

381: The multifaceted business case for quality

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Objective:

To demonstrate examples of the many opportunities for cost saving and additional revenue generation, by improving different aspects of healthcare quality.

Methods:

The activities took place at Hackensack University Medical Center in Hackensack, New Jersey, USA. Benchmarks from the California Nursing Association were used to estimate nursing savings. Actual numbers from managed care negotiations are shown. Other data are derived from national benchmarks for comparable hospitals. Figures are annualized, except length of stay, which is for a 10-year period. Private physicians and administration collaborated to negotiate with the insurers.

Results:

Cost savings related to quality improvement efforts occurred in several areas:

- 1) Nursing turnover was reduced from a USA national average of 20% to HUMC's average of 8.9% resulting in a cost saving of \$14,077,400 plus a saving in recruitment costs of \$4,070,400 for 160 medical/surgical nurses and \$4,773,660 for 78 specialty nurses. The total saving for nursing was \$22,921,460 in 2003.
- 2) Favorable negotiations with managed care organizations, based on a reputation for efficient and effective care, resulted in additional revenue of \$5,000 for 1,342 hip and knee surgeries (total \$6,700,000), \$3,500 for 948 gastric bypasses (total \$3,318,000), and \$1,000 for 1,844 laparoscopic surgical procedures (total \$1,844,000). Seeking additional revenue was essential because operating efficiently while being paid per diem penalises those who decrease their length of stay (LOS). Most of the additional reimbursement sought was for hardware.
- 3) Disease management programs, for example those for community-acquired pneumonia, resulted in a net positive revenue of \$554,936 for 2002. The savings components were for reductions in LOS resulting from the early switch from intravenous to oral antibiotic therapy and early discharge criteria, as well as additional revenue from filling the beds emptied by LOS reductions minus resources used to accomplish the gains.
- 4) Redesigned systems of care resulted in reductions in length of stay with a net revenue effect of \$134,037,438 over a 10-year period. The total figure represents savings from more efficient resource use and from additional revenue related to LOS reductions.

Conclusions:

Attention to workforce development, designing new systems of care, and the formation of improvement teams in high cost high volume areas, documenting high-levels of efficient and effective care, and physician-hospital collaboration in negotiations with health care payers, resulted annually in tens of millions of dollars in cost savings and additional revenue. The findings help make the "business case for quality."