Proven Strategies to Reduce Your Operational Cost

Michael Guiry, PA-C, MBA
AVP, Cardiovascular Services
North Shore LIJ Health System
New York
I, Michael Guiry, DO NOT have a financial interest/arrangement or affiliation with one or more organizations that could be perceived as a real or apparent conflict of interest in the context of the subject of this presentation.
US Healthcare: Overview

$2.7 trillion = cost of US Healthcare in 2011
• Equivalent to 17.9% of GDP
  ($8,680/person, 3.9% increase yoy)

Total US GDP: $15 Trillion

CMS.gov, research/data statistics
World Gross Domestic Product

1. U.S. $15.0T
2. China $7.3T
3. Japan $5.9T
4. Germany $3.6T
5. France $2.7T
Workplace Health Premiums Continue to Rise

2012 Health Premiums:
- Single Coverage = $5,615
- Family Coverage = $15,745

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits.
US Healthcare: Medicare

- 78 million US citizens over the age of 64 by 2017 (~ \( \frac{1}{3} \) US population & \( \frac{1}{2} \) the workforce)

- Medicare Part–A is financed primarily through payroll taxes, yet the worker to Medicare beneficiary ratio is declining. . . .
  
  1970: 4.5 workers to 1 Enrollee  
  2005: 3.9 Workers to 1 Enrollee  
  2020: 2.9 Workers to 1 Enrollee

- Medicare trust fund projected to be exhausted by 2024
US Healthcare: Medicare

- Projected change in Medicare enrollment

2012 Annual Report Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.
Healthcare Reform Goals

Access

Quality

Cost

\[ \frac{\text{QUALITY}}{\text{COST}} = \text{VALUE} \]
Health Care Reform Has Raised Many Questions

- How much will we get paid?
- What will we get paid for?
- Who will pay us?
- Where will patients receive care?

...How will new mandates affect us as an employer?
Health Care Reform Timeline

2010
- Market Basket & Productivity Cuts
- Dependent Coverage to Age 26

2012 - 2013
- Value Based Purchasing
- Readmission and HACs Penalties
- Pharmaceutical and Medical Device Fees

2014
- Individual Mandate/Health Exchanges Open
- Medicare & Medicaid DSH Cuts
- Insurer Fees

2018
- Full Impact of Medicaid DSH Cuts
- Cadillac Tax
Value Based Purchasing - Pay For Performance, Just A Sample…

- Time to Cath Lab
- % of Heart Failure Patients given Discharge Instructions
- % of pneumonia Patients whose initial ED Blood Culture was performed prior to the administration of the first dose of antibiotics
- Antibiotic Received one hour prior to Surgical Incision
- Cardiac Surgery Patients with Controlled 6am Postoperative Serum Glucose
- Patient Experience-How was the Nurse, How was the Doctor, Was the Hospital Clean etc…
## Hospital Value-Based Purchasing

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Process of Care (Core Measures)</strong></td>
<td>70%</td>
<td>45%</td>
</tr>
<tr>
<td><strong>Patient Experience (HCAHPS)</strong></td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Outcomes (30-day Mortality)</strong></td>
<td></td>
<td>25%</td>
</tr>
</tbody>
</table>
# Financial Impact

<table>
<thead>
<tr>
<th></th>
<th>Readmissions</th>
<th>Value Based Purchasing</th>
<th>Hospital Acquired Conditions</th>
<th>Annual Payment Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12 - (10/1/2011)</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>FY13 - (10/1/2012)</td>
<td>1%</td>
<td>1%</td>
<td>---</td>
<td>2%</td>
</tr>
<tr>
<td>FY14 - (10/1/2013)</td>
<td>2%</td>
<td>1.25%</td>
<td>---</td>
<td>3.25%</td>
</tr>
<tr>
<td>FY15 - (10/1/2014)</td>
<td>3%</td>
<td>1.5%</td>
<td>1%</td>
<td>5.5%</td>
</tr>
<tr>
<td>FY16 - (10/1/2015)</td>
<td>3%</td>
<td>1.75%</td>
<td>1%</td>
<td>5.75%</td>
</tr>
<tr>
<td>FY17 - (10/1/2016)</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Percent refers to DRG payment reduction on all Medicare discharges
Value Based Purchasing

- Medicare Payment Withholds Starting FY 2013
- Medicare Penalties for Readmissions
- Medicare Penalties for Not Reporting
- Medicare Penalties for Meaningful Use

Cumulative Annual Impact to NYP: $40 M
What is Sequestration and How Will It Influence Healthcare?

- Sequestration is a government mechanism that involves a series of spending cuts required by the Budget Control Act of 2011, which are aimed at reducing the Federal Deficit.
- Sequestration automatically began March 1, 2013 after Congress failed to enact an alternate deficit reduction program.
- The required cuts will decrease spending by 1.2 trillion dollars by 2021.
- Medicare cuts for Hospitals and other Health Care providers is 2% ($11 Billion in 2013, $123 Billion from 2013-2021).
Health Insurance Exchange

Health Connector
Health Insurance for Massachusetts Residents

Individual & Family Health Insurance

Need insurance? Let's get started.
We'll help you compare options from the major insurers in Massachusetts. See if you might qualify for a low-or-no-cost plan.

The Health Connector offers plans from:

[Logos of insurance providers]
Payor Mix Changes in NYC

**TODAY**
- Commercial
- Medicare
- Medicaid
- Uninsured

**FUTURE**
- Commercial
- Medicare
- Medicaid
- Uninsured

NEW
Delivery Model Risk Continuum

Low

Volume

Key Driver

Fee-for-Service

Pay-for-Performance

Penalties

Bundled Payments

ACO

Capitation

High

Value
Bundled Payments

- Single payment covering a range of services
- CMS testing bundled payments through a pilot program in which 500 different providers are participating
- There are 4 different bundling models:
### Projected Impact of Reform on NYP (2010-2019)

<table>
<thead>
<tr>
<th>Expanded Medicaid Coverage</th>
<th>Projected Impact: $ - slightly +</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare Market Basket/ Productivity Adjustments</td>
<td>($1)</td>
</tr>
<tr>
<td>Medicare DSH Payments</td>
<td>($1)</td>
</tr>
<tr>
<td>Medicaid DSH Payments</td>
<td>($1)</td>
</tr>
<tr>
<td>Quality and Service Excellence</td>
<td>($1) - $1</td>
</tr>
<tr>
<td>Employee Benefits Costs</td>
<td>($1)</td>
</tr>
<tr>
<td><strong>Projected Total</strong></td>
<td><strong>($943M)</strong></td>
</tr>
</tbody>
</table>
Projected Impact of Reform on NYP (2010-2019)

Total: $1.1B

Plus Additional State Cuts

Total: $2.6B
Future Success

• Patient Experience
• Advocacy
• Physician Alignment
• Focus on Quality, Safety, & Service
• Operational Efficiency*
U.S. Health-Care System Wastes $750 Billion Annually

- 27.5% Unnecessary Services
- 17.0% Inefficient Care
- 24.8% Excess Administrative Costs
- 13.7% Inflated Prices
- 7.2% Prevention Failures

IOM 2012 Report
Hospital Efficiency
Revenue Cycle
Clinical Utilization
Length of Stay
Enhanced Sourcing
Revenue Cycle

Length of Stay

NYP System and Ambulatory Care

Supply Utilization

Indirect Cost Structure

Clinical Resource Utilization
Clinical Resource Utilization

- Goal: Monitor practice patterns to ensure standardization whenever possible
- Choice Awareness
  - Price Transparency
  - Standardize Practices
  - Physician Metrics
- Reprocessing
- Bulk Opportunities
- Standardize Packs/Kits
- Eliminate Waste/Overuse
<table>
<thead>
<tr>
<th>Type</th>
<th>Boston Scientific</th>
<th>MEDTRONIC</th>
<th>ST. JUDE</th>
<th>Biotronik</th>
</tr>
</thead>
<tbody>
<tr>
<td>DUAL CHAMBER</td>
<td>Teligen RF HE DR</td>
<td>E110</td>
<td>Secura DR D224DRG</td>
<td>Fortify ICD-VR</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CD1231-40Q</td>
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<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Confient DR HE</td>
<td>E030</td>
<td>Virtuoso DR D154AWG</td>
<td>Current Plus DR SJ4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Clinical Resource Utilization

### Change in Contrast Utilization and Subsequent Cost Impact

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Contrast</th>
<th>% Case Volume (cc)</th>
<th>Case Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2012</td>
<td>Omnipaque</td>
<td>16% (10,561)</td>
<td>13% (81)</td>
</tr>
<tr>
<td>June 2012</td>
<td>Visipaque</td>
<td>84% (69,278)</td>
<td>87% (535)</td>
</tr>
<tr>
<td>7.24-10.15.12</td>
<td>Omnipaque</td>
<td>90% (183,984)</td>
<td>89% (1,372)</td>
</tr>
<tr>
<td>7.24-10.15.12</td>
<td>Visipaque</td>
<td>10% (20,452)</td>
<td>11% (167)</td>
</tr>
</tbody>
</table>

**Cost Savings:** $150K/yr
### Clinical Resource Utilization

<table>
<thead>
<tr>
<th>Interventionist</th>
<th>Average June Case Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I20</strong></td>
<td></td>
</tr>
<tr>
<td>Diagnostic</td>
<td>$515</td>
</tr>
<tr>
<td>Intervention</td>
<td>$4,925</td>
</tr>
<tr>
<td><strong>I26</strong></td>
<td></td>
</tr>
<tr>
<td>Diagnostic</td>
<td>$220</td>
</tr>
<tr>
<td>Intervention</td>
<td>$2,778</td>
</tr>
<tr>
<td><strong>I5</strong></td>
<td></td>
</tr>
<tr>
<td>Diagnostic</td>
<td>$608</td>
</tr>
<tr>
<td>Intervention</td>
<td>$6,245</td>
</tr>
<tr>
<td><strong>I13</strong></td>
<td></td>
</tr>
<tr>
<td>Diagnostic</td>
<td>$335</td>
</tr>
<tr>
<td>Intervention</td>
<td>$3,816</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Procedure</th>
<th>June Median Cost</th>
<th>June Average Cost</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnostic</td>
<td>$314</td>
<td>$386</td>
<td>357</td>
</tr>
<tr>
<td>Intervention</td>
<td>$3,167</td>
<td>$4,027</td>
<td>211</td>
</tr>
</tbody>
</table>

- **Case costs are only reflective of supplies and devices (i.e. balloons, stents, catheters, etc.)**
- **Other direct/indirect costs have been excluded (i.e. medications, labor, equipment, etc.)**
Length of Stay

• Goal: Streamline patient care processes to ensure optimum care and timely discharge
• Teams assembled and categorized as follows:
  • Care Coordination
  • Early Intervention
  • Throughput/24 hrs Hospital
  • Post-Acute Care
*Average number of requisitions not fulfilled at end of working day
## Length of Stay – Early ICU Mobilization

### Targets vs. Excess Days Removed

<table>
<thead>
<tr>
<th>Campus</th>
<th>YTD Sept.</th>
<th>Annualized</th>
<th>YTD Sept.</th>
<th>Annualized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weill Cornell</td>
<td>1,735</td>
<td>2,689</td>
<td>2,313</td>
<td>3,585</td>
</tr>
<tr>
<td>Milstein</td>
<td>2,057</td>
<td>2,469</td>
<td>2,742</td>
<td>3,292</td>
</tr>
<tr>
<td>NYP Overall</td>
<td>3,370</td>
<td>5,158</td>
<td>5,055</td>
<td>6,877</td>
</tr>
</tbody>
</table>

### Excess Day Reductions

![Graph showing excess day reductions for WCMC, Milstein, and NYP Overall](image)
Reduction in Sedatives (MICU: 2011 vs 2012)

** Boxes represent the Interquartile Range (mg per patient)
Reduction in Vent Days/Patient

Average Number of Ventilator Days per Vent Set-up
(Baseline 2011 vs January - June 2012)

<table>
<thead>
<tr>
<th></th>
<th>WCMC ICUs</th>
<th>Milstein ICUs</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 and Q2 2011</td>
<td>7.0</td>
<td>4.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Q1 and Q2 2012</td>
<td>4.0</td>
<td>3.0</td>
<td>3.5</td>
</tr>
</tbody>
</table>
Program Successes

• Extraordinary cross-campus multidisciplinary collaboration
• Variance decreased by 2.79 days as compared to baseline 2011
  - Reduction of 3.04 – 4.30 days in MICUs
• 15x more Rehab treatments per patient day
• 90-95% of patients medically cleared receiving active treatment
• Project Coordinators for Early Mobilization started early September
• Decrease in percentage of continuous infusions (2011 vs 2012)
Operational Excellence (OE)

- **Goal**: Set targets and optimize cost structure in the system *while* keeping patients first
- **Target specific system solutions** (i.e. LOA, OT)
- **Develop implementation plans**
- **Implement changes and rebase budgets**
- **Define/Implement labor analytic tools & metrics**
## 2009 Total Expenses per Adjusted Discharge

(adjusted for outpatient and CMI)

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Cost per Adj discharge (CMI Adj)</th>
<th>Medicare CMI</th>
<th>Discharges</th>
<th>Average Cost per Adj Discharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>BI</td>
<td>$11,717</td>
<td>1.41</td>
<td>42,079</td>
<td>$2,000 difference per adjusted discharge or $204M</td>
</tr>
<tr>
<td>NSUH</td>
<td>$10,462</td>
<td>1.70</td>
<td>58,986</td>
<td></td>
</tr>
<tr>
<td>NYPH</td>
<td>$10,308</td>
<td>1.99</td>
<td>113,033</td>
<td></td>
</tr>
<tr>
<td>LJ</td>
<td>$9,787</td>
<td>1.62</td>
<td>50,422</td>
<td></td>
</tr>
<tr>
<td>SLR</td>
<td>$9,748</td>
<td>1.51</td>
<td>50,264</td>
<td></td>
</tr>
<tr>
<td>NYU</td>
<td>$9,680</td>
<td>1.96</td>
<td>41,595</td>
<td></td>
</tr>
<tr>
<td>NY METRO Avg</td>
<td>$9,629</td>
<td>1.70</td>
<td>52,647</td>
<td></td>
</tr>
<tr>
<td>MT SINAI</td>
<td>$9,391</td>
<td>1.87</td>
<td>59,123</td>
<td></td>
</tr>
<tr>
<td>Montefiore</td>
<td>$9,289</td>
<td>1.59</td>
<td>92,903</td>
<td></td>
</tr>
<tr>
<td>Hackensack</td>
<td>$8,401</td>
<td>1.85</td>
<td>46,871</td>
<td></td>
</tr>
<tr>
<td>Lenox Hill</td>
<td>$8,189</td>
<td>1.83</td>
<td>31,581</td>
<td></td>
</tr>
</tbody>
</table>
Reducing maintenance costs does not require a sacrifice in the quality of service, the patient experience, or readiness for the uncertain healthcare environment.
## OE – Workforce Opportunities

<table>
<thead>
<tr>
<th>Payroll Leakage</th>
<th>Contracts / Policies</th>
<th>Leave Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cancelled Meals</td>
<td>On Call</td>
<td>Paid Time Off</td>
</tr>
<tr>
<td>Configuration Design – Hours Counting</td>
<td>Call Back</td>
<td>Disability</td>
</tr>
<tr>
<td>On Call / Call Back</td>
<td>Overtime</td>
<td>Extended Illness Bank</td>
</tr>
<tr>
<td>Overtime</td>
<td>Shift Differential</td>
<td>Perfect Attendance</td>
</tr>
<tr>
<td>Pay Code Edits</td>
<td>On Call</td>
<td>Leaves (FMLA, Medical)</td>
</tr>
<tr>
<td>Pay Code Moves</td>
<td>Scheduling</td>
<td>Leave Process</td>
</tr>
<tr>
<td>Punch Edits</td>
<td>Holiday Worked</td>
<td></td>
</tr>
<tr>
<td>Rounding Abuse</td>
<td>FLSA Overtime Calculations</td>
<td></td>
</tr>
</tbody>
</table>
OE – Workforce Opportunities

<table>
<thead>
<tr>
<th></th>
<th>Low Savings</th>
<th>High Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Leakage</td>
<td>$5M</td>
<td>$10M</td>
</tr>
<tr>
<td>Leave Management</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Note these numbers are preliminary and do not currently include Overtime
- We have completed our two weeks of second level interviews and incorporating into the analysis
Moving Forward

- Quality
- Performance
- Investment
- Preparedness
- People
How Will Your Healthcare Institution Meet the Challenge?
Thank You