Performance Strategies

Get Ready for the Future of Healthcare Vol. 3, Issue 8, 2009

Aligning Incentives to Prepare for Different Reimbursement Models

Challenge
Lawmakers want to reform healthcare by changing reimbursement, but how do we transform healthcare without making it all about cutting cost? How should executive teams prepare for different reimbursement models emanating from healthcare reform? Here's what healthcare leaders said at the 2009 McKesson Executive Leadership Summit for CEOs.

CEO Summit Discussion

Aligning Incentives to Prepare for Different Reimbursement Models
Healthcare reform is no longer a question of "if;" it is now a question of "when." The impetus for reform is clearly the government's need to rein in skyrocketing costs. The challenge: how to make sure reform isn't just about cutting cost. To ensure quality in a post-reform world, care delivery must also change.

To use an analogy from the automobile industry, today every "car" that comes off the assembly line has different parts in it based on what the physician orders. The price is set, and hospitals generally have little influence over the parts or resulting cost. If we can't figure out how to align physician incentives with hospitals and other providers, how can we improve quality and demonstrate performance while driving further cost out of the system?

Influence Physician Decision-making
To influence decision-making based on quality and reimbursement, we must get past computerized provider order entry (CPOE) to physician documentation with real-time concurrent coding. And we need quantifiable, real-time data on treatment efficacy. It's much easier to influence physician behavior when you can say more than "you have to do this because the government measures it."

Redesign Care Models
Hospitals and health systems have been deploying Lean Six Sigma and other process redesign methodologies for many years. Now the need is for true clinical redesign. Organizations are tackling clinical redesign in various ways:

- One provider is focused on reducing its biggest expense: nursing cost. A two-year process that involves optimizing its staffing mix and using a team model has been a big factor in improving the hospital's financial situation.
- Another provider has been using hospitalists for years, describing it as "the best thing we've ever done." The hospitalists make regular rounds and make timely discharges possible. They work closely as a team, their clinical documentation meets regulatory requirements, and patients receive better care.
- A third provider has standardized more than 400 orders for CPOE using evidence-based medicine. The next step is to track the use of those orders to actual practice and determine how much of the care provided is backed up by evidence. It may not show up in length of stay, but it should show up in total cost per day. The focus in the next few years will be to align employed-physician incentives, using analytics to connect the dots and drill down to CPOE outliers and to identify best practices.

Prepare for New Payment Models
Incentives and payment models must impel health and wellness rather than acute care. Emerging payment models include:

- **Pay for performance:** While generally considered well-intentioned, most participants believe care may be rationed if widespread evidence-based medicine and aligned incentives are not foundational to care delivery and management.

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Aligning Incentives to Prepare for Different Reimbursement Models (*Cont.*)

- **Nonpayment for readmission:** Organizations are responding by examining data, determining root causes, developing strategies to address deficiencies within their control, and exerting greater influence over post-acute patient care and behavior.
- **Bundled payments:** Most participants see bundled payments as problematic for community-based care. Among acute-care providers, it's difficult to understand which post-acute care providers really do a good job and are cost-effective. Success demands competency in care coordination.

Disease Management Is Critical

Healthcare today is about utilization. Healthcare transformation demands incentives for wellness. Organizations are moving toward this new paradigm in many ways, including giving their own employees incentives to stop smoking and manage high blood pressure and other common chronic conditions. Other efforts cited included piloting the medical home concept, either as a collaborative in the community or in conjunction with national organizations like the Robert Wood Johnson Foundation. One organization went so far as to establish a nurse leader as vice president of care coordination to help align and coordinate community care.

SUMMARY: Preparing for Different Reimbursement Models

- Payment reduction isn't healthcare reform; it's payment reduction
- To improve quality and demonstrate performance while driving cost out of the system, hospitals and other providers must be sure physician incentives are aligned with their own
- To cut costs, redesign care — and start with nursing
- Selecting the most effective and efficient post-acute care partners is critical for bundled payment
- Organizations must find better, less expensive ways to provide care regardless of what the government does

How IT Can Help

In order to align care delivery with how it is reimbursed, providers must collect data about both clinical events and financial transactions, then correlate them to each other. For example, computerized documentation and concurrent coding enable nurses and physicians to post accurate, timely clinical and financial details to the integrated patient record — automatically, as a function of care delivery:

- Correlate clinical processes and patient outcomes with organizational profitability with financial and clinical performance analytics
- Optimize revenue and reduce compliance risk for emergency department coding and charge capture
- Meet physician workflow needs with a physician documentation tool that pulls in patient data such as vital signs, lab results, orders, medication lists, allergies and other problems that may be pulled into notes automatically from other clinical solutions
- Decrease care variability, reduce medication errors, increase adoption of clinical technology and accelerate return on investment with clinical consulting services
- Encourage physician adoption of CPOE to ensure comprehensive and timely information about patient condition is available when and where needed to improve care and optimize reimbursement
- Optimize nurse staffing mix with a workforce management solution that helps to manage costs while maintaining care quality
- Leverage an advanced enterprise revenue management solution that helps you understand the impact of all care decisions

Redesigning Care Success Stories

Decatur Memorial Medical Center Realizes the Full Potential of CPOE to Improve Care: Use of CPOE ensured appropriate use of blood transfusions, evolving Decatur's clinical use of IT into a higher level of guiding best practices. Results achieved included a 60% reduction in transcription errors, 94% decrease in incomplete medication orders, and 80% slash in legibility errors.

Northwest Community Healthcare Optimizes Clinical Care with Standardization: NCH employed clinical consulting services to guide it in a series of rapid design sessions that studied and re-engineered its clinical workflow. It standardized best practices across its organization to reduce variability and improve the quality of care.

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Learn More

CHCF: Reforming Physician Payments: Lessons from California

The Advisory Board: Bundled payments and the ACE Demonstration project

Report: Wedding Health IT to Care Delivery Innovation and Provider Payment Reform

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