

# Creating a High Value Health Care System

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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, “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. 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>.

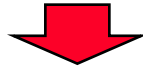
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# Value-Based Health Care Delivery

1. The goal must be **value for patients and families**, not just lower costs.

Value: Patient health outcomes for the money spent

To achieve this goal:



2. Health care delivery should be organized around **medical conditions** over the **full cycle of care**
3. **Outcomes** should be universally measured and shared
4. Reimbursement should be aligned with **value**

# In health care, 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
- 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



- We should reduce waste, and can also do much more to increase value
- Better health is **inherently less expensive** than poor health
- **Better health** is the goal, not more treatment

# 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, e.g.
  - Diabetes (including vascular disease, hypertension, others)
  - Migraine
  - Breast Cancer
  - Stroke
  - Four commonly co-occurring chronic conditions for elderly patients

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

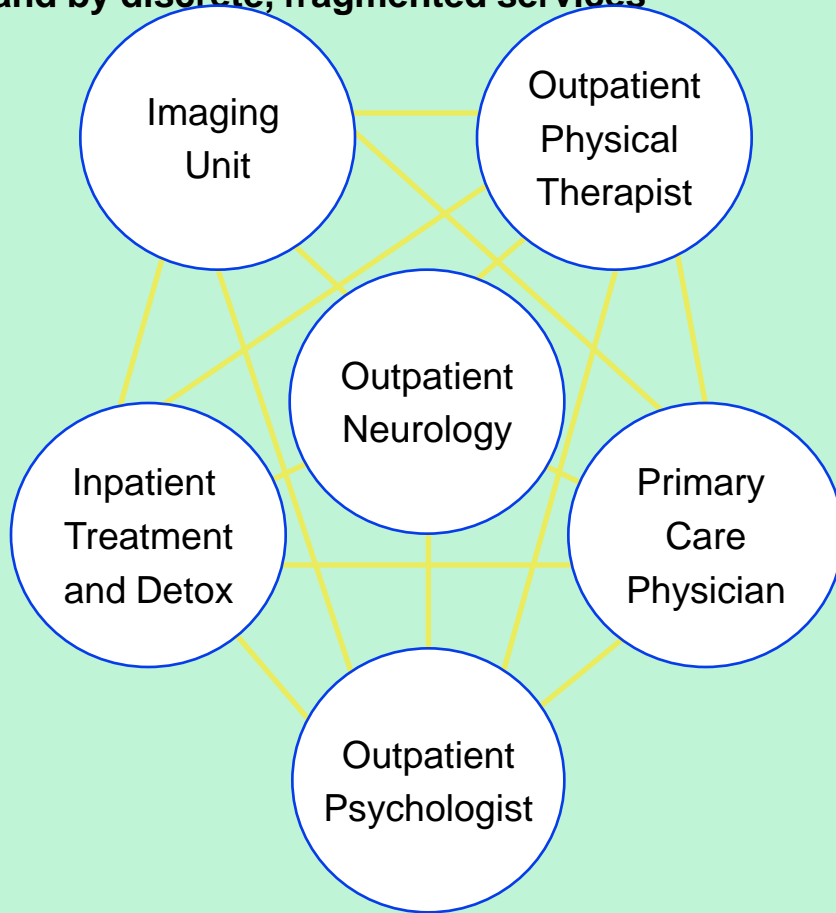
- Significant improvement in value will require **fundamental restructuring of health care delivery**, not incremental change.

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

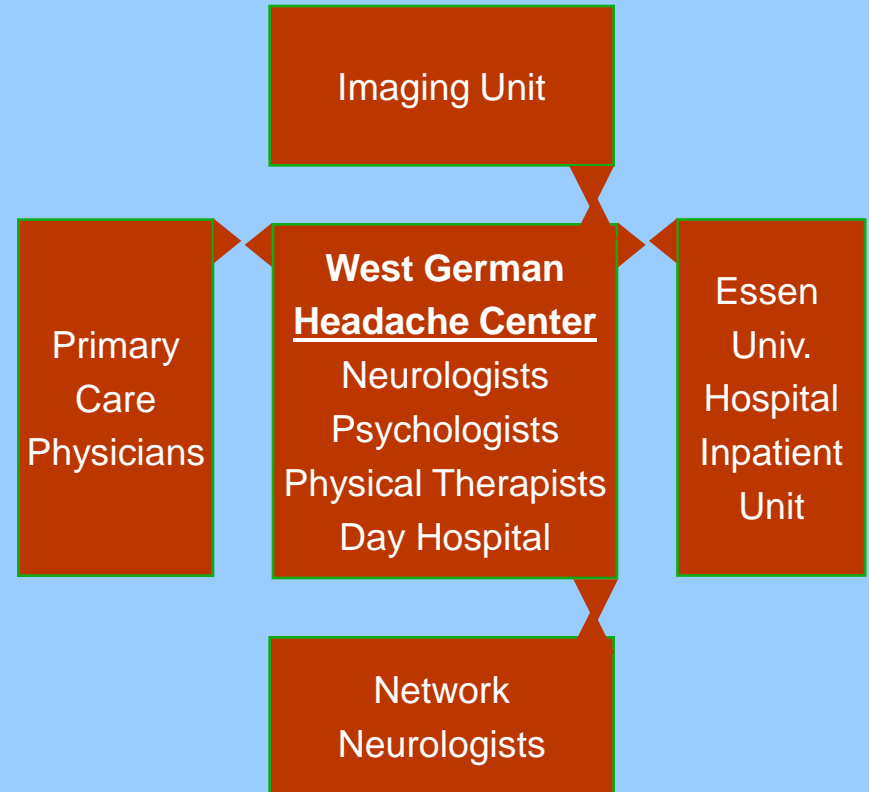
- TQM, process improvements, safety initiatives, pharmacy management, and disease management overlays are beneficial but **not sufficient** to substantially improve value
- Consumers **cannot fix the dysfunctional structure** of the system

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

Old model: Organized by specialty and by discrete, fragmented services



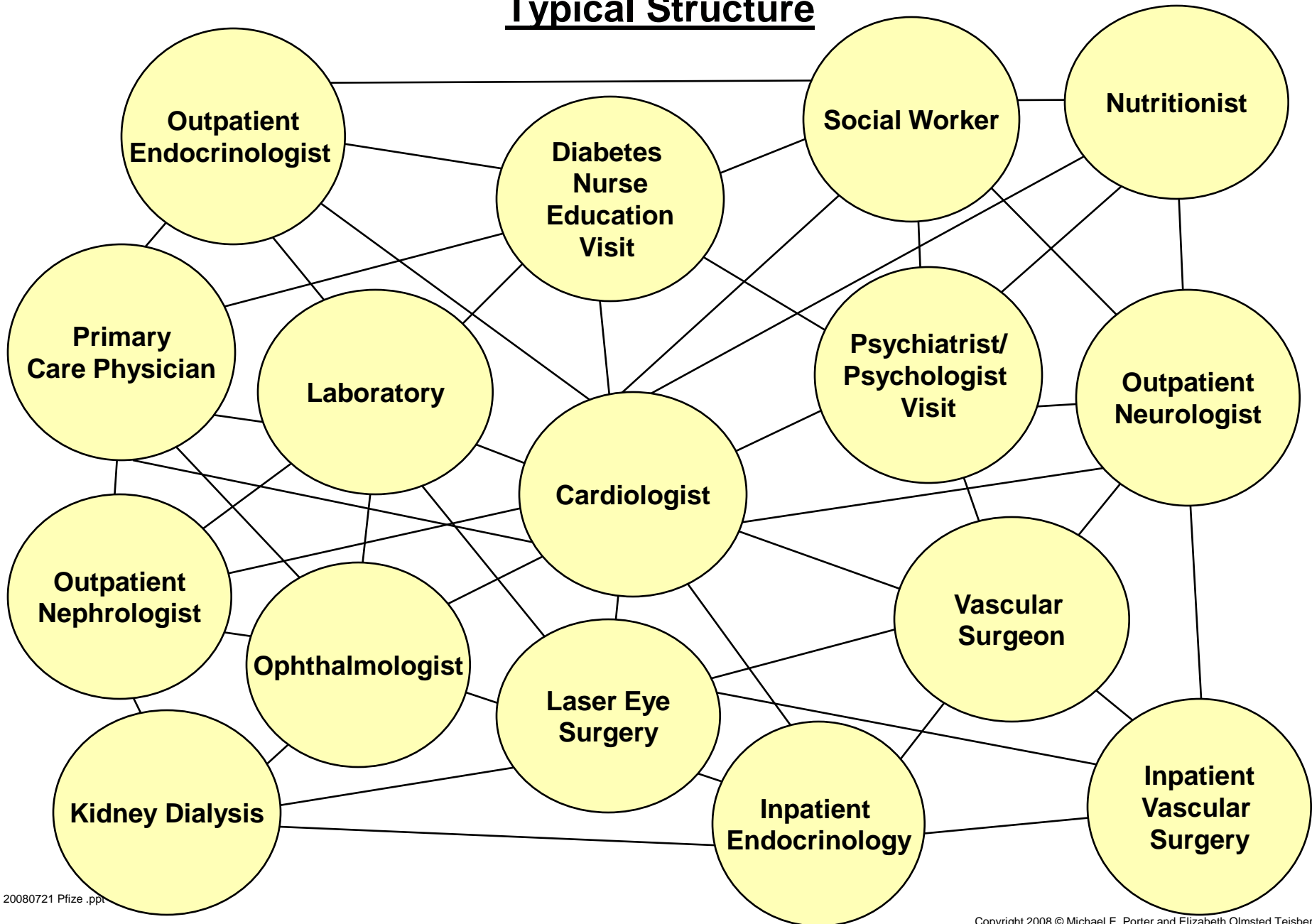
New model: integrated practice unit



**Migraine care in Germany:**

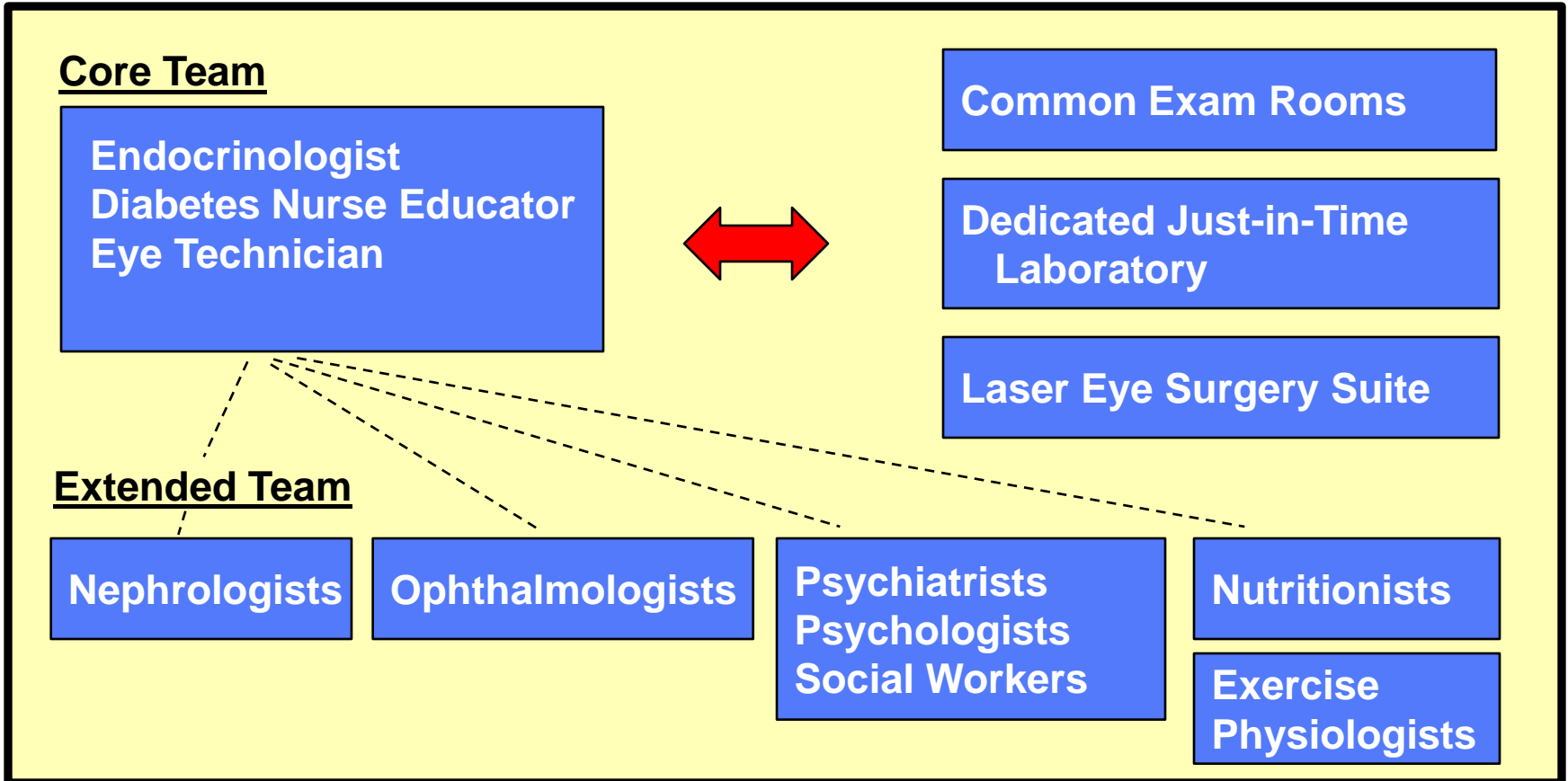
Integration of care simplifies coordination for patients and patients have far fewer days of disabling pain.

# Diabetes Care Typical Structure



# Integrated Diabetes Care

## Joslin Diabetes Center



### Acute Complications

Hyperglycemia  
Hypoglycemia

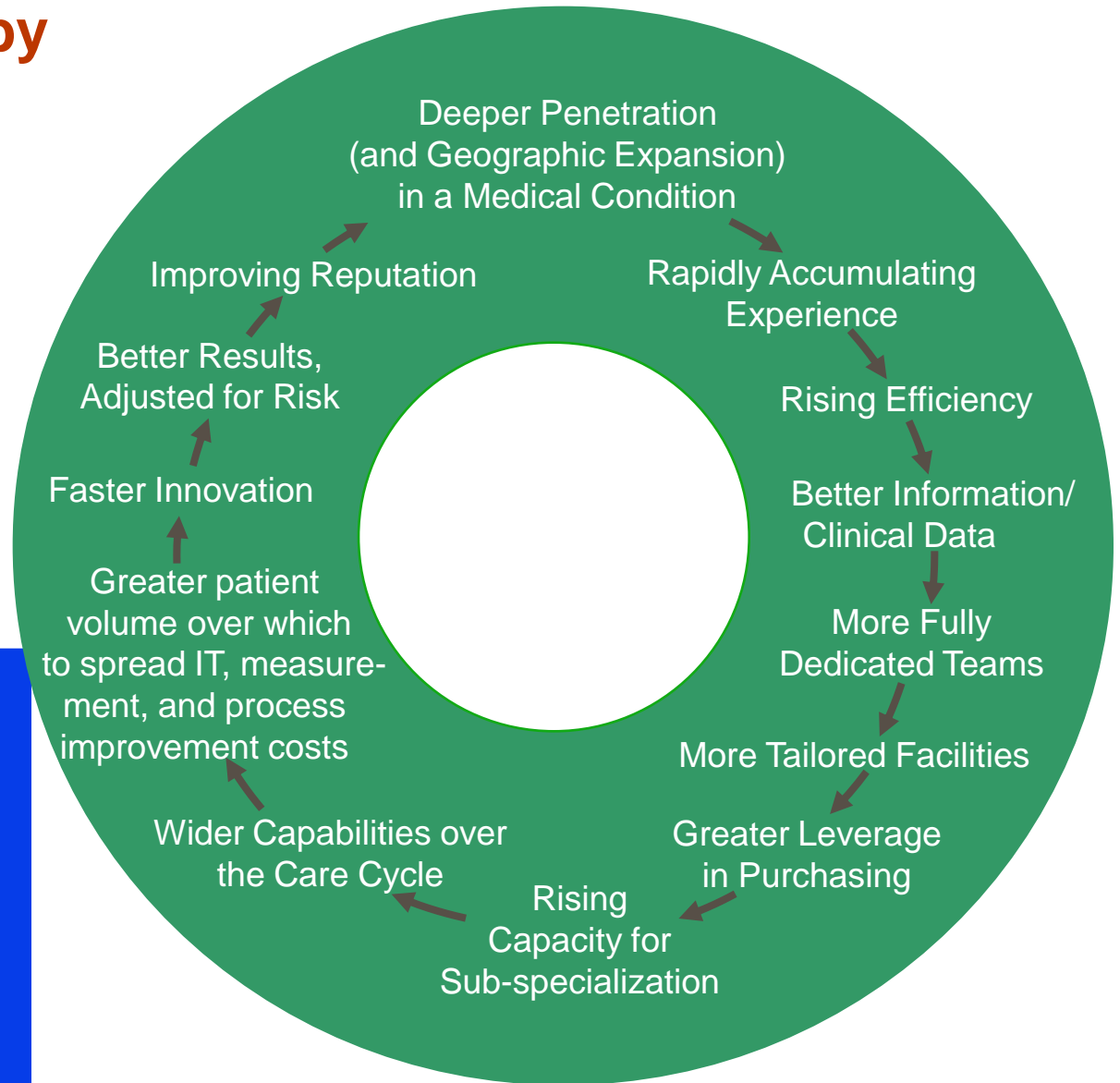
### Long-Term Complications

Cardiovascular Disease  
Cardiologist

Neuropathy  
Vascular Surgeon    Neurologist

End Stage Renal Disease

# Integrated Practice Units drive improvement by driving learning at the medical condition level.



**This provides better coordination than today's "systems."**

**Communication improves dramatically – with or without IT.**

**Broad expertise develops over the care cycle for the patient.**

**Care, practices, and research improve rapidly.**

# Value-Based Health Care Delivery

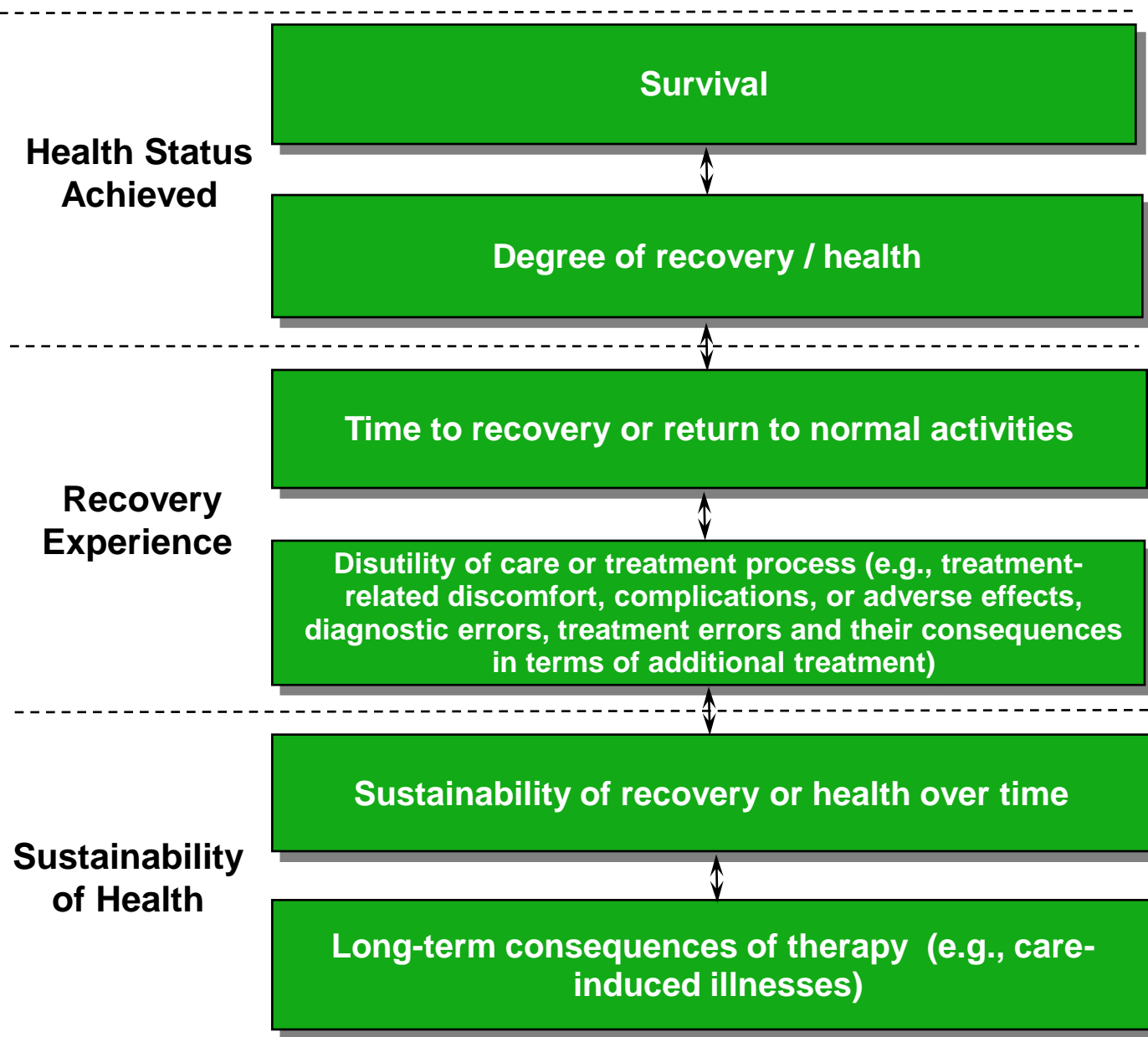
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2. Health care delivery should be organized around **medical conditions** over the **full cycle of care**
3. **Outcomes** must be universally measured and reported

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



- Results must be measured at the **level at which value is created** for patients
- Improving results is a win-win situation

# Outcome Measures have multiple dimensions



# Measuring Value: Essential Principles

- **Clinicians** need to measure results in order to drive value improvement and learning
- Outcomes should be **adjusted for patient initial conditions**
- Outcome measurement should not 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**



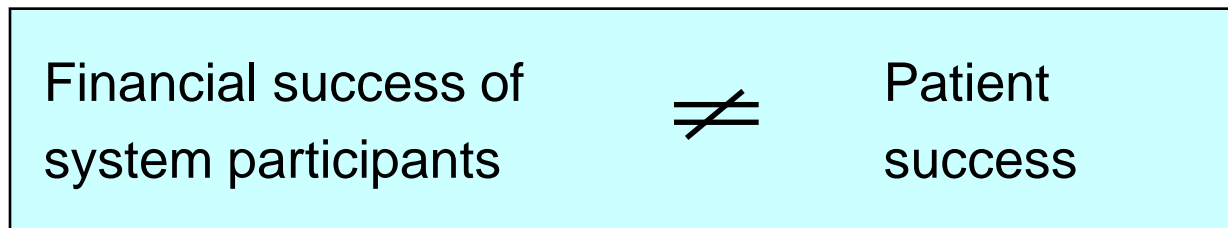
- Failure to measure outcomes will **invite further micromanagement** of physician practice

# Value-Based Health Care Delivery

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2. Health care delivery should be organized around **medical conditions** over the **full cycle of care**
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4. Reimbursement should be aligned with **value**

- Bundled reimbursement for **care cycles**, by teams
  - Most DRG systems are **too narrow**
- Pay for **prevention and screening**, not just treatment
- Pay for **overall management of chronic conditions**
- Adjust for **patient complexity**

**Payment for the team across the full cycle of care**  
would improve incentives and reward prevention of  
disease progression.

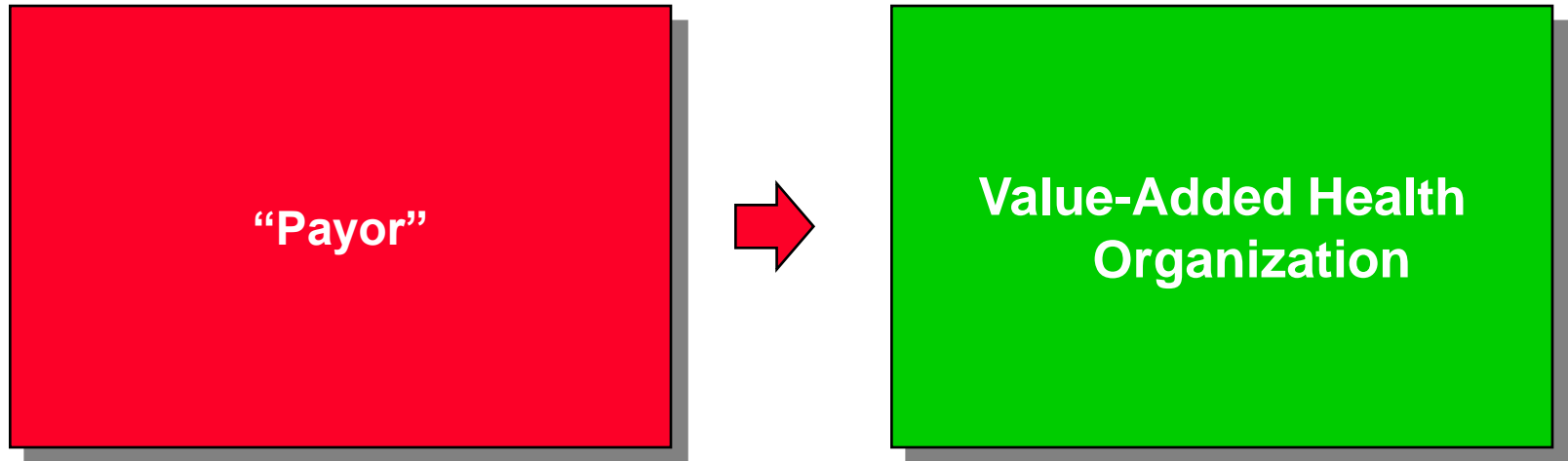


**Health plans, employers and clinicians will benefit by  
changing to team reimbursement.**

**Share the gains of value improvement.  
Enhance the win-win effects.**

# Creating a High-Value Health Care System

## Health Plans and Individuals



- Health plans should compete on value and measure the health and health care outcomes of their membership.
- Encourage individual responsibility for health; the key is engagement, not cost-shifting to individuals.

# To accelerate improvement in health care value:

- **Access for all** is essential and is not enough to achieve the needed reform.
- Fragmentation of care drives quality down and costs up.  
**Reorganization of clinical teams** for patient solutions.
- **Quality of outcomes must be measured** by every team to accelerate learning and improvement.
- **Demonstrated, measured quality by clinically integrated teams** would drive dramatic and ongoing improvement.
- **Compensation** that rewards value can be achieved far more easily in a team structure. Create the possibility -- don't wait for it to happen first.
- Change occurs as **each takes beneficial steps** within their stride. Employers pay the costs of poor health and need to be involved to drive rapid change in health and care.

**We talk about “health care” as if it were one word meaning treatment.**

**A results based system  
would improve value by driving for  
better **health**,  
and effective and efficient **care**.**