

Michael E. Porter
Elizabeth Olmsted Teisberg

Redefining Health Care

*Creating
Value-Based Competition
on Results*



HARVARD BUSINESS SCHOOL PRESS

Creating a High-Value Health Care System

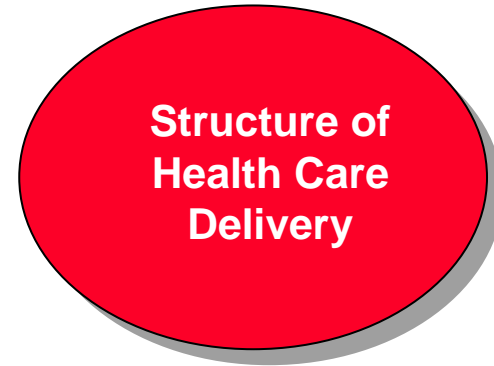
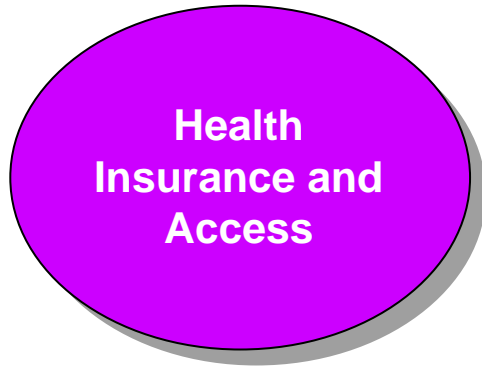
Elizabeth Teisberg, Ph.D.

Novo Nordisk
Copenhagen, Denmark
June 4, 2007

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. 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>.

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.**

Redefining Health Care

- The core issue in health care is the **value of health care delivered.**

Value: Health outcomes relative to the cost of achieving them.

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

- **Define the goal as increasing the value for patients:**
 - improve health, health care outcomes and efficiency
- **Reorganize Delivery around Care Cycles for Medical Conditions**
 - results driven, patient centric, physician led
- **Measure results - at the level at which value is created**

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.

High value health care is results driven, patient centric, and physician led.

- Diabetes outcome measures in Minnesota
- Swedish competition on measures
- Cystic Fibrosis outcomes comparisons
- Pediatric oncology improvements

Responsibility for health IS important. Health is co-produced.

But “*consumer driven*” often means shifting costs, not improving value.

Can systems afford to pursue better health for all?

Outcomes and efficiency

often improve simultaneously.

Health care IS different.

More health is better, not more treatment.

**And more health is inherently less expensive
than poor health.**

Health Care /S 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
 - Living in good health is less expensive than poor health

Process improvement, “waste reduction,” and safety improvements can drive very large gains

AND we can achieve even more dramatic improvements in value by redefining care delivery...

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.

From the patient's perspective, diabetes with hypertension IS the *medical condition*.

Includes the common co-occurrences:

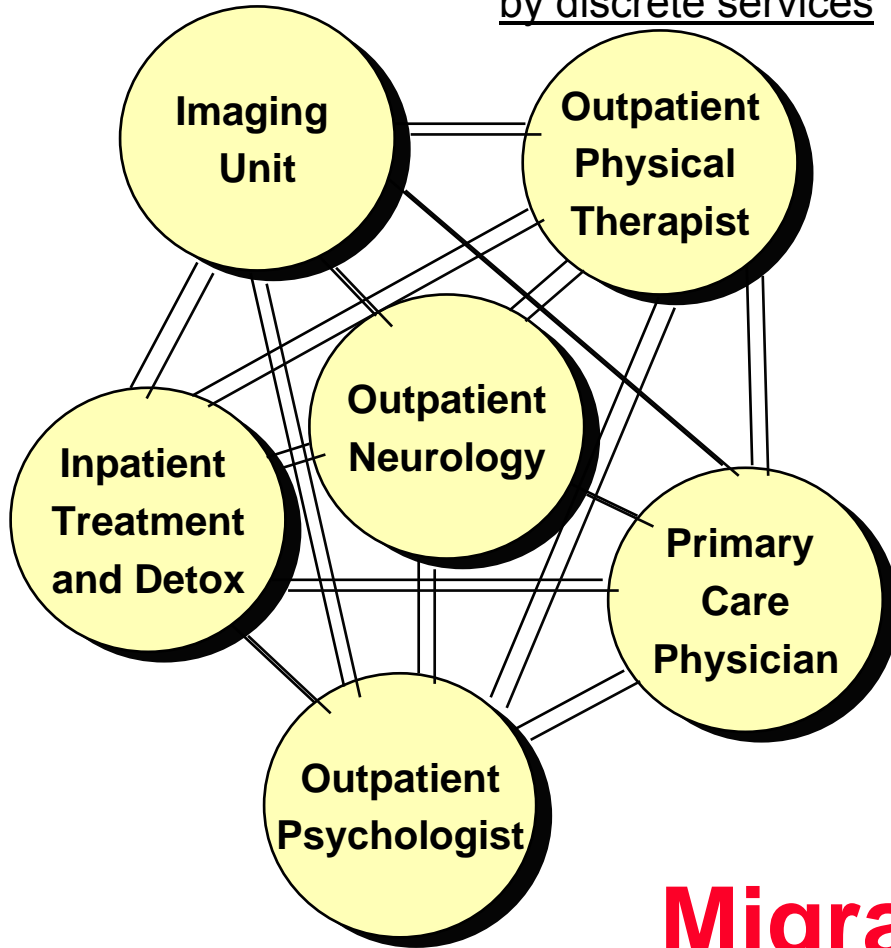
Four commonly co-occurring chronic diseases ARE a medical condition.

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

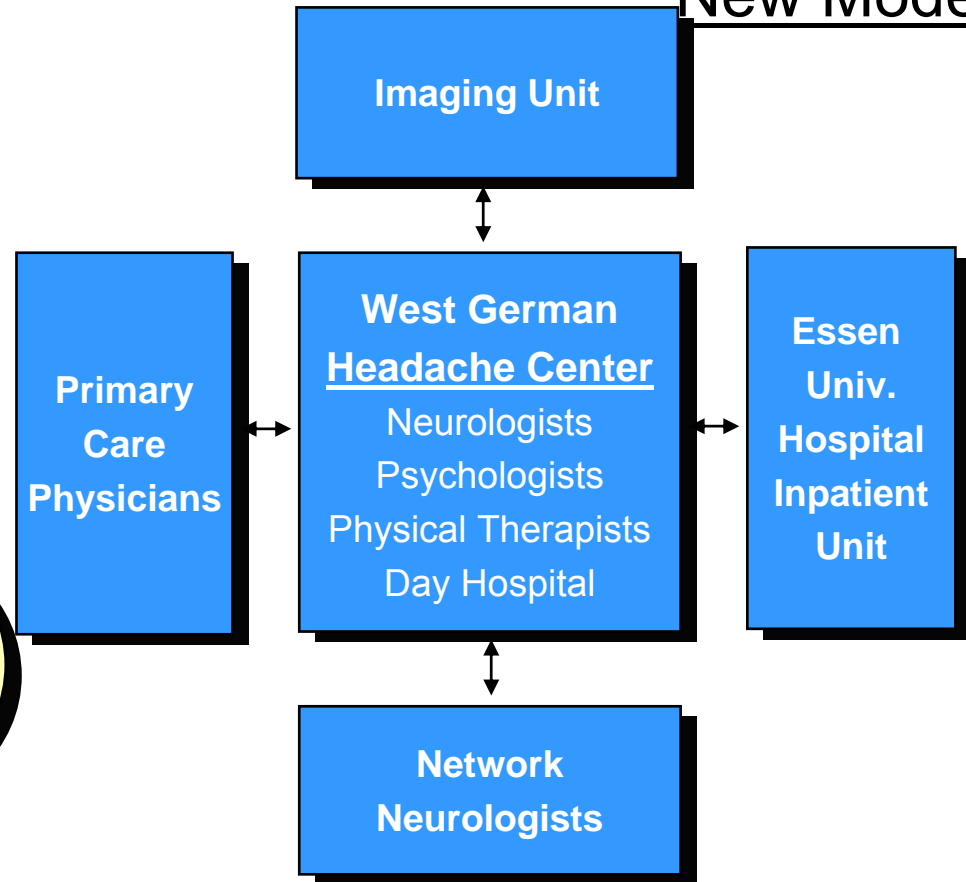
Organize around the services patients need for these co-occurrences.

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

Old Model: organized by specialty and by discrete services



New Model



Migraine Care in Germany

IPUs simplify coordination for patients

Integrated Care By Medical Condition **over the Full Cycle**

Breast Cancer Care Delivery Value Chain

Breast
Cancer
Surgery or
General
Surgery?

Inform,
involve,
improve!

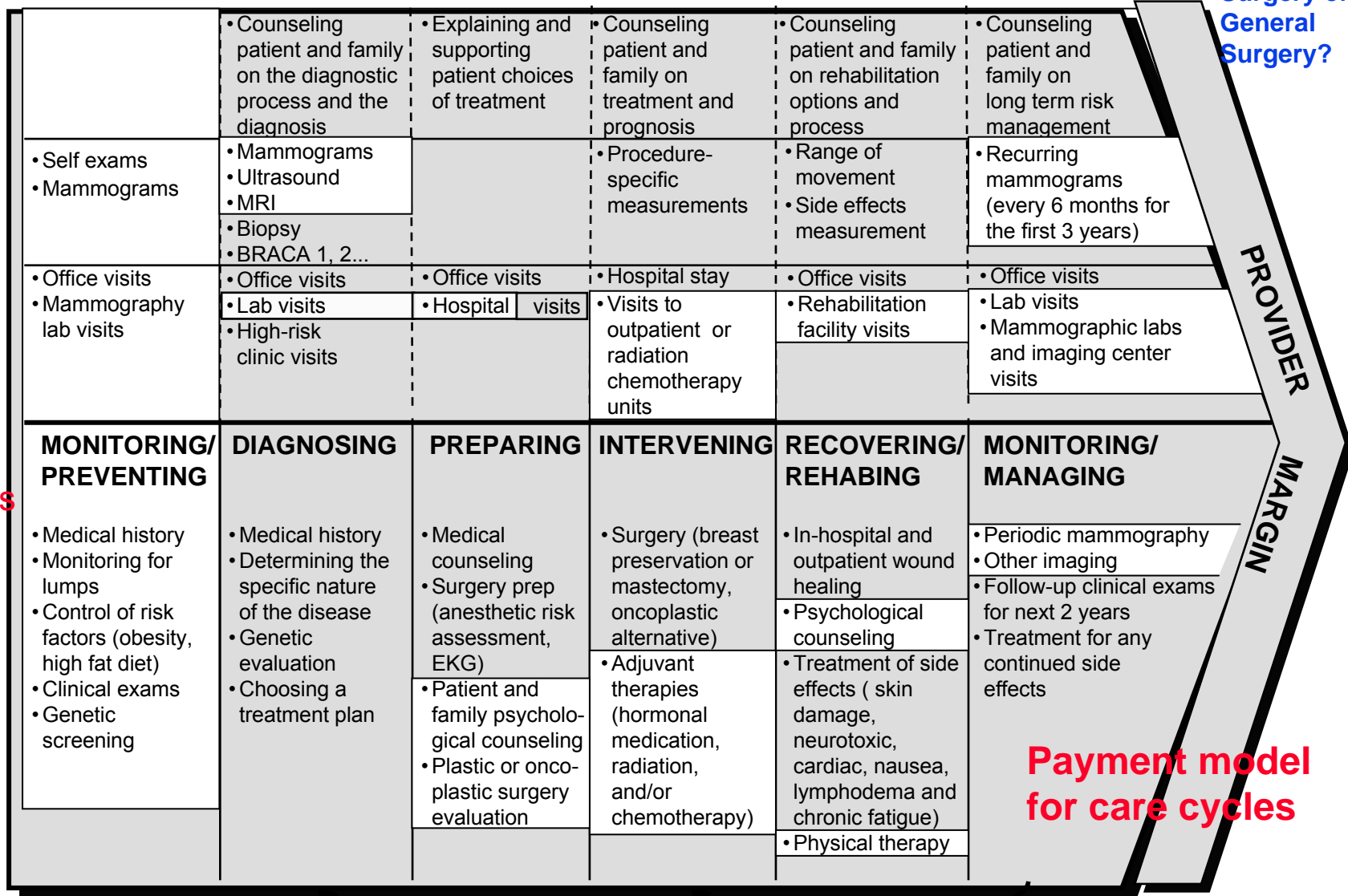
INFORMING

MEASURING

ACCESSING

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

Plug the
"Cracks in
the Floor"

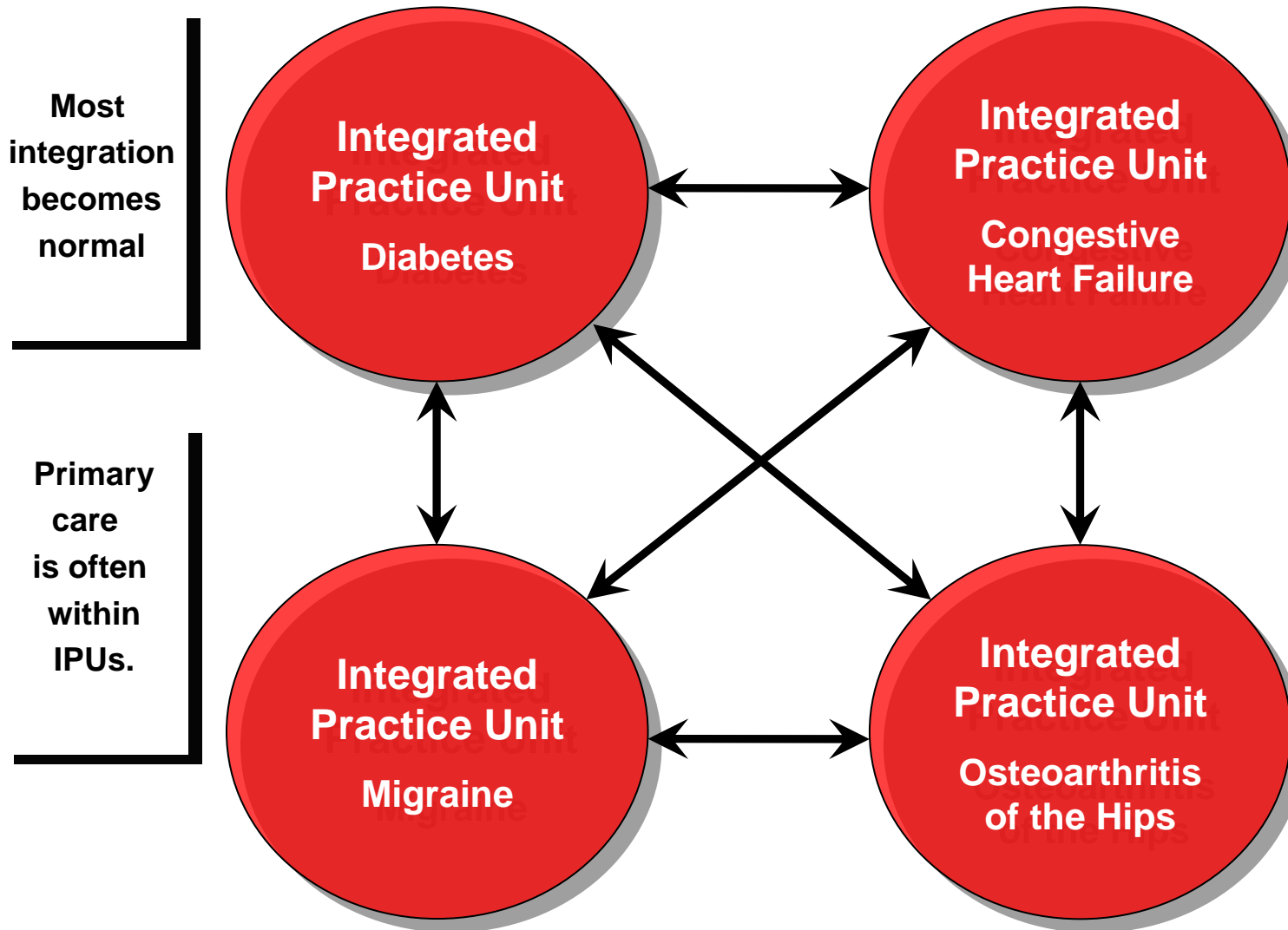


PROVIDER
MARGIN

<input checked="" type="checkbox"/>	Breast Cancer Specialist
<input type="checkbox"/>	Other Provider Entities

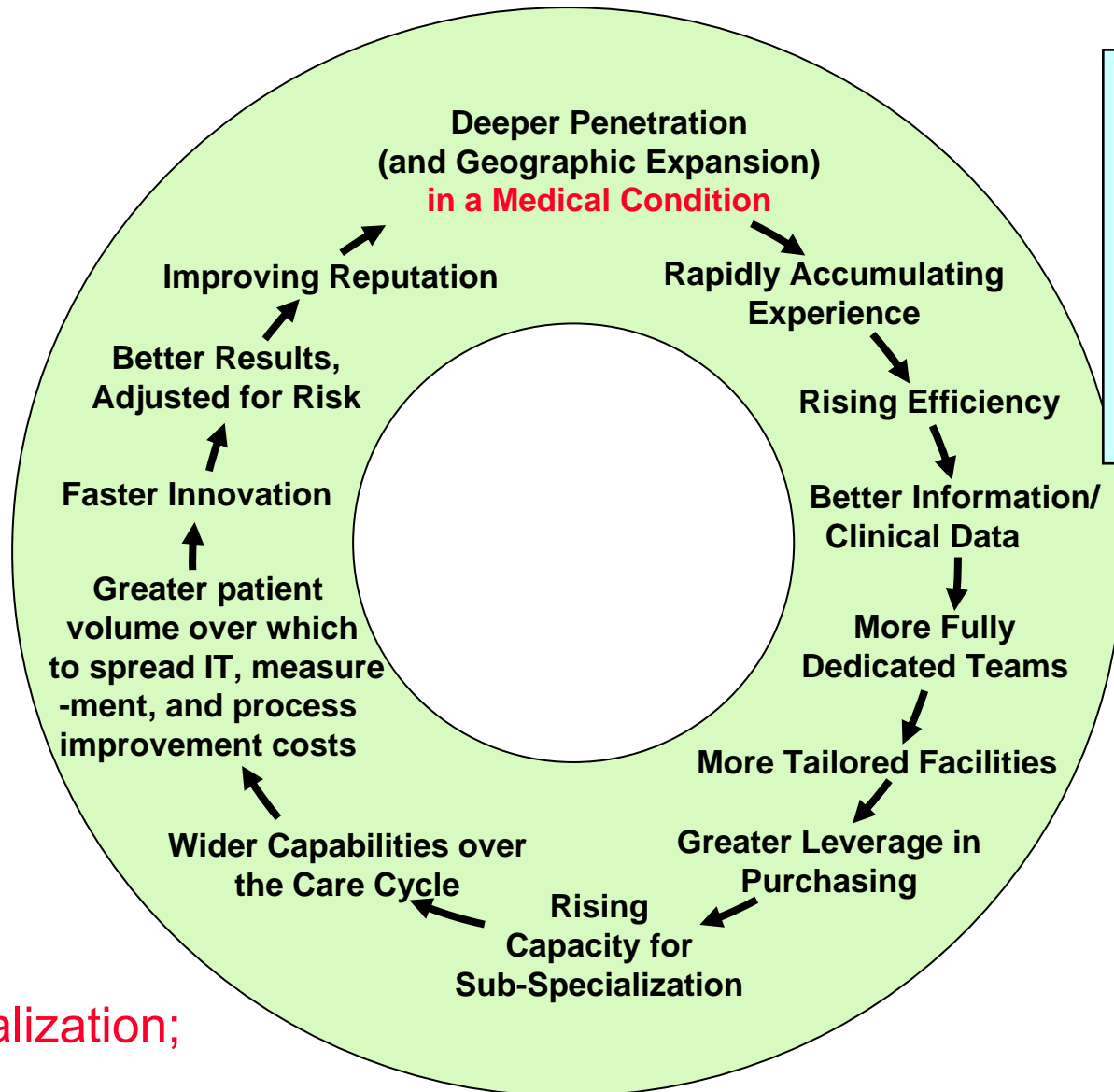
Integrated Practice Units over full cycle, not focused factories.

Integrating Care Delivery: Patients With Multiple Medical Conditions



The Virtuous Circle for Integrated Practice Units

Value is driven by experience, scale, and learning at the medical condition level.



Suppliers can increase the value of products and services by embedding them in IPUs and enabling best practices.

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

Health care teams can innovate to increase the value delivered to patients. Here's how to set the compass and define direction...

- **Define the goal as increasing the value for patients**
 - Patients experience value when their medical conditions are resolved or managed effectively and efficiently.
- **Reorganize Practice around Care Cycles for Medical Conditions**
 - Tall order, but huge opportunity to lead positive change
 - This will make success far easier from the patient's perspective.
- **Measure results**
 - **Well constructed outcome information enables physicians and teams to enhance their expertise** and improve value for their patients.
 - *Drive learning!*

**Widely available
information on results
drives improvement.**

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

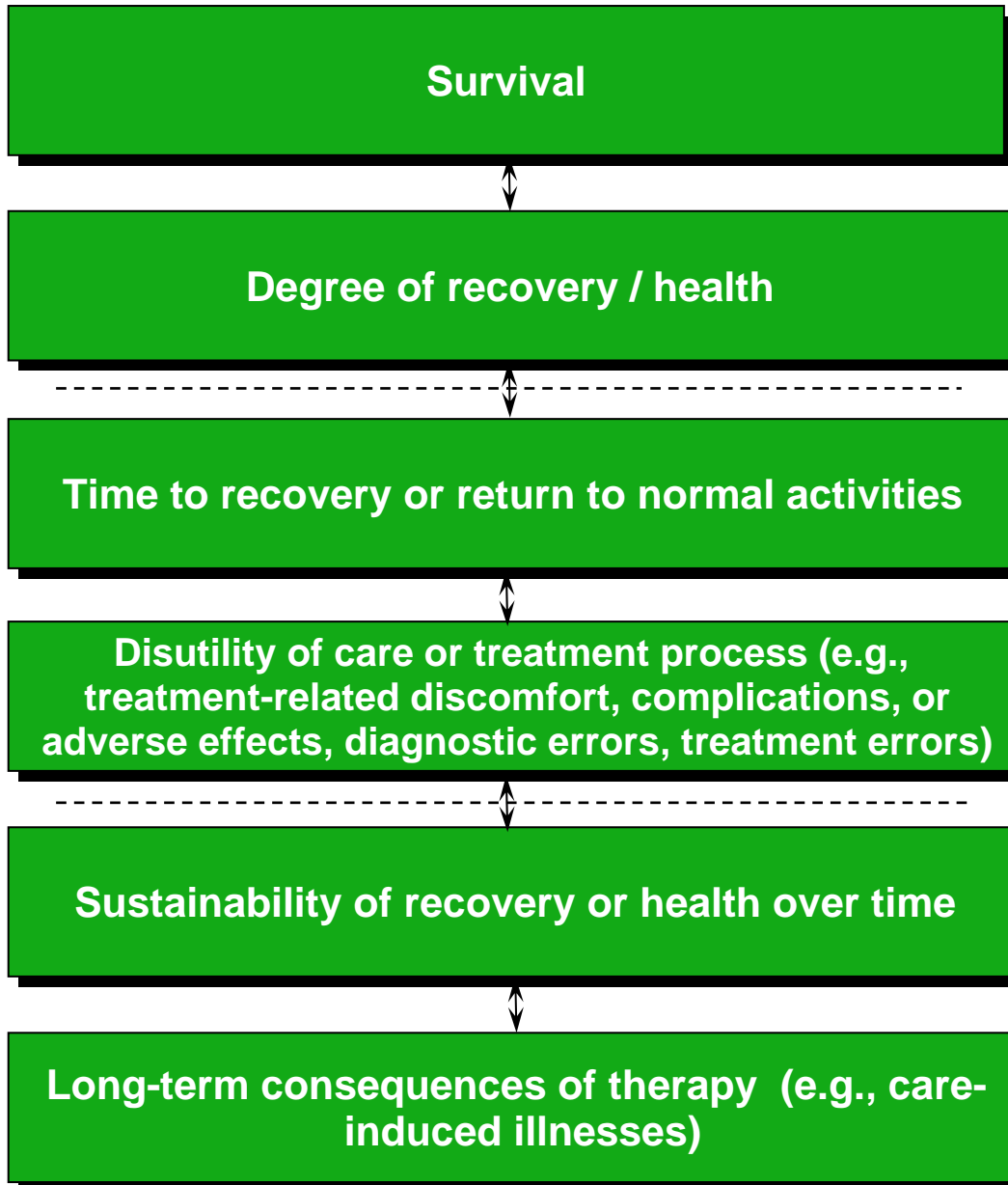
RESULTS are what really matter.

Patient HbA1c levels measure results.

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

Measuring Results

Multiple Outcome Measures



“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.
- Comparing results for cystic fibrosis patients led to changes in care resulting in an **increase in average life expectancy from 18 years to 33 years**, and the best centers achieve life expectancy of 47 years.
- And actually, studies show that informed, involved patients do make very different choices ...for less invasive, less expensive care with more personal care responsibility.

Measuring Results

Principles

- Measure **outcomes** versus processes of care
- Outcome measurement should take place:
 - At the **medical condition** level
 - Over the **cycle of care**
- There are **multiple outcomes** for every medical condition
- Outcomes must be **adjusted for risk**
- Outcomes are critical for **physicians** and important for consumers and health plans



- The feasibility of universal outcome measurement at the medical condition level has been **conclusively demonstrated**
- **And using measures is the fastest way to ensure improvement -- not just in results, but in the measures themselves.**

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.

What should it mean to COMPETE?

Sports and war are simply the wrong models.

Healthy competition is about INCREASING VALUE.

**This means improving results (outcomes and costs),
not shifting costs or winning at someone else's expense.**

**Improving results for patients *increases value*
rather than dividing value.**

This is a win-win proposition.

Improving value is appropriate no matter who pays.

(Consider anesthesia improvements.)

International Implications

- Measuring quality by **measuring and reporting outcomes by provider and medical condition** should be the first priority for everyone in the system.
- Encourage and demonstrate the reorganization of care delivery around medical conditions, in **integrated practice units** for medical conditions
- **Limit duplication of service lines** among providers to reach threshold patient volume for excellent care
- Move to **care cycle reimbursement**, not fee-for-service or global budget.
- Integrate management and care delivery for each medical condition **across geographic units**

International Implications, continued

- Truly **open up competition** across geographic boundaries.
- Set **IT standards**. Develop **comprehensive electronic health records** that are owned and controlled by the individual.
- Create **true health plans**, not multiple government payor organizations. Implement a more active and patient-oriented role for insurers.
- Significantly increase the **role of patients** in their health and their health care

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**.
- As attention shifts, value improvement will **no longer be discretionary** or **optional**.

Moving early has major benefits.

There is no need to wait.

We CAN create

***health care systems that drive
improvements for patients'***

health

and care.