

Consumer-Directed Health Care

Beyond Pricing Transparency: The Next Wave

By Preston Gee

For some time now, leaders in the hospital industry have been discussing the significance of pricing transparency. Now that many hospitals are developing strategies to make their prices transparent, it's a good time to think about the next phase of transparency. The pricing element of transparency is just the tip of the iceberg, a harbinger of what lies on the horizon for everyone in the healthcare field.

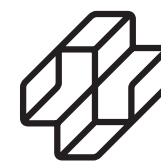
At a Glance

- > **A key component of the transparency mix will be the concept of value—or price and quality.**
- > **Some savvy healthcare providers are capitalizing on their favorable positions on the value scale. One example is the two-hospital ProHealth system, which promotes the use of its price information through a newsletter distributed to the region's top 500 employers.**
- > **A commitment to open communication with patients and others is key in a more transparent environment. One small hospital, Wright Medical Center, has launched various communication initiatives, including a host of newsletters targeted at specific audiences. The hospital's commitment to open communication has generated additional patient revenues and improvements in patient satisfaction.**

Open-Book Medicine

Some observers feel the cloak of complexity in our field is a major contributor to rising costs and declining access. An increasing number of individuals and organizations believe that pulling back the curtains on the healthcare arena, exposing the players to more scrutiny and oversight, can reduce costs and enhance quality.

Consequently, the drivers of transparency are not only prime movers in the market, but also powerful forces in many sectors—from employers to government officials—who believe transparency plays a key role in improved efficiency. That fundamental premise is critically important for health leaders to both grasp and accept as they map out their long-term strategy for traversing the transparency era. In essence, transparency is not a fad or a passing fancy;



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it is the approaching tsunami that will transform the way care is delivered and the system is viewed.

Value Is Vital

A key component of the transparency mix will be the concept of value. The U.S. healthcare system is already under siege for underdelivering on the value scale, relative to other developed nations. The price/quality equation does not add up on several scales of relative performance, such as the World Health Organization's annual assessment that perennially places the United States in the lower tier of quality for resources expended.

Consequently, pricing transparency will likely transition from the somewhat rudimentary level it now occupies to more substantive comparisons. Some of these comparisons are emerging in a few markets, spurred by employer coalitions, advocacy groups, and healthcare providers themselves. In the latter case, some savvy healthcare providers are attempting to get ahead of the wave and capitalize on their favorable position on the value scale.

One example of this is found in the two-

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hospital ProHealth Care system in Wisconsin. This inventive system utilizes the web as a powerful tool for communicating with customers/patients and reaches out to key stakeholders through a multipronged pricing education initiative that informs and engages key stakeholders.

Starting with 12 high-volume, diagnosis-related group (DRG) procedures in 2002, ProHealth Care now maintains a database that includes more than 200 procedures for each of the system hospitals. Among other advertising strategies, the system promotes the use of its price information through a newsletter distributed to the region's top 500 employers, initiating a

dialogue with the critical audience of purchasers—which has resulted in improved relationships and heightened support.

Such progressive initiatives are fascinating as hospitals may soon begin to tout their true market value in comparison with that of potentially higher-priced, lower-quality competition.

A Clarion Call in Iowa

How does a leadership team best prepare for the onslaught of overt operations? The first step is a commitment to open communication, which begins at the top and filters throughout the entire organization.

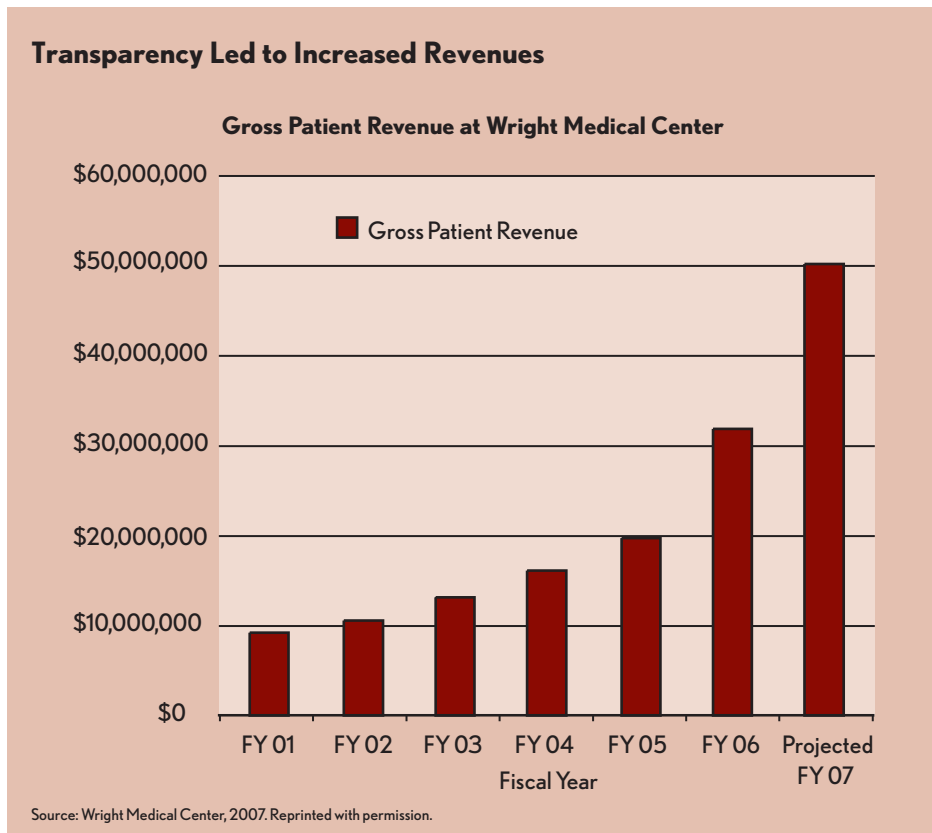
An impressive example of what this can do for the health of a hospital and the well-being of the community is found at Wright Medical Center, a 25-bed critical access hospital in Clarion, Iowa, a town of about 3,000 people. Despite the small size of the community and its hospital, the executives have produced big-league results with their commitment to comprehensive communication and open-door operations.

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Physicians have been active participants in the quality improvement movement, including attending culture-transformation seminars, participating in peer-group sessions, and receiving patient feedback on their bedside manner and professional approach. The physicians not only have bought into the concept, but also have embraced the "accountability at all levels" concept, which, among other things, has helped with physician recruitment. As one physician leader put it, Wright has attracted physicians from "specialties that wouldn't normally consider moving to a facility this small and a market this size."

In addition to focusing on the Studer Group's well-known five pillars of excellence—service, people, quality, financial, and growth—Wright's leadership team established several guiding principles:

- > Commit to excellence
- > Measure the important things
- > Build a culture around service
- > Create and develop leaders



- > Focus on employee satisfaction
- > Build individual accountability
- > Align behaviors with goals and values
- > Communicate at all levels
- > Recognize and reward success

Under the communication principle, Wright leaders committed to ongoing tactical communication and strategic, evaluative communication and planning. Among its important initiatives:

- > Quarterly leadership retreats that involve the entire leadership team (directors and above) in off-site, two-day sessions
- > Revamped Internet and intranet (everyone in the organization is “encouraged/required” to check e-mail at least once a day to stay updated)
- > A host of newsletters targeting specific audiences, including weekly employee newsletters, quarterly community publications, foundation newsletters, medical staff newsletters, and others
- > A CEO presentation at every new employee orientation to set the tone,

paint the vision of the organization, and delineate the standards of behavior that are expected of new employees

- > A leadership development institute
- > Opportunities for patients to provide commentary on their stay and highlight individuals who made a difference
- > Daily rounds on patient floors by the leadership team
- > Patient rounding every hour
- > Thank-you cards to all patients for choosing Wright Medical Center as their healthcare provider

The commitment to open communication has generated remarkable improvement in patient satisfaction—from a 65 percent rank in 2001 to 99 percent in 2004—leading to the prestigious Summit Award by Press Ganey. The Summit Award is given to hospitals that achieve the highest levels of patient satisfaction in the United States. Wright has recorded similar achievements in physician satisfaction and employee satisfaction, with an equally meteoric rise

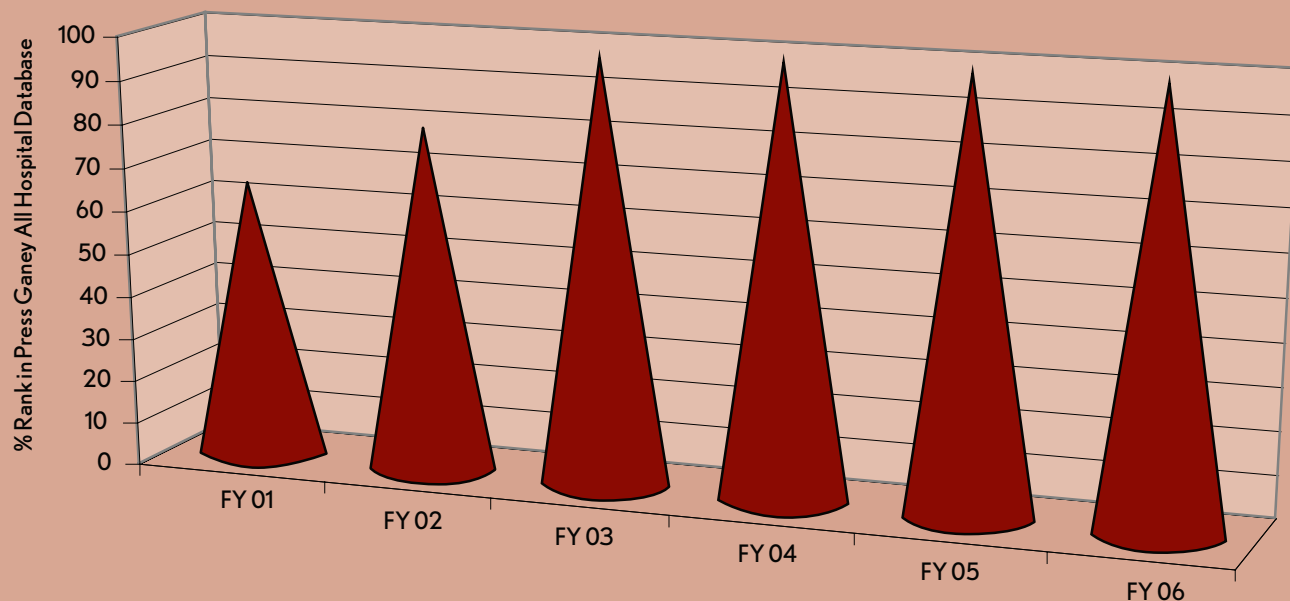
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from cellar to stellar.

Meanwhile, the hospital has seen concomitant success in its financial performance, growing from less than \$10 million in gross patient revenue in FY01 to an estimated \$50 million in FY07. Employee retention is high, with nursing turnover below 4 percent, less than one-third the national average.

Patient Satisfaction Improves with Increased Communication

Inpatient Satisfaction Scores at Wright Medical Center



Source: Wright Medical Center, 2007. Reprinted with permission.

The World Is Changing

Fundamentally, the landscape for the healthcare delivery system is shifting from a closely guarded/tightly held model to a much more wide-open healthcare milieu. Savvy healthcare executives not only will recognize that a seismic shift is occurring, but also will begin to prepare their organizations for the day when elements beyond price—including quality, operations, and

even internal communications—are a matter of public record. These basic components will one day become as transparent as they have become in leading industries throughout the nation.

Few can argue that such a level of accountability and responsibility at all levels eventually will produce a better system and, perhaps, a more efficient one. Yet even if

one did argue against such a transition of change, such a debate would be moot, as it flies in the face of eventual reality. Therefore, rather than swim against the rapid current of change, progressive leaders will prepare their organizations to not only catch the wave, but also enjoy the ride. ☞

Preston Gee is senior managing director at Phase 2 Consulting in Austin, Texas (epgee@phase2consulting.com).