

## America's Most Valuable Care

### THE ISSUE

With total spending at almost \$3 trillion a year, or 18 percent of the U.S. economy, America's healthcare system is the most expensive in the world. Spending has increased faster than inflation, the economy, or wages – yet when it comes to quality and health outcomes, performance is often no better than in most other developed nations, and in some instances, it is much worse.

Experts agree that a significant amount of the care being provided is unnecessary or is being delivered inefficiently. Increasing the quality and decreasing the cost of U.S. healthcare is important for many reasons, including improving Americans' quality of life and strengthening the economy.

*“An expensive healthcare system that delivers poor outcomes threatens our health and undermines our economy. The good news is that there are many opportunities to transform American healthcare into a high-performing system that provides higher quality care at a lower cost.”*

Michael Peterson

### THE OPPORTUNITY

There are 'bright spots' in the healthcare system—healthcare providers in communities large and small are consistently delivering high-quality care at a lower-than-average total cost. Perhaps most importantly, some of these providers operate on America's "Main Street," where the advantages of large scale or unique medical cultures formed over decades are nowhere to be found.

The fragmented nature of the U.S. health system and its poor incentive structure have impeded the broad adoption of innovative solutions to improve quality and lower costs. The Peterson Center on Healthcare is developing a comprehensive approach to finding existing innovative solutions that improve quality and lower costs, and accelerating their adoption on a national scale.

In early 2013, the Peterson Center on Healthcare and Stanford University's Clinical Excellence Research Center (CERC) set out to find these high-value providers through a systematic analysis of commercial insurance data. Commercial insurance

#### **What is High-Value Healthcare?**

High-value care is what results when care that is high-quality and lower-than-average total cost intersect.

data reflects market prices, rather than prices set by Medicare and Medicaid, and allows analysis of the “all-in” cost of a primary care physician to his/her patients, including payments for patients’ drugs, emergency room visits, lab testing and other services.

The opportunity presented to the Peterson Center on Healthcare and Stanford CERC teams was to:

- Identify primary care practices that are ‘positive outliers’ in the value – higher quality at significantly lower cost – of the care they provide
- Determine common features that make these primary care practices unique
- Create a ‘change package’ that enables other primary care physicians to incorporate insights from high-value providers into their own practice
- Demonstrate the replicable nature of, and results from, these features and support accelerated adoption on a national scale.

## THE APPROACH

Stanford’s CERC team systematically identified primary care practices that routinely achieve high performance—high-quality care at a lower-than-average cost.

The team first looked at single- and multi-specialty U.S. physician practices with at least two physicians providing primary care. They narrowed the list to those whose performance landed them in the top 25 percent on quality measures. Quality measures were predominantly sourced from HEDIS (Health Effectiveness Data and Information Set) – a universally recognized set used by more than 90 percent of U.S. health plans for assessing quality. Researchers then eliminated all sites where total annual per capita health spending by commercial health insurers did not also fall into the lowest 25 percent—after adjustments to reflect the severity of illness of their patients. Fewer than five percent of the roughly 15,000 sites assessed by the CERC team ranked in the top quartile on quality and the bottom quartile on costs.

The second step of the approach was to identify the features or characteristics of these physicians that help explain their exceptional performance. The CERC team conducted a series of in-depth site visits with a sample of high-performance physicians to understand their distinguishing features. For comparison, the team also visited other primary care practices whose quality of care and cost scores were closer to the average.

### Engaging Experts

Experts at nationally recognized institutions—including Harvard School of Public Health, RAND Corporation, the University of Michigan, Yale School of Public Health, and others—helped shape the analytic methods of the CERC team.

## THE FINDINGS

Through this combination of quantitative and qualitative analyses, the CERC team identified 10 features of primary care sites that consistently delivered exceptional value to their patients.

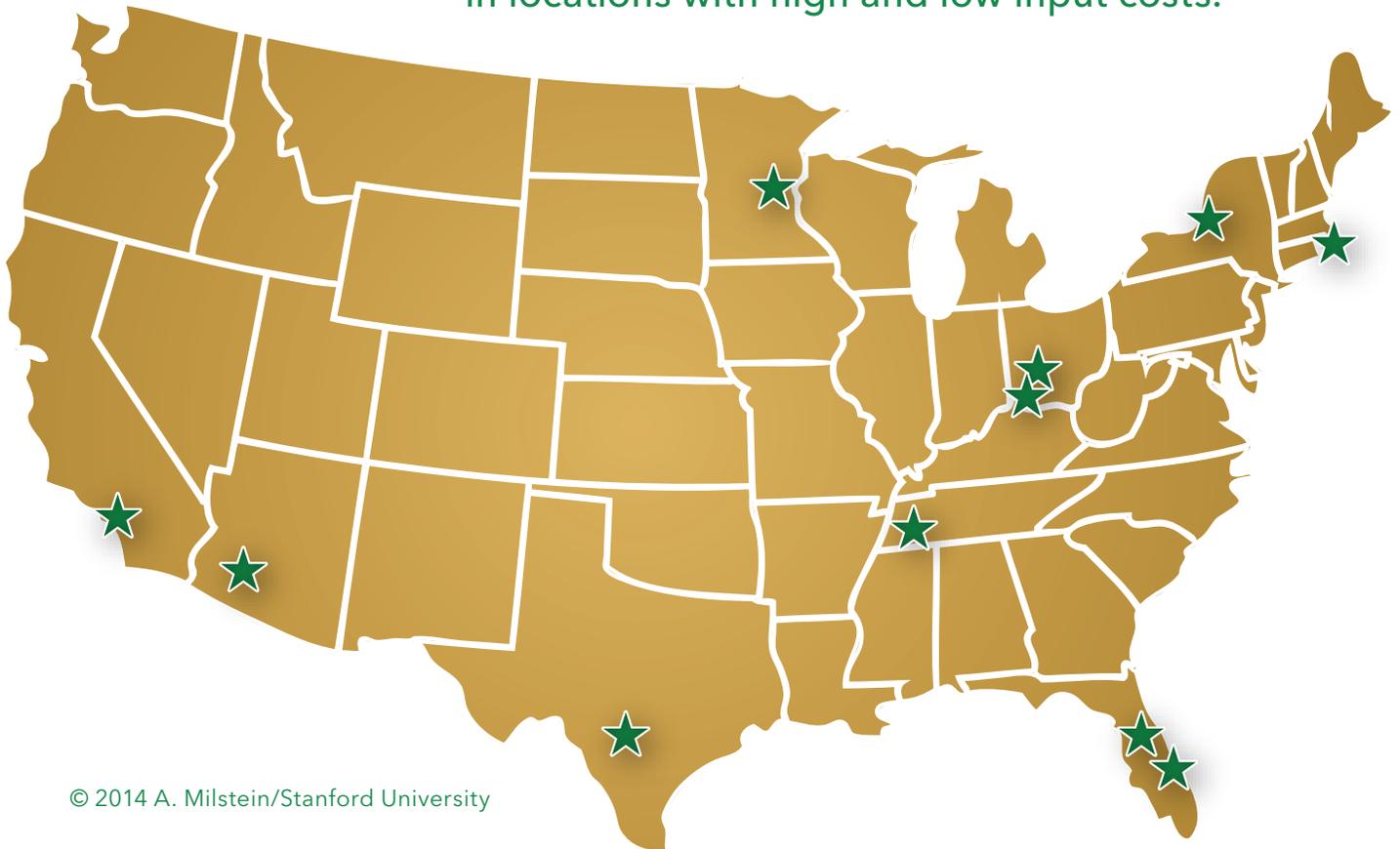
*“We found that high-quality care is being provided at lower total annual cost at a small number of primary care practices. Many of these providers were largely unaware that they’re unique, but they are actually doing something extraordinary, and they have a number of features in common that can be replicated.”*

Arnie Milstein

There is considerable diversity among these high-performing practices. These distinctive features were not linked to the sites’ ownership, location, or characteristics of their patient population. About a third are independent, primary-care-only practices. Others are independent, multi-specialty practices, while still others are affiliated with a health system. One practice is a workplace clinic, while another is a federally qualified health center, or FQHC. Their patients vary widely in their age, income, insurance status, and race/ethnicity.

Some are urban, while others are suburban or rural. Geographically, they are spread across the nation—from Rochester, N.Y. to Yorba Linda, Calif., and from Springboro, Ohio to Kissimmee, Fla.

**We found most valuable primary care sites  
in locations with high and low input costs.**



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## THE FEATURES

Stanford's CERC team observed that these high-performing primary care sites differ in three ways from practices with average cost and quality scores, specifically:

- Their patient relationships were deeper
- Their interactions with the healthcare system were wider
- Their practice organization was team-based

*“These most valuable care providers are lighting the path toward higher-quality healthcare at lower cost. They show that it can be done without significantly more investment in the practice, or having healthier patients to treat. The features they share are a blueprint for others.”*

Jeff Selberg

## DEEPER PATIENT RELATIONSHIPS

The CERC team found that physicians in high-value practices develop deeper relationships with their patients, often without economic reward for doing so. This deeper physician-patient relationship manifests itself in three characteristics.

### 1. Always on

Patients have a sense that their care team is “always available,” and that they will be able to reach someone who knows them and can help them quickly whenever necessary.

Practices offer same-day appointments and accommodate walk-ins, extend evening and weekend hours, typically take their own after-hours calls, and can rapidly access their patients' electronic medical records outside of conventional office hours.

### 2. Conscientious conservation

The care team is conscientiously dedicated to ensuring patients get all necessary care, proactively identifying needed tests and treatments and ensuring patients get them. At the same time, they conserve resources by tailoring care to align with the needs and values of their patients.

Three components illustrate a dedication to conserving resources without compromising the conscientious protection of patients' health:

**A. Fulfilling Quality of Care Guidelines:** The care team ensures that patients receive all evidence-based preventive care and treatment. This often means making guideline-based reminders available to clinicians at the time of the patient's visit, right on the electronic medical record, for example. Practices that do this most effectively place responsibility with one person—often the office manager—who holds the care teams accountable by regularly running reports to rapidly identify any outstanding care gaps

## 10 CHARACTERISTICS OF HIGH-VALUE PROVIDERS:

1. Always on
2. Conscientious conservation
3. Complaints are gold
4. Responsible in-sourcing
5. Staying close
6. Closing the loop
7. Upshifted staff roles
8. Hived workstations
9. Balanced compensation
10. Investment in people, not space and equipment

and alerting the care team to take action. This conscientiousness is balanced with a more thoughtful use of tests, treatments and referrals. In the 'grey areas' of medicine, these clinicians stop to take the time to ask whether additional care aligns with their patients' personal preferences and quality of life goals.

**B. Individualized Intensity of Care:** Each patient receives care and support that is matched to his or her unique clinical needs. Patients with the greatest needs receive the most support. For example, patients categorized as 'high-risk' are monitored and advised by a care manager, scheduled for longer office visits or receive frequent phone checks by office staff, or in some cases, clinician house calls.

**C. Shared Decision-Making and Advanced Care Planning:** When there are multiple diagnostic and treatment options and they substantially differ in their risk of complications and cost, the physician takes the time to walk a patient through likely scenarios and tradeoffs. This includes discussions about the pros and cons of aggressive treatment options near the end of life.

### 3. Complaints are gold

Complaints from patients are regarded to be as valuable as compliments, if not more so. High-value primary care sites take every opportunity to encourage patient feedback.

The office manager at Memphis Primary Care Associates speaks with three to five patients daily for immediate, informal feedback on their visit. Not only is the feedback provided in real-time, but it ensures that patients without the interest or resources to fill out an electronic survey are heard.

## WIDER INTERACTION WITH THE HEALTHCARE SYSTEM

Three features illustrate how these high-value providers of primary care play a more active role in orchestrating other players in their local healthcare eco-system. That includes medical specialists, hospitalists and emergency physicians, as well as staff at nursing homes, physical rehabilitation centers, and pharmacies.

### 4. Responsible in-sourcing

Primary care teams do as much as they can safely do rather than referring patients out.

These primary care physicians practice within the full scope of their expertise, delivering minor procedures and other treatments that other primary care physicians often refer out—such as skin biopsies, insulin initiation and stabilization, joint injections or suturing—because they take more time than the average patient visit. If they can arrange specialist supervision, they take on additional low complexity services sometimes performed at a higher cost by specialists, such as treadmill testing for cardiac patients.

### 5. Staying close

When services outside the scope of the primary care practice are necessary, these physicians rely on a carefully selected list of preferred local specialists who share their philosophy of conscientious conservation.

At Florida Medical Clinic, primary care physicians also act as hospitalists, and go to the emergency department as soon as one of their patients arrives. They use their medical group's personal knowledge of the patient to decide whether the patient needs to be admitted to an inpatient bed or can be safely referred back to the practice for an urgent care visit.

Although these primary care physicians cannot always select the hospitalist or emergency department (ED) physician who cares for their patients, they maintain relationships with them regardless, stay connected with the care of their patient, and assure that treatment plans respect their patients' personal preferences and health goals. They remain in close communication with other physicians and insist on being kept in the loop as their patient's treatment plan evolves.

## 6. Closing the Loop

The care team ensures that each element of the treatment plan agreed upon by the patient and their physician is fulfilled.

This includes confirming that a patient went to her specialist appointment, proactively tracking medication adherence, and following up expeditiously when patients are unexpectedly admitted to a hospital.

Family Physicians Group in Kissimmee, Fla., obtains health insurance claims data for prescription refills from their health plan's pharmacy to confirm that high-risk patients fill their prescriptions in a timely manner.

## TEAM-BASED PRACTICE ORGANIZATION

Four features illustrate how these high-value sites are organized to support the greater depth and breadth of primary care interactions.

## 7. Upshifted staff roles

Physicians are supported by a team of nurse practitioners, physician assistants, nurses, and/or medical assistants—all of whom are working at the 'top of their licenses.'

This enables physicians to spend more time with the patients who need the most direct physician contact, and to take care of more patients. Upshifted staff roles are often facilitated by an empowered practice manager who runs an efficient office and frontline staff team—allowing the clinicians to focus only on activities that require clinical judgment and training.

Ridgewood Meds-Peds in Rochester, N.Y., calculated that fulfilling all of the administrative and clinical activities associated with an eight-hour day of patient visits requires 18 hours of staff time. Their staffing approaches assure that all activities that don't need to be performed by a physician are assigned to other care team members.

## 8. Hived workstations

Care teams work together side-by-side in an open 'bullpen' environment that facilitates continuous communication among both clinical and non-clinical staff.

This approach, in which physicians work in a room with others on the care team, goes hand in hand with upshifted staff roles. It facilitates learning through collaboration without regard to hierarchy. It also prompts physician-to-physician dialogue about complex cases and differences in practice style. In some larger practices, we saw this dialogue facilitate agreement on approaches to uncomplicated common illnesses. This in turn, allowed their teams to standardize workflow and solve patients' problems more quickly.

## 9. Balanced compensation

Physicians are not paid solely on the basis of their productivity.

Rather than basing physician income solely on service volume—in other words, ‘fee for service—pay typically also reflected performance on at least one of the following components: 1) quality of care, 2) patient experience, 3) resource utilization, and 4) contribution to practice-wide improvement activities.

## 10. Investment in people, not space and equipment

By saving money on space, equipment and technology, these providers didn’t need to see more patients or order expensive tests to generate a competitive income.

These physicians rent very modest offices. To save money and eliminate incentives to use expensive equipment, the practices only invest in lab, imaging and other equipment if it allows them to provide care more cost-effectively in-house. Some partner with other practices to jointly operate imaging equipment. This lowers their cost and charge per imaging study to patients and insurers by spreading the fixed cost of the equipment over more patients.

## BUILDING ON WISDOM AND DEBUNKING MYTHS

These findings build on the wisdom of two current physician-led initiatives to improve care: the Patient-Centered Medical Home and Choosing Wisely. However, findings relating to wider interactions with the healthcare system and several findings relating to team-based practice organization extend into new territory.

The findings challenge some common beliefs. While there’s widespread recognition that pockets of excellent value exist in the U.S., some believe they hinge on replicating methods used by very large health systems with an efficiency culture cultivated over many years. The exemplary practices that we found, however, showed that primary care practices without these advantages can also deliver exceptional value. Equally surprising, these small-scale, mainstream primary care exemplars enjoy a competitive income and good quality of work life. Lastly, they demonstrate that superior quality can co-exist with low total population-wide health spending.

*“There’s a tendency in healthcare to always look at what the big systems are doing to improve care and lower cost, but this shows that an independent, three-physician practice in a low-income neighborhood can be among the best.”*

Woman Employed at one of the High-Value Sites

## WHAT'S NEXT?

The Peterson Center on Healthcare and Stanford CERC team are collaborating with a network of organizations with strong, well-established relationships across U.S. healthcare to develop dissemination and implementation strategies designed to spark adoption on a national scale. Stanford CERC estimates that greater adoption of the features observed could improve quality and lower annual U.S. health spending by \$300 billion.<sup>1</sup>

To learn more and get involved, visit [www.petersonhealthcare.org](http://www.petersonhealthcare.org)

### **About the Peterson Center on Healthcare**

The Peterson Center on Healthcare is a non-profit organization dedicated to making higher quality, more affordable healthcare a reality for all Americans. The organization works to transform U.S. healthcare into a high-performance system by finding innovative solutions that improve quality and lower costs and accelerating their adoption on a national scale. Established by the Peter G. Peterson Foundation, the organization collaborates with stakeholders across the healthcare system and engages in grant-making, partnerships, and research.

### **About Stanford University's Clinical Excellence Research Center (CERC)**

The Clinical Excellence Research Center organizes research teams from multiple Stanford Schools to discover, design, and demonstrate nationally new methods of healthcare delivery that substantially reduce annual per-capita health spending and population-wide disability in the near-term. Design and testing is led by teams of post-doctoral research fellows and faculty from multiple Stanford Schools with initial emphasis on Engineering, Social Sciences, and Medicine. The Center has formed two external networks to inform and support its research teams. One network consists of healthcare systems regarded as the most cost-effective in the U.S. and will help researchers to assure that their designs are informed by today's highest-performing care models. The other network consists of health systems willing to allow the Center's researchers to test their new care models and healthcare payers willing to incentivize providers participating in the tests.

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1. This \$300 billion estimate would represent savings of approximately 10% of U.S. healthcare spending. The Stanford CERC analysis indicates that the primary care site with the lowest per capita spending among all sites ranking in highest quality achieved 58% lower total per capita health spending compared to national averages. (Please note that prior versions of the Stanford analysis incorrectly indicated that the 58% lower per capita spending was the average savings of the high-performance sites, rather than the savings of the lowest site.) Further analysis by Stanford CERC is underway regarding projections of the potential to reduce the total cost of care through the adoption of these features.