



What Successful Hospitals Are Doing to Deliver Best in Value

By John R. Morrow and David Potash

The Hospital Value Index™ identifies organizations deemed Best in Value™ on the basis of their quality, affordability, efficiency, and patient satisfaction metrics. Seventy-five hospitals received a Superior Quality Merit Award from the 2009-2010 Hospital Value Index. The authors suggest 10 tips for organizations interested in joining the ranks of these top-value hospitals.

We are still early in the game when it comes to understanding what value-based purchasing will finally become. But it is clear that healthcare reform will, ultimately, change hospital reimbursement from a fee-for-service, volume business to a pay-for-performance, value-based business.

The writing has been on the proverbial wall since November 2007 when the Center for Medicare & Medicaid Services (CMS) described a value-based purchasing program in a report to Congress. Such a program will use quality, safety, process, and perhaps efficiency measures to identify and reward hospitals delivering high value—that is, better outcomes at lower cost.

What Is High Value?

While there is still a long way to go, some hospitals are making progress. Their experience shows that high value is:

- The result of an outcome provided at an affordable price
- A well-understood economic principle mastered by buyers and sellers alike
- Found in hospitals irrespective of shape, size, location, ownership, or affiliation
- Something that is specifically produced and found in organizations that understand their mission to deliver high quality in an efficient manner
- Not based on luck or chance; earned rather than granted, inherited, or acquired

In the complex delivery of acute care medicine, what are the drivers or markers in strategic financial planning that distinguish Best in Value™ hospitals?

This is a diverse group of organizations that includes faith-based hospitals and systems, for-profit organizations in major metropolitan areas, a far-flung hospital system in a competitive market, and the sole provider in a rural community.

We talked with some of the leaders of these organizations and found that—as diverse as their organizations are—these executives all “get it,” or understand what it takes to deliver high value.

Top 10 Strategic Financial Planning Tips

From the comments of these top executives and from our broader experience, we have identified a list of 10 tips that we believe can lead hospitals smoothly and successfully into the new era of value-based purchasing.

- Drive the strategy from the board level down, and engage with all personnel.
- Articulate the purpose across management, staff, volunteers, and medical staff.
- Set clear and realistic goals, measure progress frequently, and be transparent in reporting it.
- Benchmark against peers—internally and externally—and adjust and tune targets frequently.
- Establish the efficient clinical outcome as the key metric for performance, and make sure clinical quality improvements recognize the importance of both operational and cost efficiencies.
- Leverage interdisciplinary teams to form common ground for solving performance variation and making changes quickly when and where clinical evidence suggests the need.

- Put IT to work to support the tactical needs of the business and the clinical needs of users, patients, and caregivers; introduce seamless, patient-centric applications to reduce redundancies and enhance access, convenience, and utility.
- Consider the hospital as a destination, not just an episode, for the patient.
- Build a culture based on value by cutting out waste and inefficiency; reprocess supplies, restock inventories from floors, and go paperless by investing in electronic medical records.
- Plan on “owning” the wellness and health of patients over time by reducing barriers to care, providing caregivers with access to biometrics, and ensuring good information flow, especially in chronic disease service lines.

The “IT” in Getting It

Information technology (IT) clearly plays a vital role in producing value. Leaders of three Best in Value organizations singled out IT as a means to ends embedded in their missions: Michael Maron, president and CEO, Holy Name Hospital in Bergen County N.J., just outside New York City; Chris Taylor, CFO of TriStar Health System, an HCA division; and Norman Gruber, CEO of Salem Hospital in Oregon.

Unlike the other hospitals we spoke with, Salem is not in the top quartile of performers yet, but it has committed itself to getting there by “benchmarking everything,” says Gruber.

“Significant investment in IT infrastructure will enable not just interoperability of data for nursing clinical documentation and computerized physician order entry. It will also provide clinical information to promote wellness and make it possible for physicians to mine the data to provide medical homes for both them and their patients.”

Taylor identified technologies such as electronic medical records and picture archiving and communication systems as a large part of what allows TriStar to deliver value “for patients but the providers of care, too.”

Innovation is key in areas other than technology, as well, Maron points out. “Holy Name always wanted to position itself as the low-cost provider; it’s important to our mission. We get there by investing in IT but also by embracing innovation and productivity enhancements and, importantly, by recognizing employees’ contributions. We

celebrate performance in ways that invoke pride and rally people all through the organization.”

Buy-In Crucial

Another key element is buy-in at all levels. Diane Kelly, COO of Berkshire Health System in western Massachusetts, said that “clinical quality and patient satisfaction started at the board level. Goals are built into the performance appraisal system at all levels, with data-driven and transparent progress reporting for all to see.”

Berkshire’s CFO, Darlene Rodowicz, is quick to add that improvement initiatives must be implemented with the same urgency for each tier of management. “The key is constant feedback on progress, so that employees and staff can connect what they’re doing with our common purpose.”

At Susquehanna Health System in Pennsylvania, executive vice president and COO Neil Armstrong concurs. “Every employee—we call them service partners—has a Personal Journey Map that defines the mission, values, and goals of the system, along with department goals and individual roles, so that everyone is accountable for helping to keep us in the top tier of best performing hospitals nationally.”

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To read more about Best in Value™ healthcare organizations, go to www.hospitalvalueindex.com.

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