

Fixing health care **Pennsylvania shows how to cut costs and improve care**

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By Cliff Shannon

After a year-long political tug-of-war, Gov. Ed Rendell and the General Assembly recently agreed to reauthorize the Pennsylvania Health Care Cost Containment Council. The council had been taken as an innocent hostage in a dispute between the governor and Republican legislators about medical liability. It continued to exist in limbo only because the governor issued executive orders to keep it alive. What matters now, however, is making full use of PHC4's unique resources and data to guide comprehensive health-care reform in Pennsylvania and across the nation.

Rising health-care costs threaten the security of millions of American families, and things are getting worse. Losses of job-based coverage are accelerating during the recession. Medicare Trust Fund insolvency is only a few years away. Exploding Medicaid costs are breaking most states' budgets and triggering tax increases across the country.

Political attention in Washington is focused on enacting universal health-insurance coverage. But the 600-pound gorilla sitting in the middle of Capitol Hill is skyrocketing health-care costs. If cost trends don't change, Medicare alone will consume one-fifth of our national economic output when all of the Baby Boomers are retired. Unless we put the brakes on runaway health-care costs, universal coverage will produce huge budget deficits and equally huge tax increases that would be a catastrophe for our economy.

Until now, we have tried to contain health-care costs by cutting benefits, increasing out-of-pocket costs for consumers and slashing payments to health-care providers. This hasn't worked. More people than ever are uninsured, insurance premiums keep rising and out-of-pocket costs force millions of Americans to forego needed treatment and medicine.

The problem is that none of these cost-containment strategies address the underlying problem: the unnecessary treatment, preventable complications and medical errors that account for one-third of all health-care spending. The only effective means of containing health-care costs is a dramatic improvement in health-care quality focused on eliminating waste and making patients healthier.

How do we know what is waste and what helps patients?

Commercial insurers and government health agencies rely on billing records to analyze health-care costs. Unfortunately, billing records can tell a lot about who gets paid and how much, but not much about what happens to patients.

The Pennsylvania Health Care Cost Containment Council, on the other hand, collects clinical information about hospitalizations in Pennsylvania. It then analyzes the data and converts it into public reports about what happens to patients, producing risk-adjusted mortality rates, complication rates, infection rates, 30-day readmission rates. These PHC4 reports enable consumers, purchasers and providers to compare hospitals on the basis of how well they take care of patients. They also allow comparisons between costs and outcomes.

PHC4 reports show that risk-adjusted patient outcomes at individual hospitals vary widely for heart surgery, hip and knee replacement, diabetes care, hospital-acquired infections and dozens of other illnesses and conditions.

Projects sponsored by the Pittsburgh Regional Health Initiative have used PHC4 data to demonstrate that high-quality health-care services reduce the need for hospital admissions and emergency room visits, increase patient satisfaction and life quality, and (drum roll, please) reduce health-care costs significantly. That's why PRHI projects -- and PHC4 data -- are attracting attention from policy makers in Washington who are struggling right now to resolve difficult health-care issues.

PHC4 could do some things better. It needs to make its reports more timely and consumer-friendly. It needs to provide clearer information about differences in cost. But the biggest changes are needed among health-care providers.

Pressure is growing for cost containment. Health-care providers can wait for across-the-board cuts, or they can use PHC4 data and proven quality-improvement methods to reduce costs and drive big improvements in patient care.

Likewise, health-care consumers can wait for higher taxes and more cuts in benefits, or they can use PHC4's public reports to select high-value providers -- not the cheapest or most expensive, but those who achieve the best patient outcomes.

Now that PHC4 has been preserved, it also needs enough money to provide its critical services. PHC4 costs taxpayers about \$4 million per year but has saved taxpayers and health-care purchasers many tens of millions of dollars. And there is a budget-neutral way of paying for PHC4: allow it to underwrite its operating expenses by selling its data to outside organizations.

Apprentice carpenters are taught, "Measure twice; cut once." This assures a perfect fit and no waste.

In health care, PHC4 is the gold standard for measuring what really counts -- patient outcomes -- and for assuring that health-care reforms save both lives and money.

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