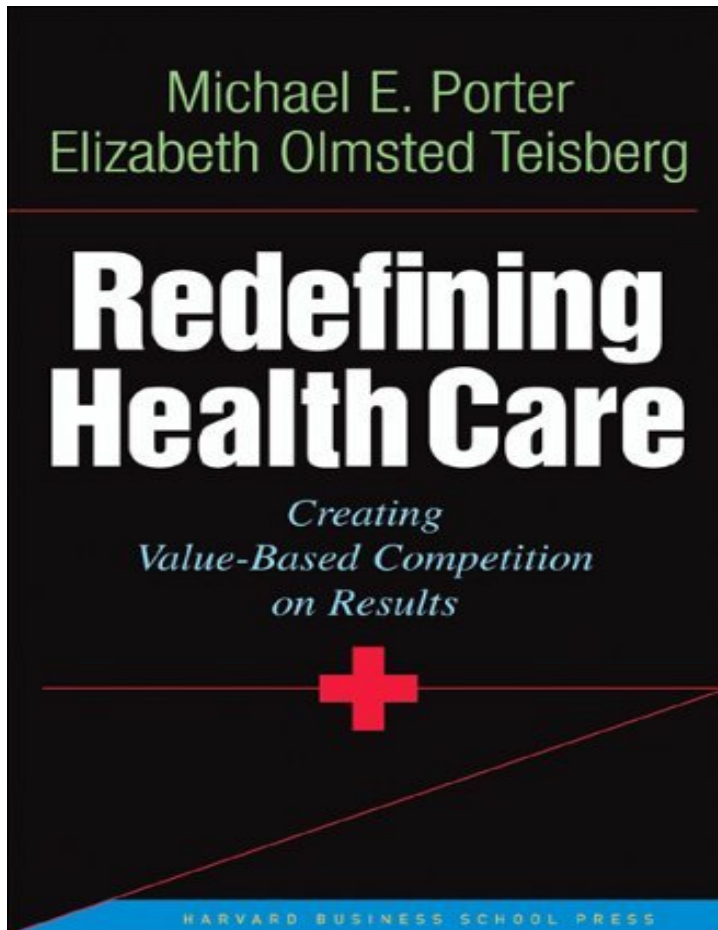


# Redefining Health Care: Creating Value-Based Competition on Results



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*May 2007*

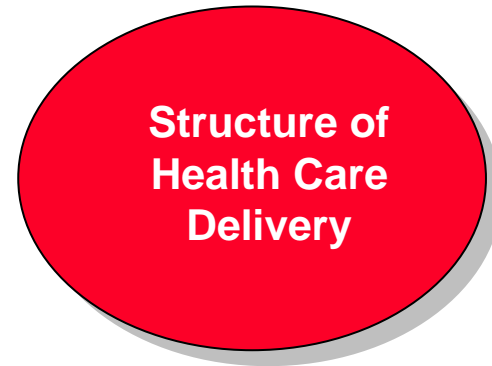
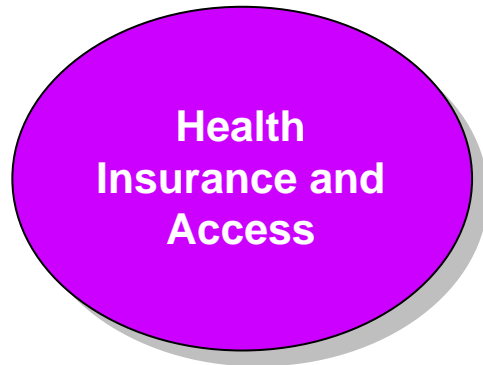
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This presentation draws on [Redefining Health Care: Creating Value-Based Competition on Results](#), Harvard Business School Press, 200g, co-authored with Michael E. Porter, and “How Physicians Can Change the Future of Health Care,” JAMA, March 2007. Earlier publications about the work include the *Harvard Business Review* article “Redefining Competition in Health Care” and the associated *Harvard Business Review* Research Report “Fixing Competition in U.S. 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.

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# Universal coverage IS essential for equity and efficiency.

## And it is not enough.



**The key to success is improving the heart of the system:  
delivery of care and enabling of health.**

When value increases significantly, it is possible to deliver far better health outcomes for the money spent. This enables more access and more coverage.

No matter who pays for health care, **increasing value is the critical issue.**

# How do we achieve dramatic and ongoing improvements in value for patients?

- Define the goal as increasing the value for patients:
  - improving health, health care outcomes and efficiency
- Reorganize Delivery around Care Cycles for Medical Conditions
- Measure results

Define the goal as increasing  
**value for patients,**  
not just lowering costs.

**The health care system must be about improving  
health and care.**

**If cost reduction were the goal,  
pain killers and compassion would be all we need.**

# What does it mean to COMPETE?

**Sports and war are simply the wrong models.**

**Healthy competition is about CREATING VALUE.**

**This means improving results (outcomes and costs),  
not shifting costs or building bargaining power.**

**Competition to improve results for patients increases value  
rather than dividing value.**

**This is a win-win proposition.**

**(Consider anesthesia improvements.)**

**Value-based competition is results driven and patient centric,  
not consumer driven.**

- **Diabetes outcome measures**
- **Swedish competition with little consumer choice**
- **Cystic Fibrosis outcomes comparisons**
- **Pediatric oncology improvements**

**Responsibility for health IS important. Health is co-produced.  
But “consumer driven” is often code for cost shifting,  
not value improvement.**

**Outcomes and efficiency  
often improve simultaneously.**

**Health care IS different.**

**Good quality is often more efficient, not more expensive.**

**More health is better, not more treatment. And more health  
is inherently less expensive than poor health.**

# Health Care *IS* different

- Even more than in other sectors, *better quality inherently reduces costs*
  - Fewer mistakes and repeats
  - Faster recovery
  - Less disability
  - Less invasive treatment methods
  - Less long term care
  - Disease management
  - Prevention
  - Right Diagnosis
  - Treatment earlier in causal chain
  - Right treatment to the right patients
  - Much delivered care is behind best practices
  - **Better health is inherently less expensive than worse health**

Process improvement, “waste reduction,” and safety improvements  
ARE important...AND we can achieve even more with restructuring...

# Reorganize delivery around **medical conditions** over the **full cycle of care.**

***A medical condition is a set of interrelated medical circumstances that are best treated in an integrated way.***

So, from the patient's perspective, having diabetes with hypertension IS the *medical condition*.

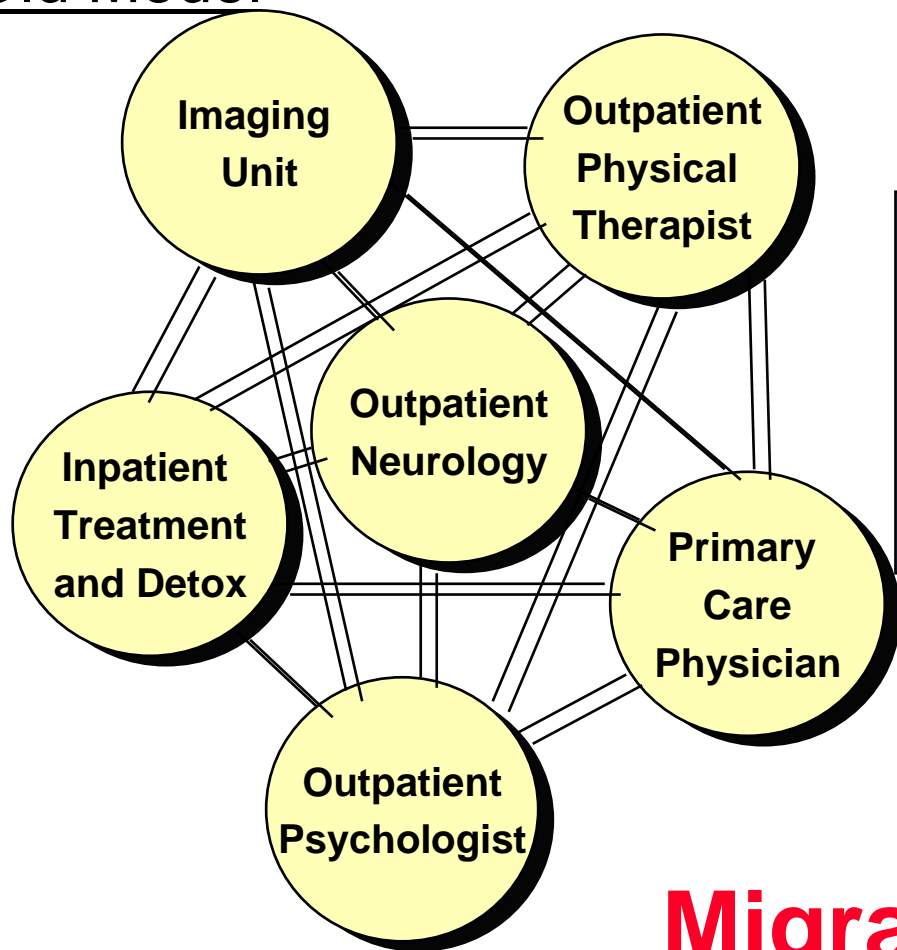
**Includes** the common co-occurrences:

“What is the needed set of skills?” vs. “That’s a different specialty”

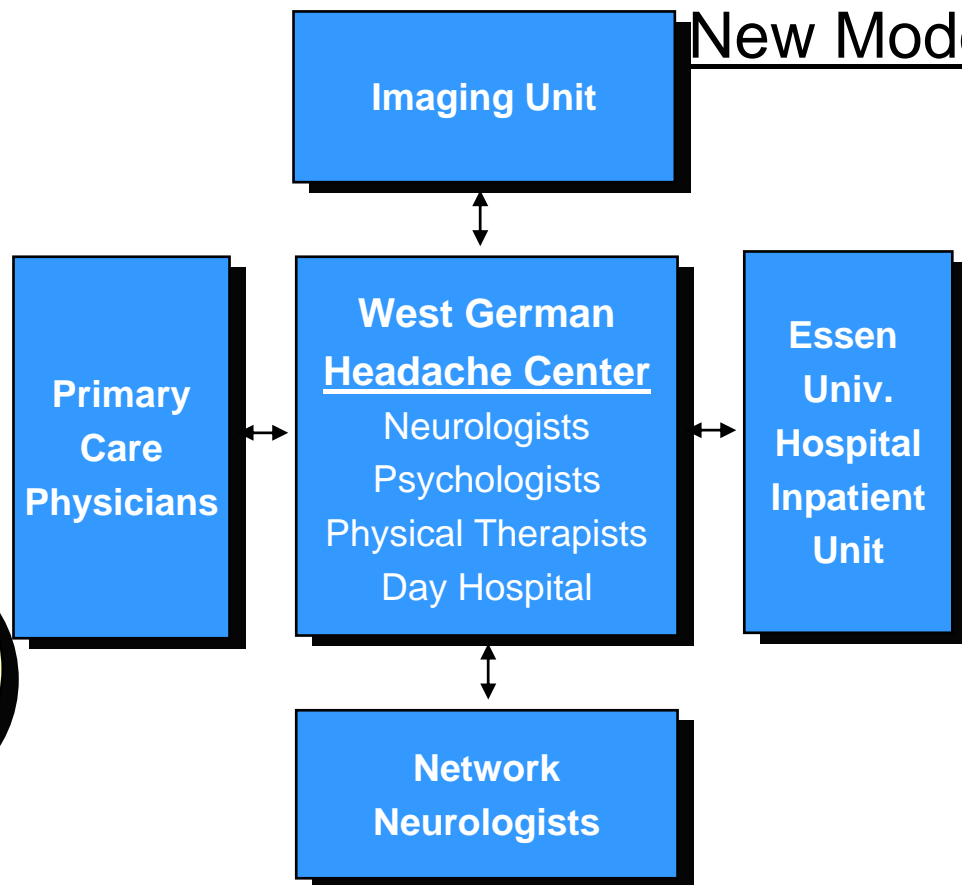
Organize around the services patients need for these co-occurrences.

# Patient value needs to be the beacon of inspiration for organizational innovation

Old Model



New Model

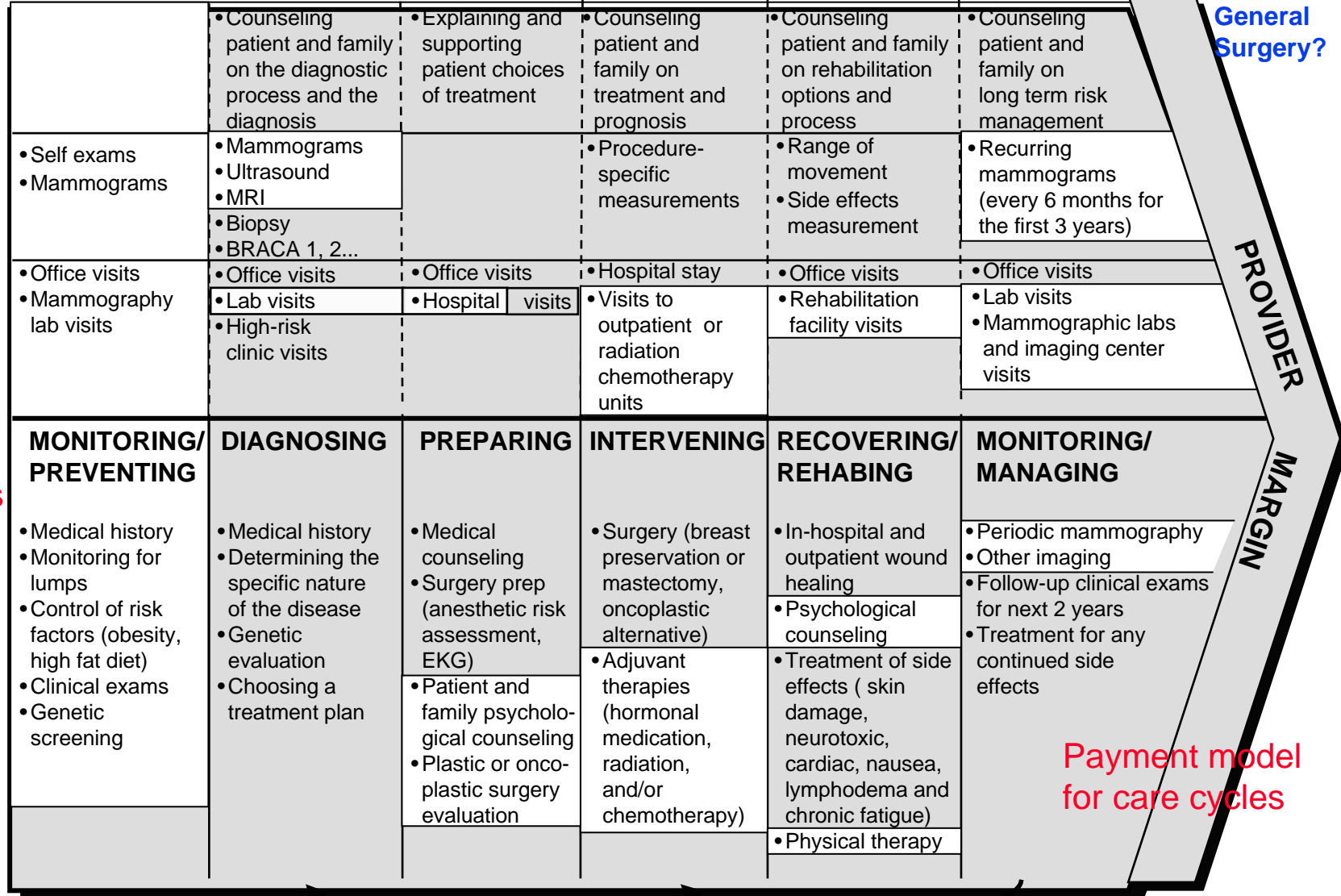


## Migraine Care in Germany

# Integrated Care By Medical Condition

## Breast Cancer Care Delivery Value Chain

Breast Cancer Surgery or General Surgery?



PROVIDER MARGIN

Payment model for care cycles

Inform, involve, improve!

Eliminate archaic distinctions (in vs. out patient; drugs vs. services)

Plug the "Holes in the Floor"

■ Breast Cancer Specialist  
□ Other Provider Entities

Integrated Practice Units over full cycle, not focused factories.

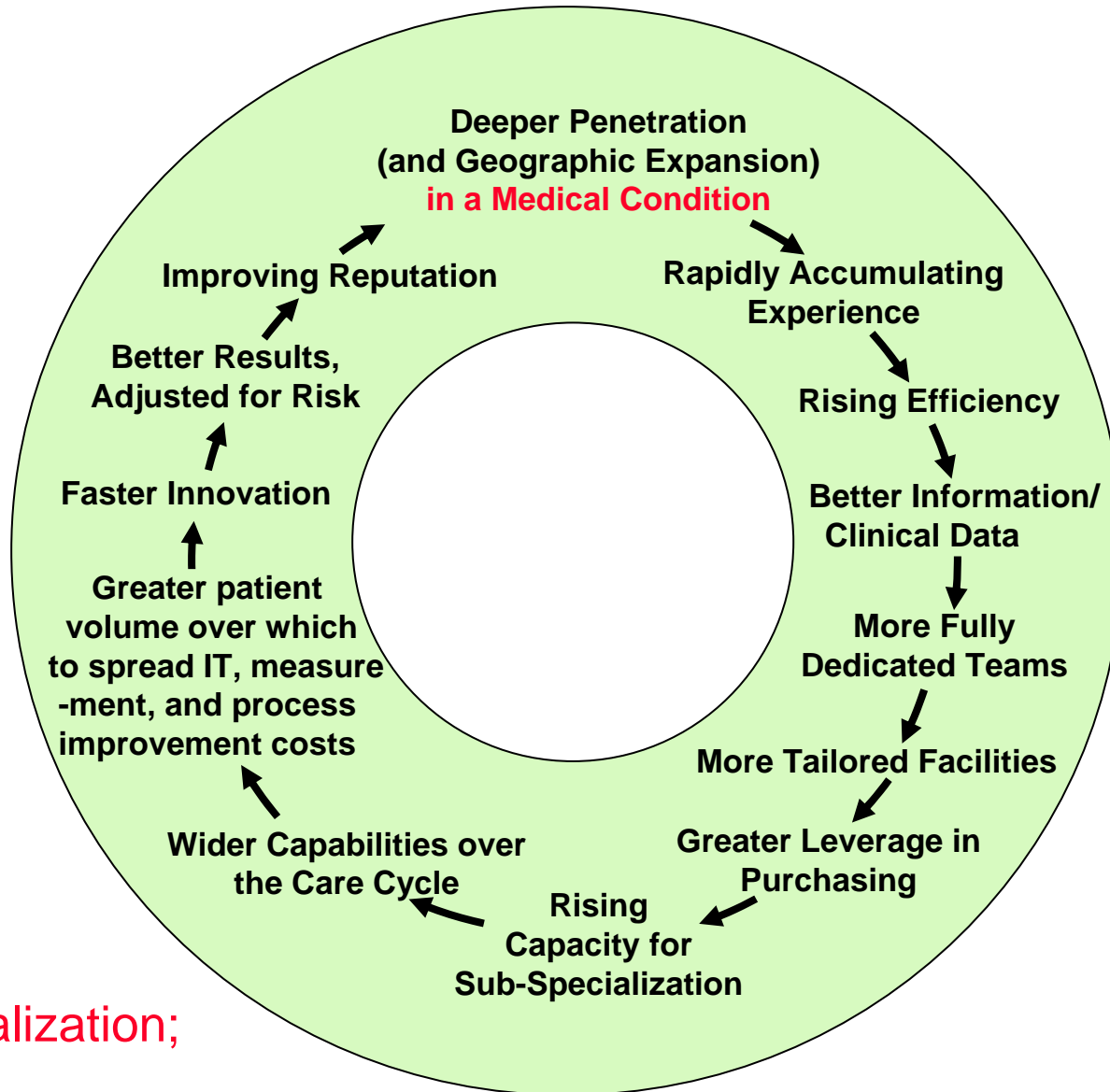
# Is it realistic to think about innovation in the organization of care delivery?

**Yes. Someone is already doing each of the steps we recommend. Some examples:**

- The Cleveland Clinic – institutes, disease systems, organ systems
- ThedaCare – only services above 95<sup>th</sup> percentile
- M.D.Anderson – organized by type of cancer
- Breast cancer specialists
- Preferred Global Health in Europe and Middle East

Notice, we are not talking about each service or procedure delivered at a separate facility. We are talking about multi-specialty practices. We are talking about reorganization, improvement, and making strategic choices to increase value for patients.

# The Virtuous Circle for Integrated Practice Units



This is not  
hyper-specialization;  
broad expertise develops over the care cycle.

## But are results really all that different?

- How many heart transplant centers in the U.S.?
- What percentage of patients survive for one year after a heart transplant at a center with great results?
- What percentage of patients survive for one year after a heart transplant at a center with among the worst outcomes?
- Services that counsel patients about this data find that most are eager to consider traveling to a good center.
- Patients and referring doctors lack data on RESULTS.

# **Information on results**

needed for value-based competition  
must be widely available.

**Physicians need results measures to know what to improve  
and when they are improving outcomes for patients.**

**RESULTS are what really matter.**

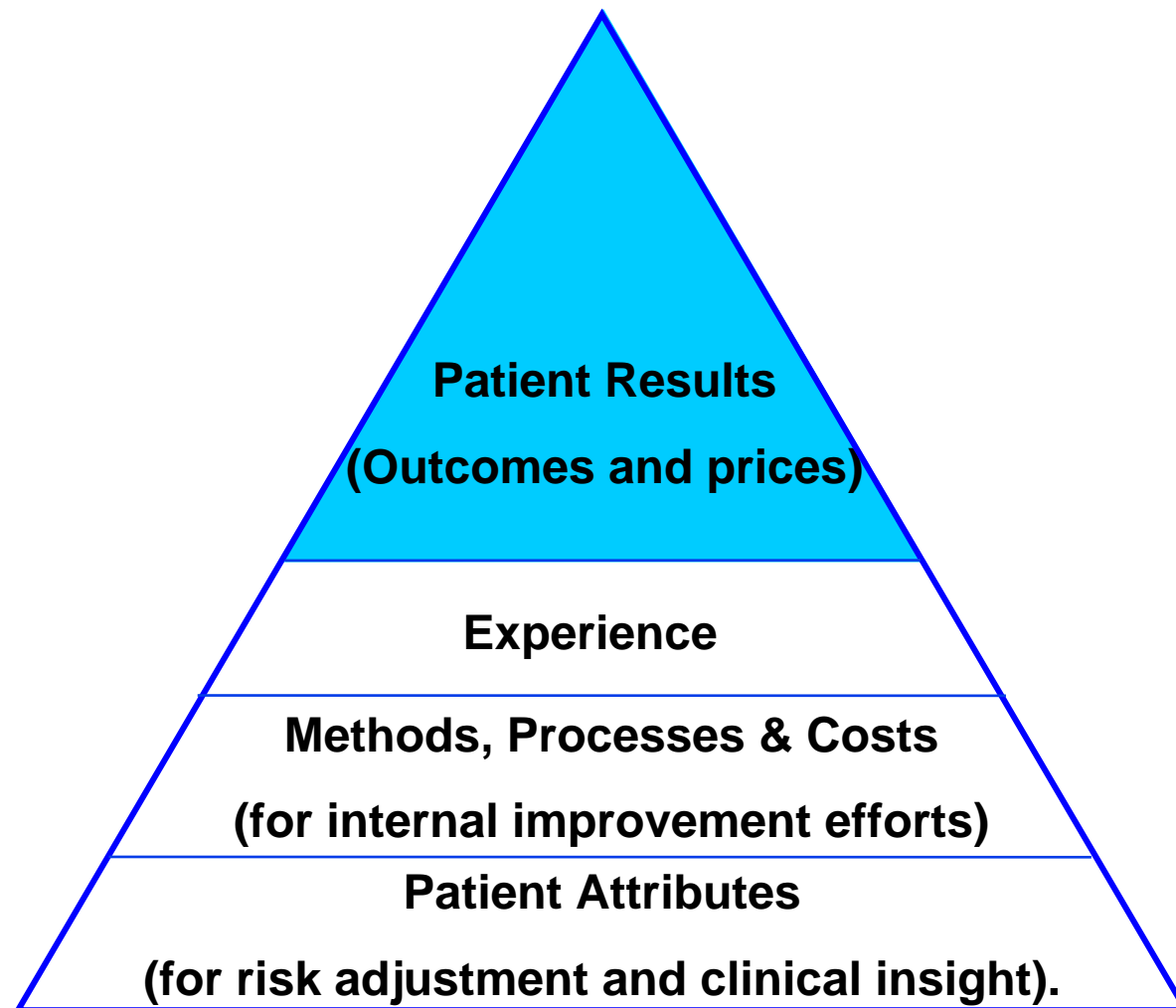
**Patient HbA1c levels measure results.**

**Blindness or amputation are also results, but not good results.**

# “But, patients don’t use information when it IS available!”

- The point is... **doctors DO.**
- In New York, CABG surgery had a **41% reduction in mortality** in the first four years of outcome reporting.
- Minnesota began publishing **diabetes outcome data** in 2004, by physician. Statewide, in the first two years of public reporting, **the percent of patients passing all 5 of the outcome thresholds doubled** (from 4% to 9%).

**IT needs to enable reorganization and dramatic improvement in value, not just enable more of what is done now.**



# 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.  
*Altruism is not required!*
- The changes are **mutually reinforcing**.
- Once competition begins working, value improvement will **no longer be discretionary** or **optional**.  
*Moving early has major benefits.*
- Appropriate government policy can speed the process.
- There is no need to wait.

***We CAN create  
health care systems that  
drive improvements in  
health and care for patients.***

**end**