

## Redefining healthcare

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Up to my administration, which ended in 1992, public healthcare in Puerto Rico was undertaken through public hospitals and other facilities with services provided by doctors and other personnel working for the government. The budget for the administration providing these services—1992-1993—was \$481,325,595. Pedro Rosselló, who succeeded me as governor, instituted a major reform of the system, which began to be implemented in 1993. The reform, which works through managed care by a private system, now covers 1,490,000 of our citizens and has a budget of \$1,763,489,400. Since the reform was instituted, there have been loud and continuous cries for reform of the reform.

As the years have gone by, different reforms, or pilot projects, of the Rosselló reform have been undertaken. None of them, in my opinion, have taken a strategic approach. They've been necessary patchwork but insufficient. Reform of the reform must proceed on the assumption that the quality of healthcare must be improved and costs must be brought under control—both things, not one at the expense of the other.

I have often wondered whether the reform has improved healthcare in Puerto Rico. There is no doubt that our citizens, who were previously attended through public facilities, prefer the present system that works through private hospitals and doctors. But I haven't been able to obtain, when I have asked for them, the morbidity and mortality statistics that establish the effects of the reform regarding the care of all physical conditions that are treated by the reform. So, as far as I am concerned, the jury is still out on whether the reform has actually improved the general quality of healthcare in Puerto Rico.

Literature on healthcare reform, both local and external, is abundant. In the presidential election, healthcare is right up there with the economy as the main issues. It is also an important issue in our gubernatorial campaign.

Recently, in readings on this subject—from the book “Redefining Health Care”—I discovered an approach that finally made sense to me in healthcare reform. Written by Michael Porter and Elizabeth Olmsted Teisberg, the book is hailed by *The Economist* as “a profound and powerful critique of America's healthcare system.” The strategic approach to healthcare espoused by the book is that of creating value-based competition on results.

“Redefining Health Care,” says Delos M. Congrove, M.D., chief executive officer of the renowned Cleveland Clinic, “presents a fresh, clear-eyed view of the problems of the American healthcare system, and shows how value-based competition is the only real solution. This bold, insightful book will stimulate

every participant in healthcare delivery to re-examine current strategies and practices, and achieve vastly better results.”

The authors of “Redefining Health Care” come from the field of business. Porter is a leading authority on competition, based in the Harvard Business School. Olmstead Teisberg is a professor at the University of Virginia's School of Business and an expert on strategy and innovation. Their reflections and recommendations regarding the U.S. healthcare system also ring a bell about our healthcare system in Puerto Rico.

They tell us that reformers have tended to focus on a single issue or problem that must be addressed, such as the rising number of uninsured, the unnecessary administrative costs imposed by health plans, the lack of consumer responsibility for costs, etc. Therefore, they explain, solutions—such as a single-payer system in which government provides universal insurance; integrated health systems combining a health plan with a captive-provider network; advances in information technology, etc.—tend to target one or two aspects of the system believed to be the core of the problem. However, none of these solutions has worked, or can work. The authors tell us that each is incomplete and brings with it new problems.

The fundamental problem with the U.S. healthcare system, the authors argue, is that the structure of healthcare delivery is broken because competition is broken. The reform movements have failed because they haven't addressed the underlying nature of competition. In a normal market, competition drives relentless improvements in quality and costs. In the U.S. healthcare system, competition doesn't reward the best providers, nor do weaker providers go out of business. Participants compete to shift costs onto one another, accumulate bargaining power and limit services. This kind of competition doesn't create value for patients, but erodes quality, fosters inefficiency, creates excess capacity and drives up administrative costs.

The way to transform healthcare, according to the authors, is to realign competition with value for patients. Value in healthcare is the health outcome per dollar of costs expended. If all system participants have to compete on value, value will improve dramatically. Value in healthcare is determined in addressing the patient's particular medical condition over the full cycle of care, from monitoring and prevention to treatment, to ongoing disease management.

Competition on value must revolve around results. The results that matter are patients' outcomes per unit of costs at the medical-condition level. Competition on results means that those providers, health plans and suppliers that achieve excellence are rewarded with more business, while those that failed to demonstrate good results decline or cease to provide that service.

Competing on results requires that results be measured and may be widely available. Mandatory measurements and reporting on results is perhaps the single most important step in reforming the healthcare system. Rather than measuring results and rewarding excellent providers with more patients,

the focus has been on lifting all boats by attempting to raise all providers of a service to an acceptable level through practice guidelines and standards of care.

We would do well to reflect on these observations regarding the U.S. healthcare system and, in particular, to pay attention to the authors' indication that: "competition has taken place at the wrong level and on the wrong things, the result of a series of skewed incentives, faulty assumptions, unfortunate strategy choices and counterproductive regulations that are understandable, but inconsistent with how value is actually created in delivering healthcare."

