



**Working Together To  
Improve Quality &  
Restrain Costs**



**T**he Pennsylvania Health Care Cost Containment Council (PHC4) is an independent state agency that was established in 1986 by the General Assembly and the Governor of the Commonwealth of Pennsylvania. To help improve the quality and restrain the cost of health care, PHC4 promotes health care competition through the collection, analysis and public dissemination of uniform cost and quality-related information.

Under Act 89, health care providers are required to supply hospital charge and treatment information as well as other financial data to PHC4 on a quarterly basis. Currently, over 3.6 million records are submitted each year from hospitals and freestanding ambulatory surgery centers in Pennsylvania – a number that continues to grow.

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## A Joint Message From the Pennsylvania Chamber of Business and Industry and the Pennsylvania AFL-CIO

In an era when health care is at the forefront of public discussion and debate, Pennsylvania continues to set the standard for health care data, information and reporting through the Pennsylvania Health Care Cost Containment Council (PHC4). The Pennsylvania AFL-CIO and the Pennsylvania Chamber of Business and Industry are proud to support PHC4 and the groundbreaking work that the Council has done and continues to do to restrain costs, improve quality and increase access to health care.

In 2001, PHC4 addressed the need for health care information both by expanding its flagship reports such as the *Hospital Performance Report*, and by issuing several new pieces including *Choosing a Medicare HMO – A Guide for Older Pennsylvanians*, and PHC4's new *FYI* – a publication specifically geared towards the purchaser community. Furthermore, PHC4 has continually been improving upon the dissemination of information and data through the use of its Web site, [www.phc4.org](http://www.phc4.org). With well-designed interactive databases and the ability to view reports, data and public comments online, PHC4 is providing all Pennsylvanians easy access to its information in a timely and cost-efficient manner.

As representatives of the business and organized labor communities, we are very committed to the goals that PHC4 has set forth and will continue to work very closely with the Council to restrain costs and improve the quality of health care. PHC4 data is crucial to the vitality of Pennsylvania's economy and to the quality of life for all Pennsylvanians and we highly encourage that health care purchasers, consumers, providers, payors and policy makers utilize this valuable information to make more informed decisions regarding health care.



*William George*

William M. 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

*Dear Friends of the Council,*



*Thomas F. Duzak  
Council Chair*

2001 was a year of growth for the Pennsylvania Health Care Cost Containment Council (PHC4). Through our traditional activities and our exciting new projects, we are proud to continue leading the way in the reporting of health care outcome data.

In the summer of 2001, PHC4 released its second annual managed care report, *Measuring the Quality of Pennsylvania's Commercial HMOs: A Managed Care Performance Report*. The report combines clinical results, preventive measures and member satisfaction information to provide a more comprehensive picture than can be found anywhere else of how well commercial HMOs serve their members. This report was well received and solidified Pennsylvania's place as a leader in providing this type of information.

Recognizing the need for and importance of information about HMOs that provide services to older Pennsylvanians, PHC4 released a new report in 2001 entitled, *Choosing a Medicare HMO – A Guide for Older Pennsylvanians*. Issued jointly with the Pennsylvania Department of Aging, this report provides information on Medicare HMO coverage changes, comparisons of costs and benefits of Medicare HMOs, and various other measures to help potential members evaluate plans. Released during the annual open enrollment period for Medicare HMOs, the report was designed to provide important information in a timely manner so that older Pennsylvanians and their families could use it to make informed decisions.

PHC4 also released new versions of flagship reports such as the *Hospital Performance Report* and the *Hospital Financial Analysis*. In anticipation of an updated report about hospital and physician performance in the area of coronary artery bypass graft (CABG) surgery, PHC4 published an issue brief focusing on hospital readmissions after bypass surgery. Not only are we pleased to continue to produce these important reports, but we are also proud to continually refine our analysis and methodology in order to provide decision makers with the best possible information.

In the past year PHC4 has expanded its education and outreach program significantly. A highlight of these expanded activities has been a series of meetings involving key purchaser groups. These meetings have served to help purchasers better

understand PHC4 data and reports, and to discuss how this information can be used to improve quality and restrain health care costs. This new focus has also produced a new publication: *PHC4 FYI*. First released in August of 2001, these informative monthly white papers are helping to illuminate “issues of the day” in a way that focuses as much on context as it does on data. Look for new releases on the PHC4 Web site – [www.phc4.org](http://www.phc4.org) - around the first Friday of each month.



*Marc P. Volavka*  
Executive Director

Ultimately, for information to be useful, it must be put into the hands of purchasers, payors, providers, policy makers and consumers. We are pleased to continue our collaborative efforts with the Pittsburgh Regional Healthcare Initiative to drive quality improvement in Southwest Pennsylvania. Furthermore, we have forged a new relationship with the Department of Public Welfare, and PHC4’s hospital financial data plays an important role in the calculations surrounding the disbursement of tobacco settlement funds to subsidize Pennsylvania hospitals that provide uncompensated care services. Our collaborative work with other state agencies also continues and, in addition to working with the Department of Aging on the Medicare HMO Report, we were pleased to release a report on C-section Deliveries in Pennsylvania with the cooperation of the Department of Health. We look forward to further strengthening these relationships and developing new ones in the coming year.

Finally, none of this would be possible without the cooperation of Pennsylvania’s hospitals. Each year the data they submit is more accurate and timely than in previous years. Their hard work on this front is greatly appreciated.

While we are proud of what we have accomplished in the past year, we are acutely aware that our activities push us to set higher goals for the future. Most importantly, we look forward to providing purchasers, policy makers, providers, insurers and consumers with more information and better information so that they can make more informed health care decisions, and improve the quality of health care while restraining its cost.

A handwritten signature in blue ink that reads "Thomas F. Duzak".

Thomas F. Duzak  
Council Chair

A handwritten signature in blue ink that reads "Marc P. Volavka".

Marc P. Volavka  
Executive Director

# The Council

In order to invest health care stakeholders firmly in the process, Act 89, as amended by Act 34, established a 21-member Council to provide direction for the agency. The Council consists of:

- Business community representatives (six members)
- Organized labor representatives (six members)
- Hospital representative
- Physician representative
- Pennsylvania Blue Cross/Blue Shield representative
- Health maintenance organization (HMO) 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

Council Meetings, which are open to the public, take place bi-monthly at PHC4 headquarters.

In addition to the Council, several committees were also established to assist the agency with its efforts. These committees include:

- Executive Committee;
- Data Systems Committee;
- Education and Outreach Committee; and
- Mandated Benefits Review Committee.

Furthermore, the *Technical Advisory Group (TAG)* is a standing committee that is charged with overseeing technical and methodological aspects of PHC4's research.



## Executive Committee

*Front Row: Richard C. Dreyfuss, Vice-Chair; Thomas F. Duzak, Chair; Marc P. Volavka, Executive Director.  
Back Row: David Wilderman, Secretary/Treasurer; Leonard A. Boreski, Immediate Past-Chair; Catherine A. Gallagher, Education and Outreach Committee Chair; and James R. Godfrey, Mandated Benefits Review Committee Chair.*

*Not shown: Bernard K. Murray, Data Systems Committee Chair.*

## PHC4 Council Members 2001-2002

### Executive Committee

- Thomas F. Duzak, Chair** (*Steelworkers Health & Welfare Fund – Labor*)  
**Richard C. Dreyfuss, Vice-Chair** (*Hershey Foods Corporation, retired – Business*)  
**David Wilderman, Secretary/Treasurer** (*Pennsylvania AFL-CIO – Labor*)  
**James R. Godfrey, Chair, Mandated Benefits Review Committee**  
(*HealthGuard of Lancaster, Inc. – HMO*)  
**Bernard K. Murray, Chair, Data Systems Committee** (*Pennsylvania Federation of Teachers, retired – Labor*)  
**Catherine A. Gallagher, Chair, Education and Outreach Committee**  
(*Lehigh Valley Business Conference on Healthcare – Business*)  
**Leonard A. Boreski, Immediate Past-Chair** (*Pennsylvania Chamber of Business & Industry – Business*)

### Council Members

- Patricia W. Barnes** (*Quantel Associates, Inc. – Labor*)  
**Jeffrey E. Beck** (*Aetna U.S. Healthcare – Insurance*)  
**Randall N. DiPalo** (*Plumbers & Pipefitters Union, Local 520 – Labor*)  
**Marc D. Edelman** (*Crozer-Chester Medical Center – Hospitals*)  
**Feather O. Houstoun** (*Secretary, Pennsylvania Department of Public Welfare – Administration*)  
**Janet Kail** (*AFSCME, Council 13 – Labor*)  
**M. Diane Koken** (*Commissioner, Pennsylvania Department of Insurance – Administration*)  
**Mary Ellen McMillen** (*Independence Blue Cross – Blue Cross/Blue Shield*)  
**Nancy L. Pletcher** (*The Benecon Group – Business*)  
**Clifton W. Shannon** (*SMC Business Councils – Business*)  
**Carl A. Sirio, MD** (*University of Pittsburgh Medical Center – Physicians*)  
**Neema Thakrar** (*Consumer*)  
**Daniel R. Tunnell** (*Pennsylvania Cable & Telecommunications Association – Business*)  
**Robert S. Zimmerman, Jr.** (*Secretary, Pennsylvania Department of Health – Administration*)

### Executive Director

**Marc P. Volavka**

### Technical Advisory Group

- David B. Nash, MD, MBA, Chair** (*Thomas Jefferson University Hospital*)  
**J. Marvin Bentley, PhD** (*Pennsylvania State University*)  
**David B. Campbell, MD** (*Milton S. Hershey Medical Center*)  
**Paul N. Casale, MD** (*The Heart Group*)  
**Donald E. Fetterolf, MD, MBA** (*Highmark, Inc.*)  
**James R. Grana, PhD** (*U.S. Quality Algorithms/Aetna U.S. Healthcare*)  
**George R. Green, MD** (*Abington Memorial Hospital*)  
**Sheryl F. Kelsey, PhD** (*University of Pittsburgh*)  
**Judith R. Lave, PhD** (*University of Pittsburgh*)  
**Timothy C. Zeddies, PhD** (*Independence Blue Cross*)

# Health Care Reporting

348 Act 1993-34 LAWS OF PENNSYLVANIA

No. 1993-34

AN ACT

BE ENDED

Repealing and amending the act of July 8, 1986 (P.L.408, No.89), entitled "An act providing for the creation of the Health Care Cost Containment Council, for its powers and duties, for health care cost containment through the collection and dissemination of data, for public accountability of health care costs and for health care for the indigent, establishing the Indigent Care Program, and making an appropriation," changing the title, further providing for legislative policy, for the Health Care Cost Containment Council and its powers and duties, for data submission and collection, for data dissemination and publication, for health care for the medically indigent, for essential health benefits, for access to medical data, for special studies and reports, for enforcement and penalties and for contracts with vendors, eliminating provisions on appropriations, providing for reporting, further providing for enforcement, and making editorial changes.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The title and the act of July 8, 1986 (P.L.408, No.89), known as the Health Care Cost Containment Act, amended December 4, 1992 (P.L.783, No.125), are amended and amended to read:

AN ACT

Providing for the creation of the Health Care Cost Containment Council, for its powers and duties, for health care cost containment through the collection and dissemination of data, for public accountability of health care costs and for health care for the indigent; **establishing the Indigent Care Program**; and making an appropriation.

Section 1. Short title.

This act shall be known and may be cited as the Health Care Cost Containment Act.

Section 2. Legislative finding and declaration.

The General Assembly finds that there exists in this Commonwealth a major crisis because of the continuing escalation of costs for health care services. Because of the continuing escalation of costs, an increasingly large number of Pennsylvania citizens have severely limited access to appropriate and timely health care. Increasing costs are also undermining the quality of health care services currently being provided. Further, the continuing escalation is negatively affecting the economy of the Commonwealth, is restricting new economic growth and is impeding the creation of new job opportunities in this Commonwealth.

The continuing escalation of health care costs is attributable to a number of interrelated causes, including:

(1) inefficiency in the present configuration of health care services;

Since its inception, the Pennsylvania Health Care Cost Containment Council (PHC4) has published a wide variety of public reports about health care in Pennsylvania in order to stimulate a competitive health care market. These reports help to raise challenging questions regarding quality improvement and cost containment, and give purchasers, providers, policy makers, payors and consumers the tools they need to make informed decisions about health care. These reports are widely distributed and can be found on the PHC4 Web site ([www.phc4.org](http://www.phc4.org)) as well as in most public libraries throughout the state.



# Hospital Performance Report

Before anyone makes a major purchase, they normally familiarize themselves with as much information as they can gather about the available products or services. So should it be with health care. PHC4's *Hospital Performance Report* continues to assist consumers and purchasers in making more informed health care decisions and serves as an aid to providers in pinpointing additional opportunities for quality improvement.

The most recent *Hospital Performance Report* was released in December 2001 and contains information covering Calendar Year 2000. The report is separated into three regions: Southeastern, Central/Northeastern and Western Pennsylvania. Each version includes:

- the number of cases treated;
- risk-adjusted mortality rates;
- risk-adjusted readmission rates;
- risk-adjusted average lengths of stay (ALOS); and
- regionally-adjusted average hospital charges.

Twenty-two medical and surgical categories called Diagnosis Related Groups (DRGs) are reported in the hard copy version, with an additional 51 (for a total of 73) on the PHC4 Web site ([www.phc4.org](http://www.phc4.org)) in an interactive, customizable database. The DRGs were chosen due to a combination of factors including significant variation in mortality, high volume, significant resource consumption, and diversity across diagnoses and procedures.

New to the printed report was the inclusion of the Heart Attack with PTCA/Stent DRG, and the Medical Back Problems DRG was added to the Web site version. Furthermore, the Web site was expanded to include risk-adjusted readmission rate analysis for all appropriate DRGs.

## Key Findings

The 2001 *Hospital Performance Report* shows substantial variation in hospital readmissions for patients in a wide variety of medical and surgical categories. For example, risk-adjusted hospital readmission rates for patients with stroke varied from 0% to 33%. Additionally, 25% of all heart failure patients were readmitted in 2000, with percents ranging from 4.8% to 38.3%. Variation was also seen in risk-adjusted lengths of hospital stays; for example, the risk-adjusted average hospital stay for an operation of the stomach or small intestine ranged from 6 to 20.5 days.



"The PHC4 Technical Advisory Group, ably chaired by Dr. David B. Nash, brings together seasoned professionals who offer practical advice in a setting that encourages and contributes to methodological advances and keeps reports like the *Hospital Performance Report* on the cutting edge."

**Richard C. Dreyfuss,**  
Hershey Foods  
Corporation (retired) and  
Council Vice-Chair



## Technical Advisory Group

Shown left to right: George R. Green, MD; Paul N. Casale, MD; David B. Nash, MD, MBA, Chair; Donald E. Fetterolf, MD, MBA; David B. Campbell, MD; and J. Marvyn Bentley, PhD.

Not shown: James R. Grana, PhD; Sheryl F. Kelsey, PhD; Judith R. Lave, PhD; and Timothy C. Zeddies, PhD.

# Financial Analysis 2000

In order to maintain a high quality, cost-effective health care delivery system, hospitals and freestanding ambulatory surgery centers must be financially viable. Beginning in 1989, the Council has produced a series of reports that measure the financial health of the Commonwealth's hospitals and surgery centers and the utilization of their services.

PHC4's annual hospital *Financial Analysis* has emerged as a leading resource for policy makers, hospital board members and managers, and others wrestling with issues surrounding the financial health of Pennsylvania's hospital-based health care industry.

Released in 2001 as a two-volume set, Volume I of the *Financial Analysis 2000* is intended to present a profile of the financial health of Pennsylvania's 194 General Acute Care (GAC) hospitals. GAC hospitals include all non-federal, short-term general and specialty acute care hospitals open to the public.

Volume II of the *Financial Analysis 2000* addresses Pennsylvania's Non-General Acute Care hospitals (rehabilitation, psychiatric, long-term acute and specialty) and the ambulatory surgery centers. In addition, this report couples utilization information from the subunits of other hospitals with the data from the freestanding non-GAC hospitals. As a result, this report provides some perspectives on the total long-term acute, rehabilitation and psychiatric care provided at both GAC and freestanding non-GAC hospitals.

## Key Findings

- Total net income for Pennsylvania GAC hospitals improved in Fiscal Year 2000 (FY00), rising from \$295 million in Fiscal Year 1999 (FY99) to \$608 million in FY00. The total net margins rose from 1.6% to 3.17% during the same period. However, average income at Pennsylvania hospitals was 37% below the national average.
- Uncompensated care, a combination of charity care and bad debt, increased from \$830 million in FY99 to \$896 in FY00, equal to 5% of statewide Net Patient Revenue.
- The number of patients receiving inpatient psychiatric treatment at GAC hospitals grew almost 15% during FY00; however the average length of stay (ALOS) fell more than half a day to 8.7 days.
- Rehabilitation hospitals have the highest income levels among the hospital-based health care sectors in Pennsylvania. The FY00 average total margin for rehabilitation facilities was 10.7%, far above the 3.2% average total margin for the 194 GAC hospitals.

Facility Type	Number
<b>General Acute Care (GAC)</b>	194
Rehabilitation	20
Psychiatric	19
State Psychiatric	9
Long-Term Acute Care	10
Specialty	6
Ambulatory Surgery Center (ASC)	64
<b>TOTAL</b>	<b>322</b>



# Choosing a Medicare HMO - A Guide for Older Pennsylvanians

With more than half a million Pennsylvania senior citizens having enrolled in Medicare HMOs in 2001, educating seniors about their health care options was a priority. In response to concerns about senior citizens and their understanding of HMOs, the Pennsylvania Health Care Cost Containment Council and the Pennsylvania Department of Aging joined forces in 2001 to produce, *Choosing a Medicare HMO - A Guide for Older Pennsylvanians*.

Issued in November 2001, shortly before the 2001 end-of-the-year deadline for senior citizens to enroll in a Medicare HMO, this guide provides information about HMOs and how they differ from traditional Medicare coverage, compares the quality of services provided by different HMOs, and gives guidance about who to contact when making decisions should any questions arise. For ease of use, the report was divided into three regional versions and was distributed throughout the Commonwealth to government agencies, senior citizens' groups and libraries, as well as to individual consumers and to many private organizations.

Included in the report is contact information for each HMO along with various measures offered by the federal government to help HMO members evaluate plans. These measures include member satisfaction, percent of members seen by a health care provider in the past year, and various disease treatment measures. Furthermore, cost and benefit comparisons for Calendar Year 2000 for each of the Medicare HMOs can also be found in the report.

*Choosing a Medicare HMO - A Guide for Older Pennsylvanians* provides seniors with guidelines to follow when making their decisions - such as checking with an HMO to see if it is still accepting new members before making a decision. The guide also lists important questions for seniors to ask themselves and potential Medicare HMOs including, "Is my doctor in the HMO's network?" and "What will my out-of-pocket expenses be?"



PHC4 Executive Director Marc P. Volavka discusses "Choosing a Medicare HMO - A Guide for Older Pennsylvanians" at a press conference held at the Capitol Building in Harrisburg.

The release of *Choosing a Medicare HMO - A Guide for Older Pennsylvanians*, was exceptionally well timed and extremely beneficial to those making these important health care decisions because having selected a plan during the annual enrollment period, older Americans will only be able to change plans once during 2002, and that must occur prior to July.



"It is important that state government provide older Pennsylvanians with current information about their health insurance options. It has been a privilege working with PHC4 on a Medicare HMO report and I look forward to collaborating on future projects."

Richard Browdie,  
Secretary, Pennsylvania  
Department of Aging

## *Measuring the Quality of Pennsylvania's Commercial HMOs: A Managed Care Performance Report*

Not all Health Maintenance Organizations (HMOs) are the same. For this reason, assessing HMO quality is not only important - it is crucial. *Measuring the Quality of Pennsylvania's Commercial HMOs: A Managed Care Performance Report*, was the second in an annual series of reports produced by PHC4 to examine the quality of services that HMOs provide.

Released in June 2001, this latest edition of PHC4's HMO report card includes:

- risk-adjusted patient outcome information about the rates of hospitalization, hospital readmissions, lengths of stay and complications for select categories;
- HEDIS (Health Plan Employers Data and Information Set) preventative measures, developed by the National Committee for Quality Assurance (NCQA);
- the degree to which Pennsylvania HMO members are satisfied with the services provided and coordinated by their HMO;
- each participating HMO's NCQA accreditation status; and
- financial and descriptive information about HMO networks.

The 2001 report expanded upon the structure introduced in the original report and presented different clinical conditions and procedures as well as several new measures. However, to allow for comparisons between the two reports, the member satisfaction survey remained the same. Furthermore, in addition to the hard copy report, an interactive database on PHC4's Web site ([www.phc4.org](http://www.phc4.org)) was developed to allow users to tailor the data for their own needs and create customized reports.

### **Key Findings**

The 2001 *Measuring the Quality of Pennsylvania's Commercial HMOs* illustrates that HMOs in Pennsylvania do a good job overall in preventing avoidable hospitalizations for "ambulatory sensitive" medical conditions (ailments best treated through good preventive care in a primary care setting), with one exception: children were hospitalized at a higher than expected rate for ear, nose and throat infections. The report also revealed that for the second year, Pennsylvania HMO members are more satisfied with their care than HMO members elsewhere, with 85% reporting no problems in receiving the care they felt they needed. However, the report showed wide variation across HMOs in regards to breast cancer procedures and preventive care measures for diabetes. This may suggest an uneven approach to disease management.



"PHC4 has done an outstanding job of providing policy makers, consumers, purchasers, providers and payors with performance data about HMO services available in Pennsylvania."

James R. Godfrey,  
President, HealthGuard of  
Lancaster, Inc. and Chair,  
Mandated Benefits Review  
Committee

## C-Section Deliveries in Pennsylvania, 1999

Delivery by Cesarean section (C-section) is the most frequently performed operation within the Commonwealth, accounting for 21.1% of all Pennsylvania hospital deliveries in 1999. However, because C-sections have long been the subject of public scrutiny, it is important to provide Pennsylvanians with pertinent information about the procedure.

Released in April 2001, *C-Section Deliveries in Pennsylvania, 1999*, was a collaborative effort of PHC4 and the Pennsylvania Department of Health that paired PHC4's detailed delivery information, such as C-section rate and average length of stay, with the Department of Health's Neonatal Intensive Care Unit (NICU) level and aggregate demographic data. By working together, both organizations were able to provide a more complete picture of health care delivery.

Within this report, discussion of current issues in medical literature is paired with state and national trends of C-section statistics. Following the trend information are the hospital-specific data tables. PHC4 continues to report hospital-specific C-section rates because of considerable variation among hospitals, which may illustrate the lack of consensus among providers about the proper approach to C-sections.

### Key Findings

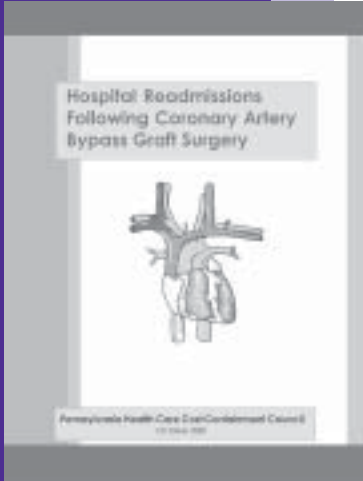
- After declining for years, the C-section rate in Pennsylvania hospitals rose from 19.5% to 21.1% between 1997 and 1999 - an increase of 8.2%. From 1998 to 1999, the C-section rate increased 6.0%.
- The Vaginal Birth After Cesarean (VBAC) rate is falling. Since 1996, the VBAC rate in Pennsylvania hospitals has fallen 12.3%, dropping from a level of 39.7% in 1996 to 34.8% in 1999.
- Even after separating patients into high and low risk categories, Medicaid recipients had the lowest C-section rate and the highest VBAC rate among major payor groups.
- There is significant variation in C-section rates among hospitals even after separating the deliveries by risk.
- The number of repeat C-sections for women at low risk for a C-section delivery in Pennsylvania was 9,322 in 1999.
- Uterine rupture (a potentially serious complication) occurred in only 0.1% of all deliveries in Pennsylvania hospitals in 1999; none of these complications resulted in fatality.
- The number one reason for a C-section in Pennsylvania during 1999 was a previous C-section after accounting for other maternal risk factors.



"The Pennsylvania Department of Health and PHC4 have developed a strong working partnership which has enriched the public understanding and discussion of challenging health care issues."

Robert S. Zimmerman, Jr., Pennsylvania Secretary of Health

# Hospital Readmissions Following Coronary Artery Bypass Graft Surgery



Coronary Artery Bypass Graft Surgery (CABG) is the most commonly performed open-heart surgery in Pennsylvania. Thus, information about CABG surgery is important to consumers, health care purchasers, policy makers and medical professionals. While PHC4's *Guide to Coronary Artery Bypass Graft Surgery* has been one of the agency's benchmark reports since 1992, PHC4 recently began looking at additional outcome measures relating to cost and quality issues surrounding CABG surgery, including readmissions.

*Hospital Readmissions Following Coronary Artery Bypass Graft (CABG) Surgery*, which was released in October 2001, focused on hospital readmissions following CABG surgery in Fiscal Year 1999 (July 1, 1998 - June 30, 1999). The report examines 2,800 heart surgery patients who were readmitted within 30 days of their original CABG discharge and focuses on several factors including: which patients are most likely to be readmitted; the major reasons for readmissions; where patients are being readmitted; and the hospital charges for readmissions and who is paying for them.

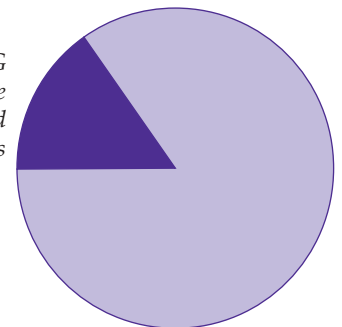
Readmissions are important from both a quality of care and a cost standpoint. First, while some rehospitalizations after an invasive surgery such as CABG surgery will always occur, quality care may lessen the need for subsequent hospitalizations. Second, because CABG surgery is expensive, cost containment is important. However, if costs are contained within the initial hospitalization but additional costs are incurred because of a rehospitalization, the end result is cost shifting, not containment.

## Key Findings

- 15.3% of CABG surgery patients were readmitted for additional treatment.
- CABG readmissions amounted to \$52 million in additional hospital charges.
- Nearly 23% of all CABG readmissions were due to infections.
- 65% of CABG patients were readmitted to the same hospital where they had their operation; 35% were readmitted to a different hospital.
- Women were more likely to be readmitted following CABG surgery than men.
- African-Americans and Hispanics were more likely to be readmitted following CABG surgery than whites.
- Increasing age was a significant factor in readmission rates.
- Patients who were readmitted spent as much time in the hospital during the readmission as they did during their initial hospitalization.

### CABG Patients in Pennsylvania

15.3% of CABG patients were readmitted within 30 days



# Education and Outreach



**A**ct 89 provides that “PHC4 shall develop and implement outreach programs designed to make its information understandable and usable as well as to educate and to facilitate the making of more informed health care choices.” In keeping with Act 89, PHC4 makes presentations, attends meetings and conferences, and works with many coalitions and health care groups around the state, informing them about how to best utilize PHC4 data. Furthermore, through newsletters and publications, press releases and the agency’s Web site ([www.phc4.org](http://www.phc4.org)), PHC4 is now reaching a broader audience with data and reports.

## Purchaser Initiatives



In an effort to educate and increase the participation of one of PHC4's important constituents - purchasers, PHC4 made great strides in 2001 to work with and improve its relations with purchasers. Not only did the Council hire full-time employees to specifically work with purchasers, but PHC4 also began many new purchaser initiatives.

### *Purchasers' Meeting*

To increase public understanding and use of its reports, PHC4 conducted a first-of-its kind, seminar-style meeting for health care purchasers in July of 2001. The audience, which consisted of 20 health care purchasers as well as PHC4 Council Members, took an in-depth look at PHC4's report, *Measuring the Quality of Pennsylvania's Commercial HMOs: A Managed Care Performance Report*, learning how to use the information to make informed decisions when purchasing health care. The presentation sparked candid dialogue and provided participants with a better understanding of the report and its implications. Participants were also given a brief demonstration of the PHC4 Web site ([www.phc4.org](http://www.phc4.org)) and shown how the HMO report can be customized via the Web's interactive database.

This meeting was a first step in emphasizing purchaser interests as PHC4 continues to deepen its constituent relationships. With purchasers wanting more capability to understand and interpret health care cost and quality data, future meetings such as this are certain.

### *PHC4 FYI*

In August 2001, PHC4 began producing a monthly newsletter entitled, *PHC4 FYI* to give purchasers updated information about health care. Geared specifically towards purchaser issues, each *PHC4 FYI* contains information pertinent to making decisions about health care. 2001 topics included:

- *The Blue "Divorce"...Good for You???*
- *Another Look at Hospital Finances*
- *Employee Health Promotion Programs Can Help Contain Costs*
- *Health Care for Retirees*

The newsletters drew favorable responses from several constituencies, including the PA AFL-CIO and the PA Chamber, and will continue to be published in 2002. Copies of *PHC4 FYI* can be found on the PHC4 Web site at [www.phc4.org](http://www.phc4.org).



"PHC4 has placed a new and badly needed emphasis on purchaser use of health care data to make better decisions through monthly *FYI* white papers on current topics, new education and outreach initiatives, and a developing network of purchaser contacts. In the face of skyrocketing health care costs, purchasers are very fortunate to have the information that PHC4 offers."

Leonard A. Boreski, Director, Government Relations, Pennsylvania Chamber of Business & Industry



## *Collaborating with Coalitions*

Under the leadership of PHC4's Education and Outreach Committee, PHC4 is working with local health care coalitions, labor-management groups, labor councils and local business groups to educate Pennsylvanians about the use of PHC4's reports. In particular, PHC4 has been collaborating with two very prominent groups - the Pittsburgh Regional Healthcare Initiative and the Lehigh Valley Business Conference on Healthcare.

### *Pittsburgh Regional Healthcare Initiative (PRHI)*

Since its humble beginnings, PRHI has evolved into a nationally recognized, collaborative effort involving business, labor, physicians and community leaders, as well as hospitals and insurers, all intent on developing a new model of health care delivery. PRHI advocates outcomes-based treatment as a key component in the delivery of quality health care and promotes continuous quality improvement in the realm of health care purchasing and health care services.

Several years ago, PHC4 began a new venture by collaborating with PRHI and its clinical advisory teams to develop a series of new outcomes studies for five clinical areas. Because both PRHI and PHC4 have been working to improve patient outcomes for a number of common hospital treatments and procedures where there is a wide variation, it was the perfect opportunity for PHC4. These studies will be used in the future as benchmarks to measure the initiative's impact on the quality of health care in Southwest Pennsylvania.

### *Lehigh Valley Business Conference on Healthcare (LVBCHC)*

The LVBCHC is a 70-member employer coalition that promotes, develops and implements effective and efficient health care programs while measuring and enhancing the quality of health care delivery.

In 1992, LVBCHC began designing a quality-based health care plan using PHC4 data that compared the volume of procedures, total charges, mortality rates and lengths of stay. As part of this concept, managed care plans would steer patients to "Centers of Excellence" where treatment would be fully covered and participating employers would agree to reward hospitals that provided cost-effective, quality care with more patients.

The "Centers of Excellence" health care approach is a well-known concept in the health care industry, and is a good example of how PHC4 data can be used for quality improvement and cost containment.



"The Pittsburgh Regional Healthcare Initiative has gained national recognition for its in-depth reports on treatment results. The collaboration between PHC4 and PRHI on these reports has advanced the science of quality measurement through the development of new ways to examine hospital readmissions and complications."

Carl A. Sirio, MD,  
Associate Professor of  
Critical Care Medicine,  
University of Pittsburgh  
Medical Center

## Conferences and Presentations

While PHC4 publishes many reports, newsletters and issue briefs, and provides a great deal of data on its Web site, many times it takes more than a printed report or database to educate an individual or group about PHC4 information and how it can be used. PHC4 is striving to reach as many people in the Commonwealth as possible through presentations, conferences and community outreach.

In 2001, PHC4 made numerous presentations encouraging the use of its public reports as resources of information. While some audiences preferred only a general overview of PHC4's 2001 reports, others were also interested in hearing about the latest health care trends and pending legislation on both the state and national level. Presentations were made to business groups, labor unions, government agencies, universities, and many other organizations, including, but not limited to:

- United Steelworkers of America;
- Berwick Area Chamber of Commerce;
- Healthcare Executive Forum;
- Healthy Northeast Pennsylvania Initiative;
- Thomas Jefferson University;
- Pennsylvania State University; and
- York Area Labor Management Council.

In addition to presentations, PHC4 also exhibited at multiple meetings and conferences, providing Pennsylvanians from around the state with the opportunity to obtain reports, ask questions and speak with a Council representative one-on-one.

Some of the conferences that PHC4 attended in 2001 included:

- Auditor General's Consumer Fair;
- Central Penn Business Journal Health Care Symposium;
- County Commissioners Association of Pennsylvania Conference;
- Labor and Industry's Health and Safety Conference;
- KePRO's Health Data Conference;
- Pennsylvania Healthy Communities Annual Conference; and
- Pennsylvania Labor Management Conference.



"PHC4 data can be used to question health care providers about the cost and quality of their services and to create cost-effective and quality-driven health plans. With costs on the rise once again, labor and management, armed with PHC4 data, are working together to meet the challenge."

Nancy L. Pletcher, Senior Consultant, The Benecon Group

## *Pennsylvania Labor Management Conference*

In September of 2001, PHC4's activities were on display at one of the state's most notable conferences, the 2001 Pennsylvania Labor Management Conference, which was hosted by former Governor Tom Ridge and the Pennsylvania Department of Labor and Industry. PHC4 presented two workshops at the conference about its health care data and reporting.



Moderated by PHC4 Executive Director Marc P. Volavka, the workshops consisted of several panelists representing business, labor and community-wide coalitions who described how they use PHC4's health care data in efforts to restrain costs and improve quality. Panelists included:

- Clifton W. Shannon, President, SMC Business Councils and Chairman, Buying Value Committee, Pittsburgh Regional Healthcare Initiative;
- Dennis Sarnowski, Administrator, Laborers Combined Fund of Western Pennsylvania; and
- Catherine A. Gallagher, President, Lehigh Valley Business Conference on Healthcare.

Mr. Volavka highlighted PHC4's ongoing relationship with business and labor, and credited them for encouraging Pennsylvania legislators to establish the agency in the 1980's. He also noted that collaborative efforts across Pennsylvania are using PHC4 data to make more informed decisions about health care purchasing.



*PHC4 presents a workshop at the 2001 Labor Management Conference. Shown left to right: Dennis Sarnowski, Administrator, Laborers Combined Fund of Western Pennsylvania; Catherine A. Gallagher, President, Lehigh Valley Business Conference on Healthcare; Clifton W. Shannon, President, SMC Business Councils; and Marc P. Volavka, Executive Director, PHC4.*

## Hospitals Using Data to Improve Quality

Under Act 89, health care providers are required to supply hospital charge and treatment information as well as other financial data to PHC4 on a quarterly basis. However, many hospitals do not stop there. Throughout Pennsylvania, there are numerous hospitals that go above and beyond the call of duty when it comes to PHC4. Not only do these hospitals use PHC4's data to focus on their own quality and cost objectives, but they also help to communicate the mission of the Council and educate their constituents and their communities about the importance of PHC4.

### *Gnaden Huetten Memorial Hospital*

Gnaden Huetten Memorial Hospital is a not-for-profit, full service medical facility located in Lehighton, Pennsylvania. Established as a memorial after World War II in tribute to those Carbon County residents who lost their lives in the service of their country, Gnaden Huetten has been serving the residents of Carbon County and its surrounding communities for 51 years.



The name Gnaden Huetten was chosen because of its historical significance to the area. In 1746, Moravian settlers established a mission in the vicinity of what is today Lehighton, Pennsylvania to serve as an agricultural and religious school for the native Delaware Indians. The Moravian named their mission *gnadenhuetten*, which means "huts of mercy." Just like the *gnadenhuetten* of the 1700's, Gnaden Huetten Memorial Hospital stands ready to serve Lehighton and surrounding areas - people helping people. Today the spirit of a community hospital and expanded concept of people helping people to restore, maintain and promote good health remains a hallmark of Gnaden Huetten.

During its 51-year history, not only has Gnaden Huetten contributed to many "firsts" in the country, but its services have increased dramatically. Presently, the hospital consists of 111 beds, including Behavioral Health, Acute Rehabilitation and Pediatrics, and there is a Skilled Nursing and Recovery Facility as well as a Home Health Care Agency. Furthermore, record levels were reached at the end of the 2001 fiscal year with annual admissions totaling 4,342, as well as 14,444 Home Health visits and 17,796 Emergency Room visits.

In its efforts to continue providing first-class care, Gnaden Huetten is especially focused on quality improvement and cost containment. Robert J. Clark, FACHE, President and CEO of Gnaden Huetten Memorial Hospital, strongly supports and endorses the concept that as a small community hospital with limited resources, it is extremely beneficial to focus comparative analysis and opportunities for improvement on PHC4 data – data that is uniform throughout the Commonwealth.

At Gnaden Huetten, all clinical record analysis, abstraction, entry and retrieval of data is completed by the Quality Management Department. Furthermore, a Continuous Quality Improvement (CQI) Task Force with representatives from Information Services, Finance, Admissions, Medical Records and Quality Management was formed and meets regularly to identify probable causes of data submission errors and to improve processes, through a collaborative effort, to reduce the error rate to less than 1%. Quarterly reports from PHC4 reflecting both inpatient and ambulatory services have served as a stimulus for this team to identify strengths and weaknesses and to continue to provide opportunities for non-clinical services to assess and improve their processes.

As a result of its endeavors, Gnaden Huetten has identified several areas for both clinical and financial improvement including:

- improved physician documentation;
- timeliness of case management interventions;
- development/revision of clinical pathways;
- decreased lengths of stay;
- improved documentation compliance for nursing and ancillary services; and
- reduction of duplicate and/or inappropriate patient testing.

Gnaden Huetten also integrates PHC4 data in JCAHO's ORYX as well as with KePRO initiatives as part of its continuous improvement for quality care, and has even created a storyboard for use in presentations that reflects the integration of PHC4 data into its CQI process.

At Gnaden Huetten Memorial Hospital, people helping people to restore, maintain and promote good health is based on quality improvement initiatives, of which PHC4 data is an integral component.



*Gnaden Huetten Memorial Hospital designed a storyboard using PHC4 data to reflect their CQI process. Shown left to right: Robert J. Clark, FACHE, President and CEO and Joan Hanosek, Director of Quality Management, Gnaden Huetten Memorial Hospital; and Marc P. Volavka, Executive Director, PHC4.*

## *Sewickley Valley Hospital*

Sewickley Valley Hospital, a progressive community-based hospital located in Sewickley, Pennsylvania, has been serving the communities of Southwestern Pennsylvania for 95 years. Founded in 1907, Sewickley Valley Hospital, a 208-bed facility, joined with The Medical Center, Beaver and four physician



groups in 1996 to form Heritage Valley Health System. The health system has more than 500 physicians and nearly 4,000 employees, and offers a broad range of medical, surgical and diagnostic services at its hospitals, community satellite facilities, in patients' homes and in physician offices.

The mission of Sewickley Valley Hospital is to improve the health and well-being of all people in the communities it serves. Under the direction of Norman Mitry, President and CEO of Heritage Valley Health System, and Marie Zanotti, Chief Operating Officer and Executive Director of Sewickley Valley Hospital, the hospital, as well as the entire health system, strives to be the health care system of choice. The staff members pride themselves on living the hospital's virtues of competence, responsibility, compassion, collaboration and ethical behavior.

In 1984, two years before PHC4 was created, the physicians of Sewickley Valley Hospital were already beginning to focus on clinical information management systems and data analysis as a way to concentrate on quality improvement and cost containment. The hospital began searching for a severity scoring system that would not only help them to improve their quality improvement measures, but that would also adjust for risk factors – a key component in viable data analysis. After many company site visits and months of comparisons, the physicians at Sewickley Valley decided to acquire MediQual's® *Atlas Outcomes*®, then known as MedisGroups®.

Consequently, when PHC4 was created in 1986, and all hospitals were required under the Council's enabling legislation to use MediQual's® severity scoring system for submitting data, Sewickley Valley Hospital already had a head start. Since that time, Sewickley Valley has found that using the *Atlas Outcomes*® and working with PHC4's data has not only improved performance, but it has also saved time, which ultimately saves the hospital money. Furthermore, the *Atlas Outcomes*® has been, and continues to be, recognized by public organizations and employer groups for its value. Thus, by using the system, the hospital, with the help of PHC4 data, is able to educate the public about its efforts.

At Sewickley Valley Hospital, PHC4 data is an important aspect of improving the quality of care and reaching its vision of becoming the health system of choice. The hospital continually strives for the highest performance possible and uses PHC4 data to accomplish that goal. By focusing on PHC4's reports regarding clinical measures and administrative figures such as the *Hospital Performance Report* and the yearly *Financial Analysis*, Sewickley Valley is able to review its performance and costs from a different approach. Additionally, because many factors outside the scope of the hospital itself affect what happens inside the hospital, Sewickley Valley makes it a point to review all data that PHC4 publishes such as the *Measuring the Quality of Commercial HMOs* report.

In 2001, Sewickley Valley was one of 16 health care facilities in the state that received a Certificate of Excellence from PHC4. Those hospitals that received Certificates of Excellence met the data submission and accuracy requirements for all four quarters of the previous year, ranked in the lowest 25<sup>th</sup> percentile for initial submission error rates, and did not need any time extensions. Receiving a Certificate of Excellence in 2001 was quite an accomplishment and truly demonstrates Sewickley Valley's hard work and dedication to continuous quality improvement and to the mission of PHC4.

With the expansion of PHC4's reports and the broadening of data that is available, the hospital is able to pick and choose different aspects to focus upon throughout the year, so that they may work towards perfection in multiple areas. Furthermore, Sewickley Valley also integrates PHC4 data with many other datasets that are available. By incorporating VHA data, KePRO initiatives and HAP information with PHC4's reports, Sewickley Valley is able to compare and contrast information to

further identify areas for improvement.



*Heritage Valley Health System, which includes Sewickley Valley Hospital, receives Certificates of Excellence. Shown left to right: Richard C. Dreyfuss, Council Vice-Chair; Marc P. Volavka, PHC4 Executive Director; Donna Doughty, Heritage Valley Systems Supervisor, Atlas Outcomes® Database; Shirley Friend, Director, Heritage Valley Health System Organizational Performance Team Support Services; and Robert S. Zimmerman, Jr., Pennsylvania Secretary of Health.*

Sewickley Valley Hospital is using PHC4 data to reach its mission of improving the health and well-being of all people in the communities it serves and with continued use, will fulfill its vision of becoming the health care system of choice – one of quality and continuing improvement.

# Policy and Legislative Affairs



Since the creation of PHC4 in 1986, government leaders have relied on PHC4 to provide accurate and objective health care information. In an effort to maximize state government resources, PHC4 works with many other government agencies by collaborating on projects, reviewing legislation and accepting the challenges to contain costs and improve quality as one collective unit. 2001 was an active year for PHC4. In addition to working with other state agencies, participating in national initiatives and responding to a number of data requests from legislators, representatives of PHC4 participated in meetings concerning the disbursement of tobacco settlement funds and provided analysis about hospitalizations for tobacco-related illness.



## *Tobacco Settlement and Uncompensated Care*

As a result of the national tobacco settlement, Pennsylvania is slated to receive a total of more than \$11.2 billion throughout the next 25 years. Based on former Governor Tom Ridge's recommendation that all funds be used for health care-related items, the General Assembly approved Act 77 in June 2001, which gave PHC4 a significant role regarding the tobacco settlement funds.

Under Act 77, also known as the Tobacco Settlement Act, two programs were established to provide funding to hospitals throughout the Commonwealth: the Hospital Uncompensated Care Program and the Hospital Extraordinary Expense Program. The Uncompensated Care Program reimburses hospitals for the cost of providing care to individuals without health insurance or with an inability to pay. The Extraordinary Expense Program provides funding to hospitals for extraordinary expenses incurred when treating persons without health insurance, such as a high-cost trauma patient.

As required by the Act, PHC4 has been charged with the responsibility of working with the Department of Public Welfare (DPW) to provide the data necessary to calculate reimbursement payments to qualified hospitals. PHC4 must now collect, on an annual basis, the additional hospital data needed to compute the individual hospital uncompensated care rates. Furthermore, PHC4 must also review, edit and verify the data for accuracy, as well as calculate an "uncompensated care cost" for each hospital.

An Advisory Committee was also established under Act 77 for the purpose of assisting the DPW and PHC4 with their tasks. The *Tobacco Settlement Committee* works to improve accuracy, consistency and timeliness of the information collected, reviews components of bad debt and charity care as reported by hospitals, and determines payments to hospitals under both the Hospital Uncompensated Care Program and the Hospital Extraordinary Expense Program. Marc P. Volavka, Executive Director of PHC4, and Ken Villwock, Senior Financial Analyst for PHC4, both have the honor of serving on this eight-member committee.

PHC4 is pleased to be working with the Department of Public Welfare and the many other agencies and organizations involved with this important legislation. The Council's involvement will ensure that the data collected from hospitals is timely and accurate and that hospitals across the Commonwealth are compensated in a fair and objective manner.



"PHC4's rich database has been of great value to policy makers as Pennsylvania grapples with the application of tobacco settlement monies to the problem of uncompensated care by hospitals."

**Feather O. Houstoun,**  
Pennsylvania Secretary of  
Public Welfare

## *Mandated Benefits*

As part of PHC4's enabling legislation, the Council is required to review and make recommendations about legislative proposals that mandate coverage of certain health insurance benefits to determine fiscal impact. Such reviews are performed when requested by the Secretary of Health or appropriate committee chairmen in the Pennsylvania Senate or House of Representatives. To develop its analysis on a legislative proposal, PHC4 collects and reviews information submitted both by proponents and opponents. After reviewing the documentation, PHC4 prepares a preliminary cost benefit analysis, determines whether further review is needed, and provides a recommendation to the legislature.

Since the beginning of the 2001-2002 legislative session, approximately 30 bills have been introduced that would require health insurance companies to provide coverage for certain health insurance benefits. PHC4 was asked to review two of those bills in 2001.

### *Senate Bill 779: Prostate Specific Antigen (PSA) Tests*

In June 2001, PHC4 was asked to review Senate Bill 779 at the request of Senator Edwin G. Holl, Chairperson of the Senate Banking and Insurance Committee. Sponsored by Senator Michael O'Pake, Senate Bill 779 would require all group and individual health insurance policies to provide coverage for all costs associated with an annual prostate specific antigen (PSA) test for men age 50 and older and for men under age 50 upon a physician's recommendation.

The review of Senate Bill 779 was completed by PHC4 in January 2002.

### *Senate Bill 636: Colorectal Cancer Screening*

In October 2001, PHC4 was asked to review Senate Bill 636 at the request of Senator Edwin G. Holl. Senate Bill 636, which was sponsored by Senator Allyson Schwartz, would require all group and individual health insurance policies to provide coverage for colorectal cancer screening examinations for nonsymptomatic individuals age 50 and over. In addition, policies would be required to provide colorectal cancer screening coverage for individuals less than 50 years of age who are at high risk of colorectal cancer.

A preliminary review of Senate Bill 636 is expected from PHC4 in Spring 2002.



"When legislators propose a new mandated health insurance benefit, we can trust PHC4 to deliver accurate and objective reports about the cost and quality impacts of these proposals."

Mary Ellen McMillen, Vice President, Legislative Policy, Independence Blue Cross

# Data and Technology



**A**s part of the Council's mission to collect, analyze and make available to the public data about the cost and quality of health care in Pennsylvania, PHC4 collects and processes more than 3.6 million records every year from all hospitals and freestanding ambulatory surgery centers in Pennsylvania - a number that continues to grow. PHC4 has enhanced its services by incorporating technological advances into its data collection, analysis and dissemination processes.

## Data Collection

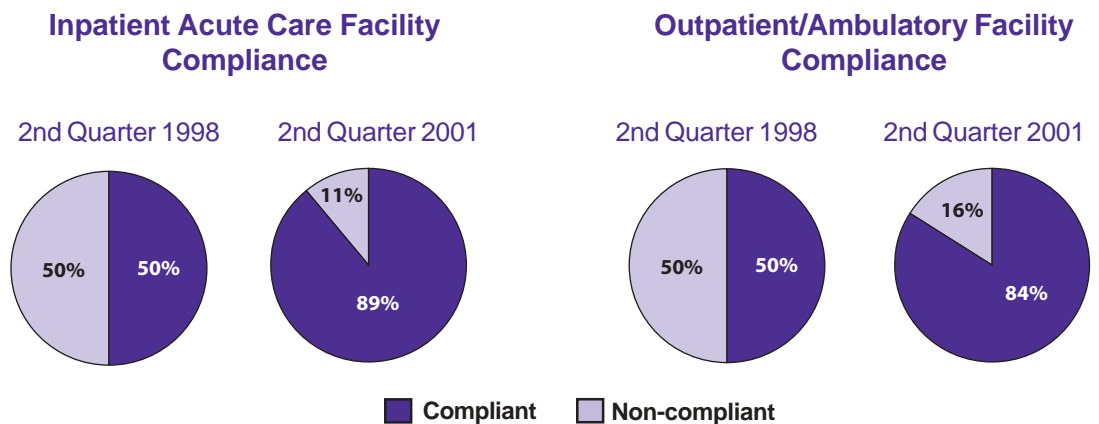
PHC4 continues to cultivate strong, customer-focused relationships with hospitals and freestanding ambulatory surgery centers throughout the Commonwealth. This approach has led to great strides in collecting and processing timely and accurate data. Three short years ago, PHC4 was last in terms of timely, accurate collection and processing of data compared to similar agencies in other states. Now, PHC4's efforts are considered the gold standard by which others are measured.

### *Timeliness and Quality of Data*

In 2001, the total number of facilities in Pennsylvania increased to 334 - up from 302 in 1998. Even with this increase and the many other changes that took place, PHC4 was able to improve upon its data collection processes. Timeliness, as measured by the compliance rate, increased for the third year in a row, and in fact, has almost doubled since 1998. Furthermore, turnaround time, the amount of time that it takes PHC4 to process the data, decreased from 27 weeks to just 10 weeks - a remarkable achievement in such a short amount of time.

Data quality also improved in 2001, with the average final error rate decreasing to approximately 3% for inpatient submissions and 5% for ambulatory/outpatient submissions. Even more impressive is that, on average, 10% of Pennsylvania's facilities achieve a zero percent final error rate each quarter. With average final error rates falling well below the standard of 25% necessary to be compliant, PHC4 decided to implement a new data quality standard in 2001: the standard necessary to be compliant was lowered to 20%.

Also new in 2001 is that the percentage of clinical severity information required from acute care inpatient facilities increased to 98% - up from 88% in 1998. PHC4 is currently the only agency of its kind in the country that routinely collects clinical severity information abstracted from actual medical records. These and other improvements have largely been accomplished through regular correspondence between PHC4 and health care facilities during all phases of the data submission process.



### *Electronic Submission of Data*

More than half of the 334 facilities throughout the state submitted their data electronically last year. This is a vast improvement from just three years ago when only a handful of facilities submitted their data electronically. In 2002, PHC4 is moving toward a Web-based submission process that should result in even more efficiency for the agency and for facilities around the state.

### *Payor Coding Initiative*

Many purchasers of PHC4 data such as hospitals, insurers and government agencies are requesting detailed payor information. The payor coding initiative, which took effect on January 1, 2000, standardized the two-digit payor and NAIC codes that all facilities must submit, allowing for a more accurate identification of the entity paying each claim and a more detailed analysis by payor, product type and line of business.

### *Compliance Reports*

PHC4 publishes Quarterly Compliance Reports for Pennsylvania hospitals and ambulatory surgical facilities that list each facility's compliance status and any reasons for deficiency. These reports are sent to all facility CEOs and are published on PHC4's Web site. Additionally, a section is included that recognizes those facilities with the overall lowest error rates. These reports have clearly helped drive improvements in the quality, accuracy and timeliness of data.

### *Market Share Reports*

The standard Market Share Report, which provides hospitals and the public with utilization data for the 67 Pennsylvania counties, was created as an incentive for timely and accurate hospital data submission. Included in each analysis are those facilities that adhered to reporting guidelines and deadlines. Because of advances such as the payor coding initiative, the report now provides the number of cases for the top 7 hospitals by volume for each county, by DRG and by payor (two reports per county). The reports, which are now on CD, are mailed to compliant hospitals within several weeks of PHC4's required data submission date, and after a period of 45 days, they become available to the public for purchase.

### *HIPAA*

Although PHC4 is *not* a covered entity under HIPAA, the Health Insurance Portability and Accountability Act of 1996, PHC4 meets and exceeds all relevant privacy and proposed security standards under the Act. Furthermore, the Council created an inter-department workgroup to focus on the issues and address the concerns surrounding HIPAA.



"The cooperation and hard work by Pennsylvania's hospitals has helped make PHC4 a leader in developing a comprehensive health care database."

Marc D. Edelman, Vice President, Crozer-Chester Medical Center

## Hospital Awards

In 2001, PHC4 awarded Certificates of Excellence to 16 health care facilities for their superior achievement in data submission in Calendar Year 2000. The certificates were presented by PHC4 Executive Director Marc P. Volavka, Council Vice-Chairman Richard C. Dreyfuss and Pennsylvania Secretary of Health Robert S. Zimmerman, Jr. following the Council's regular meeting on July 12th.



*Sunbury Community Hospital receives Certificates of Excellence. Shown left to right: Marc P. Volavka, PHC4 Executive Director; Diane Klick, Sunbury Community Hospital; Richard C. Dreyfuss, Council Vice-Chair; Linda Long, James Younkin, Mary Ann Yonkoskie, and Nicholas A. Prisco, Sunbury Community Hospital; and Robert S. Zimmerman, Jr., Pennsylvania Secretary of Health.*

Each year, PHC4 collects approxi-

mately 2 million inpatient and 1.6 million outpatient hospital and ambulatory facility records. The agency verifies, analyzes and publishes information based on these records to help those who purchase, utilize and provide health care and who make other types of decisions about hospitals, physicians and health insurance plans in Pennsylvania. PHC4 has achieved national and international acclaim for its unique activities. None of that would be possible without the hard work of the staff at the 334 facilities charged with the submission responsibilities for this massive undertaking.

Each year, PHC4 acknowledges those health care facilities that minimally meet the legally established guidelines for accurate and timely data submission under state law. An award may be received for inpatient data, outpatient data or both. Of the 16 health care facilities recognized by PHC4, only Bradford Regional Medical Center, Sunbury Community Hospital and Gettysburg Hospital were recognized for both their inpatient and ambulatory/outpatient data submission activities.

Those receiving **Certificates of Excellence** (the highest award) met the data submission and accuracy requirements for all four quarters of Calendar Year 2000, ranked in the lowest 25th percentile for initial submission error rates, and did not need any time extensions.

**Certificates of Achievement** were sent to 169 facilities that maintained an error ratio of less than 25% and submitted records within 90 days after the close of the previous calendar quarter.

### Certificate of Excellence Recipients

Allegheny General Hospital  
Bradford Regional Medical Center\*  
Children's Home of Pittsburgh  
Clearfield Hospital  
Digestive Disease Institute  
Divine Providence Hospital  
Forbes Regional Hospital  
Gettysburg Hospital\*  
Lewistown Hospital  
Medical Center, Beaver, PA  
St. Francis Medical Center  
Sewickley Valley Hospital  
Somerset Hospital Center for Health  
Sunbury Community Hospital\*  
SurgiCenter at Ligonier  
Temple East/Neumann Division

*\*Received awards for both inpatient and ambulatory/outpatient data submission.*

## Technology and Information

Information technology plays a vital role in every aspect of the Council's work from supporting the high-speed database to instituting Web-based communications. 2001 was a year that PHC4 strived to expand upon communications through Web technology and internet access, and worked to improve the collection of data via the Web.

### Reaching the Public

Although PHC4 continues to use traditional means of communications for distributing its reports, the PHC4 Web site, [www.phc4.org](http://www.phc4.org), has become one of the Council's most valuable mediums for disseminating information to the public. PHC4's site is a comprehensive reference source for:

- access to reports, press releases, technical notes and third party comments;
- interactive databases for creating specialized reports;
- mandated benefits information;
- information on Special Requests;
- an overview of the agency and its function;
- links to numerous health care sites; and
- the latest PHC4 news and events.

In 2001, there was a 30% increase in the number of "hits" (the number of times people visit the site) to PHC4's Web site. This is a direct sign that an increasing number of people, businesses and organizations are using the Web site to access PHC4 data and that more of PHC4's data is reaching the public.

### Interactive Databases

While PHC4 prides itself on its printed reports, the Council has made significantly more data available online in the form of interactive databases. In 2001, PHC4 not only increased the number of interactive databases available, but the agency also expanded upon the capabilities of the interactive databases, adding several additional datasets and offering new and exciting options. Now, through PHC4's Web site, purchasers, policy makers, health care providers, insurers and consumers can

access more data, create custom reports for their own needs, trend data over multiple years, and in some cases, can even download the data for further analysis. The interactive databases available at [www.phc4.org](http://www.phc4.org) include:

- *Hospital Performance Report*;
- *Financial Analysis 2000, Volume 1*;
- *C-Section Deliveries in Pennsylvania, 1999*; and
- *County Inpatient Records*.



"Having the technology available to allow purchasers, consumers, providers, insurers and policy makers to view PHC4 data over the internet has moved the Council into the future. PHC4 has dedicated itself to the utility of the data and through its Web site, has provided the public with easy access to its reports and to other tools necessary to make informed decisions."

**Bernard K. Murray,**  
Assistant to the  
President, Pennsylvania  
Federation of Teachers  
(retired) and Chair, Data  
Systems Committee

## Special Requests

Aside from the public agency reporting process, data users can gain access to PHC4's rich database and thus to substantial amounts of data through the "Special Requests" process. Since PHC4's creation, government agencies, commercial vendors, noncommercial institutions and researchers have taken advantage of this valuable resource that PHC4 offers. Special Request clients include hospitals, government agencies, consultants, commercial vendors, researchers and purchasers.

Through the Special Requests process, PHC4 creates standard or custom reports based on user needs, which are then sold. There are more than 80 data fields available, some examples of which include Diagnosis Related Groups (DRGs) and Major Diagnostic Categories (MDCs) from PHC4's inpatient database; admission sources and types; diagnosis and procedure codes; and discharge status. Utilization data such as lengths of stay, hospital charges and aggregate financial and patient origin information are also available in both inpatient and ambulatory databases.

### Examples of Government Projects Using PHC4 Data

#### PA Department of Aging/PACE

- *Medication Safety Project*
- *Prescribing Practices Project*

#### PA Department of Health

- State Health Improvement Plan (SHIP)
- *Crash Outcome Data Evaluation System (CODES)*

#### PA Department of Public Welfare

- Tobacco settlement legislation

#### PA Department of the Auditor General

- Research on surgical treatment of breast cancer

#### PA Office of the Attorney General

- Study of the effects of the merger between the University of Pittsburgh Medical Center and Children's Hospital

#### Joint State Government Commission

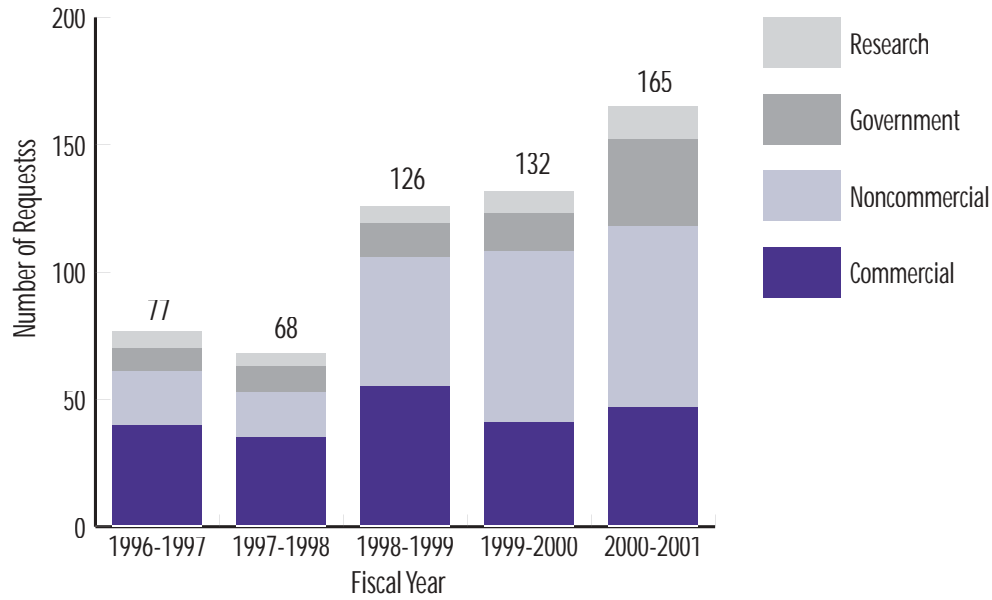
- Analysis of stroke prevention

In Fiscal Year 2001 (FY01), the Special Requests division of PHC4 completed a record number of requests, generating 165 standard and custom reports for a variety of uses. This represents a 25% increase from Fiscal Year 2000 (FY00) to FY01 and a 114% increase since Fiscal Year 1997 (FY97). Furthermore, requests from other Pennsylvania government agencies increased by 126% from FY00 to FY01, and by over 277% since FY97. Some of the government agencies that requested PHC4 data in 2001 included: Pennsylvania Department of Public Welfare; Pennsylvania Department of Aging; Pennsylvania Department of the Auditor General; and Pennsylvania Office of the Attorney General.

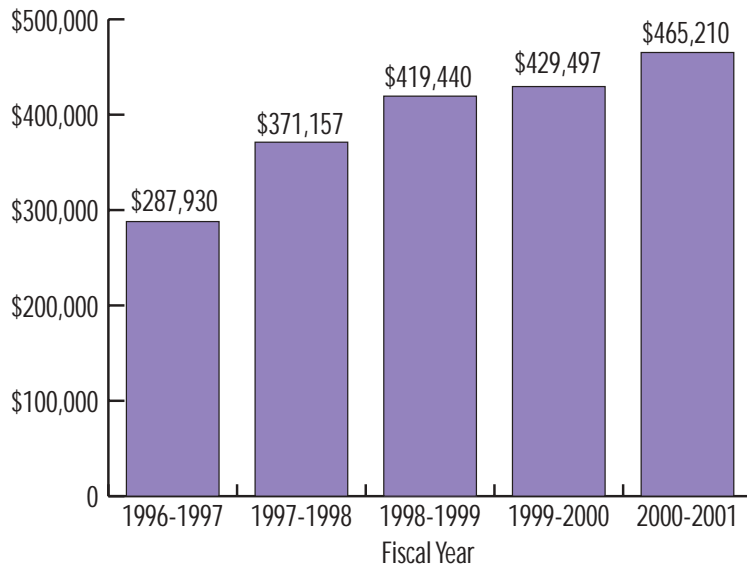
Another significant accomplishment is that Special Requests generated a record amount of revenue in FY01: \$465,210. Furthermore, over the past five years, revenue has increased by an impressive 62%. While commercial and noncommercial vendors as well as researchers pay a fee for the data they receive, government agencies receive their data free-of-charge.



### Special Requests by Type



### Special Requests Revenue



## 2000-2001 Independent Audit

The fieldwork for the 2000-2001 Independent Audit was performed in October 2001 by the auditing firm McGill, Power, Bell and Associates.

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Pennsylvania Health Care Cost Containment Council  
Harrisburg, Pennsylvania

We have audited in accordance with auditing standards generally accepted in the United States of America, the statement of financial position of the Pennsylvania Health Care Cost Containment Council as of June 30, 2001, and the related statements of revenues, expenditures, and changes in fund balance, and in our report dated November 6, 2001, we expressed an unqualified opinion on those financial statements.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

McGill, Power, Bell & Associates, LLP



Grove City, Pennsylvania  
January 31, 2002

## ***2001 Publications***

### ***Hospital Performance Report 2000: 22 Common Medical Procedures and Treatments***

*Western Pennsylvania*

*Central and Northeastern Pennsylvania*

*Southeastern Pennsylvania*

### ***Financial Analysis 2000***

*Volume One – General Acute Care Hospitals*

*Volume Two – Non-General Acute Care Facilities*

### ***Choosing a Medicare HMO - A Guide for Older Pennsylvanians***

*Western Pennsylvania*

*Central and Northeastern Pennsylvania*

*Southeastern Pennsylvania*

### ***Measuring the Quality of Pennsylvania's Commercial HMOs: A Managed Care Performance Report***

### ***C-Section Deliveries in Pennsylvania, 1999***

### ***Hospital Readmissions Following Coronary Artery Bypass Graft (CABG) Surgery***

### ***PHC4 FYI***

*August 2001: The Blue "Divorce" – Good For You???*

*September 2001: Another Look at Hospital Finances*

*November 2001: Health Care for Retirees*

*December 2001: Employee Health Promotion Programs Can Help Contain Costs*

### ***Quarterly Compliance Report for Pennsylvania Hospitals and Ambulatory Surgical Facilities***

### ***Inpatient Market Share Reports***

### ***Ambulatory/Outpatient Market Share Reports***

### ***PHC4 Bulletins***

*These reports and additional information are available on  
PHC4's Web site at [www.phc4.org](http://www.phc4.org).*

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