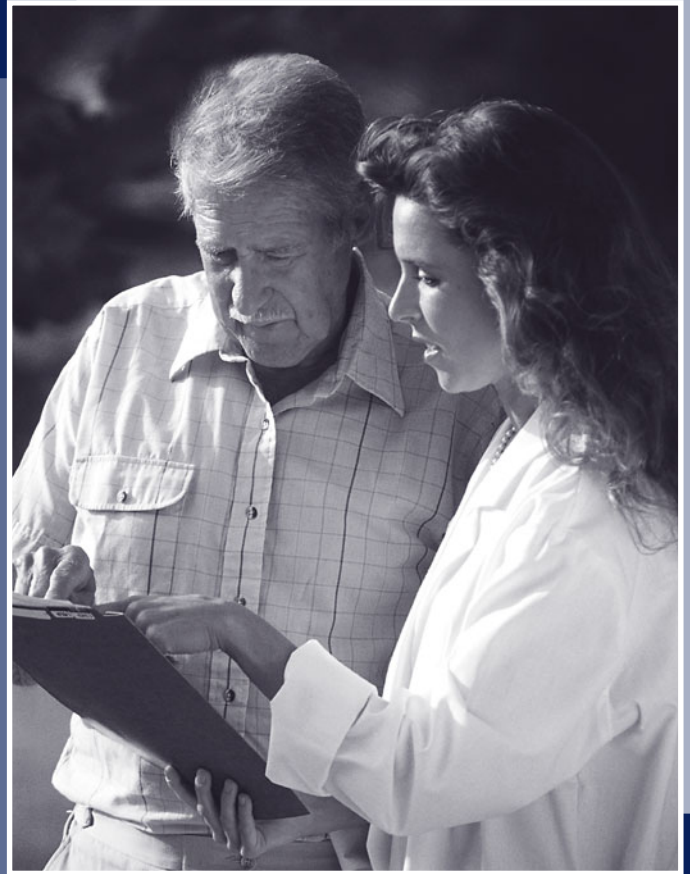


Empowering Pennsylvanians

For Efficient, Effective Health Care



PHC4

Pennsylvania Health Care Cost Containment Council
2002 ANNUAL REPORT

The 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 3.7 million records are submitted each year from hospitals and freestanding ambulatory surgery centers in Pennsylvania - a number that continues to grow.

PHC4 2002 Annual Report

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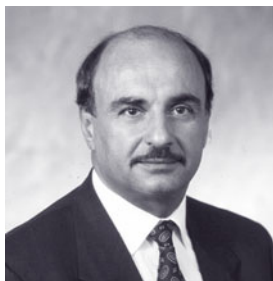
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A Joint Message From the Pennsylvania Chamber of Business and Industry and the Pennsylvania AFL-CIO

In these times of double-digit health care cost increases and escalating concerns about patient safety and quality of care, people need all of the information that they can get to make informed health care decisions. The Pennsylvania Health Care Cost Containment Council (PHC4) is empowering Pennsylvanians by providing them with this information. Over the past 17 years, PHC4 has provided business and labor organizations throughout the Commonwealth with data and public reports to assist them with identifying quality health care, making informed decisions about access to care and utilization of services, and establishing cost-effective provider networks.

In 2002, PHC4 addressed the need for increased health care information by expanding its yearly flagship reports such as the *Hospital Performance Report* and *Measuring the Quality of Pennsylvania's Commercial HMOs*, and by issuing new editions of several previously-published reports including the physician-specific *Pennsylvania's Guide to Coronary Artery Bypass Graft (CABG) Surgery* and the *Diabetes Hospitalization Report*. Furthermore, PHC4's technological advances—such as improvements made to its Web site, the expansion of online, interactive databases, and use of email and Web-based systems to collect and disseminate data—have provided Pennsylvanians with timely and efficient access to the Council's beneficial information.

We believe that PHC4 represents one of the Commonwealth's most underutilized tools for economic development. As representatives of the business and organized labor communities, the PA Chamber and PA AFL-CIO are strong supporters of PHC4 and the many beneficial endeavors that the agency has undertaken. We look forward to working with the Council to continue releasing groundbreaking and internationally renowned reports that allow our members and all citizens to make informed choices about health care. PHC4's successes have and continue to demonstrate that public reporting of health care data works and we highly encourage consumers, purchasers, providers, payors and policy makers to utilize this valuable resource that Pennsylvania is so fortunate to have.



William George

William M. George
President
PA AFL-CIO



Floyd Warner

Floyd W. Warner
President
PA Chamber of Business and Industry

2002 Publications

Hospital Performance Report 2001: 28 Common Medical Procedures and Treatments

Western Pennsylvania

Central and Northeastern Pennsylvania

Southeastern Pennsylvania

Pennsylvania's Guide to Coronary Artery Bypass Graft Surgery 2000

Diabetes Hospitalization Report

Measuring the Quality of Pennsylvania's Commercial HMOs

Choosing a Medicare Managed Care Plan - A Guide for Medicare Beneficiaries

Western Pennsylvania

Central and Northeastern Pennsylvania

Southeastern Pennsylvania

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PHC4 - 16 Years of Results

The Implications of Cost Sharing

Innovative Uses of Cost and Quality Data

Disease Management Programs

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"The Blues Divorce" Revisited

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Patient Safety – An Idea Whose Time Has Come

Containing Drug Costs - A Prescription for Purchasers

Quarterly Compliance Reports for Pennsylvania Hospitals and Ambulatory Surgical Facilities

Inpatient and Ambulatory/Outpatient Market Share Reports

PHC4 Bulletins: The Agency's Newsletter

A Letter from the Council Chair and the Executive Director



*Richard C. Dreyfuss
Council Chair*



*Marc P. Volavka
Executive Director*

Dear Friends of the Council:

Thinking out of the box. Quantum leap. Paradigm shift. Intriguing phrases that usually represent ways to resolve difficult problems or meet daunting challenges by radically changing one's perception, thinking or context. When it comes to the enormity of solving contemporary health care problems, we at the Pennsylvania Health Care Cost Containment Council (PHC4) like a different, but similar phrase: *changing the nature of the debate*.

This Annual Report provides an excellent opportunity to begin this dialogue because we examine whether PHC4 has made a difference after nearly 17 years of existence. The answer—an unqualified yes—offers clues as to how we can change the nature of the debate about the skyrocketing costs in today's health care delivery system.

In preparation for recent testimony before the Pennsylvania State Senate Appropriations Committee, PHC4 staff compared patient survival rates in Pennsylvania to national figures. This analysis showed a dramatic improvement in Pennsylvania—patient deaths have dropped at a much greater rate than in the rest of the United States. This happened despite the fact that Pennsylvania has an older, and therefore, generally “sicker” population than most other states.

What could be the cause of this? What is so different about Pennsylvania? Well, first things first—we have terrific physicians, hospitals and nurses, who are the front line providers of health care. And with all due modesty, we have a public information process that empowers consumers, purchasers and policy makers with the best health care information in the country.


In the ten years that PHC4 has been publicly releasing cost and quality information, Pennsylvania hospitals' inpatient mortality has dropped from above the national average to dramatically below the national average. The resulting improvement represents the equivalent of over 19,000 lives saved. Pennsylvania's quality improvement efforts have resulted in savings of \$470 million in terms of real dollars saved. Preventing unnecessary deaths represents an improvement in the quality of life and the standard of care for those receiving medical services in Pennsylvania. This is not only good for the recipients, but it is also good for our collective pocketbook. And the savings do not need to stop there.

Pennsylvania is the only state to consistently release an annual hospital performance report. The 2002 *Hospital Performance Report* shows that there are dramatic health care savings and quality improvements that can still be achieved. For example, if those hospitals that had readmission rates higher than the statewide average were to reduce their readmissions for complications and infections to the statewide average, another \$104 million in savings could be achieved. This presents a different way to look at patient safety, quality of care, and cost containment.

Pennsylvania's ability to publicly report health outcomes information is second to none. We are the only state capable of releasing the readmission analysis included in the *Hospital Performance Report*. Our report *Measuring the Quality of Pennsylvania's Commercial HMOs* is the only one in the nation that includes clinically-based outcomes on hospital care for HMO participants. But, most importantly, Pennsylvania is the only state that has, over time, collected, analyzed, and consistently released public information on quality of care to purchasers and consumers. Without question, Pennsylvania is the gold standard to which other states strive to achieve.

Public accountability does, in a dramatic way, make a difference. More and more purchasers of health care are using PHC4 data to help them make decisions about the quality of care their members/employees/participants receive and to ask important questions about the costs of that care. Approximately 375,000 people downloaded reports from the PHC4 Web site last year alone. Government leaders have access to valuable data that helps form public policy, from mandated benefit reviews about diabetes supplies and education, to issue briefs about topics like osteoporosis and hospital admissions for gunshot wounds. Hospitals and physicians have comparative data that illuminates areas for quality improvement and cost containment. In addition, one of Pennsylvania's major third party payors is now utilizing both PHC4's mortality analysis and readmission analysis in a new and innovative "pay for quality" initiative.

As you can see, the nature of the debate is changing. Amidst the talk of improving patient safety and addressing double-digit increases in premium costs, purchasers are beginning to reward those who deliver quality care. A paradigm shift is upon us and PHC4 is proud to be a part of the solution to today's health care problems.



Richard C. Dreyfuss
Council Chair



Marc P. Volavka
Executive Director



The Council

To provide direction to the agency, Act 89 of 1986, as amended by Act 34 of 1993, established a 21-member Council consisting of: six business community representatives; six organized labor representatives; one hospital representative; one physician representative; one Pennsylvania Blue Cross/Blue Shield representative; one health maintenance organization (HMO) representative; one commercial insurers representative; one consumer representative; the Secretary of the Pennsylvania Department of Health; the Secretary of the Pennsylvania Department of Public Welfare; and the Commissioner of the Pennsylvania Department of Insurance. In addition, several committees were also established to assist the Council including the Executive Committee, Data Systems Committee, Education and Outreach Committee, Mandated Benefits Review Committee, and the Technical Advisory Group.

Above: The Pennsylvania Health Care Cost Containment Council. Clockwise, left to right: Daniel R. Tunnell; David Wilderman, Secretary/Treasurer; Randall N. DiPalo; Leonard A. Boreski, Data Systems Committee Chair; Carl A. Sirio, MD; Thomas F. Duzak, Immediate Past Chair; Marc D. Edelman; Bernard K. Murray, Vice Chair; James R. Godfrey; Marc P. Volavka, Executive Director; Nancy L. Pletcher; Jeffrey E. Beck; Catherine A. Gallagher, Education and Outreach Committee Chair; Clifton W. Shannon; and Mary Ellen McMillen, Mandated Benefits Review Committee Chair. Not shown: Richard C. Dreyfuss, Chair; Patricia W. Barnes; Janet Kail; M. Diane Koken, Commissioner, Pennsylvania Department of Insurance; Calvin B. Johnson, MD, MPH, Acting Secretary, Pennsylvania Department of Health; and Estelle B. Richman, Secretary, Pennsylvania Department of Public Welfare.

2002-2003 PHC4 Council Members

Richard C. Dreyfuss, Chair
Hershey Foods Corporation, retired

Bernard K. Murray, Vice Chair
Pennsylvania Federation of Teachers, retired

David Wilderman,
Secretary/Treasurer
Pennsylvania AFL-CIO

Thomas F. Duzak, Immediate
Past Chair
Steelworkers Health and Welfare Fund

Leonard A. Boreski, Chair, Data
Systems Committee
Pennsylvania Chamber of Business & Industry

Catherine A. Gallagher, Chair,
Education and Outreach
Committee
Lehigh Valley Business Conference on Healthcare

Mary Ellen McMillen, Chair,
Mandated Benefits Review
Committee
Independence Blue Cross

Patricia W. Barnes
Quantel Associates, Inc.

Jeffrey E. Beck
Aetna, Inc.

Randall N. DiPalo
Plumbers & Pipefitters Union, Local 520

Marc D. Edelman
Crozer-Chester Medical Center

James R. Godfrey
HealthGuard of Lancaster, Inc.

Calvin B. Johnson, MD, MPH
Acting Secretary, Pennsylvania Department of Health

Janet Kail
AFSCME, Council 13

M. Diane Koken
Commissioner, Pennsylvania Department of Insurance

Nancy L. Pletcher
The Benecon Group

Estelle B. Richman
Secretary, Pennsylvania Department of Public Welfare

Clifton W. Shannon
SMC Business Councils

Carl A. Sirio, MD
University of Pittsburgh Medical Center

Daniel R. Tunnell
Pennsylvania Cable & Telecommunications Association

**Special thanks to Feather O. Houstoun, former Secretary of Public Welfare, and Robert S. Zimmerman, Jr., former Secretary of Health, who served on the Council for part of the 2002-2003 term.*

Executive Director

Marc P. Volavka

Technical Advisory Group

David B. Nash, MD, MBA, Chair
Jefferson Medical College

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.

George R. Green, MD
Abington Memorial Hospital

Sheryl F. Kelsey, PhD
University of Pittsburgh

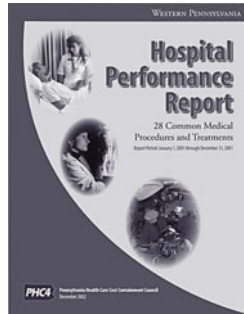
Judith R. Lave, PhD
University of Pittsburgh

Timothy C. Zeddies, PhD
Independence Blue Cross

Health Care Reporting

Each year, the Pennsylvania Health Care Cost Containment Council (PHC4) publishes a wide variety of public reports about health care in Pennsylvania. These reports help to raise challenging questions regarding quality improvement and cost containment. In 2002, the number of reports distributed skyrocketed as purchasers, providers, policy makers, payors and consumers turned to PHC4 for credible and timely information about health care in Pennsylvania. All of PHC4's reports can be accessed on the PHC4 Web site (www.phc4.org) as well as in most public libraries throughout the state.

Hospital Performance Report 2001: 28 Common Medical Procedures and Treatments



Before we make a major decision, it is important to familiarize ourselves with as much information as

possible. PHC4's *Hospital Performance Report, 2001* not only assists consumers and purchasers with making more informed health care decisions, this report also serves as an aid to providers, highlighting additional opportunities for quality improvement and cost containment.

Released in December 2002, this year's *Hospital Performance Report* examines 28 medical and surgical categories—12 Diagnosis Related Groups (DRGs) as well as 16 new conditions based on ICD-9-CM (International Classification of Diseases, Ninth Revision, Clinical Modification) codes. Furthermore, 50 additional DRGs are also included on PHC4's Web site (www.phc4.org) in an interactive, user-friendly database, which allows for customization of the data.

New to this year's report are two additional outcome measures—length of stay outlier rates, which provide a picture of abnormally short or long lengths of stay, as well as the percent of cases readmitted for complications and infections. Other measures included in the report are: volume of cases, risk-adjusted mortality, risk-adjusted length of stay, risk-adjusted readmissions for any reason, and average charges.

Pennsylvania's Guide to Coronary Artery Bypass Graft Surgery 2000

Coronary artery bypass graft (CABG) surgery is a surgical procedure used to treat patients with blockages in the coronary arteries. Because CABG surgery is a frequently performed and costly surgery, it is important to monitor the performance of Pennsylvania hospitals and surgeons who perform CABG surgery.





“Our philosophy is that quality care is cost-effective care and represents a win-win for our employees, retirees and for Mack Trucks, Inc. PHC4 is a national leader in providing quality of care information, which we have used and plan to use in the future.”

Joseph Huxta, Director, Administration & Benefits Strategy, Mack Trucks, Inc.

Pennsylvania’s Guide to Coronary Artery Bypass Graft Surgery 2000, which was released in May 2002, examines the results of more than 22,000 CABG surgeries performed in Pennsylvania in the year 2000.

The last PHC4 CABG report, which was published in 1998 and covered 1994-95 data, focused primarily on in-hospital mortality and post-surgical length of stay. This new edition, which is both hospital and physician-specific, includes those outcome measures that were a part of the last report, as well as several

new ones: 30-day mortality, seven and 30-day readmission rates, and post-surgical length of stay for surgeons. Furthermore, the average charge is reported for hospitals.

In addition to the hard copy report, an interactive database, available on PHC4’s Web site (www.phc4.org), was developed to allow users to tailor the data for their own needs.

Diabetes Hospitalization Report

Diabetes, which affects nearly 17 million Americans and more than 500,000 Pennsylvanians, is often considered a condition in which timely and effective primary care will likely reduce hospitalizations. For this reason, hospitalization for diabetes may indicate failures in diabetes management.

In October 1998, Pennsylvania’s General Assembly enacted Act 98, which mandated that private and group health insurance plans cover the cost of diabetic supplies (such as insulin and blood glucose monitors) as well as self-management training and nutritional counseling for people with diabetes. PHC4’s *Diabetes Hospitalization Report* repre-

Hospitalizations for Diabetes - Principal Diagnosis

Year	Number of Hospitalizations	Average Age
1997	19,924	56.8
1998	20,552	56.5
1999	21,149	55.9
2000	21,842	56.3
2001	22,526	56.5

sents a commitment by PHC4 to track hospitalizations for diabetes after the enactment.

Released in November 2002, this latest diabetes report examines hospitalizations in 2001 where diabetes was the principal diagnosis. These hospitalizations were the main component of this analysis because they were more likely to reflect changes in diabetes care and management that have occurred since Act 98 took effect.

Measuring the Quality of Pennsylvania’s Commercial HMOs

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* was the third in an annual series of reports produced by PHC4 to

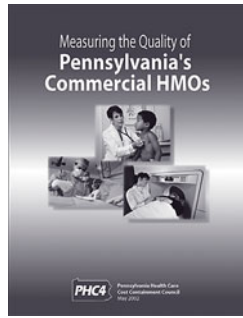
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Health Care Reporting

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examine the quality of services that HMOs provide.

Released in May 2002, PHC4's HMO report card includes: risk-adjusted utilization data and clinical outcomes for select categories; preventive care measures provided by the Health Plan Employers Data and Information Set® (HEDIS); and standardized member satisfaction measures from the Consumer Assessment of Health Plans Survey® (CAHPS).

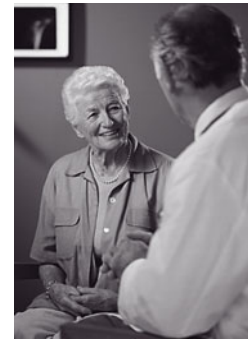


In addition to the thousands of HMO reports that were mailed, over 120,000 copies of the report have been downloaded from PHC4's Web site (www.phc4.org). Furthermore, staff also developed and released an interactive database that allows users to customize the data for their own needs and to trend it where applicable.

second year in a row to assist older Pennsylvanians during the period when all plans had to accept new members.

The guide lists Medicare Managed Care Plans by region, giving comparisons on monthly premiums and co-payments, descriptions of the benefits they offer, how well each plan did on several quality measures, and the results of patient satisfaction surveys. Furthermore, the guide provides contact information for each Medicare Man-

aged Care Plan and for organizations and agencies that can provide further information to seniors.



Choosing a Medicare Managed Care Plan - A Guide for Medicare Beneficiaries

One in four Medicare beneficiaries in Pennsylvania is enrolled in a Medicare Managed Care Plan. However, making sense of all the available plans and options can be confusing. PHC4's *Choosing a Medicare Managed Care Plan - A Guide for Medicare Beneficiaries*, provides information to help people better understand what is available and decide which plan is right for them.

A joint project of PHC4 and the Pennsylvania Department of Aging, this guide was issued for the

Financial Analysis 2001

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 Pennsylvania's hospitals and surgery centers and the utilization of their services.



"PHC4's ability to advance the measurement of quality health care is unparalleled. As chairman of the Technical Advisory Group, I am very proud to be a part of the Council's groundbreaking efforts."

David B. Nash, MD, MBA,
Professor of Medicine, Jefferson
Medical College

**Number of Facilities, FY01
by Facility Type**

Facility Type	Number
General Acute Care (GAC)	189
Rehabilitation	20
Psychiatric	19
State Psychiatric	9
Long-Term Acute Care	14
Specialty	7
Ambulatory Surgery Centers	78
TOTAL	336

Released as a two-volume set, Volume I of the *Financial Analysis 2001* presented a profile of the financial health of Pennsylvania's 189 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 addressed Non-General Acute Care hospitals (rehabilitation, psychiatric, long-term acute and specialty) and the ambulatory surgery centers. In addition, this report coupled utilization information from the subunits of other hospitals with the data from the freestanding non-GAC hospitals. As a result, this report provided some perspectives on the total long-term acute, rehabilitation and psychiatric care provided at both GAC and freestanding non-GAC hospitals.

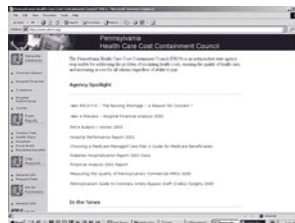
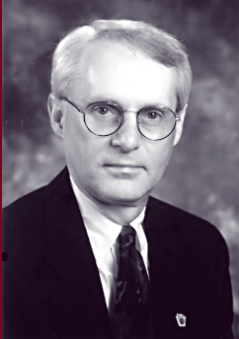
PHC4 Web Site

Although PHC4 continues to use traditional means of communication for distributing its reports, the PHC4 Web site, www.phc4.org, has become one of the Council's most valuable mediums for the dissemination of information.

In 2002, there was a 49% increase from 2001 in the number of times people visited PHC4's Web site—up 158% from 2000. Furthermore, hundreds of thousands of PHC4's reports were downloaded in 2002, increasing 157% from 2001 and over 738% from 2000. The Commercial HMO report was the most popular report accessed with over 120,000 copies downloaded, followed by the CABG report, of which 20,000 copies were downloaded.

PHC4 also made significant strides by making even more data available online in the form of interactive databases. In 2002, PHC4 not only expanded upon the capabilities of existing interactive databases, but the Council also added

several additional data sets and offered

“PHC4 has been an excellent resource in providing our members with information they can use to better serve their patients and to advance the delivery of the highest possible quality of care. The Council offers one of the best models for collaborating with physicians with the support of the state medical society.”

Roger Mecum, Executive Vice President, Pennsylvania Medical Society

new and exciting options. Through PHC4's Web site, users can now 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.

PHC4's Web site innovations not only increased the distribution of information in 2002, but also saved tax dollars and time. Moreover, the increased use of the site is a direct indication that more businesses, organizations and individuals are being empowered by the Council to make informed decisions about their health care.

Education and Outreach

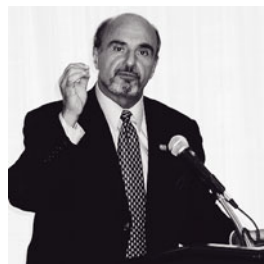
PHC4 implemented many outreach and educational programs in 2002 as a way to educate the public and empower its constituents to make more informed health care decisions. Through meetings, presentations, and working with other organizations, as well as through newsletters and regular publications, PHC4 is now reaching a broader audience with its data and reports.

Purchaser Initiatives

As the impact of continuing health care inflation becomes apparent, health care purchasers are turning to PHC4 more and more for timely, reliable information about health care in Pennsylvania. In an effort to empower health care purchasers to make more informed decisions, PHC4 hosted several purchaser meetings and disseminated purchaser-focused newsletters in 2002.

Purchaser Meetings

PHC4 hosted three purchaser meetings in 2002, which provided purchasers with the opportunity to learn more about PHC4's reports, to discuss current health care topics and to network with other purchasers.



Bill George, President, PA AFL-CIO, speaks at the January purchasers' meeting.

The first meeting in 2002 was held on January 31st and took an in-depth look at PHC4's

Hospital Performance Report, its implications, and how it could best be used by health care purchasers. In addition, Bill George, President of the Pennsylvania AFL-CIO, and Floyd Warner, President of the

Pennsylvania Chamber of Business and Industry, both spoke about the impacts that health care cost increases have on purchasers.



Floyd Warner, President, PA Chamber of Business and Industry, speaks at the January purchasers' meeting.

The second 2002 purchasers' meeting, held on June 4th, offered overviews of two of PHC4's then recently-released reports—*Pennsylvania's Guide to Coronary Artery Bypass Graft (CABG) Surgery* and *Measuring the Quality of Pennsylvania's Commercial HMOs*. Staff also reviewed enhancements that had been made to PHC4's Web site and provided purchasers with suggestions on how they could best use PHC4's data. Furthermore, James Mead, CEO of Capital Blue Cross, and John Brouse, former



The June purchasers' meeting. From left to right: James Mead, CEO, Capital Blue Cross; Thomas Duzak, PHC4 Immediate Past Chair; John Brouse, former CEO, Highmark/PA Blue Shield; and Marc P. Volavka, PHC4 Executive Director.

CEO of Highmark/Pennsylvania Blue Shield, discussed the recent termination of the insurers' long-term business partnership and responded to purchasers' questions during a 90-minute session co-sponsored by the Pennsylvania AFL-CIO and the Pennsylvania Chamber of Business and Industry.



Marc P. Volavka, PHC4 Executive Director, G. Fred DiBona, Jr., Independence Blue Cross CEO, and Richard C. Dreyfuss, PHC4 Council Chair, share information at the December purchasers' meeting.



Dr. Jaan Sidorov, Medical Director, Geisinger Health Plan, speaks at the December purchasers' meeting.

Held on December 18th, the third purchasers' meeting focused on the *Diabetes Hospitalization Report* and included a panel of

experts who discussed diabetes and disease management, with each panelist giving his/her perspective on the topic. The panelists included: Marianne McAndrew, RN, a Diabetes Disease Management Educator; Jaan Sidorov, MD, FACP, Medical Director, Geisinger Health Plan; and Alberto Colombi, MD, MPH, PPG Medical Director.

In addition to the diabetes focus, G. Fred DiBona, Jr., Chief Executive Officer of Independence Blue Cross (IBC), also discussed his company's challenges and de-

scribed IBC's new initiative to reward hospitals and providers for high quality care. PHC4 data is used as one measure of this new quality improvement initiative.

PHC4 FYI

As a way to provide purchasers with up-to-date information about health care in Pennsylvania, PHC4 produces a monthly newsletter entitled *PHC4 FYI*. Geared specifically towards purchaser issues, each *FYI* focuses on a topic that is pertinent to making decisions about health care. The newsletters

draw favorable responses each month and can be accessed on the PHC4 Web site at www.phc4.org.



Conferences and Presentations

While PHC4 published many reports and newsletters in 2002, the Council also strived to further educate organizations and individuals about the Council's data, reports and the latest health care trends through presentations, conferences and community outreach.

Continued on next page



"Hospital selection is extremely important to our members because the medical services directly affect their families. In addition to encouraging our members to use PHC4's reports when they are making health care decisions, I meet with individual members and explain how to best use the agency's information to evaluate health plans and hospitals. As a result, the 9,400 members of Law Enforcement Health Benefits, Inc. (LEHB), the Philadelphia Police Blue Cross Fund, are using PHC4's reports to get better results."

Tom Lamb, Administrator, Law Enforcement Health Benefits, Inc.

Continued from previous page

In 2002, PHC4 made numerous presentations encouraging the use of its public reports as resources of information. Presentations were made to business groups, labor unions, government agencies, universities, and many other organizations including, but not limited to:

- Bethlehem Area Chamber of Commerce;
- Chester County Chamber of Commerce & Industry;
- Dauphin County Office of Aging;
- Penn State Data User's Conference;
- Penn State University, Department of Health Policy and Administration;
- Pennsylvania Managed Care Association's Annual Conference;
- Geisinger Health Plan's Large Employer Meeting; and
- Department of Labor and Industry's Directors' Meeting.

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 Council representatives one-on-one. Some of the conferences that PHC4 attended in 2002 included:

- Attorney General's Consumer Fair;
- County Commissioners Association of Pennsylvania's Annual Conference;
- Governor's Occupational Health and Safety Conference;
- Lancaster County Business Group on Health's Employer Healthcare Forum;
- PA AFL-CIO's 2002 Convention;
- PA Bureau of Workers' Compensation's 2nd Annual Conference;
- PA Health Educator's Institute;
- PA Public Health Association's Annual Conference;
- PA State Building and Construction Industry's Annual Conference;
- Representative Mark S. McNaughton's (R-104) Senior Expo; and
- Senator Christine M. Tartaglione's (D-2) Senior Expo.



Council Member Randy DiPalo visits PHC4's booth at the PA AFL-CIO 2002 Conference.

Health Care Collaborations

In 2002, PHC4 continued working with a variety of health care organizations and individuals to educate Pennsylvanians about current health care issues and the use of PHC4's reports. In particular, three collaborations that took place in 2002 included working with the Pittsburgh Regional Healthcare Initiative (PRHI), the Lehigh Valley Business Conference on Healthcare (LVBCHC), and with Dr. James Bagian of the National Center for Patient Safety.

Pittsburgh Regional Healthcare Initiative (PRHI)

Several years ago, PHC4 began a new venture by collaborating with PRHI, a nationally recognized, collaborative effort involving business, labor, physicians, community leaders, hospitals and insurers, to develop a series of new outcomes studies for five clinical areas. Ultimately, these studies will be used as benchmarks to measure PRHI's impact on the quality of health care in Southwest Pennsylvania. Because both PRHI and PHC4 focus on improving patient outcomes, this collaboration continues to be a wonderful opportunity for the Council.



"Pennsylvania is fortunate to have PHC4, proprietor of one of the finest health outcomes databases in the nation. Because of PHC4, over 40 hospitals and 400 physicians that participate in the Pittsburgh Regional Healthcare Initiative (PRHI) are able to learn about their performance, track their progress, share information on best practices, and commit to sustained, measurable improvements in five clinical conditions and two safety areas, working together to perfect patient care. PRHI provides the venue for this learning; PHC4 provides the tools."

Karen Wolk Feinstein, PhD, President,
Jewish Healthcare Foundation

Lehigh Valley Business Conference on Healthcare (LVBCHC)

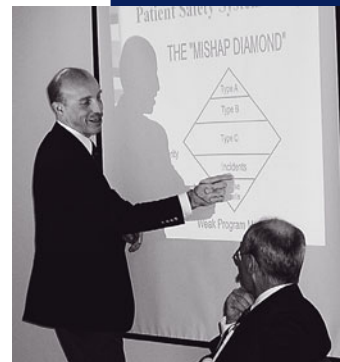
In 2002, the LVBCHC, a 70-member employer coalition that promotes, develops, and implements effective health care programs, continued working on a quality-based health care plan using PHC4 data. As part of its concept, managed care plans steer patients to "Centers of Excellence." This "Centers of Excellence" 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 LVBCHC also worked closely with PHC4 in 2002 by encouraging its members to distribute PHC4's reports. Through this collaboration, employers in the Lehigh Valley area distributed over 13,000 CABG reports and approximately 6,000 HPR reports to their current and retired employees.

James P. Bagian, MD, Director, Department of Veterans Affairs' National Center for Patient Safety

In January of 2002, the Council had the privilege of hosting James P. Bagian, MD, a nationally recognized expert on patient safety. Dr. Bagian addressed the Council and invited guests about patient safety in America's hospitals. He discussed the fact that although hospitals and other health care facilities often had "close calls" that are precursors to an adverse event, when viewed with foresight, these mishaps offer improvement opportunities for health care providers. Dr. Bagian's remarks were timely and appropriate, and provided the Council with an in-depth overview of patient safety concerns and issues.



James P. Bagian, MD, Director of the Department of Veterans Affairs' National Center for Patient Safety, speaks to the Council about patient safety in America's hospitals.

Policy and Legislative Affairs

Since PHC4's creation, government leaders have relied on PHC4 to provide accurate and objective health care information. 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 in Pennsylvania.



Pennsylvania's Capitol, located in Harrisburg, PA.

Tobacco Settlement and Uncompensated Care

Under Act 77, also known as the Tobacco Settlement Act, the Hospital Uncompensated Care Program and the Hospital Extraordinary Expense Program were established. Furthermore, PHC4 was 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 under these programs.

An Advisory Committee was also established under Act 77 to assist the DPW and PHC4 with their tasks. In 2002, the Tobacco Settlement Committee and PHC4 worked to improve accuracy, consistency and timeliness of the data collected, reviewed components of bad debt and charity care

as reported by hospitals, and developed a new methodology to collect and report uncompensated care to determine payments to hospitals under the Act.

Because of the efforts of the Committee, PHC4 will modify the way uncompensated care will be reported; beginning with Fiscal Year 2003, uncompensated care will be reported as the hospitals' costs of providing care.

The Council's involvement with the Tobacco Settlement continues to ensure that the data collected from hospitals is timely and accurate and that the hospitals across the Commonwealth are compensated in a fair and objective manner.

Mandated Benefits

Under Act 89 of 1986, PHC4 is required to review legislation that proposes to mandate health insurance benefits at the request of the Secretary of Health or certain legislative leaders. Known as mandated benefit reviews, these analyses provide the General Assembly with an independent assessment of the need for and costs associated with mandating an insurance benefit. This is a valuable service for our state's political leaders and assists them with making difficult decisions regarding health insurance legislation. In the 2001-2002 legislative session, PHC4 reviewed two bills: Senate Bill 779 and Senate Bill 636.

Senate Bill 779

Senate Bill 779 called for all group and individual health insurance policies to provide coverage for an annual prostate specific antigen (PSA) examination for men age 50 and older and for men under 50 upon a physician's recommendation. In its review, PHC4 noted concerns about the lack of consensus in the medical community about prostate cancer screening. PHC4 further noted that there was insufficient evidence that the PSA test itself may actually improve the quality or longevity of life for prostate cancer patients. Ultimately, at its January 2002 meeting, PHC4 found insufficient evidence to support Senate Bill 779.

Senate Bill 636

Senate Bill 636 would have required all group and individual health insurance policies to provide coverage for colorectal cancer examinations for nonsymptomatic individuals age 50 and over and for individuals under 50 years of age who are at high risk of colorectal cancer. In its review, PHC4 noted that the cost/savings figures submitted either varied greatly or were not substantiated with data. Furthermore, the Council found that there was disagreement about the need to mandate coverage and whether mandated coverage would

bring about a desired increase in screening utilization. Ultimately, at its May 2002 meeting, the Council found insufficient evidence to support Senate Bill 636.

Legislative Information Session

In September 2002, members of the Pennsylvania General Assembly and legislative staff were invited to attend an informational session about PHC4. Jointly sponsored by the Pennsylvania Chamber of Business and Industry and the Pennsylvania AFL-CIO, the session was designed to educate the legislature about PHC4 and the information that PHC4 has available to them and their constituents.

Among the topics discussed were the history and creation of PHC4, the data collection and research processes, PHC4's Web site, and mandated benefits reviews, as well as several of PHC4's recent reports. In addition, the Council unveiled a new series of special reports designed to provide policy makers with information that can help them better understand the health care concerns facing both their constituents and the health care delivery system. The first report in this series provided policy makers



Marc P. Volavka, PHC4 Executive Director, discusses the history and creation of PHC4 at the 2002 Legislative Information Session.

with information on hospital admissions for older Pennsylvanians. As a follow-up, each legislator received a similar county-specific report for every county in his or her legislative district. PHC4 plans to continue with the series by periodically releasing similar reports focusing on other health care topics.

HIPAA

Although PHC4 is not a covered entity under HIPAA, the Health Insurance Portability and Accountability Act of 1996, PHC4 meets relevant privacy and proposed security standards under the Act. Furthermore, to focus on the issues and address the concerns surrounding HIPAA, the Council created an inter-department workgroup, which continued to meet in 2002.

Data and Technology

In 2002, PHC4 collected and processed more than 3.7 million records from hospitals and ambulatory surgery centers in Pennsylvania – a number that continues to grow each year. PHC4 enhanced its services by incorporating technological advances into its data collection, analysis and dissemination processes, which gave the Council and the Commonwealth the ability to provide purchasers, consumers, payors, providers and policy makers with accurate information in a more timely manner.

Data Collection

As it has done for the past 17 years, PHC4 continues to cultivate strong, customer-focused relationships with hospitals and freestanding ambulatory surgery centers throughout the Commonwealth. This approach has led to significant advancements in collecting and processing timely and accurate health care data including inpatient and ambulatory/outpatient discharge data, financial data and coronary artery bypass graft (CABG) surgery data. PHC4's data collection efforts are considered the gold standard by which others are measured.

Timeliness and Quality of Data

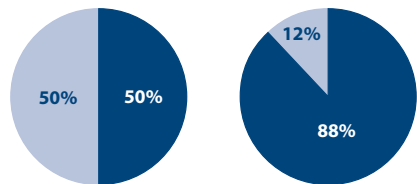
Timeliness of data collection, as measured by facility compliance rate, continued to increase for the fourth year in a row, hovering around 90% for both inpatient and ambulatory/outpatient facilities in 2002. This is almost double what it

was in 1998, which demonstrates the outstanding advancements that PHC4 has made. Furthermore, turnaround time, the amount of time that it takes PHC4 to process the data, also decreased from 27 weeks in 1998 to an average of 8 weeks in 2002—another remarkable accomplishment.

Data quality improved in 2002, with the average final error rate continuing to decrease for both inpatient submissions and ambulatory/outpatient submissions. Even more impressive is that, on average, 12% of Pennsylvania facilities achieved a zero percent final error rate each quarter. Because of the improved data quality, PHC4 lowered the error rate standard from 25% to 20% in 2001. However, as facilities improved and error rates continued to decrease in 2002, PHC4 will once again lower the allowable error rate necessary to be compliant from 20% to 15% in 2003.

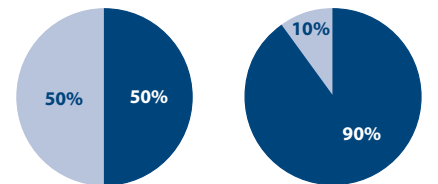
Inpatient Acute Care Facility Compliance

2nd Quarter 1998 2nd Quarter 2002



Outpatient/Ambulatory Facility Compliance

2nd Quarter 1998 2nd Quarter 2002



■ Compliant ■ Non-compliant

Electronic Submission of Data

Although PHC4 allows hospitals to submit data in a variety of media formats, more than 63% or 222 of the 352 hospitals and ambulatory surgical facilities throughout the state submitted their data electronically in 2002. With electronic submission of data being so popular, PHC4 created an Electronic Data Submission (EDS) system in 2002, which provides facilities with instant confirmation of receipt of the data. Over 151 facilities, or 44%, began using the EDS process in 2002, which is a much more efficient and cost-effective method to submit data for both the facilities and for PHC4. Furthermore, as of March 2003, the PHC4 Web site, including the EDS system, is using encryption technology that meets HIPAA requirements for the exchange of electronic data.

PHC4 also developed two extensive Web applications to collect and validate financial and coronary artery bypass graft (CABG) surgery data in 2002. For the financial data collection process, all facilities were required to submit data via the PHC4 Web site. Feedback regarding the new system was very positive and the Web site helped to boost the data quality. In addition, for the first time,

PHC4 began collecting CABG data on a quarterly basis as part of the normal collection processes. In coordination, a new CABG Web application was enabled in October of 2002. The transition to this new system was not only smooth, but is making the data collection process more timely and efficient.

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 the deficiency. Additionally, a section of the reports recognizes those facilities with the overall lowest error rates. These reports have clearly helped drive improvements in the quality, accuracy and timeliness of data, and can be accessed on PHC4's Web site (www.phc4.org).

Market Share Reports

The standard *Market Share Report*, which provides hospitals and the public with utilization data for Pennsylvania's 67 counties, was created as an incentive for timely and accurate data submission. Included in each analysis are those



"At Gnadon Huetten Memorial Hospital, our expanded concept of people helping people to restore, maintain and promote good health is based on our quality improvement initiatives, of which PHC4 data is an integral component. It is extremely beneficial for us to focus comparative analysis and opportunities for improvement on PHC4 data and as a result, we have been able to identify several areas for both clinical and financial improvement."

Robert J. Clark, FACHE, President and Chief Executive Officer, Gnadon Huetten Memorial Hospital

facilities that adhered to reporting guidelines and deadlines. The report provides the number of cases for the top 7 facilities by volume for each county, by DRG and by payor. These reports are mailed to compliant facilities 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.

In 2002, new, more detailed reports on the Suburban Philadelphia Area,

Continued on next page

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the Suburban Pittsburgh Area, Northwestern Pennsylvania, and the Lehigh Valley Area were developed and released. These were the fourth, fifth and sixth in a series of detailed *Market Share Reports* produced by PHC4.

Hospital Awards

Each year, PHC4 honors health care facilities that meet the legally established guidelines for accurate and timely data submission under state law. Awards may be given for inpatient data, outpatient data or both.

In 2002, PHC4 awarded *Certificates of Excellence* to 21 health care facilities for their superior achievement in data submission in Calendar Year 2001. This meant that these facilities met the data submission and accuracy requirements for all four quarters of Calendar Year 2001, ranked in the lowest 25th percentile for initial submission error rates, and did not need any time extensions. Even though the maximum allowable error rate necessary to be included on the *Certificates of Excellence* list decreased, PHC4 still honored 5 more facilities in 2002 than in 2001.

Of the 21 facilities being honored with *Certificates of Excellence*, four

were recognized for both their inpatient and ambulatory/outpatient data submission activities and

Certificates of Excellence Recipients

Bradford Regional Medical Center
Butler Memorial Hospital
Centre Community Hospital
Conemaugh Valley Memorial Hospital
Digestive Disease Institute
Divine Providence Hospital/
Williamsport
Jennersville Regional Hospital
Lewistown Hospital*
Meyersdale Community Hospital
Palmerton Hospital
St. Francis Medical Center*
Sally Balin Ambulatory Surgical Center
United Community Hospital
UPMC Braddock*
UPMC Horizon
UPMC McKeesport*
UPMC Presbyterian
UPMC South Side
UPMC St. Margaret
Valley Forge Medical Center and Hospital
Valley View Surgical Center

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

five facilities were honored for a second year in a row - Bradford Regional Medical Center, Digestive Disease Institute, Divine Providence Hospital, Lewistown Hospital, and St. Francis Medical Center. In addition, *Certificates of Achievement* were also awarded to 209 facilities that maintained an error ratio of less than 20% and submitted records within 90 days after the close of the previous calendar quarter.

Special Requests

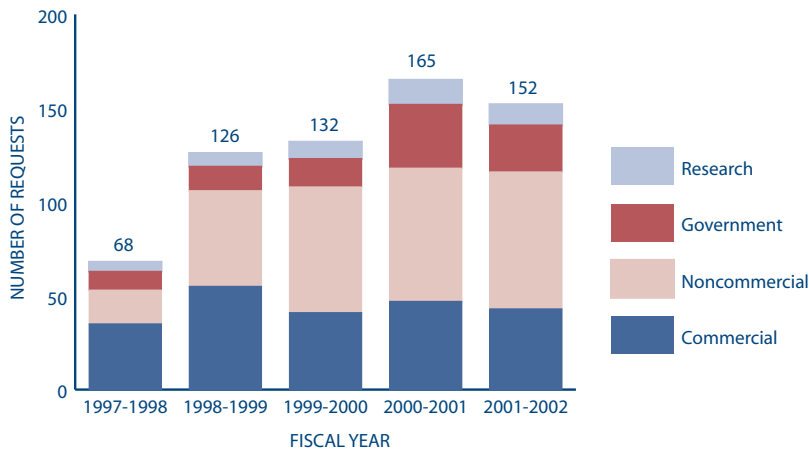
PHC4's public reports reflect only a small portion of PHC4's data. Persons interested in health care data can access PHC4's rich databases through the "Special Requests" process.

Through Special Requests, businesses, organizations and individuals can request data from PHC4 for a fee. Requests can include standard and custom data sets and reports that can be generated about specific areas of interest and analyzed for specific needs. Furthermore, PHC4 can link its data to other data sources (such as a vital statistics data set from the Pennsylvania Department of Health), providing even greater value to customers.

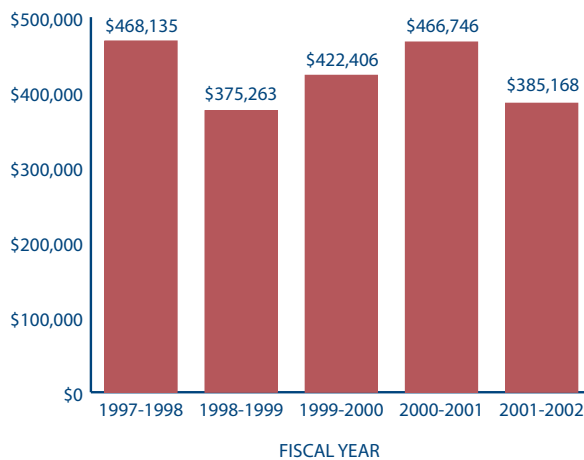
In Fiscal Year 2002, PHC4 completed over 150 special data requests, generating more than \$385,000 in income. Furthermore, PHC4 completed a total of 25 requests for Pennsylvania state agencies and committees in 2002 including the Auditor General's Department, the Legislative Budget

and Finance Committee, the Department of Health, and the Office of the Attorney General. This is one more example of how PHC4 is collaborating with other government agencies and assisting with important research and programs throughout the Commonwealth.

Special Requests by Type



Special Requests Revenue





**Pennsylvania Health Care
Cost Containment Council**

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