



Inside out:

Moving beyond acute care and
into health care's newest frontiers

vizient®

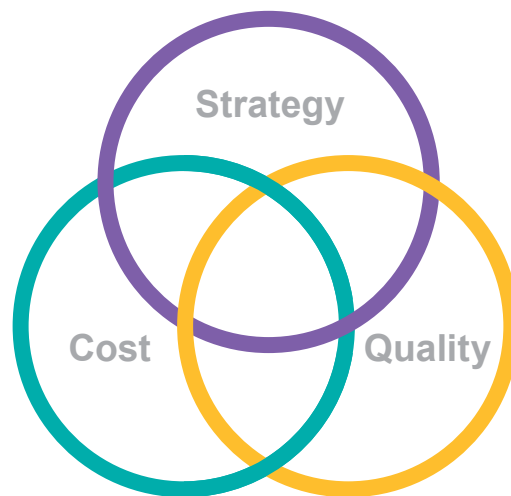
Building a robust system of care that successfully competes on quality and cost

Changing lanes

In the health care ecosystem, no one is staying in their lane anymore. Insurers are becoming providers, providers are becoming insurers and big retail brands are signaling their intent to disrupt the status quo. (Walmart's proposed acquisition of Humana is one of the latest shakeups¹). All are headed in the same direction: the ambulatory care market. Increasingly, that's where the patients are. As such, price and easy access are becoming driving factors in this transactional market, a trend that is already evident with aggressively priced imaging centers and telehealth services.

Such affordable, easily accessible services appeal to consumers and their employers—who, more and more, are looking to contract directly with health systems for much of their employees' health care.² Here, traditional providers have an opportunity to become the chosen system of care, including for non-acute services. Health care providers must develop a strategic, cost-effective and data-driven approach to knit a robust system of care that wins—and keeps—more patients.

The winning formula



As the circles start to converge, smart growth meets up with cost and both meet up with quality. Now providers have a winning formula no matter where they go in value-based care.

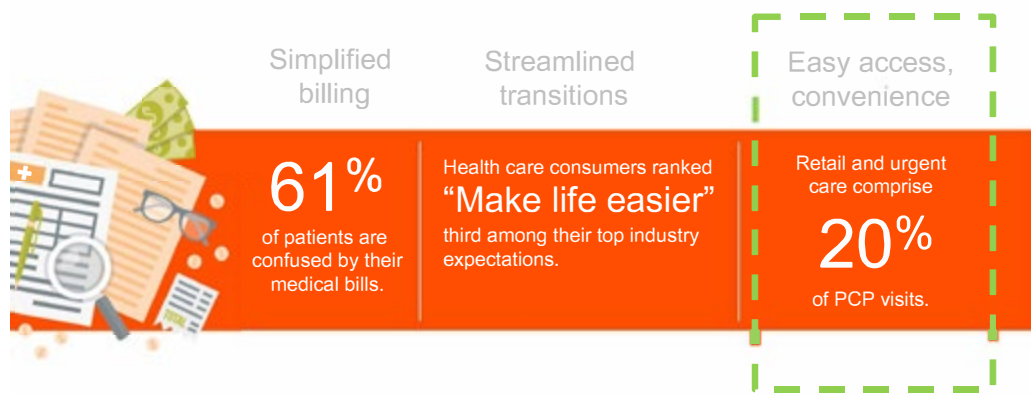
¹ Franck T. Humana, health insurer shares surge on Walmart's potential bid. CNBC website. <https://www.cnbc.com/2018/04/02/humana-health-insurer-shares-surge-on-walmarts-potential-bid.html>. Published April 2, 2018. Accessed June 28, 2018.

² Craver, J. Corporate America is cutting out insurers. Benefits Pro website. <https://www.benefitspro.com/2018/06/15/corporate-america-is-cutting-out-insurers/>. Published June 15, 2018. Accessed June 28, 2018.

A smart growth strategy

To assure market relevance, traditional providers must evolve into a robust system of care that aligns with market needs. “We know there are friction points in the ecosystem—especially in billing, care transitions and access—that if hospitals don’t solve, someone else will,” says Tom Potter, senior vice president at Sg2®, a Vizient® company.

What do today’s savvy consumers want?



Source: Gooch K. 61% of patients confused by medical bills, survey finds. *Becker's Hospital Review*. July 14, 2016; Cordina J et al. Debunking common myths about healthcare consumerism. McKinsey & Company. December 2015; Finnegan J. Primary care threat: urgent care grows more popular. *FierceHealthcare*. March 8, 2016.
PCP = primary care physician

Potter further cautions against pursuing growth simply for the sake of growth. “Just getting more people into your system isn’t enough; higher acuity patients need to be in the hospital, and lower acuity in non-acute, so the right care at the right place at the right time. The key is creating a robust system of care that wins more market share by meeting market needs,” he explains.

How do you ensure market relevance?

Master your System of CARE

1. Build the right System of CARE based on the needs of your market
2. Create efficient, scalable operations to make you cost-competitive
3. Align clinical resources to drive high quality outcomes

Identify the gaps

Mapping a robust system of care requires knowledge of local growth care patterns. Which chronic conditions are most prevalent in the surrounding community? How many places are they receiving services? Which patient populations are underserved? The answers to these and similar gap analysis questions help hospitals understand where to allocate their resources or forge strong partnerships.

“Among adults, inpatient stays are stagnating in most markets, while growth on the non-acute side is significant. In just a few example projections for the next 10 years, skilled nursing facility stays will go up 19 percent, and we’ll see a 30 percent growth in home nursing. Evaluation and management visits will grow 16 percent, and we expect at least 17 percent of these visits will be rendered virtually,” Potter says.³

“At the end of the day, meeting patients where they are will be increasingly important.”

Closing the gaps

The growth described above presents clear opportunities. But, it is also accompanied by an eroding commercial payer base, with an aging population moving into Medicare and out of commercial insurance. That puts tremendous pressure on margins—and as such, providers should seek to obtain more commercially insured patients through employer contracts, while creating more access points for all patients.

Here, a strategic selection of partners can help providers offer new services. To make informed decisions about which partnerships to pursue, it is important to understand which providers in the non-acute landscape offer services that meet growth needs. Creating alliances with these entities will ultimately knit a strong system of care with more access points for more patient populations.

“At the end of the day, meeting patients where they are will be increasingly important,” Potter says.

Standardizing the non-acute supply chain

As earlier noted, the non-acute market is fiercely price-driven. Putting a centralized, standard supply chain in place will be critical to compete on price but is a fairly new endeavor to do for non-acute services. Providers may have standardized inpatient costs, but doing this across multiple sites and specialties is another matter altogether. Compounding the challenge is a lack of data and analytics to provide transparency and control.

³ Potter T, Lehman N, Meurer S. Optimizing resource effectiveness across the care continuum. Presented at American Hospital Association Health Forum. May 24, 2018. https://aha.app.box.com/s/902jjpgisywub7rbh1u71g4hqerylks?utm_source=AmbCare-LandingPage&utm_medium=Nonacute-Webinar3Rec&utm_campaign=AmbulatoryCare2018.

“For too long, health systems have not considered it an imperative to standardize non-acute costs. So, they get supplies and drugs the same way they always have, with no prioritization of standards,” explains Ned Lehman, vice president, Vizient Non-Acute Solutions.

The move to value-based care is changing that. “You have to control costs in the value-based arena. Every dollar saved is another dollar earned,” Lehman says.

By adopting any of the following tactics, providers can measurably reduce variation in cost. By adopting all of the tactics as a **holistic supply chain strategy**, providers can save millions of dollars in the non-acute space. This in turn can be invested in delivering quality care and operating more efficiently.

- **Web-based procurement platform.** “Transparency in the non-acute cost space begins and ends with data. You need a centralized repository for purchase data to gain insight into spend,” Lehman says. Such a platform should process and archive electronic purchase orders, and facilitate reports.
- **Item master management.** All too commonly, different sites are paying different prices for the same item. Yet with little insight into this disparity, it cannot be corrected. Item master services give the needed visibility to order in bulk for significant discount, while paring down vendors from dozens to one or two.
- **Transaction processing.** In the non-acute space, many different people place orders, including nurses. These clinicians aren’t operating at the top of their license while taking care of supply chain issues. A better way is to dedicate a resource, either internally or through a third party, for placing and following up on orders and requisitions.
- **Price reconciliation.** Just because a new contract is in place doesn’t mean key people are aware of the new terms. “Contracts roll over and change frequently; a mechanism should be in place to make sure new pricing filters down to distributors and vendors,” Lehman says.
- **Custom analytics.** “It begins and ends with data. When the four above components are in place, supply chain can get the insights they need to achieve price parity, tier pricing across the enterprise, transparency and control,” Lehman says.

Cost success: St. Luke’s Health System

In just two years, non-acute services at Saint Luke’s Health System grew from about 100 physicians in 20 locations to more than 640 physicians in more than 210 clinics, offices, outpatient departments, skilled nursing and home care agencies across the metropolitan area. Procurement standardization was non-existent and only 10 percent of supplies were ordered under contract. By partnering with Vizient, St. Luke’s established a price formulary; negotiated 100 new contracts; and narrowed vendors down to just a few for different supplies. Within a year, St. Luke’s saved \$1.2 million, with more savings expected.

Data-driven quality

According to Steven Meurer, PhD, executive principal of data science and member insights at Vizient, the chief barrier to achieving quality in health care is an inability to make improvements. “We make it too difficult. Fundamentally, improvement requires two things: data and motivation to make a change. We rarely make a change because we argue too much about the data’s validity,” Meurer says.

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Getting the data right

It is no wonder that clinicians are often skeptical about cost and performance data. Too often, the data is simply thrust at them, with little context given about how the data was sourced and prepared for analysis. “We have plenty of data, but not enough insights,” Meurer says.

To narrow this surplus down to the right data, Meurer advises providers to seek data with the following chief characteristics.

- **Some level of transparency.** Clinicians have access to the data and have a full understanding of data sources.
- **Trustworthy benchmarks.** Physicians, when shown performance data, will invariably question if they are being fairly compared. It is essential that physicians understand the risk-scoring methodology behind the data.
- **Ability to substantially drill down.** “Most hospitals today have at least one dashboard, but a dot on the dashboard tells us very little. We must have the ability to peel back the layers down to factors such as length of stay, time to discharge and other factors beyond disease state,” Meurer says.

Smarter data sourcing

In many non-acute locations, electronic data still does not exist, and if it does, it is not connected to anything else. Meurer strongly advises providers to avoid going down the proverbial rabbit hole in a search for usable non-acute data. “Again, we’re making it too hard. Leverage the data that’s readily available,” he recommends.

This can include public resources, such as community health studies and data produced by county and state government agencies. It can also include member-driven databases, a collaborative approach that aggregates data from different member health care organizations. This can encompass metrics from skilled nursing facilities, hospice care and long-term acute care. Such data sets are particularly helpful to compare against an organization’s own metrics for time to discharge, length of stay and other benchmarks that are **meaningful for cost and quality improvements**.

Benchmark metrics that provide meaningful data for cost and quality improvements

Sepsis patients by discharge status (LOS observed, LOS expected)

	Rehab	Routine	Home Health	SNF	Hospice
Lincoln General	3% (15, 10.5)	61% (4.8, 5)	19% (11.3, 7.2)	10% (12.4, 7.4)	4% (10.7, 7.1)
LBJ	1% (21, 11.3)	57% (5.5, 5.9)	16% (8, 7)	7% (11, 7.6)	9% (10, 8.3)
Ehlers	2% (16.2, 8.3)	66% (5.1, 6.2)	14% (8.9, 7.9)	4% (6.8, 7.8)	10% (9.6, 7.9)
Johnson	0	61% (4.9, 5.3)	7% (7.9, 7.1)	13% (10.9, 7.9)	13% (7, 8.1)
Pahlmeyer	3% (7.3, 8.2)	60% (5.2, 5.8)	19% (6.3, 7.4)	6% (15.6, 7.4)	8% (10.5, 6.9)

Note that these databases can be used to make improvements across the continuum, and to practice effective population health management. The first is especially important for capturing more commercially insured patients. The latter enables providers to successfully meet the obligations of their risk-based contracts with commercial and government payers alike.

Motivating change

Opening up access to the right data ends—at least to a considerable degree—arguments over the data's validity. However, data on its own is not the sole motivator of change. It must also be given to someone who can add context, drill down and write reports, and present the findings to the right people, at the right time.

“More of a business analyst than a traditional data scientist, it is a role health care organizations should be cultivating. Instead, a frequent misstep is to take raw or underprepared data directly to the clinician to interpret. A better way is to get the data analysis study done first, then go to the clinician with findings,” Meurer says.

Performance improvement success: Blessing Health System

This midwestern health system turned to the Vizient Clinical Data Base (CDB) for risk-adjusted data to drive improvement projects. Administrators wanted to be able to compare Blessing with similar hospitals, making the data's risk-scoring methodology transparent to clinicians. After a year of using the CDB to make data-driven improvements, Blessing Hospital was recognized in U.S. News & World Report's 2016-17 hospital rankings for its care of chronic obstructive pulmonary disease and heart failure patients, and received a grade of “A” for patient safety from the Leapfrog Group.

A need for reinvention

Traditional providers must reinvent themselves to stay relevant in the face of added competition and an evolving payer mix. A key strategy will be to aggressively stake their position in the new battlegrounds of non-acute services. While this may seem a daunting endeavor, traditional providers possess an invaluable competitive advantage: their long history of healing and helping people stay well. Add to this strategic partnerships, a newly cost-effective supply chain and data-driven improvements, and traditional providers can evolve into a robust system of care—and lead the health care industry for decades to come.

As the nation's largest member-driven health care performance improvement company, Vizient provides network-powered insights in the critical areas of clinical, operational, and supply chain performance and empowers members to deliver exceptional, cost-effective care.

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