



# Improving Health Care Value

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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>.



# Health Care's Global Challenges

Effectiveness

Efficiency

Safety

Compassion

Timeliness

Convenience



Surely, we can do better.



# Health care reform

- Cost containment is not the only goal.
- The goal of health care is *health*.
- **Quality = health care outcomes.**



# Value in Health Care

$$\text{Value} = \frac{\text{Health Outcomes}}{\text{Cost of delivering the outcomes}}$$



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Outcomes are the **full set of *patient health outcomes*** ***over*** the care cycle.

Costs are the **total costs of care for the patient's condition**, not for a single provider or a single service.



Question at the core is:

**How to design health care  
that dramatically improves value  
for patients and families?**





Design for Health!

# Health care

Patients and families want more health,  
not more treatment.



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

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

**Better outcomes often drive costs down.**

- Diabetes
- Stroke
- Diagnosis



# Keys to accelerate dramatic improvement in value

Michael E. Porter  
Elizabeth Olmsted Teisberg

## Redefining Health Care

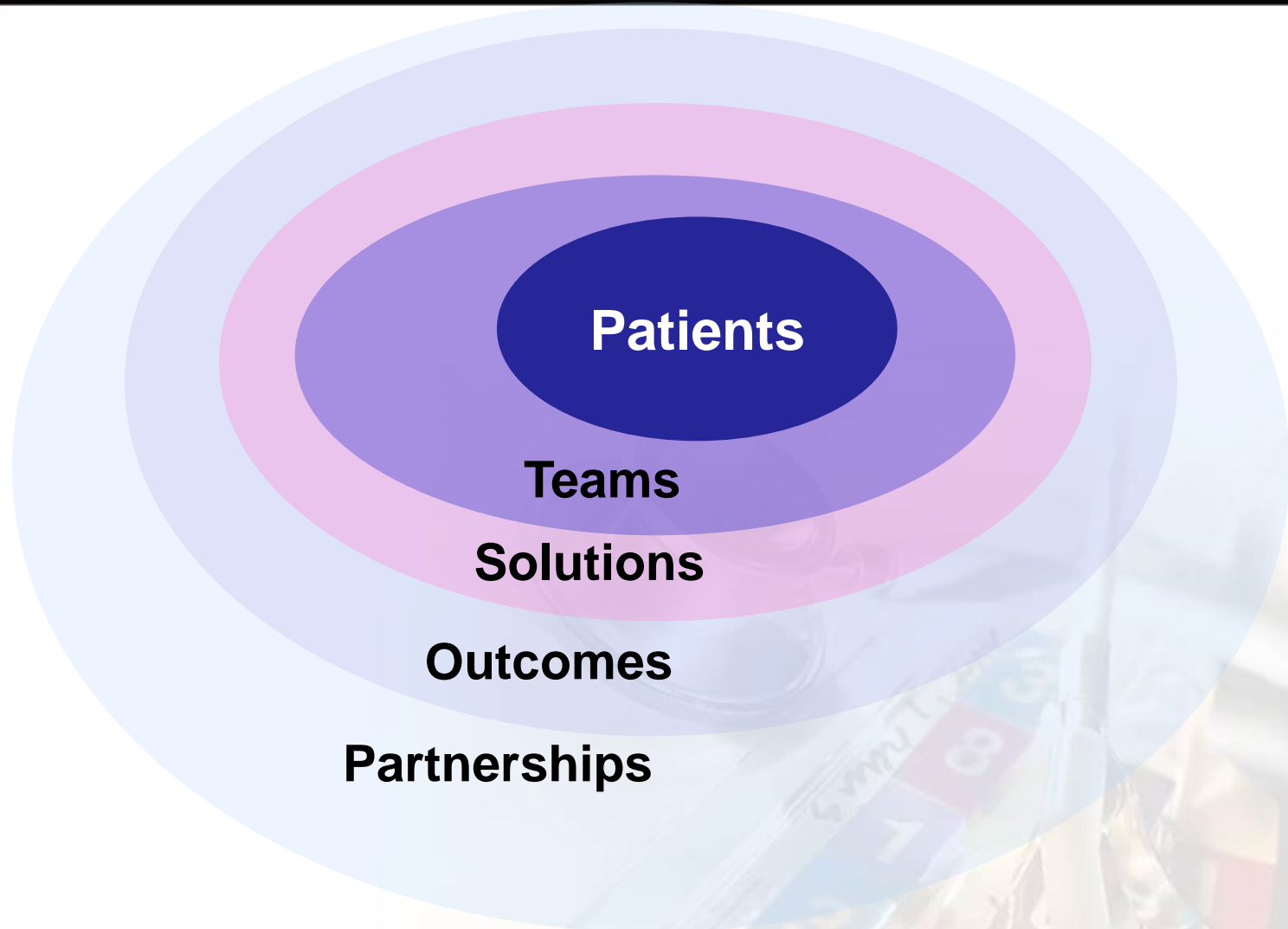
*Creating  
Value-Based Competition  
on Results*



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- Define services from patients' perspectives.
- Organize care delivery around solutions.
- Create interdisciplinary teams.
- Measure results to accelerate learning.
- Align financial success with medical success.

# Redefining Health Care Delivery





# Redefining Health Care Delivery: Patients



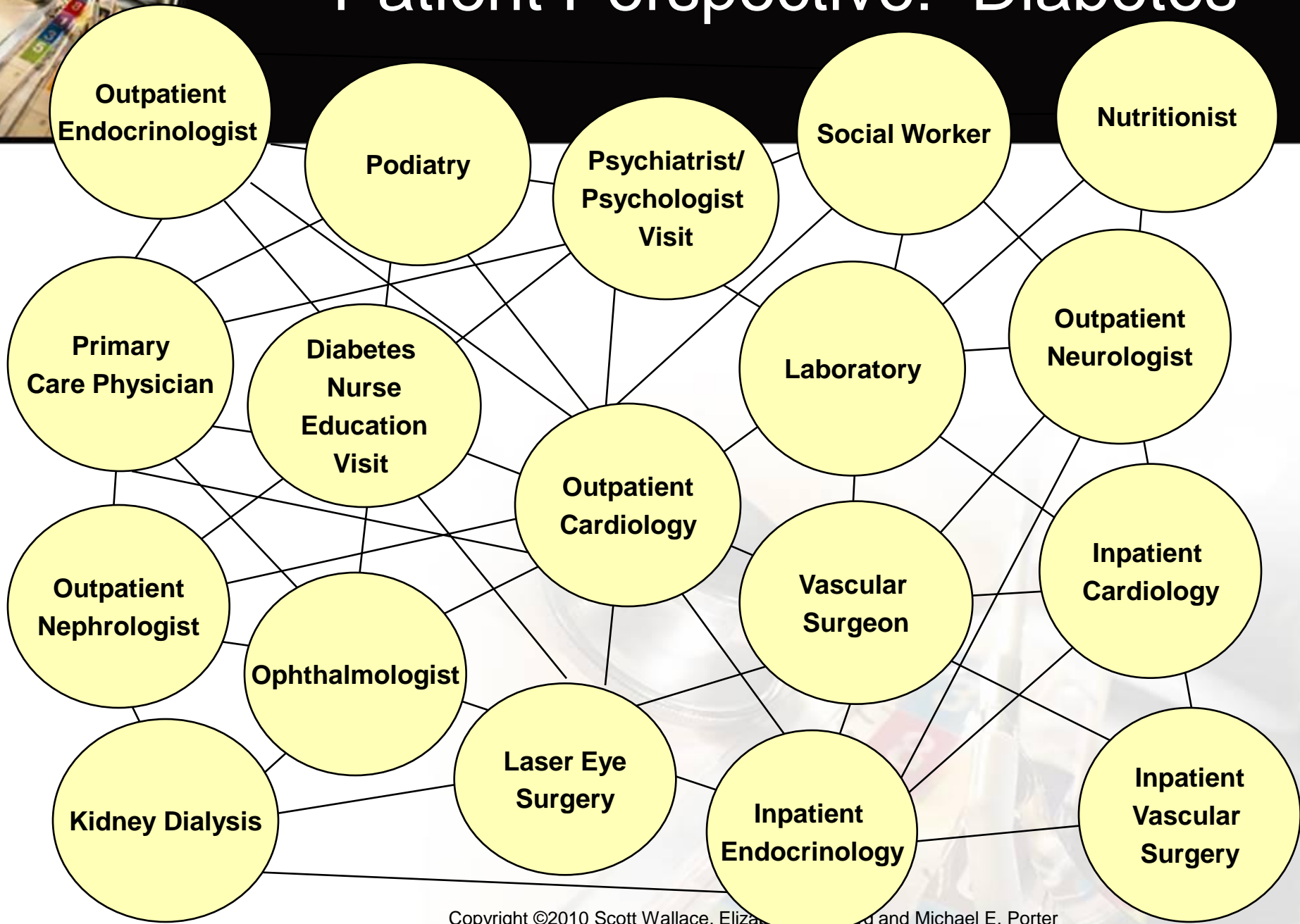
**Patients**



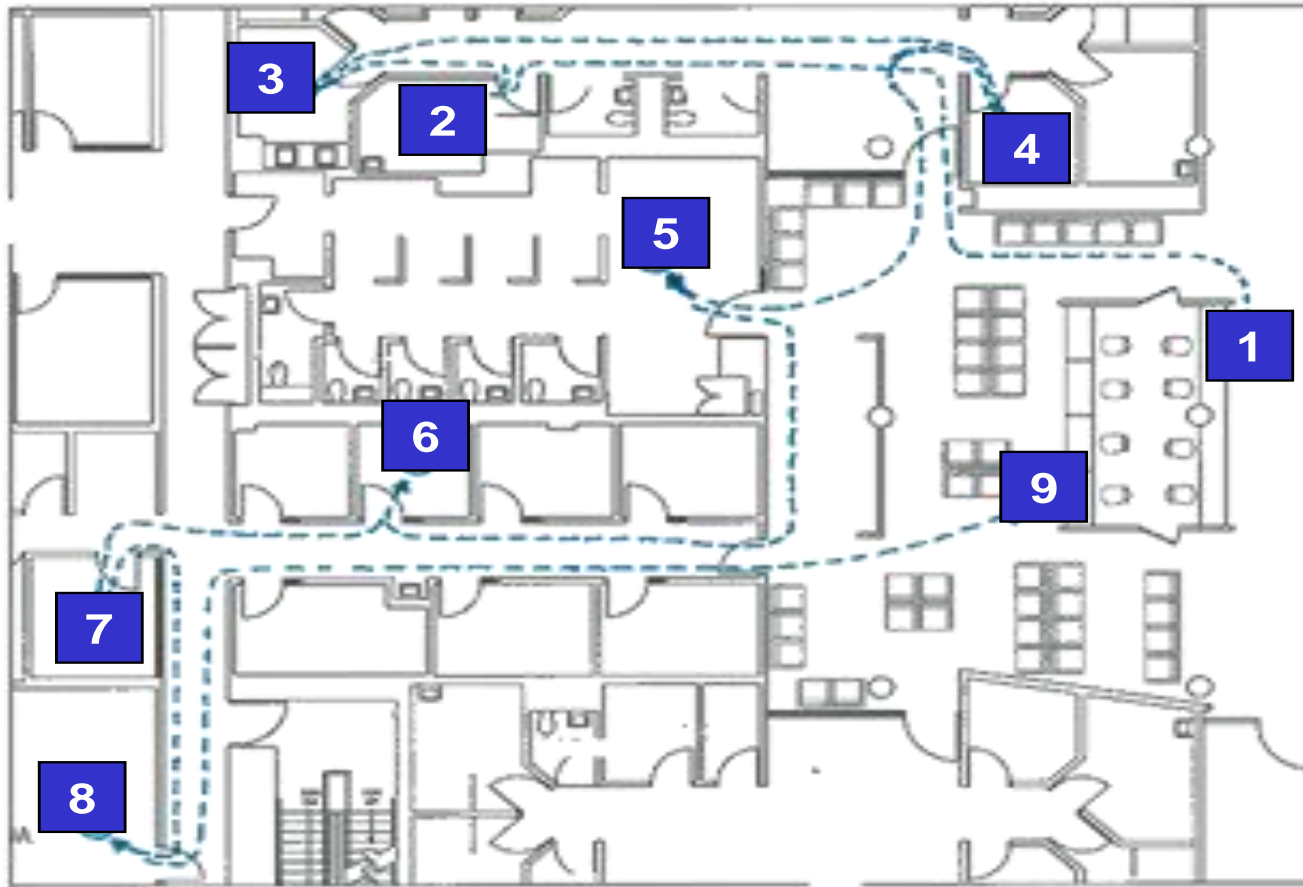
# Design care from the patient perspective

- Define care by conditions
  - Shared health circumstances, not procedures or medical specialties
  - Include common co-occurring conditions
- Extend through the full cycle of care
  - Shift attention and care earlier
  - Late stage care is less effective and less efficient
  - U.S. drives costs **up** by limiting early stage care

# Patient Perspective: Diabetes



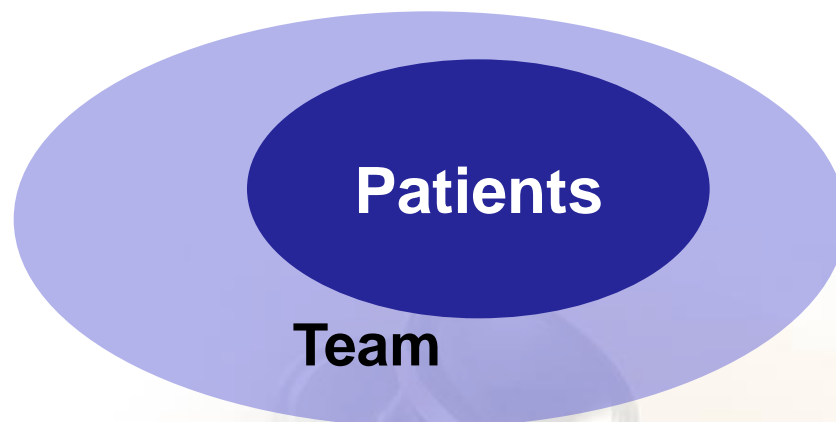
# The Joslin Diabetes Center



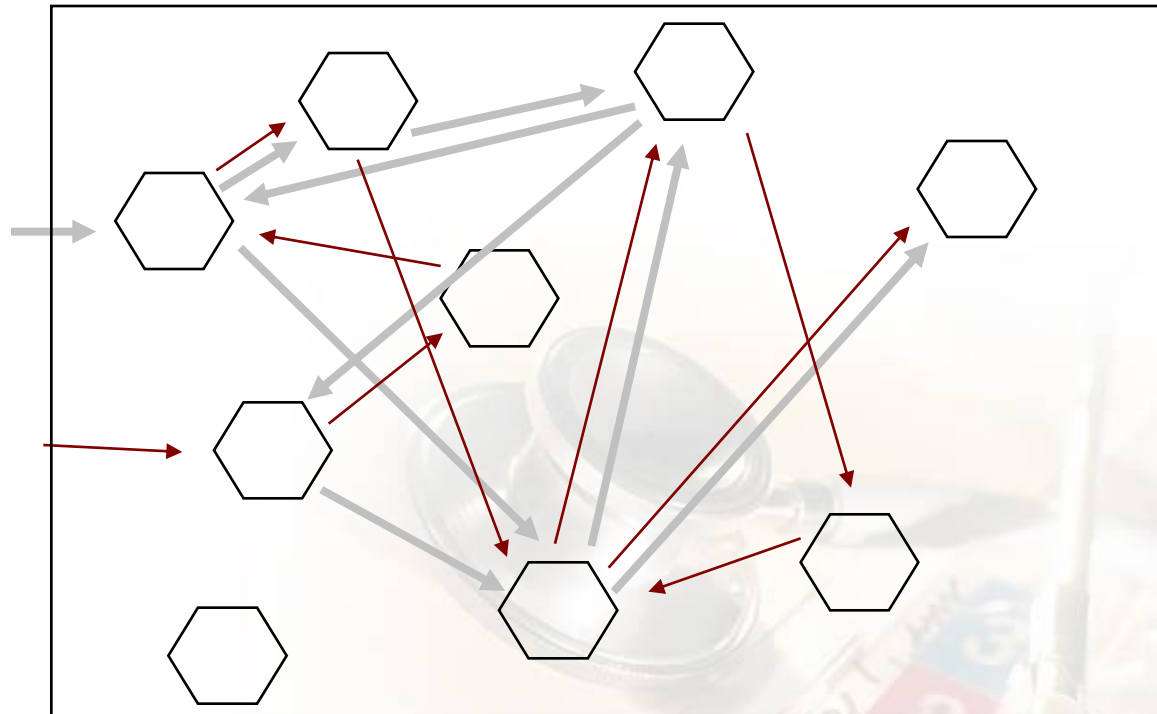
1. Check-in
2. Endocrinologist
3. Nurse Coordinator
4. Eye Exam
5. Laboratory –Blood, urine
6. Diabetes Education
7. Mental Health
8. Nephrologist
9. Check-out

Source: Joslin company documents.

# Redefining Health Care Delivery: Interdisciplinary teams



# Clinically Integrated Care Team or Collection of Fragmented Services?

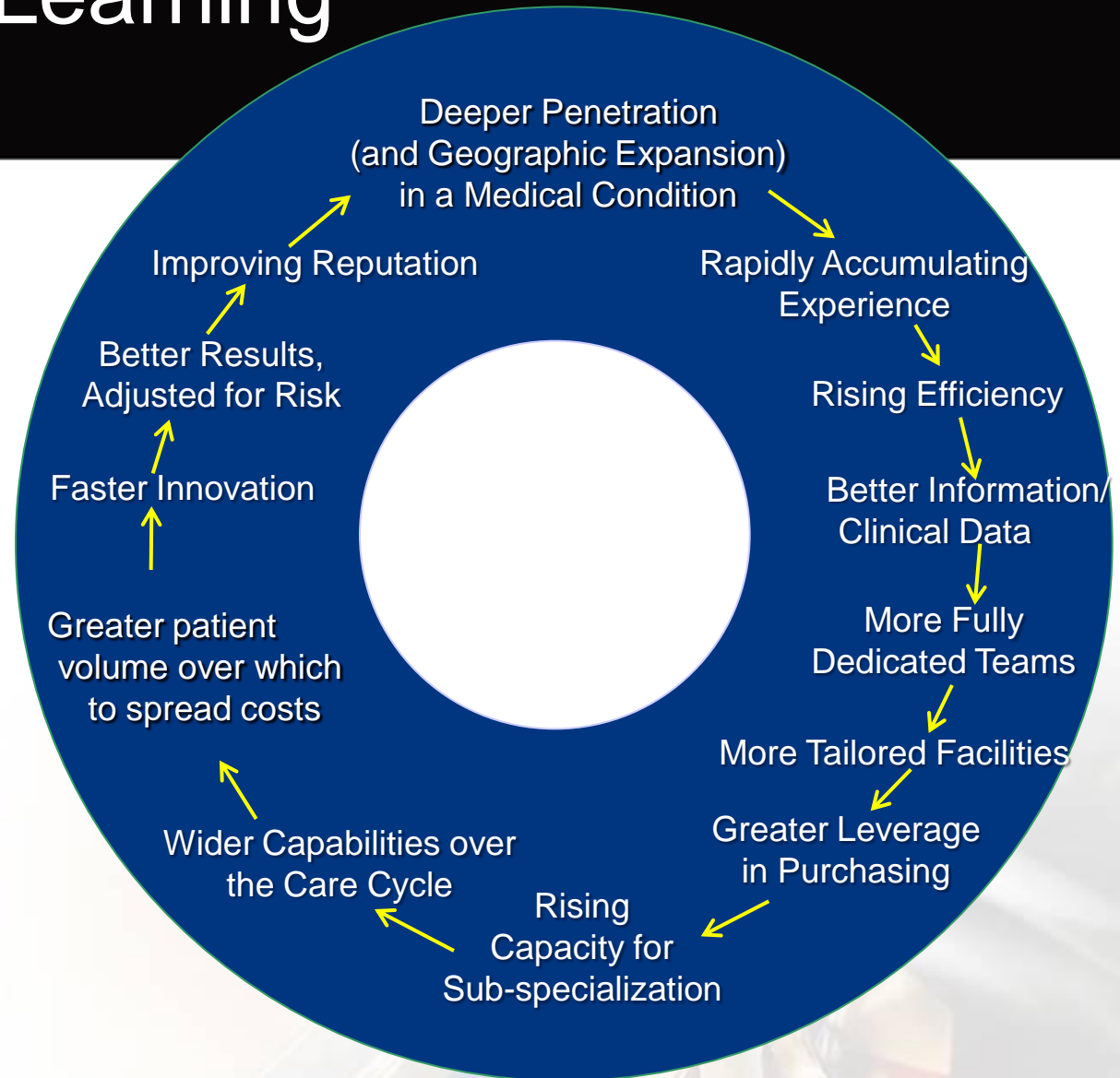




# What is Different with Teams?

- Learning
- Clinical Judgments
- Coordination
- Satisfaction
- Health Outcomes
- Efficiency
- Research

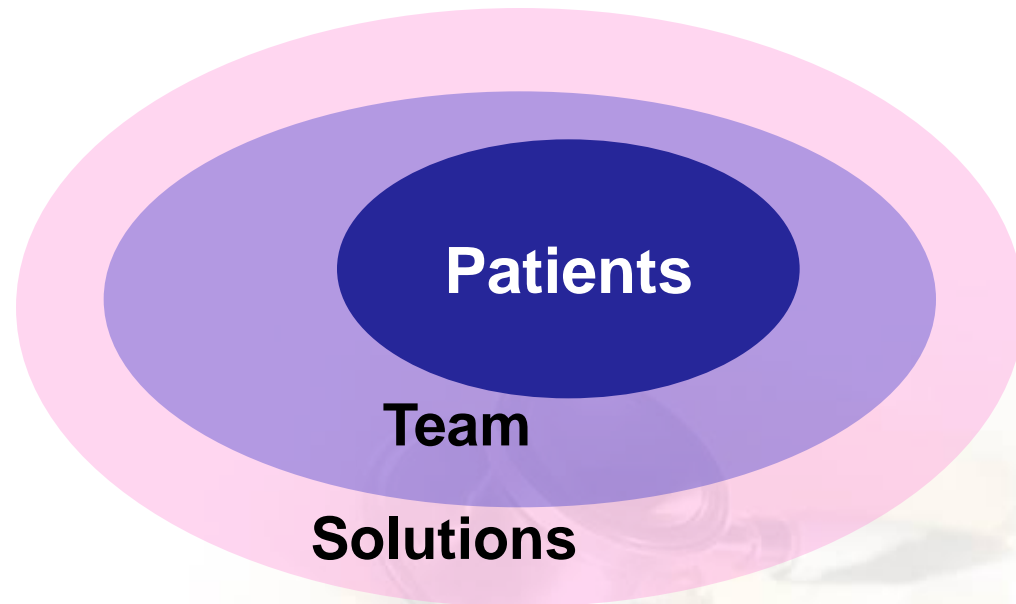
# Driving Learning



Broad expertise develops over the care cycle for the patient.



# Redefining Health Care Delivery: Solutions

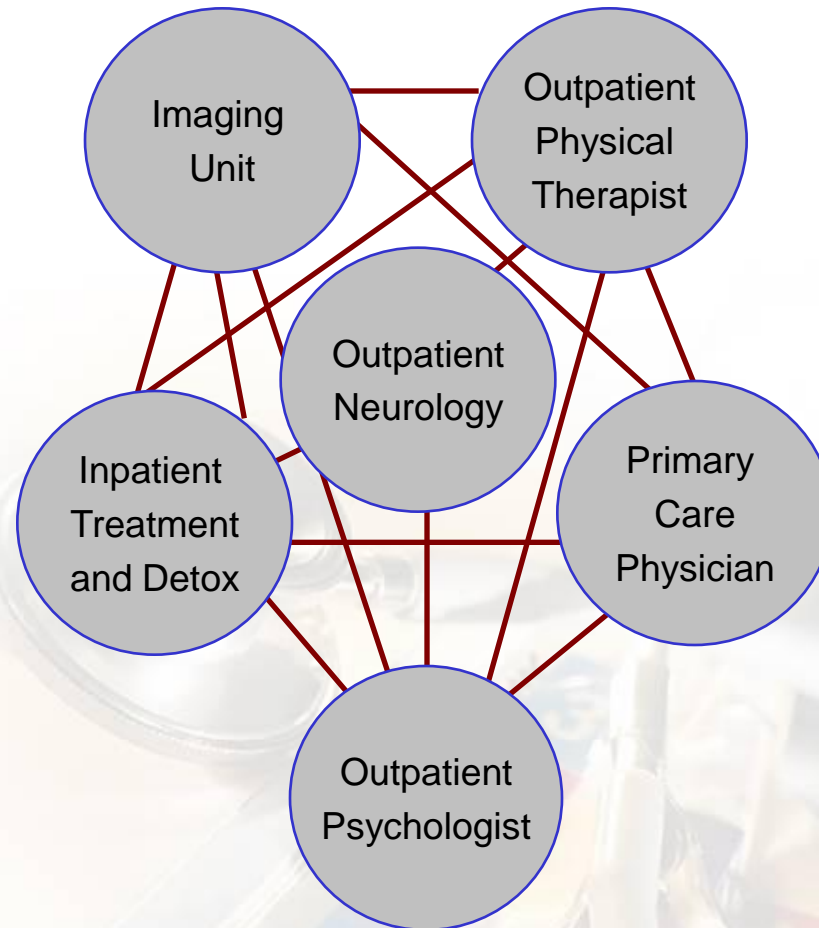


A solution conveniently, effectively  
and efficiently enables better health

# Migraine Care in Germany

## Old model

Organized by specialty in discrete, fragmented services

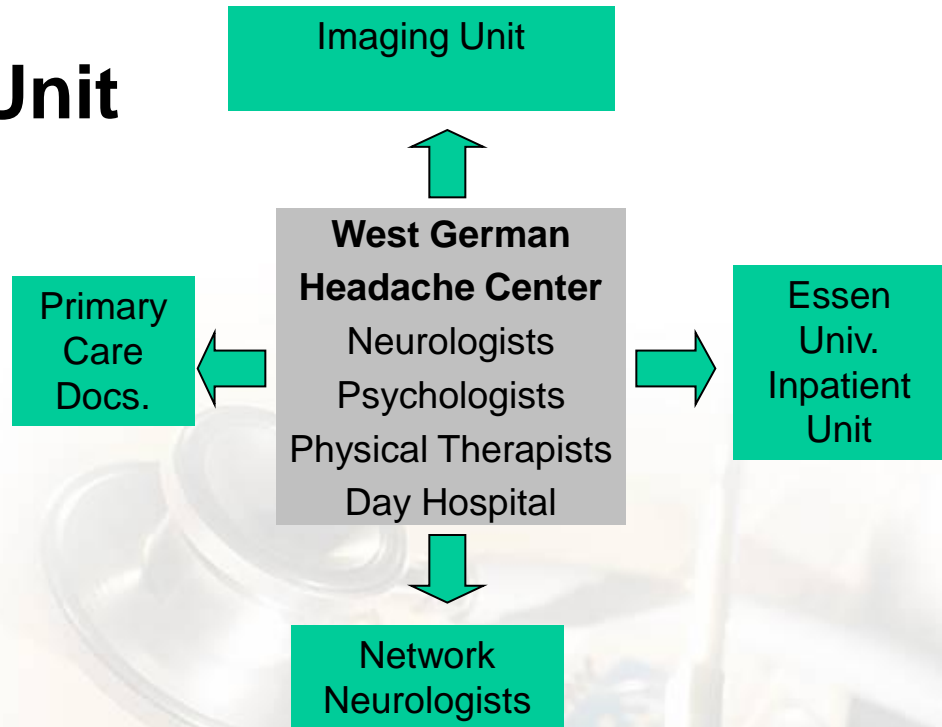


Source: KKH, Westdeutsches Kopfschmerzzentrum

# West German Headache Center New model

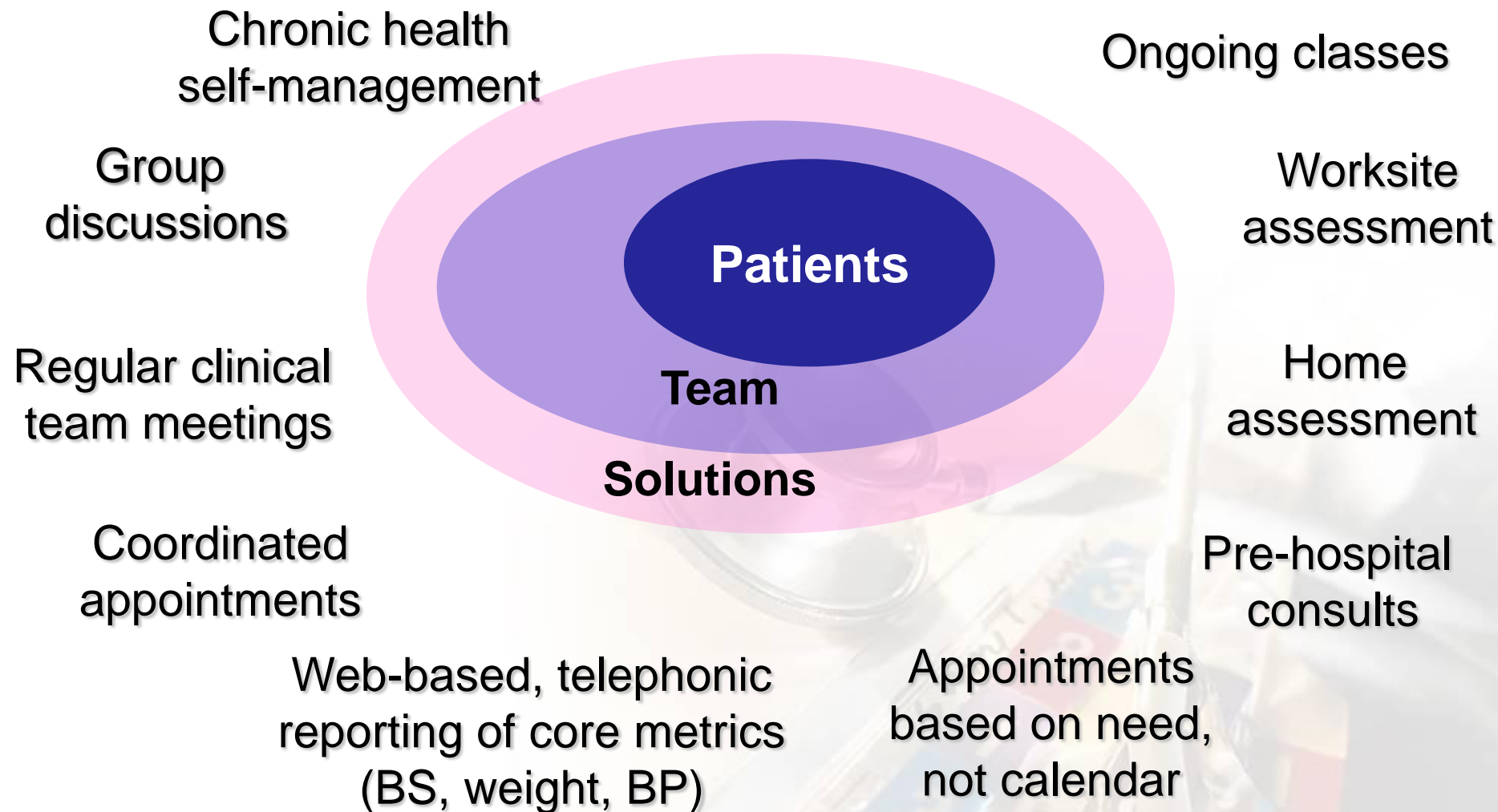
## Integrated Practice Unit

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



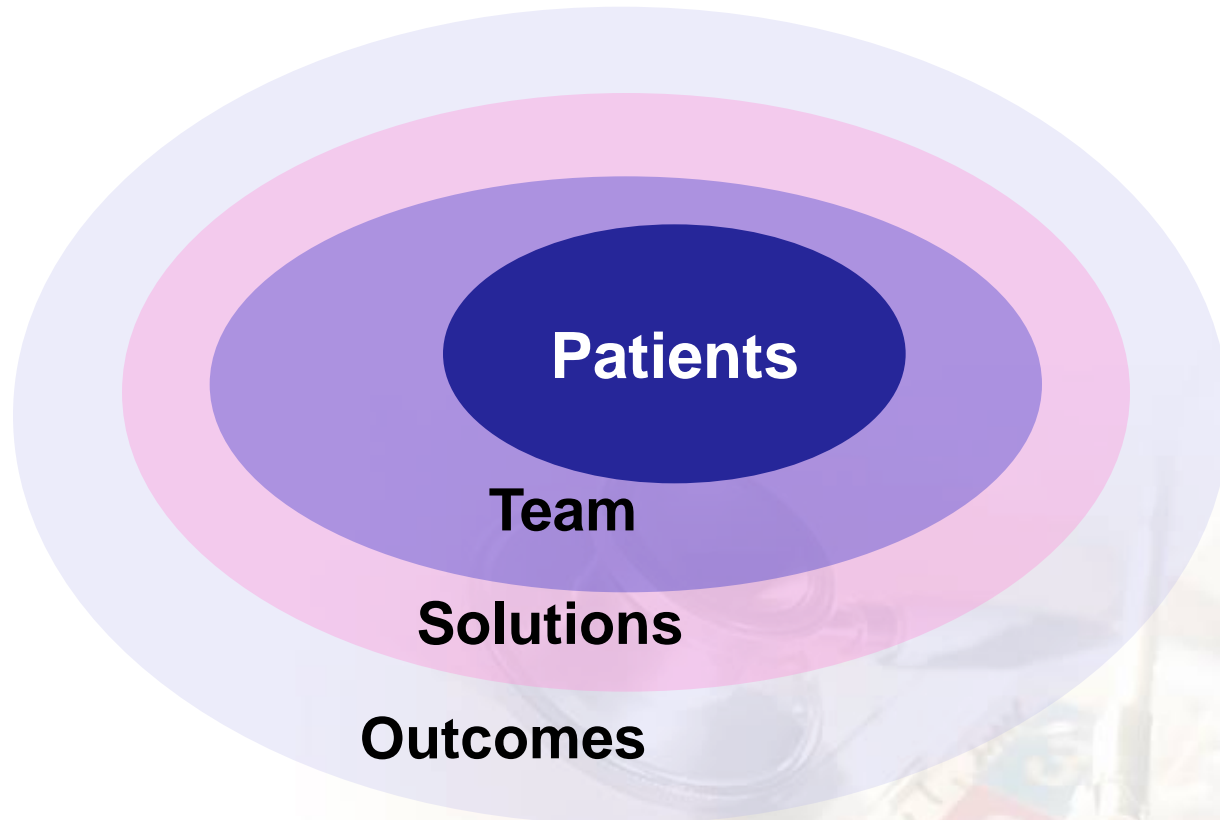
Source: KKH, Westdeutsches Kopfschmerzszentrum

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





# Redefining Health Care Delivery: Outcomes



**What you measure will improve,  
so measure outcomes and costs!**



# Quality is better health care outcomes.

- Good process is important, and
- Measuring and improving **inputs** is not sufficient.
- “Best process” may or may not improve outcomes.



# Outcomes have multiple dimensions

**Health  
Status  
Achieved**

Survival

Degree of recovery, health, capability

**Recovery  
Experience**

Time to recovery or return to normal activities

Care process consequences (e.g. pain, complications, errors; self-care knowledge, confidence)

**Sustainability  
of Health**

Sustainability of capability or health over time

Long-term consequences of therapy  
(e.g., care-induced illnesses)



# Measuring Value: Essential Principles

- Clinicians need to measure results.
- **Drive value improvement and learning.**
- Adjust outcomes for initial patient conditions.
- Don't wait for perfection: When used, measures and risk adjustment methods **improve rapidly.**



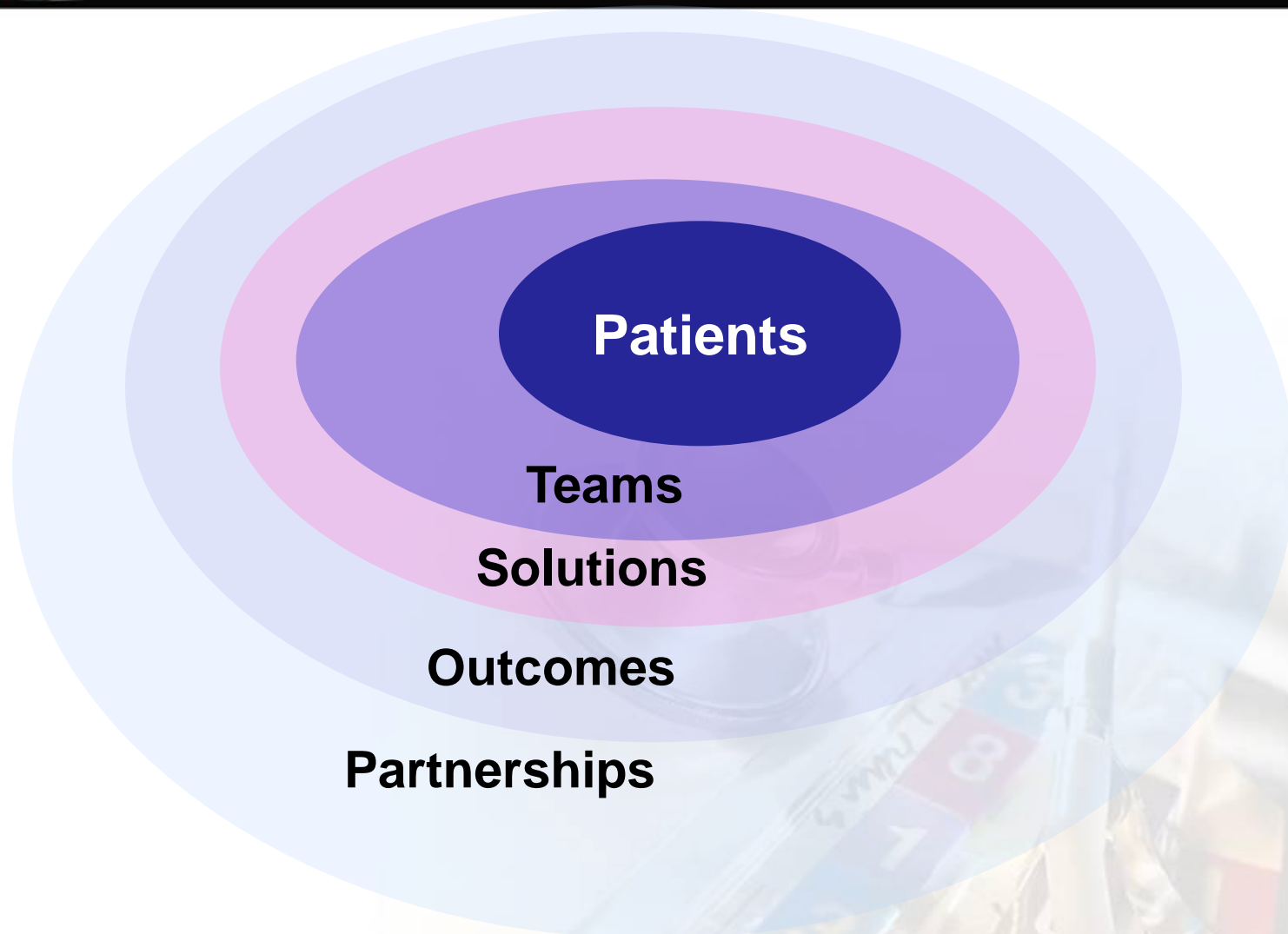
**Failure to measure outcomes  
slows improvement and  
invites costly micromanagement**



# Increased incidence of chronic disease requires a redefined perspective

The goal is treatment → The goal is **health**

# Redefining Health Care Delivery: Partnerships





# New partnerships are particularly critical in Chronic Disease

- Leading causes of death.
- 65% to 80% of all health care spending.
- Need to enable the patient, not just treat the disease.
- Employers pay 2x to 7x more in lost productivity, disability and early retirement cost.
- Inherently complex and interdisciplinary.
- Chronic health care today fails the doctors too.




# Strategic Misalignment

Delivery organized for **acute** disease & injury

While . . . .

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



# Reimbursement should be aligned with **value.**

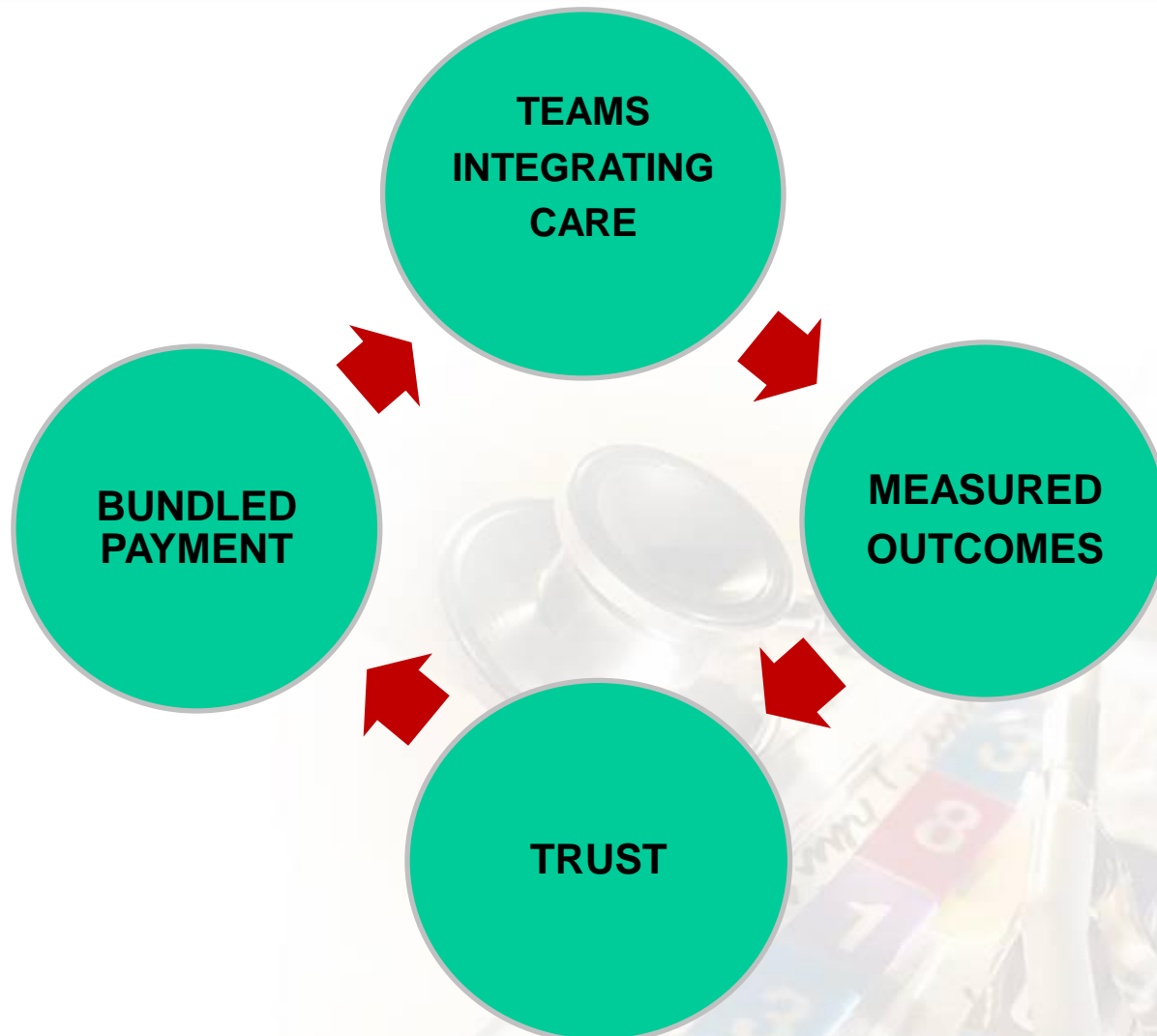
Today...

Financial success of  
system participants  $\neq$  Patient  
success

Shift reimbursement to...

**Bundled prices for cycles of care,**  
not global budgets or payment for discrete services.

# Redefinition and design for health enables a win-win dynamic





# The rising pandemic of chronic disease requires different thinking:

Spend more

Limit services

Improve health care value