CLINICAL PROCESS IMPROVEMENT AND PHYSICIAN GAINSHARING PROGRAM

Presented by

HEALTH CAPITAL ADVISORS, INC.
SMITH HELMS MULLISS & MOORE, LLP
March 2001
Health Capital Advisors. (HCA) and Smith Helms Mulliss & Moore, LLP assist clients in improving operating effectiveness in providing clinical care through an objective system of market-based data analysis guided by clinicians and administrators.
Tenets of the clinical process improvement program

- Improvement of cost effectiveness in clinical care
- Maintenance or improvement of quality of care as determined by local and comparative standards
- Recognition of contributions to system effectiveness in a tangible manner
TEAM APPROACH

יו Legal
– Smith Helms Mulliss & Moore, LLP
– 200+ lawyers; nationally acclaimed

יו Consulting
– Health Capital Advisors, Inc.
– Expert consultants to the industry
PROGRAM PARTICIPANTS

Legal Consultants

– Thomas S. Stukes, Member, Policy Committee
– Robert L. Wilson, Jr., Director, Health Care Practice Group

Design & Implementation Consultants

– Christopher J. Evans, FACHE, President
PROGRAM CANDIDATES

Clients

– Academic Medical Centers
– Regional and Community Referral Centers
– Hospital Networks
– Community Hospitals
– Long Term Care Facilities
Clinical Process Improvement

Clinical issues require clinical solutions

- Physicians and clinical staff should drive the solutions in clinical problem areas
- Clinicians need timely, objective data
- Clinician-administrator teams provide the best solution to issues involving patient care delivery issues
Clinical Process Improvement

Clinicians respond to autonomy and data

- Physicians and clinical staff should be provided the optimum structure to do their work
- Clinicians should have administrative support to maximize their time commitment to the effort
- Clinicians need to have confidence in the data examined
Clinical Process Improvement

Physicians should be compensated for their contributions

- Physician efforts should be recognized and rewarded
- Reward should be tangible and timely
- Compensation must be legal
- Risk of return may be considered
**Physician Gainsharing Arrangements**

Gainsharing is

- A legal program to incentivize care givers by sharing in actual cost savings as a result of providing quality clinical care through improved processes
Physician Gainsharing Arrangements

Gainsharing

– Identifies areas for continuous improvement
– Introduces *Activity Based Management* principles to understand the financing and delivery of clinical services
Physician Gainsharing Arrangements

Gainsharing premises

- Identification of *related* financial and operational indicators
- Ability to *track resources consumed* and activities (outcomes) generated
- *Verifies costs* that an organization believes an activity consumes
Physician Gainsharing Arrangements

Gainsharing premises

– Moves the organization to an understanding of managing activities, not costs

(e.g., actions that produce an outcome, not simply department level cost allocations)
Physician Gainsharing Arrangements

Gainsharing premises

– Creates *objective data and criteria* for clinical (and administrative) process improvement
– Explicitly identifies *the root causes* of costs
Physician Gainsharing Arrangements

Gainsharing guidelines

– Gainsharing is a *compensation program* that has as its purpose increased productivity and cost efficiency as well as improving the quality of care provided

– The factors on which compensation is paid are *controllable costs*
Physician Gainsharing Arrangements

Gainsharing guidelines

- Ideally, individual employee or physician contributions should be identified
- Total compensation must be reasonable with outside determination (*independent third party*) required by regulatory guidance
Gainsharing-Compliance Issues

Key compliance concerns

- Gainsharing with medical staff
  - “Compensation arrangement” under Stark
  - Possible “illegal remuneration” under Antikickback Statute
  - Possible impermissible revenue sharing under Section 501(c)
Gainsharing—Compliance Issues

Stark and antikickback compliance

- Not just a payment opportunity to reward for referrals
  - Selection of participants…
  - Necessary?
  - The “record”
  - Duration
  - Method, “sharing”
  - Change in volume, patients
Gainsharing-Compliance Issues

Stark and antikickback compliance

- Meet personal services “exception” and “safe harbor”
  - FMV for specified legitimate services
  - Written agreement with at least 1 year term
  - Not related to value or volume of referrals
- Meet proposed “fair market value exception”
Gainsharing-Compliance Issues

Stark and antikickback compliance

- Compliance with CMP statute forbidding payments for reducing medically necessary care
  - Effect on quality of care
Gainsharing-Compliance Issues

Section 501(c)(3) compliance

- Sharing of cost savings may be impermissible net income sharing or equity interest in a charitable hospital
- Compensation should be tied to maintaining or improving quality of care
Gainsharing-Compliance Issues

Section 501(c)(3) compliance

- Use gainsharing compensation plan unrelated to solely split of savings
  - Base on:
    - Fixed amount
    - Hourly rate
    - Benchmarks
  - Employee gainsharing
Physician Gainsharing Arrangements

Gainsharing process orientation

- Objectivity in cost savings and clinical outcomes
- Begin typically with high volume, high cost areas where physician influence has the greatest impact on change - e.g., procedure-driven specialties
Physician Gainsharing Arrangements

Gainsharing process orientation

- Physician-driven process
- Focus on care processes activities
- Self Assessment: Readiness
  - Organization
  - Costs and activities
  - Physician desire & perceived payback
Physician Gainsharing Arrangements

Gainsharing

- is not limited to clinical providers - it can be accomplished at all levels of staff as an incentive to improve *operational processes*
- May be implemented on a department by department basis (think of high volume, high cost areas)
Physician Gainsharing Arrangements

Focus on Activity Based Management as an outgrowth of Activity Based Costing

- ABM combines financial and strategic approaches to management
- CAM-I Cross (Consortium for Advanced Manufacturing - International)
Physician Gainsharing Arrangements
The CAM-I Cross

- Cost Drivers
- Resource Drivers
- Activity Drivers
- Cost Objects

- Resources
- Performance Measures

ABM → ABC

(Consortium for Advanced Manufacturing - International)
Physician Gainsharing Arrangements

Activity based costing focuses on cost objects
- Services, patients, physicians, staffing, etc.

Activity based management focuses on activities
- Why are our costs so much for these activities?
Physician Gainsharing Arrangements

Gainsharing process - ABM process

– **Team approach** - typically product line driven with administrative support

– Identify *activities and outcomes* - the work performed and the result
  - Discharges, lab tests, room turnover, etc. and average cost, cost per DRG, etc.
Physician Gainsharing Arrangements

Gainsharing process - ABM process
  – Identify resources expended
    ▶ All forms of consumables, labor, supplies, materials, equipment, overhead.
    ▶ Watch for broad allocation methods - they are likely to be incorrect
**Physician Gainsharing Arrangements**

Gainsharing process - ABM process

- Identify **Resource** Drivers
  - Staff time, % equipment use, facilities, lab tests, days of care, etc.
  - Goal is to associate costs with activities

  e.g. Resource: **Labor then the** Driver is **Employee Time %**


**Physician Gainsharing Arrangements**

Gainsharing process - ABM process

– Identify **Activity** Drivers
  - What drives frequency of actions
  - a measure of intensity of demand
  - AKA “second stage drivers”

  e.g. Activity: Take an X-ray *then the Driver is* # of X-rays
**Physician Gainsharing Arrangements**

Gainsharing process - ABM process

- Identify **Cost** Drivers
  - Factors that cause changes in performance of activities
  - They determine effort necessary to produce the activity
  - They are the root causes of costs
Physician Gainsharing Arrangements

Gainsharing process - ABM process
- Identify **Performance Measures**
  - You know where you are now
  - Where do you want to be?
  - Use national comparative data as a guide - CHIPS, HCFA, M & R, etc.

Key = Physician Leadership
Physician Gainsharing Arrangements

Gainsharing focus - opportunities

- Patient admission process
- Procedure, OR, recovery room turnaround time or availability
- Stat lab requests
- Anesthesia start time
- Equipment usage
Physician Gainsharing Arrangements

Gainsharing focus - opportunities, cont.

– Lower LOS by DRG
– Better clinical outcomes
   Mortality, complications, readmission
– Lower supply and drug costs
– Optimum ancillary and diagnostic usage
   EKGs, blood gases, chemistry panels
Physician Gainsharing Arrangements

Gainsharing focus - hospital-wide performance opportunities

- JCAHO accreditation
- Community surveys
- Increased patient access
- Net income in excess of budget
Physician Gainsharing Arrangements

Gainsharing outcomes

- Opportunity to identify improvements in care delivery that are locally driven
- Cost savings split between hospital and physicians (and/or employees)
**Physician Gainsharing Arrangements**

**Gainsharing obstacles**

- Political environment or lack of precedent for gainsharing
- Lack of physician buy-in
- Public perception/scrutiny from community on sharing of net income
Physician Gainsharing Arrangements

Pre-distribution policies

– Hospital must meet minimum financial goals before distributing any funds
– Gainsharing monetary limits should be set to avoid “excessive compensation”
– Quality standards can be on a product line, department, or specific issue basis
Program Summary

Clinical process improvement requires the clinical-administrative team.

Legal compensation systems may be employed to effect major reductions in the cost of clinical activities.

External assistance is required by current regulatory guidance.
Program Summary

- Improvements should focus on high volume, high cost areas
- Procedure-driven specialties may be considered initially
- A service area may be considered as a demonstration project
Program Summary

- Clinical process improvement readiness should be evaluated by the external implementation party.

- Education sessions are critical for participants to understand the goals and structure of the program.

- Physician gainsharing may lead to facility-wide gainsharing for overall system improvement.
CLINICAL PROCESS IMPROVEMENT
AND
PHYSICIAN GAINSHARING PROGRAM

Presented by

HEALTH CAPITAL ADVISORS, INC.
SMITH HELMS MULLISS & MOORE, LLP
Key Contacts

Christopher J. Evans, FACHE, CMPE
Health Capital Advisors, Inc.
Phone and Fax (336) 945-6126 email: chris.evans@christopherevans.org

Thomas S. Stukes
Smith Helms Mulliss & Moore, LLP
Phone (336) 378-5211 Fax (336) 379-9558 email: Tom_Stukes@shmm.com