

Pennsylvania Health Care Cost Containment Council

PHCC4

1999 Annual Report

Current PHC4 Council Members and Affiliation--1999-2000

Executive Director

Marc P. Volavka

Executive Committee

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

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

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

Randall N. DiPalo--Mandated Benefits Review Committee (Local 520 Plumbers and Pipefitters Union, Labor)

Richard C. Dreyfuss--Data Systems Committee (Hershey Foods Corporation, Business)

David H. Wilderman--Education and Outreach Committee (PA AFL-CIO, Labor)

Member List

Patricia W. Barnes (Quantel Associates, Labor)

Jeffrey E. Beck (Aetna US Healthcare, Insurance)

Marc D. Edelman (Crozer Keystone Hospitals, Hospital)

Catherine A. Gallagher (Lehigh Valley Business Conference on HealthCare, Business)

James R. Godfrey (HealthGuard, Health Maintenance Organization)

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

Janet Kail (AFSCME Council 13, Labor)

M. Diane Koken (Insurance Commissioner, Administration)

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

Bernard K. Murray (Pennsylvania Federation of Teachers, Labor)

Richard M. Ross, Jr. (Business)

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

Daniel R. Tunnell (American Concrete Pavement Association, Business)

Neema Thakrar (Consumers)

Robert S. Zimmerman Jr. (Secretary of Health, Administration)

Technical Advisory Group

Chair - David B. Nash, M.D., M.B.A. (Thomas Jefferson University Hospital)

J. Marvin Bentley, Ph.D. (Penn State University)

David B. Campbell, M.D. (Milton S. Hershey Medical Center)

Paul N. Casale, M.D. (The Heart Group)

Donald E. Fetterolf, M.D., M.B.A. (Highmark, Inc.)

James R. Grana, Ph.D. (US Quality Algorithms/Aetna US Healthcare)

George R. Green, M.D. (Abington Memorial Hospital)

Sheryl F. Kelsey, Ph.D. (University of Pittsburgh)

Judith R. Lave, Ph.D. (University of Pittsburgh)

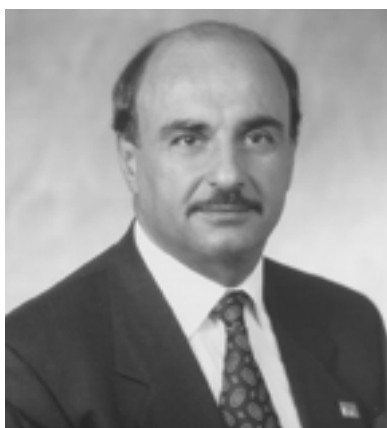
A JOINT MESSAGE FROM THE PENNSYLVANIA CHAMBER OF BUSINESS AND INDUSTRY AND THE PENNSYLVANIA AFL-CIO

The Pennsylvania AFL-CIO and the Pennsylvania Chamber of Business and Industry applaud the efforts of the Pennsylvania Health Care Cost Containment Council (PHC4) to provide purchasers of health care services with the information they need to obtain quality health care at a reasonable price. This was the vision that led to the formation of PHC4, an independent state agency that continues to break new ground in providing Pennsylvanians with health care information.

The business and organized labor communities are committed to the principles of restraining cost, improving quality and improving access to health care. These goals are of utmost importance to all Pennsylvanians. PHC4's free public reports about Pennsylvania's hospitals and doctors are a vital part of this process.

In an era of swift and dramatic changes in the health care arena, PHC4 has kept pace with the growing need for health care information. PHC4's public reports about hospitals, doctors, and health plans are instrumental in starting a dialogue in which purchasers and consumers can ask questions and raise important issues about the health care systems which care for patients; systems that encompass not only doctors, hospitals and health plans, but the inter-relationships among them that influence how health care is delivered.

As the representatives of business and labor in the Commonwealth, we have a large stake in the well being of all Pennsylvanians. It is our hope that the state's consumers, purchasers of health benefits, health care providers, payors and policy makers utilize the valuable information contained in PHC4's reports to obtain a clearer picture of health care options in Pennsylvania and to make the best possible health care choices.



William George

William George
President
PA AFL-CIO



Floyd Warner

Floyd W. Warner
President
PA Chamber of Business and Industry

A Message from the Council Chair and the Executive Director



Leonard A. Boreski
Council Chair

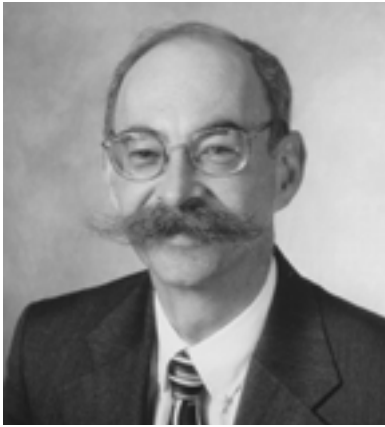
We are proud to report that 1999 was a banner year for the Pennsylvania Health Care Cost Containment Council (PHC4). Not only did PHC4 effectively expand upon many previous initiatives, but we also launched an impressive number of new projects, laying a solid foundation for years to come. In 1999, PHC4 collected, verified, analyzed and published more data and reports, more quickly than ever before.

PHC4 broke new ground in 1999 in reporting information about its highest priority: managed care. *The Role of HMOs in Managing Diabetes* was published in December of 1999, under the guidance of PHC4's Data Systems Committee, chaired by Richard C. Dreyfuss, its Payor Advisory Group, chaired by Daniel R. Tunnell, and its Technical Advisory Group, chaired by Dr. David B. Nash. The primary goal of this report was to increase public understanding of the role of HMOs in the management of chronic diseases and to establish benchmarks against which future data can be compared. The payor community deserves a great deal of credit for their supportive efforts on this project. An HMO performance report, which will include additional information, is scheduled to be released in mid-2000.

In 1999, PHC4's data became more timely, useful and accessible. With the support of the hospital community, PHC4 has taken the lead among similar data organizations throughout the country in terms of the timely release of quarterly databases. One result of this process was the release of PHC4's 1998 (data year) *Hospital Performance Report* (HPR) only six months after the end of the data period. The 1997 HPR was also released in calendar year 1999.

Financial Analysis '97 and *Financial Analysis '98* were released in 1999 and received widespread attention. *Financial Analysis '98* was divided into two volumes: the first concentrating on General Acute Care (GAC) hospitals, highlighting hospital revenues and income, the second including Non-GAC hospitals such as rehabilitation, long term acute, psychiatric, specialty facilities and ambulatory surgery centers. PHC4's analysis of uncompensated hospital care was an important factor in the Commonwealth's deliberations about use of the tobacco settlement funds.

PHC4, under the leadership of its Education Committee and chairman David Wilderman, continues to build important relationships with purchasers, providers and other state agencies. A collaboration with the Pittsburgh Regional Healthcare Initiative is helping regional community leaders to improve the quality of care in Southwest Pennsylvania. The Lehigh Valley Business Conference on HealthCare continues to



Marc P. Volavka
Executive Director

use PHC4 data to construct the “Centers of Excellence” component of the health plan offered to its members. We are also engaged in a collaboration effort with the Pennsylvania Department of Aging regarding their prescription drug program for senior citizens (PACE).

Many are gaining access to data through PHC4’s Web site - www.phc4.org logged over 7,800 user sessions per month in 1999. One attractive feature - County Profiles - contains snapshots about inpatient hospitalizations in the Commonwealth. In addition, all PHC4 public reports are now posted on our Web site as a matter of course. Internally, we have established a multi-departmental team that is working closely with PHC4’s Education Committee in order to create additional value for our customers.

1999 was a year of transformation. We continue to revolutionize our infrastructure, building faster and better processes for data collection, verification, and analysis. The challenging process of migrating from a mainframe to a PC based client-server network was successfully completed, enabling us to further improve the timeliness and quality of data.

PHC4 welcomed new board members Bernard K. Murray, Catherine A. Gallagher, Marc D. Edelman, and Jeffrey E. Beck in 1999. We honor those who retired from our board in 1999: Darrell L. DeMoss, William Lehr, Richard A. Reif and Jack Steinberg.

The health care system is changing rapidly and dramatically. These issues present enormous challenges to those wishing to make a positive difference by improving quality while restraining costs. We at PHC4 embrace these as opportunities. Please read on to learn how we are meeting these challenges head on.

Handwritten signature of Leonard A. Boreski in cursive.

Leonard A. Boreski
Council Chair

Handwritten signature of Marc P. Volavka in cursive.

Marc P. Volavka
Executive Director

Making a Difference

PHC4's Healthy Equation

Public Information + Competition = High Quality, Cost Effective Health Care



Executive Committee

Seated, left to right: Thomas F. Duzak, Vice Chair; Leonard A. Boreski, Chair; Clifford L. Jones, Secretary/Treasurer.

Standing, left to right: Randall N. DiPalo, Mandated Benefits Review Committee Chair; Richard C. Dreyfuss, Data Systems Committee Chair.

Not shown: David H. Wilderman, Education Committee Chair.

In 1986, as a result of a unique three year effort by business and labor leaders aimed at producing market-oriented health care reforms, the Pennsylvania General Assembly passed Act 89, establishing the Pennsylvania Health Care Cost Containment Council (PHC4). Under the statute, PHC4 was charged with containing health care costs “through the collection and dissemination of data, public accountability of health care costs and health care for the indigent.”

During the 1970's and early 1980's, states like Pennsylvania were confronted 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 the same period. The nation spent \$75 billion on health care in 1970, \$248 billion in 1980, and \$458 billion in 1986. PHC4 was established by the General Assembly in an effort to bring these skyrocketing costs under control in Pennsylvania.

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
- PA Blue Cross/Blue Shield representative
- health maintenance organization representative
- commercial insurers representative
- consumer representative
- Secretary of the Pennsylvania Department of Health
- Secretary of the Pennsylvania Department of Public Welfare
- Commissioner of the Pennsylvania Department of Insurance

Mission

It was the mission of this new independent state agency 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 use high quality, cost efficient providers, other providers would need to compete by lowering costs and improving the quality of their services.



One unique feature of Act 89 requires the agency to report data about the quality of care to the public. This feature has become PHC4's trademark. The requirement was established in order to ensure that access to quality care would not be jeopardized in a search for lower costs.

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. Currently, Pennsylvania is ranked number one out of 44 states for data reporting timeliness.

“Pennsylvania’s methods for measuring quality in health care are frequently referred to as the Gold Standard. As the chairman of PHC4’s Technical Advisory Group, I am proud to have contributed to these efforts.” -- David Nash, MD, MBA, Associate Dean and Director, Office of Health Policy and Clinical Outcomes, Thomas Jefferson University Hospital.

Impact

Previous data published in PHC4's 1998 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.

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 that Pennsylvania

hospitals with excellent “ratings” in PHC4’s public reports, i.e. low mortality and morbidity rates, tended to gain market share in subsequent years. Those hospitals 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.”

Balancing the Equation

Purchasers are making decisions based on PHC4’s data (information). Consumers are able to make more informed choices about where to seek treatment. Competition among providers has resulted in lower cost (cost effective) and improved quality of care (higher quality). The process of public reporting as envisioned by Pennsylvania’s governmental and community leaders in the mid-1980’s is working.

Consumers and purchasers are being empowered with the ability to ask intelligent questions and make more informed decisions about health plans, 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, such as through the Internet, are becoming available.

We are entering a challenging, and exciting new environment. As the health care delivery system evolves, 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. PHC4 will continue to fulfill its mission in this fast paced health care environment, to empower Pennsylvanians to make more informed health care decisions.

PHC4’s Health Equation

$$\begin{array}{r} \text{Public Information} \\ + \text{ Competition} \\ \hline \text{High Quality, Cost Effective} \\ \text{Health Care} \end{array}$$

Breaking New Ground - Pioneering Managed Care Reporting

Managed care is a broad concept that represents a variety of approaches to coordinating the delivery of health care. The Health Maintenance Organization (HMO) is one common type of managed care plan. Nearly one out of every two insured Pennsylvanians was enrolled in a managed care organization in 1998.



HMO membership has grown to such proportions in large part because HMOs offer a number of attractive features. HMOs strive to hold down costs through better management of the process of health care. They offer small, if any, out of pocket costs to consumers, particularly for primary and preventive care. And they market their ability to have a positive influence on the quality of health care through an increased emphasis on prevention, and treatment in the primary care setting. By focusing resources on the beginning stage of illness, the progress of disease could be “prevented” from reaching more severe (and more expensive) stages of treatment.

“PHC4 has established the managed care subject as a top priority because of its pervasiveness in today’s health care marketplace. We are interested in determining the effect that managed care entities have on health care quality, cost and access.” -- Daniel Tunnell, Executive Director and CEO, American Concrete Pavement Association.

Payors have evolved from the traditional approach of financing the delivery of health care to increasingly, the management of care: quality improvement efforts, re-certification, utilization management, promulgation of physician practice guidelines and the development of select physician and hospital networks. While it is important to remember that patients are treated by health care providers, payors can influence, directly or indirectly, the delivery of health care in today’s market.

Ultimately, PHC4 is working to develop a report that combines outcome measures, process variables, patient satisfaction information, effectiveness of care information, and financial data. Currently, the Payor Advisory Group, chaired by Daniel R. Tunnell, is collecting and analyzing data for a plan-specific managed care report focusing on access, patient care and prevention and treatment to be released in mid-2000.

Timely and Accurate Data

Reducing the turn-around time from the point at which hospitals submit data and the point that data becomes publicly available has been a top PHC4 priority in recent years. Facilities have 90 days to submit data. Where turnaround time used to be as much as 60 weeks, we are now internally analyzing the data in 12 weeks. This efficient turnaround enabled PHC4 to release its yearly Hospital Performance Report (HPR) six months after the end of the data period. Additionally, data accuracy has improved because the Data Collection Department adapted to “real world” needs by becoming more proactive and customer service oriented. They anticipate problems and are quick to suggest solutions, treating facilities as their customers.



Due to this strategy, along with the hard work of many facilities, PHC4 staff, and the cooperation of the Hospital and Healthsystem Association of Pennsylvania, there has been a substantial increase in the compliance rate. Currently, approximately three out of four facilities meet submission and accuracy requirements, and the numbers continue to increase.

“Pennsylvania’s hospitals continue to support PHC4 through the timely submission of health care data - information that helps Pennsylvanians to be better health care consumers. With PHC4 moving to include insurers in meeting these same requirements, the residents of Pennsylvania will be even better served.” -- Marc Edelman, Vice President of Crozer - Keystone Hospitals.

Certificates of Excellence

PHC4 has a practice of acknowledging “compliant” hospitals with Certificates of Excellence in order to recognize their commitment to cost and quality of health care in Pennsylvania. A total of 79 Inpatient facilities and 89 Ambulatory/Outpatient facilities were awarded certificates in 1999 for their data submission efforts during the first and second quarters of 1998.

Compliance Reports

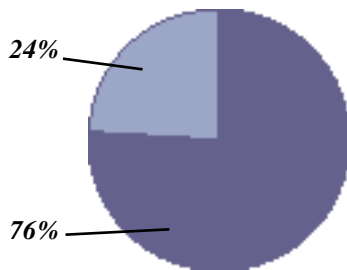
In an effort to identify both good and bad data submissions, PHC4 publishes the *Quarterly Compliance Report for Pennsylvania Hospitals and Ambulatory Surgical Facilities*. This Data Submission Report lists each facility’s compliance status as well as any reasons for deficiency and/or delinquency. These reports are sent to all facility CEOs and are also published on PHC4’s Web site.

Market Share Reports

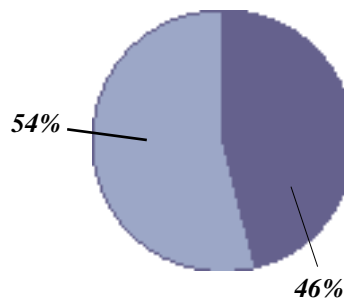
As a result of a Data Systems Committee recommendation and as a way to recognize compliant facilities, Market Share Reports are produced and distributed to all compliant facilities. These reports focus on the top 30 Diagnostic Related Groups (DRGs) by county. This valuable and timely information allows facilities to compare themselves to other providers in their county. While non-compliant facilities may request copies of the report, they may only receive them after a 45-day waiting period and for a fee.

Inpatient Acute Care Facility Compliance

1999 - 2nd Quarter

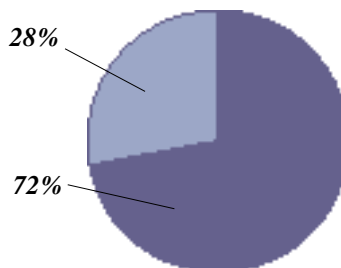


1998 - 2nd Quarter

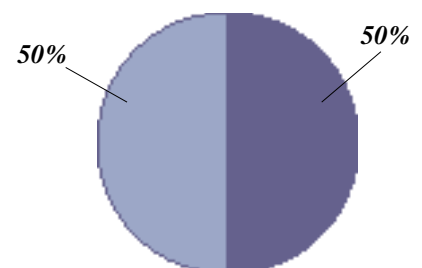


Ambulatory/Outpatient Care Facility Compliance

1999 - 2nd Quarter



1998 - 2nd Quarter



 *Non-Compliant Facilities*

 *Compliant Facilities*

The Role of HMOs in Managing Diabetes



In December of 1999, PHC4 released *The Role of HMOs in Managing Diabetes*, its first report to focus solely on managed care plan-specific data. The report included hospitalization rates for HMO members with diabetes as well as information on preventive care and disease management strategies for HMOs. Much of the data used in the report was voluntarily provided by the HMOs currently licensed to operate in Pennsylvania.

The building blocks of the diabetes report started at a strategic planning meeting in September 1998. The Payor Advisory Group, chaired by Daniel R. Tunnell, was charged with developing a plan to collect, analyze and report managed care data, beginning with a plan-specific report focusing on diabetes.

“The Payor Community supports PHC4’s efforts to make better information available to customers and members when selecting health plans.” -- Mary Ellen McMillen, Vice President, Legislative Policy, Independence Blue Cross.

A primary objective was to increase the public’s understanding of the role of HMOs in the management of chronic diseases such as diabetes, and the preventive measures that can be taken to reduce severity and complications associated with diabetes. Managed care plans often highlight an emphasis on preventive and primary health care.

Another PHC4 objective in producing *The Role of HMOs in Managing Diabetes* was to establish benchmarks against which future data can be compared.

This report is a start towards helping Pennsylvanians examine the system of care involved in treating people with diabetes. It is a start in helping PHC4 examine additional areas of health care delivery and the growing interrelationships among hospitals, physicians and payors in delivering quality outcomes for the patients and members they provide and manage care for.

This report can be found on the PHC4’s Web site at www.phc4.org.

A Hospital Performance Report: 15 Common Medical Procedures and Treatments

According to the *Wall Street Journal*, Pennsylvanians may have more information about hospitals than many other Americans. Thanks to the vision of Pennsylvania's General Assembly, Pennsylvania is building a new health care marketplace where purchasers, consumers, providers, payors, and policy makers can make more informed decisions about the delivery of health care. *The Hospital Performance Report: 15 Common Medical Procedures and Treatments* is one of a series of public reports designed to achieve this goal.

The Hospital Performance Report is based on a previous PHC4 report, the *Hospital Effectiveness Report*, published from 1989 through 1994. In 1999, PHC4 published two *Hospital Performance Reports*. The first, released in July 1999, covers discharges for calendar year 1997. The second, released in December 1999, covers discharges for calendar year 1998. Both reports include hospital specific information for 15 selected Diagnosis Related Groups (DRGs). The reports list number of cases, risk-adjusted mortality rates, risk-adjusted lengths of stay and average charges for each Pennsylvania hospital.

A comparison of the two reports shows that mortality rates dropped in 11 of 15 key medical categories. Overall, the patient mortality rate dropped by 4.1% across the 15 DRGs with substantial decreases seen in Adult Hip Operations (18%), Vascular Operations (13.3%), Heart Failure and Shock (11.8%). The average length of hospitalization (length of stay) dropped in all 15 DRGs, on average, by 4.2%. Average hospital charges increased by only 1.6%.

PHC4's *Hospital Performance Report* helps fill a vacuum of health-care information and gives consumers and purchasers the tools they need to make more informed health care decisions. The publishing of this report is an important step in understanding and meeting the informational needs of the consumers. The report also serves as an aid to providers in pinpointing additional opportunities for quality improvement and cost containment.

These reports can be found on the PHC4's Web site at www.phc4.org.

An Increased Depth in Financial Analysis

PHC4 has been publishing hospital-related financial data since 1990, a remarkable 10 plus years of financial analyses. These data are based on the annual audited financial statements of all licensed general acute care (GAC) hospitals in Pennsylvania. PHC4's hospital financial reports are crucial to public policy discussions given the important role of hospitals as caregivers, employers and community institutions.

PHC4's most recent report, titled *Financial Analysis '98*, (released October 1999) presented a sharply contrasted picture of hospital finances in Pennsylvania during Fiscal Year (FY) 1998. While one-quarter (49) of the Commonwealth's GAC hospitals lost money over the past three years (FYs 1996-98), 30 hospitals had healthy 3-year total margins above 8%. Both figures represented an increase over the previous three-year period (FYs 1995-97) and showed that the gap is widening between the number of hospitals that are financially healthy and the number that are struggling. The data further suggest that continued consolidation in the industry can be expected.

One of the report's more troubling findings was that hospital income (as measured by the total margin) declined by 30% overall. In addition, the operating margin statewide fell by 64%. Operating margin reflects the income that results from all patient-related hospital services. Total margin reflects all sources of income such as investment proceeds and gifts, whether directly related to patient services or not.

The issue of uncompensated care has become increasingly important during the past year, as the level of charity care and bad debt provided by Pennsylvania hospitals grew to \$704 million in FY 98, an increase of 8.6% over FY 97. Following the release of PHC4's financial report in October 1999, Executive Director Marc Volavka spoke at a State House Appropriations Committee "budget breakfast" on the topic of hospital finances, including uncompensated care. Mr. Volavka also joined several legislators on the Pennsylvania Cable Network to further discuss this issue.

The greatest factor affecting a hospital's ability to thrive was surprisingly not related to cost cutting efforts, but rather to a hospital's ability to increase its revenue streams.

This report can be found on the PHC4's Web site at www.phc4.org.



1999 was an active year for the Policy and Legislative Affairs Department at PHC4. PHC4 has collaborated in projects with other state agencies, participated in a national initiative, testified about uncompensated care and hospital financial data and responded to a number of data requests from legislators. Representatives of PHC4 participated in meetings concerning the tobacco settlement and provided analysis about hospitalizations for tobacco related illnesses. In 1999, PHC4 continued to work with the Pennsylvania Department of Health to examine cardiac catheterization and open heart surgery procedures. PHC4 is also a participant in several state government initiatives including the State Health Improvement Plan (SHIP) and the Governor's Green Government Council.

“We work closely with other state agencies on issues related to health care. We value our partnership with PHC4 and fully expect to strengthen our already solid relationship.” -- Robert S. Zimmerman, Jr., M.P.H., Pennsylvania Secretary of Health.

In 1999, PHC4 prepared the following analyses at the request of other state agencies, including the Department of Health, the Department of Public Welfare, and the Medical CAT Fund:

- Analysis on Hospital Occupancy Rates and Discharges by County;
- Inpatient Hospitalizations Resulting from Heat Effects;
- Inpatient Hospitalizations Resulting from Pneumonia and Influenza, 1998;
- Inpatient Hospitalizations Resulting from Tobacco-Related Cancers.

Mandated Benefits Reviews

Since the creation of PHC4 in 1986, government leaders have relied upon PHC4 for credible information in the area of mandated health care benefits. Upon the request of the Secretary of Health or legislative leaders, PHC4 is required to review legislation mandating health insurance coverage for specific procedures or treatments for specific diseases. The process of completing a mandated benefit review is described in PHC4's regulations and takes several months to complete. After reviewing information in favor of and in opposition to the proposed legislation, PHC4 reports its analysis to the appropriate government leaders.

In early 1999, PHC4 completed two mandated benefit reviews – the last in a series of 12 bills that PHC4 had been asked to review during

the 1997/98 legislative session. The first piece of legislation, SB 938, required insurance companies to cover the costs of screening all newborns in Pennsylvania for hearing loss before they are discharged from the hospital. The second bill, HB 1873, required that all children enrolled in school as of August 1, 1999 be immunized against Hepatitis B. Since current law only requires new students entering school to be immunized, this proposal was essentially a “catch-up” provision for students already enrolled in 4th through 12th grades. Both of the mandated benefit reviews were completed in January of 1999 and PHC4’s recommendations were forwarded to the General Assembly for consideration.

Minimum Maternity Stay Analysis

In the fall of 1999, PHC4 released an analysis that retrospectively examined the impact of a mandated health insurance benefit. The analysis entitled *Minimum Maternity Stay Legislation: Changes in Hospital Length-of-Stay for Childbirth* examined the effect of 1996 legislation which mandated insurance coverage for a 48-hour minimum maternity stay in Pennsylvania.

The analysis noted that the average stay for a mother having a vaginal delivery without complications increased from an average of 1.6 days in 1995 to 2.1 days in 1998. During this same time, however, the increase in the average hospital charge for maternity stays outpaced the increase in the average charge for all hospital stays. While the long-term impact is less clear, this analysis found that the legislation had an immediate impact in lengthening the amount of time, on average, a new mother spends in the hospital.

Additional analysis related to maternity hospitalizations was made available on the PHC4 Web site at www.phc4.org. By selecting certain criteria such as the type of delivery, age of the mother, and region of the state, users could access the additional information about the issue.

Under the leadership of PHC4's Education and Outreach Committee, chaired by David Wilderman of the Pennsylvania AFL-CIO, PHC4 is working with local health care coalitions, labor-management groups, labor councils, and local business groups to educate Pennsylvanians in the use of PHC4's reports. An extension of this outreach has led to the creation of community educational reports. These reports have received an enthusiastic response and formed the basis for the 67 County Profiles now posted on PHC4's Web site (www.phc4.org).

The Pittsburgh Regional Healthcare Initiative, formerly called the Working Together Consortium of Southwest Pennsylvania, is a collaborative effort among area physicians, purchasers and community leaders to improve the quality of health care in Southwest Pennsylvania. At the center of these endeavors is a commitment to seeing the Pittsburgh metropolitan area lead the nation in the delivery of quality health care, based on objective data. Driving their concerns are variations in patient outcome, utilization and quality of care, financial destabilization of the sector and rising health care costs that strain employers and may act as a drag on regional growth as well as frustration all around.



The Initiative intends for doctors around the region to study the results of the reports, determine why differences exist, and to ask themselves "what does this mean to us?" The goal is not only to improve statistics and implement quality approaches, but also to lower costs and increase patients' satisfaction. A critical component of this pilot evaluation is that the data are being collected for the purpose of quality improvement.

"As a member of the Pittsburgh Regional Healthcare Initiative, I have seen first-hand how PHC4's data is helping purchasers, physicians, hospitals and other community leaders work together in constructive ways to improve the quality of health care in Southwest Pennsylvania." -- Carl Sirio, MD, Associate Professor of Anesthesiology/Critical Care Medicine.

Five key areas were selected as areas of initial focus: C-sections, Hip and Knee Replacement Surgery, Cardiac Care, Diabetes and Depression. A grant from the Jewish Healthcare Foundation was secured to support the costs of analyzing and purchasing the data from PHC4. Work is ongoing.

The Lehigh Valley Business Conference on HealthCare continues to use PHC4 data in developing their hospital “Centers of Excellence” component of their managed care plan offered to their members. The Lehigh Valley Group is identifying hospitals that have the best track record in performing certain procedures, and business members of the plan will steer patients to these hospitals for procedures.

Northwestern Pennsylvania Cooperation Council (NwPACC) serves as a forum and catalyst for labor-management relations in Northwest Pennsylvania. In June 1999, PHC4 published a report at NwPACC’s request covering *Inpatient Hospitalizations – Northwestern Pennsylvania Residents*. The report was presented at NwPACC’s seminar “Skyrocketing Health Care Costs: It is Time to Take Control.” Created as a community education report, PHC4 included data for all Northwestern Pennsylvania residents from Clarion, Crawford, Erie, Forest, Mercer, Venango and Warren counties.

Johnstown Business Council on Health Care is comprised of utilities, hospitals, banks, developers and a variety of businesses. Their efforts address local health care issues that will help to moderate the increases in costs and increase the quality of services received. They are working cooperatively with health care providers to implement cost containment strategies while maintaining quality health care in their area. One of their goals is to increase employer awareness of the value of PHC4 data regarding evaluation of hospital and physician services throughout the state. To assist them, PHC4 published a community report in March 1999 for the Johnstown Business Council titled *Inpatient Hospitalizations for Cambria and Somerset County Residents*. The report concentrates on Circulatory and Musculoskeletal diagnostic categories.

The Economic Development Council of Northern Pennsylvania.

As part of their mission, the EDCNP is not only promoting growth in their region, but they are also an advocate and catalyst on quality of life issues in their region. In April 1999, the EDCNP requested that PHC4 produce a report titled *Inpatient Hospitalizations of Privately Insured Northeastern Pennsylvania Residents under 65 years of age*. The report provides information to encourage the dialogue regarding the quality of health care occurring among purchasers, providers, insurers and other important stakeholders in the EDCNP and the Northeastern Pennsylvania Region.



PHC4's Web site serves as a major communication vehicle providing the public with information that can be used to make more informed health care decisions. PHC4 continues to update and enhance its Web site to provide user-friendly access to consumer information as part of its education and outreach efforts. With more than 7,800 user sessions per month, the Web site features new reports and items of interest, access to public reports, county inpatient hospitalization profiles, information on special requests, an overview of PHC4 and its function, links to over 150 health care sites, as well as PHC4 news and events.

Many of PHC4's Web inquiries are from consumers 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 that can be downloaded with the click of a mouse.

"Pennsylvanians now have accurate, geographically-specific, health care information at their finger tips 24 hours a day through the PHC4 Web site. This is a core objective of our education and outreach activities." -- David Wilderman, Director of Legislation, Pennsylvania AFL-CIO.

The Pennsylvania County Profiles, added to the site in 1999, provide inpatient hospitalization data by county to site visitors. The Profiles are a snapshot of basic descriptive information from each of the 67 counties and the Commonwealth as a whole. Each profile includes data according to age, gender, hospitals, insurance type, and Major Diagnostic Category (MDC). The data sets are based on two quarters of data beginning with 1998 and will be updated on a semi-annual basis.

According to the recent Louis Harris Poll, seeking health care information is the number one reason why people log onto the Internet. Their national survey indicates that the number of Americans who use the Internet to look for health care information has risen to 70 million. This is a 16% increase from January to July of 1999.

As consumers gain access to computers through libraries and other public institutions, the number of those using the Internet to gain information about health care services is going to increase even more dramatically. Anticipating this public need, PHC4 is in the forefront of providing health care information to the public through the Internet. Please visit us at our electronic headquarters, www.phc4.org.

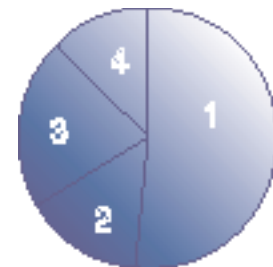
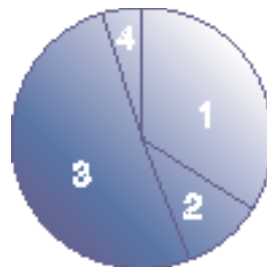
Data Products and Services

In addition to public reports, PHC4 makes data available for sale through its Special Requests Unit. Special Requests revenue reached an all time high in 1999 of \$421,204 due to a record number (146) completed projects. Most of the requests come from hospitals, government agencies, consultants, commercial vendors and researchers. Typical requests include custom data sets and reports, customized market share reports, standard statewide data sets, and regional data sets.

The ease of access to Special Requests information and instructions through the PHC4's Web site (www.phc4.org) has contributed to the increased activity. The Internet also provides a timely and efficient way to provide required request forms. Customers can download these forms and begin their request process. Also featured on the Web site are the release dates of standard quarterly data sets.

The Special Requests Unit has taken advantage of internal computer technology enhancement, thus improving accuracy and efficiency. More rigorous quality assurance procedures have been established, increasing the quality of data.

<i>Type of Special Request</i>	<u>1999</u>		<u>1998</u>	
	<i>Total Requests</i>	<i>% of Requests</i>	<i>Total Requests</i>	<i>% of Requests</i>
Commercial (1)	49	34%	49	54%
Government (2)	15	10%	13	14%
Non-Commercial (3)	74	51%	18	20%
Research (4)	8	5%	11	12%
Total	146	100%	91	100%



Total Revenue

\$431,204

\$374,430

Data User Profiles

Children’s Hospital of Philadelphia (CHOP):

PHC4 provided data to the Children’s Hospital of Philadelphia for a study funded by the Agency for Healthcare Research and Quality entitled “Conditional Length of Stay: An Outcome Measure for Pediatrics.” The study will incorporate inpatient discharge and ambulatory data from 1996 through 1998 along with PHC4 identified hospital readmissions for patients under the age of 20. The purpose of the study is to explore the development of outcome measures for pediatric conditions where mortality is a low probability.

Northeastern Pennsylvania Women’s Health Alliance:

The Northeastern Pennsylvania Women’s Health Alliance is using 1995 through 1997 data to identify high quality women’s health care services in Northeastern Pennsylvania hospitals. The Alliance hopes to form a co-operative agreement with six of these hospitals, so that women could receive all their health care from one easily accessible facility. This approach will prevent duplication of services while focusing on quality of care.

Merck and Company

Merck and Co., a large pharmaceutical firm with significant operations in Pennsylvania, is undertaking a project to assess the quality of health care provided to its employees. Merck intends to use this information as part of a process of deciding on health care plans to offer their employees, and in educating Merck employees about health care choices. Linking to PHC4 discharge data will allow Merck to make more definitive statements about the kinds of providers that are treating Merck employees - particularly with regard to the issue of the volume of cases treated by hospitals and physicians.

The principal focuses of Merck’s project will be cardiac care and pregnancy/newborn care. Merck plans to examine whether Merck’s HMO-covered employees are more or less likely to be treated at hospitals with high rates of appropriate care and at hospitals with low readmission rates.

As you can see, PHC4 data is being requested with confidence in an increasing frequency. The services provided by the Special Requests Unit are producing data for studies that follow the PHC4’s quest for quality health care in Pennsylvania.

Managing Technology - Upgrades Improve Effectiveness and Efficiency

Essential to PHC4's mission of collecting, analyzing and publicly reporting health care data is an underlying information technology structure that can support the use of a large, fast and flexible database.

Staying on the cutting edge of technology drove PHC4's migration from a mainframe to a faster, more flexible client server, PC-based network environment in 1999. PHC4 experienced an initial cost of \$300,000 to achieve this goal. However, in addition to increased effectiveness and efficiency, the new system will *save* PHC4 \$340,000 annually in equipment maintenance, software, facility space and electrical cost. This new system will allow PHC4 to analyze and report more data.

Other Results of Technology Enhancements:

- The computer processing time of incoming hospital data was reduced from 20 days to less than four days.
- Data correction software was designed to increase efficiency, saving time during the data correction phase of our processing.
- The time required to fulfill special requests for data was reduced significantly.
- The time to access data required for public reporting was reduced. For example, an application that generated data for PHC4's Hospital Performance Report ran in less than three hours of computer run time.
- Internal on-line access to the database has been made available.
- Analysts can access multiple years of data from their workstations.
- A secure information exchange linkage between data sources and PHC4 is under development.
- PHC4 continues to streamline its LAN infrastructure to simplify support and increase reliability.

As PHC4 aggressively pursues new directions in health care reporting, these critical IT systems form the necessary foundation for continued progress in the areas of data collection, analysis and reporting.

INDEPENDENT AUDITOR'S REPORT

Council Members
Pennsylvania Health Care Cost Containment Council
Harrisburg, Pennsylvania

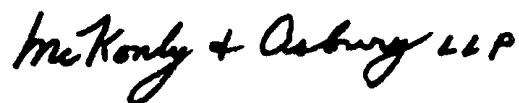
We have audited the accompanying financial statements of the Pennsylvania Health Care Cost Containment Council (the Council) as of June 30, 1999 and 1998 and for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the 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 present only that portion of general funds of the Commonwealth of Pennsylvania that is attributable to the transactions of the Council, and are not intended to present fairly the financial position and results of operations of the Commonwealth of Pennsylvania in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pennsylvania Health Care Cost Containment as of June 30, 1999 and 1998, and the results of its operation for the years ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 28, 1999 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulation, contracts and grants.



Harrisburg, Pennsylvania
October 28, 1999

1999 Publications*

The Role of HMOs in Managing Diabetes

A Financial Report, 1997 Fiscal Year

Two Volumes --

Volume One - Hospital Industry Trends, 1990-1997

Volume Two - Individual Hospital Survey

Hospital Financial Analysis, 1998

Two Volumes --

Volume One - General Acute Care Facilities

Volume Two - Non-General Acute Care Facilities

A Hospital Performance Report: 15 Common Medical Procedures and Treatments, 1997 data

Nine Regional Versions --

Region One - Southwestern Pennsylvania

Region Two - Northwestern Pennsylvania

Region Three - Southern Allegheny Pennsylvania

Region Four - Northcentral Pennsylvania

Region Five - Central Pennsylvania

Region Six - Northeastern Pennsylvania

Region Seven - Eastcentral Pennsylvania

Region Eight - Southeastern Pennsylvania (Suburban Philadelphia)

Region Nine - Philadelphia

A Hospital Performance Report: 15 Common Medical Procedures and Treatments, 1998 data

Three Regional Versions -- (The nine reports listed above were condensed into three versions in the 1998 report.)

Region One - Western Pennsylvania

Region Two - Central and Northeastern Pennsylvania

Region Three - Southeastern Pennsylvania

Minimum Maternity Stay Analysis

**This is a partial list of reports released in 1999. For a full list, please see the Council's Web site, www.phc4.org.*

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