Executive Brief

Quality & Revenue: Prosperity Under Reform and Complex Reimbursement Structures

Implications of Health Care Reform

"Under the new healthcare reform law, beginning in 2015, a 300-bed hospital with poor quality metrics could be penalized by more than $1.3 million per year. The metrics will be published online, which is the most popular place for consumers to seek health information."

PricewaterhouseCoopers, 2010

To survive and prosper during these challenging economic conditions and faced with complex payment models, hospitals must view quality with a financial context. They need a way to prioritize quality improvement (QI) programs and process improvements according to those that will have the greatest impact on both quality and cost. Why? Health care reform rewards value rather than volume. And, complex models like value-based purchasing, bundled payments, episode-based payments, and ACOs firmly link quality to reimbursements. Today's payment programs, models and legislation demand a new level of transparency of quality data.

Despite concentrated efforts, many hospital systems struggle to meet stringent requirements. Furthermore, they lack the ability to quantify the financial impact of quality improvement efforts. As a result they risk significant penalties that erode top-line revenue objectives. Can any hospital afford penalties of this magnitude?

Reform & Complex Payment Model Readiness

Are you ready for complex reimbursement models? If you can answer each of the following questions with an emphatic "Yes," your hospital is on track to protect revenue. If not, then the hospital system must take steps now to prepare for reform and complex payment structures.

- Can you truly measure the business impact of Quality Improvement (QI) programs and Process Redesign efforts? Are you able to estimate cost and quality of care (QOC) for the new redesigned processes and QI programs?
- Can you determine the impact of value-based purchasing on facilities? Do you know which QI programs have the highest return on investment (ROI)? Do you know which ones are the "low-hanging fruits" that you can prioritize for quick-hits?
- Do you have the right decision support systems to help understand how the QI efforts impact system-wide financial performance? Can you identify the quality drivers by DRG? Do you know how these drivers impact cost and revenue?
- Can you perform sensitivity analysis of the CMS core measures and the impact on overall quality and reimbursement? Do you know how changes in the relative weights of individual quality measures affect overall quality of care (QOC) at the system level?
- Can you predict the impact to quality and cost for a facility or DRG if you implement a specific QI program or redesign a specific process?

These capabilities are just a few of those necessary to prosper under reform and complex payment structures. Neglecting these competencies and relying on existing systems is like driving a car with no windshield and only rear-view mirror visibility. Every hospital needs forward-looking visibility – a decision support system that provides predictability and insight.

Looking Forward For Prosperity

Hospital executives generally focus on the most obvious quality gaps – those that plague the entire system. They rarely have the ability to ascertain the financial impact of any given quality issue. As a result, improvement efforts usually span the entire system when the only culprits are one or a few facilities or departments. This equates to a large investment of time and money to design and deliver a system-wide quality improvement program that may take months or years to measure impact.

"Quality of care" (QOC) performance analysis can reveal the sources of quality loss in order to target QI efforts. Applying financial context with the same analysis reveals an entirely different perspective – the cost of quality. A cost of quality analysis can be used to immediately establish priorities. Hospital executives who want to focus QI efforts, and predict financial impact at a system level need intelligent information with a system view of quality and cost. With this approach, they have the ability to focus on those areas they know will have the highest or most immediate impact on system financial performance.

While many hospitals make a valiant effort to understand the impact of QI and process change efforts, most fail at providing the right foundation for such a task. True insight requires Quality of Care (QOC) data in actionable form. Without it, change management efforts are meaningless.

Data ≠ Information

Quality metrics collected today mostly measure clinical care. This raw data offers no insight and it's risky using it to make business decisions. When hospital executives leverage quality metrics to create a comprehensive care view with a financial context, they establish a meaningful understanding of Quality of Care (QOC). QOC is a holistic view that offers a multi-dimension perspective that takes facilities, DRGs, and physicians into consideration. Using Quality of Care as a starting point, hospital systems can map Cost of Care (COC) information to understand the financial impact of quality decisions.

Many hospitals believe that Quality of Care and Cost of Care are conflicting ends of a spectrum – success with one is at the expense of the other. Placing a financial context around Quality of Care, hospitals can achieve clinical and financial goals without impacting Quality of Care. Measuring Quality of Care with a financial context is the right approach to enable performance gains along both dimensions, and pursuing QI programs that will have the greatest impact. Imagine having the power to identify which measures impact value-based purchasing, and being able to simply produce a reimbursement quality score. Armed with Quality of Care and Cost of Care intelligence, your hospital will be able to respond quickly when payers create new scores and methodologies.

3 Steps to Evaluate Quality of Care (QOC) with a Financial Context

1. Build a Quality of Care (QOC) Scoreboard
   - Identify all quality metrics across clinical and operations systems – categorize each metric within a care dimension (facility, physician, MSDRG, etc.)
   - Assign each metric a weight on a scale of 1-100, according to impact to KPIs
   - Map each metric to key performance indicators (KPIs) it has an impact on (safety, outcomes, process, patient satisfaction, etc.)
   - Assign weights to the KPIs based on strategic positioning of the hospital system
2. Gather Cost of Care (COC) Data
   - Collect cost of care information from each financial system at the care dimension level
3. Link, analyze and report QOC, COC and KPIs monthly, quarterly or as frequently as necessary to drive change

Illustrative Case Study

One hospital system leveraged a QOC / COC system to analyze cost and quality by facility across the system. Executives determined that one location had particularly low quality scores compared to all other facilities (as shown in "Facility Performance Matrix"). Upon further review, executives discovered that the facility had a relatively low patient satisfaction score, 77% compared to the system average of 83.5% (as shown in "Facility Patient Satisfaction Scores"). Taking a deeper dive, the team found that the facility scored low in two specific areas, "QM 26" and "QM 28" (as shown in "Facility Root Cause, Patient Satisfaction").

Facility Performance Matrix

Facility Patient Satisfaction Scores

+ Patients									
+ Complication									
+ Time									
+ Age Group									
+ Physician									
- Facility									
Facility	Count	Total Cost	Avg Cost	Structural	Safety	Process	Outcome	Satisfaction	Avg Quality
F1	839	$19,914,551.01	$23,736.06	68%	73%	70%	59%	77%	70%
+ MSDRG									
+ Risk of Mortality									
+ Severity Index									

These two quality measures were related to keeping the areas around patient rooms quiet at night, and assisting patients with restroom needs. The insight allowed executives to quickly zero in, and investigate the reasons for the poor performance. Ultimately, they found that the facility had new nursing staff, and there was inadequate awareness and training. Armed with meaningful insight, they created a training and education program specifically for the clinical staff at this location, at a cost of $100,000. Once the program was in place, the executives monitored progress on the two quality measures, along with the impact to facility and system QOC score on a monthly basis. Ultimately, the QOC / COC system enabled the team to increase the overall score from 83.5% to 85.8% over a six month period, and avoid a potential system reimbursement penalty of $1.1M under the new quality-based reimbursement system.

By identifying root causes within a specific area of concern, the QOC / COC system helped hospital executives target resources where it would have the greatest impact, rather than pushing a system-wide program that might have taken years and millions of dollars to implement. In this case, the ROI was 10X within six months.

A Proactive Approach to Protect Revenue

Most business intelligence tools provide a historical perspective. When combined with industry peer information, it's easy to reveal gaps in performance. This type of comparative analysis only shows "what is wrong." Quality analysis with a financial context provides the "what to do," a clear roadmap to protect both quality and revenue. Hospital systems that have successfully linked quality and revenue quickly pinpoint specific problems, understand the potential impact on system quality and cost, and successfully predict the ROI of quality programs at the design stage. They also easily measure true program impact, and can make adjustments along the way. They have the ability to prioritize programs according to impact on quality and overall system financial performance. These hospitals consistently zero in on the improvement strategies that will have the greatest impact. Finally, they have achieved predictability and exceed transparency requirements. These hospital systems won't just "survive" – they will be the leaders under new payment programs, models and legislation.

Facility Root Cause, Patient Satisfaction

Quality Details							
QID	Question	Structural	Safety	Process	Outcome	Satisfaction	National Average
Q18	During this hospital stay, how often did nurses treat you with courtesy and respect?					85%	86%
Q19	During this hospital stay, how often did nurses listen carefully to you?					84%	86%
Q20	During this hospital stay, how often did nurses explain things in way that you could understand?					84%	86%
Q21	During this hospital stay, after you pressed the call button, how often did you get help as soon as you wanted it?					75%	79%
Q22	During this hospital stay, how often did doctors treat you with courtesy and respect?					90%	89%
Q23	During this hospital stay, how often did doctors listen carefully to you?					100%	89%
Q24	During this hospital stay, how often did doctors explain things in a way that you could understand?					100%	89%
Q25	During this hospital stay, how often were your room and bathroom kept clean?					87%	82%
Q26	During this hospital stay, how often was the area around your room quiet at night?					68%	76%
Q28	How often did you get help getting to the bathroom or in using a bedpan as soon as you wanted?					68%	79%