Redefining Health Care: Creating Value-Based Competition On Results

“A profound and powerful critique of America’s health-care system.”—The Economist

Michael E. Porter
Elizabeth Olmsted Teisberg

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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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Porter’s theories on management are the bread-and-butter of management theory but he knows little about healthcare. It would be fantastic if his elegant theories worked for this industry, but they
don't. Serious flaws:

Authors: Care value should be measured by outcomes.
Reality: This is the fundamental problem with the healthcare market is that even the end-user of cannot fully assess the outcome not to mention the medical interventions’ contributions to that outcome. Diseases recur and response to medical treatment varies so greatly that doctors rarely agree on the simplest courses of treatment. Only for the most common disease states will there be consensus on intervention. The authors compare the healthcare consumer to the institutional purchaser of computer systems, people that are generally IT experts. This is akin to comparing all patients to nurses.

Authors: Competition should exist at a national level.
Reality: Patients are cured locally because sick, pregnant, working people, etc., do not want to travel to another city to get specialized care. In fact, Guy David’s studies show that proximity of less than half a mile holds more sway for patients than expertise. One can’t purchase healthcare over the internet. Nor can patients in the bottom 50% of wage-earners travel to another metropolitan area every month to see a field expert.

Authors: Community-based hospitals repeatedly produce better outcomes than academic institutions.
Reality: Patients with difficult-to-treat medical conditions are referred to or self-refer to academic medical centers so the sample group is biased. It’s no surprise that Porter missed some of the most obvious aspects of defining the problem.

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.