

Cost Containment, Hospital Style

Government payments (Medicare and Medicaid) to hospitals are typically at a lower rate than what it takes for the facilities to provide the medical services. The flawed reimbursement system is accompanied by price and fee schedules that are difficult for anyone to understand. With those factors in place, we asked leaders of three Indiana hospital systems:

What can be done to control hospital costs without sacrificing quality or safety?

Providers, Patients Each Have Responsibilities

By Joe Dorko

Let's broaden the discussion to talk about health care costs in general. There are two components of total cost to consider. The first is the unit price – the price of an MRI, for example – and the second is volume, or the number of MRIs that are performed on patients.

It is the responsibility of all providers to work on the first item by reducing CRUD (complexity, redundancy, unnecessary steps and delays) within our organizations and across the health care system. As a patient, I am sure you've wondered why you are telling the same information to three or four people when you come to the hospital. I know that frustrates you and, in my way of thinking, just adds cost with little value. Primary care doctors, specialists and hospitals need to improve communication and better coordinate the care they deliver to patients across the continuum.

There are two ways to address the utilization issues. For years, insurers have tried to manage access to care by applying criteria to be sure that we don't overuse these expensive resources. Unfortunately, it seems that no one is happy with this process, and it is not working as costs continue to rise.

The other way to decrease consumption actually belongs to you and me and the decisions we make every day. Collectively, we need to make different choices, healthier choices and improve our personal health status. Things like smoking, overeating and the lack of routine exercise have a long-term negative impact on our health and that translates to a cost burden on the system.

Like most complex issues, there is not a simple answer to controlling health care costs. Providers need to better coordinate care and each person needs to assume responsibility for their own health and make healthier choices. So, lace up your running shoes and I'll see you on the trail.

Joe Dorko is president and CEO of Fort Wayne-based Lutheran Health Network



Improvement and Innovation Both Necessary

By Phil Newbold

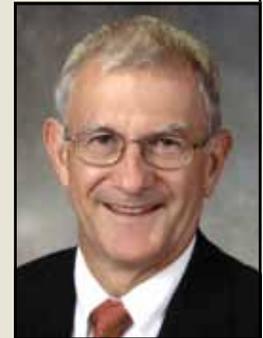
This is indeed an interesting time for senior leadership trying to control costs everywhere in our health care delivery systems. Borrowing from Roger Martin's work as the dean of the Rotman School of Management, leaders need to rapidly move down two parallel tracks: exploiting what we already know and have, and at the same time exploring what we can discover and create.

The first track makes wide use of lean/Six Sigma and performance improvement methodologies. The second employs innovation methodologies and creative thinking. If we assume that 25% to 30% of what we do in health care is either unnecessary or not beneficial, we can use lean/Six Sigma to drive out variation and reduce waste – especially to help drive down inpatient hospital costs. Using models borrowed from innovation consultants such as IDEO, Monitor Doblin, the Tom Peters Group and Pine and Gilmore, we can begin to discover how to better integrate and coordinate care delivery, especially around chronic care.

We already know how to begin this journey of cost reduction and creating newer "at risk" care coordination models, but what is lacking is the appropriate incentives around coordination, integration and accountabilities for outcomes that are evidence-based. The great promise of reform is to move us away from paying for volumes to paying for value – with much more risk associated with what providers can control.

As we move down both of these tracks simultaneously, our knowledge and outcome measures will help us actually improve our quality scores and safety records. As Dr. Edwards Deming used to say at all his quality seminars, "As quality goes up, costs come down!" Good leaders with good teams, the right incentives, and with robust innovation and performance improvement methods will be the right recipe for controlling health care costs and improving quality and safety.

Phil Newbold is president and CEO of South Bend-based Memorial Hospital & Health System



Multiple Approaches Guide Improvements

By Linda White

Deaconess Hospital and Deaconess Health System are constantly managing costs just like any other business or industry. The task at hand requires our hospitals, physicians and staff to work together to constantly improve quality and safety – and lower costs. In the long run, it is about us promoting wellness, aligning incentives, reducing variations, eliminating waste and adding value to the health care experience.

We have pharmacists interacting with physicians on a regular basis to manage patients' drug use and costs.

We have promoted wellness with our 5,500-plus employees through an employee wellness program for over four years. Employees and their spouses covered by our insurance plan are required to be screened yearly to be on the plan. This simple action, along with changing from a defined benefit plan to a retirement savings plan, has resulted in cost savings to our employee benefit structure that impacts our overall costs.

We are aligning incentives in several ways. We now employ more than 200 physicians who recognize that quality and

safety are paramount. They actively participate in Six Sigma process improvements that focus on enhancing quality and lowering costs. They, along with our employees, have participated in a 100-day Waste Walk in which more than \$4 million in cost savings were recognized over a three-month period by simply looking at everyday functions. This process has become a part of our cost management culture. It is not a one-time experience.

Our most expensive line item is "labor." Nursing reviews staffing needs every four hours in order to meet demand with quality staffing. This is in the spirit of providing the right care at the right time with the right staffing while reducing variation between shifts. We are combining three intensive care units into one remodeled unit to emphasize quality while decreasing costs. Supplies and drugs are also huge expenses. We work with physicians to reduce the number of surgical items we need to make available (such as implants) without compromising quality. We have

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Memorial Hospital of South Bend Named a Top 100 Hospital

THOMSON REUTERS

100 TOP HOSPITALS 2012

Memorial Hospital of South Bend was just one of six hospitals across

Indiana to be selected as a **Top 100 Hospital** by Thomson Reuters, the nation's leading measurement and research organization on hospital and health care quality outcomes.

The **100 Top Hospitals** award winners demonstrate top performance in both

how patients are cared for through clinical measures and how hospitals perform as an efficient business. This national recognition comes with the knowledge that what we are doing is making a real difference in the health of our community and is a reflection of Memorial's profound commitment to saving lives and delivering exceptional patient care every day.

Memorial
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www.qualityoflife.org

Linda White

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pharmacists interacting with physicians on a regular basis to manage patients' drug use and costs.

We have implemented an electronic medical record throughout the health system. One of our goals is to improve the quality of care delivered anywhere within the Deaconess Health System via access to real-time data. The spinoff is the ability to decrease costs through the elimination of duplicate tests, decreases in drug usage, minimization of complications such as drug and food allergies, assistance in coordination of care throughout the continuum and sharing of information with patients who have access to their electronic records.

*Linda White is president and
CEO of Evansville-based
Deaconess Health System*