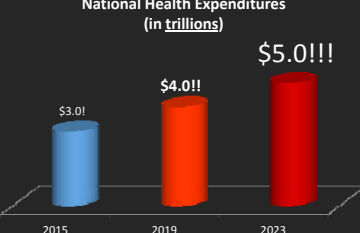


Transcending Traditional Cost Reduction: How To Improve Care Without Raising Costs

Dan Michelson
CEO
Strata Decision Technology



Financial Stewardship?



**National Health Expenditures
(in trillions)**


2015 2019 2023

The Reality:
We are facing a crisis.

The Question:
What will we tell others we did to fix it?

©2015 Strata Decision Technology Source: Centers for Medicare and Medicaid

The Absence of Accurate Cost Data is "Astounding"



Michael Porter
Professor
Harvard Business School

"The absence of accurate cost information in health care is nothing short of astounding."

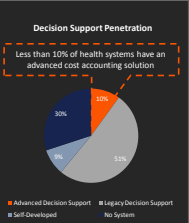
"The existing systems are wholly inadequate."

"Healthcare organizations are flying blind in deciding how to improve processes and redesign care."

"Understanding true costs will finally allow clinicians to work with administrators to improve the value of care."

Decision Support Penetration

Less than 10% of health systems have an advanced cost accounting solution



■ Advanced Decision Support ■ Legacy Decision Support
■ Self-Developed ■ No System

Source: Harvard Business Review, "The Struggle That Will Define Health Care" (October 2014) Source: HMDA Research, Company Analysis

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What Is Our Common Link?

Financial Stewardship

Driving value for patients
+
Delivering on your mission

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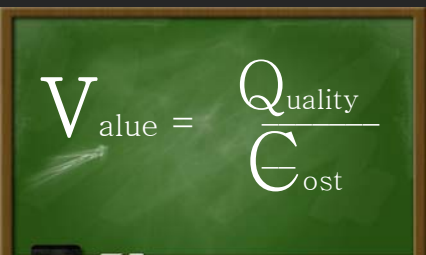
The OLD Math...



Success = Quantity

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The NEW Math...

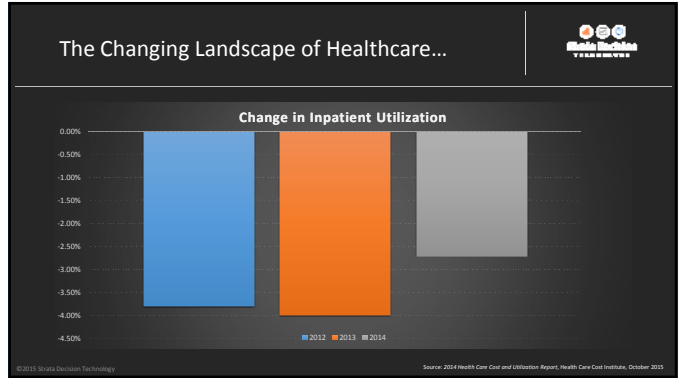


Value = $\frac{\text{Quality}}{\text{Cost}}$

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Two Baskets...and a New Business Model

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The Changing Landscape of Healthcare...

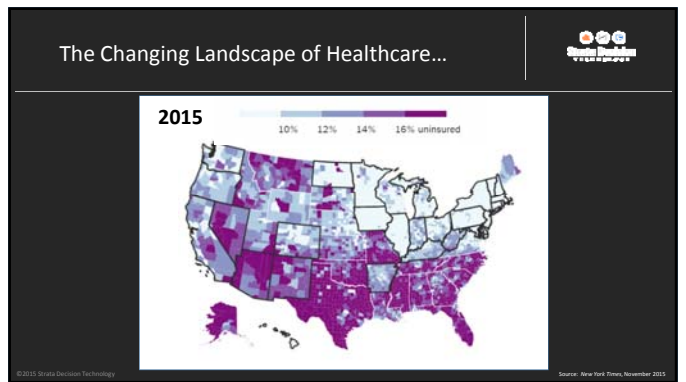
Modern Healthcare

The leader in healthcare business news, research & data

1,800 hospitals will see value-based purchasing bonuses in fiscal 2016
 By [John Halamka](#) | October 26, 2015

Medicare will reward more hospitals than it will penalize in fiscal 2016 under its value-based purchasing program, the CMS said Monday.

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Our Collective Call to Action...

***"The future is here...
 it's just not evenly distributed."***
 - William Gibson

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MDs are Ready to Engage in Driving Down Costs

PHYSICIANS AT SIX MAJOR HEALTHCARE SYSTEMS WERE ASKED TO ESTIMATE THE COST OF 13 COMMONLY USED ORTHOPEDIC DEVICES
 (ESTIMATES WITHIN 20% OF ACTUAL COSTS WERE CONSIDERED CORRECT)¹

Physicians don't know...

~20%

Only 1 in 5 MDs could correctly estimate the cost for common orthopedic devices

▶

...but do care about cost

>80%


Over 8 of 10 MDs would consider cost as a key criteria in the selection of a medical device

n=503 MDs at orthopedic departments at Duke, Harvard, University of Maryland, Mayo, University of Pennsylvania, Stanford, and Washington University
¹Survey Data: Five Orthopedic Surgeons Assess the Costs of the Devices They Implant, Health Affairs, January 2014

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Providing Cost Data...Works


Controlling Costs With Computer-Based Decision Support
Leonard S. Feldman, MD, et al
JAMA Intern Med. 2013;163(1):1-2.



Presented MDs cost information on lab tests at the point of care via computer

~10% reduction in test volume (\$400,000+ in savings)

Surgical Vampires and Rising Health Care Expenditure: Reducing the Cost of Daily Phlebotomy
Elizabeth Skuebing, MD, MPH; Tom Miner, MD
Arch Surg. 2011;146(5):524-527.



A weekly announcement to surgical house staff and attending physicians of dollar amount charged to non-intensive care unit patients for lab services during prior week

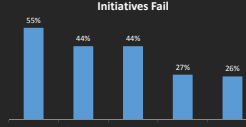
> 25% reduction in dollars charged/patient/day for routine blood work

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Typical Cost Improvement Issues

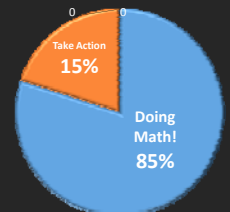
83%
of Providers' Cost Improvement Initiatives are *Not Producing Results*

Reasons why Cost Improvement Initiatives Fail



Reason	Percentage
Difficult to Quantify & Track Savings	55%
Difficult to Keep Track of Projects	44%
Lack of Accountability	44%
Projects Don't Produce REAL savings	27%
No Staff to Lead Projects	26%

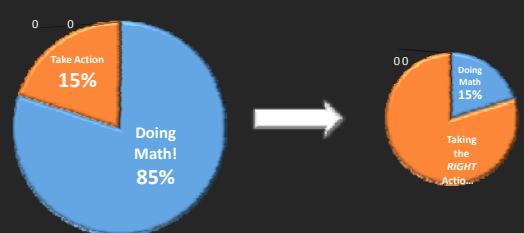
Labor Intensive



Take Action: 15%
Doing Math!: 85%

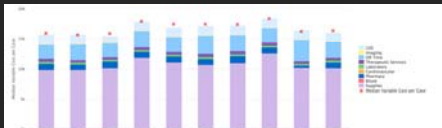
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Reduce the Cost of Cost Improvement




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The Opportunity of Physician Variation



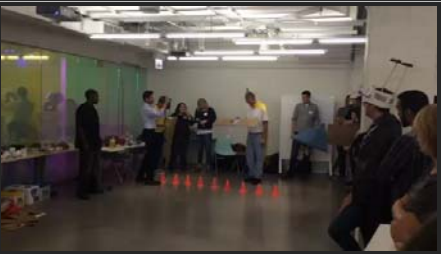
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Need to Test...



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Need to Try...



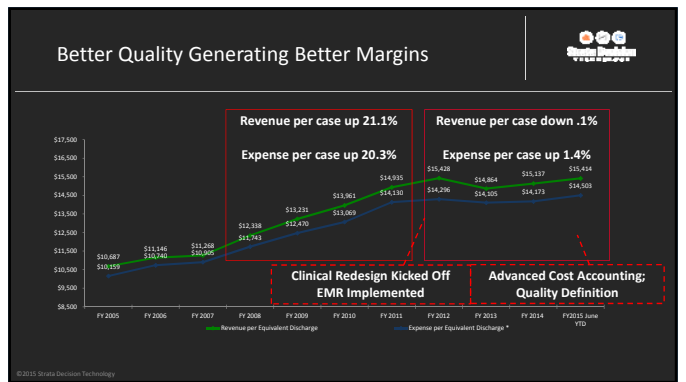
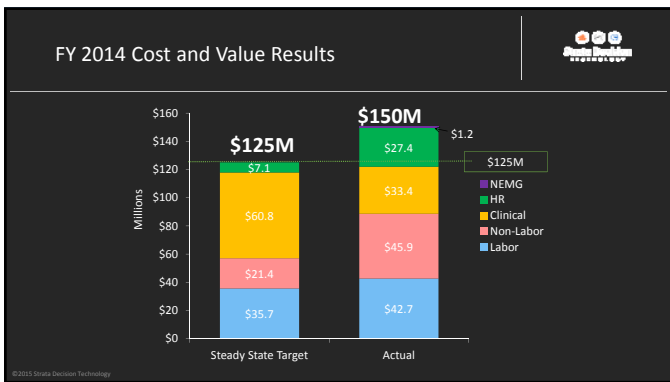
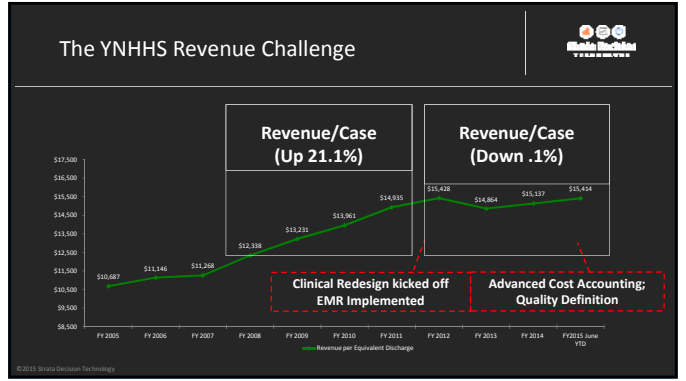
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The Breakthrough...

Yale New Haven Health System

Looking at variation through a quality lens

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"Open Sourcing" the Fix

The Best Care, The Lowest Cost: One Idea at a Time

Every day, patients, clinicians and financial administrators see opportunities to provide more affordable care.

We want to hear your story.

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'Open Sourcing' ideas...

FREE e-Book Available at:

www.stratadecision.com/nationalstorycontest

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"Doc, I Need an MRI"

Patricia Czapp, MD
Chair of Clinical Integration
Anne Arundel Medical Center

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The "State" of Maryland

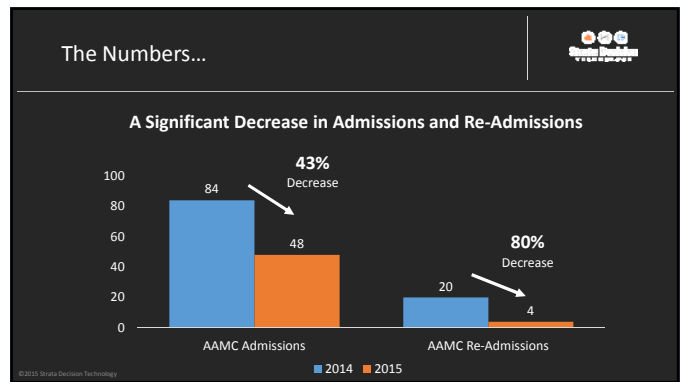
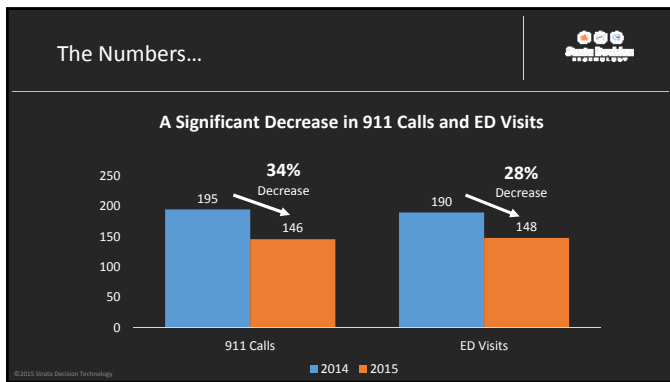


THE WALL STREET JOURNAL
Maryland Experiments With Capping Hospital Spending
Measure Aims for Costs to Rise No Faster Than Economy
By JENNIFER CORBETT DOOREN and AMY SCHATZ
Updated Jan. 9, 2014 6:34 p.m. ET


BALTIMORE—Maryland said Friday it would cap spending on hospital care in the state and ensure that costs rise no faster than economic growth, an unusual experiment in government-imposed controls that is likely to draw attention from other states.

The plan, backed by the state's 46 hospitals and major insurance companies, also involves paying hospitals a fixed annual sum based on broad measures such as the population of the region they serve rather than paying fees for each service.

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The One Equation That Matters The Most...



Margin + Mission

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Spreading the Word...



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