



Making an Impact on Health Care Quality and Cost

**Pennsylvania Health Care Cost Containment Council
2003 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.

During the 1970's and 1980's, rapidly rising health care expenditures were a major concern for states throughout the nation. In an effort to bring these costs under control, Pennsylvania's policymakers took the revolutionary step of creating an independent state agency. Created by Act 89 of 1986, the Pennsylvania Health Care Cost Containment Council (PHC4) was the result of more than three years of efforts by a coalition of business and organized labor leaders working together to pass market-oriented reforms.

The theory behind PHC4 was simple. By providing health care purchasers with consistent, accurate, and credible information about the cost and quality of health care services, PHC4 would stimulate a competitive health care market in Pennsylvania. As purchasers and consumers were able to identify and utilize those providers with the best care at the best price, other providers would have to compete by improving the quality of their services and lowering their costs. The inclusion of data on the quality of care not only emphasized the importance of quality care, but also suggested that quality would not be jeopardized in a search for lower costs.

To help PHC4 achieve its goals, the Commonwealth provides annual funding through the General Fund budget. Additional revenue is generated through the sale of data to health care stakeholders around the state, nation, and world.

As a tribute to its success, PHC4 has twice been reauthorized since its creation in 1986. Most recently, PHC4 was reauthorized until June 30, 2008 under Act 14 of 2003.

Business and Labor Committed to PHC4 Goals

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

According to the U.S. Department of Health and Human Services, health spending accounted for \$1.55 trillion in 2002 – nearly 15 percent of the U.S. economy – and averaged \$5,440 per person. By 2012, it is projected that health care spending will increase to 17.7 percent of our gross domestic product. The U.S. spends more of its economy on health care than any other industrialized country. These rapidly rising health care costs are a major concern for health care purchasers.

Our members are confronted with these facts every day. They face difficult decisions about their health care coverage options: Can they afford to continue to offer coverage to their members? Can they maintain current levels of benefits, premiums, and co-payments? In Pennsylvania, we are fortunate to have the Pennsylvania Health Care Cost Containment Council (PHC4) to turn to for assistance as we address these pressing issues.

The Pennsylvania AFL-CIO and the Pennsylvania Chamber of Business and Industry have been proponents of PHC4 since its creation in 1986. We were proud to support PHC4 then, and proud to support its reauthorization in 2003, because we believe that PHC4 works.

PHC4 makes a significant difference for purchasers in Pennsylvania. PHC4 provides us with information to help negotiate agreements with payors, identify quality providers, and ultimately protect the safety of our members. With PHC4's assistance, we can ensure that our members have access to quality health care.

Our organizations believe in a free market economy. We also believe that a free market works best when everyone has equal access to information. That's where PHC4 comes in – by giving health care purchasers and consumers comparative, useful information. PHC4 helps to give Pennsylvania's health care purchasers a competitive edge that those in other states just don't have.

On behalf of our members, we applaud PHC4's efforts to help restrain costs and improve the quality of care in Pennsylvania. PHC4 can make a difference for you – it certainly has for us.



William M. George
William M. George
President
PA AFL-CIO



Floyd W. Warner
Floyd W. Warner
President
PA Chamber of Business and Industry

A Letter from the Council Chair and the Executive Director

Dear Friends of the Council:

On behalf of the Pennsylvania Health Care Cost Containment Council (PHC4), we would like to thank our stakeholders for their support during another banner year. We regard the strong support the Council received during its Reauthorization from Pennsylvania's health care purchasers, providers, payors, policymakers, and consumers as a testament to the importance of our mission and the quality of the work we do.

This Annual Report not only highlights the accomplishments of the year, but also takes a look at the impact PHC4 has made on health care quality and cost containment since its inception in 1986. From the release of our flagship reports to collaborative efforts with groups throughout Pennsylvania, all of our activities are designed to help achieve our ultimate mission of addressing the problem of escalating health costs, ensuring the quality of health care, and increasing access for all citizens.

In 2003, PHC4 released numerous reports and filled a record number of requests for data. In addition, PHC4 took the groundbreaking step of requiring hospitals to provide information on hospital-acquired infections – Illinois is the only other state to attempt this. PHC4 was also the proud recipient of the prestigious Ellwood Award presented by the nationally-recognized FACCT – Foundation for Accountability. And, to ensure that all of these efforts continue well into the future, PHC4's enabling legislation was reauthorized for several years.

The linkage between cost and quality in health care has never been more important. As both patient safety and "pay for quality" initiatives grow at both the federal and health plan level, and serious questions about the impact of quality health care delivery are raised as costs continue to escalate, solid, accurate data and sound analysis will be at the core of these discussions. With our long history of proven leadership in linking cost and quality data and analysis, we believe Pennsylvania is well positioned to vigorously engage in this debate.

For 2004 and beyond, we look forward to continuing to provide Pennsylvanians with unparalleled access to health care information. Through our work to enhance health care quality, ensure patient safety, and contain rising health care costs, PHC4 is committed to improving the health care delivery system in Pennsylvania both now and in the future.



A blue ink signature of Bernard K. Murray, written in a cursive style.

Bernard K. Murray
Council Chair



A blue ink signature of Marc P. Volavka, written in a cursive style.

Marc P. Volavka
Executive Director

Making an Impact

Since its creation in 1986, what has PHC4 accomplished? Is it fulfilling its mission? Has it made an IMPACT on health care cost and quality in Pennsylvania? The answer is YES. Consider this:

Quality has improved.

In the ten years 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 – a significant measure of success! More specifically, a study recently published in *Medical Care* concluded that public dissemination of outcomes data/region-wide improvement initiatives in Pennsylvania and several other states/regions was associated with lower risk-adjusted mortality rates for heart bypass surgery.

Mandated benefit reviews provide objective analysis.

PHC4's reviews of proposed mandated health insurance benefits have saved countless health care dollars. Balancing the effectiveness, need for, and cost of mandates in the face of limited health care resources, PHC4's thorough consideration of mandates has attracted national attention, and other states look to PHC4's mandated benefit review process as a model. The ultimate result has been that precious resources have been directed where they are needed most, minimizing cost increases while maintaining access to quality care.

Health care purchasers and providers are embracing our ideas.

PHC4 has developed relationships that foster the spirit of collaboration. Our involvement with the Pittsburgh Regional Healthcare Initiative highlights what can be done when purchasers and providers sit down together to examine data, identify areas for quality improvement, and address patient safety. Such collaborative efforts are a perfect example of how PHC4 was designed to operate.

Pennsylvanians are more informed about health care options.

PHC4 has grown from a small, obscure state agency into one of the leading players in the nation in ensuring patient safety and maintaining quality care. PHC4 is a powerhouse of data – for health care purchasers, providers, consumers, researchers, and the media. Our reputation as a resource for high quality, reliable data has made us a leader in public health care reporting. Pennsylvanians are hungry for information on their health care options, and PHC4 is here to fill that need.



The Executive Committee. Front row, left to right: Catherine A. Gallagher, Vice Chair; Bernard K. Murray, Chair; Marc P. Volavka, Executive Director. Back row: Clifton W. Shannon, Education Committee Chair; Thomas F. Duzak, Mandated Benefits Review Committee Chair; Richard C. Dreyfuss, Immediate Past Chair; Leonard A. Boreski, Data Systems Committee Chair. Unavailable for photo: David Wilderman, Secretary/Treasurer (shown in photo below).



*David Wilderman,
Secretary/Treasurer*

Committees

- Executive Committee
- Data Systems Committee
- Education Committee
- Mandated Benefits Review Committee

PHC4 Council Composition

As outlined in Act 14 of 2003

Purchasers

- 6 business
- 6 labor
- 1 consumer

Insurers

- 1 commercial
- 1 Blue Cross/Blue Shield
- 1 HMO

Providers

- 2 hospitals
- 2 physicians
- 1 nurse
- 1 health care quality improvement expert

State Government

- Secretary of Health
- Secretary of Public Welfare
- Insurance Commissioner

Council Members - Current

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

Catherine A. Gallagher, Vice Chair
*Lehigh Valley Business Conference on
Healthcare*

David Wilderman, Secretary/Treasurer
Pennsylvania AFL-CIO

David Acker
Charles Cole Memorial Hospital

David Barenfeld
Ellwood Group

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

David B. Campbell
Milton S. Hershey Medical Center

Randall N. DiPalo
*Plumbers & Pipefitters Union,
Local 520*

Richard C. Dreyfuss
Hershey Foods Corporation, retired

Thomas F. Duzak, Chair, Mandated
Benefits Review Committee
Steelworkers Health and Welfare Fund

Marc D. Edelman
Crozer-Chester Medical Center

Henry C. Fader
Pepper Hamilton LLP

James R. Godfrey
HealthGuard of Lancaster, Inc.

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

Janet Kail
AFSCME, Council 13

Donald Liss, MD
Aetna Inc.

M. Diane Koken
*Commissioner, Pennsylvania Department of
Insurance*

Mary Ellen McMillen
Independence Blue Cross

Estelle B. Richman
*Secretary, Pennsylvania Department of Public
Welfare*

Clifton W. Shannon, Chair, Education
Committee
SMC Business Councils

Susan J. Simmons, PhD, RN
Pennsylvania State Nurses Association

Carl A. Sirio, MD
University of Pittsburgh Medical Center

Jack Steinberg
Philadelphia Federation of Teachers

Executive Director
Marc P. Volavka

Retired from Council in 2003-04:

Jeffrey E. Beck
Nancy L. Pletcher
Daniel R. Tunnell
Patricia W. Barnes

Hospital-Acquired Infections

In November 2003, PHC4 took the groundbreaking step of requiring all general acute care hospitals in Pennsylvania to collect and submit hospital-acquired infection data on a hospital-wide basis. This decision placed PHC4 in an elite group of only two states (Illinois being the other) that collects this important information. Developed in consultation with PHC4's Hospital-Acquired Infection Advisory Panel, the initial guidelines are the result of months of analysis and cooperation. Beginning on January 1, 2004, hospitals must now submit the following hospital-acquired infection data to PHC4:

- Surgical site infections for all orthopedic surgery, circulatory system surgery and neurosurgery;
- All device-associated infections for:
 - Central line associated blood stream infections
 - Ventilator associated pneumonia
 - Foley catheter associated urinary tract infections

It is anticipated that these initial guidelines will capture 50 percent of all hospital-acquired infections, providing a good first step in this very important area.

Making Leaps in Data Quality

Because data serves as the foundation for its reports and analysis, PHC4 depends on 246 hospitals and 121 freestanding ambulatory surgery centers to provide timely and accurate data. Data quality has been improving for several years and 2003 was no exception. In 2003, the average final error rate decreased to 3.0% and 3.2% for inpatient and ambulatory/outpatient submissions, respectively. Moreover, almost 15% of Pennsylvania's facilities achieved a zero percent final error rate for each quarter of 2003, a 25% increase over 2002. In order to improve data quality further, PHC4 again lowered the standard error rate to 15%, down from 25% in 2001 and 20% in 2002.

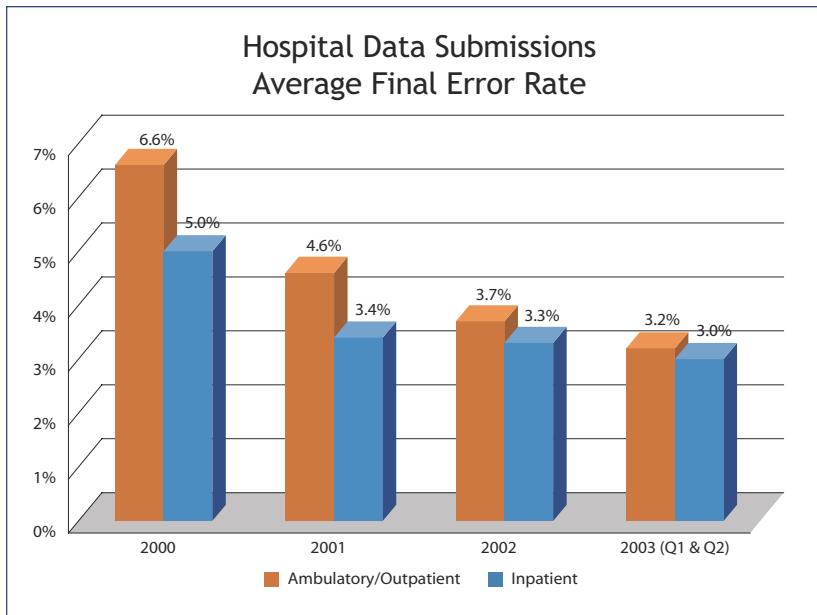
Electronic Data Submission: In 2003, almost 90% of facilities electronically submitted administrative data to PHC4. Created in 2002, PHC4's Electronic Data Submission (EDS) system is a confidential, efficient and cost-effective method of data submission that provides facilities an instant confirmation of receipt of data. EDS's popularity has grown substantially; the number of facilities electronically submitting data has doubled in the two years it has been operational.

PHC4 also made improvements to the Financial Data Collection Web application. By adding additional edits and validations, PHC4 has not only helped to boost data quality, but has also modified some behind-the-scenes processes to make the Web site operate more efficiently.

The coronary artery bypass graft (CABG) Web application continues to improve the timeliness and quality of the CABG data. Feedback from hospitals has confirmed that this quarterly extension of the normal collection process is easier to manage than the previous yearly data validation.

Building upon these successes, a new Web application was modeled after CABG to validate data for PHC4's upcoming report on total hip and total knee replacement. Enabled in August 2003, this new application was used by more than 160 hospitals – almost three times the number for CABG. PHC4 engaged in correspondence and education to assist hospitals in learning this new application.

Compliance Reports: To help drive improvements in quality and timeliness of data, PHC4 publishes quarterly reports about the compliance status of all Pennsylvania hospitals and ambulatory surgical facilities. These reports also recognize those facilities with the lowest error



rates. The Compliance Reports have played an important role in helping to improve data quality and timeliness.

Market Share Reports: Standard Market Share Reports provide hospital utilization data for Pennsylvania’s 67 counties. Designed in part as an incentive for timely and accurate data submission, each analysis includes those facilities that adhered to reporting guidelines and deadlines. The inpatient Market Share Report provides the number of cases for the top seven facilities by volume for each county, by Diagnostic Related Group (DRG) and payor, while the ambulatory/outpatient report is by body system. These reports are mailed to compliant facilities within several weeks of PHC4’s required data submission date and, after a period of 45 days, become available to the public.

Hospital Awards: By awarding Certificates of Excellence, PHC4 recognized those facilities that met PHC4’s data submission and accuracy requirements for every quarter in the calendar year, attained an initial error rate in the lowest 20th percentile, and did not need time extensions. PHC4 was pleased to award Certificates of Excellence to 22 facilities in 2003. Six facilities earned recognition for both inpatient and ambulatory/outpatient submissions; Lewistown Hospital and Digestive Disease Institute in Camp Hill made the list for the third year in a row. In addition, Certificates of Achievement were awarded to 233 facilities that submitted records within 90 days after the close of the quarter and achieved an error rate less than 20%. More facilities earned Certificates of Excellence in 2003 than in previous years, even though PHC4 raised data quality standards.



Even the highest quality data can be meaningless without the right interpretations. With this in mind, PHC4 continually refines its analyses, methodology, and models, at all times striving to provide the most effective analysis available.

Risk-Adjusted Methodologies

As front line providers of care know, differences in patients' conditions can vary greatly – even among patients admitted to the same hospital with the same illness. In order to account for these differences and report fair comparisons among hospitals, PHC4 uses complex mathematical formulas to “risk-adjust” the data. Through risk-adjustment, PHC4 helps to level the playing field among hospitals and patients by giving providers “extra credit” for treating patients that are more seriously ill or at a greater risk than others.

Risk adjustment depends on a sophisticated patient risk classification system that assigns each patient a “severity score” reflecting their degree of illness upon admission based on clinical data. By using these severity scores, PHC4 can assess a patient's risk of dying or staying in the hospital for an extended period and adjust the analysis to account for differences in risk. In addition, PHC4 also independently adjusts for other potential risk factors such as poverty rate or the presence of cancer in the patient population. The end result is data that allows “apples to apples” comparisons amongst providers.

Consulting the Experts

In order to provide PHC4's statisticians and researchers with additional expertise, PHC4 has assembled a Technical Advisory Group (TAG) to provide independent advice and direction on a variety of technical issues. Comprised of physicians, researchers, and biostatisticians, the TAG serves as a resource for PHC4 to consult on areas such as methodology and data quality. In 2003, the TAG met quarterly to provide expertise and guidance on upcoming PHC4 reports.

TECHNICAL ADVISORY GROUP

David B. Nash, MD, MBA, Chair
Thomas Jefferson University Hospital

J. Marvin Bentley, PhD (retired as of 10/1/03)
Pennsylvania State University

Joseph G. Cacchione, MD, FACC
Consultants in Cardiovascular Diseases, Inc.

Paul N. Casale, MD
The Heart Group

John R. Combes, MD
Hospital & Healthsystem Association of
Pennsylvania

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

Russel S. Stahl, MD
Cardiothoracic Surgery LLC

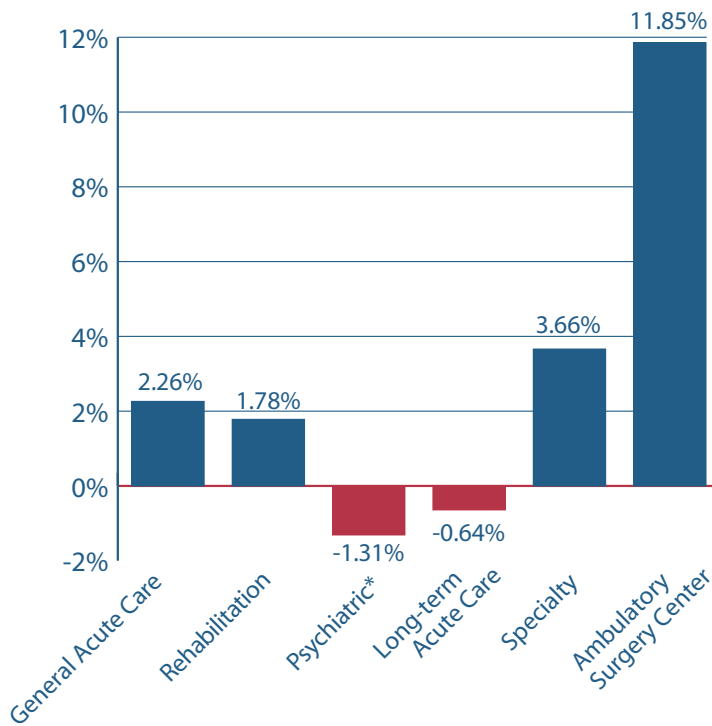
Timothy C. Zeddies, PhD
Independence Blue Cross

Analyzing Financial Health

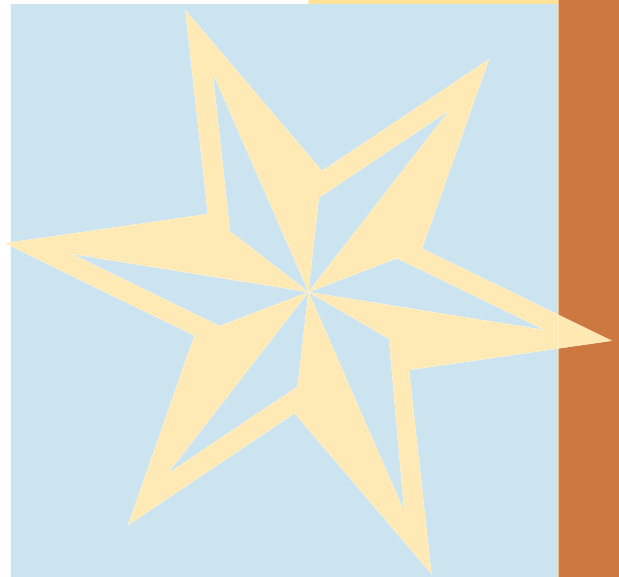
Hospitals and freestanding ambulatory surgery centers must be financially viable in order to deliver high quality, cost-effective health care. By collecting and analyzing audited financial statements, PHC4 can provide a glimpse into the financial health of Pennsylvania's health care facilities.

In 2003, *Financial Analysis, Volume One* showed that 41% of general acute care hospitals lost money in FY2002 and that statewide average total margin or "net income" declined more than a full point. *Volume Two* reported that ambulatory surgery centers earned healthy profits, while rehabilitation, psychiatric and long-term acute care facilities did not fare as well. By providing a comprehensive view of hospital finances at both the statewide and individual facility level, purchasers, payors, policymakers, and consumers can better understand the financial challenges facing hospitals today.

Average Total Margin, FY02
by Facility Type



*Excludes state psychiatric hospitals



PHC4 Receives National Award

In May, FACCT - Foundation for Accountability awarded PHC4 the prestigious Ellwood Award in recognition of PHC4's use of innovative financing models that have challenged the health care system to become consumer-focused. FACCT is a national organization working to improve health care by advocating for an accountable and accessible system where consumers are partners in their care and help shape the delivery of care.

Since its inception, PHC4 has been a leader in measuring and reporting data on health care cost and quality. The ability to see and compare this information allows consumers and others to become more engaged in provider selection and care decisions. Such transparency has been important in driving improvement in Pennsylvania's health care system.



Examining Hospital Performance

PHC4's annual *Hospital Performance Report* is one of its most requested reports. In 2003, the *Hospital Performance Report* was enhanced in two major ways. First, the printed report was revised to report on a federal fiscal year basis. Second, PHC4 began to release quarterly updates on its Web site, giving health care providers, purchasers and consumers access to the most up-to-date hospital performance information available anywhere.

The most recent printed version of the *Hospital Performance Report*, released in October, covers Federal Fiscal Year 2002 (October 1, 2001 to September 30, 2002). Available in three regional versions, the printed report covers hospital discharges for 28 medical and surgical categories. Data for an additional 43 treatment categories are available on PHC4's Web site. The first quarterly update was also posted on the Web site in December.

The *Hospital Performance Report* owes its popularity to broad appeal and the variety of ways it can be used. While hospitals use the report to evaluate and improve the quality of care they provide, consumers can use it as a tool to make decisions about where to seek treatment. The report can also be used by health care purchasers and payors to inform employees, subscribers, members and participants about quality care.



Measuring the Quality of Commercial HMOs

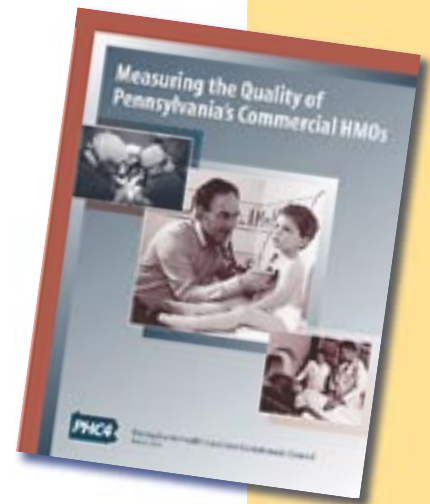
Released in March 2003, the fourth annual *Measuring the Quality of Pennsylvania's Commercial HMOs* provides a picture of how well HMOs serve their members. While other states have similar “report cards” that focus on preventive care and member satisfaction, Pennsylvania is the only state in the nation to combine these measures with a broad mix of clinical results. This unique combination of data allowed PHC4 to independently verify that HMOs that focus heavily on preventive care may be helping to keep their members out of the hospital for related conditions.

For the second year in a row, Pennsylvania HMOs not only improved results over the previous year, but also outperformed their national counterparts in all 15 preventive care measures included in the report. Moreover, Pennsylvania HMOs achieved higher member satisfaction rates than the national average, with 86% of respondents reporting no problems in receiving the care they needed.

The report also indicates opportunities for improvement. For example, HMO members were more likely to experience complications for surgical procedures than were persons in fee-for-service plans. PHC4 also found significant variation existed among HMOs in the procedure rates for hysterectomy and reconstruction following mastectomy. By examining these findings, HMOs can work with their provider networks in their continuing efforts to improve quality.

Moving Forward on a New Groundbreaking Report

In response to the growing number of total hip and total knee replacements over the past ten years, PHC4 has approved a proposal to issue a new report, *Total Hip and Total Knee Replacement*. In 2003, PHC4 laid the groundwork for this new report by working closely with the Technical Advisory Group and orthopedic surgeon consultants to develop the study methodology. Because this will include post-operative complications based on the hospital discharge data, an ambitious medical chart audit was undertaken to ensure the integrity of the data for this innovative approach. In addition, PHC4 designed and implemented a Web application that gave hospitals the ability to verify their data. With the process well underway, PHC4 looks forward to releasing this exciting new report.



PHC4 has gone the extra mile to deliver relevant information to purchasers and consumers to help them make informed health care decisions.

PHC4

fyi

2003 FYI Topics

- What is Causing Health Care Cost Increases?
- The Nursing Shortage - A Reason for Concern?
- Pennsylvania is a Leader in Quality Outcomes
- Pennsylvania Takes the Lead with New Federal Health Care Tax Credit
- A Purchaser's Role in Quality Maternity Care
- Addressing Racial and Ethnic Disparities in Health Care Delivery: The Purchaser's Role
- Promoting Maternal Health in the Workplace

<http://www.phc4.org/reports/FYI/Default.htm>

Providing Useful Information to Health Care Purchasers

For years, business and labor health care purchasers have used the cost and quality information in PHC4's reports to make sound purchasing decisions. To help them make informed decisions and "connect the dots" further, PHC4 continued releasing topic papers in its *FYI* series. Designed to give purchasers a general background on current health care issues, the seven *FYIs* released in 2003 discussed various areas of interest.

Reaching out to Purchasers

PHC4 purchaser meetings are designed to provide a forum for dynamic interaction among purchasers and provided a wealth of useful information on PHC4 data and current health care topics. Sponsored in part by the Pennsylvania AFL-CIO and the Pennsylvania Chamber of Business and Industry, each purchaser meeting focuses on an area of particular interest to purchasers.

In 2003, purchaser meetings covered topics including data delivery, managed care quality, the effectiveness of public reporting, and maternity care. Keynote speakers included Cheryl Demars, Director of Quality for the Wisconsin Employers Healthcare Alliance, and Dr. Judith Hibbard, a professor in the Department of Planning and Public Policy Management at the University of Oregon. In addition, panel discussions were used to further share ideas.

A panel of experts addressed maternity care at the October purchaser meeting. Left to right: Karen Feinstein, President of the Jewish Healthcare Foundation; Dr. Tony Castle, a practicing obstetrician; and Dr. Robert Guthrie, Chair of the Neonatal Unit at Allegheny General Hospital.





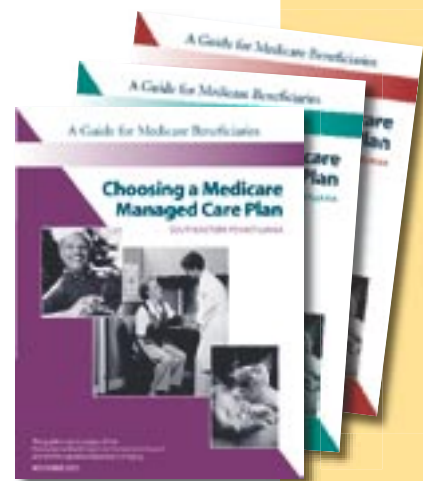
Purchasers discuss how PHC4 data can be used to measure and improve quality outcomes.

Panelists

- Dr. Tony Castle, a practicing obstetrician
- Dr. Karen Feinstein, President of the Jewish Healthcare Foundation and founding co-chair of the Pittsburgh Regional Healthcare Initiative
- Dr. Robert Guthrie, Chair of the Neonatal Unit at Allegheny General Hospital
- Bernie Lynch, Senior Director of Payer Relations for the Pennsylvania Medical Society
- Charles A. Neiman, President-Elect of the Pennsylvania Association of Health Underwriters
- Francis S. Soistman, President and CEO of HealthAmerica

Giving Medicare Beneficiaries Information to Help Them Choose a Managed Care Plan

For the third consecutive year, PHC4 partnered with the Pennsylvania Department of Aging to produce an easy-to-understand guide to help Medicare beneficiaries compare the sometimes-confusing array of Medicare Managed Care Plan options. *Choosing a Medicare Managed Care Plan* – available in three regional versions for Southeastern, Central and Western PA – outlines the differences in Medicare Managed Care Plan options, including premiums, plan benefits, out-of-pocket expenses, and important information about the quality of care provided to members. The two state agencies jointly issued this invaluable guide in November, during the open enrollment period when all plans must accept new members. The publication will continue to be available throughout the coming year by contacting PHC4 or the Department of Aging’s APPRISE program and on both agencies’ Web sites.





By exploring new, effective ways to inform Pennsylvanians about the wealth of health care information available to them, PHC4 is reaching more people than ever.

Broadening Distribution of Public Reports

As interest in PHC4 increases, so too does the demand for its reports. In 2003, PHC4 responded to these demands by enhancing the use of e-mail notifications and postcards to direct interested persons to the Web site or to contact PHC4 for a free printed version of the report. The new process allowed reports to be distributed to more people than ever in a cost-effective, timely manner. On another front, several Lehigh Valley employers have led the way in distributing thousands of PHC4 reports to their employees.

In addition to a growing awareness by the public, media attention to PHC4's work has also been increasing in recent years. The release of PHC4's public reports was covered widely throughout Pennsylvania and served to promote the availability of the reports and their key findings.

Making Information Accessible through the Web Site

Increasing numbers of people are taking advantage of PHC4's online access to information. In 2003 alone, the *Hospital Performance Report* was downloaded a total of 103,000 times and the *Financial*

Year	Hospital Name	Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7
2002	Franklin *	224	24	3.2	1.1	118	118	\$16,128
2002	Gradyville *	82	0	5.2	43	43	43	\$11,657
2002	Hershey University *	199	9	5.2	10.7	85	85	\$49,944
2002	Hospital University PA *	117	7	3.4	8.8	1.8	1.8	\$17,439
2002	Jonestown	67	48	3.4	9.9	7.4	7.4	\$14,627
2002	Lehigh Valley Health	117	43	5.0	2.2	88	88	\$12,516
2002	Lehigh Valley Health	119	76	3.7	1.6	16.2	16.2	\$45,306
2002	Lehigh Valley Health	216	46	3.8	9.8	102	102	\$17,117
2002	Lehigh Valley Health	72	0	6.3	3.9	10.6	10.6	\$17,170
2002	Lehigh Valley Health	222	2	4.8	7.8	1.8	1.8	\$17,736
2002	Lehigh Valley Health	64	73	3.4	3.8	3.8	3.8	\$14,799
2002	Lehigh Valley Health	87	94	5.2	2.8	60	60	\$26,174
2002	Lehigh Valley Health	49	46	6.6	3.3	8.1	8.1	\$14,845
2002	Lehigh Valley Health	62	68	6.2	2.2	2.2	2.2	\$12,820
2002	Lehigh Valley Health	145	0	5.8	10.6	4.7	4.7	\$17,176
2002	Lehigh Valley Health	149	3	6.4	1.8	10.4	10.4	\$12,298

Analysis, Volume One was downloaded 52,000 times. Other frequently downloaded reports included *Choosing a Medicare Managed Care Plan* and *Measuring the Quality of Pennsylvania's Commercial HMOs*. In addition to the reports, interactive databases on the Web site allow users to access data, create custom reports, trend data over multiple years, and in some cases, download the data for further analysis.

Taking the Message on the Road

In recent years, PHC4 has made a concerted effort to reach out to Pennsylvania's health care consumers. By sharing our reports and giving presentations throughout the state, PHC4 educated more organizations and individuals about its resources than ever before.

In 2003, PHC4 addressed a wide variety of audiences including employers, purchasing coalitions, and civic and professional organizations. PHC4 also exhibited at events held by many state senators and representatives, including 28 senior expos/fairs. Other events directed toward business, labor, providers, payors and consumers, as well as conferences sponsored by the Governor, the Attorney General, and state agencies, provided additional opportunities for PHC4 to reach out to a variety of people.



Lancaster County Business Group on Health members attend a presentation by PHC4 staff.

Government agencies, researchers, health care providers, and commercial enterprises turn to PHC4 for timely, accurate health care data. In Fiscal Year (FY) 2002-03, PHC4's Special Requests Unit fulfilled a record 194 special requests for data and customized reports.

Using Data to Advance Public Policy

State government agencies make great use of the resources available from PHC4. In FY 2002-03, PHC4's data and customized reports were used by state government in a variety of ways including:

PA Office of the Auditor General: An audit of hospitals receiving extraordinary expense payments as part of Act 77 of 2001, the Tobacco Settlement Act, and an analysis of hospital mergers to enforce antitrust laws.

PA Department of Health:

- Development of baseline information for health surveillance and assessment of disease outbreaks;
- An epidemiological study of asthma in Pennsylvania;
- Evaluation of Pennsylvania's Emergency Management System and trauma systems – crash outcomes, pediatric treatment protocols, trauma triage protocols, and trauma systems planning – and identification of areas for improvements to patient care, systems operation and planning;
- A pilot project to examine the feasibility of creating a birth defects registry for the Commonwealth; and
- A study of trends in spinal and hip fractures related to osteoporosis and evaluation of the effectiveness of public health interventions in decreasing such fractures.

PA Department of Public Welfare: A study of the Mental Health and Drug and Alcohol services that older Pennsylvanians receive from different funding sources.

PA Commission on Crime and Delinquency: A presentation about crime indicators and hospital discharge data.

Medication Errors among the Elderly

A University of Pennsylvania School of Medicine study on reducing medication errors among the elderly, in cooperation with the Pennsylvania Department of Aging, Pharmaceutical Assistance Contract for the Elderly (PACE).

Childbirth Management Guidelines

A Temple University Hospital study to evaluate and establish management guidelines for subsequent pregnancy performance in women with prior obstetric third or fourth degree lacerations.

Racial and Gender Disparities in Cardiac Care

Research by Crozer-Keystone Health System on the relationship among race, gender and rates of invasive diagnostic and therapeutic cardiac procedures and angioplasty across the state.

Report Cards and Medical Markets

A Harvard Business School research project on the impact of report cards on markets for medical services and how they affect the allocation of patients across providers and subsequent provider performance.

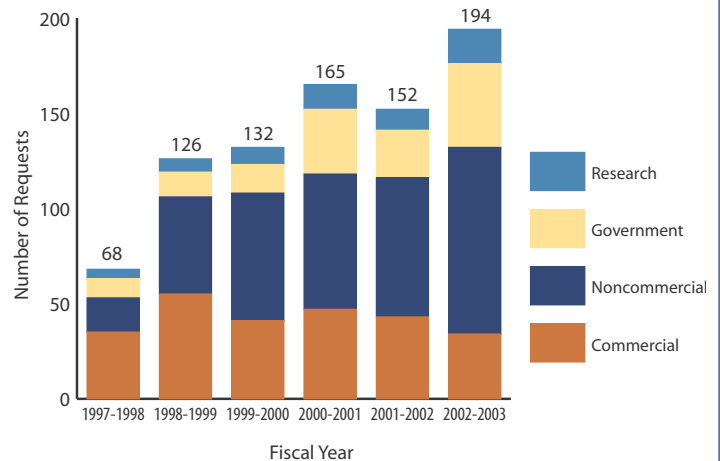
Best Locations for Trauma Center Hospitals and Helicopter Depots

A University of Pennsylvania School of Medicine request for Trauma Resource Allocation Model for Ambulances and Helicopters (TRAMAH), a federally funded health services research project, is an operations research model designed to simulate the optimal locations of trauma center hospitals and helicopter depots for state trauma care systems.

Focusing on Asthma and Air Quality

A Pennsylvania State University study focusing on correlations between asthma incidence, prevalence and asthma mortality due to air quality levels.

Special Data Requests



A record number of data requests in FY 2002-03 generated revenues of nearly a half million dollars (\$490,789).

The Impact of Organ Transplants

A study by United Network for Organ Sharing (UNOS) on the role of organ transplantation in decreasing patient morbidity and burden of disease for patients with end-stage organ failure.

Firearm-Related Violent Crime

A study by the University of Pennsylvania's Firearm Injury Center (FICAP), to improve the capacity of federal, state and local Project Safe Neighborhoods (PSN) task force partners to understand and prevent firearm-related violent crime through data and evidence driven strategies.

The Impact of Federal Policy and Health Care Market Forces

A Johns Hopkins University study to examine the impact of federal policy changes and health care market forces on the organizational and management strategies, financial viability and clinical performance of U.S. rural hospitals.

The Effect of Cardiac Surgery Mortality Report Cards

An econometric analysis to investigate cardiac surgeon and patient response to release of cardiac surgery mortality report cards in New Jersey, New York, and Pennsylvania for a doctoral dissertation at the Wharton School, University of Pennsylvania.

Rewarding Health Care Quality and Patient Safety Improvements

As part of an innovative new program, one large insurer is using PHC4 data to reward hospitals for improving patient safety and providing quality care. Independence Blue Cross (IBC) of southeastern Pennsylvania is using PHC4's risk-adjusted mortality data, along with data from the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and The Leapfrog Group, as part of its Quality Incentive Payment System for hospitals.

"What we are trying to do is link compensation, as much as we can, to quality measures," said John Zamrow, IBC's senior vice president for contracting and provider networks. "High quality care is less expensive care. When you don't have complications, it obviously keeps costs down and patients come out of the hospital with far better results."

Four hospitals have agreed to participate in the program, under which IBC pays hospitals annual reimbursement increases based in part on their patient safety and quality care performance.

Working Together to Perfect Patient Care in Southwestern PA

The Pittsburgh Regional Healthcare Initiative (PRHI), a consortium of clinicians, hospitals, insurers, health care purchasers, and corporate, civic and government leaders, uses an innovative model for health system change based on region-wide shared learning. Key aspects of the initiative were recently highlighted in the September/October 2003 issue of *Health Affairs*. The group's initial focus was to improve the quality of health care in five clinical practice areas: maternal and infant health, orthopedic surgery, advanced cardiac care, depression and diabetes. PRHI is also focusing on two issues that can cause patients harm: hospital-acquired infections and medication errors. PHC4's inpatient data has provided PRHI with baseline information on patient outcomes. Since 1999, PHC4 has been collecting and analyzing data for the five clinical focus areas and providing periodic update reports that monitor changes in clinical outcomes in these areas over time.

Playing a Vital Role in PA's Health Care Issues

When Pennsylvania's policymakers and administrators need data to support their research and policy initiatives, they often turn to PHC4.

Using Data to Improve Patient Safety

Ever since the Institute of Medicine (IOM) released a well-publicized report in 2000, significant attention has been paid to the area of patient safety. Purchasers, providers, payors, and policymakers alike agree that focusing on patient safety can not only improve the quality of care, but can also play a role in reducing overall health care costs. To assist hospitals in conducting their own patient safety analysis, PHC4 is now required under Act 14 of 2003 to provide hospitals with individualized data on patient safety indicators, including "misadventures" to patients during surgical and medical care and possible complications and infections.

PHC4 issued its first Patient Safety Reports to hospitals in October 2003. The reports included both hospital specific data and comparison data at the state and regional levels, as well as comparison data by hospital bed size. The first Patient Safety Reports were well received, and PHC4 received numerous requests from hospitals to help them better understand the data and to use the reports to identify areas for quality improvement. To enhance the reports even further, PHC4 is working with the Office of Health Care Reform and the Pennsylvania Department of Health. PHC4 will continue to regularly provide this information to hospitals.

Reviewing Proposed Mandated Health Insurance Benefits

To help restrain the cost of health care in Pennsylvania, PHC4 has the statutory responsibility of reviewing proposed mandated health insurance benefits upon request of the executive and legislative branches of government. These reviews are designed to provide objective information about the effectiveness, need, and cost of proposed benefit mandates. Ultimately, PHC4 serves in an advisory role and provides policymakers with information that will enable them to make

informed decisions. More than 25 bills proposing to mandate health insurance benefits were introduced in 2003 alone. Although PHC4 did not receive any requests to review any proposed mandates in 2003, in recent years PHC4 has reviewed proposals to mandate coverage of cancer screening, prescription contraception, dental anesthesia, and temporomandibular joint disorder.

Providing Data to Calculate Hospital Reimbursement Payments under the Tobacco Settlement

The Pennsylvania Department of Public Welfare depends on PHC4's financial data to distribute funds under the Hospital Uncompensated Care Program and the Hospital Extraordinary Expense Program. Created as part of Act 77 of 2001, these programs distribute funds from the Master Settlement Agreement with tobacco manufacturers to qualified hospitals. PHC4's involvement continues to ensure that the data collected from hospitals is timely and accurate and that the hospitals across Pennsylvania are appropriately compensated.



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Council Members
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 net assets and the governmental fund balance sheet of the Pennsylvania Health Care Cost Containment Council as of June 30, 2003, and the related statement of activities and governmental fund revenues, expenditures, and changes in fund balance, and in our report dated October 30, 2003, we expressed an unqualified opinion on those financial statements.

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

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Grove City, Pennsylvania
October 30, 2003

The logo for PHC4, featuring the letters 'PHC4' in a bold, white, sans-serif font. The letters are contained within a white outline of the state of Pennsylvania, which has a slightly distressed or torn-edge appearance. The logo is centered on a dark blue background with a large, light blue starburst pattern radiating from behind it.

PHC4

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