



Making Health Care More Affordable: Hospital Actions

Better Coordinate Care:

- Hospitals will work to promote the development and adoption of realigned financial incentives to reward care coordination.
- Hospitals will work with payers to test new payment approaches that provide a single amount to provider groups to manage a patient's episode of care.
- Hospitals will work with lawmakers to modernize laws and regulations to allow doctors, hospitals and others to work together in teams or "networks," emphasizing chronic disease prevention and management in health education and training programs. These include Federal Antitrust Laws, Civil Money Penalty Law, Federal Anti-kickback Statutes, the Ethics in Patient Referrals Act (Stark Law) and IRS Tax-exempt Laws.

Today's health care system is fragmented and complex making it hard for patients to get the care they need at the right time and in the right setting. Care coordination is particularly critical for the chronically ill who account for 80 percent of spending on health care but receive only half of all recommended care. When chronic diseases are not appropriately managed, complications can arise leading to the need for emergency care, a hospital stay or a readmission. Care coordination, with the broad participation of various community resources, also can make a difference for patients facing end-of-life care. The Commonwealth Fund estimates that strengthening primary care management and care coordination in the Medicare program alone could save \$60 billion over five years.¹

Achieve Performance Excellence:

- Hospitals will adopt proven methods to improve quality and reduce costs including: surgical care checklists and evidence based practices to reduce central line infections as in the Keystone initiative.
- Hospitals will build upon our leadership in developing initiatives to measure performance and provide this information to the public.
- Hospitals are prepared to move to Value Based Purchasing which will encourage quality improvement and thereby lower costs. Providers achieving targeted score or level of improvement will receive incentive payments.
- Hospitals will work to promote investments at the national level to identify what care is most effective and to create incentives to speed the adoption of these methods in practice.

¹ The Commonwealth Fund Commission on a High Performance Health System. *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending*. December 2007.

Hospitals and physicians that achieve top standards in care delivery are shown to reduce patient time in the hospital, avoid complications and readmissions and increase patient satisfaction. Following care guidelines and protocols can reduce variation in care by ensuring patients get only the care they need. Yet these behaviors are not rewarded in our current payment system.

The Michigan Health & Hospital Association created the Keystone Center for Patient Safety & Quality in 2003 to improve patient safety and quality and lower costs by putting research into practice. The Keystone intensive care unit (ICU) initiative shows that actions to improve quality can actually lower costs. This program applies evidence-based practices to reduce healthcare-acquired infections. The center estimates that it has saved 1,800 lives, avoided 129,000 excess hospital days and saved \$247 million from 2004 to 2008 across 76 participating hospitals.² A congressional staff report concluded that the program could reduce costs by \$1 billion annually if it were expanded nationwide.³

Reduce Administrative Costs:

- Hospitals will work collaboratively with health care plans and other providers to reduce administrative costs by standardizing and improving access to up-to-date eligibility and enrollment information, benefits, coverage and cost sharing information as well as simplifying and standardizing elements of the billing claims processing and adjudication process.
- Hospitals will work with payers and other stakeholders to standardize the collection and reporting of quality data.
- Hospitals will work towards a streamlined process for establishing the competency and scope of practice credentials of health care providers.

Today's health care system is choked with paper. Hospitals face duplicative regulations and compliance burdens and a myriad of insurance plans, each with different claims processing and recordkeeping requirements. Health care will be more affordable if health care professionals spend more time at the bedside and less on paperwork. Administrative costs – costs not associated with the delivery of patient care – comprise between \$145 billion and \$294 billion of our nation's annual health care spending.

Speed Adoption of IT.

- Hospitals will push to create interoperable standards for information exchange.
- Hospitals will support the adoption of unique patient identifiers to link people to their health records.
- Hospitals will work with suppliers to create unique product identifiers.
- Hospitals will work with lawmakers to build upon the positive steps in *The American Recovery and Reinvestment Act of 2009* to create incentives for providers, suppliers and insurers to use IT and achieve data connectivity across the continuum.

² The MHA Keystone Center for Patient Safety and Quality, 2008 Annual Report

³ Staff Report to the Committee on Oversight and Government Reform, US House of Representatives, "Survey of State Hospital Associations: Practices to Prevent Hospital-Associated Bloodstream Infections", September 2008

Information technology has increased efficiency in banking, manufacturing, government and other sectors of the economy. It is time to speed adoption of IT in health care to improve patient care, quality and efficiency. RAND estimates that the widespread adoption of IT in health care could yield \$77 billion in annual savings from improved efficiency, but significant upfront investment would be required.⁴

⁴ RAND Health. *Health Information Technology: Can HIT Lower Costs and Improve Quality?* 2005.