

Improving Quality and Controlling Cost Through Delivery System Integration

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Overview

- Review of Current U.S. Health Care System
 - Definition of Cost and Quality
 - The First National Report Card on Quality of Health Care in America
 - Business Case for Quality
 - Correlation between Quality and Profitability
 - Attempts to Improve Quality
 - Pay for Performance – How does it fit
 - Public Release of Data
 - Alignment of Financial Incentives for Quality
 - Southeast Michigan Alignment Work (HFHS)
 - Recommendations
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Current US Health Care Environment

- Health care represents 15% of the U.S. GDP, threatening profitability of U.S. companies and crowding out private and public programs
- Despite spending \$2 trillion, Americans receive just 55% of recommended care and nearly 100,000 die due to medical errors
- Nearly 46 million people are uninsured
- Health care is one of the last major industries to adopt information technology
- Substantial disparities exist in access to health services and to optimal health outcomes with certain population groups facing significant barriers

Quality and Cost

- IOM Definition of Quality:
“The degree to which health services for individuals and populations increase the likelihood of desired health outcomes and are consistent with current health knowledge.”¹
- Cost: More difficult to define, includes:
 - Government (tax payers)
 - Employers
 - Third Party Payers (Insurance Companies)
 - Providers
 - Individuals
- *“Misalignment of financial incentives creates a formidable obstacle to the adaptation of quality interventions.”²*

1. <http://www.iom.edu/cms/8089.aspx>. Retrieved February 22, 2007.

2. Leatherman, S, Bewick, D., Iles, D., Lewin, L.S., Davidoff, F., Nolan, T., Bisognano, M. (2003, March/April). *The Business Case for Quality: Case Studies And An Analysis*. Health Affairs, 22, 17-30.

Quality of Health Care in America

- The First National Report Card on Quality of Health Care in America
 - Study by RAND Health found:
 - Overall, adults received about half of the recommended care (thirty conditions assessed)
 - Quality of care was similar in all of the metropolitan areas studied (twelve communities studied, including Lansing, Michigan)
 - Quality varied across conditions, and across communities for the same condition
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Quality of Health Care in America

- Study by RAND Health found (continued):
 - No community had consistently the best or worst quality
 - All sociodemographic groups were at risk for poor care
 - Systemwide investments in health information technology, performance tracking and incentives for improvements are needed to improve care
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Correlation: Quality and Profit

- U.S. Health care industry's greatest challenge: *“Meeting the imperative to improve quality and clinical outcomes within the limits of shrinking financial resources.”*¹
- Some people in the industry have doubts regarding the profitability of quality initiatives
- A recent study by Christus Health System outlines a correlation between financial performance and profitability with quality and clinical excellence

1. Gillean, J. Shaha, S., Sampanes, E., Mullins, C. (2006, December). *A Search for the “Holy Grail” of Health Care A Correlation Between Quality and Profitability*. Healthcare Financial Management. 114-121.

Correlation: Quality and Profit

- Study findings from Christus Health Care Study:
 - 18 acute care facilities studied found five measures of quality and clinical excellence improved financial performance using CMS Hospital Compare Quality Measures
 - Improvements seen in:
 - Net Operating Margins
 - Cash Collections
 - Denials

Gillean, J. Shaha, S., Sampanes, E., Mullins, C. (2006, December). *A Search for the "Holy Grail" of Health Care A Correlation Between Quality and Profitability*. Healthcare Financial Management. 114-121.

Attempts to Improve Quality

- Pay for Performance (P4P)
- Defined by Medicare:
 - The use of payment methods and other incentives to encourage quality improvement and patient focused, high value care¹
- Two Critical issues in P4P:
 - What measures will be used
 - How much money will be involved
- Primary focus is on physician payment
- P4P initiatives vary greatly in quality improvement and payment methodology

1. http://www.cms.hhs.gov/MedicaidSCHIPOualPrac/04_P4P.asp. Retrieved February 21, 2007.

Attempts to Improve Quality

- Public release of data
 - Facilitate informed choice
 - Thought to stimulate quality improvement within health care organizations

Alignment to Improve Quality

- Government, Payer, Physicians, Hospitals, Allied Health
- Current payment methodologies do not provide incentives for efficiencies of care, nor does it stimulate providers to provide the highest quality of care for patients



Current Quality Work

Henry Ford Health System

- A fully integrated health care provider:
 - 800 physicians and researchers in over 40 specialty areas
 - Own and operate three hospitals in Southeast Michigan, including Henry Ford Hospital
 - Health Alliance Plan, a non-profit health insurance company with 565,000 members
- Integration and alignment of incentives has allowed Henry Ford to create programs that provide highest quality of care for less cost



Current Quality Work Henry Ford

- HFHS has a multitude of programs aimed at improving quality and reducing overall cost
- Two examples are:
 - ePrescribing
 - Disease Management
 - Diabetes
 - Heart Failure
 - Depression
 - Coronary Artery Disease

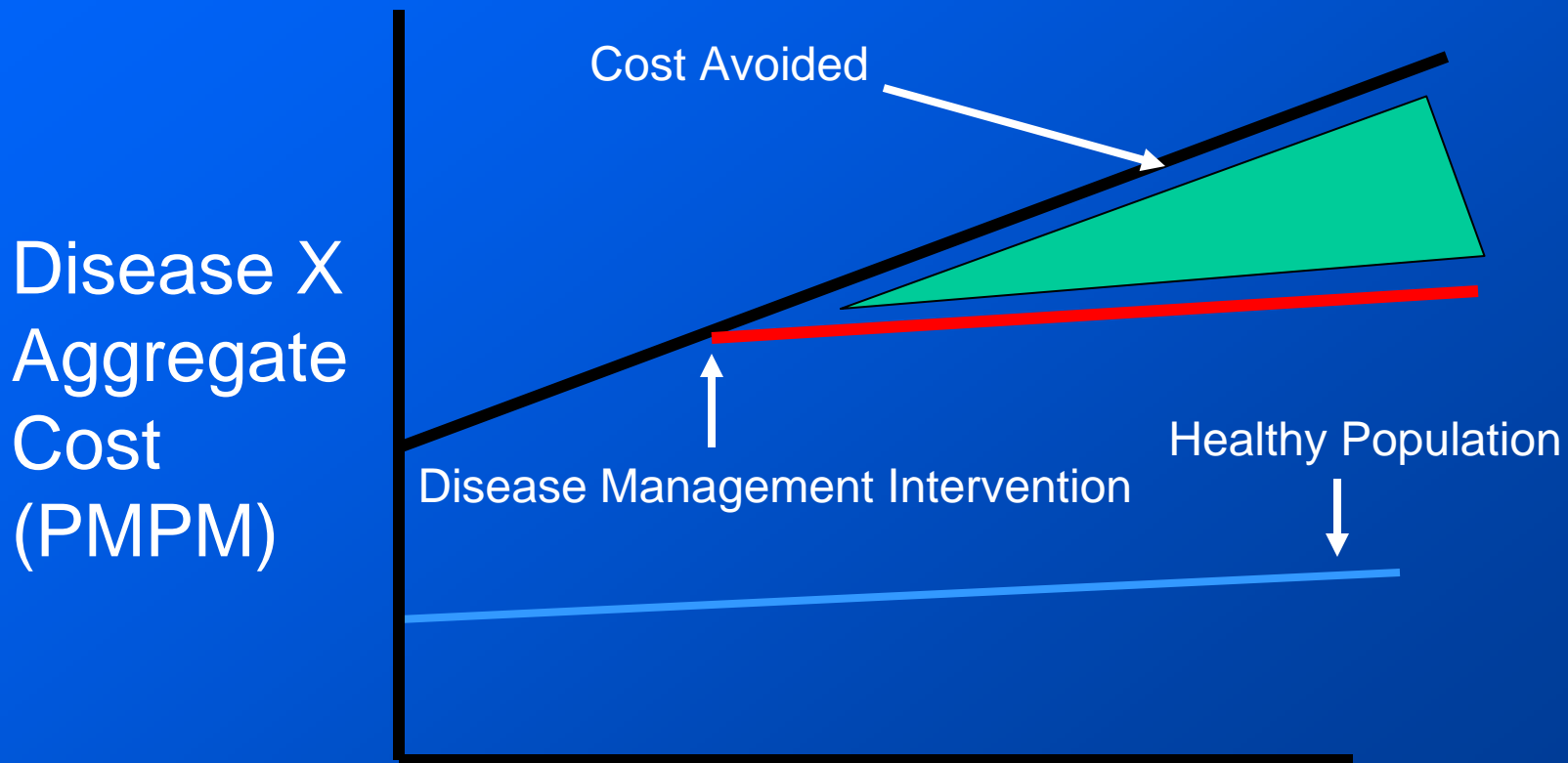


Current Quality Work Henry Ford: ePrescribing

- To Date HFMG has:
 - Written a total # of Scripts: 1,800,000
 - Over 153,000 prescriptions changed or cancelled due to drug to drug interaction warnings
 - Over 71,903 prescriptions changed or cancelled due to formulary messages
 - Over 11,000 prescriptions changed or cancelled due to Drug/Allergy warnings
 - Cost Savings of 1.0 million dollars for 2005 and 2006
 - Future Cost Savings of 1.7 million dollars per year
 - ePrescribing has been spread through all of HFHS; currently HFHS/HAP is providing implementation services to other Michigan physicians
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Current Quality Work Locally: Disease Management

*Our goal in managing chronic disease is to “bend”
the expected cost curve downward*



Current Quality Work Locally: Disease Management

- Example of cost savings of current HFHS disease management programs:
 - In 2003 and 2004, the HFMG's pmpm diabetes cost was \$12-17 less than the average for HAP's other networks
 - In 2002, the Michigan Department of Community Health estimated that 7.8% of Michigan's population had been diagnosed with diabetes
 - If we apply that prevalence rate to the 2004 southeast Michigan population of 5.4 million, it is estimated that there are 423,700 persons with diabetes in southeast Michigan
 - As an "order of magnitude" estimate, if we assume that the care of this broader population can be reduced by \$12-17 per month, the possible savings to the community ranges from \$59.7-84.3 million
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Public Policy Work At a Stand Still

- It is difficult for policy makers to reliably assess the intended and unintended effects of policy change
 - Complex interdependencies and competing interests pose a serious threat to developing and evaluating potential reform proposals
- RAND Health's COMPARE Initiative has been created to:
 - Provide a comprehensive framework for routine and multidimensional evaluations of U.S. health care
 - Provide tools for evaluating the magnitude of intended effects and unintended consequences of proposed reform effects
 - Facilitate apples-to-apples comparison of different options in an easy-to-use performance dashboard format
 - Enable a frank, fact-based dialogue
 - Provide readily accessible information from an objective, trusted, independent source

Summary/Conclusion

- The U.S. Health care system has significant shortfalls
 - Poor quality, high cost
 - Incentives are not aligned to improve quality and reduce cost
 - Quality has been improved with reduced cost when incentives are aligned (HFHS)
 - RAND Health's COMPARE initiative has been put in place to help policymakers understand the and evaluate various approaches to health care reform
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