

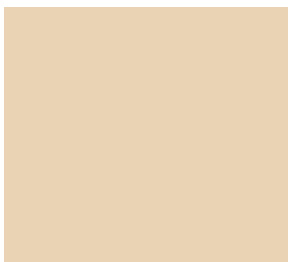


Pennsylvania Health Care Cost Containment Council



ANNUAL REPORT 2010

Good Data Drives Good Decisions



A Message from the Executive Director



Joe Martin, Executive Director
Pennsylvania Health Care
Cost Containment Council

Good data drives good decisions. That is why the independent, credible data from the Pennsylvania Health Care Cost Containment Council (PHC4) is indispensable in today's health care environment. Now more than ever, PHC4's data on the cost and quality of health care services is needed to make informed decisions, to facilitate competition in the health care arena, and to critically evaluate the value Pennsylvanians receive in return for their health care dollars.

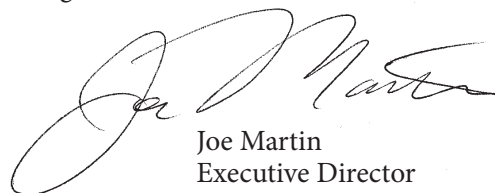
In the coming years, good data will be needed to thoughtfully implement health care programs and to evaluate their effectiveness. Good data is also essential in identifying and eliminating significant cost drivers, such as preventable waste and error. The Council can serve as a valuable resource in providing this data.

In 2010, in addition to its annual hospital performance, cardiac surgery and hospital financial reports, PHC4 produced a new report: *Chronic Health Conditions in Pennsylvania*. This eye-opening report estimated total annual insurance payments for hospitalizations for just four common chronic conditions at more than \$1 billion.

The past year also brought new activities spurred by PHC4's reauthorization in 2009 (Act 3 of 2009). The Council proceeded with the transition to a new, in-house severity adjustment system, which is the foundation for risk adjusting patient treatment results, and the creation of an Internet database of Medicare reimbursement rates for common services. Another new responsibility was staffing the Act 3 Review Committee, which was created in the statute to meet and make recommendations to the General Assembly about future directions for the Council. Also, with the help of a newly constituted Payment Data Advisory Group, PHC4 moved forward with a payment data reporting process that will make the marketplace more transparent.

A high-value, low-cost organization, PHC4 is widely considered among the best public offices of its kind in the nation. With 27 staff and a budget of \$2.7 million, the Council is a lean, flexible organization that costs taxpayers just \$1 for every \$14,000 spent on health care. More importantly, the work PHC4 does saves lives and money. For example, a 2008 study in the *American Journal of Medical Quality* found that patients treated in hospitals operating within an intensive public reporting environment, such as in Pennsylvania, had significantly lower odds of in-hospital mortality when compared to similar patients treated at hospitals subjected to limited or no public reporting.

PHC4 is an essential part of Pennsylvania's effort to make high-quality health care available to patients, to businesses and labor unions that purchase health benefits for their employees, and to providers looking to improve care and restrain costs. In the coming year, PHC4 will continue its core mission of reliable public reporting while exploring new ways to assist stakeholders in making informed, data-driven decisions.



Joe Martin
Executive Director



Recent Highlights

- Expanded reporting on healthcare-associated infections (HAIs) with a focus on hospital readmissions in its latest HAI report.
- Created and launched a consumer-friendly Internet database of Medicare payments for common health care services, such as colonoscopies, cataract surgeries and MRIs.
- Introduced a new report, *Chronic Health Conditions in Pennsylvania*, about four common and costly chronic conditions – diabetes, asthma, chronic obstructive pulmonary disease (COPD), and heart failure – for which total hospital payments in Pennsylvania were estimated at \$1 billion in 2007.
- Released annual *Hospital Performance* and *Cardiac Surgery in Pennsylvania* reports.
- Produced a three-volume series of financial analysis reports on the financial health of Pennsylvania's general acute care (GAC) hospitals, ambulatory surgery centers, and non-GAC facilities.
- Completed 91 requests for data and reports in fiscal year 2010, with total revenue of approximately \$606,000. (See pages 8 and 9.)
- Began the transition to a new in-house system to collect laboratory data for risk adjusting patient outcomes, giving hospitals more flexibility in meeting their data reporting requirements.
- Worked with its Payment Data Advisory Group on developing the most appropriate and responsible way to collect actual payment data.

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CONSUMERS



"The work of the Pennsylvania Health Care Cost Containment Council has been invaluable to Pennsylvania's employers, employees, health care providers and insurers. The Council has played a key role in bringing transparency to the system in order to help reduce costs and improve the quality of health care in Pennsylvania."

Floyd Warner, President
Pennsylvania Chamber of Business and Industry

The PHC4 Council

The Pennsylvania Health Care Cost Containment Council (PHC4) is governed by a 25-member board of directors, which consists of individuals who represent health care purchasers, providers, insurers, and state government. Listed below are current Council members and the constituencies they represent.

Executive Committee

- Randy DiPalo, Chair - Labor
- Gene Barr, Vice-Chair - Business
- Joseph Kleman, Treasurer - Labor
- David Campbell, MD, Chair, Data Systems Committee - Physicians
- Joseph Huxta, Chair, Education Committee - Business
- Tom Duzak, Chair, Mandated Benefits Committee - Labor

Council Members

- Gary D. Alexander, Secretary of Public Welfare
- Eli Avila, MD, Secretary of Health
- Neal Bisno - Labor
- David E. Black - Business
- Paul Casale, MD - Physicians
- Michael F. Consedine, Insurance Commissioner
- Samuel Denisco - Business
- Michael Doering - Quality Improvement
- Stuart Fine - Hospitals
- Bob Johnston - Business
- Donald Liss, MD - Health Plans
- Mary Ellen McMillen - Health Plans
- Ernest Sessa - Consumers
- Frank Sirianni - Labor
- Jack Steinberg - Labor
- Stephen A. Wolfe - Hospitals

What is the Pennsylvania Health Care Cost Containment Council?

In the mid-1980s, Pennsylvania businesses and labor unions, in collaboration with other key stakeholders, joined forces to pass market-oriented health care reforms. As a result of their years of effort, the Pennsylvania General Assembly passed legislation (Act 89 of 1986), creating the independent state agency known as the Pennsylvania Health Care Cost Containment Council (PHC4). The primary goal was to empower purchasers of health care benefits, such as businesses or labor union health/welfare funds, with information that would be used to improve quality and restrain costs. Today, PHC4's primary responsibilities, as amended by Act 3 of 2009, are to collect, analyze and make available to the public data about the cost and quality of health care in Pennsylvania, and upon request, to study the issue of access to care for the uninsured and to review and make recommendations about proposed or existing mandated health insurance benefits.

Collecting a Wealth of Data

PHC4 collects almost five million inpatient and outpatient records each year from hospitals and ambulatory surgery centers in Pennsylvania, a total database of more than 60 million records over 20 years. This data – which includes hospital outcomes and charges, as well as financial data (e.g., hospital total and operating margin, net patient revenue and uncompensated care) – is collected and verified quarterly.

Did you know?

With 27 staff and a budget of \$2.7 million, PHC4 costs taxpayers just \$1 for every \$14,000 spent on health care.

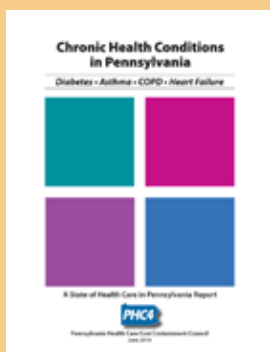


“PHC4 provides our members the information needed to make better decisions, and our union health and welfare funds the ability to identify high quality, cost-effective health care providers. Its work is a significant resource for the Commonwealth’s purchasers, providers, insurers, and policy-makers as we strive to overcome our health care cost and quality challenges.”

Richard W. Bloomingdale, President
Pennsylvania AFL-CIO

“Pennsylvanians need to use the information issued by the council to make informed health care purchases – which could help limit everyone’s costs and assist in medical outcomes.”

Editorial, “Vital Information: Data on Doctors Could Save Lives, Money,”
Harrisburg Patriot-News,
September 28, 2010



This new PHC4 report focuses on four common and costly chronic conditions: diabetes, asthma, chronic obstructive pulmonary disease (COPD), and heart failure.

Public Reports: Tools for Quality Improvement and Cost Containment

PHC4 is a national leader in public health care reporting, which can be used to improve the quality and restrain the cost of health care. In 2010, PHC4 not only produced the annual reports on which its reputation is built, but delivered a new, well-received public report on chronic disease.

Introducing a New Report about Chronic Conditions

According to the Centers for Disease Control and Prevention (CDC), more than 75% of the nation’s health care spending is on people with chronic conditions. For this reason, PHC4 produced a new report, *Chronic Health Conditions in Pennsylvania*, which provides extensive information about four common and costly chronic conditions – diabetes, asthma, chronic obstructive pulmonary disease (COPD), and heart failure. Hospitalizations for the four conditions have an enormous financial impact on public and private health care resources in Pennsylvania. The vast majority of the hospitalizations for the four conditions were considered potentially avoidable* and may have been prevented with high-quality care and behavior modification.

Chronic Conditions: By the Numbers

- **\$1 billion** Total estimated payment for all hospitalizations for these four conditions in Pennsylvania in 2007
- **25,000** Hospitalizations among Pennsylvania Medicaid recipients and uninsured patients for the four conditions in just one year
- **25%** of patients hospitalized for any one of the four conditions were readmitted for the same condition within one year

* Based on the federal Agency for Healthcare Research and Quality’s Prevention Quality Indicators



Using the Hospital Performance Report to Improve Patient Care

PHC4's latest *Hospital Performance Report* features hospital-specific information for 31 common procedures and treatments performed in Pennsylvania's general acute care hospitals from October 1, 2008 to September 30, 2009. Additional treatment categories are available on the PHC4 website where visitors can create their own customized reports. In addition to the three regional versions of this report released each year, quarterly updates are available on the PHC4 website. This information highlights opportunities for quality improvement in hospitals and helps consumers and purchasers in making more informed health care decisions.

Did you know?

Patients treated in hospitals operating within an intensive public reporting environment, such as in Pennsylvania, had significantly lower odds of in-hospital mortality when compared to similar patients treated at hospitals subjected to limited or no public reporting, according to a 2008 study in the *American Journal of Medical Quality*.

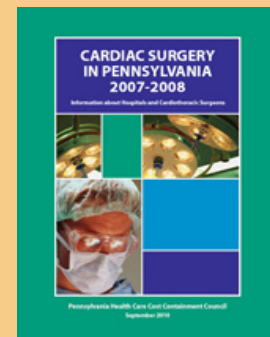
Examining Cardiac Surgery Outcomes

The *Cardiac Surgery in Pennsylvania 2007-2008* report examines the results of approximately 31,300 coronary artery bypass graft (CABG) and/or valve surgeries performed in Pennsylvania in 2007 and 2008. A significant finding of the report is that approximately one in six open heart surgery patients in Pennsylvania were readmitted within 30 days of discharge, which added \$81 million in hospital charges in 2008. This illustrates the importance of identifying the causes of readmissions and implementing evidence-based strategies to reduce those that are preventable.



Assorted experts, including business leaders, argue that enabling patients to compare and choose doctors and hospitals based on quality is the key to improving quality and lowering the cost of care.

"Examining Patient Outcomes," Harrisburg Patriot-News, September 23, 2010



Note: A new edition of this cardiac surgery report was issued in 2011. Please see www.phc4.org for its highlights.



Financial Analysis 2009 Series:

- *Volume One: General Acute Care (GAC) Hospitals*
- *Volume Two: Ambulatory Surgery Centers (ASCs)*
- *Volume Three: Non-GAC Hospitals*

Note: A new edition of *Volume One* was issued in 2011. Please see www.phc4.org for its highlights.

Did you know?

Pennsylvania – through PHC4 – was the first state to publicly report hospital-specific data on healthcare-associated infections.

Analyzing Hospitals' Financial Health

Pennsylvania needs financially viable hospitals and surgery centers in order to maintain a high-quality, cost-effective health care delivery system. Each year, PHC4 produces facility-specific financial analysis reports based on annual financial statements and other information supplied by the hospitals and surgery centers.

- During fiscal year 2009 (FY09), the financial health of Pennsylvania's 167 general acute care (GAC) hospitals as a group deteriorated as hospitals struggled with ailing investments and rising uncompensated care. The statewide average total margin realized by GAC hospitals decreased from 4.70% in FY08 to 2.08% in FY09.
- Ambulatory surgery centers (ASCs) remained highly profitable overall with a statewide average total margin of 26.26% in FY09. Nineteen new ASCs opened during the year for a total of 262.
- Among non-GAC hospitals, the statewide average total margin was 5.70% for rehabilitation hospitals, 2.59% for psychiatric hospitals, and 2.40% for long-term acute care hospitals.

Expanding Reporting on Key Quality and Cost Issues

In 2011, PHC4 is expanding its work on two recognized cost and quality-of-care issues: healthcare-associated infections (HAIs) and hospital readmissions. Across the country, initiatives to reduce readmission and HAI rates are on the rise, partly in response to payment incentive programs designed by the Centers for Medicare and Medicaid Services to reduce both of these cost drivers.

Studying the Impact of Healthcare-associated Infections

Due in large part to PHC4's reporting on healthcare-associated infections, the General Assembly passed Act 52 in 2007. This legislation adopted a comprehensive approach to the problem, outlining a multi-pronged initiative to prevent, track and reduce such infections. Under Act 52, PHC4 has access to the dataset of HAIs being reported by hospitals to the CDC's National Healthcare Safety Network. Among the state agencies that have access to this data, PHC4 is the only agency that can link it

to hospital discharge data for analysis on characteristics of the patient populations that may be at risk for infections.

In 2010, PHC4 began work on a new report on HAIs, which was released in February 2011. Using 2009 data, the report explores the cost and quality implications of these infections, including measures on mortality, length of stay, average hospital charge, estimated average Medicare payment and, for the first time, readmissions among patients with HAIs.

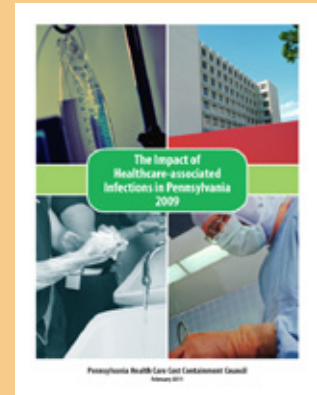
HAIs: By the Numbers

- **23,287** Number of Pennsylvania hospitalizations with HAIs
- **9.4%** Mortality rate for patients with an HAI (1.8% without HAI)
- **21.6 days** Average length of stay for patients with HAI (4.9 days without HAI)

Looking at Readmissions and Infections

Reducing readmissions is a priority among the medical community, researchers and policymakers who are focused on identifying the causes of readmissions and implementing evidence-based strategies to reduce those that are *preventable*. While not all readmissions can be prevented, high-quality care may lessen the need for subsequent hospitalizations. Notably, the data in PHC4's latest HAI report suggests that patients who contract an infection in the hospital are more likely to be rehospitalized.

- In 2009, nearly one-third (29.8%) of Pennsylvania patients who acquired an HAI were readmitted within 30 days for an infection or complication. Among patients who did not contract an HAI, 6.2% were readmitted within 30 days for an infection or complication.
- Patients who acquired surgical site infections had the highest readmission rate within 30 days for an infection or complication at 53.6%.
- Of the Medicare patients age 65 and older who acquired an infection during their hospital stay, 29.5% were readmitted within 30 days for an infection or complication. The estimated total Medicare payment for these readmissions was more than \$24.6 million.



"Since the PHC4 began its analysis of hospital-acquired infections...hospitals across the state gradually have become more effective in preventing those infections."

Editorial, "Savings Might be Infectious,"
Scranton Times-Tribune, February 27, 2011

The Source for Actionable Data

Health Coalition Uses PHC4 Data to Create High-Performance Provider Network



Matthew B. Kearney
President, Delaware Valley Health Care Coalition

Hospital Uses PHC4 Data to Improve Health Care



Stephen L. Christopoulos, MHA, OCP
Director of Decision Support
Lehigh Valley Health Network

Researcher Uses PHC4 Data to Study the Impact of Mode of Childbirth



Kristen Kjerulff, PhD, MA, Professor
Pennsylvania State College of Medicine

Requesters Use PHC4 Data to Study, Improve Quality and Analyze the Cost of Health Care

PHC4 provides a valuable service by producing customized reports and datasets for health care providers, researchers, consultants and other users who want to tailor PHC4 data and analysis for various purposes. This service is available for a fee, which is waived for Commonwealth agencies and state legislators. Under state Fiscal Code, PHC4 retains 40% of the revenue earned through the sale of its data, with 60% being deposited into the Commonwealth's General Fund.

In fiscal year 2010, which ended on June 30, 2010, PHC4's Data Requests Unit completed 91 requests for data and reports, with total revenue of approximately \$606,000. Seventeen of these requests were filled for sister state agencies. In the first half of fiscal year 2011, which ends June 30, 2011, PHC4 completed 52 requests for data and reports, with total revenue of approximately \$492,000.

In 2010, PHC4 expanded its marketing of this service by emailing quarterly promotional material to existing clients, developing new leads and marketing lists of prospective clients, and posting articles on the website about how current clients are using PHC4 data. These low-cost efforts have paid off as sales in the first six months of fiscal year 2011 were significantly ahead of prior years. PHC4 also increased national exposure for its data by rejoining the Healthcare Cost & Utilization Project (HCUP). Sponsored by the Agency for Healthcare Research and Quality, HCUP is a family of databases developed through a federal-state-industry partnership and is an essential data source for health researchers across the nation.

Data Requests: By the Numbers

- **91** Requests for data completed in FY10
- **\$606,000** Total revenues from data sales in FY10
- **17** Free requests completed for sister state agencies in FY10

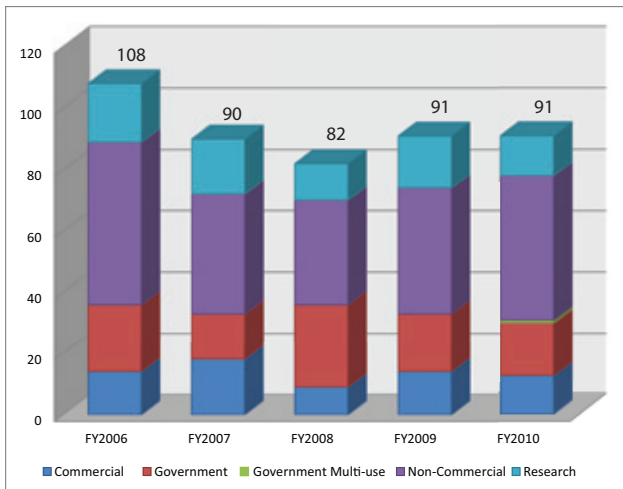
For more information on how these data purchasers are using PHC4 data, check out the PHC4 Data Users Series at www.phc4.org/services/datarequests/datausersseries/.



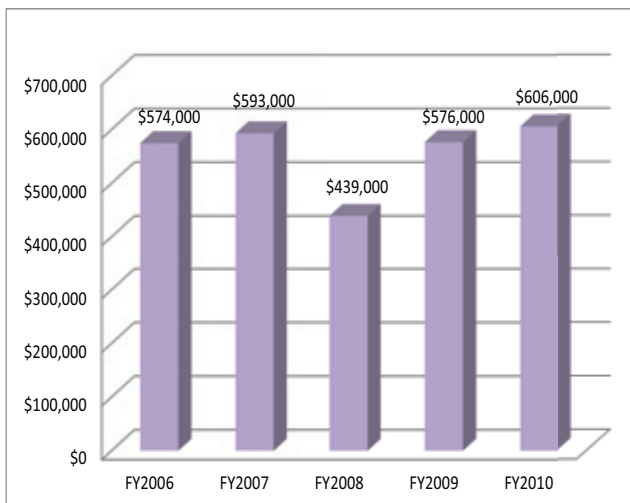
Uses of PHC4 Data

- Quality Improvement
- Research Studies
- Contract Negotiations
- Needs Assessments
- Market Share Analyses
- Payer Mix Analyses
- Strategic Planning
- Surgical Outcomes Analyses
- Utilization Reviews
- Misadventures Analyses
- Classroom Teaching Tool
- Trend Analyses
- Benchmarking
- Credentialing
- Dissertations/Student Papers

Number of Data Requests



Data Requests Revenue



Fiscal Year 2010 Data Users

- Agency for Healthcare Research & Quality
- Akron Children's Hospital
- Albert Einstein Healthcare Network
- Allied Services
- Altarum Institute
- America's Health Insurance Plans (AHIP)
- Atlantic Health
- Bochetto & Lentz, P.C.
- Bon Secours Health System, Inc.
- Boston University School of Medicine
- The Commonwealth Fund
- Community Health Systems
- Data Advantage Corporation
- DataBay Resources
- Delaware Valley Health Care Coalition
- Duke University
- Duquesne University/Health Management Systems
- Frederick Memorial Hospital
- Global Lower Extremity Amputation Study Group
- Good Shepherd Rehabilitation Hospital
- Governor's Office of Healthcare Reform
- Harvard University
- HCR ManorCare
- HEALTHSOUTH
- Hospice Compassus
- Hospital & Healthsystem Association of PA
- Ingenix
- Kaleida Health
- Lehigh Valley Health Network
- LW Consulting, Inc.
- Memorial Hospital of York
- Memorial Medical Center
- Moses Taylor Hospital
- National Minority Quality Forum
- New Solutions, Inc.
- New York Presbyterian Hospital
- Oconco Healthcare Consultants
- Odyssey Healthcare
- Penn State College of Medicine
- Pennsylvania Commission on Crime and Delinquency
- Pennsylvania Department of the Auditor General
- Pennsylvania Department of Health
- Pennsylvania Department of Public Welfare
- Pennsylvania Office of the Attorney General
- Pennsylvania Patient Safety Authority
- Philadelphia Department of Public Health
- Philadelphia Inquirer
- Pittsburgh Regional Health Initiative
- Public Health Management Corporation
- Reading Hospital and Medical Center
- Rural Health Initiative, VA Med Center
- Sacred Heart Healthcare System
- SDI Health
- Susquehanna Health
- Thomson Reuters
- Treo Solutions
- U.S. Department of Justice
- University of Iowa, Department of Health Management & Policy
- University of Pennsylvania
- University of Pennsylvania Robert Wood Johnson Clinical Scholars
- University of Pennsylvania School of Medicine
- University of Pittsburgh Medical Center
- Veterans Affairs Pittsburgh Healthcare System
- Virginia Commonwealth University
- Washington County Hospital
- WebMD Health
- WellSpan Health
- Wyoming Valley Health Care System

Data User:

David Kimpel
Planning Database
Administrator
WellSpan Health



"We are always working to strengthen the continuum of care we provide patients. PHC4 data is actionable. It helps us to identify any gaps in care, as we continue to improve clinical outcomes and patient experience."

Responding to Changes in PHC4's Authorizing Law

PHC4 was reauthorized for the third time in its history under Act 3 of 2009. The new law created the Health Care Cost Containment Act (Act 3) Review Committee, an independent body charged with producing recommendations for changes to this Act. This 15-member Review Committee was composed of appointments made by the Governor and leaders of the Pennsylvania General Assembly; the members represented all four caucuses of the House of Representatives and Senate, the business community, organized labor, consumers, health care facilities, physicians, nurses, Blue Cross and Blue Shield Plans and commercial insurance carriers. The Review Committee released its final report and unanimous recommendations in June 2010.

Act 3 also included several significant changes that had a major impact on Council activities in 2010. The new initiatives spurred by these changes are highlighted in the following sections.

Transitioning to a New Risk-Adjustment System

In 2010, PHC4 began the transition to a new in-house system to collect laboratory data for risk adjusting patient outcomes, which is the critical underpinning of Pennsylvania's public reporting on hospital performance. Risk adjustment "levels the playing field" by giving hospitals extra credit for treating more seriously ill patients who are more likely to die in the hospital, stay longer, and/or be readmitted. This transition was prompted by a new provision in Act 3 of 2009, which states that, as of July 1, 2010, hospitals are not limited to contracting with a specific vendor for the purposes of submitting clinical laboratory data, which gives hospitals more flexibility in meeting their data reporting requirements.

For guidance on this major reengineering process, PHC4 turned to its longstanding Technical Advisory Group (TAG), which is comprised of physicians, researchers, and biostatisticians who provide independent expert advice on issues related to risk adjustment, research methodology, and data analysis. Council members unanimously approved TAG's recommendation that PHC4 continue using laboratory data in its risk adjustment, which is often described as the national "gold standard." In April 2011, PHC4 restarted the collection of the required laboratory data directly from hospitals beginning with the Quarter 1, 2011 collection period.

Developing an Interactive Medicare Payment Database

One new PHC4 initiative that the Act 3 Review Committee studied and unanimously recommended was the creation of an Internet database of Medicare payments for common health care services. In late 2010, PHC4 began developing this consumer-friendly database, which was eventually launched in March 2011.

For each Pennsylvania county, the database provides the amount Medicare pays hospitals and ambulatory surgery centers for outpatient procedures, such as colonoscopies, cataract surgeries and MRIs. It also shows the number of procedures hospitals performed in a year.

This new database was designed to provide Pennsylvanians with concrete information so that consumers participating in high deductible health plans or who have no health insurance coverage at all can make the most efficient use of their health care dollars.

Moving Toward Greater Payment Transparency

During 2010, PHC4 moved forward with finding the most appropriate method to collect and report private sector insurance payments. Information about the actual payments that providers receive from insurers has long been desired, particularly by employers and labor unions, who need to understand what drives cost increases. These groups argue that payment data transparency could allow them to build differential cost-sharing into their benefit plans, which could motivate employees to get the same high-quality treatment from lower-cost providers.

Under Act 3 of 2009, a Payment Data Advisory Group (PDAG) was formalized, charged with advising the Council regarding the collection, analysis and reporting of commercial payment data. PDAG, which includes representatives from health plans, hospitals and physicians, met seven times during 2010 and moved the agency toward a consistent payment data collection process that will start in 2011.

The collection of this commercial payment data, along with PHC4's new Medicare database, are two important steps in PHC4's creation of an all-payer insurance claims database. The combination of PHC4's existing inpatient/outpatient database with an all-payer insurance claims database will put the Commonwealth in the strongest position to strategically monitor and improve health care delivery.

Data User:

**Janice Walters
Executive Director
Revenue Systems and Primary
Care Services
Charles Cole Memorial
Hospital**



"With the relatively small number of cases we encounter in many areas, it is important to have a larger data set and risk adjustment measures to help us evaluate our clinical performance, in everything from infection control to readmissions. PHC4 data and analysis help us objectively assess and continually improve the quality of our care."



Pennsylvania Health Care Cost Containment Council

Joe Martin, Executive Director

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www.phc4.org

Scan this Quick Response Code with your smartphone (using a QR code reader app) or visit www.phc4.org to learn more about PHC4.

