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# Redefining Health Care

*Creating  
Value-Based Competition  
on Results*



HARVARD BUSINESS SCHOOL PRESS

## Setting a Course for Value

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Scottsdale, AZ  
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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, 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>.

# Value in Health Care

- The goal of health care is **health**.
  - access isn't enough
  - cost reduction is not the goal

Value: Improvement in health outcomes per dollar spent

# What is keeping us from Improving Value?

Today, 21<sup>st</sup> century medicine is delivered with 19<sup>th</sup> century mindset:

- goals,
- organization structures,
- management methods,
- payment models.

- Significant improvement in value will require **fundamental restructuring of health care delivery**

We can create health care systems  
that drive improvements in value.

**Let's talk about HOW.**

# Setting the compass: Value-Based Health Care Delivery

1. **Pursue value-creating solutions** for patients and families

2. **Organize teams** from the patient perspective:  
around **medical conditions** for the **full cycle of care**

3. **Measure Outcomes** to drive learning and to communicate

4. **Demonstrate Value** to enable getting paid for truly good care

# Can we afford to focus on quality?

**Yes.**

**The goal is better health, not more treatment.**

**Living in good health is inherently less expensive than living in poor health.**

## Even more than in other sectors, better quality improves efficiency in health care.

- The best way to **contain costs** is to drive **improvement in quality**
  - Prevention
  - Early detection
  - Right diagnosis
  - Early treatment
  - Right treatment to the right patients
  - Treatment earlier in the causal chain of disease
  - Fewer mistakes and repeats in treatment
  - Fewer delays in the care delivery process
  - 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

## Create value by providing solutions and improving health results for patients' medical circumstances.

- Anesthesia improvements.
- CCA improves health for dual eligible Medicare-Medicaid patients with multiple chronic diseases.
- The Cleveland Clinic offers telemedical second opinions on diagnoses, and 17% change.
- Stroke is the leading cause of long term disability... so...can we prevent the damage from large strokes?

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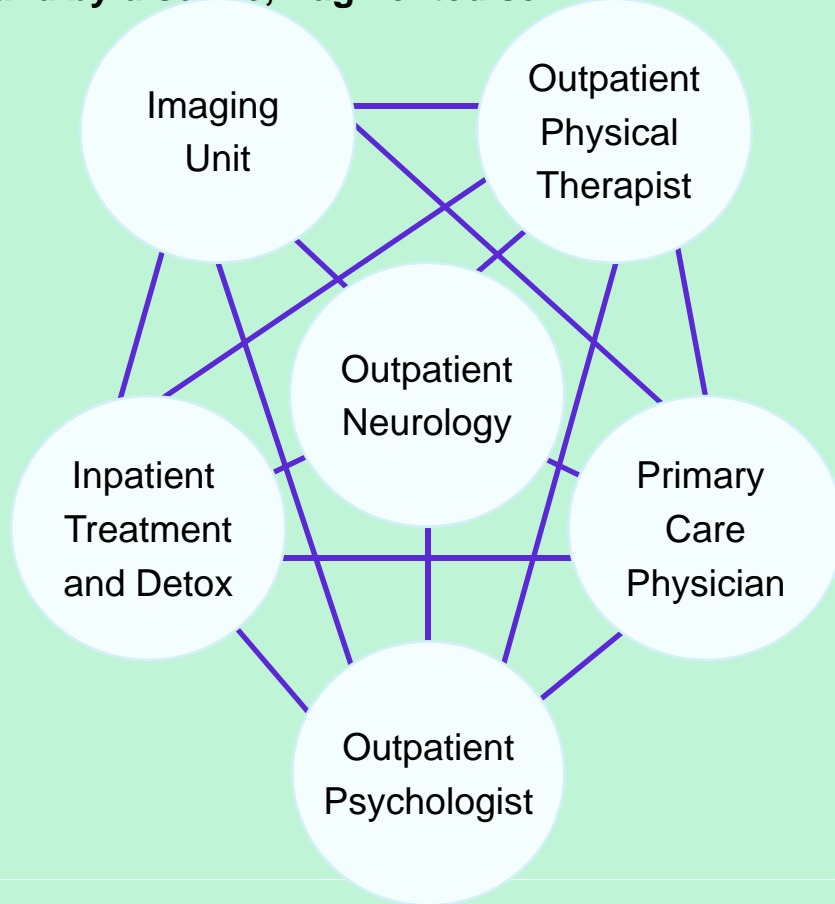
4. **Align reimbursement** with **value** and reward **innovation**

# What is a Medical Condition?

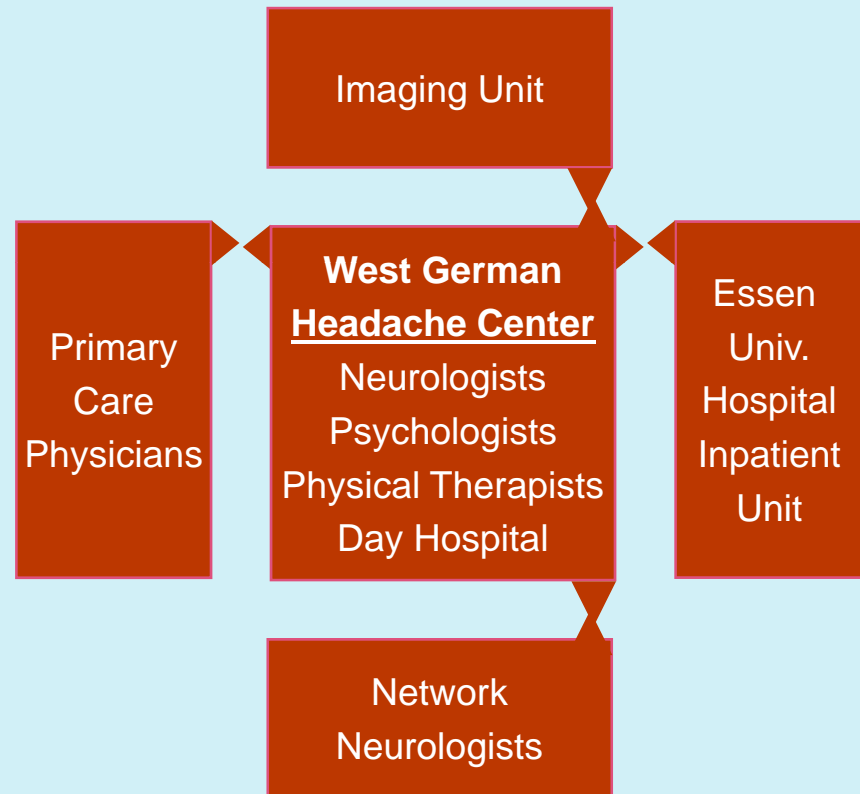
- A medical condition is **an interrelated set of medical circumstances best addressed in an integrated way**
  - Defined from the patient's perspective
  - Where value is created
  - Where coordination should be the normal practice
- **Includes** the most common co-occurrences
- Examples
  - Diabetes (including vascular disease, hypertension, others)
  - Breast Cancer
  - Four commonly occurring chronic conditions
  - CABG is a procedure, not a condition

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

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



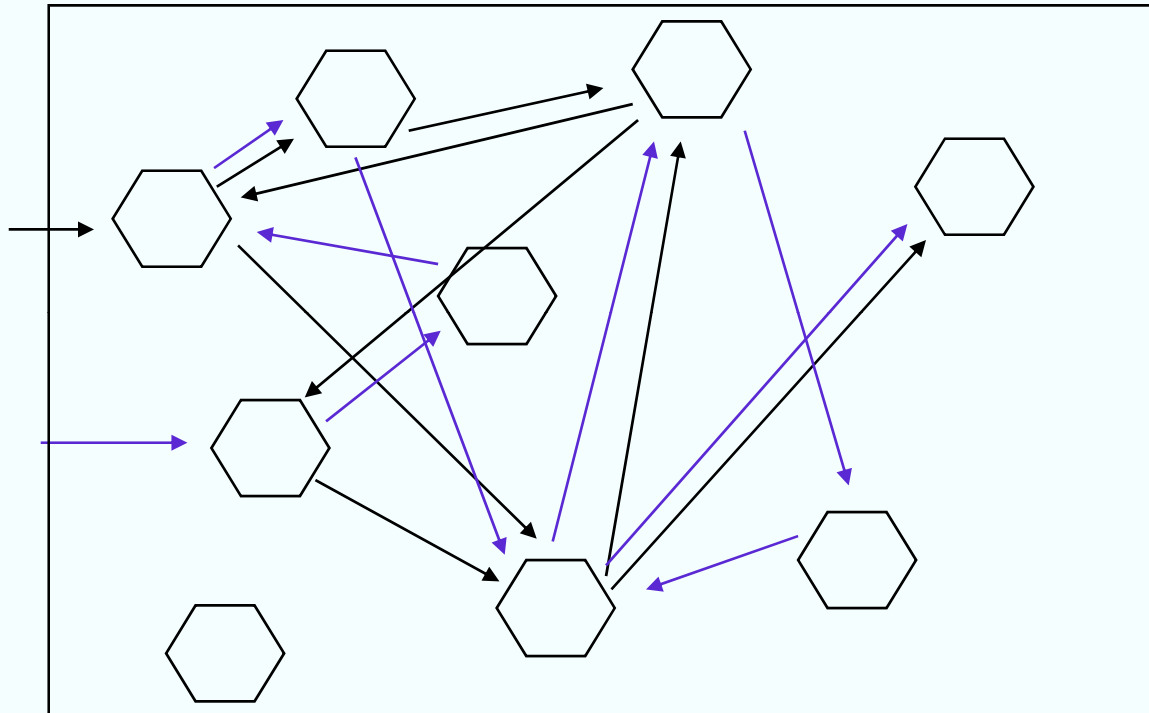
**New model: integrated practice unit**



**Migraine care in Germany:**

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

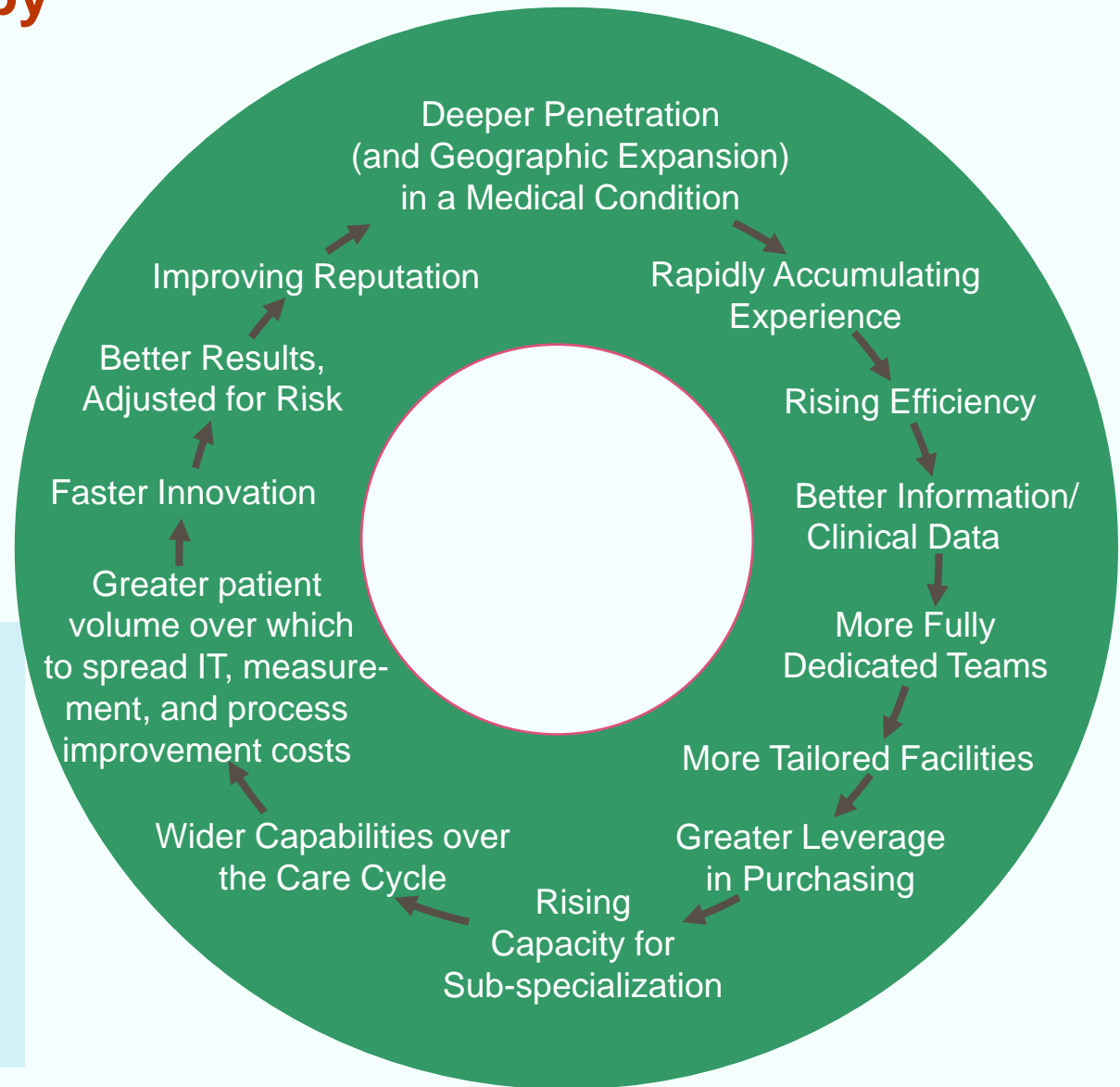
**Today, most “integrated” care is not a team, but a collection of fragmented services.**



**The care differs, the judgments on which it is based differs, the outcomes differ... and the clinicians never really know the team’s results, or to what they should compare. They work hard, care a lot, and assume they’ve done very well.**

**But data show...most have not done “very well.”**

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



**This is not hyper-specialization.**

**It is not focused factories or freestanding archipelagos.**

**It is not just co-location.**

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

**Consider cystic fibrosis.**

# Setting the compass: Value-Based Health Care Delivery

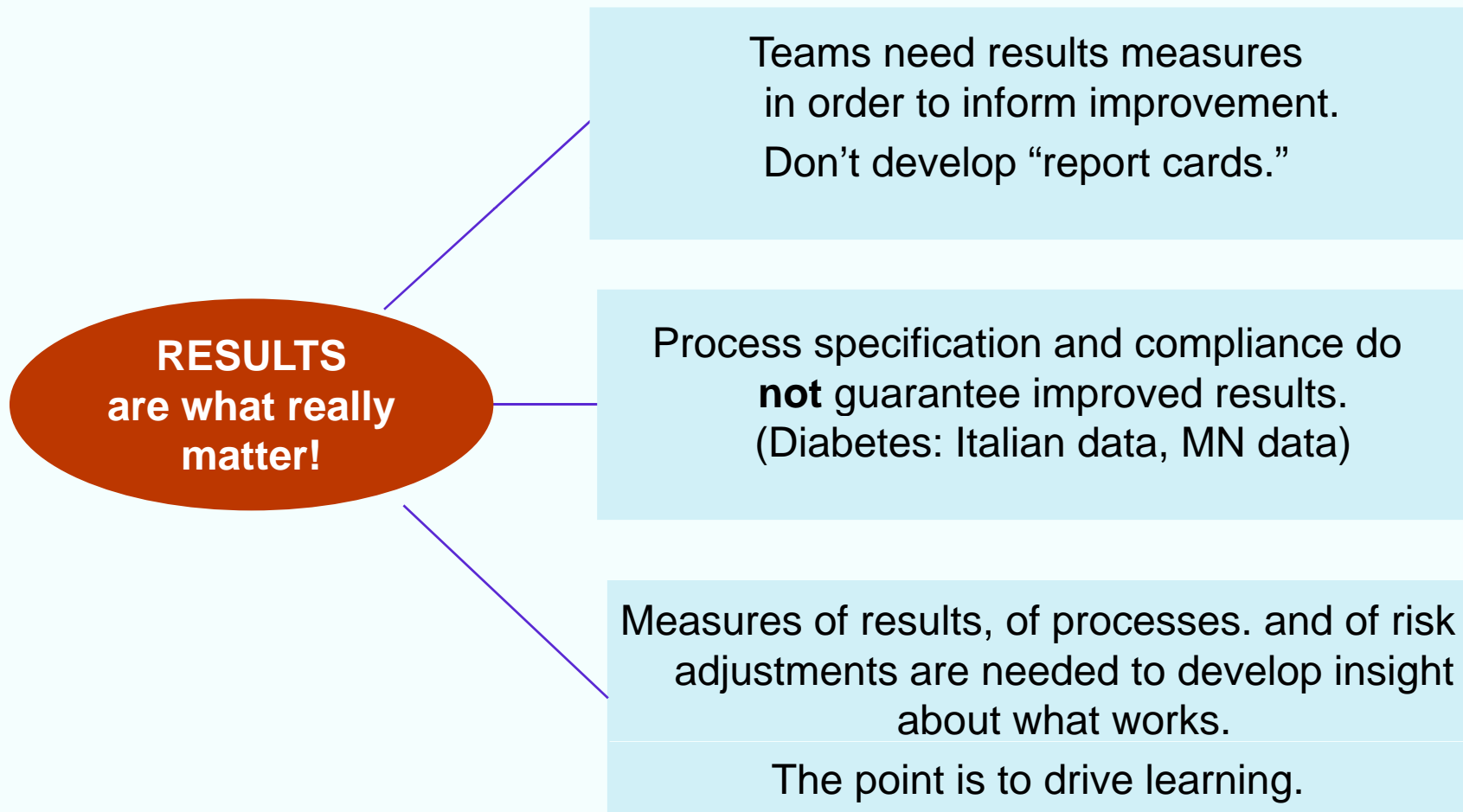
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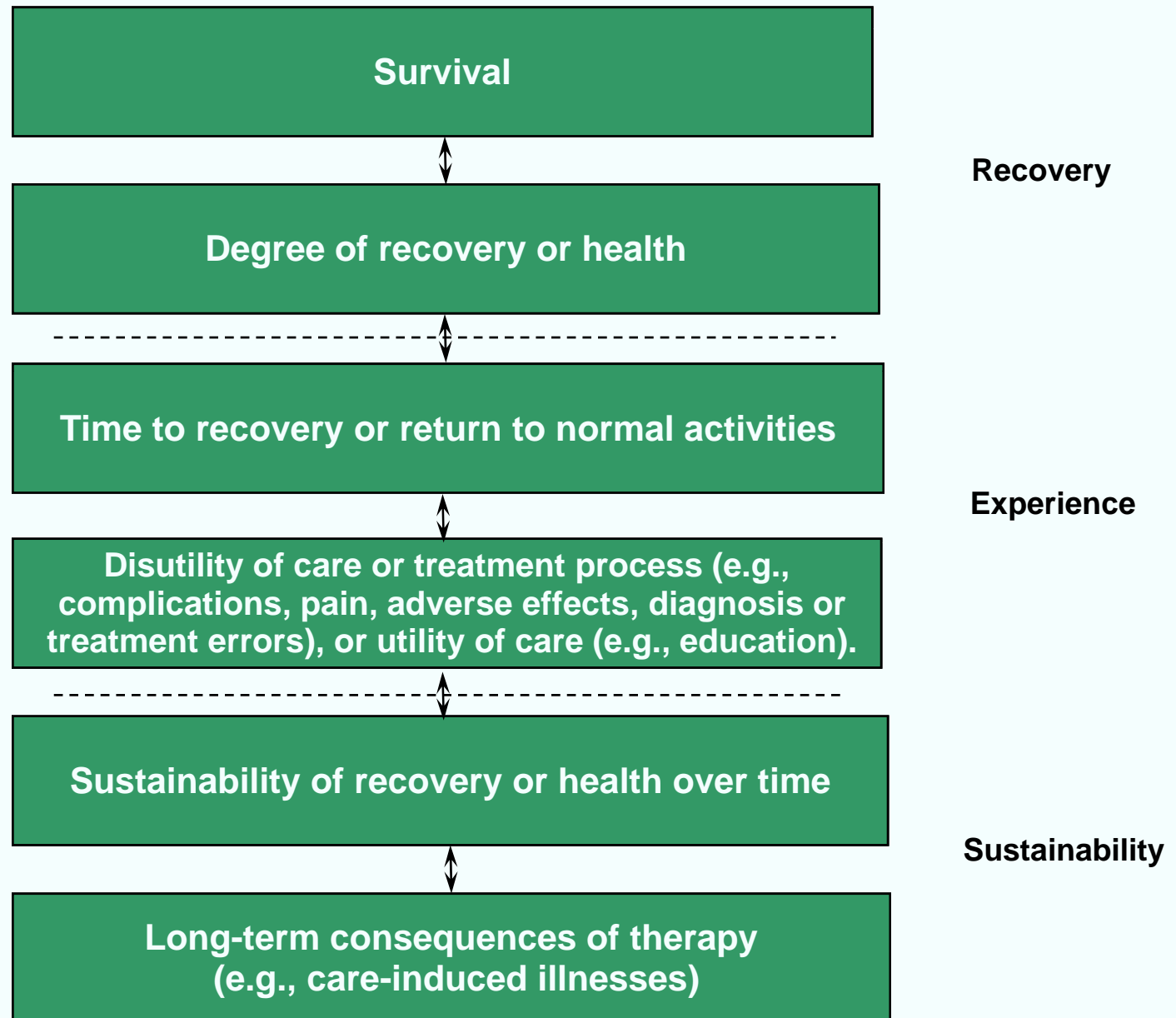
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# Widely available information on results drives improvement in outcomes for patients.

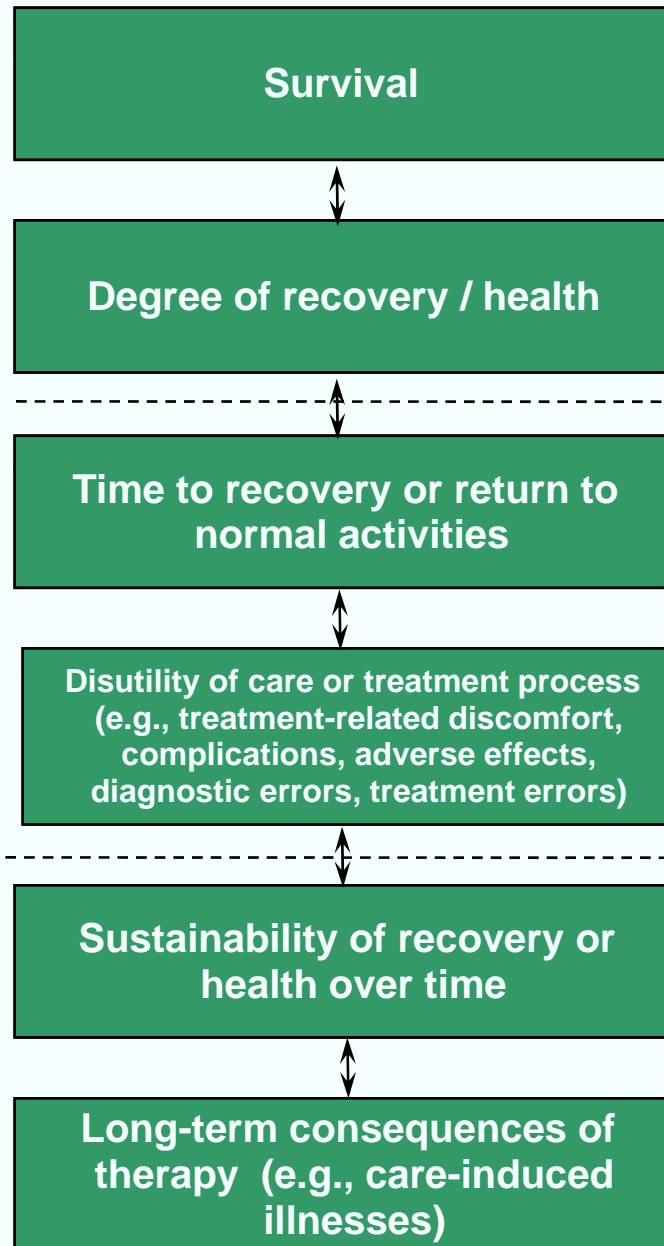


# Measuring Results

There are Multiple Outcome Measures for every condition.



# Measuring Breast Cancer Outcomes



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

- **Remission**
- **Functional status**

- **Breast conservation surgery 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**

**"But, patients don't use outcome information when it IS available!"**

The point is ... doctors do!

- Cystic fibrosis national comparisons
- Minnesota public outcome measures for diabetes

**Ask the clinical team to develop measures!**

What indicates improved health outcomes?

When is the team successful?

What puzzles you?--where is insight needed?

What can you measure now?

# What should it mean to COMPETE?

**Sports and war are 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.**

**And improving value aligns interests.**

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# Value creation enables the opportunity to redesign reimbursement in a win-win context.

Restructure care around patient circumstances:

- >Measure value improvements
- >Communicate demonstrated value
- >Transparency enables trust
- >Trust enables Partnerships, previously resisted..

**Win-win**  
**Share the gains.**

# Peabody Pays Mayo Clinic Prices to Save on Health-Care Costs By Aliza Marcus Sept. 26 (Bloomberg)



Source: <http://www.bloomberg.com/apps/news?pid=washingtonstory&sid=atHEjVNWVXow>

“The coal producer says it has found an unconventional way to cut health costs: Seek out the nation’s best care and give workers incentives to use it. About two-thirds of operations have proven to be cheaper at better-rated hospitals out of state.”

“Even if I got a discount, bad care at a discount is still bad care and it'll be more expensive in the long run.”

"When I had it done locally, I missed 10 days of work because of the pain and healing time. . . Not this time.

Local doctors think we're taking money out of their pockets, but we're just trying to get the best care the first time around."

# Value-Based Health Care

Solutions for patients and families

Teams treating medical conditions

Measuring outcomes:  
improving care and creating trust

Getting paid for value

## Steps you can take now

### 1. Define your unique value

For what conditions are you excellent?

Where could you make the most unique, significant changes?

### 2. Measure and quantify *some* outcome

Ask every group, team or department to identify outcomes they will measure in 2009.

### 3. Define a medical condition ...and its care cycle

Why do you see patients? What are the common circumstances?

Who else do they need to see and where?

### 4. Organize a multidisciplinary team.

Use the patients' perspective.

Ask the team to identify meaningful measures.

Few people really want *average* care.

Build your strategy to create unique value.

Imagine...

a healthcare system that is  
truly about health and care.