



Reunion 2010

Darden Graduate School of Business
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and
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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>.



Surely, we can do better.



Take Aways

- Improve value for patients and families
- Different countries, same issue
- Major misalignments
- Where's the strategy?
- Employers' roles



Patients want more health,
not more treatment.

Health care



With expanding coverage,
what are the choices?

Spend more

Ration more


Improve health care value



Value in Health Care

$$\text{Value} = \frac{\text{Improvement in Health Outcomes}}{\text{Money spent}}$$

Dramatic improvement in value requires redefining health care.



Increase value by *improving* quality in ways that reduce cost

Better health is **inherently less expensive** than poor health.

Quality is better **outcomes**.

(Better processes are good, but different.)

Better outcomes often drive costs down.

- Diabetes
- Stroke
- Diagnosis



Current vs. Redefined

The goal is treatment

→ The goal is **health**

Measure volume of services
(tests, treatments)

→ Measure **value of services**
(health outcomes/ costs)

Focus on facilities, specialties,
or types of practitioners

→ **Coordinated and integrated**
care delivery

Discrete interventions

→ **Care cycles**

Individual diseases or overall
facilities

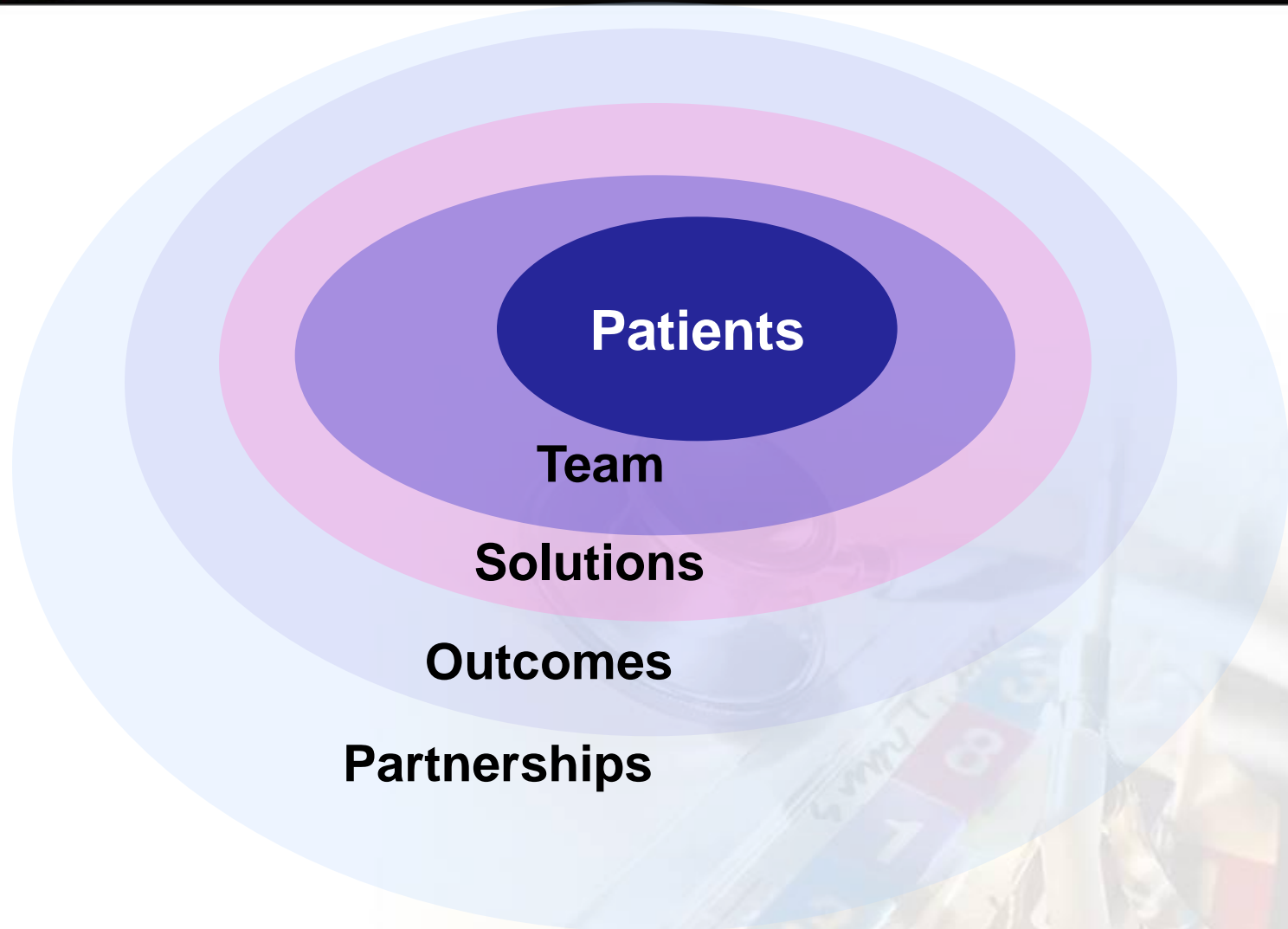
→ Sets of prevalent **co-occurrences**

Fragmented, localized, pilots,
programs and entities

→ **Clinically integrated care**
delivery systems



Redefining Health Care Delivery





Worldwide issues

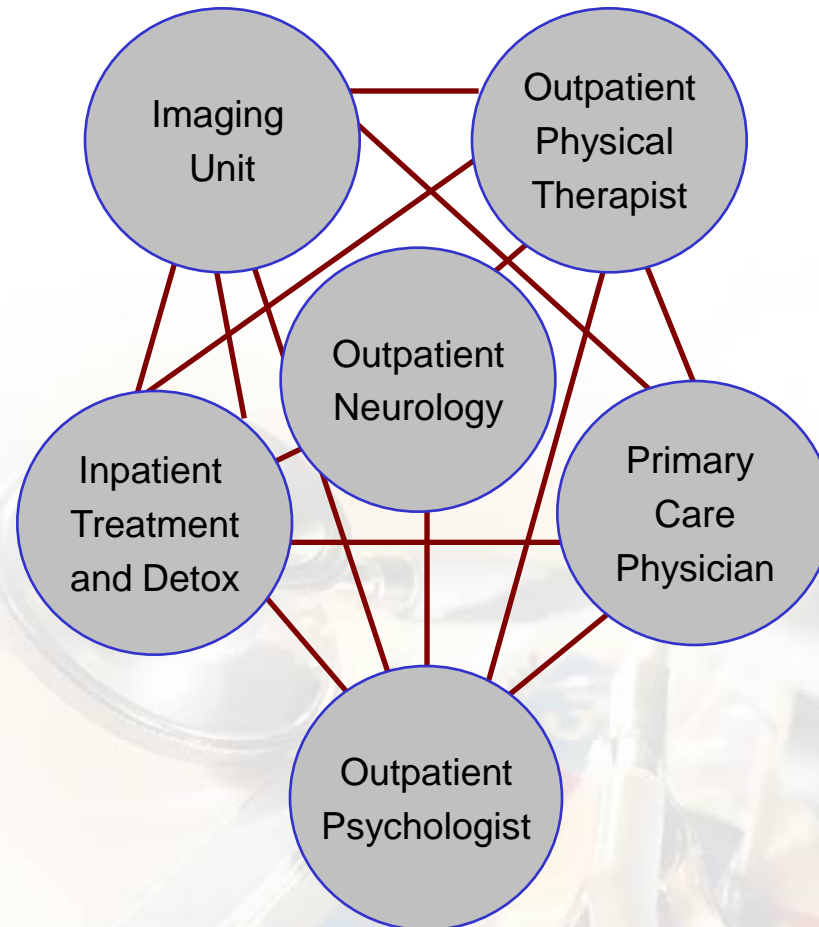
To achieve better health outcomes for all,
we must drive dramatic improvement in value.

Redefine health care delivery
and
Design for health

Migraine Care in Germany

Old model

Organized by specialty in discrete, fragmented services

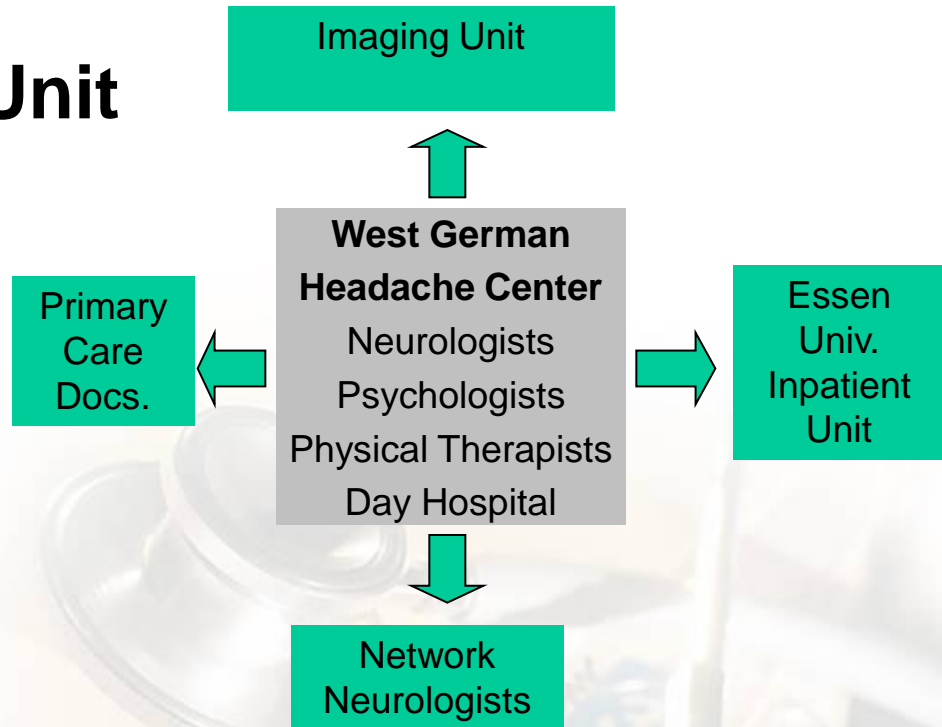


Source: KKH, Westdeutsches Kopfschmerzzentrum

West German Headache Center New model

Integrated Practice Unit

*Patient Value is
the beacon of
inspiration for
organizational
innovation.*



Source: KKH, Westdeutsches Kopfschmerzszentrum



Strategic Misalignments



Strategic Misalignment

Delivery organized for **acute** disease & injury



Expenditures on **chronic** care: **65%-80%**





Chronic Disease is Big

Leading causes of death

Accounts for three-quarters of all health care spending (*Health Affairs Policy Update, Jan. 4, 2009*)

Hard to have just one
(~50% of chronic disease patients)

Acute conditions are becoming chronic
(e.g., AIDS and cancers)



Defining Characteristics

Lifestyle driven

Complex

Traditional treatment usually fails



Lifestyle Driver: Obesity

75% of the country's \$2.5 trillion in health care spending is driven by obesity, Type 2 diabetes, heart disease and cancer. Most of these conditions are preventable because they are caused by behavior (diet, exercise and smoking).

Jan/Feb 2009 Health Affairs



Effectively Treating Patients with Chronic Diseases

Health is co-produced

In the context of chronic diseases,
we have to treat the *patient*,
not just the disease.

From “do to” to “do with”



FRENCH FRY SPAM CASSEROLE

- 1 pk Frozen french fry potatoes-thawed (20 oz)
- 2 c Shredded Cheddar cheese
- 2 c Sour cream
- 1 cn Condensed cream of chicken -soup (10 3/4 oz)
- 1 cn SPAM Luncheon Meat, cubed-(12 oz)
- 1/2 c Chopped red bell pepper
- 1/2 c Chopped green onion
- 1/2 c Finely crushed corn flakes

Heat oven to 350°F. In large bowl, combine potatoes, cheese, sour cream, and soup. Stir in SPAM, bell pepper, and green onion. Spoon into 13x9" baking dish. Sprinkle with crushed flakes. Bake 30-40 minutes or until thoroughly heated. Yield: 8 servings

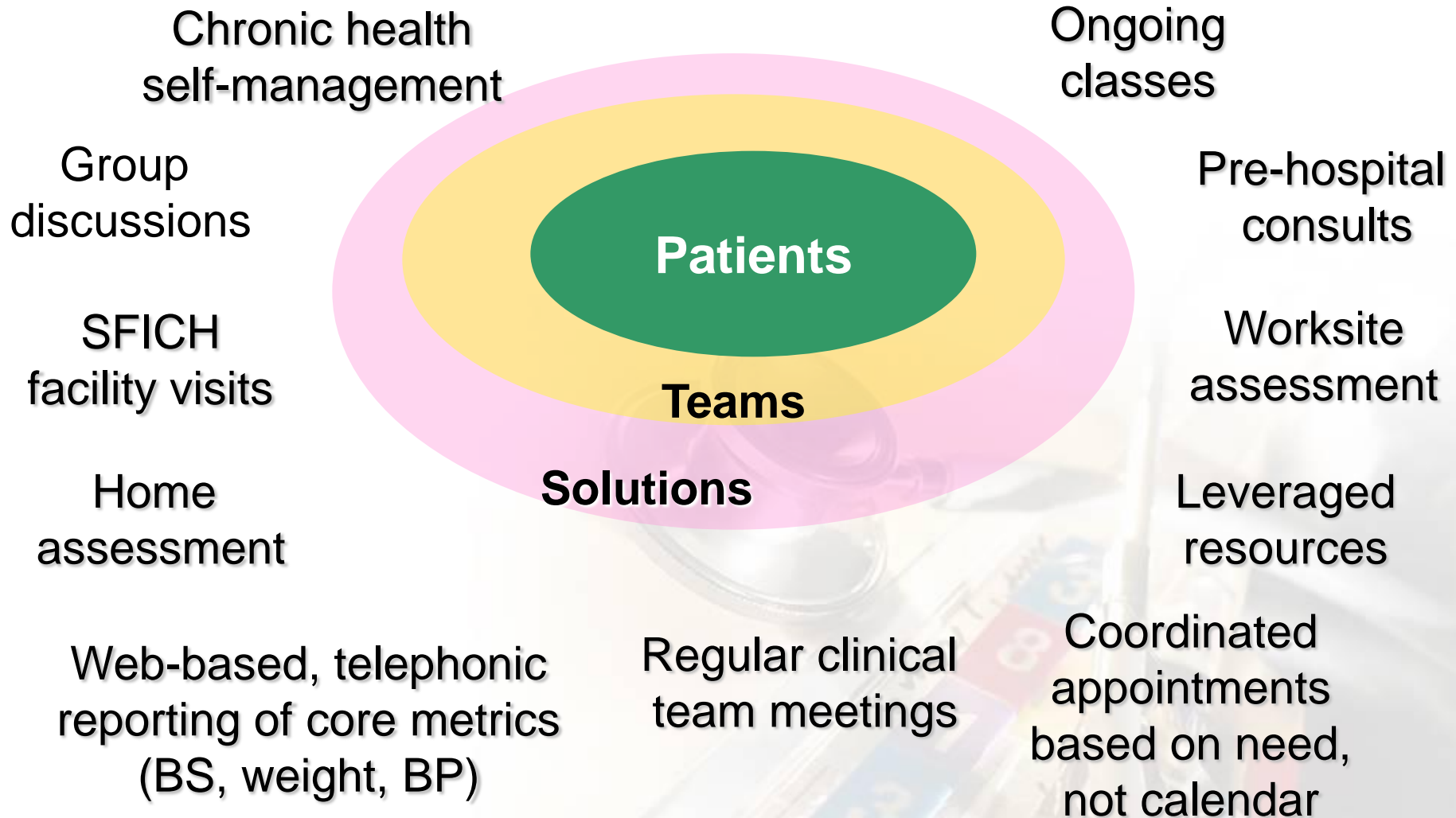
Recipe via Meal-Master (tm) v8.02 Categories: Main dish



Treatment

Can you ***treat*** French Fry Spam Casserole?

Solutions for Type 2 Diabetes include lifestyle support and non-medical services



Strategy



Health and Productivity

Employers need healthy, high-performing employees.

Employers face high costs from *chronic* health problems.

Employers have more ways to create change than most use.

Consider creating a strategic advantage



Employers Need a Health Strategy

Reactive behaviors are costly and non-productive

Employers currently lack a strategic approach to health



How do you recognize a good health strategy?

Unique value creation

Fit and consistency

“A good strategy feels like a cause”

A health strategy is a coherent set of initiatives and activities that improves the health, health care and productivity of employees.



Employers Have Significant Roles



Employers' Roles

Get out of health care?

Get in to health care?

There is a more important question:

**How can employers accelerate
health care redefinition?**



Poor Health is Expensive

Poor health costs employers 2 to 7 times more than health benefits

The goal of health care is health
(neither health benefits nor health care are structured around creating health)



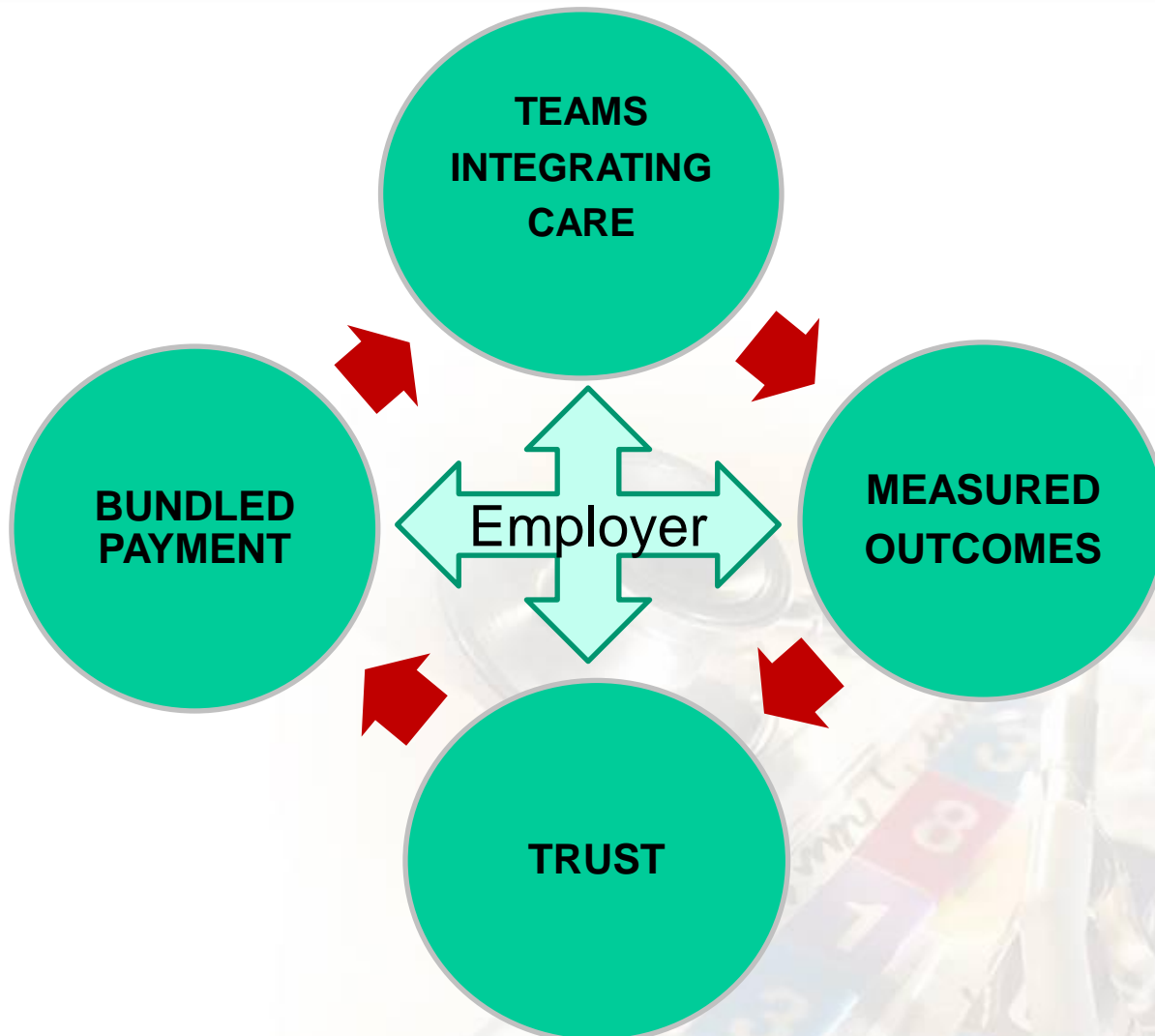
Health, Culture and Community

Employees spend half of their waking hours at work

Lifestyle diseases are communicable

Do you have a culture of health?

Employers can help start the cycle of change in multiple aspects





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