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PHC4 – 16 Years of Results

Sixteen years ago, the Pennsylvania General Assembly created a new independent state agency to address the issue of double digit increases in health care costs. To ensure that high quality health care was not sacrificed in the interest of cost containment, the state's legislators built in requirements that would not only protect the quality of care Pennsylvanians received, but help to improve it.

This unique entity, the Pennsylvania Health Care Cost Containment Council (PHC4), was empowered to collect, analyze and distribute publicly comparative cost and quality health care data about hospitals, physicians and health insurance plans. The goal was that group purchasers of health care benefits, such as businesses or labor union health and welfare funds, as well as consumers, health care providers, policy makers, and insurers would use the information and thereby increase competition in the marketplace, leading to quality improvements and cost-effective results.

Key to this approach is the use of a severity-adjustment system that allows PHC4 to evaluate hospitals, physicians and health plans fairly by taking differences in patient risk factors and illness levels into account. That way, those treating a higher percentage of very sick patients and/or very complex cases are not penalized.

There isn't another state agency anywhere in the United States that combines all the strengths of PHC4. But the key questions for any organization are these: Who is using the data? Do we make a difference? Do we add value? Please read on.

Let's start with the data itself. PHC4 collects about 2 million inpatient hospital discharge records, and about

1.8 million outpatient procedure records each year, as well as a great deal of hospital financial data. These records form the basis for PHC4's public reporting activities, and for the many special data requests ordered each year by hospitals, insurers, consultants, purchasers, researchers and consumers.

Since its inception, PHC4 has released groundbreaking and internationally renowned reports on hospital performance across numerous treatment categories, heart bypass surgery including physician-specific results, and the quality of services provided by Pennsylvania's HMOs. Hundreds of thousands of these free reports have been disseminated to employers, employees, consumers, insurers, hospitals, physicians, and policy makers.

PHC4 has produced more than 500 customized reports for researchers and others. State legislators have requested reports on topics such as hospital admissions for gunshot wounds, motor vehicle crashes, lengths of stay for maternity admissions, gynecological procedures and prostate procedures, among others.

HOW ARE THESE REPORTS AND DATA HELPFUL?

The Lehigh Valley Business Conference on Health Care has used PHC4's hospital performance data to identify high quality, cost efficient providers. Lehigh Valley companies like Mack Truck and Air Products and Chemicals Inc. have distributed thousands of heart bypass reports to their employees. The Pittsburgh Regional Healthcare Initiative - which includes large and small-business health care purchasers such as PPG, PNC Financial Services Group, Mellon Financial Corp., U.S.

Over please

Steel, and Bayer, dozens of corporate and civic leaders, hospitals, and insurers - has used special PHC4 reports on cardiac care, c-sections, diabetes, orthopedic surgery and depression to drive massive quality improvement efforts in Southwest Pennsylvania. Hershey Foods Corporation used PHC4 data to create a network of high quality health care providers for their employees to use, as did the Laborers' District Council of Western Pennsylvania Welfare Fund.

Older Pennsylvanians now have access to helpful information about choosing a Medicare Managed Care Plan, a joint project of PHC4 and the PA Department of Aging. Mothers-to-be have access to several years of information about c-section rates at every maternity hospital in the Commonwealth, published by PHC4 in cooperation with the Pennsylvania Department of Health. All PHC4 public reports are available online, many in an interactive format that allows users to essentially create their own reports, based on their needs. More than 100,000 users have downloaded PHC4's HMO report directly from the Internet (www.phc4.org) and another 13,000 have downloaded PHC4's Coronary Artery Bypass Report since the reports were released last summer.

Now, Independence Blue Cross is planning to reward quality outcomes. The company has stated publicly that high quality care is less expensive care and patients come out of the hospital with better results. They add that they want to use indicators that are fairly well accepted. Among their sources are statistics gathered by PHC4.

In addition to these reports, PHC4 reviews proposed health benefit mandates upon request from appropriate political leaders. These independent cost-benefit analyses provide a valuable service to our state's political leaders in making difficult decisions regarding health insurance benefits.

The Council's reports continue to be utilized extensively by the hospital community in areas ranging from internal benchmarking and process improvement to specialized clinical research.

HAS THE QUALITY OF CARE IMPROVED?

Public reporting about heart bypass surgery began in 1992 (PA was one of the first to report physician performance data) and continued every year through 1995. During that time, patient mortality rates for this proce-

dures dropped 22%. After a brief hiatus, PHC4 recently published a new heart bypass report. Mortality rates dropped again, this time 13% from 1995 to 2000. In addition, lengths of stay dropped more than 12% - another good sign. Plans are progressing for a second physician-specific report, this one on orthopedic surgery. No other state has done that.

PHC4 has measured the effectiveness of public reporting in its *Hospital Performance Report*. In 1999, PHC4 found that mortality rates had dropped in 11 of the 15 key medical categories from the year before, and that the amount of time patients stayed in the hospital decreased as well.

In PHC4's recent HMO reports, Pennsylvania's HMOs outperformed their national counterparts in all prevention and primary care-related categories, and the HMOs' ratings also improved each year. Additionally, Pennsylvanians continue to be more satisfied with the services of their HMOs than do those persons belonging to HMOs elsewhere. One groundbreaking finding noted a significant correlation between well-run HMO disease management programs and lower rates of hospitalization for HMO members.

WHAT ABOUT COST?

According to the Legislative Budget and Finance Committee, PHC4's mandated benefit reviews saved \$30 million in health insurance costs from its inception until 1992. With the many reviews done since then, the estimated additional cost savings have been in the tens of millions of dollars.

Some years ago, St. Vincent's Medical Center in Erie, PA announced cardiac care price cuts of \$5 million annually in response to PHC4's *Hospital Effectiveness Reports* (the precursor to today's *Hospital Performance Reports*). Other facilities have made similar statements over the years.

PHC4's heart bypass reports showed that from 1992 to 1995, average hospital charges dropped 4%. This corresponds with the time period during which this information was publicly reported.

OTHER RESEARCH RESULTS

A recent nationally recognized study in the *Journal of the American Medical Association* connecting hospital

nursing shortages with quality of care issues was based in part on PHC4 data.

A study by Dr. David B. Nash, Thomas Jefferson University Hospital, and Dr. Marvin Bentley, Pennsylvania State University, showed that PHC4's heart bypass data was used extensively in Pennsylvania hospitals for a variety of purposes including quality improvement, long-term planning and physician recruitment.

Other studies by Dr. David B. Nash and Dr. Ira S. Nash, et al., using PHC4 data showed that cardiologists had the best results in treating heart patients, and that volume of cases treated was important. A different PHC4-based study by Dr. Paul Casale, a Lancaster-based cardiologist, found similar results.

A study by Clark University researchers found that in Pennsylvania, hospitals with lower mortality rates also had lower average charges and lengths of stay.

Researchers at the University of Pittsburgh and Carnegie Mellon University looked at the impact of PHC4's early *Hospital Effectiveness Reports* and found that hospitals with good public ratings (low mortality rates and lengths of stay) tended to increase market share and those with poor ratings lost market share.

A survey of Pennsylvania heart bypass patients by the federal General Accounting Office found that people are aware of public reports about hospitals and physicians, and want to use the information.

WHAT OTHERS ARE SAYING ABOUT THE COUNCIL

"In order to improve the health care system, we have to change the behaviors and perceptions of patients, purchasers. There is no better way to get people to change their behaviors - their health care buying habits - than to give them precise information about costs and results. PHC4 does just that." - Floyd Warner, President, Pennsylvania Chamber of Business and Industry.

"By collecting valuable data on health care costs and quality, PHC4 has increased public scrutiny of the health care system. Their work is indispensable." - Bill George,

President, Pennsylvania AFL-CIO.

"...PHC4 has become a nationally recognized leader in outcomes research, analysis, and reporting... (with) groundbreaking work on CABG, AMI, and readmissions ... PHC4's data, analysis, and public reporting have been used by physician leaders throughout the Commonwealth to improve the delivery of health care. " - Roger Mecum, Executive Vice President, Pennsylvania Medical Society.

The heart bypass report "appears to be taken seriously by hospitals and purchasers." Several hospitals have publicly commented that the information encourages them to examine their care processes and make quality improvements. - *Physicians News Digest*, June 2002. (<http://www.physiciansnews.com/cover/602.html>)

"Patients will need all the information they can get, through sources like the Pennsylvania Health Care Cost Containment Council, to help them in this brave new world (of market-driven health care)." *Pittsburgh Post-Gazette*.

"The independent Health Care Cost Containment Council" findings earned "a serious response." - *The Philadelphia Inquirer*, in an editorial about a respected local medical center's sub-par performance.

"Due to the Council, Pennsylvanians can get far more information about their hospitals than can most Americans." - *The Wall Street Journal*.

"When it comes to choosing a heart surgeon, Pennsylvania is on the cutting edge in helping consumers pick the right one." - Dan Rather, *The CBS Evening News with Dan Rather*.

IN SUMMARY

PHC4 fosters competition in the health care market through the collection, analysis and dissemination of data regarding cost and quality. PHC4's successes demonstrate that public reporting of health care data works - for purchasers of care, hospital and health system executives, insurers, policy makers, and consumers in Pennsylvania!

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