

Healthcare Reform – Hospital Perspective

Susan DeVore

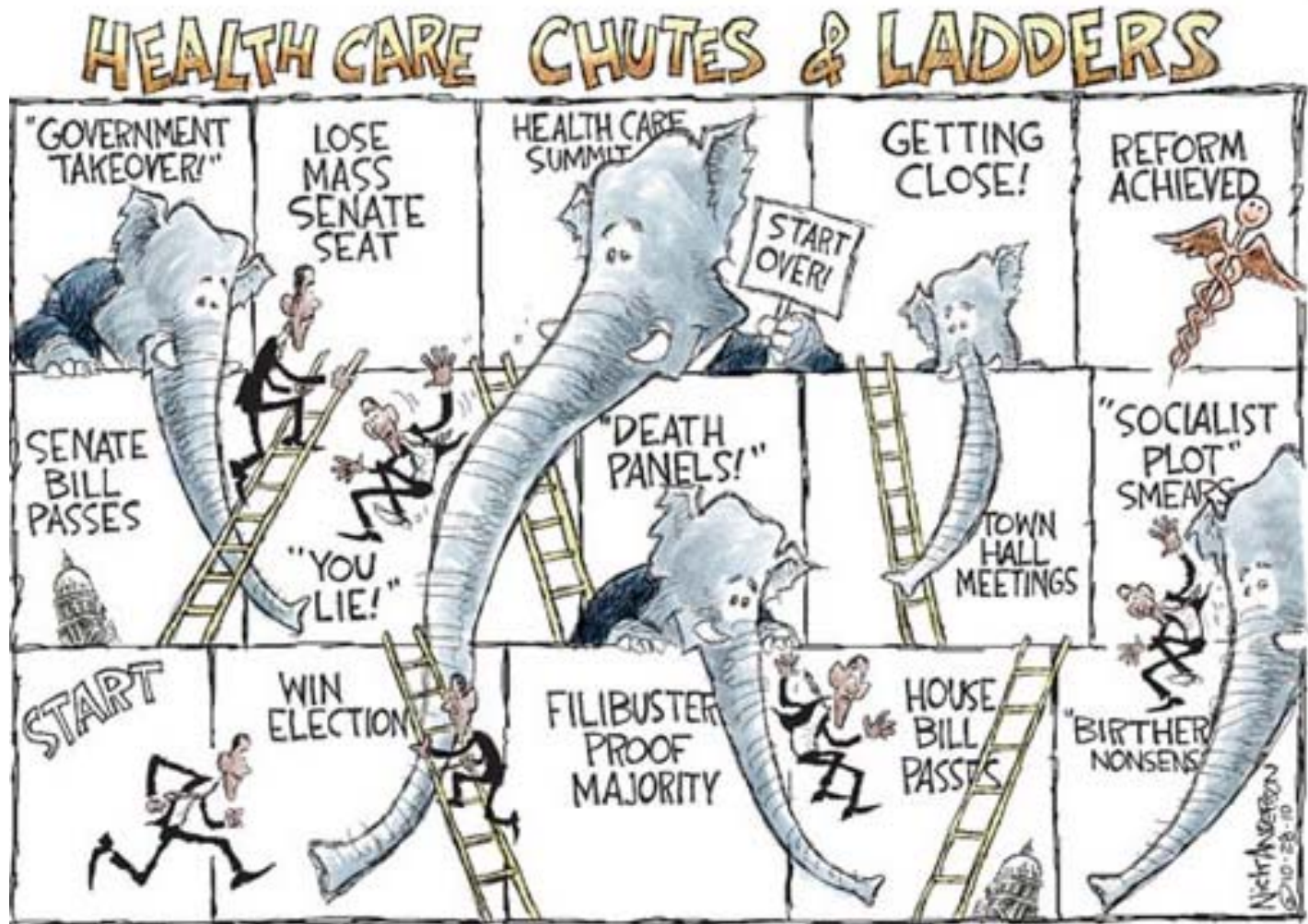
President and CEO, Premier, Inc.

March 8, 2010

The end of an illusion



Current landscape for healthcare reform



Specific policies require a paradigm shift and delivery system change



Value-based purchasing



Accountable Care Organizations



Bundled payments



Non-payment for preventable readmissions



Non-payment for infections and HACs

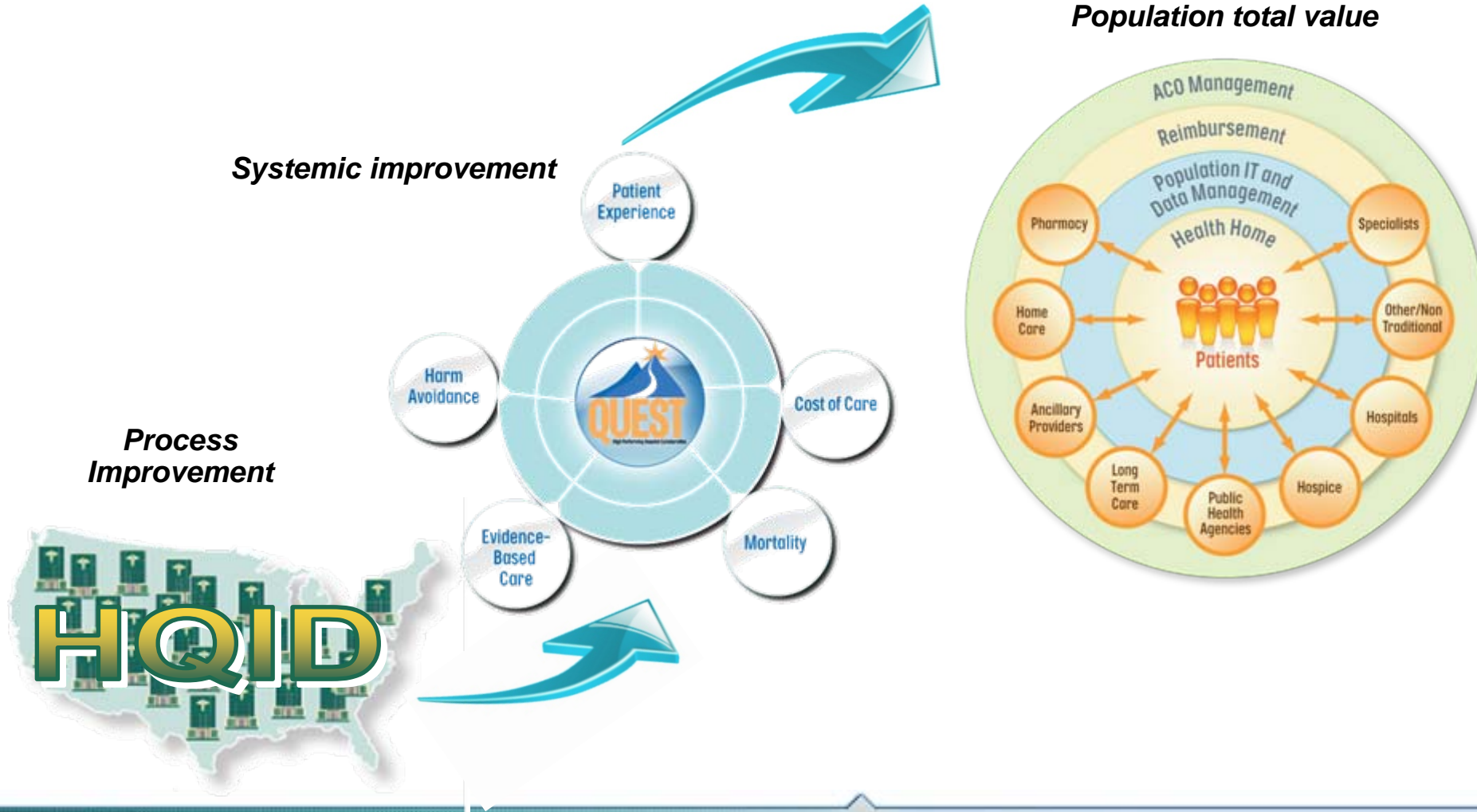


Transparency initiatives



Drive to tack waste, fraud and abuse

Helping hospitals prepare for high-value healthcare

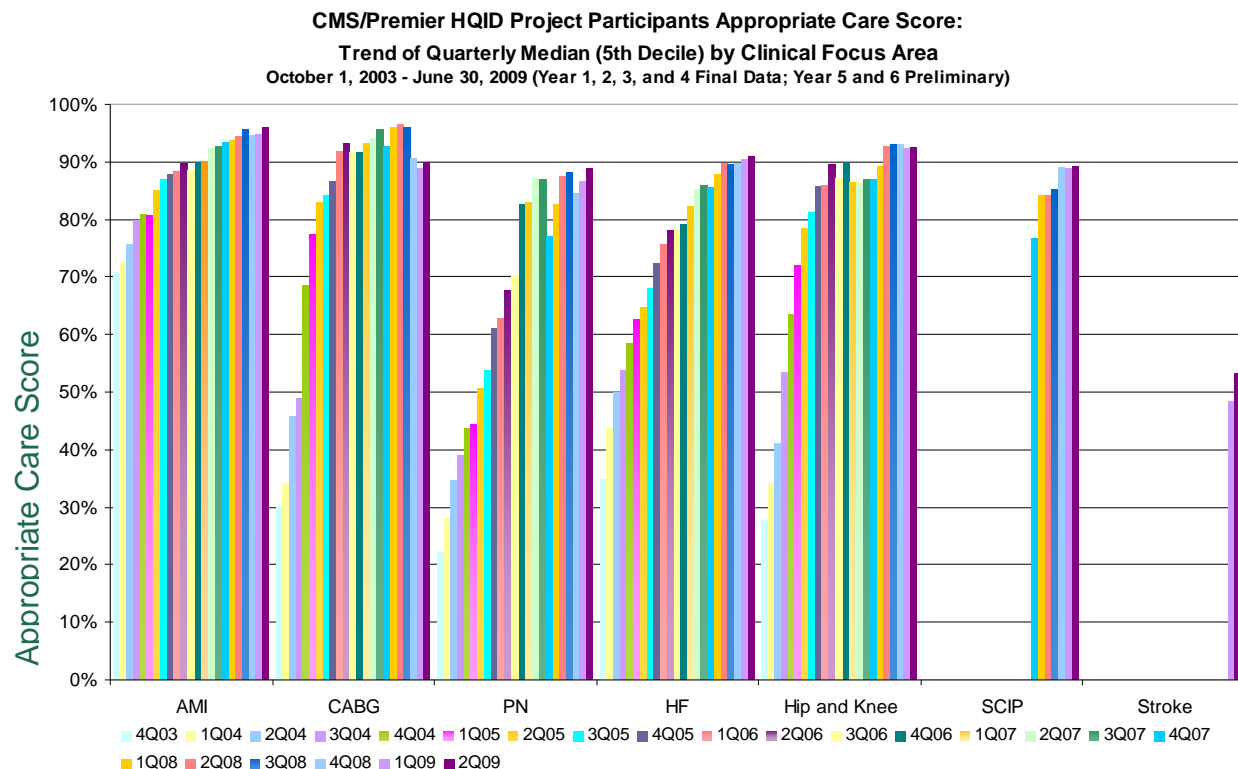


HQID proves P4P incents dramatic and sustained improvement

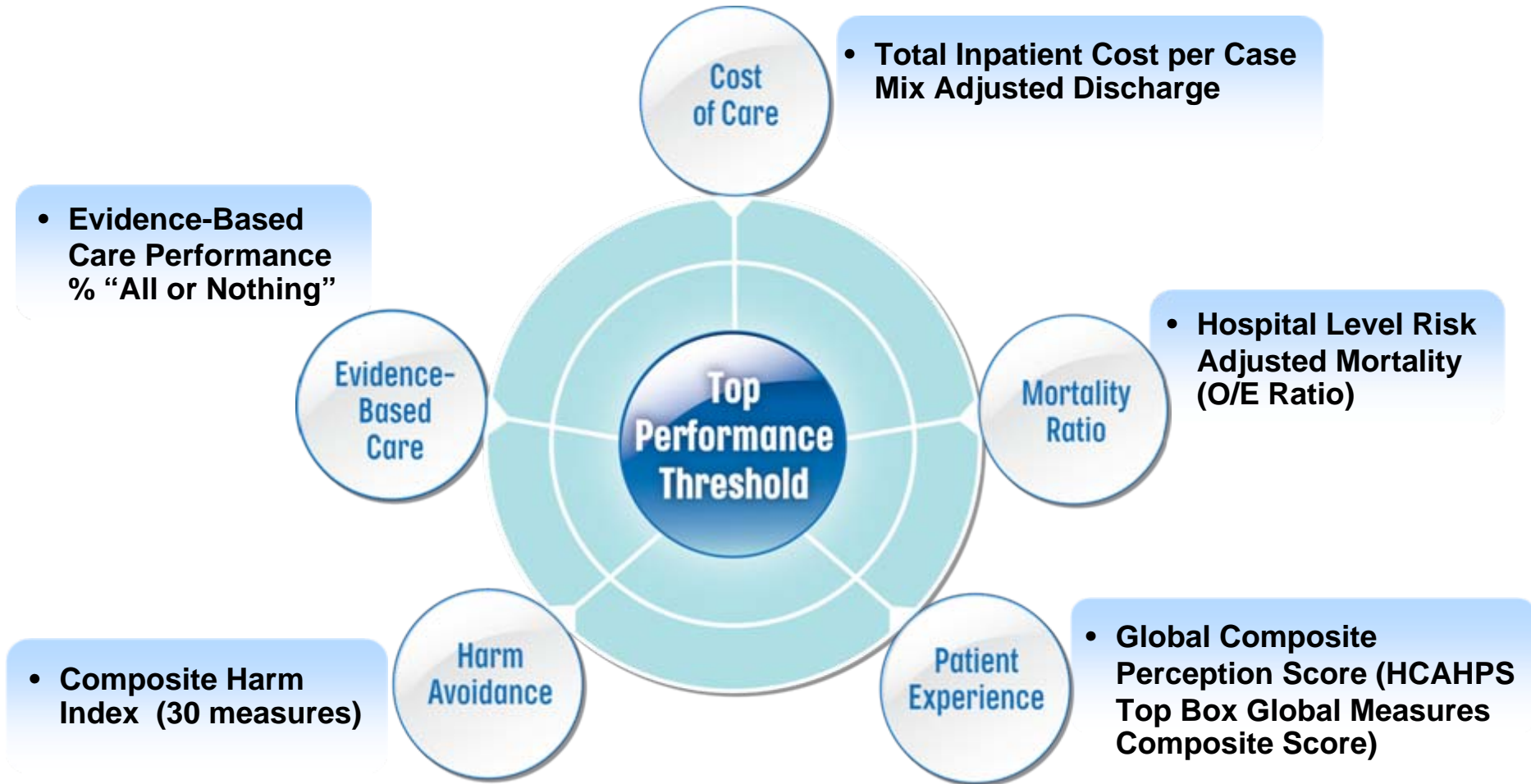
Avg. improvement from
4Q03 to 2Q09 in all
clinical areas
(23 quarters)
54.3%

Clinical Area	Improvement (percentage points)
AMI	25.3%
CABG	59.8%
Pneumonia	66.6%
Heart Failure	56.1%
Hip & Knee	64.7%

Evidence-based Care Improvements



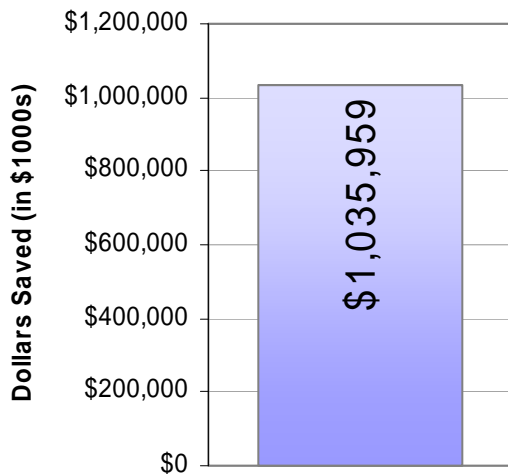
Taking value further by creating systemic improvement



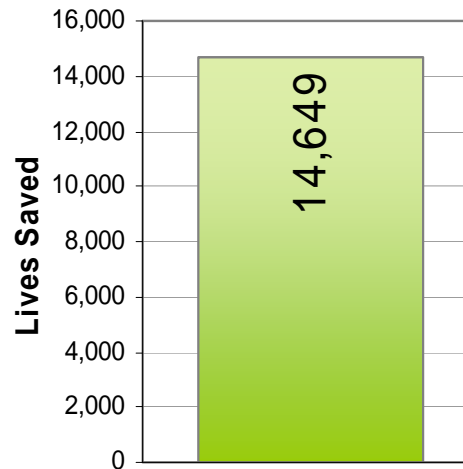
Lives saved, dollars saved

157 QUEST participants show remarkable results

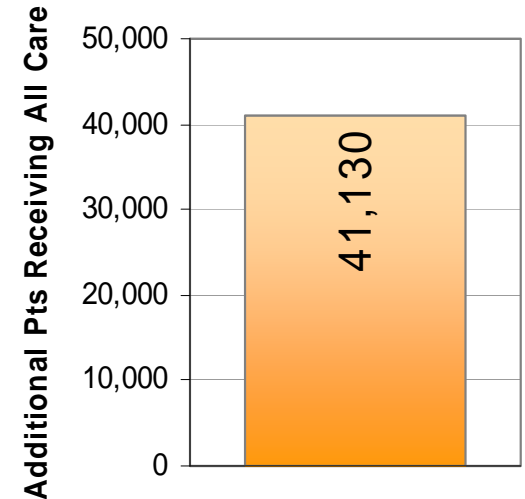
Dollars Saved



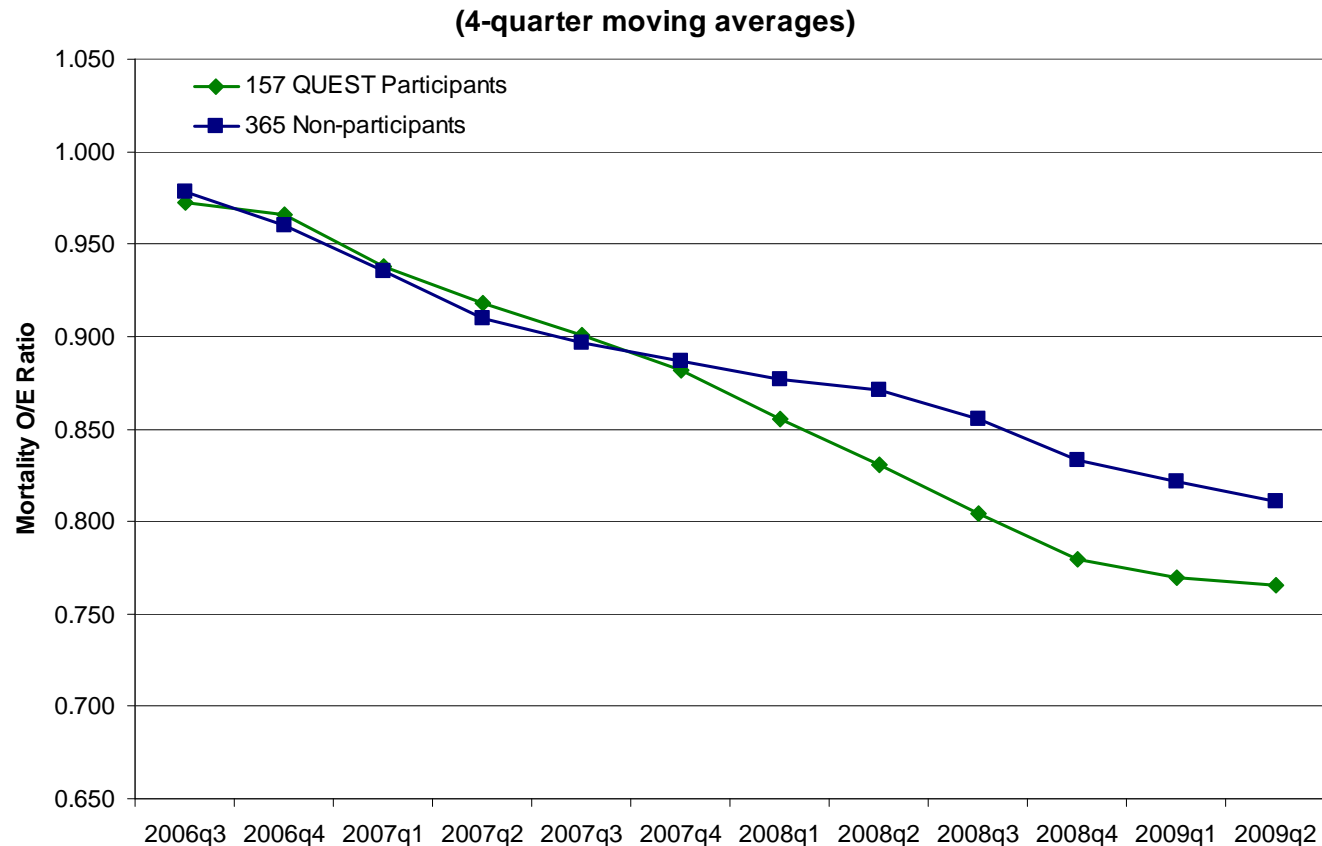
Lives Saved



Additional Patients Receiving Evidence-Based Care

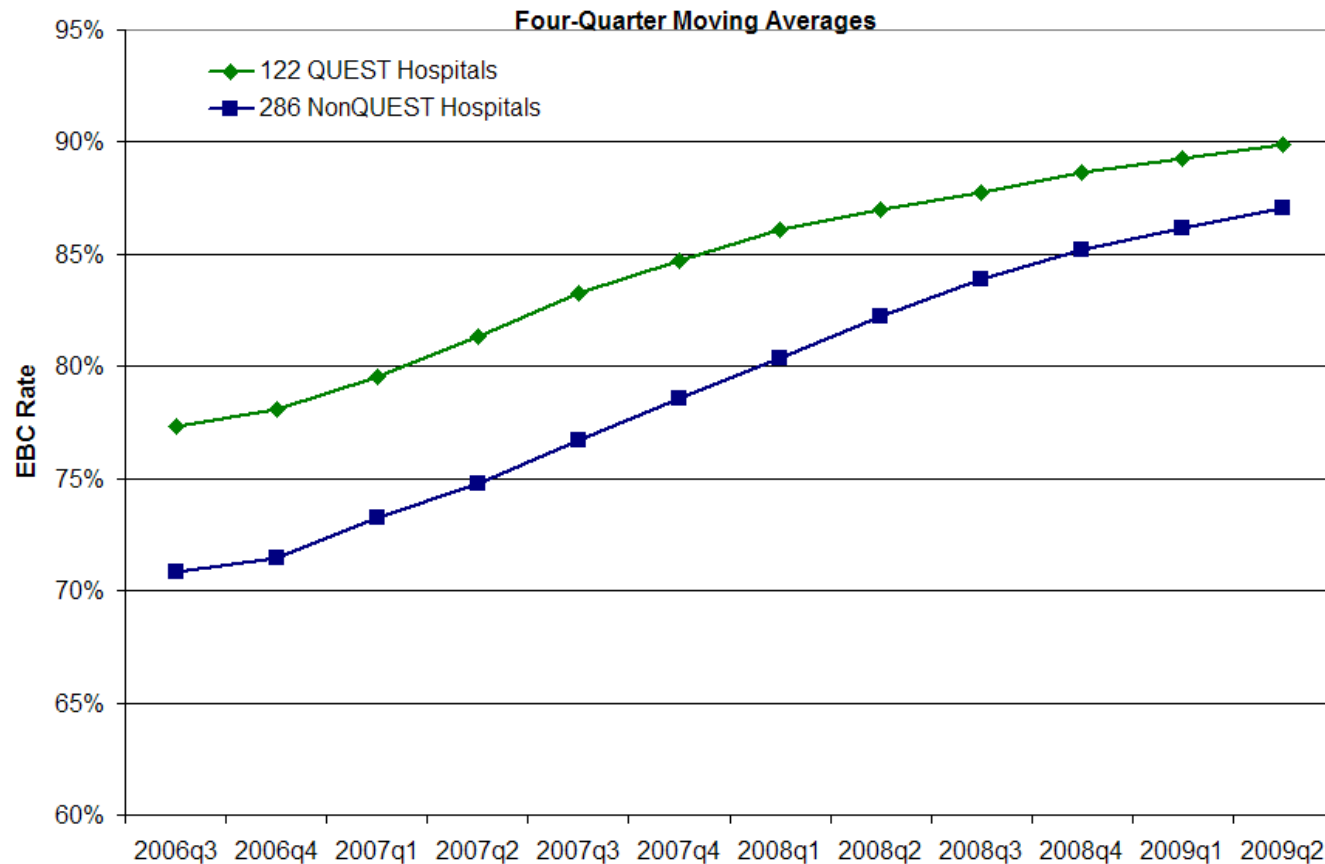


QUEST participants compared to non-participants: Mortality trends



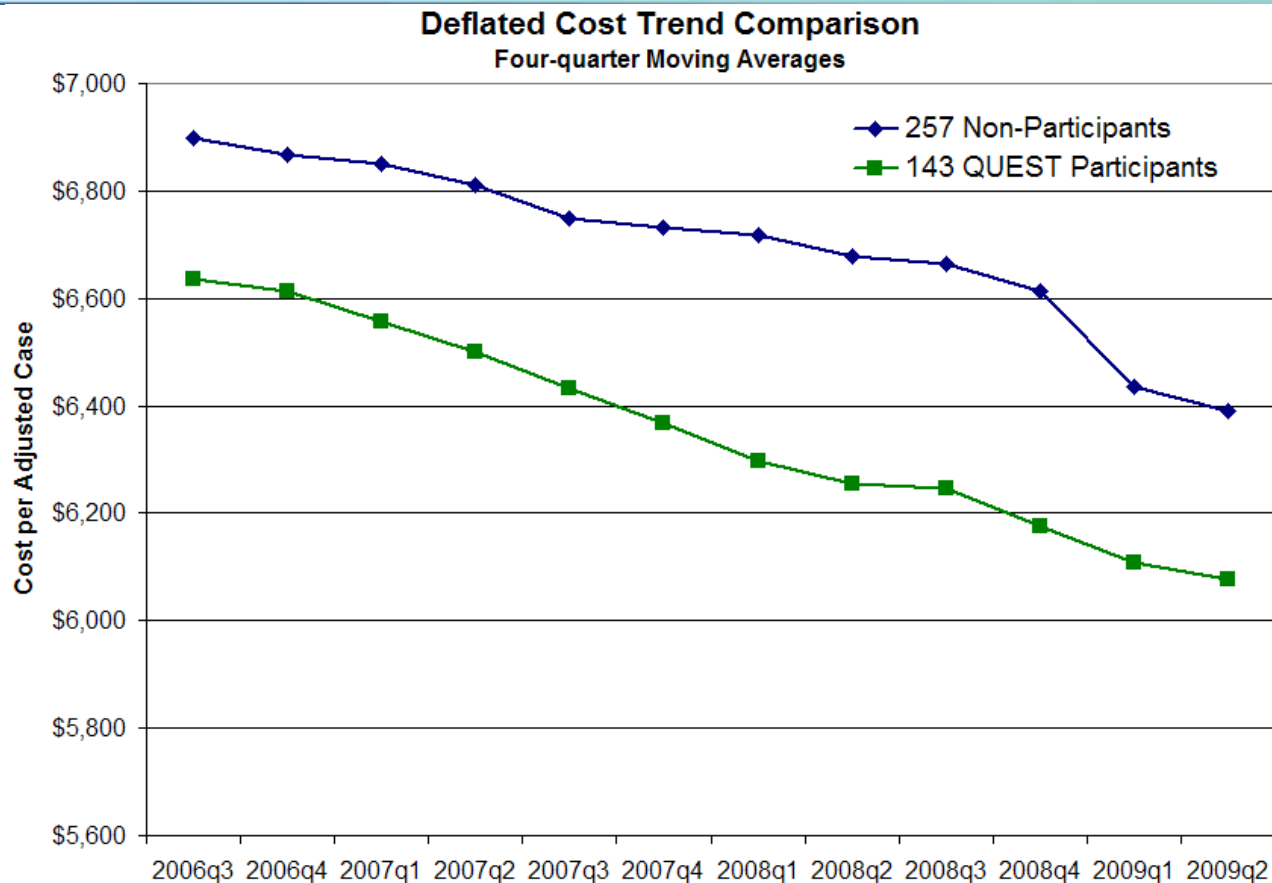
58% of QUEST hospitals in the top performance threshold

QUEST participants compared to non-participants: Evidence-based care trends



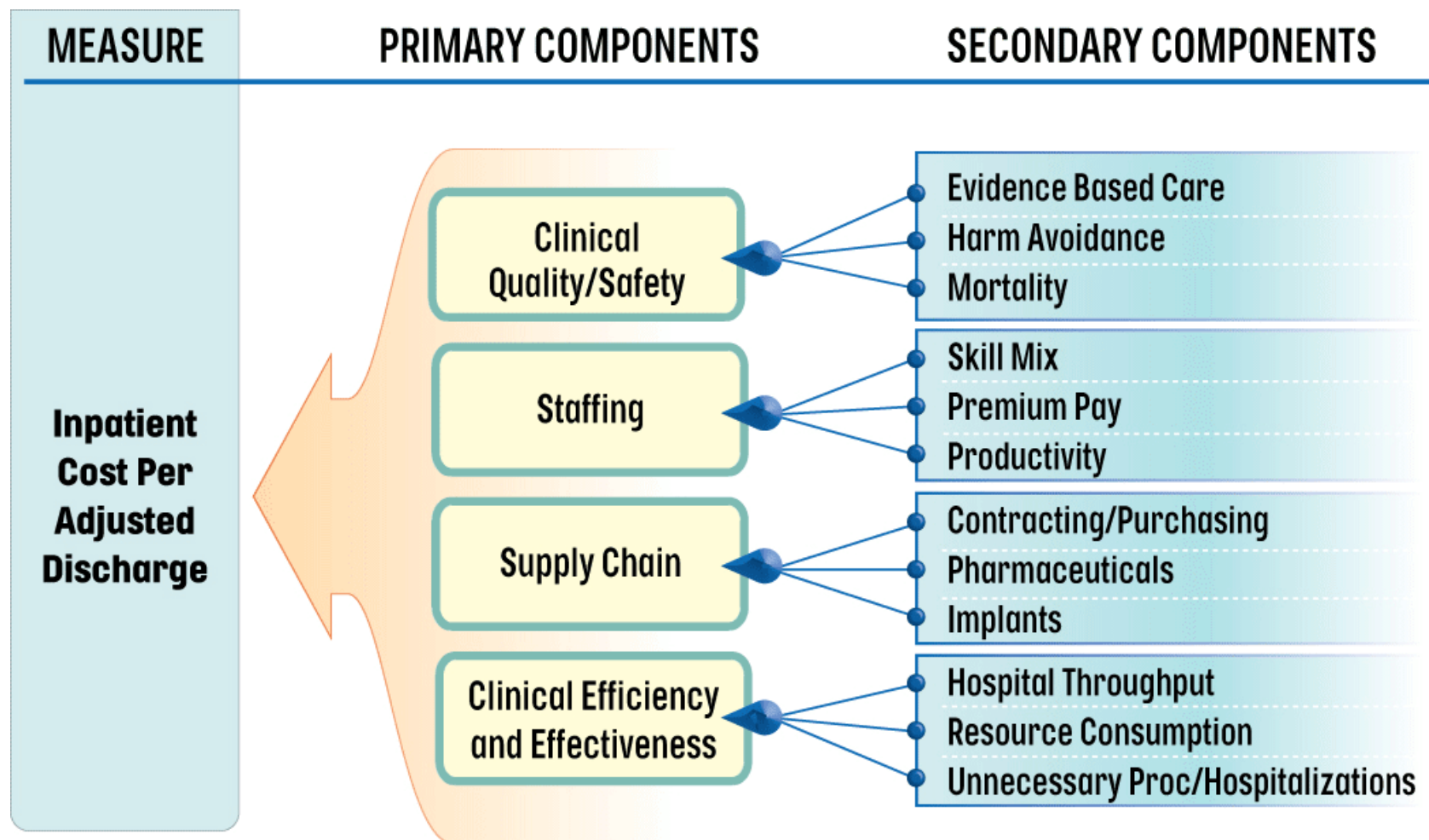
86% of QUEST hospitals in the top performance threshold

QUEST participants compared to non-participants: Cost of care trends



61% of QUEST hospitals in the top performance threshold

Our efficiency measure (cost of care) and components




Data pinpoints opportunities in HACs

Costs / Case (Arithmetic)

Population = Elective Hip / Knee

Total Cases	2,179	Arithmetic Costs (dollars)	\$14,726
Mean Patient Age (years)	69.6	Arithmetic LOS (days)	4.1
Mean Distance Traveled (miles)	5.1	Mean Comorbid Conditions	8.6

Population	Cases	Actual	Best Practice	Variance	Savings Potential
All Patients	2,179	\$15,298	\$14,726	\$572	\$1,246,388
No Avoidable Complications					
Avoidable Complications					

Real data complied by assigning “potentially avoidable complications” to elective hip / knee population

The costs of avoidable hospital acquired conditions: Where does the money go?

Specific Complications	Cases	Actual	Best Practice	Variance	Potential Savings
Infection - Bacterial	26	\$33,395	\$14,726	\$18,669	\$485,394
Pneumonitis - Due to solids / liquids	11	\$50,118	\$14,726	\$35,392	\$389,312
Hypotension	34	\$25,266	\$14,726	\$10,540	\$358,360
Pleurisy	8	\$51,871	\$14,726	\$37,145	\$297,160
Disorder – Pancreas	4	\$88,815	\$14,726	\$74,089	\$296,356
Infection – Intestinal	2	\$131,878	\$14,726	\$117,152	\$234,304
Complications of Procedures	47	\$17,706	\$14,726	\$2,980	\$140,060
Pneumonia	27	\$19,500	\$14,726	\$4,774	\$128,898
Acute Renal Failure	21	\$19,778	\$14,726	\$5,052	\$106,092
Acute Myocardial Infarction	9	\$25,302	\$14,726	\$10,576	\$95,184
Obstruction – intestinal	13	\$21,862	\$14,726	\$7,136	\$92,768
Kidney / urethral Disorder	23	\$18,237	\$14,726	\$3,511	\$80,753
Hemorrhage – GI	8	\$23,634	\$14,726	\$8,908	\$71,264
Septicemia	5	\$27,803	\$14,726	\$13,077	\$65,385
Pneumonia - Other Org	2	\$44,432	\$14,726	\$29,706	\$59,412

Source: Premier Database

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Transforming Healthcare Together

Targeting waste in QUEST

1. Staffing – productivity
2. Staffing - premium dollar utilization
3. Unnecessary testing/hospitalizations
4. Hospital Acquired Conditions/Infections
5. Non-standardization of high value items, such as implants
6. Pharmacy utilization - antibiotic selection
7. Throughput (ICU and ED)
8. High LOS
9. Readmissions
10. Time to implement contracts
11. Medication Errors
12. Contract non-compliance

Big savings potential associated with eliminating waste and overuse

1

Unexplained variation in the intensity of med/surg services.

Potential annual savings: \$600 billion

2

Misuse of drugs and treatments resulting in preventable adverse effects.

Potential annual savings: \$52.2 billion

3

Overuse of non-urgent ED care.

Potential annual savings: \$21.4 billion

4

Underuse of appropriate medications, such as generic hypertensives, asthma controllers

Potential annual savings: \$5.5 billion

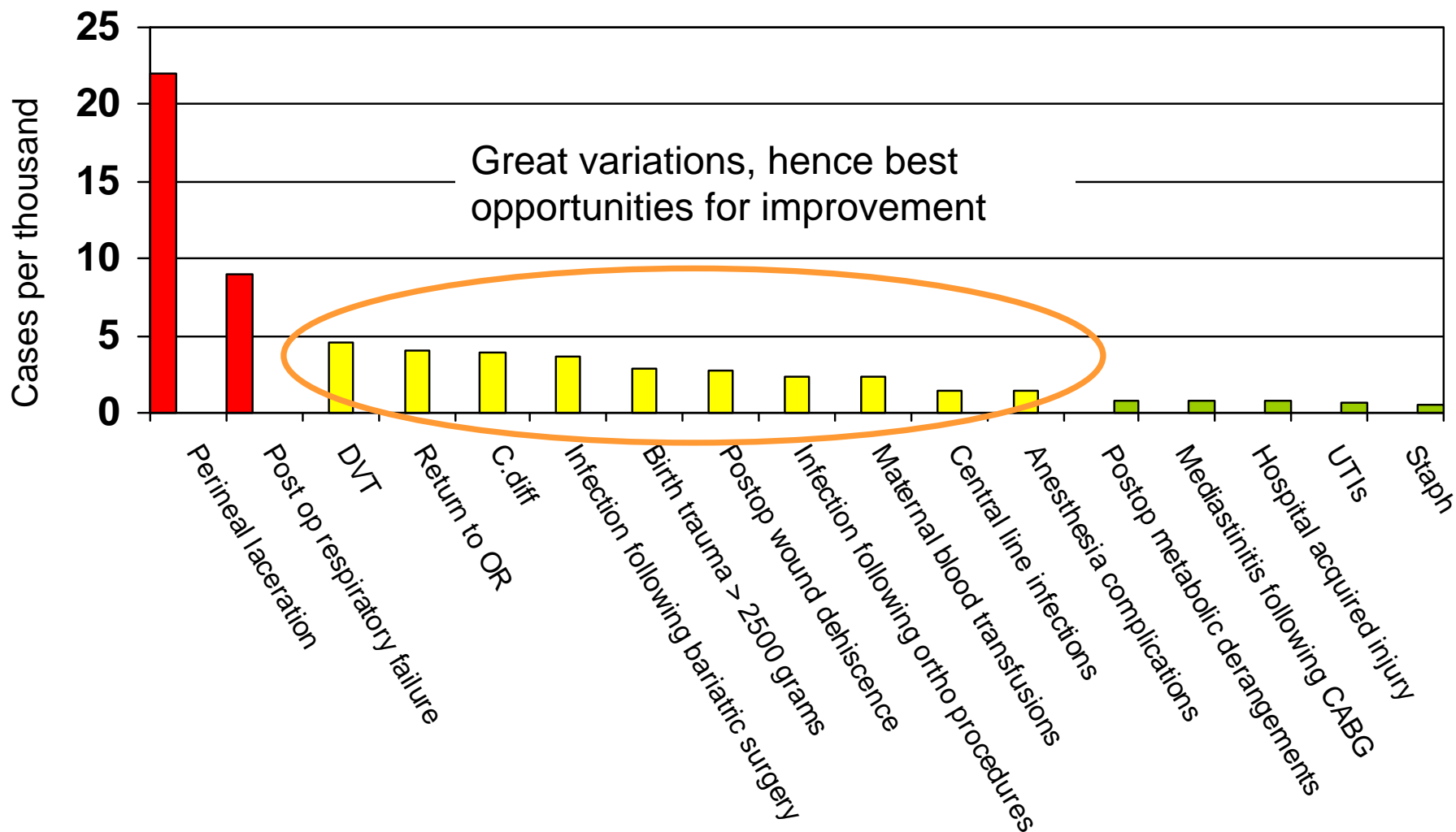
5

Overuse of antibiotics for respiratory infections

Potential annual savings: \$1.1 billion

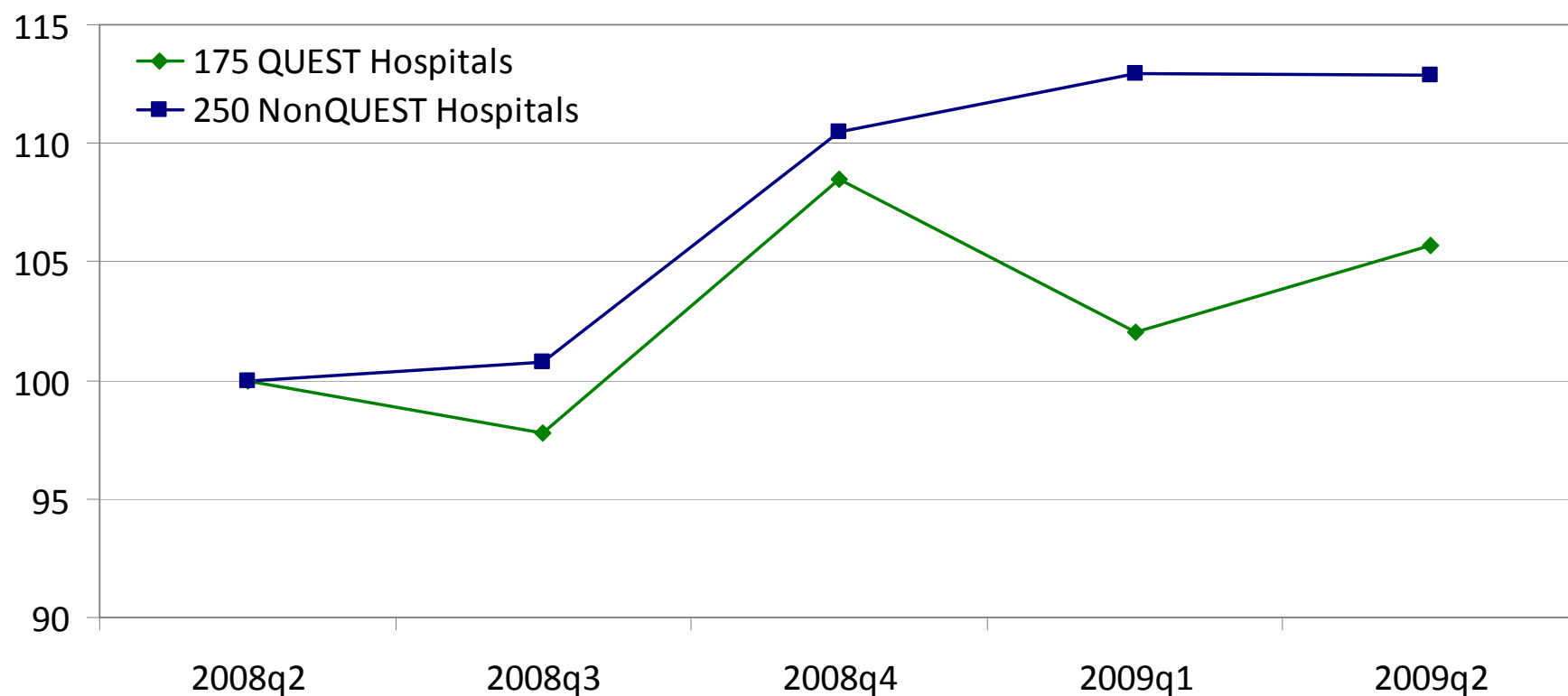
Source: NQF report Waste Not Want Not, July 2009

Targeting harm in QUEST

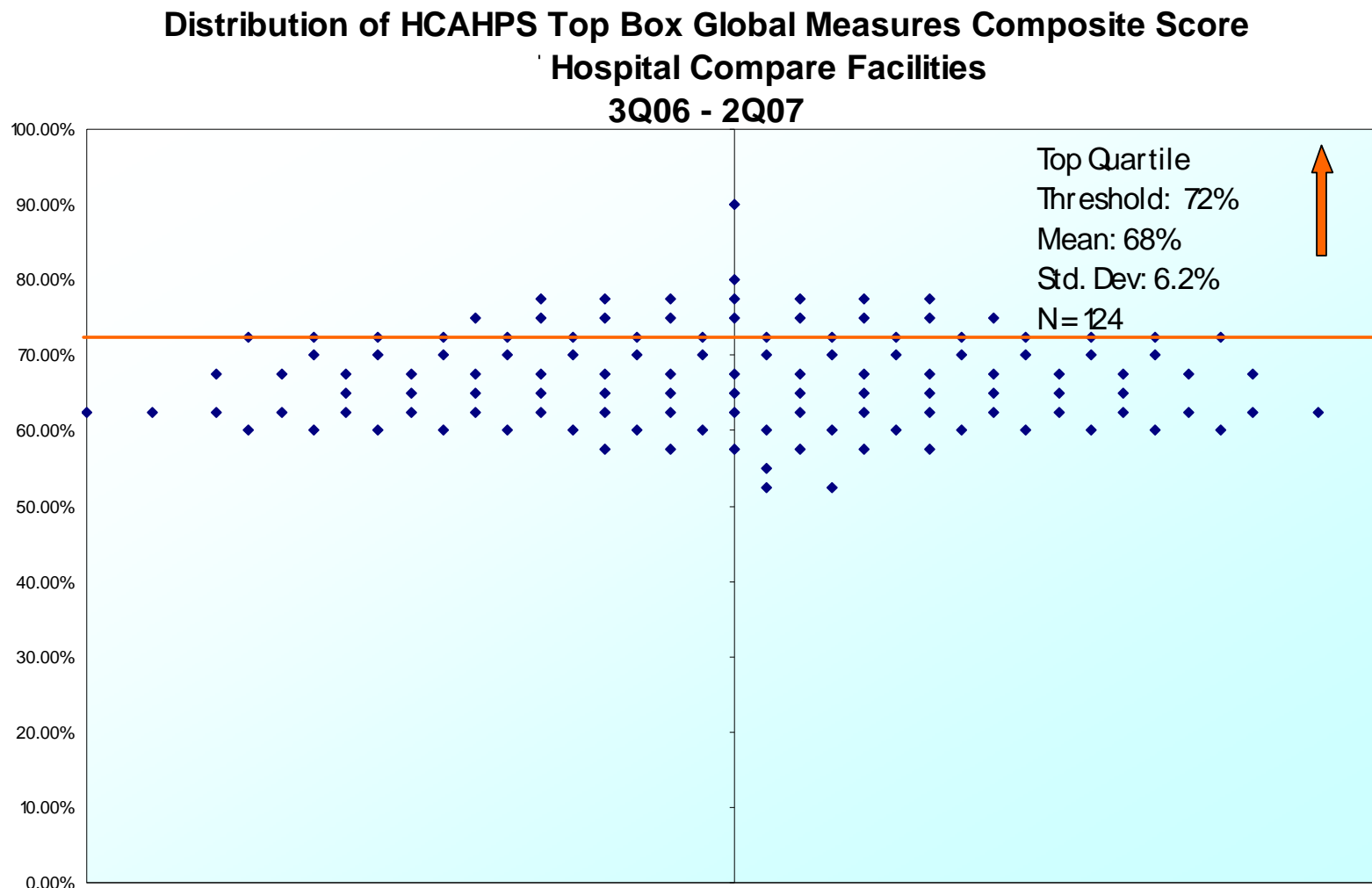


QUEST Harm Trends compared to non-participants

Normalized Harm Composite Trends



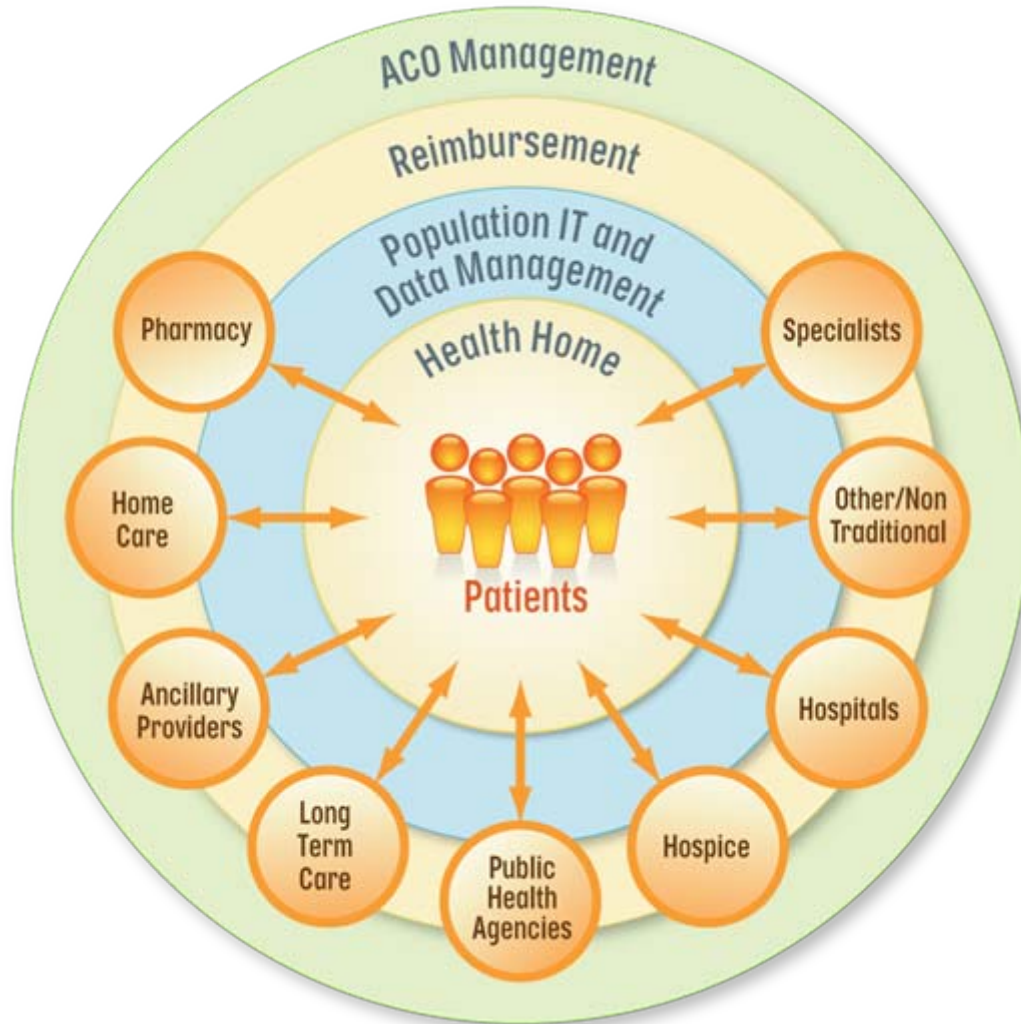
Patient experience: global perceptions measure composite score (Top Box + Would Recommend)



Continuing on the journey: Triple aims of accountable care



The ACO model brings all the pieces together



- Builds patient centric systems of care
- Improves quality and cost for delivery system components
- Coordinates care across participating providers
- Uses IT, data and reimbursement to optimize results
- Builds payer partnerships & accepts accountability for the total cost of care
- Assesses and manages population health risk
- Reimbursed based on savings & quality – value

Thank you

Questions? Comments?

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