

When Your Hospital Gets Paid Based on Value, Not Cost

Healthcare reform and today's competitive marketplace require innovative solutions for improving institutional reliability, increasing patient safety AND saving time and money.

Changes are Coming

Fact: The largest single payer for hospital services is Medicare.

On 4/29/2011 CMS issued the final rules for the first year of the Hospital Value Based Purchasing Program. This program marks the beginning of a historic change in how Medicare pays health care providers and facilities. For the first time, hospitals across the country will be paid for inpatient acute care services based on care **quality**, not just the **quantity** of the services they provide. The final rules call for the first year's measurement to be based on 12 clinical processes of care measures AND scores recorded under the Hospital Consumer Assessment of Health Care Providers and Systems (HCAHPS) which measures how satisfied patients are with the experience of care in the hospital. These measures focus on how closely hospitals follow best clinical practices and how well hospitals enhance patients' experience of care.

Further compounding the impact of this program is that we are entering the age of the informed health care consumer when governments, as well as commercial resources, are expanding the breadth and depth of information available to patients on quality, cost and satisfaction. Examples include: the CMS Hospital Compare Website that provides data on process and outcome of care measures; Health Grades and Consumer Reports (two of the most well known ratings organizations), The Joint Commission on Accreditation of Health Care Organizations, The Leapfrog Group, and US News & World Report Best Hospitals – publicize data on hospitals, providing quality and cost information for thousands of facilities across the country.

Is there a Quality problem?

Fact: Statistics show cause for concern

- A recent Health Grades study showed that approximately 195,000 people die from preventable medical mistakes each year.
- The Institute of Medicine Committee estimates that Adverse Drug Events (ADE) accounts for \$3.6 billion of additional costs to hospitals using a rate of 400,000 ADEs per year in hospitalized patients.
- The Office of Inspection General, HHS, "Adverse Events in Hospitals: National Incidence Among Medicine Beneficiaries", November 2010, reports:
 - ✓ An estimated 13.5% of hospitalized Medicare beneficiaries experienced adverse events during their hospital stays;
 - ✓ An additional 13.5% of Medicare beneficiaries experienced events during their hospital stays that resulted in temporary harm;
 - ✓ Physician reviewers determined that 44% of adverse and temporary harm events were clearly or likely preventable;

- ✓ Hospital care associated with adverse and temporary harm events cost Medicare an estimated 324 million in October 2008;
- ✓ An estimated 1.5% experienced an event that contributed to their deaths, which projects to 15,000 patients in a single month.
- One in three Medicare beneficiaries who leave the hospital will be back in the hospital within a month.

The 'other' Challenges

Fact: In addition to the recognition and resolution of Quality issues, hospital and other health care executives face other daunting challenges:

- Financial
 - The American College of Health Care Executives (ACHE) annual survey of top issues confronting hospital CEOs sites financial challenges as the #1 concern of hospital CEOs for the last 6 years.
 - ✓ increase in staff costs
 - ✓ challenge to reduce operating costs
 - ✓ pressure to reduce hospital acquired infections to avoid penalties
- Health Care Reform
- Government Mandates
- Patient Safety
- Medicare reimbursement

Finally, a Health Leaders 2010 Survey reports that 93% of health care leaders say patient experience is among their top five priorities. Interestingly, quality and patient's safety ranked as the #1 priority in the CEO Health Leaders Survey in 2010, with cost reduction as a #3 priority and eliminating low performers their #1 personnel issue.

Where do we start?

Fact: It's all about the people

While some improvements in care quality can be reached through investments in technology and infrastructure, the most dramatic improvements are achieved through people. At the same time, employees' performance not only strongly influences customer satisfaction, but largely drives the organizational performance on quality and patient safety indicators. Mark Chassim and Jarod Loeb in their recent article (2011) in Health Affairs stated:

“Leaders must focus on the journey from low to high reliability by making it their highest priority and by requiring all levels of management throughout the organization to do the same. In practical terms, this kind of commitment requires embedding the aim of high reliability into the vision and mission statements of health care organizations, setting measurable goals and monitoring their achievement”.

Health care organizations must make the business case for high performance and need to link assessment of individual employee performance to measureable and objective goals. The high performance work practices that are necessary to support employee performance that will drive and support the organization's goal of high reliability include:

- Communicating mission, vision, and values along with strategic goals that are cascaded and assigned to ALL employees, directly linking employee goals and actions to achieving strategic initiatives such as improvements in the quality of care delivered and increases in patient satisfaction;
- Tracking and rewarding staff performance;
- Extensive training to support targeted outcomes and organizational goals;
- Incorporating organizational values into job descriptions and performance reviews;
- Managing and improving staff competencies and skills that are required to assure quality patient outcomes and satisfaction; and
- In-depth data analysis and on demand reporting concerning status and progress of goals, job performance, evaluations, education, and competencies of all staff.

Taking advantage of technology

Fact: We live in an on-line, digital world

Health care organizations can achieve these high performance work practices and achieve the greatest ROI on the investment of time and money to implement them when the practices are technology-based rather than manual. The three advantages of using technology for all the high performance work practices are:

- **Automation**
 - ✓ Reduces the cost and burden of administering employee performance activities
 - ✓ Reduces the likelihood that data will fall through the cracks
 - ✓ Allows you to quickly transition from appraising performance on an annual basis to managing performance on a daily basis
- **Integration**
 - ✓ Allow information to flow seamlessly across the entire performance management system
 - ✓ Align the behaviors and competencies required in a high performance organization directly with strategic goals
 - ✓ Articulate expectations based on individual job description, goals and competencies
 - ✓ Identify appropriate learning and development activities with the result that performance is measured continuously
- **Reach**
 - ✓ Establish consistent performance expectations for employees at all levels and locations
 - ✓ Allows a good performance management program to be fast tracked and accomplished with less risk

Yes, there are serious issues to confront in the Healthcare industry. And, yes, we in the healthcare industry are all not only ethically bound, but also bound by financial and market drivers to deal with those issues. Improving institutional reliability and increasing patient safety while at the same time saving time and money can be accomplished by recognizing and investing in your staff. The effective use of technology is a powerful tool that has the potential to maximize the ability and contributions of your staff.

About the Author

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Ms. Speak brings to TowerMetriX her extensive 30+ years of executive experience in the healthcare industry which includes acute care, acute rehabilitation and long term acute care hospitals as well as long term care facilities. She has served not only as a surveyor for The Joint Commission but also as a Regional Representative on the Orion Project in Pennsylvania. Her accomplishments in both the for-profit and non-profit healthcare sectors have focused on re-alignment of revenue, census and costs to achieve organizational financial turnarounds.