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Value-Based Healthcare in 2017



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Porter and Teisberg introduced value-based healthcare (VBHC) in their seminal 2006 book, *Redefining Health Care*. At the time, several sceptics raised questions about the evidence and practicality of its prescriptions. One reviewer noted, "There are few data to support their concepts. ... no one has tried anything like the approaches they suggest." A prominent healthcare economist described it as a "utopian vision by people not too familiar with the real world of health care" (Reinhardt 2006).

Ten years later, the real world has spoken and VBHC has been widely accepted and adopted. A substantial body of published literature, including case studies and teaching materials, has described how to put all VBHC principles into practice. The World Economic Forum has established a multiyear global working group of leading health organisations to adopt and disseminate VBHC best practices.

Progress on Key VBHC Components

Let us examine the progress on key VBHC components. The first, bringing together multiple types of clinicians, supported with dedicated behavioural and social service professionals, to treat specific medical conditions, has been adopted by numerous institutions, including MD Anderson Cancer Center, the Cleveland Clinic, and the U.S. Navy. The conditions range across osteoarthritis, cancer, diabetes, obstetric care and at-risk elderly populations. In each instance, the integrated practice units deliver superior patient experiences and outcomes.

The second VBHC principle, measure outcomes and cost at the patient's medical condition level, has moved rapidly into actual practice. One previous barrier, the lack of standard outcome metrics by medical condition, has been overcome by the International Consortium for Healthcare Outcomes Measurement (ICHOM) (ichom.org), which has convened two dozen international working groups of leading clinicians for important medical conditions. By the end of 2017, ICHOM outcome standards will cover medical conditions representing 50 percent of the global disease burden. The OECD, in collaboration with ICHOM, is driving the use of new technologies to routinely collect clinical and patient-reported outcomes (PROMS) in all 35 OECD countries.

Time-driven activity-based costing (TDABC), introduced to healthcare in 2011, has enabled providers to accurately measure the total costs of treating patients over condition-specific cycles of care. Adoption of TDABC has led to cost savings of at least 20-30 percent. TDABC and patient-level outcomes have provided the previously missing information for clinical practice to measure and improve the value they deliver to their patients.

The third VBHC principle, bundled payments to pay for complete, integrated treatments of a patient's medical condition, has come into widespread practice in the U.S., Sweden, the Netherlands and other locations during the past six years. The U.S. Centers for Medicare and Medicaid Services (CMS) has taken the lead, with private insurers and employers now following. Children's Hospital of Philadelphia (CHOP) has

been a great example of VBHC principle four; regional integration. The integrated CHOP network gives families the ability to seek the right care at the right place at the right time in the metropolitan Philadelphia region. Cleveland Clinic exemplifies how to achieve VBHC Principle five; focused and high-quality expansion in the U.S. and globally. Integrated electronic information technology, VBHC Principle six, is also widely deployed today.

In summary, the Porter-Teisberg 2006 vision, and the literature built upon it during the next decade, has proven highly practical and applicable. The state of VBHC in 2017 is strong, and getting much stronger. We can reasonably expect to see more and more healthcare systems around the world restructuring around the VBHC framework. It has provided a clear road map for restructuring healthcare delivery around patients' medical conditions. The only remaining question now is how quickly institutions and countries can implement it.

Michael Porter is an economist, researcher, author, advisor, speaker and teacher. Throughout his career at Harvard Business School, he has brought economic theory and strategy concepts to bear on many of the most challenging problems facing corporations, economies and societies in healthcare and other sectors. His extensive research is widely recognised in governments, corporations, NGOs, and academic circles internationally. His research has received numerous awards, and he is the most cited scholar today in economics and business.

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