

# New Directions



1998 Annual Report



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The Pennsylvania Health Care Cost Containment Council was established by the Pennsylvania General Assembly in 1986 with the responsibility to:

- ★ Provide information about health care costs and quality to the public;
- ★ Review proposed legislation and make recommendations for mandated health insurance benefits; and
- ★ Study access to health care services.

# New Directions

1998 Annual Report



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*Randall N. DiPalo  
Chair*

**W**e are pleased to report that we made great progress in 1998 in our efforts to make a difference in the world of health care. The Pennsylvania Health Care Cost Containment Council (PHC4) has always attempted to stay atop the fast-paced changes occurring in the health care marketplace. Our initiatives over the past few years have strengthened PHC4's focus and we are positioned to face the millennium with renewed energy and dedication.

**1998 was a landmark year for PHC4.** We reaffirmed that the development of managed care report cards is our foremost priority. As a part of that initiative, PHC4's *Guide to Coronary Artery Bypass Graft Surgery* broke new ground in reporting to the public outcome data (risk-adjusted patient mortality rates and lengths of hospitalization) specific to 34 health insurance plans and programs operating in Pennsylvania. ***No-where else has this been done!*** This payor-specific outcome reporting is a monumental achievement not only for PHC4, but also for the collection and reporting of health care data throughout the country. On another high priority front, the timeliness of our data improved substantially in 1998. With the cooperation and support of the hospital community, we have reduced our turnaround time for the release of quarterly data by 50% in 1998 and expect this to reach 70% by mid 1999. As an example, *Diabetes-Related Inpatient Hospitalizations in Pennsylvania, 1997* was released in December of 1998, only eight months after 1997 inpatient hospital and select ambulatory surgery data was due to the Council. Also of note was the fact that we provided the General Assembly with informed, objective and credible policy analysis regarding 12 legislative proposals to mandate various health insurance benefits.

**1998 was a year of growth for PHC4.** We emphasized increased participation with other state agencies, involvement with the General Assembly, and interaction with labor organizations, businesses, associations and health care coalitions throughout the state. In addition, our collaborative relationships with hospitals, providers, and insurers in the Commonwealth continue to improve and deliver value. We added six new Council members in 1998 and our Council as a whole (a 21 member voluntary board) has a renewed sense of excitement and commitment about our progress to date as well as for what the future holds.

**1998 was a year of transition for PHC4.** PHC4 began the year under the interim leadership of Clifford L. Jones, whose dedication to the Council and its mission was essential to the goals we have accomplished. Thank you Cliff!



*Marc P. Volavka*  
Executive Director

In May, Marc P. Volavka was selected and welcomed as the Council's new Executive Director. Marc was instrumental in the formation of PHC4 in 1986 and his experience with business, labor, the provider community, insurers, consumers, the General Assembly and state agencies has helped PHC4 to deepen its relationships with many of these groups. A new Executive Committee was elected in July, led by Randall DiPalo, who succeeded Daniel R. Tunnell as Chair, Vice Chair Leonard Boreski, and Treasurer Darrell L. DeMoss. With the increased funding and support of the Governor and General Assembly, we are fully staffed for the first time in years. Staff functions have been reorganized and several key additions to our staff have been made, specializing in managed care issues and complex computer applications. Significant time and resources were spent in 1998 in the essential migration from a mainframe computer system to a client-server network system. This shift will allow us to enter the new millennium with state of the art information technology. Although the past year was not without its challenges, several areas of concern were addressed and we are confident of the Council's ability to forge ahead and succeed in new areas such as the collection, analysis and public reporting of health plan and ambulatory data.

Today's health care marketplace is anything but static. It is an area of innovation in treatments and approaches to care, an area of change in the types of delivery systems, and an area of concern regarding the financial stability of health care providers. We have laid the foundation to *keep pace* with the changing marketplace while continuing to *set the pace* in providing the hospital and physician information for which we are known nationwide. Across the country, other state agencies continue to recognize PHC4, and Pennsylvania, as a leader and innovator in data collection, analysis and public reporting—something in which we can all take pride.

1998 was a year of growth, and 1999 will hold many new challenges for us. We thank you for the support and cooperation you have extended to PHC4 during the past year, and look forward to working with you to provide all Pennsylvanians with information about the cost and quality of health care in the Commonwealth.

A handwritten signature in black ink that reads "Marc P. Volavka". The signature is fluid and cursive, with a long horizontal line extending to the right.

Marc P. Volavka  
Executive Director

Randall N. DiPalo  
Chair

The power of an informed, involved public underlies Pennsylvania's health care cost containment strategy. The Commonwealth's pioneering approach is being closely watched, even copied, by other states. John F. Kennedy, paraphrasing Francis Bacon, once said,

*"In a time of turbulence and change, it is more true than ever that knowledge is power."*

During the 1970's and early 1980's, states like Pennsylvania became increasingly concerned with rapidly rising health care expenditures. The annual rate of growth in health care spending averaged 15.2% a year from 1977 to 1983. Inpatient hospital expenses grew by 14.9% a year during this period. The nation spent \$75 billion on health care in 1970, \$248 billion in 1980, and \$458 billion in 1986. The percent of GNP spent on health care continued to increase, topping ten percent by the mid-1980's and reaching 10.9% in 1986.

In an effort to bring these skyrocketing costs under control, the Pennsylvania General Assembly passed Act 89 in 1986, which created a new independent state agency called the Pennsylvania Health Care Cost Containment Council. Act 89 took more than three years of effort, driven primarily by a coalition of business and organized labor leaders working together to pass market-oriented health care reforms.

It was the mission of this new independent state agency, under the law, to promote cost containment by stimulating a competitive health care market. This would be achieved by providing group purchasers and individual consumers with consistent, accurate and credible information about the cost and quality of health care services in Pennsylvania. As purchasers and consumers were able to identify and utilize those providers with the best care at the best price, other providers would have to compete for patients by lowering their costs and improving

In order to invest important health care stakeholders firmly in the process, a 21-member council was created to provide direction for the agency:

- business community representatives (six members)
- organized labor representatives (six members)
- hospital representative
- physician representative
- commercial insurance representative
- PA Blue Cross/Blue Shield (one member)
- health maintenance organization representative
- consumer representative
- Secretary of the state Department of Health
- Secretary of the state Department of Public Welfare
- Commissioner of the state Department of Insurance



the quality of their services. A unique feature of the law, and PHC4's trademark since, was the requirement to report data about the quality of care. This was done so that access to quality care would not be jeopardized in a search for lower costs, as well as a belief that quality should cost less.

*“Only with good information can people be empowered to make better-informed decisions about where to go for medical care,” -- David Nash, MD, MBA, PHC4 Technical Advisory Group Chair.*

Health care providers are required to supply hospital charge and treatment information, and other financial data, to PHC4 on a quarterly basis. Currently, nearly 2 million inpatient and 1.5 million ambulatory surgical records are submitted each year. PHC4 and the hospital community have made major strides in improving both the accuracy and the timeliness of these data.

### **Impact – PHC4 Is Making A Difference**

Webster's defines **impact** as that which has a forceful effect. In that context, it is fair to ask: What has the Council accomplished? Has it fulfilled its mission? Has the market competition strategy envisioned in Act 89 been successful? Has the Council been **relevant** to its mission?

The answer to these questions is a qualified yes; the qualification being only that there is so much more to accomplish in the future. For example, data published in the most recent PHC4 report on coronary artery bypass graft surgery noted that Pennsylvania's cardiac surgeons and hospitals do as good a job as expected, or better, in keeping bypass patients alive during and after the open-heart procedure. The report also broke new ground by including, for the first time, mortality and length of stay statistics for bypass patients according to the health insurance plan they belonged to—a key stepping stone for PHC4's future public reporting plans.

In October 1998, the Wall Street Journal reported that since Pennsylvania began issuing public report cards on bypass surgery, overall patient mortality rates dropped 22% from 1991 to 1995, and hospital charges for the procedure decreased for the first time.

A different study released in 1997 by researchers at the University of Pittsburgh and Carnegie Mellon University found those Pennsylvania hospitals with excellent “ratings,” i.e. low

mortality and morbidity rates, tended to gain market share in subsequent years while those with poor ratings lost market share. In addition, hospitals with poor ratings showed the most improvement in subsequent years, particularly in markets with heavy competition and in treatment areas that produced the most revenue.

*A 1998 study published in the New England Journal of Medicine by cardiologist James Jollis of Duke Clinical Research Institute concluded that “Pennsylvania’s pioneering report on mortality from heart attacks has numerous strengths. It is exceptionally thorough and carefully explains both the potential uses and limitations of data on outcomes.”*

What does this mean to Pennsylvanians? Health care costs **are** being restrained, not just in one or two isolated examples, but throughout the Commonwealth. Quality **is** being improved. Purchasers **are** making decisions based on these data. Consumers **are** able to make more informed choices about where to seek treatment and with whom.

Consumers and purchasers can be empowered with the ability to ask intelligent questions and make more informed decisions about health plans just as they have — in Pennsylvania — about hospitals and doctors. Severity adjusted outcome data is contributing to improving the cost and quality of health care. More effective delivery systems are yet to be explored, more widely accessible sources of consumer information through the Internet and other cyber-opportunities will become available, data about managed care and outpatient treatment, just to mention a few other important areas, will be developed.

We are indeed entering a challenging new environment. As the health care delivery system changes dramatically, it will be increasingly important for those who consume, purchase and provide health care to understand the implications and consequences of the changing nature of health care, including the dual responsibilities that now permeate the system. We **are** making a difference and setting the pace for new directions.

## Managed Care Data: PHC4's Top Priority

While the term managed care is often associated with “insurance company,” more accurately managed care represents a relationship between patients, physicians, hospitals, and insurers. Managed care has grown tremendously in recent years – Health Maintenance Organizations account for more than 30 percent of health plans according to a KPMG Peat Marwick survey—and thus have become a focal point of the public health care discussion.

At a strategic planning session in September of 1998, PHC4 made collection and reporting of managed care data a top priority for the coming years. In an effort to improve the Council's knowledge about managed care, a “white paper” was produced to outline our strategy for managed care data collection and reporting. This decision reaffirmed and placed emphasis on a strategy PHC4 has pursued incrementally for several years – the most recent step being the groundbreaking release of health plan-specific outcome data in the *1994-1995 Pennsylvania's Guide to Coronary Artery Bypass Graft Surgery Report*.

PHC4's Payor Advisory Group, chaired by Council Member Daniel R. Tunnell, was reinstated in 1998 and charged with developing a plan to collect, analyze and report managed care data, beginning with a plan-specific report focusing on diabetes to be released in 1999. The first meeting of this group occurred in the fall of 1998 where members discussed issues such as the collection of payor data and some of the challenges the Council may face in our interactions with insurers and hospitals.

Ultimately, PHC4 would work toward reports that might incorporate a number of different measures:

- outcome measures
- process variables
- patient satisfaction information
- “HEDIS-type” information
- financial data

The goal is to focus on developing a system that would give PHC4 the flexibility to report managed care data – not just one report at a time but various types of reports simultaneously.

## Pennsylvania's Guide to Coronary Artery Bypass Graft Surgery

A pioneer in the public release of physician and hospital specific quality data, PHC4 has broken new ground again, this time focusing on health plans. In May of 1998, PHC4 released its fifth edition of *Pennsylvania's Guide to Coronary Artery Bypass Graft Surgery (CABG)*. This report includes 1994-1995 risk adjusted bypass patient mortality rates for Pennsylvania cardiac surgeons, hospitals, and for 34 health plans operating in Pennsylvania. The report also lists the average amount the hospitals charged for the procedure, risk-adjusted length of stay figures for hospitals and health plans, and information related to the volume of procedures performed by hospitals and surgeons.

The release of *Pennsylvania's Guide to Coronary Artery Bypass Graft Surgery* is a milestone in the field of quality performance outcomes reporting. This report marks the first time that *health plan-specific* patient outcome data has been reported.

The building blocks of the CABG report were created with the assistance of the Technical Advisory Group (TAG), a standing committee of health experts charged with assisting in the technical and methodological development of the Council's research. This group has provided a credible foundation for the design and methods of the CABG report as well as other reports. In addition, TAG members David B. Nash, MD, MBA, J. Marvin Bentley, Ph.D, and Paul N. Casale, MD, FACC, have built upon the Council's work by publishing well-received articles in prestigious medical journals.

### Technical Advisory Group



Pictured: Front row, left to right: George R. Green, MD, David B. Nash, MD, MBA, Chair; Paul N. Casale, MD;

Back Row, J. Marvin Bentley, Ph.D, James R. Grana, Ph.D.

Not shown: David B. Campbell, MD; Donald E. Fetterolf, MD, MBA; Judith R. Lave, Ph.D.; Sheryl F. Kelsey, Ph.D.

*As Dr. David Nash, PHC4 Technical Advisory Group Chair has stated, "There is no other document like it (CABG report) in the world."*

Several goals provided the framework for this project. A primary objective was to present a comprehensive picture of an increasingly complex health care system. Where hospitals, physicians and health insurers were once distinct in their roles, those distinctions are swiftly becoming less clear.

Another Council goal in producing *Pennsylvania's Guide to Coronary Artery Bypass Graft Surgery* was to provide hospitals, surgeons and health plans with meaningful comparative data about CABG patients and the outcomes of bypass surgery. There is evidence that this kind of information prompts providers to take appropriate steps to improve the overall quality of health care they deliver. The trends highlighted in this landmark report support the contention that the process of publicly reporting health care data is having a positive impact on the cost and quality of health care.

Purchasers have information that they can use to obtain greater value for the health care dollar when it comes to making health care purchasing decisions. Patients considering CABG surgery now have access to data that will help them have more informed discussions with their physician. Providers have opportunities for quality improvement and cost containment. With quality on the rise and costs on the decline, this report suggests that the Council's process of publicly reporting health care information is working.

## **Ambulatory Surgery in Pennsylvania- Another Link in the Chain**

**T**he release of the *Ambulatory Surgery in Pennsylvania* report during April 1998 began a new phase of Council activity, intended to collect and report on this rapidly changing area of medicine. The use of ambulatory surgery, also known as outpatient surgery, has substantially increased over the past few years. One reason for the growth in ambulatory surgery is technological advancements such as improvements in anesthesia which allow patients to regain consciousness more quickly and the development of minimally invasive and noninvasive procedures, such as laser surgery, laparoscopy, and endoscopy. At the same time, concern about rising health care costs has led to changes in insurance plans that encouraged the development of ambulatory surgery.

As the shift from an inpatient to outpatient setting occurs, the need for information increases. In hope of shedding light on ambulatory surgery, PHC4 began focusing on outpatient data for selected procedures in 1996.

*Ambulatory Surgery in Pennsylvania* is another new step toward our goal of developing a more comprehensive understanding of the relationship between inpatient and outpatient care, and the cost and quality implications of this changing area of the health care delivery system.

## Diabetes Report Excellent Example of New Directions

A tangible result of PHC4's new directions is evident in the release of *Diabetes-Related Inpatient Hospitalizations in Pennsylvania, 1997*, in December of 1998.

This report:

- exemplifies our dramatic improvement in data timeliness by becoming the first public report in Council history to be released within nine months of the close of the data-reporting period;
- builds upon PHC4's mandated benefit review of House Bill 656 and positions the Council to study the impact, over time, of this recently enacted insurance mandate; and,
- provides a building block to study diabetes in relation to managed health care plans in a subsequent report.

Diabetes is a chronic disease that has no cure. Diabetes-related inpatient hospitalizations accounted for 14.7% of all Pennsylvania inpatient admissions during 1997 and amounted to \$4 billion in hospital charges. In the United States, diabetes affects 1 in 17 people. Diabetes has a significant impact on Pennsylvanians - affecting 1 in 11 people, which accounts for 9% of the population.

PHC4 plans to build upon this report by examining diabetes in a managed care setting because appropriate management of the disease could affect outcomes and should result in reduced hospitalizations and, as a result, costs. In the latter half of 1999, PHC4 will release a diabetes report that contains quality of care data related to specific managed care plans. This report will set the stage for more comprehensive reporting of health plan data in future reports, a top priority of PHC4. As we have with the measurement of hospital and physicians performance, PHC4 intends to set the pace in reporting managed care data.



Since the inception of PHC4, the Council has been charged with the responsibility to review and analyze legislation proposing to mandate coverage of specific health insurance benefits. Government leaders rely on PHC4 for objective and credible data to assist them in policy analysis and decision-making. As a result, policy makers are increasingly turning to PHC4 to provide information regarding the cost-effectiveness of mandating coverage for certain health insurance benefits. In 1998, the Council reviewed a record number (twelve) of mandated benefits at the request of the Pennsylvania General Assembly. In previous years, the Council averaged one or two reviews per year.

*According to Clifford Jones, Mandated Benefits Committee Chair, "The Council is a neutral party that can provide objective, quality, informative reports that answer many questions government officials have about medical issues."*

Upon request of the Secretary of Health or chairs of legislative committees, PHC4 reviews mandated benefit legislation. In reviewing a proposed mandated benefit, PHC4 analyzes information submitted by proponents and opponents as required under law and analyzes the Council's own data, when appropriate. Based upon this information, PHC4 prepares a report which addresses issues such as the need for the proposed benefit, the estimated cost of the proposed benefit (including a cost-savings if applicable), and the possible impact the proposed benefit may have on the cost of health care and quality of life. The final report includes PHC4's recommendation for the proposed benefit. If a sufficient amount of information is received, PHC4 may contract with a panel of experts to complete their own analysis of the information. Once the report is complete, it is distributed to governmental leaders in Pennsylvania and made available to the general public.

One highly publicized report that was completed by PHC4 this past year concerned the mandatory insurance coverage of diabetes supplies, medication, and education – House Bill 656. The Council found evidence to suggest that providing people with diabetes with supplies, medication, self-management education, and nutrition therapy can potentially improve the quality of life and save health care dollars in the long run. Based, in part, upon information contained in PHC4's report, House Bill 656 was passed by both the House of Representatives and the Senate, signed by the Governor, and became law.

*According to Representative Matthew N. Wright, sponsor of House Bill 656, "The positive review from PHC4 played a large part in the passage of House Bill 656. Legislative leaders were not convinced that House Bill 656 would overall benefit the public until PHC4 provided an investigation of the facts."*

Building upon the staff's work completed for this mandated benefit review, PHC4 produced a public report on hospital admissions for diabetes which may be used as a baseline for future studies.

The following is a list of reviews completed during the past year:

- House Bill 656 – coverage for diabetes supplies, medication, and education, as well as hearing aid coverage for Medicare and Medicaid beneficiaries.
- Senate Bill 39 – coverage for specific cancer screening examinations including digital rectal examinations and prostate specific antigen (PSA) tests for prostate cancer and fecal occult blood tests and sigmoidoscopies for the detection of colorectal cancer.
- House Bill 1873 – required all children attending school as of August 1, 1999 to be immunized against hepatitis B.
- Senate Bill 499 – required insurers to offer optional home health care coverage.
- Senate Bill 590 – mandating reimbursement for acupuncture services to be made at the same rate for physician acupuncturists and non-physician acupuncturists when these services are covered.
- Senate Bill 938 – required all newborns to be screened for hearing loss and required coverage of screening examinations and follow-up testing.
- Senate Bill 1057 – coverage for bone density testing to detect osteoporosis.
- Senate Bill 1183 – coverage for the diagnosis and treatment of infertility, including in vitro fertilization.
- Senate Bill 1198 – coverage of patient care costs for participants in cancer clinical trials.

In addition, a preliminary review of mental health anti-discrimination bills (Senate Bill 887, House Bill 1798, and House Bill 2544) was completed. Governor Ridge signed legislation that calls for mental health coverage into law in late 1998.

The Mandated Benefits Review Committee spent significant time reviewing the proposals, debating the pros and cons of the issues, and responding to various points of view. In reviewing the mandates, PHC4 found no evidence to oppose Senate Bill 39; however, it did raise concerns regarding screening for prostate cancer. PHC4 was unable to support the passage of the other proposed mandates.



The collection of data, research and analysis provided by PHC4 also provides the key for other state agencies to identify opportunities for health care cost containment and quality improvement and to assist them in decision-making. Throughout the year PHC4 has collaborated in projects with other state agencies, participated in national initiatives, and responded to data requests from legislators.

In filling requests from other state agencies and elected officials at the state and federal levels, PHC4 issued the following reports in 1998:

- **Inpatient Hospitalizations Resulting from Motor Vehicle Accidents.** This report included analysis by region, type of accident (multi-vehicle, collision with pedestrian, etc), type of victim (driver, passenger, etc.), age, sex, month of hospital admission, median hospital charge and median length of stay.
- **Drug-Related Inpatient Hospitalizations: A Five Year Perspective.** This report includes drug-related inpatient hospitalizations to acute care and specialty hospitals in Pennsylvania for the calendar years 1991-1995.
- **Inpatient Hospitalizations Resulting from Gunshot Wounds.** This report included analysis by firearm type (handgun, hunting rifle, etc.), type of case (purposely inflicted, accidental, etc.), hospital, age, sex, race, payor type, average hospital charge, both statewide and for the city of Philadelphia.
- **Medicaid and Medicare Revenue for Pennsylvania Hospitals.** This report used fiscal year 1997 data and included the percent of revenue for Medicaid and Medicare for Pennsylvania hospitals.
- **Asthma Hospitalizations.** This summary report included statewide analysis by asthma type, age and sex for the Pennsylvania Department of Health Bureau of Chronic Disease and Injury Prevention to assist them with their Asthma Awareness Program.
- **Hospital data** with regard to pneumonia, influenza, osteoporosis, and mastectomies has also been reviewed upon request over the past year.

PHC4 is also active in a number of other important state projects. The Pennsylvania Department of Health's State Health Improvement Plan (SHIP) is an initiative intended to forge new directions in health planning for the state of Pennsylvania. In launching SHIP, the Secretary of Health convened a group of advisors representing many health care arenas in the state. Marc Volavka, PHC4's Executive Director, served as co-chair on the Subcommittee on Data Needs and Partnering as part of its Data and Information Committee. SHIP's goals include encouraging the Department of Health and local communities to work together as partners to develop creative solutions to local health problems. Furthermore, SHIP changes the focus of health planning from a centralized, facility oriented planning approach to one where partnerships develop between the public and private communities to implement programs.

Working in unison with the Governor's Green Government Council, PHC4's Policy and Legislative Affairs Department has been responsible for developing and submitting proposals for saving on the use of paper products. This initiative aims to cut government waste of resources used in day-to-day operations. The Governor's Green Government Council was designed with the goal of becoming a model in responsible caring for Pennsylvania's environment.

PHC4 has also been active in nationally based government ventures and has continued its participation in the Healthcare Cost and Utilization Project (HCUP), an initiative of the Agency for Health Care Policy and Research. Since many organizations lack the resources to build a quality information program from the ground up, HCUP Quality Indicators were developed to help users meet their needs for information on health care quality using standardized, user-friendly methods and existing sources of data. HCUP Quality Indicators capitalize on the availability of inpatient data and address clinical performance rather than other dimensions of quality, such as efficiency or satisfaction.

While data quality has always been important to PHC4, this past year an expanded quality assurance program was launched. Staff members in the Policy and Legislative Affairs Department focused on measuring and suggesting methods to improve the quality of internal data, analysis, and final reports.

As part of this focus on quality assurance, a standard policy was implemented that requires an in-depth review of each quarter of inpatient hospitalization and ambulatory surgery data. This review assures the accurate representation of submitted data and identifies errors and data issues at all levels: collection, processing, storage, analysis, and presentation. As a result of this process, we are able to convey information, in the form of Data Notes, to those who purchase our data to help them understand specific data quality issues.

The quality assurance team also plays an important role in the creation of PHC4's performance outcomes reports. For the May, 1998 release of *Pennsylvania's Guide to Coronary Artery Bypass Graft Surgery*, the team worked with hospitals and payors to verify the data and assure correct assignment of the bypass cases.

During 1998, the quality assurance team was instrumental in staffing an internal task force - the Data Edits Work Group. The Data Edits Work Group considered the needs of the data providers, data collectors, data processing and storage, as well as the end-user analysts. As a result of the group's effort, a new edit system was developed, which included several approaches to improving data quality and usability. Additionally, the quality assurance team worked with the Information Systems and Special Requests units in the redesigning of our data storage and retrieval systems.

In recent years, several studies have suggested that while the quality and quantity of cost and quality-related data available to purchasers and consumers has improved, there is still a long way to go in getting purchasers and consumers to use the data to make better health care choices. New and expanded directions for PHC4 data users were introduced over the past year.

### ***Purchasers***

**The Lehigh Valley Business Conference on Health Care** is using PHC4's data to develop a "Centers of Excellence" managed care plan. The Lehigh Valley Group will identify hospitals that have the best performance in doing certain procedures, and business members of the plan will steer patients to these hospitals for these procedures.

*"The Business Conference has been an avid supporter of the Pennsylvania Health Care Cost Containment Council and we plan to use their data in designing a quality-based health plan," states Kitty Gallagher, Lehigh Valley Business Conference on Health Care President.*

**The Working Together Consortium** in Pittsburgh plans to use PHC4 data to identify high quality health care services. The Consortium, consisting of a group of associations, large employers and local foundations, is working on this project with PHC4 to lay the groundwork for objective health care purchasing.

**The Three Rivers/Heinz Health Care Purchasing Coalition** is also exploring ways to use PHC4 data to assist them in purchasing the best health care at the best price. This coalition includes employees of the city of Pittsburgh, Allegheny County, Port Authority Transit, Pittsburgh Public Schools and the Allegheny Intermediate Unit. The coalition represents 90,000 covered lives and \$165 million in health care premiums.

### ***Hospitals***

While Pennsylvania hospitals are currently the primary data sources under Act 89, they are also the most frequent data users. Historically, hospitals have been the most frequent "special requesters," the purchasers of specialized PHC4 data sets and reports. Of special note, in a survey of 25 Pennsylvania hospital CEOs, Dr. David Nash of Thomas Jefferson University Hospital and Professor Marvin Bentley, Ph.D. of Penn State University, found that hospitals use the PHC4 data in a variety of ways that affect institutional decision-making. Seventy-

seven percent of the hospitals stated that results of their performance data for coronary artery bypass graft surgery, collected and published by PHC4, encouraged changes in administrative procedures designed to monitor the performance of cardiac surgeons and support staff. This study confirms the anecdotal evidence PHC4 has heard for years from hospitals regarding their internal use of PHC4 data.

### ***Consumers***

Not surprisingly, individual consumers trail large group purchasers and health care providers in the aggressive use of information. In separately conducted surveys by the Federal General Accounting Office and by Drs. Eric Schneider and Arnold Epstein of the Harvard School of Public Health, consumers clearly found value in the coronary artery bypass reports. Unfortunately, many consumers are unaware of the reports or don't have enough time to act prior to undergoing cardiac surgery. A physician's recommendation, the proximity of the hospital and the advice of family and friends were reported to have a greater influence in making decisions. As consumers become more familiar with quality-related data, and as sources such as the Internet provide rapid and thorough access to health care data, we can expect more activity from this important segment of the market. Health providers, health plans, business and labor organizations, and government must also step up their efforts to educate consumers and patients.

### ***Government Policy Makers***

Government has also stepped up its use of PHC4 data including a record number of mandated benefits reviews, an increasing number of legislative requests, and special studies with the Pennsylvania Departments of Health and Aging among others. The Council has also entered into a collaborative project on cardiovascular care with the Department of Health that avoids increasing the data collection burden on hospitals while continuing the Commonwealth's forward progress on measuring the quality of heart-related services.



The increased visibility of PHC4 among purchasers, consumers and government policy makers can be attributed to the Council's enhanced education and outreach activities. In the fall of 1995, PHC4 held a series of strategic planning sessions, out of which emerged a consensus to increase the outreach, education and marketing efforts of the Council, and that these should be planned, coordinated and implemented by staff, working closely with the Education Committee.

PHC4 in general, and the Education Committee specifically, have been challenged in their attempts to pursue these directives due to a lack of resources. However, in early 1998, the Education Committee began a series of activities, supported by additional resources in order to implement an outreach, marketing and educational strategy for PHC4.

*"PHC4's education activities have focused on developing pilot projects that extensively use the Council's rich database for the purpose of educating purchasers of health care," stated David Wilderman, Education and Outreach Committee Chair.*

The goals of that strategy are:

1. To increase the Council's visibility throughout Pennsylvania
2. To increase the Council's network of supporters and data users
3. To improve the Council's knowledge about how to provide better products to data users
4. To increase the Council's value - in a concrete way - among policy makers, opinion leaders, and those who consume, provide and pay for health care in Pennsylvania

Evidence that PHC4 has expanded its education and outreach activities to address issues surrounding our dramatically changing health care system are outlined below.

#### ***Customer Feedback Panel***

As the health care system continues to evolve, PHC4 is placing a greater emphasis on gathering customer feedback in order to enhance the information services it provides. The Customer Feedback Panel was created to provide feedback about the quality, readability, effectiveness and usefulness of the Council's public reports.

Results from the Panel's first survey [sent with the *Pennsylvania's Guide to Coronary Artery Bypass Graft Surgery* report] show us that the Council's data is being used:

- to learn more information about a particular hospital;
- to learn more information about a particular physician;
- to assist in health planning and/or policy research;
- to learn more about health care in general; and
- to help make decisions about health care services or health care insurance coverage.

PHC4 will continue to promote these and other concepts in its public reporting. We will continue to challenge ourselves as we set the pace for new directions.

### ***Educational Programs and Community Reports***

PHC4 is actively involved with various health care coalitions, labor-management groups, labor councils, and local chamber of commerce groups in an effort to help educate all Pennsylvanians on the use and value of its reports. An extension of this outreach is the creation of community educational reports. Three community reports have been produced to date and have received an overwhelmingly positive response. In a collaborative effort with the Special Requests department, additional reports will continue to be created.

#### ***Inpatient Hospitalizations – Privately-Insured Allegheny County Residents***

Presented to the Pittsburgh Working Together Consortium, this market share report presents a snapshot of the top five Major Diagnostic Categories in Allegheny County compared to statewide statistics using three quarters of 1997 data.

#### ***Inpatient Hospitalizations – Privately-Insured Hanover Area Residents, Circulatory and Musculoskeletal***

Presented to the Hanover Area Health Care Alliance, this market share report concentrates on the circulatory and musculoskeletal systems because these Major Diagnostic Categories ranked first and second respectively in terms of total charges using 1997 data.

#### ***Inpatient Hospitalizations – Privately-Insured Lancaster County Residents***

Presented to the Lancaster County Business Group on Health, this market share report presents a snapshot of the top five Major Diagnostic Categories in Lancaster County compared to statewide statistics using 1997 data.

These new community reports provide data pertaining to the privately insured population in a specific geographic area excluding residents 65 years of age and older, as well as those patients under 65 years of age and covered by Medicare and Medicaid or who paid for their own hospital stay. The reports and educational programs created substantial dialogue and positive interaction among the diverse groups present. There was a common consensus among the groups that PHC4's focus on timely data and educational outreach into the community will ultimately lead key stakeholders to make more informed medical decisions which will help improve the quality and restrain the cost of health care in Pennsylvania.

### ***The Web Page***

As PHC4's education and outreach efforts are enhanced, the web site serves as one of its main agents. The new, enhanced web page upholds our dedication to provide the public with information that can be used to make more informed health care decisions.

With over 1,800 "hits" a month, the web site gives visitors access to information on PHC4 and its function, information on special requests, links to other health organizations, and access to our public reports. Many of the Council's inquiries are from constituents who have an immediate need for our reports. The web site presents the public with a quick, simple means of obtaining a copy of our public reports. Information can be downloaded and informed health care decisions made with the touch of a button. Currently, visitors can download more than 20 full-length reports with graphics.

The web page exemplifies PHC4's developing reputation as a "first stop" for health care information in Pennsylvania. Please visit us at [www.phc4.org](http://www.phc4.org).



PHC4's commitment to keep pace with the changing marketplace has had a profound effect on the Special Requests Unit. Adding new staff, new leadership, and restructuring the unit as a member of the Communications and Education department has enhanced PHC4's ability to respond to requests in a more timely manner.

*"I have been looking for this kind of information for years. I am so glad you have the data and that I can have access to it. This is valuable information," stated Patsy Sporer, Aim for Creative Living.*

The Special Requests Unit delivers the data collected and processed by PHC4 back to the public through customized reports. Requestors are generally hospitals, government agencies, consultants, commercial vendors and researchers. Special Request Unit staff communicate the extent of data available and provide background information about how data has been coded, processed, and archived. Typical requests include custom data sets and reports, customized market share reports, standard statewide data sets, and regional data sets.

The Special Requests unit has also benefited tremendously from improvements in information technology systems and processes made over the past year. That benefit has, in turn, been passed on to our customers in improved accuracy and faster request turn around time. More rigorous quality assurance procedures have been established and are continually improving the quality of data.

This year, standard data sets have been consistently available to PHC4 customers immediately upon the announced release dates. Future release dates of quarterly data are posted on the PHC4 web page, where customers can also download information about the data available to them and the forms required for making requests. As customers' expectations are fulfilled, PHC4 data is being used with increasing frequency and confidence in the quest for quality health care in Pennsylvania.



The world of health care is rapidly changing. Innovations in technology occur daily and we are challenged to keep pace with that change. To those choosing health care options, timely data is a necessity. It is within this context that PHC4 has moved in new directions to improve data timeliness. One of the principle reasons that PHC4 was able to decrease turnaround time of data was because of increased cooperation from hospitals. Hospitals are required to provide PHC4 with data within 90 days after the close of the quarter. Additionally, the data submitted by the hospitals must meet a certain quality threshold. If both of these conditions are met, a hospital is deemed to be “compliant.” Compliance is important not only to the Council, but also to our constituents, such as business and labor groups, who use the data to make health care purchasing decisions.

*“We are pleased that both the Quarterly Compliance Reports and PHC4 Market Share Reports, by providing value-added pieces of information to the hospitals, have contributed to a significant rise in the number of compliant facilities,” remarks Richard Dreyfuss, Data Systems Committee Chair. “This allows PHC4 to receive data earlier and in turn, provide it to the public sooner.”*

### **Certificates of Excellence**

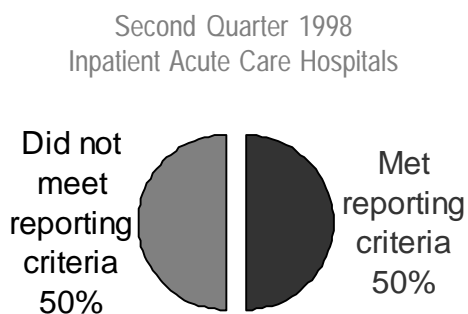
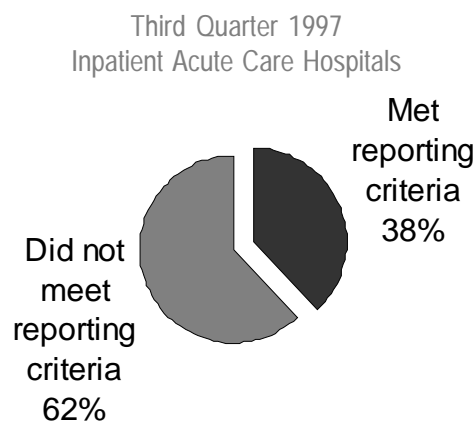
In 1998, PHC4 initiated Certificates of Excellence. This process was designed as a way to reward those “compliant” hospitals. At its May 1998 Council meeting, 57 hospitals and nine freestanding ambulatory surgery facilities were awarded with certificates. Representatives of many hospitals were on hand to receive the awards. The certificates of excellence generated great interest throughout the Commonwealth, particularly in local communities.

### **Quarterly Compliance & Status Reports**

In an effort to further improve hospital compliance, several new types of reports have been created. Quarterly Compliance and 60-Day Status Reports include information such as whether the hospitals submitted their data on time, whether it was of acceptable quality, and any reason for delinquency. In addition, these reports are posted on the web site, and made available to hospitals, business and labor groups, and the media. With the compliance now a matter of public record, there is an additional incentive for hospitals to submit their data in a more timely fashion.

## PHC4 Market Share Report

The following charts illustrate how the percentage of compliant hospitals increased from 38% in third quarter of 1997 to 50% in second quarter of 1998.



Additionally, PHC4's Data Systems Committee recommended that free market share reports be produced and sent to compliant hospitals. These reports provide valuable and timely information, such as the top Diagnostic Related Groups (DRGs) and payor mix, by hospital and county, to hospital executives. While non-compliant hospitals may request copies of the PHC4 Market Share Reports, they may only receive them after a waiting period and are charged a fee.

The impact of these new directions can be seen in the public release of four quarters of 1997 inpatient data by November 30, 1998. Considering that fourth quarter 1997 data was not due to the Council until March 31, 1998, this is a significant achievement. In addition, preliminary data sets were created to provide Council staff with data for internal analysis a mere six weeks after the initial due date. One tangible result from this improvement in timeliness was the release of the *Diabetes-Related Inpatient Hospitalizations in Pennsylvania, 1997* (based on 1997 calendar year data) report in December of 1998. This is truly a monumental accomplishment for the Council and the hospital community.

In 1999, PHC4 will continue to reduce the time frame for release of inpatient and ambulatory data. We plan to continue producing Compliance and 60-Day Status Reports and providing compliant hospitals with PHC4 Market Share Reports. Additionally, another round of Certificates of Excellence will be issued to compliant hospitals. We are proud to say that the goal of significantly more timely data, a top Council priority, is well on its way to being achieved.

Fundamental to our core mission of collecting, analyzing and disseminating timely information is a technology system that will accommodate a massive database available for analytic and public reporting purposes. In order to accomplish this, PHC4 is migrating its computer operations from an outmoded mainframe environment to a significantly faster, more flexible and contemporary client server PC-based environment. These changes will ultimately provide internal on-line access to all data for analysis. With the move to client server technology, analysts will be able to access multiple years of data from their desktop workstations. In addition, a secure information exchange linkage under development between data suppliers and PHC4 will result in more accurate and timely data submission.

This enhanced information technology system is still in development but has already had a significant impact on PHC4 operations and production.

In preparation for the new millennium, the IT department has accomplished the following over the past year:

- assisted in the construction of a new data collection system;
- created a SQL data warehousing environment;
- addition of new programming staff;
- restructured the local area network infrastructure; and
- shifted into a PC-based application development.

The migration from mainframe data processing to a client/server PC based environment has already resulted in increased accessibility, improved special request response time, and enhanced overall data quality.

Changes to the local area network have also taken place and continue to evolve. Not surprisingly, the push to update older non-Y2K compliant servers is a paramount issue. We continue to streamline our LAN infrastructure to both simplify support and to increase reliability.

As PHC4 aggressively pursues new directions in health care reporting, the necessary information technology systems form the critical underpinnings for setting the pace in state-of-the-art data collection, processing and reporting.

## Independent Auditor's Report

Council Members  
Pennsylvania Health Care Cost  
Containment Council  
Harrisburg, Pennsylvania

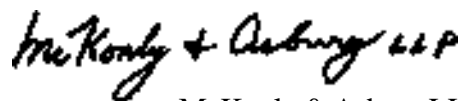
We have audited the accompanying financial statements of the Pennsylvania Health Care Cost Containment Council (the Council) as of June 30, 1998 and 1997 and for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 2, the Council's financial statements are intended to present the financial position and results of operation of only that portion of general funds of the Commonwealth of Pennsylvania that is attributable to the transactions of the Council.

In our opinion, the financial statements referred to above present fairly, in all materials respects, the financial position of Pennsylvania Health Care Cost Containment Council as of June 30, 1998 and 1997, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 1998 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



McKonly & Asbury LLP  
Certified Public Accountants

Harrisburg, Pennsylvania  
October 16, 1998

## *Publications & Projects*

Ambulatory Surgery in Pennsylvania: Comparisons of Ambulatory Surgical Data with Inpatient Data

Arthritis Hospitalizations

Asthma Hospitalizations--October 1996 through September 1997

Diabetes-Related Inpatient Hospitalizations in Pennsylvania 1997

Drug-Related Inpatient Hospitalizations: A Five Year Perspective

Inpatient Hospitalizations--Privately-Insured Allegheny County Residents

Inpatient Hospitalizations--Privately-Insured Hanover Area Residents, Circulatory & Musculoskeletal

Inpatient Hospitalizations Resulting from Gunshot Wounds

Inpatient Hospitalizations Resulting from Motor Vehicle Accidents

Managed Care: A Strategy for Data Collection and Reporting

Pennsylvania's Guide to Coronary Artery Bypass Graft Surgery

Pharmaceuticals: Their Role in the Cost of Health Care

PHC4 Issue Briefs: Breast Cancer & Mastectomy Facts and Figures

PHC4 Issue Briefs: Osteoporosis Facts and Figures

Quarterly Compliance Report for Pennsylvania Hospitals and Ambulatory Surgical Facilities October 1998

Quarterly Compliance Report for Pennsylvania Hospitals and Ambulatory Surgical Facilities December 1998

## ***Current Council Members and Affiliation--1998-1999***

### **Executive Director**

Marc P. Volavka

### **Executive Committee**

Randall N. DiPalo--Chair (Local 520 Plumbers and Pipefitters Union, Labor)

Leonard A. Boreski--Vice Chair (Pennsylvania Chamber of Business and  
Industry, Business)

Darrell L. DeMoss--Treasurer (Cigna Property and Casualty, Commercial  
Insurers)

Daniel R. Tunnell--Former Chair (Pennsylvania Gas Association, Business)

### **Member List**

Patricia W. Barnes (Quantel Associates, Labor)

Richard C. Dreyfuss (Hershey Foods Corporation, Business)

Thomas F. Duzak (Steelworkers Health and Welfare Fund, Labor)

James R. Godfrey (HealthGuard, Health Maintenance Organization)

Daniel F. Hoffmann (Secretary of Health, Administration)\*

Feather O. Houstoun (Secretary of Public Welfare, Administration)

Clifford L. Jones (Advisor - Facilitator - Teacher, Business)

Janet Kail (AFSCME Council 13, Labor)

M. Diane Koken (Insurance Commissioner, Administration)

William Lehr, Jr. (Hershey Foods Corporation/Retired, Business)

Mary Ellen McMillen (Independence Blue Cross, BlueCross/Blue Shield)

Richard A. Reif (Doylestown Hospital, Hospitals)

Richard M. Ross, Jr. (Business)

Carl A. Sirio, M.D. (Physicians)

Jack Steinberg (Philadelphia Federation of Teachers, Labor)

Neema Thakrar (Consumer)

David H. Wilderman (AFL-CIO, Labor)

\* Secretary Hoffmann resigned his position as of January 31, 1999.



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