



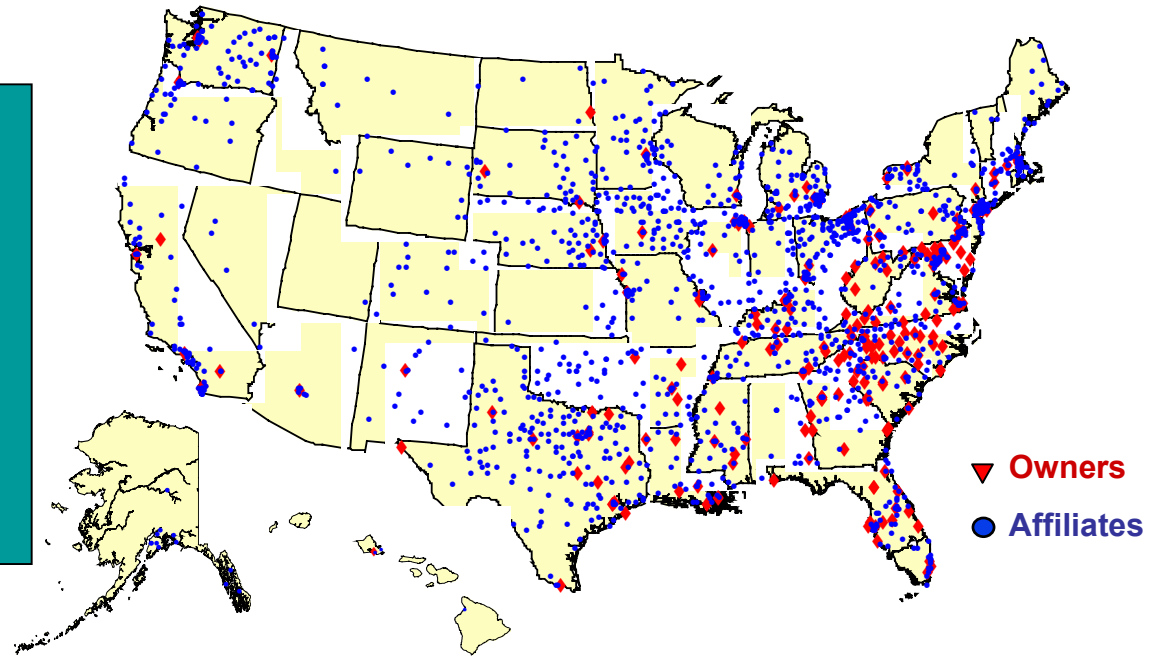
The Impact of Pay for Performance on Healthcare IT

Richard A. Norling
President & CEO
Premier Inc.

Premier Inc.

Performance improvement alliance owned by more than 200 not-for-profit health systems with 1,700 owned or affiliated hospitals

Envisioned Future:
Premier hospitals and health systems will operate at costs in the lowest quartile and at quality levels in the highest quartile.



The nexus of cost and quality

Clinical quality and financial performance are inseparable



Understanding reliability

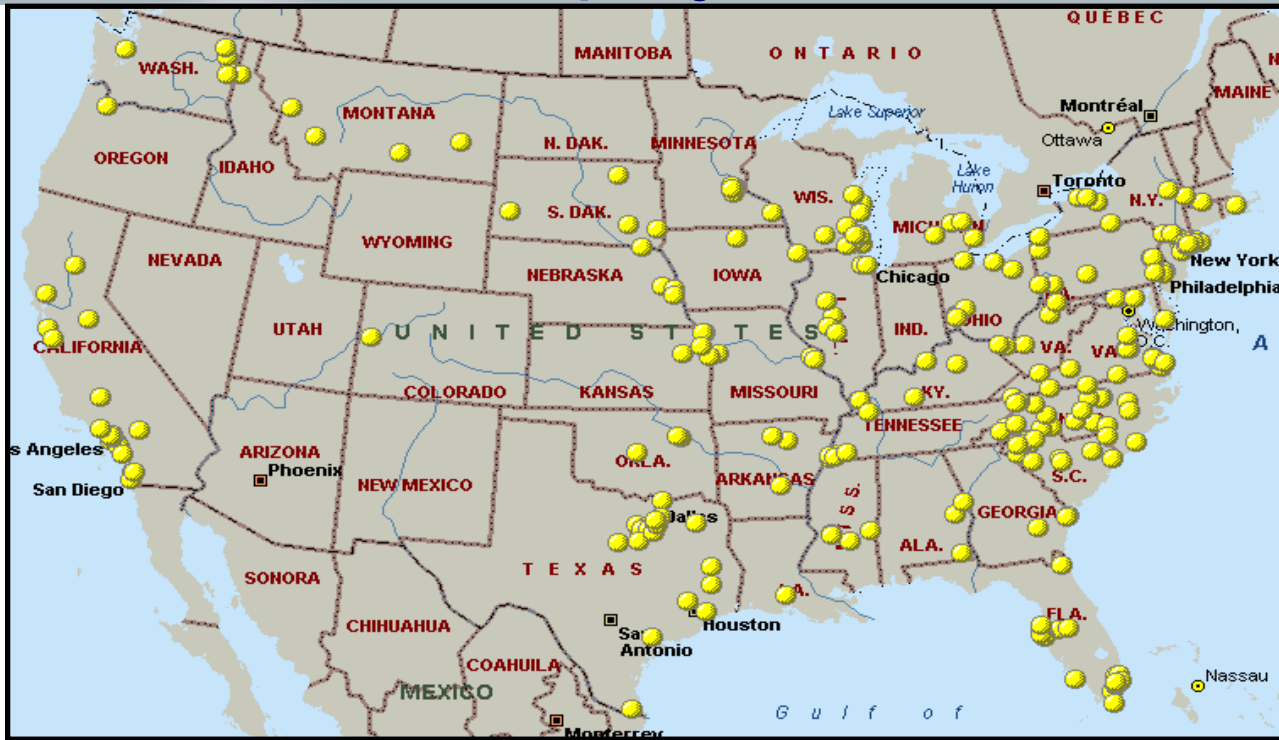
- Important research emerging on the impact of reliability in care delivery
- Ability to consistently perform key processes every time
- Even more powerful is ability to reliably deliver *all* key processes
 - Care bundles
- IT can play role in improving reliability once processes are defined and stabilized

P4P will drive IT changes

- P4P will drive additional investment in IT
- IT will be forced to think and operate more holistically between financial, administrative and clinical systems
- Quality and IT disciplines will increasingly be seen as revenue-producing activities if they can drive P4P incentives
 - In turn, incentives can pay for IT investment
- More visible, central role for IT function
- Significant challenges as IT leadership engages with clinical leaders

More about these issues later . . .

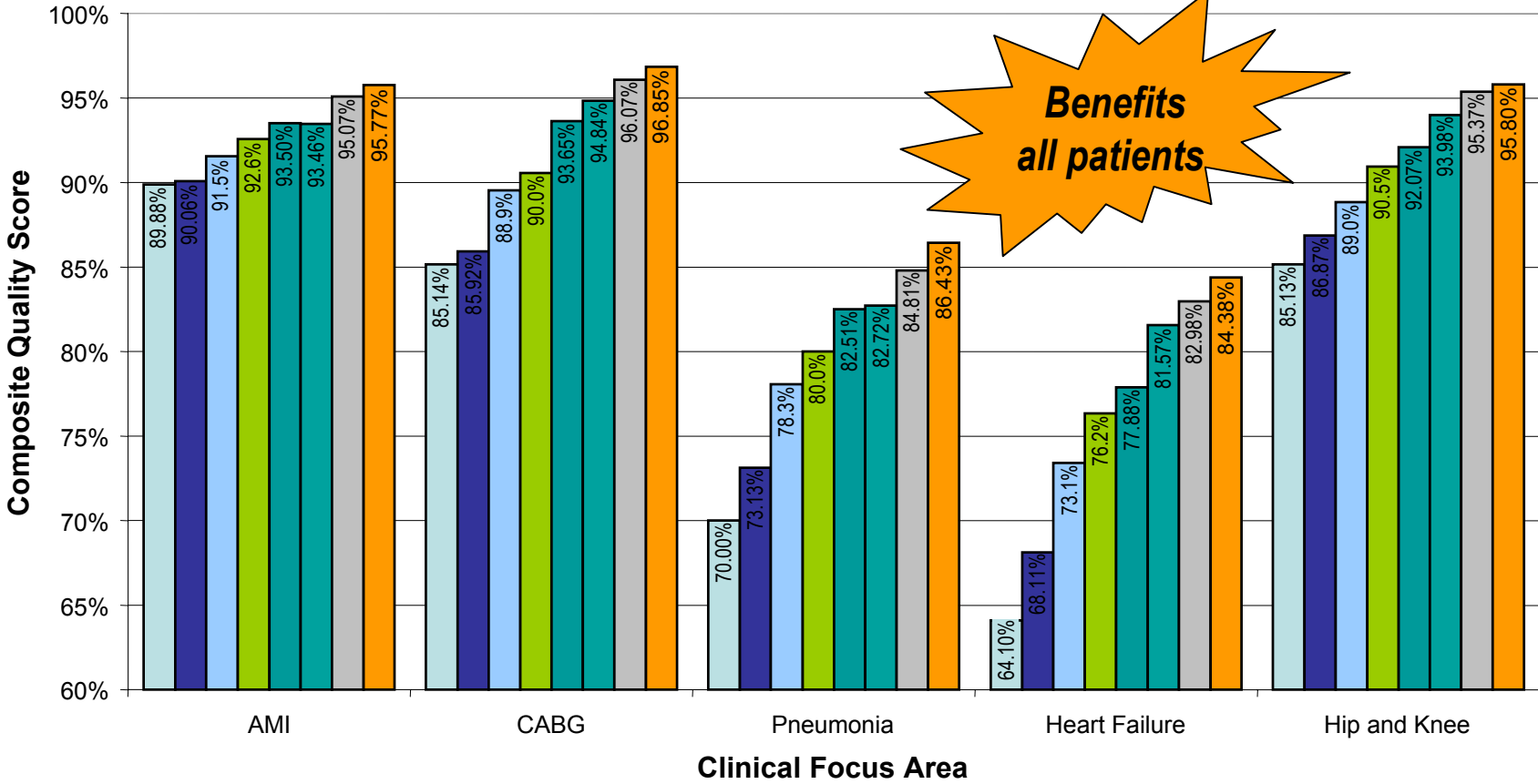
P4P demonstration project with CMS



- First national P4P demonstration of its kind
- Three-year effort launched October, 2003
- Approximately 260 hospitals in 38 states

Dramatic and sustained improvement

Composite Quality Score:
Trend of Quarterly Median (5th Decile) by Clinical Focus Area
CMS/Premier HQID Project Participants
October 1, 2003 - September 30, 2005 - Year 1 Final Data, Year 2 Preliminary



Q4-03 Q1-04 Q2-04 Q3-04 Q4-04 Q1-05 Q2-05 Q3-05

Impact of reliability

Improving patient care in clinical areas of pneumonia and heart bypass surgery:

Reduces Costs

Saves Lives

Reduces Complications

Reduces Readmissions

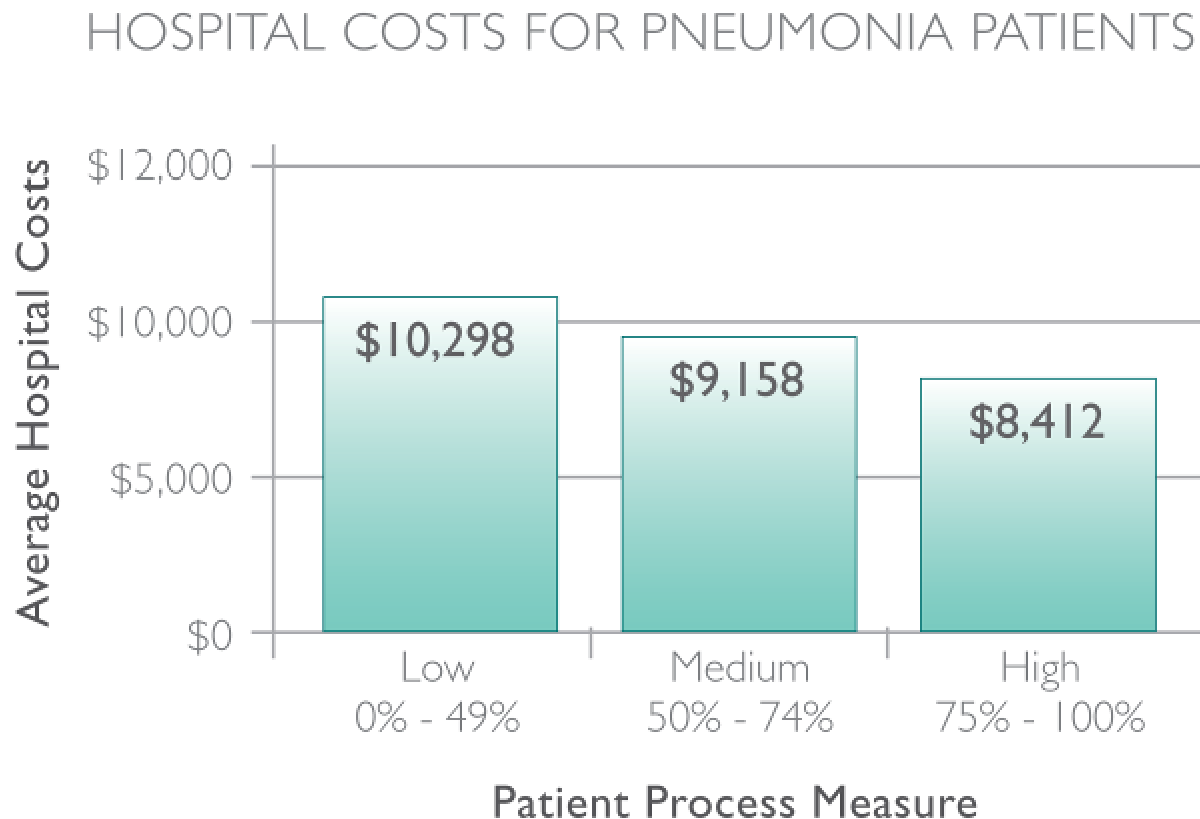
Shortens Length of Stay

Finding 1

Reliable care costs less



Medical Example: Data reveal lower hospital costs associated with patients receiving better patient care.

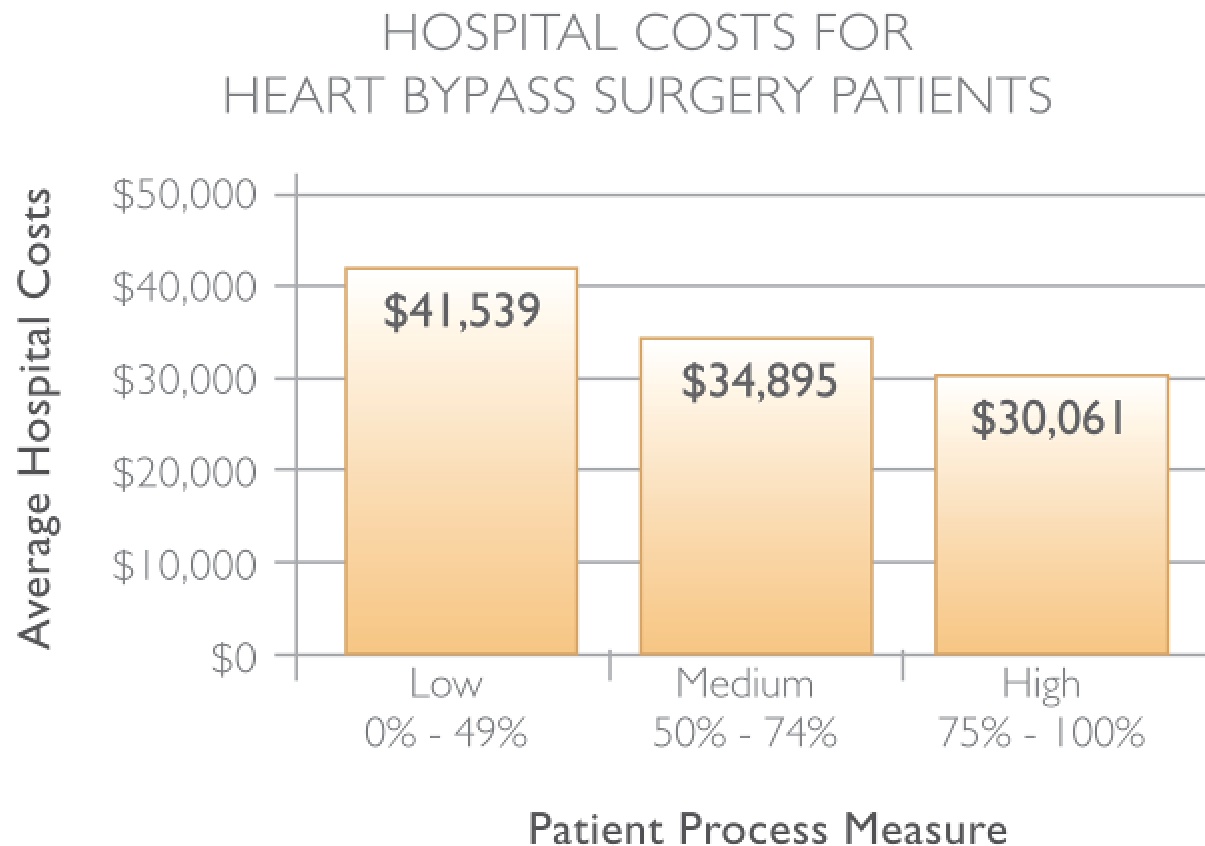


Finding 1

Reliable care costs less



Surgical Example: Data reveal lower hospital costs associated with patients receiving better patient care.

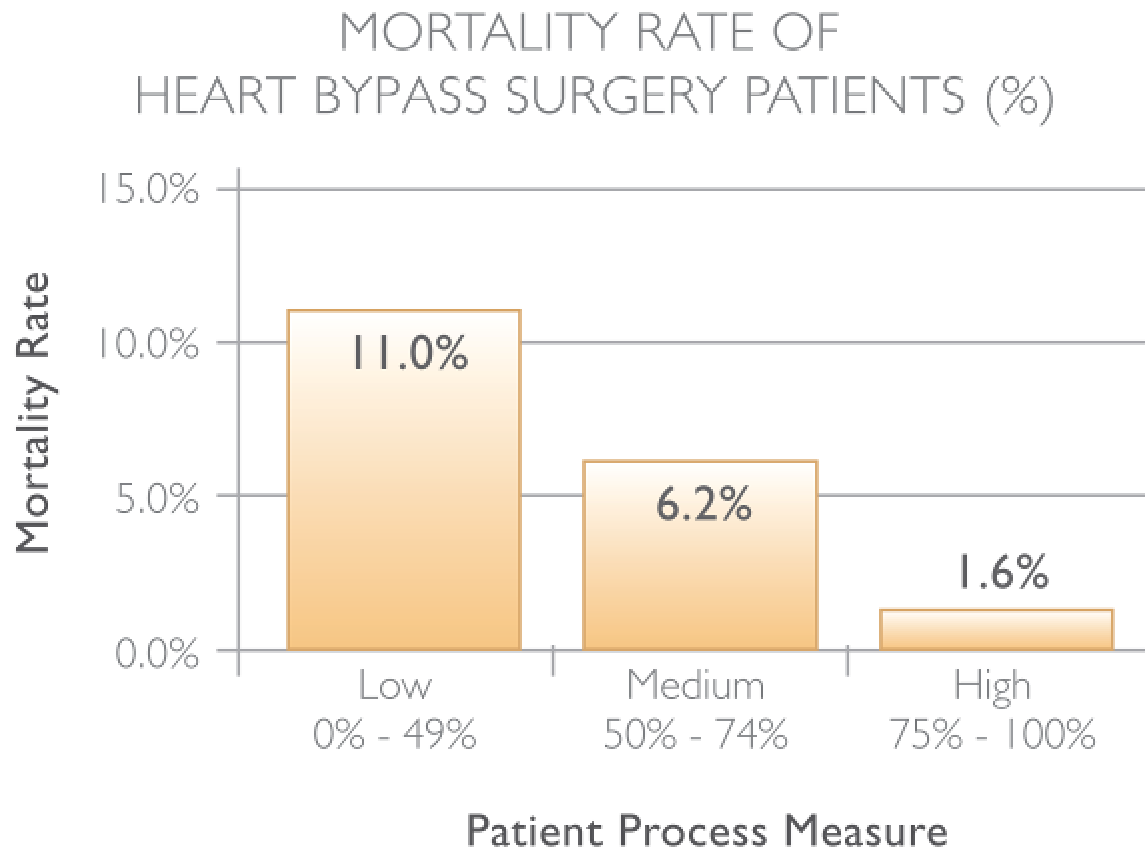


Finding 2

Reliable care lowers mortality rates



Data show lower mortality rates for heart bypass surgery patients receiving better care.



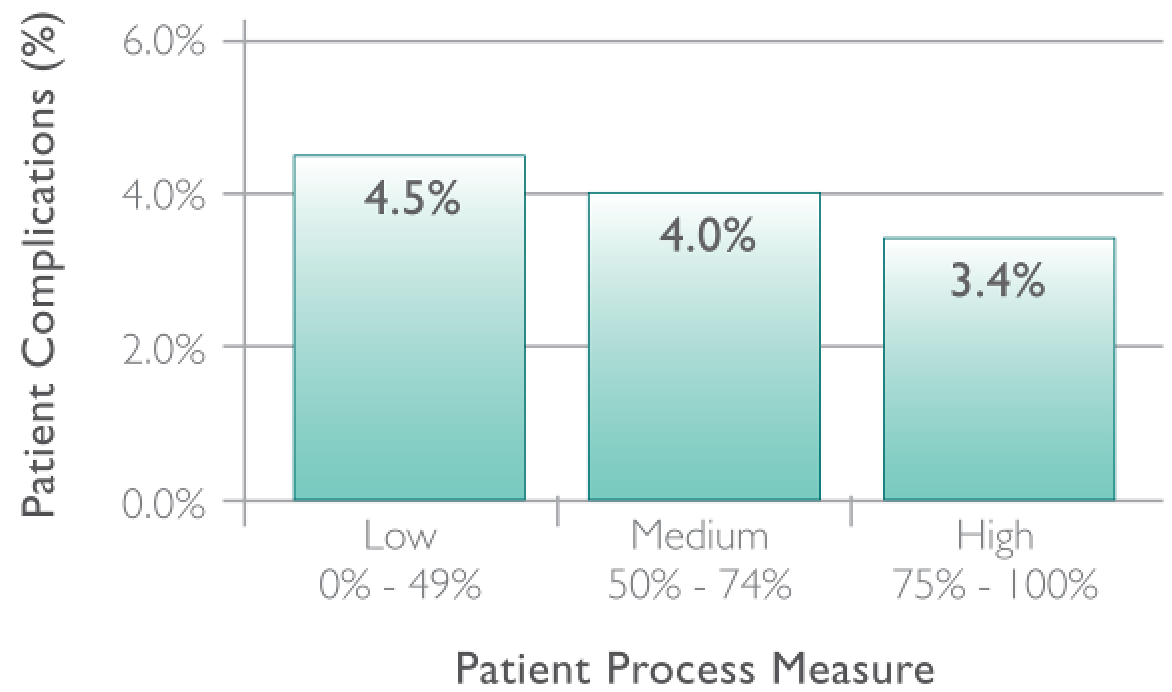
Finding 3



Reliable care reduces complications

Medical Example: Data indicate fewer complications are associated with better patient care.

PNEUMONIA PATIENTS WITH COMPLICATIONS (%)

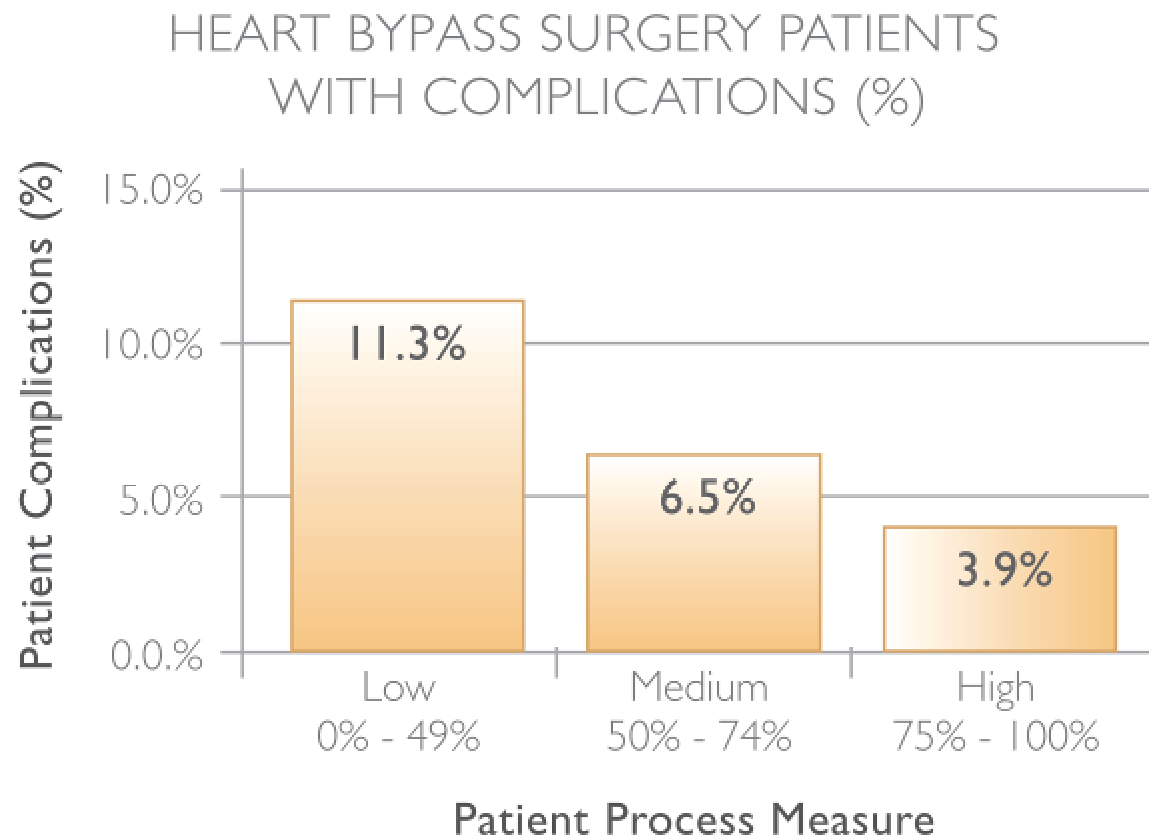


Finding 4

Reliable care reduces complications



Surgical Example: Data indicate fewer complications are associated with better patient care.



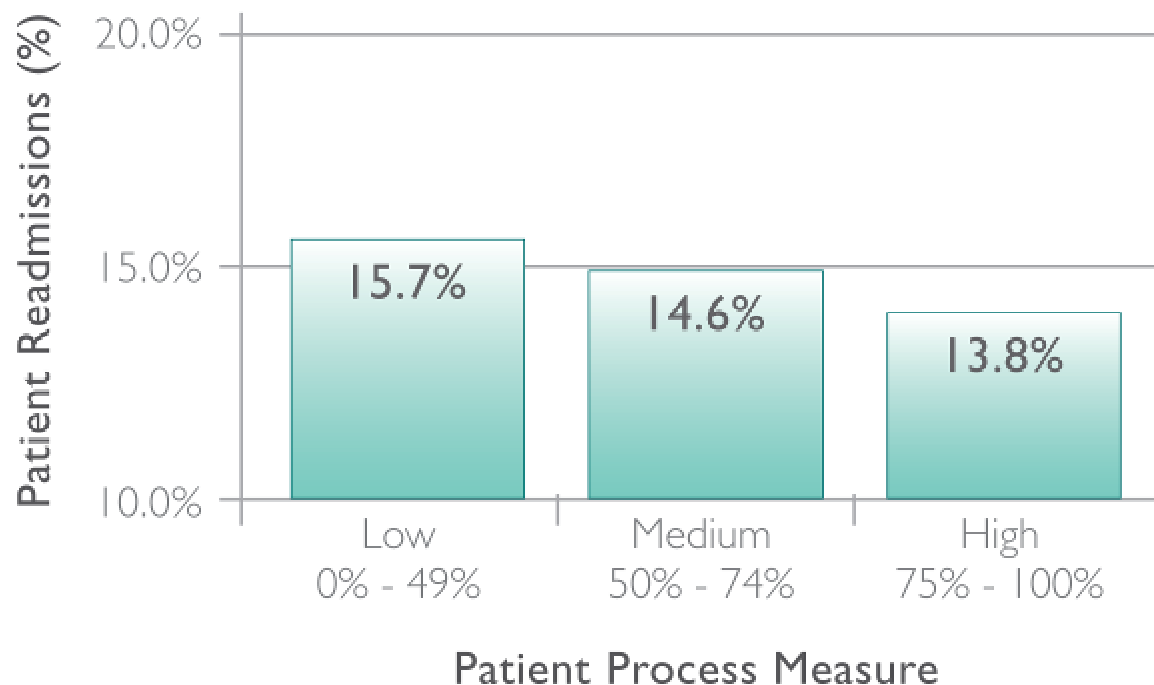
Finding 4

Reliable care reduces readmissions



Medical Example: Data indicate fewer readmissions are associated with better patient care.

PNEUMONIA PATIENTS WITH READMISSIONS (%)

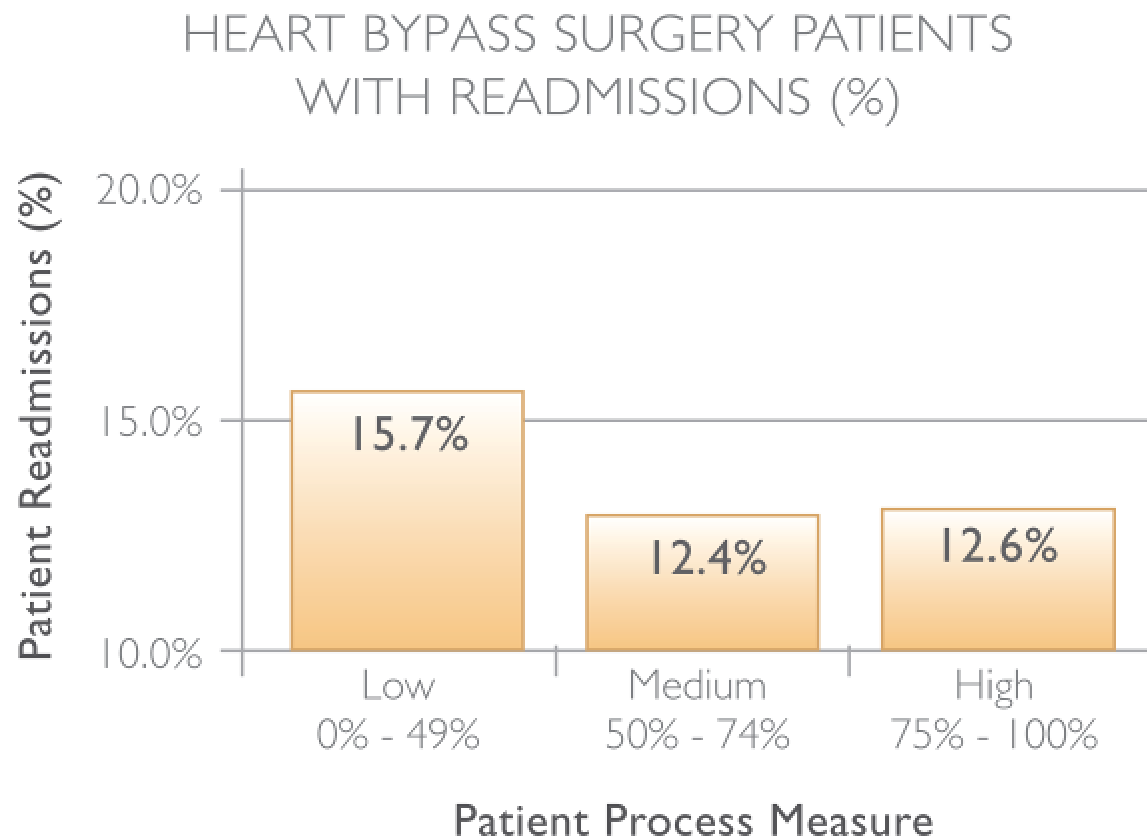


Finding 4

Reliable care reduces readmissions



Surgical Example: Data indicate fewer readmissions are associated with better patient care.



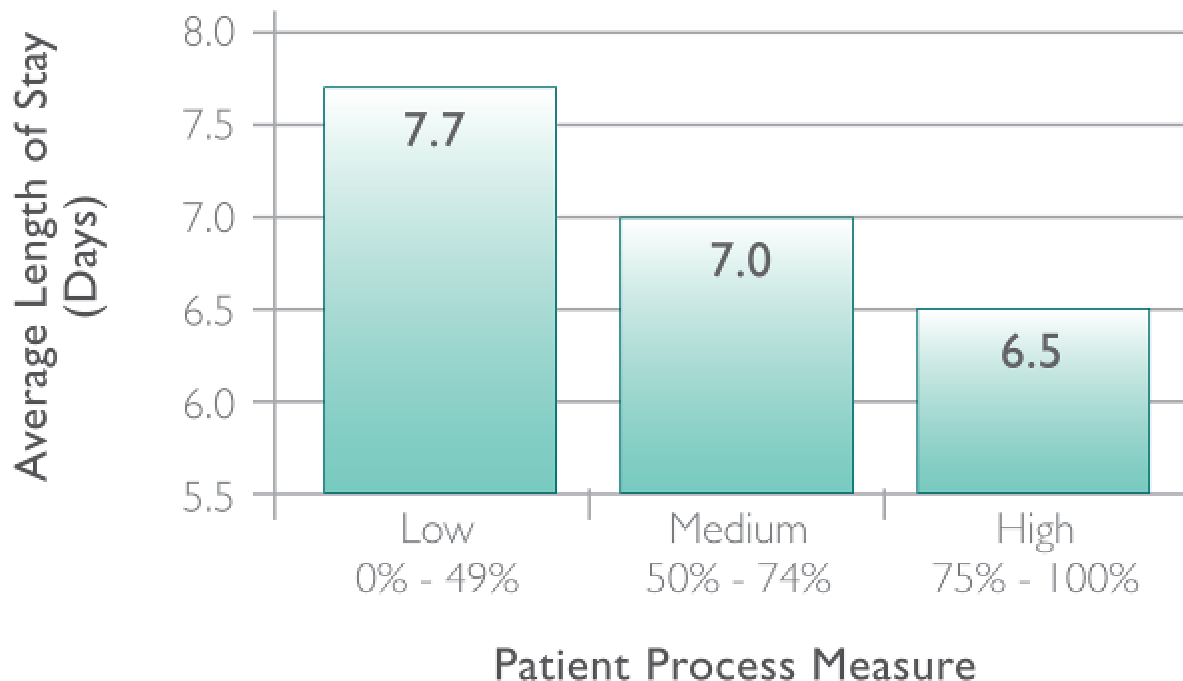
Finding 5

Reliable care shortens hospital stay



Medical Example: Data show fewer hospital days associated with patients receiving better patient care.

AVERAGE LENGTH OF STAY (ALOS) FOR PNEUMONIA PATIENTS



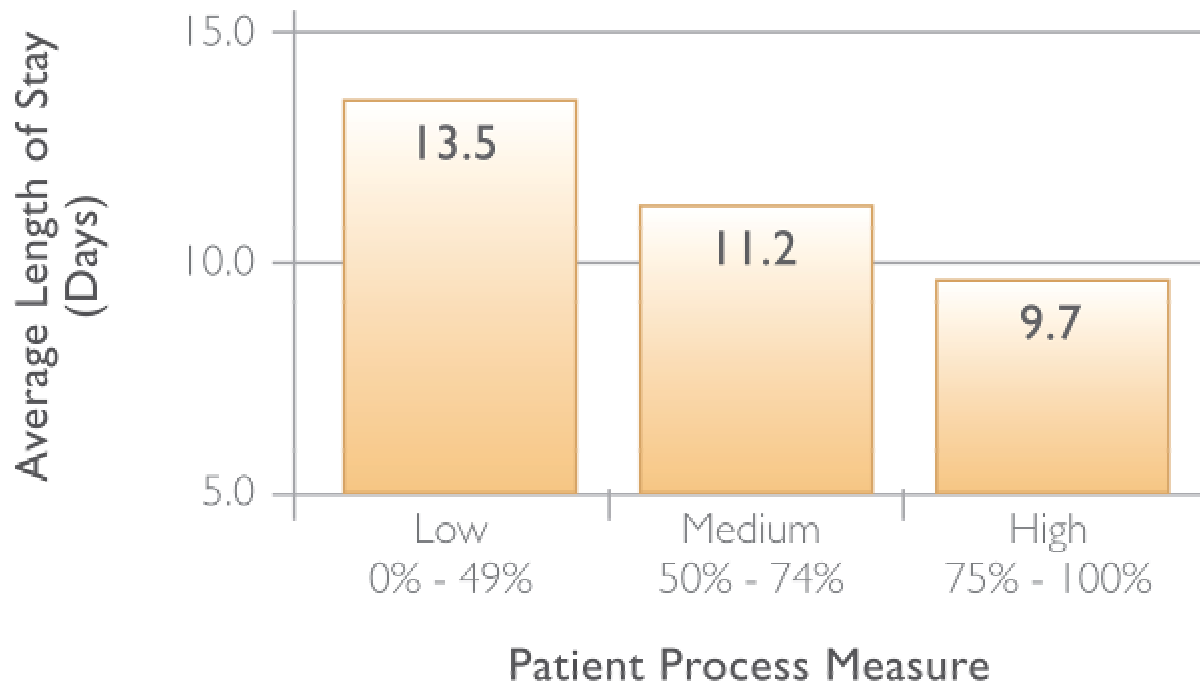
Finding 5

Reliable care shortens hospital stay



Surgical Example: Data show fewer hospital days associated with patients receiving better patient care.

AVERAGE LENGTH OF STAY (ALOS) FOR HEART BYPASS SURGERY PATIENTS



National implications

Estimating the improvement opportunity

Extrapolating from HQID to all patients

- “Performance Pays” Study
 - Statistical analysis of our findings at a national level
 - Applied project findings to all pneumonia and CABG discharges
- Premier Perspective™ Data Warehouse
 - The industry’s largest clinical and operational comparative database
 - Quality data from CMS/Premier P4P demonstration
 - Cost data from client hospitals

Measuring reliable care



Care Measures

| M1 | M2 | M3 | M4 | M5 | M6 | M7 | PPM* |
|-------------------------------------|----|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------|
| <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | 86% |

“HIGH”
75% - 100%



Care Measures

| M1 | M2 | M3 | M4 | M5 | M6 | M7 | PPM* |
|-------------------------------------|----|-------------------------------------|----|-------------------------------------|-------------------------------------|-------------------------------------|------|
| <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | 71% |

“MEDIUM”
50% - 74%



Care Measures

| M1 | M2 | M3 | M4 | M5 | M6 | M7 | PPM* |
|-------------------------------------|----|----|----|----|-------------------------------------|-------------------------------------|------|
| <input checked="" type="checkbox"/> | | | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | 43% |

“LOW”
0% - 49%

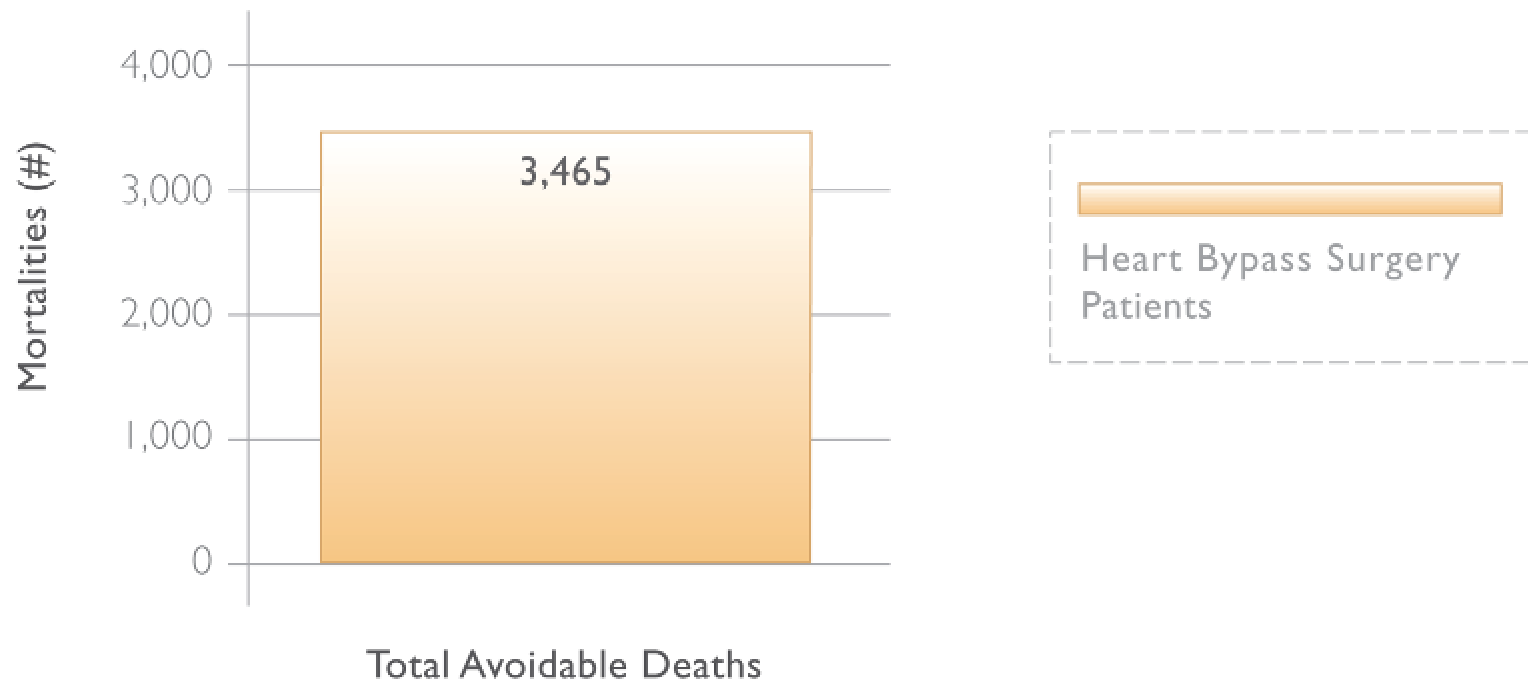
*Patient Process Measure

Implication 1

Improving care could avoid over 3,000 deaths

MAGNITUDE OF THE IMPROVEMENT OPPORTUNITY: 3,465 DEATHS

Avoidable Deaths

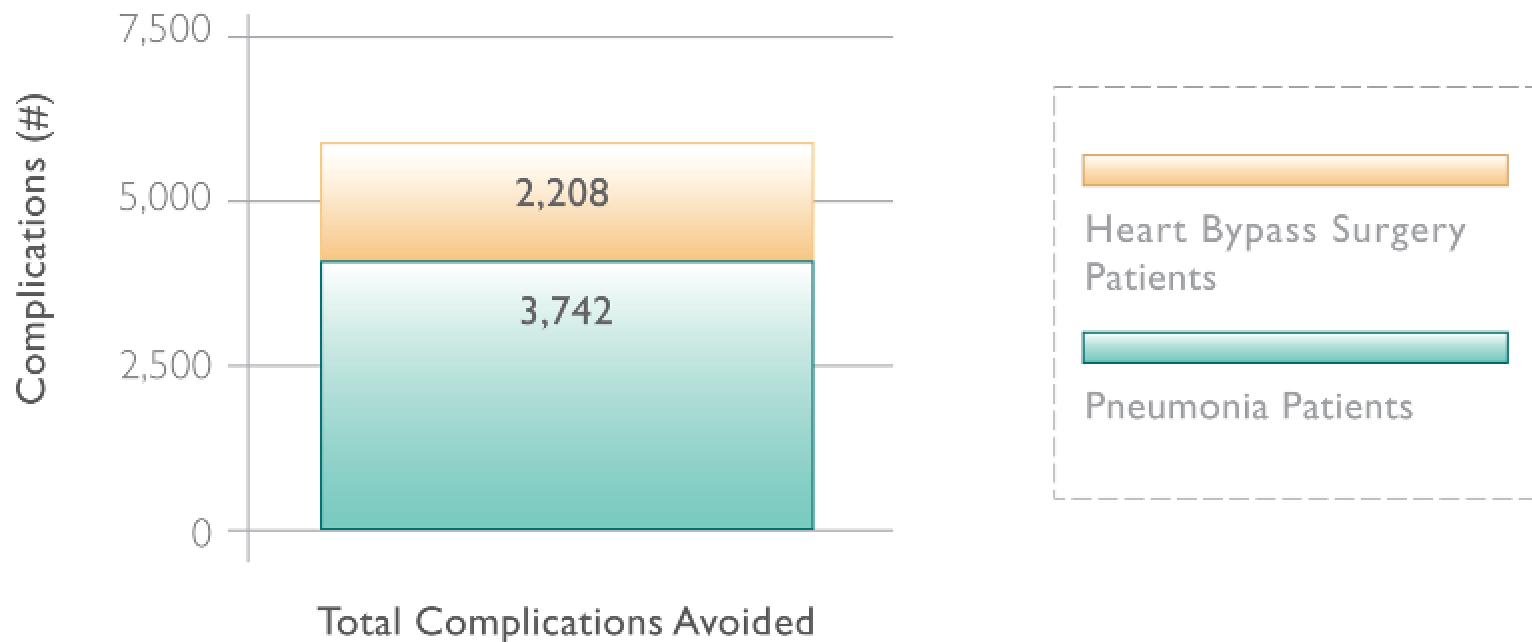


Implication 2

Improving care could avoid nearly 6,000 complications

MAGNITUDE OF THE IMPROVEMENT OPPORTUNITY: 5,950 COMPLICATIONS

Complications Avoided

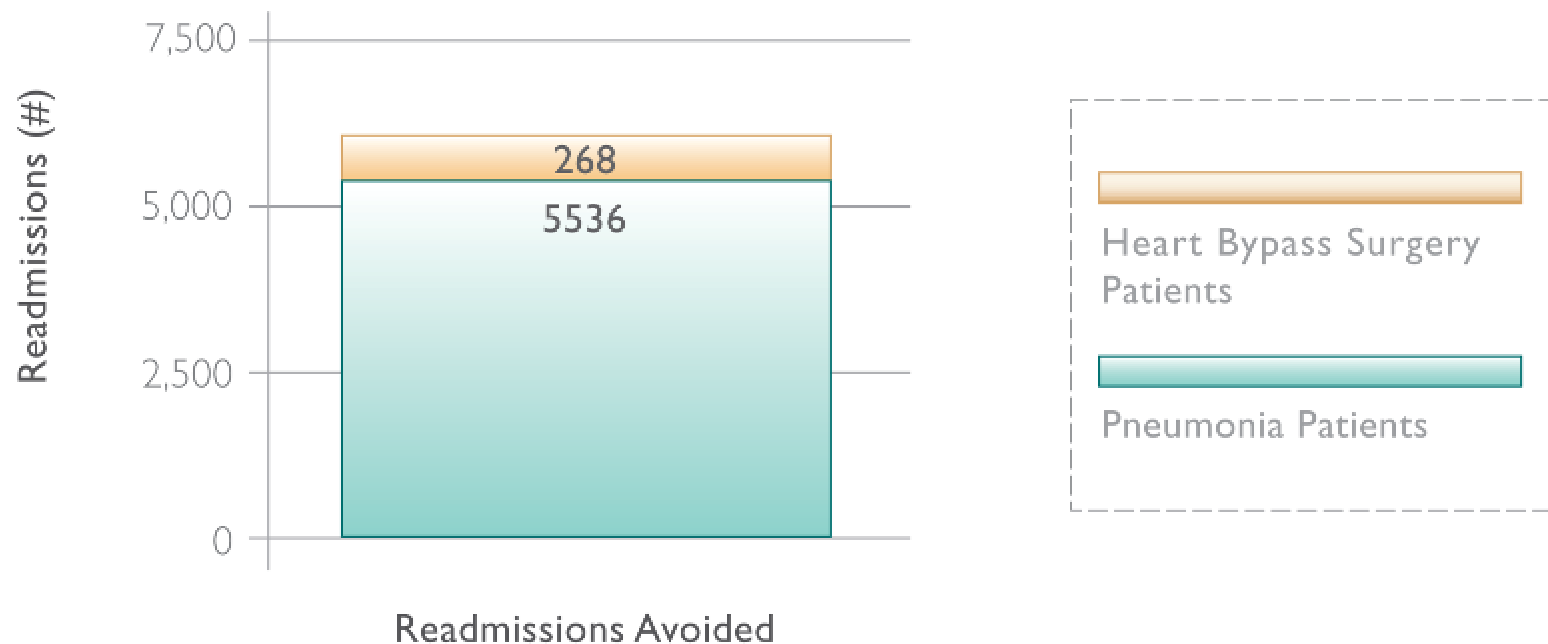


Implication 3

Improving care could avoid nearly 6,000 readmissions

MAGNITUDE OF THE IMPROVEMENT OPPORTUNITY: 5,804 READMISSIONS

Readmissions Avoided

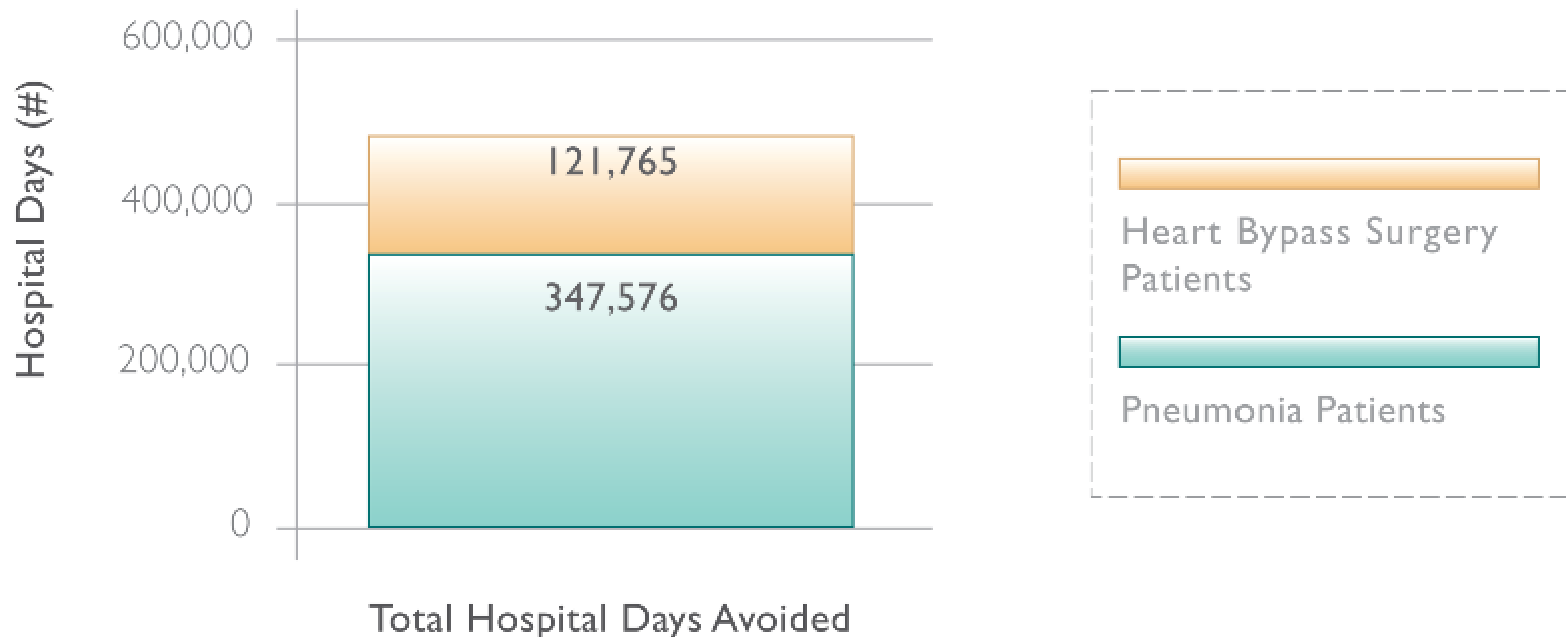


Implication 4

Improving care could avoid 500K days in hospital

MAGNITUDE OF THE IMPROVEMENT OPPORTUNITY: 469,341 HOSPITAL DAYS

Hospital Days Avoided



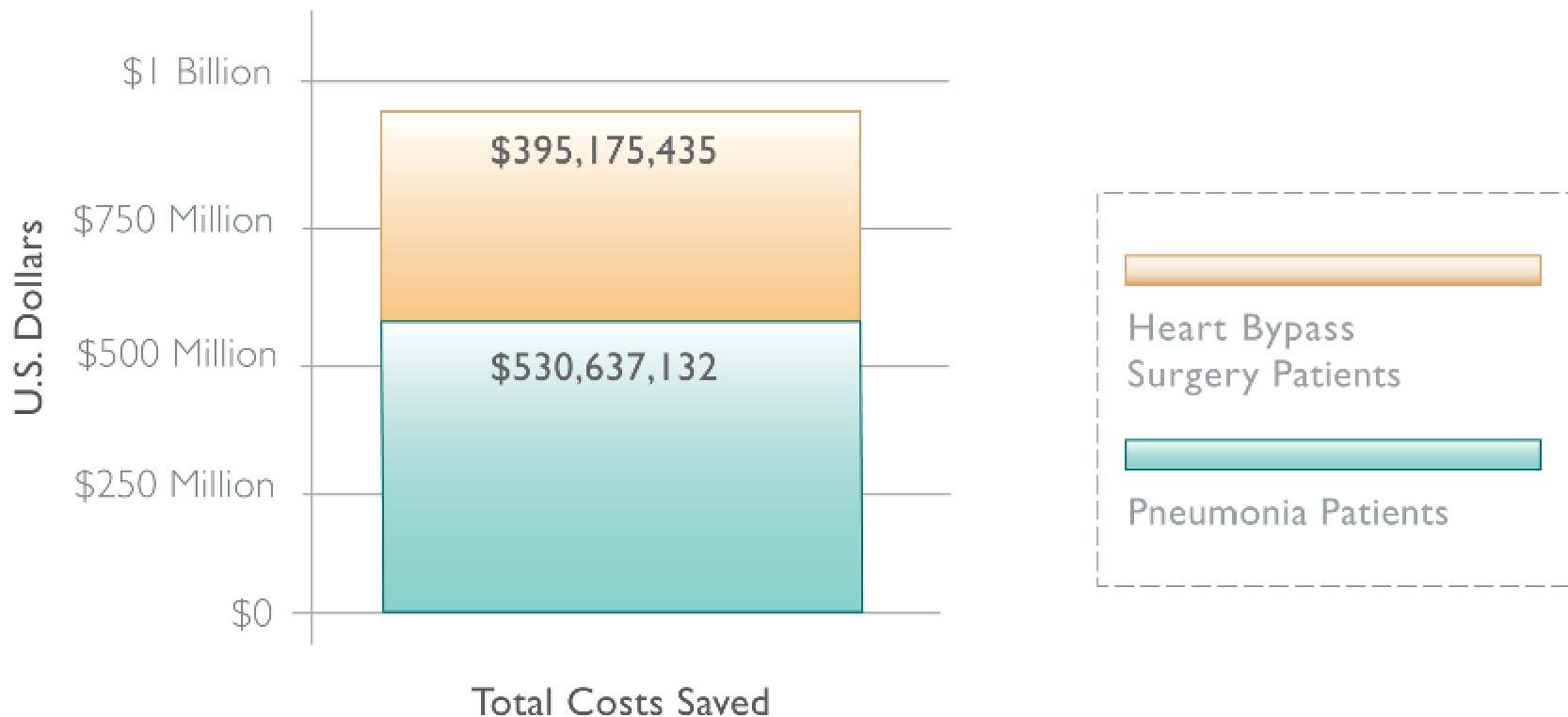
Implication 5

Improving care could save nearly \$1 billion

PREMIER

MAGNITUDE OF THE IMPROVEMENT OPPORTUNITY: \$925,812,567

Costs Saved



Improvement opportunity

**For pneumonia and heart bypass surgery patients
in one year alone:**

\$1 billion

3,000 avoidable deaths

6,000 complications

6,000 readmissions

500,000 days

National response to findings

“The predominant answer emerging from these results could not be more encouraging – better care can indeed improve affordability.”

Arnold Milstein MD, MPH

**US Healthcare Thought Leader, Mercer Health and Benefits,
Medical Director at Pacific Business Group on Health,
MedPAC Commissioner**

“Premier’s analysis provides evidence that reliably delivering a set of basic care measures saves lives.”

Donald M. Berwick, MD, MPP, FRCP

**President and CEO, Institute for Healthcare Improvement
Clinical Professor of Pediatrics and Healthcare Policy,
Harvard Medical School**

The impact of P4P on IT

Achieving the next level of performance

- To date, most hospitals achieved these gains without implementing new technological solutions
- BUT . . .
- As P4P expands, IT will feel impact and can play positive role in achieving top performance

Increased need for IT assistance

- Need to link multiple databases and non-integrated systems to automate the process of reporting P4P activities to payors
- Efficient and reliable ways needed to capture process indicators
 - Capture in nurse charting system
 - Did it happen, was it documented and was the time recorded?
 - If nurse charting is not automated, P4P will require chart pulls and reliance on accuracy/completeness of manual documentation

Increased need for IT assistance

- Reminders/prompts needed at time of care delivery
 - Clinical decision support capability in automated charting and order entry systems
 - Vendors should be incented to standardize P4P data collection/reporting and alerting modules
- To track P4P impact on financial performance, key indicators need to be accumulated and inserted in a financial decision support system
- To extend incentives to physician/clinical groups (gainsharing) HR/payroll systems will need to be modified to reflect incentive compensation

Increased stature for the IT function

- IT can become direct partner in improving institution's quality
- Also seen as partner in increasing organization's revenue through P4P incentives
 - Creates ROI platform for further IT investment
 - Modeling system to forecast incentive payments

New challenges for IT

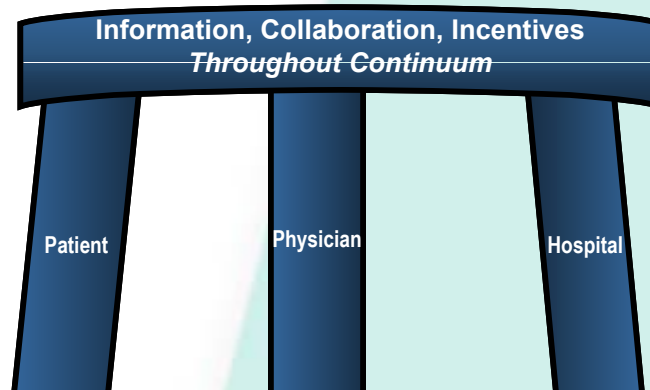
- For those IT leaders not deeply engaged in clinical processes, P4P will bring new challenges
 - Clinical language and culture
 - User acceptance of new processes and systems
 - Need for very high systems availability

A final note: IT and knowledge transfer

- Through site visits and interviews, we have identified 7 key characteristics of top-performing hospitals:
 1. Quality is a core value of the institution
 2. Quality is a top priority of the executive team
 3. Physicians are engaged in quality improvement
 4. The institution has a defined improvement methodology
 5. The institution has a defined methodology for prioritizing improvement efforts
 6. The institution dedicates resources to quality improvement
 7. **“Knowledge transfer” is institutionalized and continuous**
 - Need ability to systematically capture best practices and share them rapidly
 - Great opportunity for IT innovation and leadership

The next evolution of P4P

- Paying disease management companies to manage hospitals and doctors is an extra, unnecessary step
- Design system so hospitals and physicians are rewarded for disease management
 - Capitation now \$12-15 per MD vs \$120 for CDM company
- **Let's invest in essential processes of care delivery**



**Invest in essential care processes as foundation for a stable system.
Disease management should not be an expensive overlay.**


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Thank you

Questions? Comments?