



PETERSON
CENTER ON
HEALTHCARE

**Transforming Healthcare:
Accelerating the Adoption of
Innovative Solutions that
Improve Quality and Lower
Cost on a National Scale**

THE PETERSON CENTER ON HEALTHCARE'S ADVISORY BOARD

THE HEALTHCARE CHALLENGE affects every part of society, and meaningful, lasting solutions must include input from all stakeholders. Recognizing this, and in order to best advance our mission, we have assembled a diverse and distinguished Advisory Board with a wide range of experience and perspectives.

Stakeholders throughout the healthcare system are represented, including healthcare providers, payers, employers, consumers, and academic and policy experts. The leaders who comprise our Advisory Board provide advice to the Executive Director and Peter G. Peterson Foundation leadership on the Center's strategic direction, priorities, initiatives and annual activities.

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*Executive Director
Peterson Center on Healthcare*

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MISSION STATEMENT

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 is working 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 Center collaborates with stakeholders across the healthcare system and engages in grant-making, partnerships, and research.



■ **Pete Peterson**, Founder and Chairman,
Peter G. Peterson Foundation
Michael Peterson, President and CEO,
Peter G. Peterson Foundation

MAKING HIGH-QUALITY, AFFORDABLE HEALTHCARE A REALITY FOR AMERICANS

THE U.S. HEALTHCARE SYSTEM is the most expensive in the world, yet our health outcomes are worse than in many other nations. Our healthcare spending is about twice that of other advanced countries and is projected to soar to 25% of the economy in the coming decades. Ineffective care puts our population through unnecessary treatments, leaves us in poorer health, and shortens our life expectancy. Moreover, the high cost of healthcare makes everything in our economy more expensive, reducing incomes as well as the resources that individual families and the nation have to invest in our collective future.

Given the profound human and economic cost, improving healthcare performance must be one of the nation's top priorities. To help meet this challenge, we have established the Peterson Center on Healthcare.

The Center's mission is to transform U.S. healthcare into a high-performance system by finding and validating innovative healthcare solutions that improve quality of care and lower costs, and accelerating their adoption on

a national scale. The Center collaborates with stakeholders across the healthcare system, and engages in grant-making, partnerships, and research.

The Peter G. Peterson Foundation has made an initial commitment of \$200 million for this new organization, which is a natural extension of the Foundation's ongoing efforts on fiscal and economic issues. Healthcare not only represents the vast majority of the nation's long-term fiscal obligations, but it represents a key challenge for our economy—affecting wages, competitiveness and our future prosperity.

The good news is that high-performance healthcare is not only possible, it already exists in pockets of excellence across the country. The Center is working to identify these exemplary providers and organizations, validate their results, and spread the innovations that improve the quality of care and lower costs.

We are very pleased to have Jeff Selberg leading our efforts as Executive Director of the Center. Throughout his 35-year career as a leader in healthcare, Jeff has focused on improving patient safety and clinical outcomes through the combination of effective management, system principles, and the development of highly functioning teams.

We are also fortunate to be guided by the advice and counsel of a distinguished Board of Advisors, chaired by Harvey Fineberg, former President of the Institutes of Medicine. The members represent a range of perspectives from across the healthcare system, including providers, payers, employers, consumers, and the academic and policy community.

We are very pleased to be launching this new initiative, and are committed to helping make higher-quality, more affordable healthcare a reality for all Americans. Thank you for your partnership in this effort.



Peter G. Peterson
Peter G. Peterson
FOUNDER AND CHAIRMAN

Michael A. Peterson
Michael A. Peterson
PRESIDENT AND CEO

FINDING, VALIDATING AND SCALING HEALTHCARE INNOVATIONS

WITH A CHALLENGE as complex as improving the U.S. healthcare system, we put a great deal of thought into determining the most effective role and strategies for the Center, with a goal of making a large and rapid impact.

Early on, we recognized that we didn't need to be an inventor of new approaches, given that there are many healthcare providers across the country who already consistently deliver high-quality healthcare at lower cost. And if these best practices were adopted on a national scale, the U.S. would have one of the world's highest-performing healthcare systems.

We seek what already works. Our premise is that through finding, validating and scaling these existing innovations, U.S. healthcare can be transformed into a high-performance system that delivers the quality of care Americans deserve at an affordable cost. This is the mission that will guide our efforts.

Our initial work includes three major initiatives. Each is a partnership with a respected

leader in healthcare, and designed to advance our mission:

First, we have partnered with **Stanford University's Clinical Excellence Research Center (CERC)** to find exceptionally high-performing primary care practices. CERC reviewed data from 15,000 primary care sites and identified and closely examined 11 exemplary practices, revealing 10 common features that generate higher quality and lower costs. The researchers estimate that the replication of these 10 features could significantly improve the quality of care and lower health spending in the U.S. by as much as \$300 billion annually. The Peterson Center on Healthcare and Stanford's team will collaborate with like-minded





■ Jeffrey Selberg,
Executive Director,
Peterson Center
on Healthcare

organizations to help spark nationwide adoption of these features.

We're also partnering with the **Henry J. Kaiser Family Foundation** on the newly launched *Peterson-Kaiser Health System Tracker*, which provides comprehensive data on how the U.S. healthcare system is performing on critical quality and cost measures. The Health System Tracker will also illustrate how the U.S. is performing relative to other countries, and how different parts of the system are performing relative to one another.

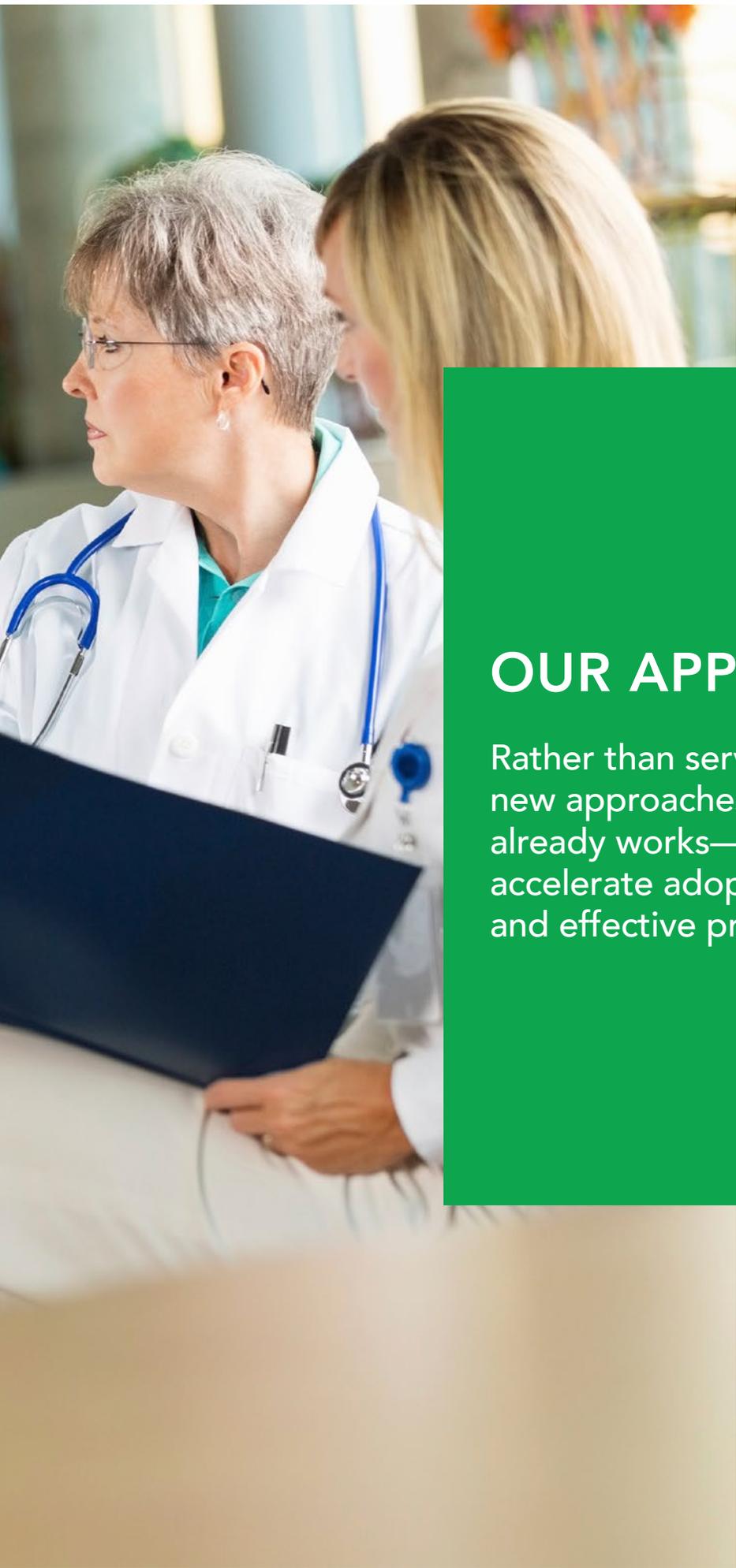
In addition, we're collaborating with the **National Quality Forum** to develop strategies to improve data transparency and usability, helping patients to make informed decisions

about outcomes and cost.

Through these projects and many more to come, the Center will work to engage all stakeholders to accelerate improvement in healthcare, help Americans live healthier lives and provide more resources to invest in our collective future. We look forward to working together with you to achieve this critical goal.

Jeffrey Selberg
EXECUTIVE DIRECTOR





OUR APPROACH

Rather than serving as an inventor of new approaches to care, we identify what already works—and then strive to accelerate adoption of these innovative and effective practices on a national scale.



IDENTIFYING INNOVATIVE SOLUTIONS

RATHER THAN SERVING as an inventor of new approaches to care, we seek what already works. We engage with the private and public sectors, practitioners, academics, researchers and consumer advocacy groups to find the most effective and efficient models of care throughout the country. We currently focus on three key areas:

- **Healthcare Providers:** Through scouting and analytical research of providers across the country, we systematically assess and validate high-value healthcare delivery approaches by considering factors such as organizational attribute, type of patient or clinical condition.
- **Employers and Insurers:** We engage with employers and health insurance plans to find innovative approaches in health benefits design and management-labor partnerships that effectively improve value for both the

employer and employee, and support more informed care decisions for patients.

- **State-Level Systems:** As large purchasers and regulators of healthcare, states are well-positioned to improve quality and lower costs. We work with key stakeholders in state and local governments to develop public-private partnerships and initiatives that improve performance.

ACCELERATING ADOPTION AND SCALING

AFTER IDENTIFYING these innovative and effective practices, the next step is to foster wider implementation. As a result of the fragmented nature of the U.S. healthcare system and its poor incentive structure, barriers have historically impeded the broad adoption of solutions that have been proven to improve quality and lower costs.

The Center is developing a comprehensive approach to spreading and scaling high-

performance healthcare solutions to work through these barriers. We are building a network of organizations that have established relationships across the healthcare system and collaborating with these organizations to develop change packages, implementation toolkits, and dissemination strategies to spark adoption on a national scale.

FOSTERING THE CONDITIONS FOR IMPROVEMENT

THE CENTER will also work on systemic initiatives to encourage and facilitate stakeholder actions to improve quality and lower costs. This will include work in the following key areas:

■ **Data Transparency and Information:**

There is significant variation in price, cost, and outcomes throughout the healthcare system for the treatment of common conditions. Unfortunately, patients are not able to make informed decisions about outcomes and cost because this information is either not readily accessible or not reliable. We develop initiatives that increase the transparency and usability of critical information on healthcare cost and quality.

■ **Driving Innovation to Improve Quality While Lowering Cost:**

In most industries, technology innovations drive greater efficiency and performance. In healthcare, however, price insensitivity drives research and investment toward costly technologies with high revenue opportunity, even if the health benefit is only marginal. We develop initiatives to drive innovation toward high-value solutions, so that technology can help improve quality and lower cost.

■ **Moving to Value-Based Payment:**

The fee-for-service payment model provides little incentive for improving quality and lowering costs. In fact, providers are often penalized for increased efficiency as it can often result in reduced volume and revenue. While the need for value-based reimbursement models is well established, the transition to innovative approaches (such as bundled payments

and capitation) has been slow to develop. We engage in projects that support the transition to value-based payment in the public and private sectors.

■ **Engaging Consumers:**

Informed and engaged consumers make better decisions about their healthcare. In addition, health insurance plans that encourage consumers to find and select the highest value alternative will spur greater improvement among providers. Employers, state Medicaid programs and health plans are increasingly using tiered networks, high-deductible plans, and “reference pricing” as effective value-based methods. We work with key stakeholders to support these innovations and facilitate greater consumer engagement, in order to incent appropriate use of services and to avoid potentially dangerous over- and under-utilization of healthcare.

■ **State and Federal Policies:**

Effective public policies can accelerate improvement in healthcare. As we pursue scaling innovative solutions across the healthcare system, there may be opportunities to advance state and federal policies. In such cases, we will collaborate with stakeholders to foster a policy environment that is conducive to the rapid adoption of high-performance healthcare innovations.



■ Harvey V. Fineberg, MD, PhD,
Chairman of the Advisory Board,
Peterson Center on Healthcare;
President, Gordon and Betty
Moore Foundation

“The Peterson Center on Healthcare has selected a gap to fill that is the space between the existence of a best practice and its use everywhere.”

Identifying Excellence America's Most Valuable



- **Jon Lapook, MD**, Chief Medical Correspondent, CBS Evening News with Scott Pelley; Professor of Medicine, NYU Langone Medical Center
- **Arnold Milstein, MD, MPH**, Professor of Medicine, Director, Clinical Excellence Research Center, Stanford University
- **Nayana Vyas, MD**, Founder and President of Clinical Affairs, Family Physicians Group
- **Gary S. Kaplan, MD**, Chairman and CEO, Virginia Mason Health System

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Care



LAUNCHING THE PETERSON CENTER ON HEALTHCARE

On December 4, 2014, the Peter G. Peterson Foundation officially launched the Peterson Center on Healthcare at George Washington University in Washington, DC. The event featured data and insights from leaders across the healthcare system and outlined the Center's plans to find, validate and scale innovations that improve health outcomes and lower costs.



■ Jeffrey Selberg
Drew Altman, PhD,
President and CEO, Henry
J. Kaiser Family Foundation
Michael Peterson

THE PETERSON CENTER on Healthcare was officially launched in December 2014 in Washington, DC.

The event was moderated by Jon LaPook, MD, Chief Medical Correspondent for the CBS Evening News, and featured in-depth panels examining challenges and opportunities in transforming U.S. healthcare into a high-perfor-

mance system. The Center also announced its first three major initiatives: collaborations with Stanford University’s Clinical Excellence Research Center (CERC), the Henry J. Kaiser Family Foundation, and the National Quality Forum. More detailed information on these initiatives is found later in this book.

Peterson Foundation President and CEO Michael Peterson opened the program outlining the importance of healthcare system improvement, both for the health and well-being of all Americans, and for our economy.

A panel featuring Gary S. Kaplan, MD, Chairman and CEO, Virginia Mason Health System; Arnold Milstein, MD, MPH, Director, CERC; and Nayana Vyas, MD, Founder and President of Clinical Affairs, Family Physicians Group discussed the existence of pockets of excellence in the U.S. healthcare system, where higher quality care is delivered at a significantly lower cost. Panelists focused on Dr. Milstein’s research to identify exemplary practices and their common characteristics that enable high-quality, lower-cost care.

Dr. Harvey V. Fineberg, MD, PhD, chairman of the Advisory Board, opened the next session through a video message articulat-



■ Bill Gates, Co-Chair,
Bill & Melinda
Gates Foundation

“A really smart Center that’s coming up with things that drive quality up and cost down is a requirement, so I’d say this is more needed now than it’s ever been.”

ing the need for an organization like the Center to find pockets of excellence and make their best practices the norm. A second panel featured Mary Langowski, MPA, JD, Executive Vice President for CVS Health; Debra Ness, MS, President, National Partnership for Women & Families; and Glenn D. Steele, Jr., MD, PhD, President and CEO, Geisinger Health System. Panelists examined how an underperforming healthcare system hurts patients, employers, and providers alike—and how these groups have overlapping, complementary interests in improving performance, efficiency, and results. A movement toward patient-centered care and technical innovations that improve outcomes and lower costs were among the promising trends discussed.

A final panel was comprised of Michael Peterson; Jeff Selberg, Executive Director, Peterson Center on Healthcare; and Drew Altman, PhD, President and CEO, Henry J. Kaiser Family Foundation. This discussion focused on the Center’s approach and initial efforts, including a partnership between the Center and Kaiser to track performance in the healthcare system.

Another highlight of the day was a video message from Bill Gates, Co-Chair, Bill & Melinda Gates Foundation, who has served as a member of the Center’s Advisory Board since its inception in 2012. In addition to the time and effort he has committed, Mr. Gates has also made an initial



■ Atul Gawande, MD, MPH, Surgeon, Brigham and Women’s Hospital; Professor, Harvard Medical School

“Lots of places now are following through on discoveries, but bringing them to scale... that’s our opportunity in the next decade.”

personal contribution of \$1 million, as a symbol of his support for and strategic partnership with the Center and its mission. Atul Gawande, MD, MPH, a surgeon, author, and luminary in health disparities research and variation, also delivered a video message, pointing optimistically to the role the Center can play in finding and spreading solutions that improve quality of care and lower costs.

Peterson Foundation Chairman Peter G. Peterson wrapped up the day with closing remarks drawing on the themes of the discussion. Pete emphasized the need not only to study performance in healthcare, but to truly “move the needle” through effective implementation of best practices on a national scale.



GLENN D. STEELE, JR., MD, PhD PRESIDENT & CEO, GEISINGER HEALTH SYSTEM

■ Glenn D. Steele, Jr., MD, PhD, President and CEO, Geisinger Health System
 Debra Ness, MS, President, National Partnership for Women & Families
 Mary Langowski, MPA, JD, Executive Vice President for Strategy, Policy & Market Development, CVS Health

PROGRAMS AND INITIATIVES



Stanford | Clinical Excellence
MEDICINE | Research Center

UNCOVERING AMERICA'S MOST VALUABLE CARE

WE KNOW there is excellence in the U.S. healthcare system, where physicians and hospitals are delivering higher-quality care at a lower cost. The Center has partnered with Stanford University's Clinical Excellence Research Center (CERC) to find these high-performance providers, understand what is working, and validate their results.

Under a grant from the Center, CERC reviewed national quality and cost data, and has identified 11 primary care practices that are delivering exceptional value—higher quality at significantly less cost—to their patients. These providers have defined a path toward better, more affordable healthcare in primary care. They have key features in common, which can serve as a blueprint for others to achieve high performance.

11 HIGH-PERFORMING PRIMARY CARE PRACTICES

THE CERC RESEARCH TEAM identified 11 front line primary care practices in communities large and small that illustrate 'bright spots' in our nation's healthcare system—small clinical teams that deliver high-quality care at much lower-than-average total cost to commercially insured populations. They include:

1. **Banner Health Clinic Internal Medicine**
(Phoenix, AZ)
2. **Baptist Medical Group, Memphis Primary Care** (Memphis, TN)
3. **Family Physicians Group**
(Kissimmee, FL)
4. **Florida Medical Clinic Internal Medicine**
(Zephyrhills, FL)
5. **Northwest Family Physicians**
(Crystal, MN)
6. **Ridgewood Med-Peds**
(Rochester, NY)
7. **St. Jude Heritage Medical Group**
(Yorba Linda, CA)
8. **South Cove Community Health Center**
(Quincy, MA)
9. **SureCare Medical Center**
(Springboro, OH)
10. **TriHealth West Chester Medical Group**
(West Chester, OH)
11. **USAA Health Services**
(San Antonio, TX)

10 DISTINGUISHING FEATURES

THROUGH A COMBINATION of quantitative and on-site qualitative analyses, the CERC team identified 10 features that distinguished these high-performing primary care sites:

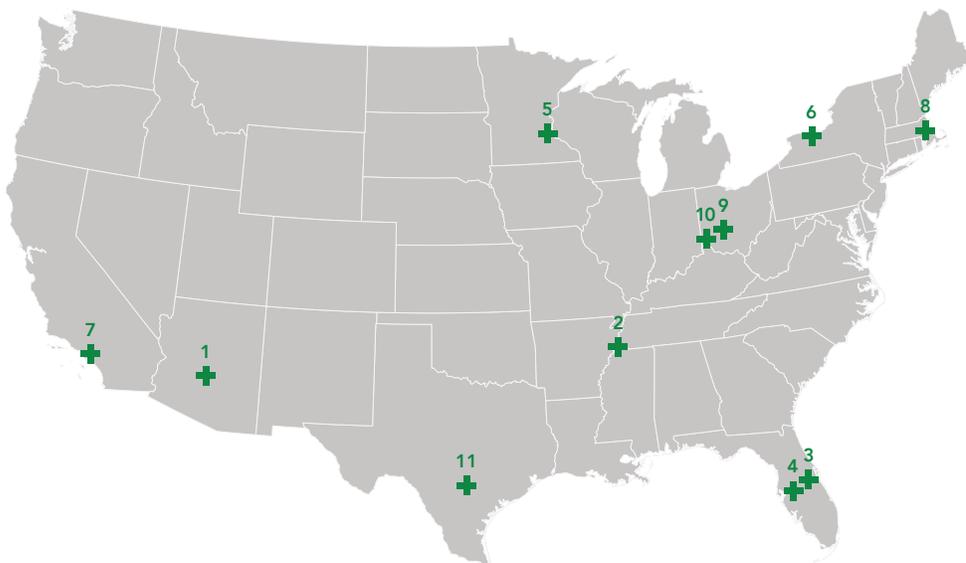
- **Practices are ‘always on.’** Patients have a sense that their care team is ‘always available,’ and that they will be able to reach someone who knows them and can help them quickly, whether the practice is open or closed. Practices offer same-day appointments and accommodate walk-ins, extend evening and weekend hours, and more.
- **Physicians adhere to quality guidelines and choose tests and treatments wisely.** The care team has systems to ensure patients receive evidence-based 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.
- **They treat patient complaints as gold.** Complaints from patients are regarded as valuable as compliments, if not more so. High-value primary care sites take every opportunity to encourage patient feedback to improve the patient experience.
- **They in-source, rather than out-source, some needed tests and procedures.** 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 care 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, such as treadmill testing for cardiac patients.

- **They stay close to their patients after referring them to specialists.** Physicians refer to carefully chosen specialists whom they trust to act in their accordance with their patients’ preferences and needs, and they stay in close communication as care decisions are made by specialists. Although these physicians cannot always select the hospitalist or emergency department physician who cares for their patients, they stay connected to assure that treatment plans respect their patients’ preferences and needs.
- **They close the loop with patients.** The care team actively follows-up to ensure that patients are seen rapidly after hospital discharges, are able to continue prescribed medications, and see specialists when needed.
- **They maximize the abilities of staff members.** 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.
- **They work in ‘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 goes hand in hand with maximizing the abilities of staff members. It facilitates staff learning through close collaboration with clinicians without regard to hierarchy.
- **They balance 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 reflects 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.

- **They invest in people, not space and equipment.** By saving money on space, equipment and technology, these providers don’t need to see more patients or order expensive tests to generate a competitive income. They 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 most cost-effectively in-house.



MONITORING PERFORMANCE OF THE U.S. HEALTHCARE SYSTEM

WE CANNOT IMPROVE what we do not measure. Recognizing this, the Peterson Center on Healthcare launched an initiative with the Henry J. Kaiser Family Foundation to monitor how well the U.S. healthcare system is performing in terms of quality and cost. The Peterson-Kaiser Health System Tracker provides clear, up-to-date information on trends, drivers and issues that impact the performance of the system. It also illustrates how the U.S. is performing relative to other countries, and how different parts of the system are performing relative to one another.

The Tracker—found at www.healthsystemtracker.org—shines a spotlight on performance and facilitates discussion about how the health system can be improved. Visitors to the website, whether they are healthcare providers, employers, payers, consumer advocates, policy makers or the general public, will find data analyses that provide insight on what is driving the performance of one of the most vital sectors in the U.S. economy.

The Tracker places a strong emphasis on data and evidence, addressing key questions through collections of charts and analyses, as well as a blog to provide context and synthesize the latest research and developments. We also provide regular insight briefs for a more in-depth review of topical questions.

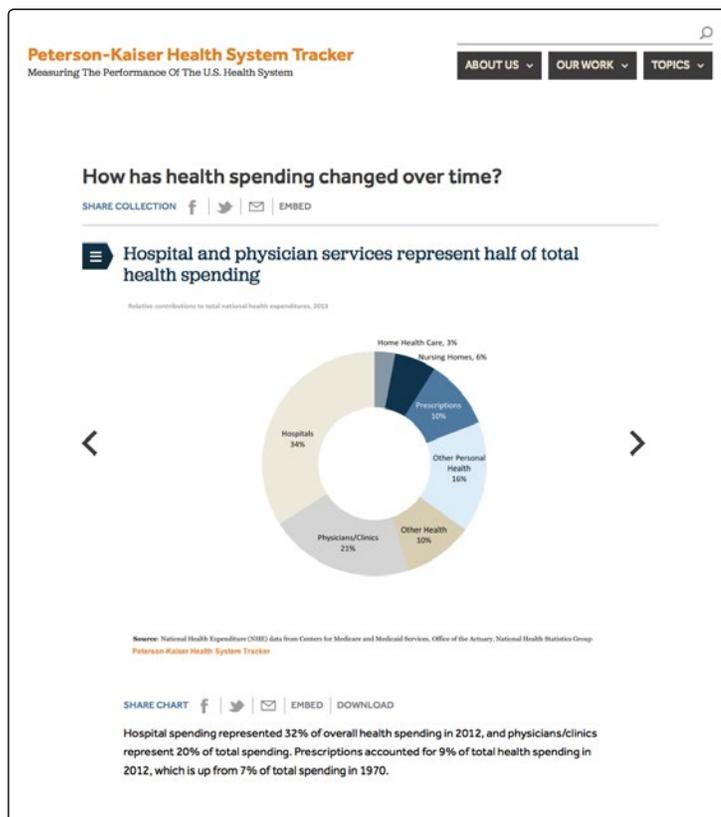
■ The Peterson-Kaiser Health System Tracker
www.healthsystemtracker.org



IMPROVING DATA USABILITY AND TRANSPARENCY

THERE IS SIGNIFICANT variation in outcomes, price and cost throughout the healthcare system for the treatment of common conditions. Unfortunately, patients often are not able to make informed decisions about outcomes and cost because this information is either not readily accessible or not reliable.

Through a grant to the National Quality Forum, the Center is convening and collaborating with a diverse range of healthcare experts and leaders from the public and private sector to address this critical issue. The sessions will consider the specific barriers stakeholders are facing, and discuss practical strategies for overcoming them. The results will inform strategies to improve data usability and transparency, so that health consumers can make informed choices.





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