

Patrick A. Charmel
Susan B. Frampton



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building the business case for patient-centered care

Patient-centered care has the potential to reduce adverse events, malpractice claims, and operating costs while improving market share.

AT A GLANCE

Hospitals that provide patient-centered care reap a number of financial benefits, including:

- > Reduced length of stay
- > Lower cost per case
- > Decreased adverse events
- > Higher employee retention rates
- > Reduced operating costs
- > Decreased malpractice claims
- > Increased market share

Nearly 30 years ago, inspired by her own traumatic healthcare experience, Angelica Thieriot conceived of a healthcare model designed not only to treat patients, but also to comfort, engage, and empower them. At the time, an approach calling for patients to be welcomed as partners in the care and healing process was a radical notion, challenging many of the industry's longest-held conventions. Her efforts led to the formation of Planetree, a not-for-profit organization that works with hospitals and healthcare centers to implement patient-centered care environments.

Today, patient-centered care has been widely embraced by many of the industry's most influential care providers, policymakers, regulatory agencies, research bodies, and funders. This profound shift can be traced to a 2001 Institute of Medicine report that identified a focus on patient-centered care as one of six interrelated factors constituting high-quality care. This solidified the patient-centered care approach not only as a way of creating a more appealing patient experience, but also as a fundamental practice for the provision of high-quality care.

Patient-centered care can be defined as a healthcare setting in which patients are encouraged to be actively involved in their care, with a physical environment that promotes patient comfort and staff who are dedicated to meeting the physical, emotional, and spiritual needs of patients. Attributes of a patient-centered care model could include:

- > An organizational culture that encourages staff to be sensitive to a patient's needs during his or her hospital stay
- > An architectural and interior design that gives a "homelike" feeling and encourages patient mobility, involvement of family in the care process, and space for both solitude and social activities
- > Emphasis on patient and family education
- > Recognition that nutrition is an integral part of health as well as a source of pleasure, comfort, and familiarity

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- > Support of the involvement of family members in the care process

Until recently, the correlation between patient-centered care and high-quality outcomes has been largely unstudied. With heightened interest in strategies to create a more patient-centered healthcare environment, though, the body of research demonstrating the ROI of a patient-centered approach is growing.

A recent study examining data for two comparable hospital inpatient units over five years—one implementing an extensive program of patient-centered practices for the duration of the five-year period, and the other not—sheds light on the clinical and operational-level benefits that can be achieved by hospitals that incorporate patient-centered practices into their operations (Stone, S., “A Retrospective Evaluation of the Planetree Patient-Centered Model of Care Program’s Impact on Inpatient Quality Outcomes,” PhD dissertation, Hahn School of Nursing and Health Science, University of San Diego, 2007). The study showed that in each of the five years studied, the patient-centered inpatient unit consistently demonstrated:

- > A shorter average length of stay than the control unit
- > A statistically significantly lower cost per case than the control unit
- > A relative use of RN-to-ancillary staff (e.g., clerks, aides, licensed vocational nurses [LVNs]) that shifted in emphasis from higher-cost staff to lower-cost staff in the patient-centered unit
- > Higher-than-average overall patient satisfaction scores, as well as higher scores in seven of the nine specific dimensions of patient satisfaction measured

The lure of patient-centered care is not merely philosophical; more than ever, it is sound business practice. Today, a growing number of healthcare facilities are operationalizing patient-centered practices. In doing so, their experiences provide the basis for the increasingly important business case for patient-centered care.

Product Differentiation in the Age of Healthcare Consumerism

Increasingly, consumers have been asked to shoulder a larger share of the cost of their own health care. Naturally, then, as health care becomes a more substantial out-of-pocket expense, consumers are seeking value in health-care purchases just as they would with any other major purchase. In this context, value is the cost relationship between patients’ out-of-pocket expenses and quality, which most healthcare consumers equate with service. The demand for improved service is attributable to an increasingly affluent, increasingly discriminating, increasingly time-constrained, and increasingly informed consumer base.

Hospitals that respond to their consumers with personalized care, high-quality care, and service excellence are poised to thrive in this era of healthcare consumerism. In essence, they differentiate themselves by building a brand identity around a patient-centered approach to care that proactively addresses healthcare consumers’ increasingly high expectations.

Improvements in patient satisfaction ratings in hospitals that have put patient-centered care into practice demonstrate the efficacy of the approach in meeting these expectations. A 2002 study of patient satisfaction rates of 12 Planetree hospitals one year prior to and two years following implementation of the model indicated an average improvement across all hospitals studied of three or more percentage points in “overall satisfaction,” “likeliness to recommend,” and “willingness to return” (Iacono, S., “Planetree Philosophy: A Study on the Relationship of Patient Satisfaction and Utilization of a Planetree Model in Care Delivery,” *PlaneTalk*, 2001).

Among these 12 hospitals is Griffin Hospital, a 160-bed community hospital in Derby, Conn. Having adopted the Planetree model of care 15 years ago as a strategy to combat eroding patient preference ratings and significant loss of market share, Griffin has since earned a reputation for innovation, service excellence, and clinical

outcomes, and has tracked a steady climb in patient satisfaction. Concurrently, inpatient volumes have increased by 24 percent (1999-2006, compared with a state average growth rate of 14.4 percent), and outpatient volume has increased 35 percent in the same period.

In the five years since incorporating patient-centered practices throughout the organization, Sharp Coronado Hospital, a 204-bed hospital outside of San Diego, has used a community image survey tool to evaluate the hospital's image and consumer preference for the hospital's inpatient and outpatient services across all service lines. Between 2003 and 2006, the preference among those surveyed for Sharp Coronado Hospital increased 12 percentage points, with a 21 percentage point increase in "most responsive to the needs of the community." In addition, ratings for service-line preference improved in every category, including a 17 percent increase for outpatient surgery.

Aurora Health, a 13-hospital system in Wisconsin, saw marked improvements in both patient and employee satisfaction demonstrated at its first hospital designed and built around a patient-centered model. These results convinced system leaders to introduce similar approaches at six additional hospitals. Subsequent analysis of data from 2001 to 2006 found that the patient-centered sites within the Aurora system had significantly higher scores than the system's non-patient-centered sites, compelling the system in 2006 to implement a comprehensive approach to the patient, family, and staff experience systemwide.

Public Accountability: Reporting on the Patient Experience

With the introduction of the Hospital Consumer Assessment of Healthcare Provider and Systems (HCAHPS) survey—the first-ever nationally standardized tool to assess the patient experience—discerning consumers now have a resource to facilitate their pursuit of an exceptional patient experience. The survey focuses on critical aspects of the hospital experience from the patient's

perspective, including interactions with nurses and physicians, staff responsiveness, cleanliness of the physical environment, and information provided, as well as overall satisfaction and willingness to recommend. With survey results and national averages scheduled to be posted on the Centers for Medicare and Medicaid Services' (CMS) Hospital Compare web site later this year—easily accessible for consumers to view and compare—the ramifications of both above- and below-average scores could be significant.

The results from 254 hospitals that participated in a pilot of the HCAHPS survey and submitted their results to the national Consumer Assessment of Healthcare Provider and Systems (CAHPS) benchmarking database bode well for adopters of the patient-centered care model, with five Planetree hospitals consistently outperforming the national benchmarks.

Hospitals have compelling reasons to focus on HCAHPS beyond comparisons with competitors. As of July 2007, hospitals must report HCAHPS data to CMS in order to avoid a 2 percent reduction in their annual payment update for inpatient hospital services. And as of October 2008, performance on the HCAHPS survey will take on even greater relevance when CMS introduces value-based purchasing (VBP). With the launch of this program, no longer will hospitals merely be avoiding financial penalties for nonreporting; in fact, they will benefit from tangible financial incentives for superior performance on the CMS process indicators, the HCAHPS survey, and yet-to-be-determined efficiency indicators. In the CMS/Premier, Inc., pay-for-performance demonstration project, which measured performance at 266 hospitals nationwide, several Planetree hospitals received incentive payments based on their performance. One Planetree hospital received the largest program incentive payment of approximately \$744,000.

Although the opportunity for enhanced reimbursement under the VBP program has not yet been quantified, this pilot program indicates that the opportunity may be significant, effectively

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cementing the economic significance of providing patient-centered care and pushing service enhancement beyond a differentiation strategy to an imperative necessary to improve financial performance.

Effects on Patient Safety

Beyond seeking out a comfortable, satisfying healthcare experience, foremost on the minds of consumers is their safety and the safety of their loved ones. The public is increasingly concerned about medical errors and other adverse events, and by using tools such as CMS's Hospital Compare, today's consumers can obtain information about hospital performance on a variety of indicators, including those that pertain to safety.

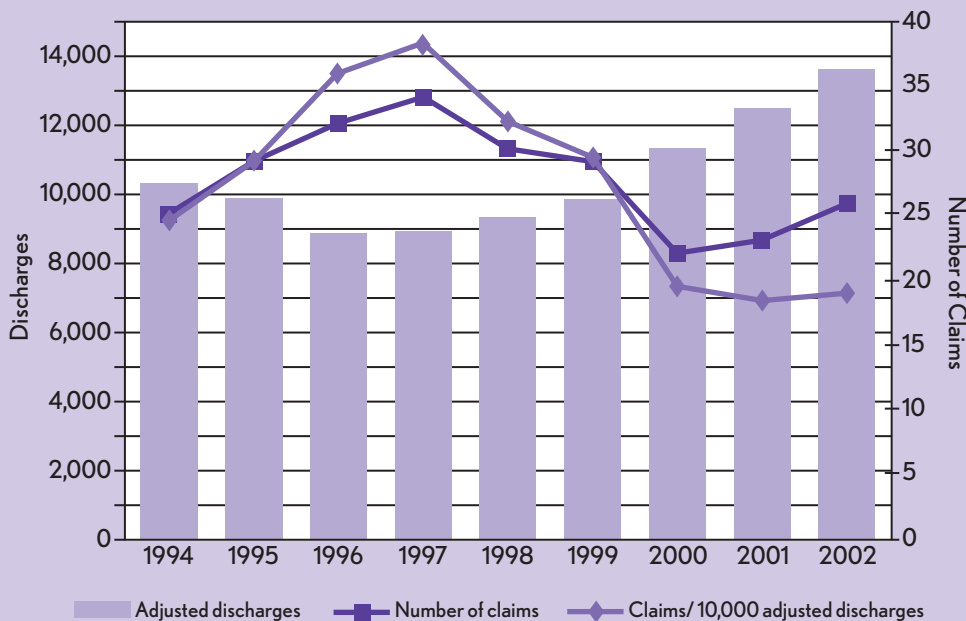
Failure to meet consumer expectations for clinical quality has serious implications outside of harm to the reputation of a hospital and loss of patient loyalty. With increasing frequency, patients with adverse outcomes are taking legal action against their caregivers. In the past decade, a combination of factors, including the number and size of medical malpractice payouts, has prompted insurers to dramatically increase their malpractice premiums or exit the malpractice

insurance marketplace altogether, giving remaining insurers even greater pricing power. For many hospitals, this has equated to millions of dollars in increased operating cost.

Insurance underwriters base a hospital's malpractice insurance premium on a combination of industry experiences and a hospital's individual claims history. Research shows that 1 percent of hospital patients nationwide are harmed in some way, but only 3 percent of those who are harmed file a lawsuit. Those who do sue, do so because of one of four types of communication problems: deserting the patient, devaluing patient views, delivering information poorly, and failing to understand the patient's perspective (Kavalier, F., and Spiegel, A., *Risk Management in Health Care Institutions: A Strategic Approach*, New York: Jones and Bartlett, 2003). Communication issues also are a common root cause of adverse events, according to the Joint Commission's review of more than 4,000 reports to its sentinel event database over the past 12 years.

Accordingly, an emphasis on improved caregiver-patient communication, patient and family involvement, and a focus on the patient's

EFFECT OF PATIENT-CENTERED CARE ON MALPRACTICE CLAIMS



One hospital experienced a dramatic reduction in malpractice claims in the first nine years of implementing a patient-centered care approach, despite an increase in patient care activity, which tends to increase claims.

perspective has the potential to reduce adverse events, malpractice claims, and associated operating cost increases. Although no study has been conducted to date on the impact of a comprehensive approach to implementing patient-centered practices on these measures, one hospital has reported compelling results related to malpractice claims. The exhibit on page 83 displays a dramatic reduction in malpractice claims in the hospital's first nine years of implementation—despite an increase in patient care activity, which tends to increase claims.

The importance of communication and attention to the patient's perspective is reinforced in Press Ganey's April 2007 *Hospital Pulse Report*, which found that, based on survey results from more than 1,700 hospitals nationwide, the top five issues identified by inpatients as priorities for hospitals all relate to communication and empathy, and include staff responsiveness and sensitivity, being included in treatment decisions, being kept informed, and having one's emotional needs addressed while hospitalized. Each of these priorities is directly related to staff interactions with patients, underscoring the impact frontline healthcare workers have on a patient's overall experience.

A Strategy for Retaining Talent

Recruitment and retention of high-quality staff are key to a hospital's viability; however, these efforts are considerably impeded by the nation's well-documented healthcare workforce shortage. The 2006 American Hospital Association Survey of Hospital Leaders found that hospitals had an estimated 118,000 registered nurse (RN) vacancies as of December 2005—a national RN vacancy rate of 8.5 percent. This shortage is not limited to RNs, with the vacancy rate for imaging technicians currently at 5.9 percent, and for pharmacists at 4.4 percent.

Financially, such staffing shortages translate into many hospitals being forced to use temporary labor and paying a premium of more than double their standard hourly rate for the privilege. Alternatively, hospitals may be forced to turn

away patients because of reduced capacity. Given the high fixed costs of operating a hospital, the resulting loss of revenue can be devastating. This challenge is compounded by the cost of employee turnover. The Health Care Advisory Board estimates that costs associated with replacing a single RN can exceed \$20,000—and that is in the ideal circumstance of filling the position within two weeks. Costs escalate even further as the position remains vacant for an extended period of time.

The shortage will only be exacerbated by the imminent retirement—and growing healthcare needs—of the baby boomer generation. The Health Resources and Services Administration (HRSA) estimates that by 2020, the nation's nursing shortage will grow to more than 1 million nurses. The Bureau of Labor Statistics also projects severe shortages for a number of allied health professions.

The demand for healthcare professionals makes it imperative that hospitals create workplace environments where current employees want to continue working and where prospective employees want to be hired. A 1999 Press Ganey study identified employees' pride in their workplace as the highest predictor of overall employee satisfaction. The study further found that along with open communication and exceptional management practices, these qualities are more relevant to employee satisfaction than wages, benefits, and the work environment (Press Ganey, "One Million Patients Have Spoken: Who Will Listen?", *The Satisfaction Monitor*, 1999).

The fact that a patient-centered philosophy resonates with so many caregivers by focusing on the needs of the patient contributes to a strong sense of employee pride and high employee satisfaction in hospitals embracing such an approach. A recent evaluation of employee satisfaction results from a small sample of Planetree hospitals, comparing those characterized as "new" adopters of the model with those characterized as "intermediate" adopters, found overall improvement in average scores, with the most statistically significant improvements in the areas of orientation,

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fostering a healthy work environment, valuing the organization, leadership integrity, and employee engagement.

Eighteen months into implementing a structured approach to patient-centered care, Stamford Hospital, a 305-bed tertiary care center in Stamford, Conn., demonstrated an increase from the 33rd to the 60th percentile in employee satisfaction. Hospital leadership credited, in part, a number of initiatives—including the attendance of all staff at a series of full-day, off-site retreats focused on boosting employee morale and community building—for the increase.

The link between employee satisfaction and patient satisfaction has been well-documented. This link is reflected in the fundamental philosophy of patient-centered care. A defining tenet is the importance of staff feeling cared for themselves, so they can best care for their patients. During the same 18-month period at Stamford Hospital, as employee satisfaction improved, satisfaction scores for emergency department patients increased from the 44th to the 89th percentile, and scores for inpatients increased from the 18th to the 75th percentile.

An array of staff recognition and communication programs, employee wellness initiatives, and hospitalwide celebrations have contributed to Griffin Hospital's designation as one of *Fortune Magazine's* "100 Best Companies to Work for in America" for nine consecutive years (2000–2008), a designation based on workplace culture and employee satisfaction ratings by a random sample of employees. Considering that in 2006 Griffin received 7,007 applications for 197 job openings and that use of sick time dropped to an average of 4.6 days, it is clear that fostering a workplace environment where employees feel valued, recognized, and empowered can have a meaningful impact on a hospital's bottom line.

Good for Patients—and Good for Business

There are concrete financial advantages of providing patient-centered care. The 125 diverse healthcare institutions practicing the Planetree

model have individually reported a host of clinical and operational-level benefits resulting from a patient-centered care approach, among them increased patient satisfaction, increased staff retention, enhanced staff recruitment, decreased length of stay, decreased ED return visits, fewer medication errors, and improved liability claims experience. In the context of an increasingly competitive marketplace, growing healthcare consumerism, and the trend toward greater transparency, these benefits are more consequential than ever before.

With the impending launch of VBP, for the first time, a hospital's ability to provide superior clinical outcomes and an exceptional patient experience will be directly linked to reimbursement. As a result, no longer will hospitals be able to dismiss patient-centered care as superficial or extraneous. On the contrary, in order to ensure quality care, patient satisfaction, and, ultimately, optimum reimbursement, savvy healthcare providers are recognizing the need to prepare themselves for the tide of change on the horizon by reexamining current operations to evaluate whether they enhance or detract from the patient experience. Institutions in the midst of this journey of seeking out and responding to the consumer perspective will be best poised to withstand the rankings, measures, and exacting scrutiny of healthcare consumers—and will be distinctly positioned to reap the benefits. ●

About the authors



Patrick A. Charmel
is president and CEO, Griffin Hospital,
Derby, Conn.
(pcharm@griffinhealth.org).



Susan B. Frampton
is president, Planetree, Bolton, Conn.
(sframpton@planetree.org).

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