Five key strategies can help health care providers predict the impact of complicated new payment models, identify priorities, allocate resources to initiatives and proactively reduce risk – and ultimately improve margins.

**Introduction**

Health care providers are being asked to do more with less. Costs continue to rise and payments are on the decline. By federal fiscal year 2017, 7% of hospital Medicare DRG base payments will be tied to performance on specific measures. Most hospitals find their payer mix is changing as more and more baby boomers enter the Medicare program, and as coverage expansion specified by the Affordable Care Act makes millions of people eligible for Medicaid or exchange-based private insurance in 2014. Further, the changing demographics will require adjusting the service mix to meet the needs of an aging population and the rising prevalence of chronic disease.

There’s a lot at stake and the potential impact of all these industry changes is daunting.

This paper summarizes five key strategies to help health care providers address the principal challenges facing them under complicated new payment models, prioritize opportunities that will yield the greatest return, allocate resources to initiatives, proactively reduce risk – and ultimately improve razor-thin margins.

**Strategy One: Accept the New Normal**

Acknowledging the new reality – and its evolutionary nature – is a critical first step. Quality and safety of the care provided in the hospital have been on the front burner for many years, as has patient experience. Pay for reporting of process of care and other quality metrics has been in place many years – and each year has seen the addition of new metrics covering more and more of a hospital’s patient population. In the past year, the pace of change has accelerated. The challenges are exploding and the accountability mandate now includes value-based payment initiatives, new quality metrics and delivery models that require collaboration across settings. Combined, the challenges impact your bottom line like never before and have the potential to erode already-thin profit margins. The new normal cannot be ignored and its components cannot be addressed as short-term as projects.

Today, there is no room for silos. You must acknowledge that all of these initiatives and measures are related and look at it holistically. Under value-based purchasing (VBP), those responsible for patient satisfaction, core measures and clinical outcomes will have to work together to ensure full reimbursement and maintain market share. It is about improving care quality across the board.

In addition, reimbursement is as much tied to how other hospitals are performing as it is to how the individual hospital is performing. As the market improves, the standards for...
performance rise, making it increasingly challenging to continue the improvement trajectory. With VBP, we also know that when a measure is “topped out” – meaning the majority of organizations are scoring at the highest level – that measure is removed and another takes its place.

Hospitals and providers that are positioned for success in the era of payment reform understand how the various P4P initiatives are related and take an integrated approach to prioritizing improvement opportunities and developing the strategies to address them. Top performers also take a forward-looking approach, taking into consideration the effects of rising thresholds and benchmarks on score calculation and goal setting.

**Strategy Two: Mobilize the Village**

Shifting course will be most successful when everyone is on board. Payment reform encompasses a vast range of practices and processes within the hospital setting. There are stakeholders at every level of the organization – and the members of each group need to understand how they can contribute to the organization’s success. While it’s important to drive awareness and involvement throughout the organization, when doing so consider the following maxim: The right information, at the right time, for the right audience. Where to start for different stakeholders? The degree of detail required by each group grows as you move from the board to the front line:

- **Board:** Information for the board should be high-level, but offer enough detail for goal setting and assessing progress to goals over time. Hospital and health system board members need to be able to understand the organization’s degree of financial exposure under payment reform and overall performance, assess areas of risk, and monitor progress goals. To drive the necessary change, the board, along with hospital leadership, must continuously and loudly voice the priority of meeting goals associated with payment reform and set the tone for the rest of the organization.

- **Executive and Clinical Leadership:** The role of hospital leadership in this effort cannot be overstated. While separate and distinct in many ways, these leadership teams need to work hand in hand, with close involvement in identifying and selecting opportunities for improvement. By working together, these leaders can make sure that priorities are in line with organizational goals and strategy setting, and ensure alignment. Press Ganey research on top-performing hospitals shows a strong relationship between leadership engagement in performance metrics and an organization’s level of performance. To foster the culture of quality so critical to success under payment reform, executive leaders at top-performing hospitals demonstrate routine (daily) engagement in performance on quality metrics, model and emphasize the importance of the behaviors and practices associated with high performance, and empower quality leadership to make meaningful change. In addition, executive and clinical leaders need to work in concert and be closely involved in efforts to prioritize opportunities for improvement to ensure these opportunities are aligned with the organization’s goals and objectives.

- **Front-line Staff:** Quality leadership holds the primary responsibility for identifying potential opportunities for improvement, and analyzing data to pinpoint the practices and processes that are affecting performance. They must be engaged to identify and drive specific solutions by sharing the data and findings with internal audiences and stakeholder groups, and creating the architecture for initiatives. Other stakeholders – individuals with responsibility or influence in aspects of performance that are targets for improvement – need to hold pivotal roles in analyzing performance, designing improvement interventions and acting as change agents. At this level, a thorough understanding of the calculation methodology for the various improvement initiatives is critical.

**Strategy Three: Own the Methodology**

The calculation methodology for each of the payment reform initiatives can serve as an invaluable guide for sorting through and prioritizing the opportunities for improvement. Hospitals’ experience with VBP demonstrates the benefits of understanding the methodology. When many hospitals look at their VBP report, they don’t see two or three things to improve; they see eight, 10, 12 or more.
Maddeningly, multiple opportunities can all appear to be equal or similar in size because they will drive the same loss of VBP points or loss of incentive dollars. Someone who is well-versed in the methodology, however, will know that this is rarely the case. Failure to own the methodology can lead hospitals to prioritize the wrong improvement opportunities – leading to wasted time, effort and resources.

Improvement initiatives are investments. Avoid the opportunity costs associated with prioritizing the wrong initiatives by taking the following steps when evaluating opportunities for improvement:

- **Financial Analysis**: Estimate your exposure (maximum dollars at risk) and incentives that will likely be earned/lost based on current levels of performance. This step quickly quantifies your risk and presents an initial list of opportunities for improvement.

- **Gap Analysis**: Next, focus on the aspects of performance that are driving the greatest losses. Determine incremental improvement necessary to drive additional points and payments – at metric level. A thorough understanding of the methodology is required for this step. It often becomes apparent that for some of the metrics subject to payment reform programs, small degrees of improvement can yield significant return on investment.

- **Opportunity Analysis**: In addition to understanding the degree of improvement necessary to drive higher scores and additional incentive payments, hospitals need to consider the effort required to improve for each opportunity. Drill down and peel back layers to identify root causes. Is the current challenge site-specific? In the surgical suite or ED? Is it shift-specific e.g., at night or on the weekend? Is there a particular unit or individual clinician dragging down performance? It is also beneficial to look for aspects of performance affecting multiple P4P initiatives, as well as identify any “rising tide” measures or measures that move in tandem (see Appendix 1).

- **Scenario Planning**: After narrowing down top opportunities for improvement, set attainable goals tied to specified time periods. Then assess the goals based on each step of the methodology to ensure that the attainable degree of improvement will yield meaningful results for the organization.

**Strategy Four: Know That Not All Opportunities Are Equal**

To help further prioritize and focus your efforts, it is important to evaluate different scenarios, since the effort required to improve can vary dramatically from one opportunity to the next. For example, it can be considerably less complicated to improve scores for providing discharge instructions to heart failure patients than to reduce time to PCI for heart attack patients.

Sometimes, the “obvious” solution isn’t the right solution for sustainable improvement and success within VBP. Take the “communication with nurses” dimension in the HCAHPS domain within VBP: A hospital that does not perform well in this dimension might assume its nursing staff requires additional communications training and tools to improve scores. The obvious solution would be more training, goal setting and accountability for nurse communications. Following a multi-month training initiative, the hospital sees its scores improve for a period of time, and then begin to decline. The obvious solution did not result in sustained improvement. What this hospital missed was identification of the root cause preventing its nurses from establishing relationships with patients. It is important to remember that the patient experience cannot be separated from the quality of care the patient received. Did these nurses have time to establish relationships with patients? Are mechanisms in place that look at staffing not only for the midnight census but also for what happens throughout the day on the busy inpatient units, where beds may actually be turned over twice to reduce length of stay and assure observation patients are discharged appropriately? Is acuity incorporated into the staffing algorithms? Has the hospital assured it isn’t creating a situation where the post-anesthesia care unit or the emergency department moves patients to the inpatient units because either the elective schedule for the operating room has too many peaks and valleys or the ED must wait for admission orders from the hospitalist? That hospitalist may be the only one on duty; he or she may want all patients held in the ED so that he/she can see all the patients and write the orders for admission in one visit. All of these issues must be considered to find the right solution. Up-front research and root cause analysis might
have revealed this multitude of circumstances and led to the hospital identifying an effective, sustainable solution to improving their performance on the HCAHPS domain of nurse communication.

While on the surface an improvement in scores may look to have the same impact on results, the underlying opportunity cost and resources required to drive that change may be considerably higher than is required for other improvement opportunities. Look closely at your top options; identify the process-specific stakeholders who need to be involved; and enfranchise those whose practice will help identify the root cause, assess the realistic effort required and ultimately enable success.

Strategy Five: Be a Copycat

Often, the shortest route between a challenge and its solution is someone else’s best practice. Success stories abound for changing the practices, processes and behaviors that drive performance for the metrics subject to the Medicare payment reform initiatives. For example, Press Ganey’s research and work with clients have recently identified the following best practices:

- Manage core measure patients while they are in the hospital to improve quality measures adherence and patient outcomes.
- Reducing variability in elective admissions, thereby increasing functional capacity for growth.
- Hourly rounding to improve performance on the HCAHPS nurse communication dimension.
- Physician engagement to improve performance in core measures, HCAHPS and coordination across the continuum of care, and reduce readmissions rates.
- Strategies for collaboration with post-acute providers.

Clients can take advantage of Press Ganey’s vast library of research findings, client success stories, Solution Starters® and networking opportunities to jump-start improvement initiatives that will offer meaningful return. Utilize these existing resources to get ideas and tweak as needed to fit your organization.

Conclusion

In summary, our advice is: Do not despair. There is ample published evidence that improvement in metrics subject to pay for performance offers benefits that cut across multiple pay-for-performance initiatives. There are documented, strong associations between higher overall patient satisfaction scores and lower 30-day hospital readmission rates for AMI, heart failure and pneumonia. High performance on the HCAHPS “overall” and “likely to recommend” dimensions is associated with lower rates of decubiti and nosocomial infections. Patient perception of cleanliness, blood-draw skills, and nurse responsiveness has been shown to be highly associated with lower infection rates and lower infection-related mortality. The list goes on. And the list serves to remind us all that we are not in it for the scores, but for what the scores tell us about how effective we are in creating the best possible experience for our patients.

1 Sat and Readmissions: Am J Manag Care. 2011;17(1):41-48
2 Health Svcs Res Aug 2010
Appendix 1

“RISING TIDE” MEASURE – NURSE COMMUNICATION

A rising tide measure is a metric whose performance (and positive change in performance) will drive similar (but usually somewhat smaller) changes in other metrics. Focusing improvement initiatives on rising tide measures can enable an organization to achieve higher scores on multiple metrics simultaneously. Recent Press Ganey research on HCAHPS performance data reveals that “communication with nurses” is a rising tide measure. Press Ganey’s research team employed a statistical analysis method called hierarchical variable clustering, which identifies how multiple dimensions interact or correlate, and, more importantly, which metric leads in the hierarchical relationships between the measures and associated gains from improvement across all the measures in a cluster. Results are presented in a tree-like representation of the associations between measures.

This example of HCAHPS analysis shows that communication with nurses and responsiveness are highly correlated, with $\rho^2 = 0.70$. This cluster is in turn correlated with pain management and medications explained. Overall rating is driven by these four scores, and the measures follow the leader starting with nurse communication, followed by responsiveness, pain management and medications explained. This group of measures hangs together very well, so improvement efforts in one area will positively impact others. Also important to note: The measures represented in this cluster make up 15% of the hospital VBP score, so as a rising tide measure, “communication with nurses” can make a big impact on payment.