Complications**
- Patient returns to the operating room
- Infection
- Nerve injury
- Sentinel events (wrong site surgeries)
- Hardware failure
The Care Delivery Value Chain
Breast Cancer Care

**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**
- Procedure-specific measurements
- Range of movement
- Side effects measurement
- Recurring mammograms (every 6 months for the first 3 years)

**Accessing**
- Self exams
- Mammograms
- Office visits
- Hospital visits
- Counseling patient and family on treatment and prognosis
- Counseling patient and family on rehabilitation options and process
- Counseling patient and family on long term risk management

**Monitoring/Preventing**
- Medical history
- Monitoring for lumps
- Control of risk factors (obesity, high fat diet)
- Clinical exams
- Genetic screening
- Office visits
- Lab visits
- High-risk clinic visits
- Mammography lab visits
- Recurring mammograms (every 6 months for the first 3 years)

**Diagnosing**
- Medical history
- Determining the specific nature of the disease
- Genetic evaluation
- Choosing a treatment plan
- Mammograms
- Ultrasound
- MRI
- Biopsy
- BRACA 1, 2...

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

**Intervening**
- Patients and family psychological counseling
- Psychological counseling
- In-hospital and outpatient wound healing

**Recovering/Rehabbing**
- Treatment of side effects (skin damage, neurotoxic, cardiac, nausea, lymphedema and chronic fatigue)
- Physical therapy

**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
Moving to Value-Based Competition

Health Plans

“Payor” → Value-Added Health Organization
Transforming the Roles of Health Plans

Old Role: culture of denial

- Restrict patient choice of providers and treatment
- Micromanage provider processes and choices
- Minimize the cost of each service or treatment
- Engage in complex paperwork and administrative transactions with providers and subscribers to control costs and settle bills
- Compete on minimizing premium increases

New Role: enable value-based competition on results

- Enable informed patient and physician choice and patient management of their health
- Measure and reward providers based on results
- Maximize the value of care over the full care cycle
- Minimize the need for administrative transactions and simplify billing
- Compete on subscriber health results
Moving to Value-Based Competition
Health Plans

Provide Health Information and Support to Patients and Physicians
1. Organize around medical conditions, not geography or administrative functions
2. Develop measures and assemble results information on providers and treatments
3. Actively support provider and treatment choice with information and unbiased counseling
4. Organize information and patient support around the full cycle of care
5. Provide comprehensive disease management and prevention services to all members, even healthy ones

Restructure the Health Plan-Provider Relationship
6. Shift the nature of information sharing with providers
7. Reward provider excellence and value-enhancing innovation for patients
8. Move to single bills for episodes and cycles of care, and single prices
9. Simplify, standardize, and eliminate paperwork and transactions

Redefine the Health Plan-Subscriber Relationship
10. Move to multi-year subscriber contracts and shift the nature of plan contracting
11. End cost shifting practices, such as re-underwriting, that erode trust in health plans and breed cynicism
12. Assist in managing members’ medical records
Moving to Value-Based Competition

Employers

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

• Set new expectations for health plans, including **self-insured** plans

• Provide for health plan **continuity** for employees, rather than plan churning

• Enhance provider competition on **results**

• Support and motivate employees to **make good health care choices** and **manage their own health**

• 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**
What Government Can Do: Policies to Improve the Structure of Health Care Delivery

• Enable universal results information
  – Establish a process of defining outcome measures
  – Enact mandatory results reporting
  – Establish information collection and dissemination infrastructure

• Improve pricing practices
  – Establish episode and care cycle pricing
  – Set limits on price discrimination

• Open up competition at the right level
  – Reduce artificial barriers to practice area integration
  – Require a value justification for captive referrals or treatment involving an economic interest
  – Eliminate artificial restrictions on new entry
  – Institute results-based license renewal
  – Strictly enforce antitrust policies
  – Curtail anticompetitive buying group practices
  – Eliminate barriers to competition across geography

• Develop information technology standards and rules to enable interoperability and information sharing

• Invest in medical and clinical research
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.