



# High Value Health Care

*Hoag Hospital  
7 November, 2009*

Professor Elizabeth Teisberg  
Darden School, University of Virginia  
and  
The Institute for Strategy and Competitiveness,  
Harvard Business School



# The problems?

Rising costs

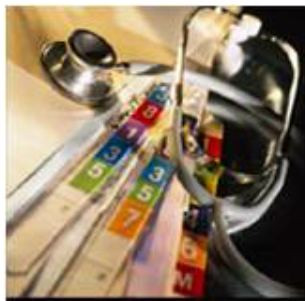
Access to Care

Insurance Coverage

Highly variable quality

Skewed incentives

Fragmented care cycles



# What should be the goal of health care reform?

More care?

Less care?

Cost reduction?



The goal of health care reform?



***BETTER HEALTH***





# What happens with current health care reform?

Insurance reform.

Expanded access.

Health care transformation requires additional efforts.



# Options With Expanded Coverage

What are the choices with expanded coverage?

Spend more

Ration more


Improve health  
and value



# Value in Health Care

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

Align interests. Enable the win-win.



# Biggest Unnecessary Cost Driver: Wrong Competition

Competing to shift costs.

A better model:  
Competing to ***create value.***



# Four key ideas to guide strategy

Michael E. Porter  
Elizabeth Olmsted Teisberg

## Redefining Health Care

*Creating Value-Based Competition on Results*



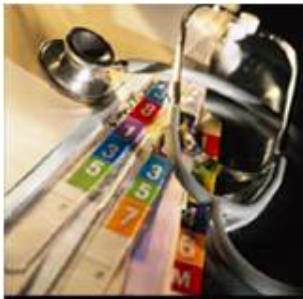
HARVARD BUSINESS SCHOOL PRESS

- Create unique **value** by creating **solutions** for for patients and families
- **Teams** treating medical **conditions** over the **full cycle** of care
- **Measuring outcomes** to accelerate improvement
- **Aligning financial** and medical success



# Opportunities for Value-Based Health Care Delivery

**Create unique value by creating  
solutions for patients and families**



Patients want more health,  
not more treatment.

# Healthcare



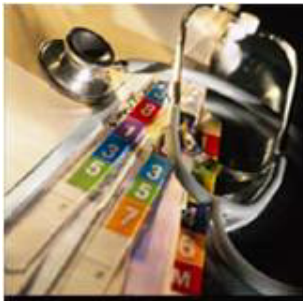
# The best way to contain costs is to *improve* quality

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

Quality is better **outcomes**

Quality drives efficiency in many ways:

- Prevention
- Early detection
- Right diagnosis
- Early, effective treatment
- Fewer mistakes and repeats
- Fewer complications
- Slower progression of chronic disease
- Less invasive treatment methods
- Fuller recovery of capabilities
- Faster recovery



# Medical Conditions

Includes the common co-occurring conditions

Diabetes is not just a disease of the pancreas;

Includes multiple diseases that often occur together

Extends through the full cycle of care

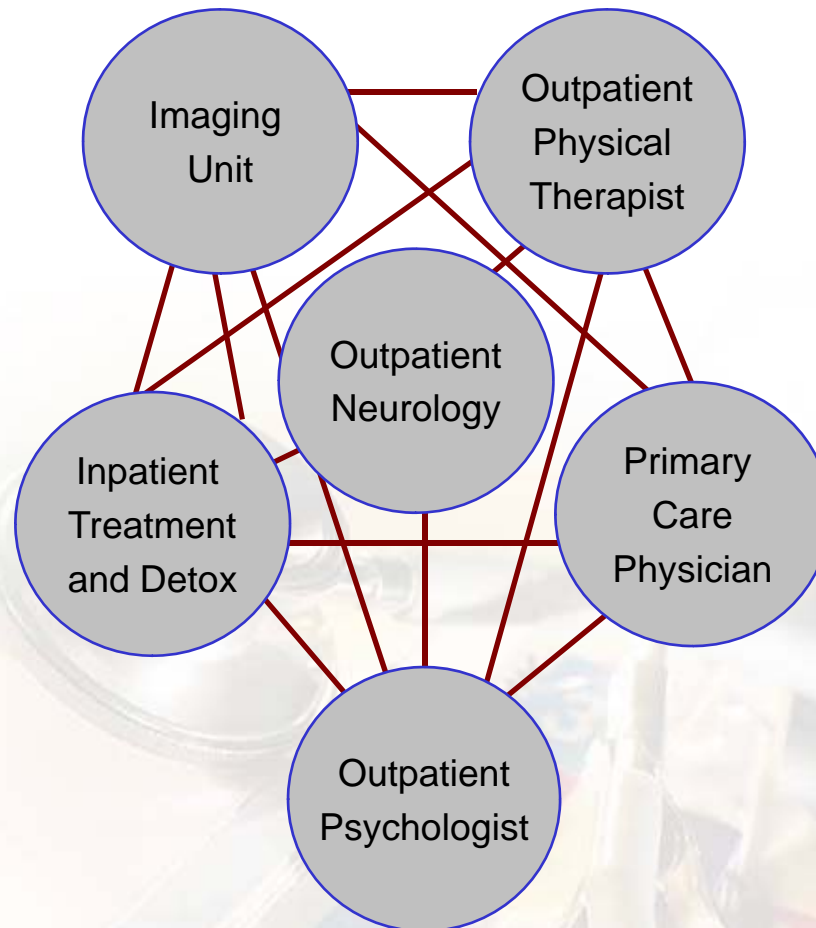
Breast cancer as a medical condition



# Migraine Care in Germany

## Old model

Organized by  
specialty in discrete,  
fragmented services



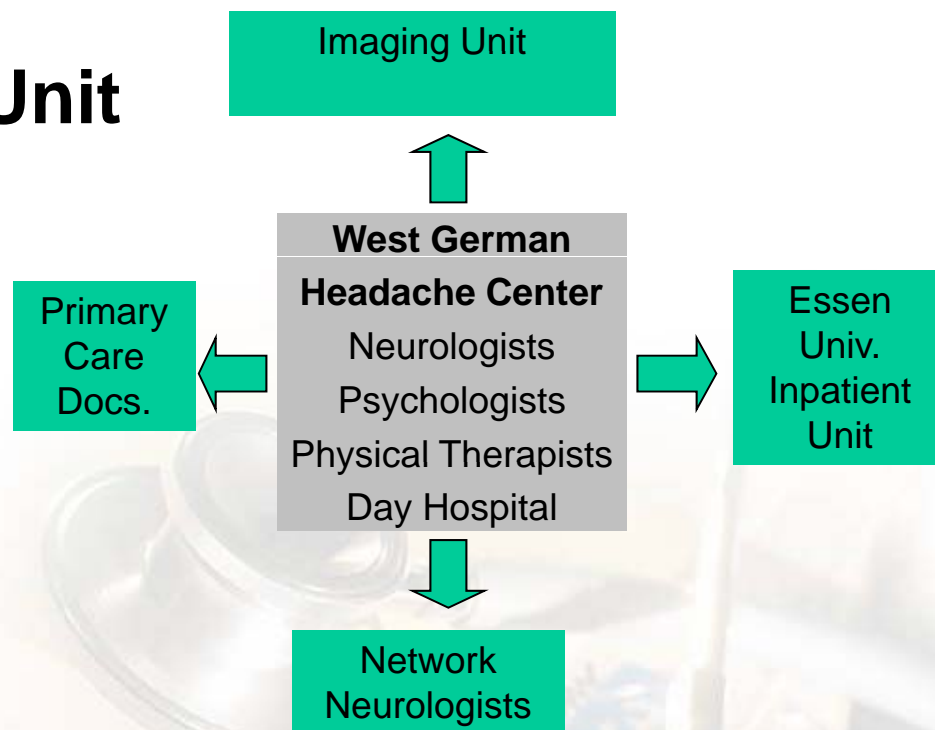
Source: KKH, Westdeutsches Kopfschmerzzentrum



# West German Headache Center New model

## Integrated Practice Unit

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



Source: KKH, Westdeutsches Kopfschmerzszentrum

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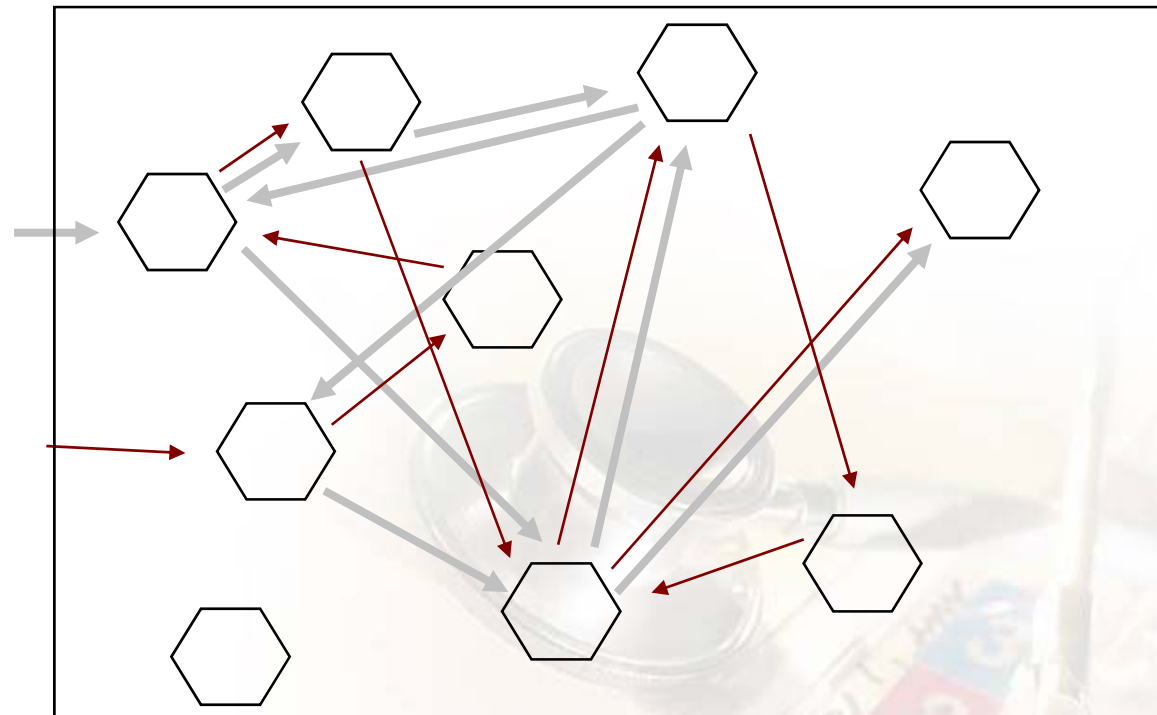


# Opportunities for Value-Based Health Care Delivery

**Redesign teams for clinically  
integrated full cycle care**



# Clinically Integrated Care Team or Collection of Fragmented Services?

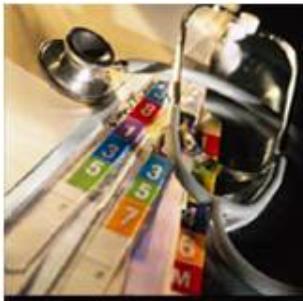




# What is Different with Teams?

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

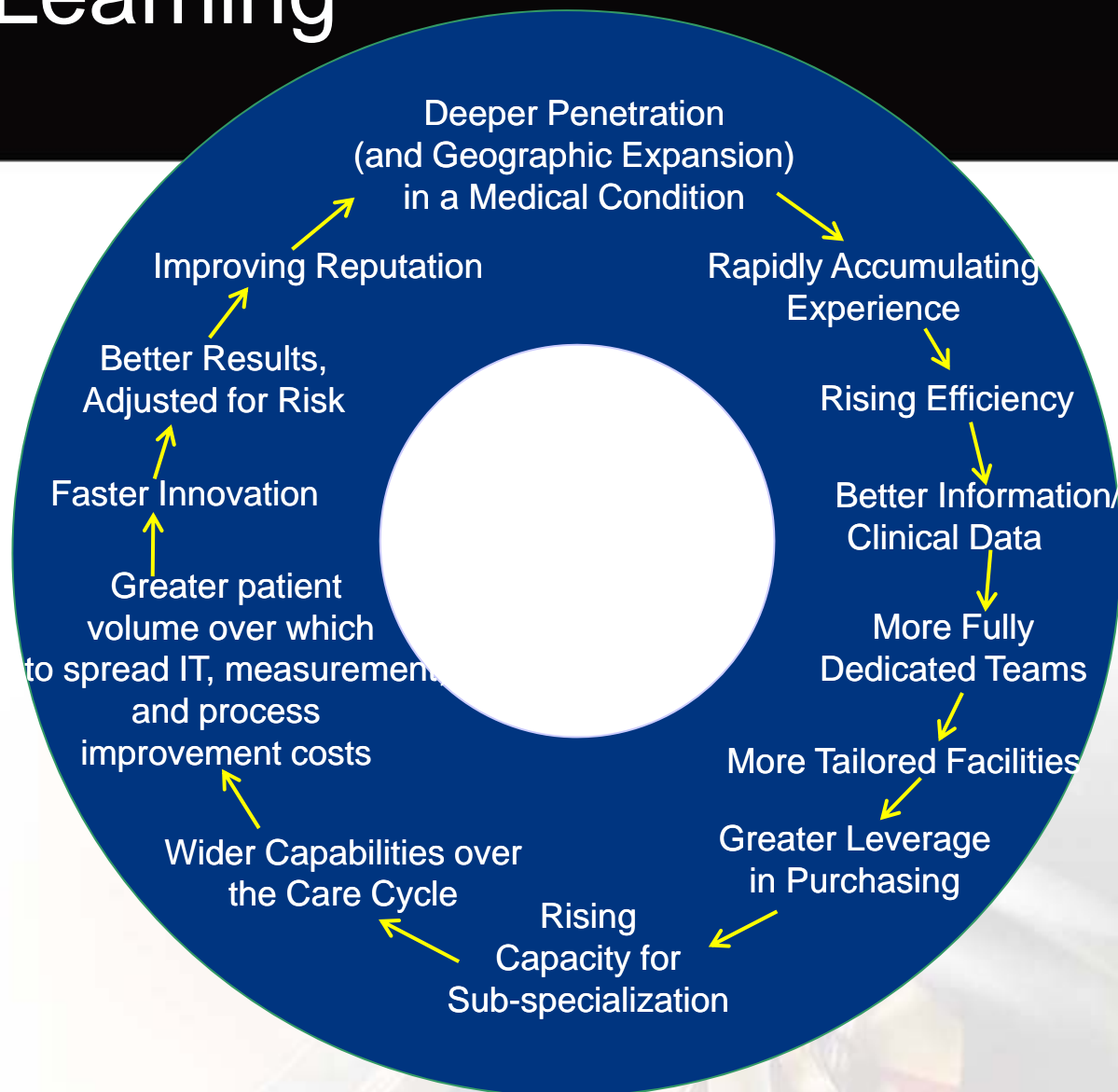
Why?



# Driving Learning

Broad expertise develops over the care cycle for the patient.

Attention to results enables and inspires improvement.





# Value-Based Health Care Delivery

**Measure results  
to accelerate learning**





# Outcomes should 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)



Measure results at the ***level at which value is created*** for patients



# Outcome Measurement will Speed Learning and Enable Trust.

## Patient outcomes

- providers should measure results of teams
- forget report cards, drive learning
- improve measures and improve measured results.

You can't pay for results before measuring them.

quality = outcomes

process compliance is not results

The government could jumpstart results measurement.

The feasibility of meaningful outcome measurement  
has been conclusively demonstrated.



# Measuring Value: Essential Principles

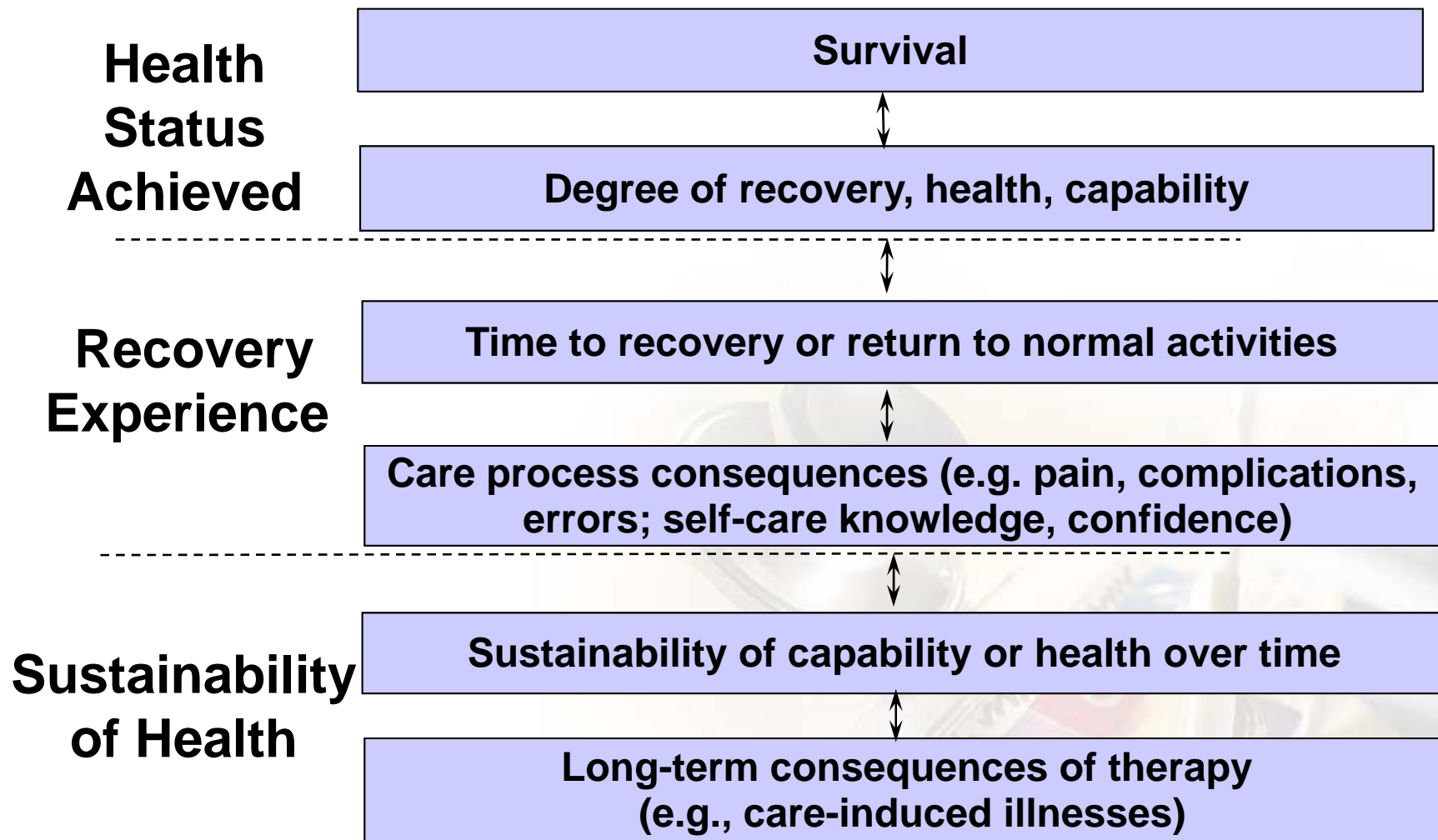
- **Clinicians** need to measure results in order to drive value improvement and learning
- Outcomes should be **adjusted for patient initial conditions**
- Outcome measurement won't be perfect: They improve through use
- Feasibility at the medical condition level has been **conclusively demonstrated**



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




# Outcome Measures have multiple dimensions





# Opportunities for Value-Based Health Care Delivery

**Align medical success and  
financial success**



# 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.



**Effective, sustainable changes in incentives require changes in structure and organization.**

- Bundle reimbursement for ***team*** around ***care cycles***.
- Pay for ***prevention, screening and diagnosis***, not just treatment.
- Pay for ***overall management of chronic conditions***.
- Adjust for ***patient complexity***.



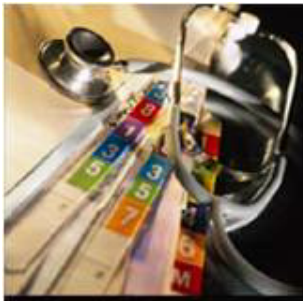
# Care delivery redefined

- *Patient centric:* Value-creating care solutions
- *Clinician led:* Teams treating medical conditions over the full cycle of care
- *Results driven:* Measuring patient outcomes to accelerate learning
- *Value based:* Paying teams for value



# Integrated Practice Unit

## Type 2 Diabetes



# The evolving divide

Where is innovation most needed?

Public health

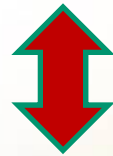
Improved treatments

Health strategy:  
structure and organization



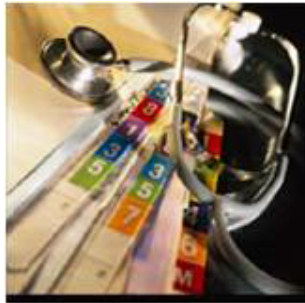
# Strategic misalignment

Delivery organized for **acute** disease & injury



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

Employers spend 3x more on poor health than on health benefits.



# Toward a Health Strategy

Unique value creation

Fit and consistency

Feels like a cause



# Care Solutions: IPU for Type 2 Diabetes

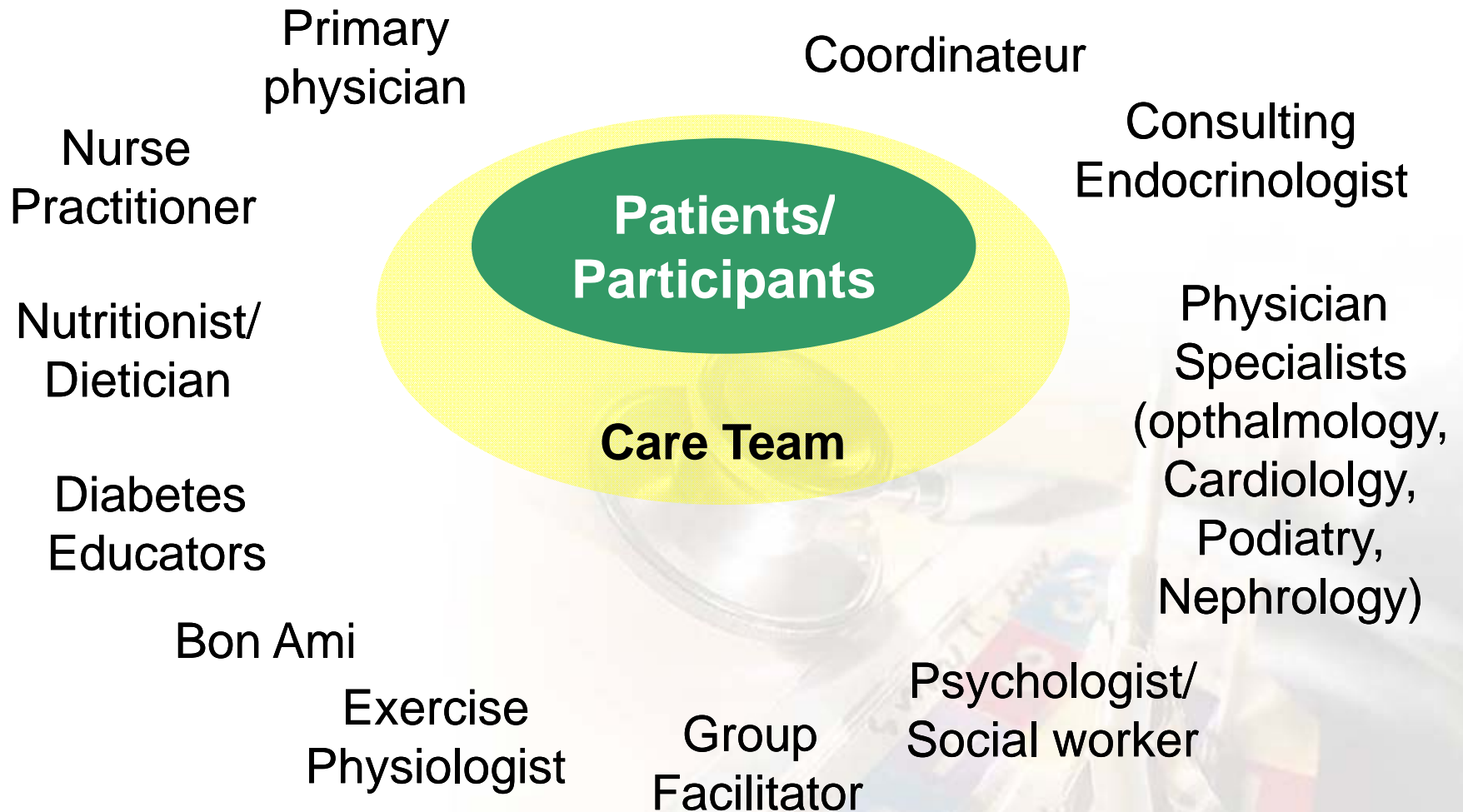
Type 2  
Diabetes  
And related  
Health  
circumstances

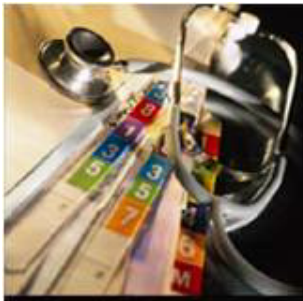
**Patients/  
Participants**

Employees and families  
of Hospital

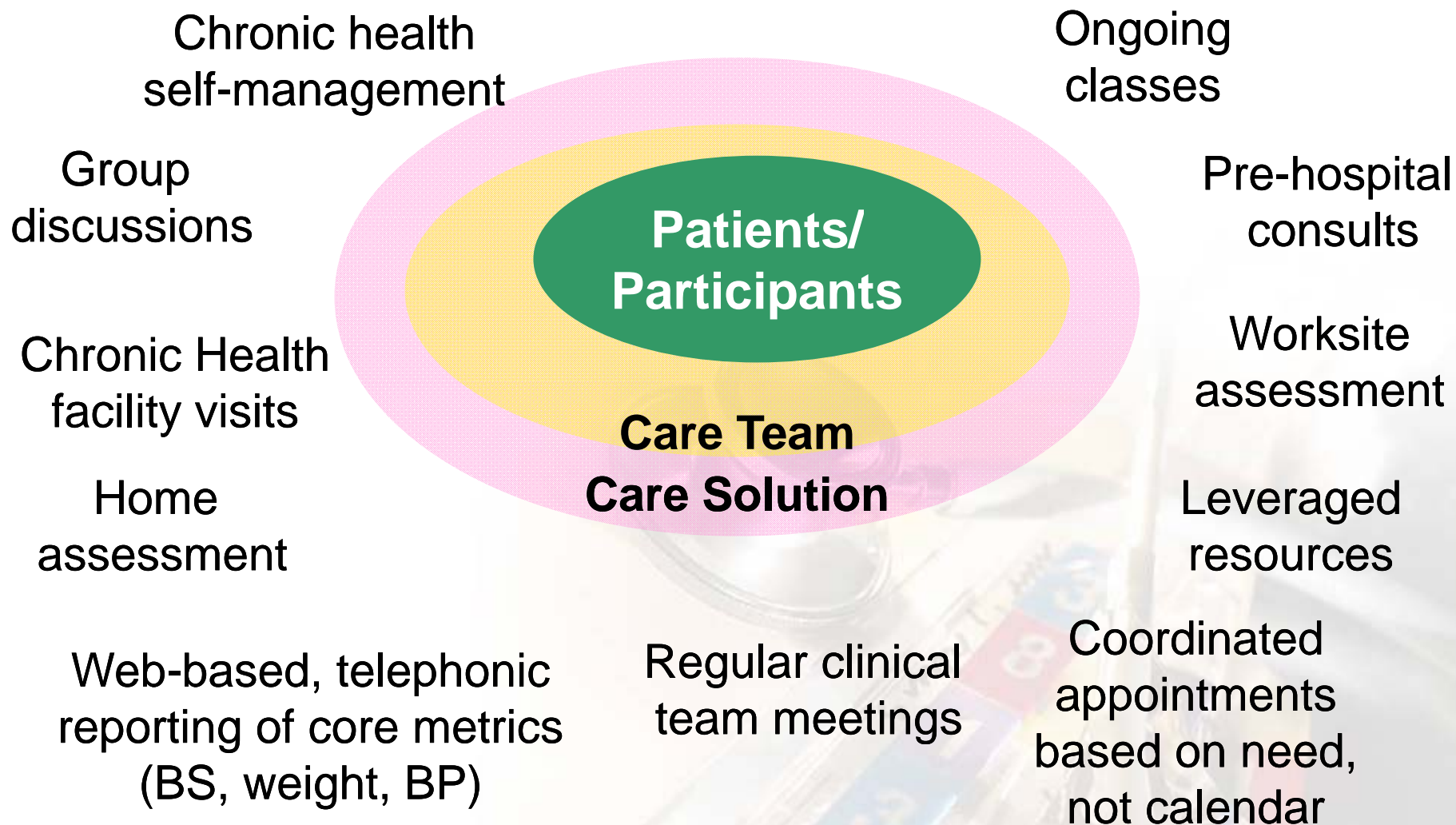
Employees and families  
of Employer

# Care Solutions: IPU for Type 2 Diabetes



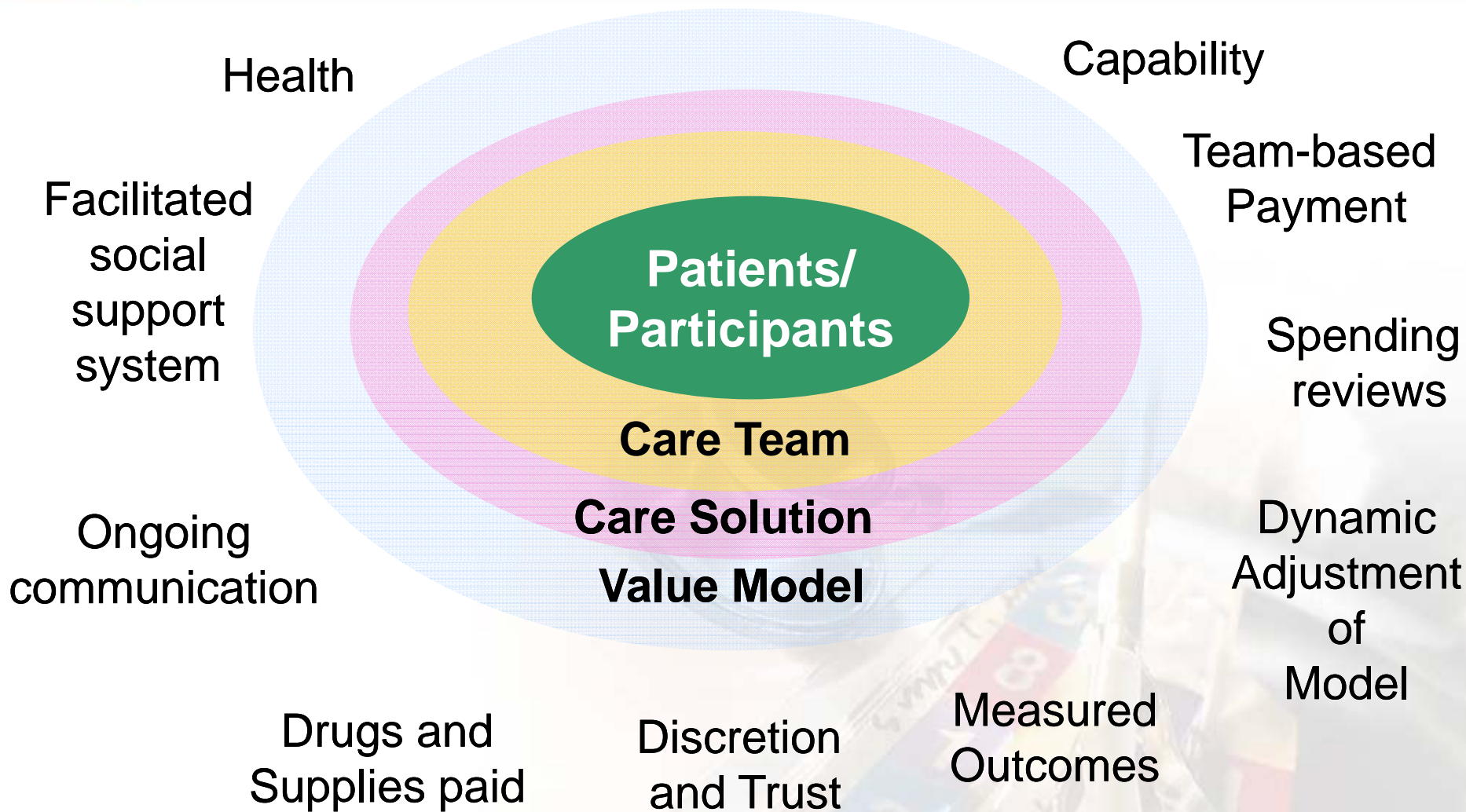


# Care Solutions: IPU for Type 2 Diabetes (connection to the community)





# Care Solutions: IPU for Type 2 Diabetes





# How do you design a high-value health strategy?

- Value creating **solutions** for employees and families
- **Teams** treating medical **conditions** over the **full cycle** of care
- **Measuring outcomes** to accelerate improvement
- **Aligning financial** and medical success



## Begin Early steps

- ❖ **Define the medical circumstances** from a patient view.
  - why are patients coming to you? what are your service lines?
  - what solutions do they need?
  - with whom do you succeed most?
- ❖ **Measure something meaningful now**
  - enable dynamic development of measures
  - measure outcomes by clinical team and by solution.
  - what does the team want to achieve?
  - compare with others and develop insight
- ❖ **Redesign care cycles** to improve outcomes for patients.
  - redesign rather than patch the cracks
  - teams that demonstrate value can change payment models



Slides and information posted on:  
<http://www.hbs.edu/rhc>

