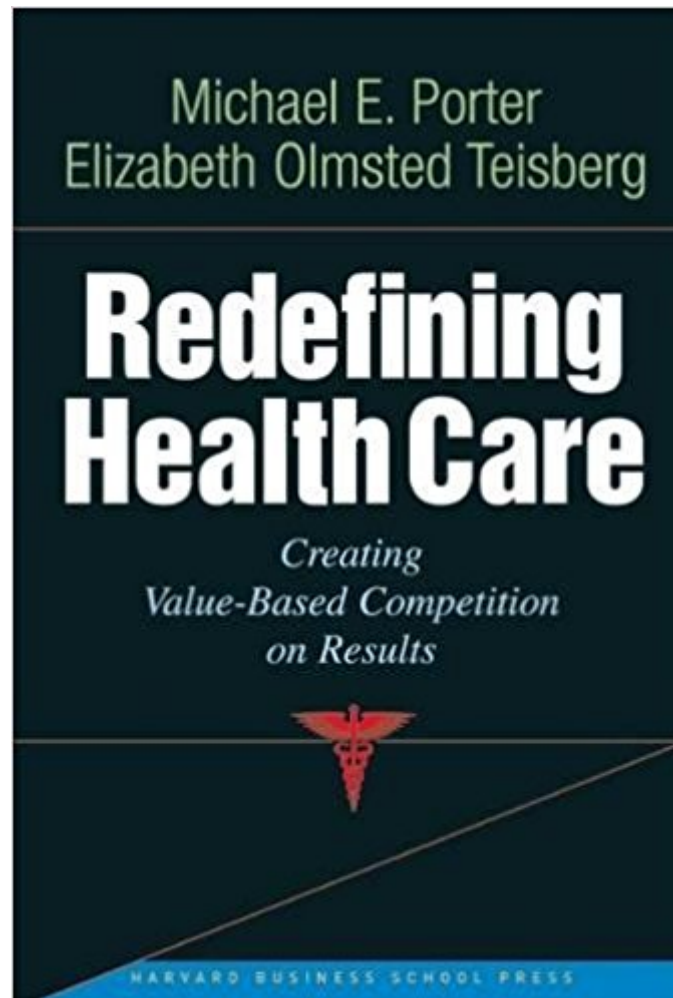




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# Redefining Health Care: Creating Value-Based Competition On Results



## Synopsis

The U.S. health care system is in crisis. At stake are the quality of care for millions of Americans and the financial well-being of individuals and employers squeezed by skyrocketing premiums—not to mention the stability of state and federal government budgets. In *Redefining Health Care*, internationally renowned strategy expert Michael Porter and innovation expert Elizabeth Teisberg reveal the underlying—and largely overlooked—causes of the problem, and provide a powerful prescription for change. The authors argue that competition currently takes place at the wrong level—among health plans, networks, and hospitals—rather than where it matters most, in the diagnosis, treatment, and prevention of specific health conditions. Participants in the system accumulate bargaining power and shift costs in a zero-sum competition, rather than creating value for patients. Based on an exhaustive study of the U.S. health care system, *Redefining Health Care* lays out a breakthrough framework for redefining the way competition in health care delivery takes place—and unleashing stunning improvements in quality and efficiency. With specific recommendations for hospitals, doctors, health plans, employers, and policy makers, this book shows how to move health care toward positive-sum competition that delivers lasting benefits for all.

## Book Information

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## Customer Reviews

"...a profound and powerful critique of America's health-care system. It deserves to be read widely. And probably will be." -- Economist.com

Michael Porter acts as one of the World Economic Forum's Global Competitiveness Report's primary editors.

This book has received probably disproportionate attention due to Prof. Porter's notoriety as a strategic thinking theorist. There are better overall books on healthcare policy available. In particular I recommend the Bodenheimer/Grumbach books, one on healthcare policy and one on primary care, Dr. Arnold Relman's book, *A Second Opinion, Strained Mercy*, an outstanding and thorough analysis of healthcare economics with particular regard to Canada's healthcare system and *Pricing the Priceless* a more technically-oriented economic analysis by Prof. Joseph Newhouse, among other books. I find the analysis of the USA healthcare system by Profs. Porter and Teisberg to generally be excellent, although I find it wanting in regard to their disparagement of a single-payer/single-insurer system and to their description and analysis of healthcare systems outside the USA. From my perspective private health plans play only a net negative role in the system. The authors' analysis of how the health insurance market works is quite good. However their recommendation that a system of private insurers should persist is refuted by their own analysis! A single payer/insurer system will not cure many problems of the USA system, as they clearly point out, but it does remove the inherently dysfunctional characteristics of private insurance, not least of which is its failure to meet the needs of the uninsured - a very large number - and its inherent propensity to exclude the very people who need coverage and care. The authors rightly point out that mandatory health insurance along with risk-pooling among insurers to spread the costs of those insured individuals who generate the highest costs is a "solution" to the current non-functioning system, but the same result, at lower cost and with much greater simplicity, can be achieved through a single payer/insurer. The other key aspect of healthcare - how it is delivered - is ultimately more important than the financing/insurance side. The authors provide excellent analysis and recommendations in this regard. They correctly address the aspects of the healthcare market that prevent its functioning as a "competitive" market, specifically the abysmal lack of patient information on prices for services, on outcomes of actions by providers, comparative statistics on provider performance and similar. They also provide an interesting report by the Cleveland Clinic on outcomes, i.e. results, of the Clinic's heart surgery activity. They appropriately use this as an example of the kind of reporting that is needed. The authors' analysis of healthcare systems outside the USA is skimpy and inaccurate in my opinion. The authors underplay the demonstrated efficacy of government-funded systems that outperform the USA system almost across the board in gross

measures of outcomes (infant mortality and longevity) and vastly outperform the US system in regard to cost. They gloss over the fact that per capita costs in the USA are 2.5 times! the average per capita costs in other OECD countries. It is not as though the costs are say 10% above the average with comparable outcomes. They are 150% higher with worse outcomes. Instead of noting this and analyzing it thoroughly, the authors assert that waiting times and rationing of care are significant problems in those countries, assertions which are simply not borne out by the facts. Also the fact that (mostly) single-payer/insurer systems function well universally does not fit the authors' main thesis, so rather than revise the thesis based on this evidence they choose to ignore the evidence. As a consequence of these limitations I rate the book with 4 stars rather than 5. Too bad, because most of the book is excellent.

Why doesn't it follow the progression to higher quality and lower prices as most other industries do? These are some of the questions that authors Michael Porter of Harvard Business School and Elizabeth Teisberg of University of Virginia School of Business attempt to answer. The book paints an accurate portrait of the shortcomings of the US health care system, which fails to identify and scale up providers who provide the highest quality health care at the lowest cost. Health care providers, health plans, payers, and consumers are responsible for our low performing, high cost health care system. Real reform of the system has implications for all stakeholders and, optimistically, this reform is already underway. Improvements in health care quality reporting and access to these data by consumers and payers is increasing, providers are consolidating from solo private practices to medical groups wherein health plans are supporting transformations to patient center medical homes that actively manage patient health status through preventive care and case management. Employers are expecting that health plans augment their provider contracting discounts and claims processing with health and wellness programs, including disease management. Health care technology, including electronic medical records and telemedicine, are improving the portability of health information and enabling remote hospitals to instantly access medical specialists at nationally and internationally recognized hospital centers. The authors do an excellent job of highlighting the levers in the domains of each stakeholder that must be switched on for transformation to a value based market place to happen. I argue that it will happen out of economic and technological developments, as well as the influence of globalization, rather than via any significant policy changes, with the exception of a government mandate for individual health insurance coverage that has now been passed at the federal level. Even though I share the opinion of several other reviewers that the book is unnecessarily lengthy and redundant, I do recommend it

for its broad viewpoints and substantial supporting case studies.

This book is an excellent opinion piece - defining and clarifying some important ideas which are still as un-tested today as they were when it was written. The main criticisms of this book are that there are few data to support their concepts. The reason for this is no one has tried anything like the approaches they suggest in either quality improvement or safety (if we accept, for the moment that these are separate areas of activity). The whole point is that they are suggesting one point, which, I agree, they hammer and re-hammer over and over: health care *\*must\** be devaluated, measured, paid for on the basis of outcome measured over the entire cycle of the patient's disease. Unfortunately, the best we have so far is to measure mini-outcomes. And when it comes to many kinds of cancer or CAD or stroke, etc., one procedure, one O.R. episode, or even one hospitalization is a TINY portion of the health care that the patient in question will receive. It is the wrong (narrow) focus in time and other incorrect foci that they discuss. If their ideas were in place, then someone (maybe they) will write a book evaluating how effective their ideas are. There are no data - at best we have data on very short term result. Often evaluations are based on process variables, intermediate variables, or whatever name you want for them. I'm waiting for some data to analyze.

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