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AHRMM

Why are we here?

February 9, 2018

Session Goal:

Call to Action

HealthCare have reached a critical point, demanding that Leaders discard conventional processes, strategies and technologies and reimagine the fundamentals from the ground up

- Understanding the Business of HealthCare.

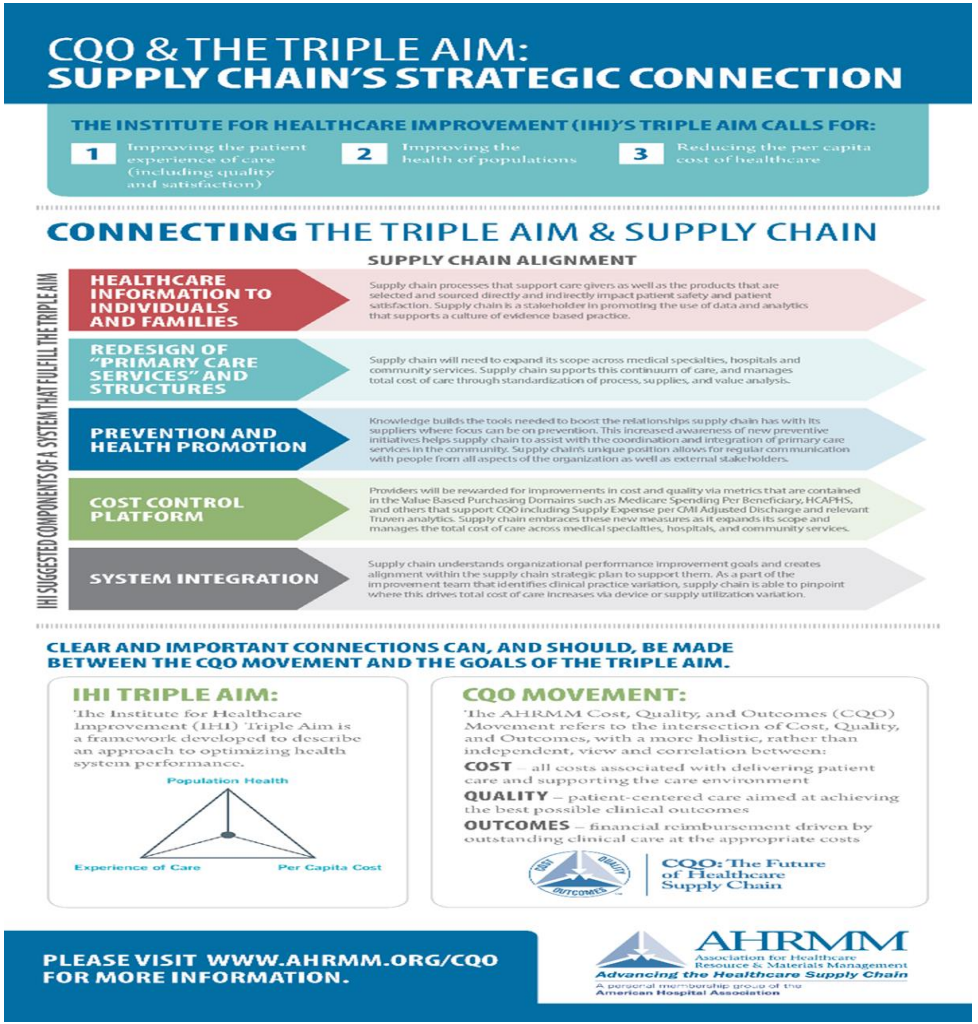
Differently

Reduced Variability & Understand Utilization:

Achieving a better way ….

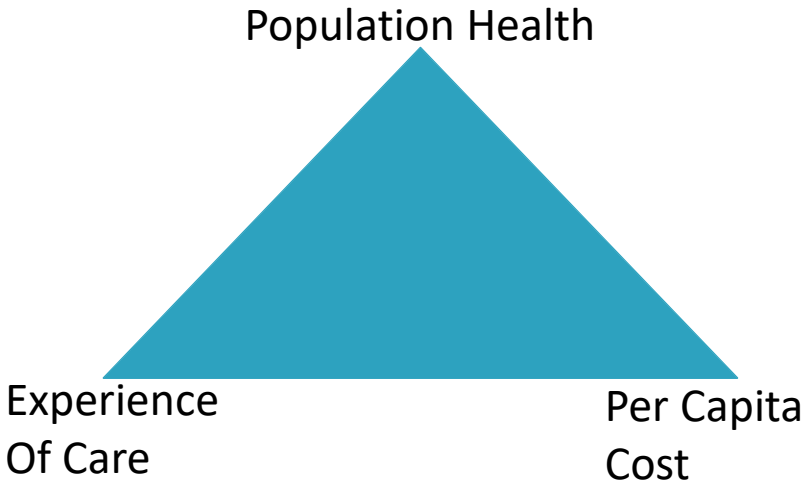
TRIPLE AIM

- Ability to define the value of a device, product or drug in terms of these goals.
- Defining value from a patients perspective?



IHI TRIPLE AIM:

The Institute for Healthcare Improvement (IHI) Triple Aim is a framework developed to describe an approach to optimizing health system performance.



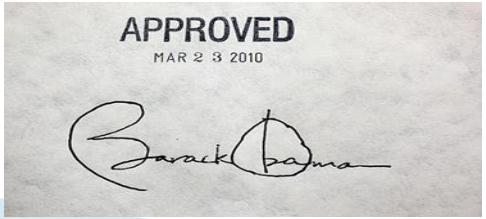
CQO MOVEMENT:

The AHRMM Cost, Quality, and Outcomes (CQO) Movement refers to the intersection of Cost, Quality, and Outcomes, with a more holistic, rather than independent, view and correlation between:

COST – all costs associated with delivering patient care and supporting the care environment

QUALITY – patient-centered care aimed at achieving the best possible clinical outcomes

OUTCOMES – financial reimbursement driven by outstanding clinical care at the appropriate costs



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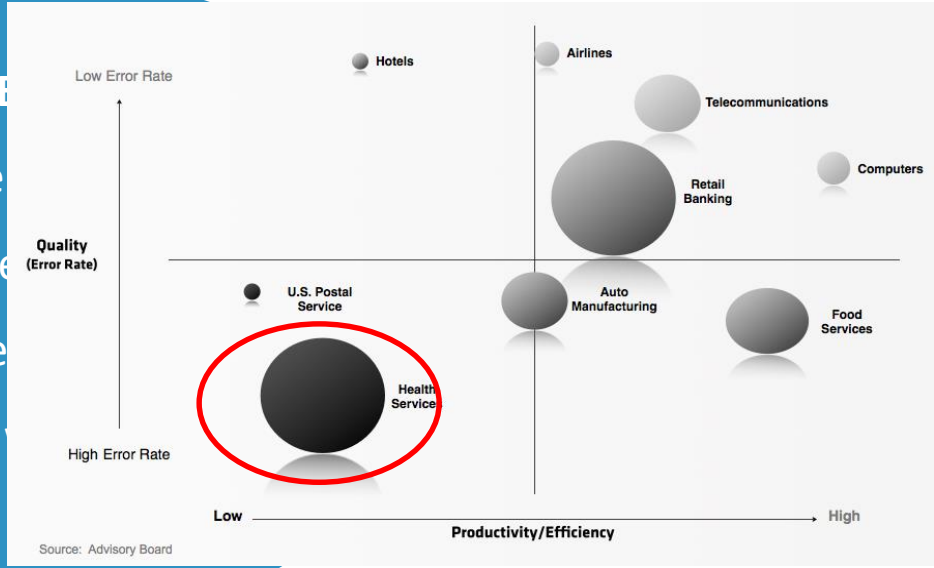
Cross-Industry Comparison of Size, Quality & Productivity / Efficiency

The
some
achieve
without



Healthcare clearly lags behind other industries

(Note: even US Postal Service has higher quality rating)

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What do these numbers have in common?

0
86
1095

- 0 Died today - Ebola
- 86 Died today - Guns
- 1095 Died today - Accidentally in US Hospitals

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The Way IT is Designed Remains Part of the Problem

WASHINGTON | July 18, 2014

Tejal Gandhi, MD, president of the National Patient Safety Foundation and associate professor of medicine, Harvard Medical School, spoke at the hearing.

- It's a chilling reality – one often overlooked in annual mortality statistics: Preventable medical errors persist as the No. 3 killer in the U.S. – third only to heart disease and cancer – claiming the lives of some 400,000 people each year. At a Senate hearing Thursday, patient safety officials put their best ideas forward on how to solve the crisis, with IT often at the center of discussions.
- Hearing members, who spoke before the Subcommittee on Primary Health and Aging, not only underscored the devastating loss of human life – more than 1,000 people each day – but also called attention to the fact that these medical errors cost the nation a colossal ----

$1 trillion each year!

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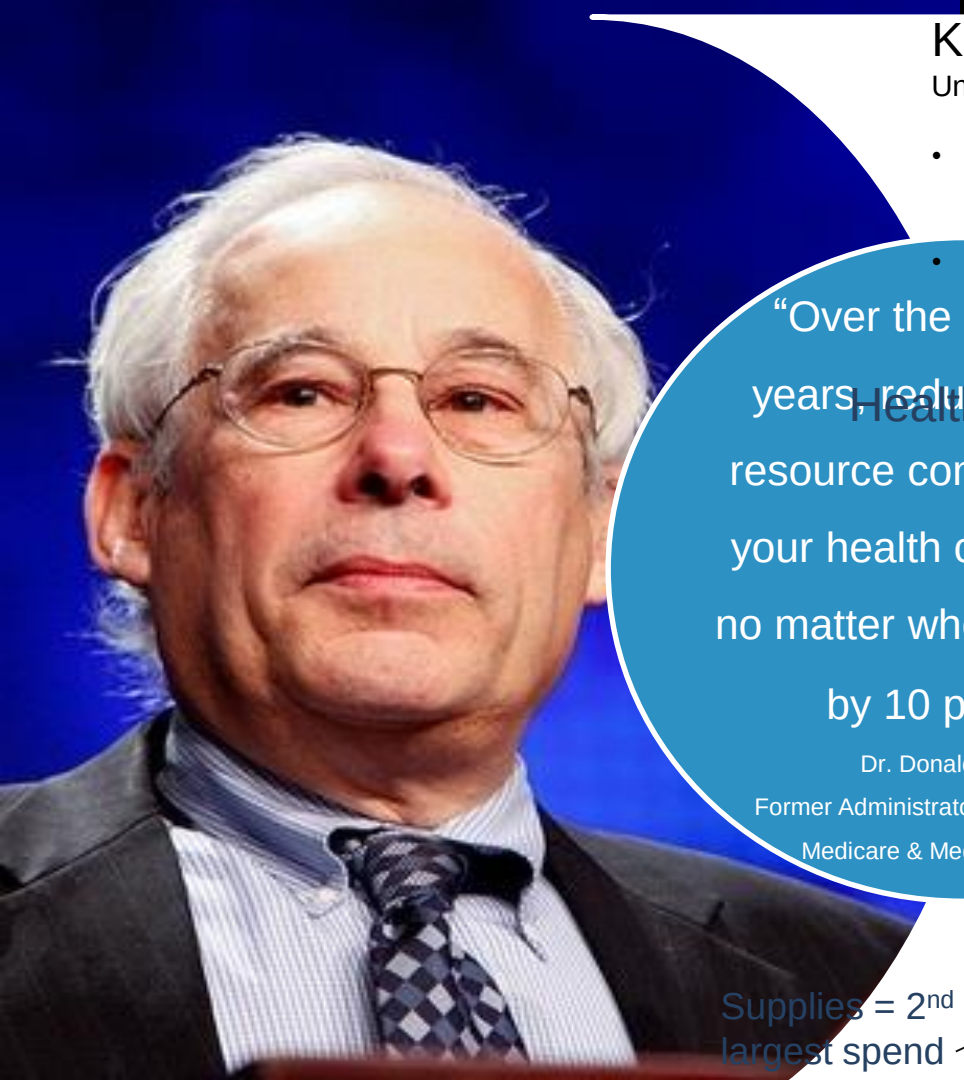


Key Information:

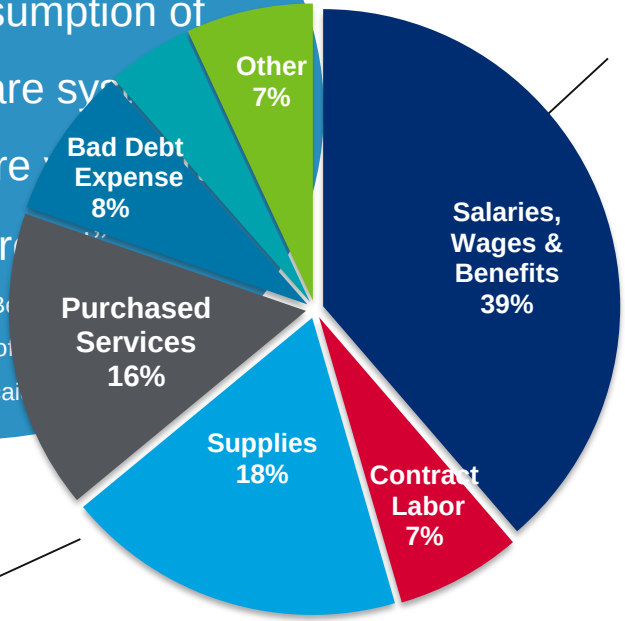
Under reform, fully phased-in hospital cuts (2019):

- **At BEST**, baseline payment MINUS 14% (across-the-board cuts only)
- **At WORST**, baseline payment MINUS 20% (across-the-board PLUS quality cuts)

"Over the next three years, reduce the total resource consumption of your health care sy no matter where by 10 per

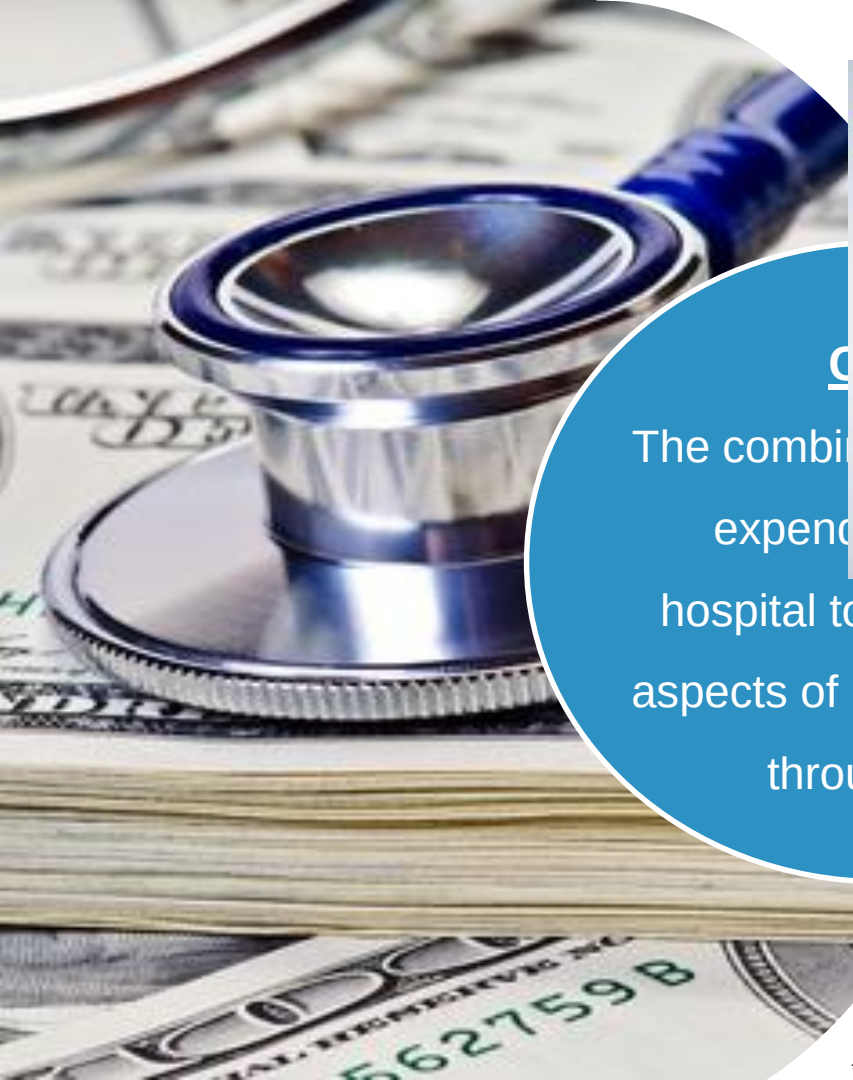
Dr. Donald B
Former Administrator o
Medicare & Medica

Health Systems Typical Spend Breakdown



Cannot cut further without major negative impacts

Supplies = 2nd largest spend



The combi

expend

hospital to manage all

aspects of patient care &

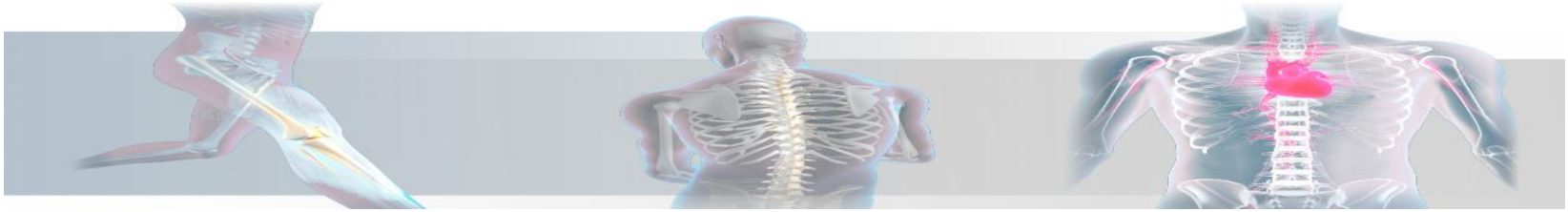
throughput.

- 40% of hospital nurses report feeling burned out.*
- Burnout adversely affect patient outcomes and patient satisfaction.*
- Only 1 in 5 five hospitals currently have supportive environments for nurses.*
- It costs $60,000 to $80,000 to recruit and train a new nurse.*

*(Linda Aiken, PhD, RN Center for Health Outcomes and Policy Research, U of Penn.)

“There is almost a complete lack of understanding of how much it costs to deliver patient care, must less how those costs compare with the outcomes achieved.”

Robert Kaplan and Michael Porter
The Big Idea: How to Solve the Cost Crisis in HealthCare



Health Reform Implementation Timeline

Keys

= Coverage Provisions

= Compliance Provisions

= Delivery System/Quality Provisions

= Payment Reduction Provisions

2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

Medicaid Expansion

Insurance Reforms (Pre-existing conditions for adults, premium limits)

Insurance Reforms (Pre-existing conditions for children, no annual or lifetime limits, children on parents insurance until 26)

Individual Mandate

Waste, Fraud, and Abuse Provisions for Medicare and Medicaid

Disclosure of Industry Payments to Physicians and Teaching Hospitals

Accountable Care Organizations

Hospital Value-Based Purchasing

Bundled Payments Pilot

Hospital-Acquired Conditions Penalties

Hospital Readmission Payment Reductions

Medicaid DSH Payment Reduction

Medical Device Tax

Hospital Market Basket Reductions

Independent Payment Advisory Board

Medicare DSH Payment Reduction

Hospital Productivity Adjustments

Source: MO Hosp Assn

Tennessee Hospital Association

Common Ground – Hospitals

- Hospitals are 95% the same. Focus is on:
  - ✓ Patient satisfaction and safety
  - ✓ Product utilization
  - ✓ Budget prioritization
  - ✓ Financial viability
  - ✓ Strategic positioning

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How Can Suppliers Help?

Establish the Relationship!

- **Combat "Broken Leg Syndrome"**
  - Address initial problem first
  - Systemic or contributing problems second
  - Focus on where provider is *today* versus where provider is going
- **Suppliers can help by asking the right questions**
  - May not be "Here is what my product or service can do for you…"
  - May be "Can I help you figure out what's going on/what you are currently doing?"
    - Offer resources to support analysis
  - What's keeping you up at night?

Comprehensive Care for Joint Replacement Model (CJR)

Surgeon	MSDRG 470 Total Knee	Total Knee Volume	Total Spend	Not to Exceed Group Average	25 Percentile	Best in Class $8,070
SURGEON 1	$8,070	1	$8,070	$8,070	$8,070	$8,070
SURGEON 2	$8,273	89	$736,311	$736,311	$736,311	718,262
SURGEON 3	$8,879	1	$8,879	$8,879	$8,879	8,070
SURGEON 4	$9,167	50	$458,368	$458,368	$458,368	403,518
SURGEON 5	$9,244	4	$36,976	$36,976	$36,976	32,281
SURGEON 6	$9,802	13	$127,431	$127,431	$127,431	104,915
SURGEON 7	$9,936	63	$625,989	$625,989	$625,989	508,433
SURGEON 8	$10,183	27	$274,940	272,608	$268,281	217,900
SURGEON 9	$10,227	105	$1,073,809	1,060,142	$1,043,314	847,388
SURGEON 10	$10,374	121	$1,255,306	1,221,687	$1,202,295	976,514
SURGEON 11	$10,379	18	$186,827	181,739	$178,854	145,266
SURGEON 12	$10,404	1	$10,404	10,097	$9,936	8,070
SURGEON 13	$10,455	9	$94,099	90,869	$89,427	72,633
SURGEON 14	$10,468	5	$52,340	50,483	$49,682	40,352
SURGEON 15	$10,676	57	$608,549	575,505	$566,371	460,011
SURGEON 16	$10,747	33	$354,646	333,187	$327,899	266,322
SURGEON 17	$11,019	93	$1,024,785	938,983	$924,078	750,543
SURGEON 18	$11,263	11	$123,888	111,062	$109,300	88,774
SURGEON 19	$11,706	10	$117,056	100,966	$99,363	80,704
		711	$7,178,674	$6,949,352	$6,870,824	$5,738,026
			$10,097	$9,774	$9,664	$8,070
Potential Savings =====>				$229,321	$307,849	$1,440,648

CQO: The Future of Healthcare Supply Chain

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AHRMM Association for Healthcare Resource & Materials Management of the American Hospital Association

Advancing the Healthcare Supply Chain

Example --Scorecard *Orthopedic*

MS-DRG	MSDRG Name	Total Volume		Supply Cost per patient		Total Cost per patient		Margin per patient		Clinically Adjusted LOS Per Case		Risk-Adjusted Mortality Index (RAMI)		Risk-Adjusted Complications Index (RACI)		Risk-Adjusted Readmission Index (RARI)	
		Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL
470	Major joint replacement or reattachment of lower extremity w/o MCC				$3,860												
	81.51 TOTAL HIP REPLACEMENT	13		$6,349	$5,907	$8,663		$4,405		3.2		0.00		0.00		5.92	
	81.52 PARTIAL HIP REPLACEMENT	2		$4,399	$3,055	$6,299		$5,722		3.3		0.00		0.00		31.94	
	81.54 TOTAL KNEE REPLACEMENT	27		$5,131	$6,626	$7,783		$6,823		3.0		0.00		0.00		0.00	

LEGEND

Physician	Attending Physician of Record
Total SC	Actual MSCM
Total Cost	HPM
Margin	Total or Exp Payment (greater) - SC + Direct Variable

GOAL MET = Green

GOAL UNMET = Red

SC Goal 1 Std Deviation from Lowest Cost

MS-DRG	MSDRG Name	Total Volume		Supply Cost per patient		Total Cost per patient		Margin per patient		Clinically Adjusted LOS Per Case		Risk-Adjusted Mortality Index (RAMI)		Risk-Adjusted Complications Index (RACI)		Risk-Adjusted Readmission Index (RARI)	
		Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL
470	Major joint replacement or reattachment of lower extremity w/o MCC				$3,860												
	81.51 TOTAL HIP REPLACEMENT	42		$5,257		$6,312				3.1		0.00		0.67		0.00	
	81.52 PARTIAL HIP REPLACEMENT	8		$2,124		$4,189				5.2		0.00		0.00		0.00	
	81.54 TOTAL KNEE REPLACEMENT	89		$5,397		$7,432				3.1		0.00		0.30		0.42	

LEGEND

Physician	Attending Physician of Record
Total SC	Actual MSCM
Total Cost	HPM
Margin	Total or Exp Payment (greater) - SC + Direct Variable

GOAL MET = Green

GOAL UNMET = Red

SC Goal 1 Std Deviation from Lowest Cost

Example --Scorecard *Slipper Socks*

Scorecard

	MSDRG Name	Total Volume		Supply Cost per patient		Total Cost per patient		Margin per patient		Medicare Exp Reimbursement	Falls						
		Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL		Measure Value	Fall per QTR	Measure Value	GOAL	Measure Value	GOAL	Measure Value	GOAL
	Slipper socks	MFG		Price	Parity													
Floor	A400	A		$1.73								3						
Floor	2West	B		$1.85								5						
Floor	ICU	C		$1.68								8						
Floor	Step Down	D		$2.01								12						

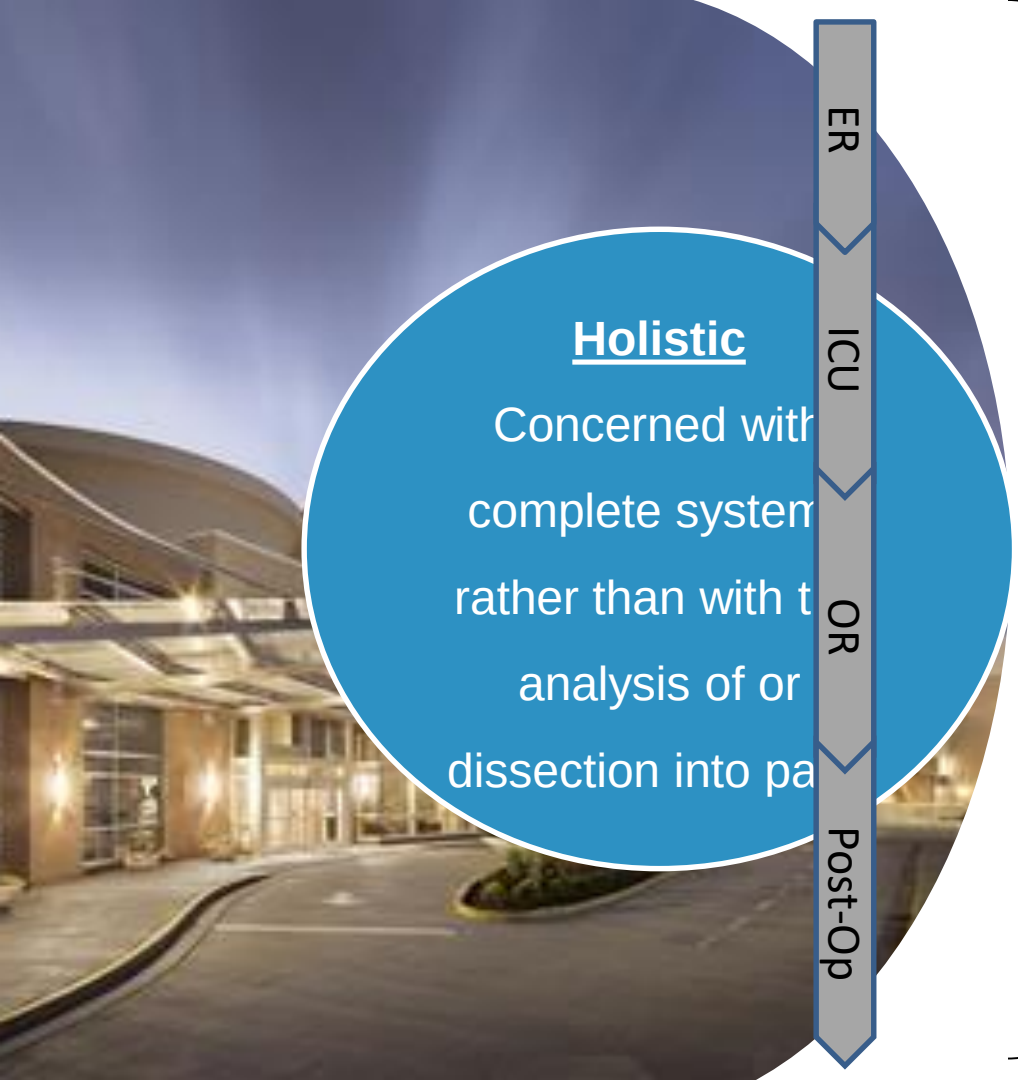
LEGEND

SC Goal 1 Std Deviation from Lowest Cost

GOAL MET =

GOAL UNMET =

Total SC	Actual MSCM
Total Cost	HPM
Margin	Total or Exp Payment (greater) - SC + Direct Variable



Session Wrap up:

Sustain the Effort:

Detailed-Oriented &
Big-Picture Thinker

Thank you!

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