RWJF Diabetes Initiative
Collaborative Learning Network
Meeting

“Building a Business Case for Self-Management Support”

Kerry Kilpatrick, MBA, PhD
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Sustainability

Continuation of all or part of the intervention after the existing grant funding ends.
Preconditions for Sustainability

- Intervention is effective.
- Acceptance of intervention by patients.
- Acceptance of intervention by providers.
- Acceptance of intervention by community.
- Organizational support for intervention.
Sustainability Strategies

- Get more grant funding from same or another source.
- Intervention is deemed essential part of organization’s mission.
- Demand for intervention is irresistible.
Sustainability Strategies

- Seamless integration into existing clinical/administrative systems.

- Partnering with other provider or community organizations to spread financial burden.

- Commercial or governmental payor will cover service.
Sustainability Strategies

- A “business case” for the intervention can be demonstrated.
Defining the term “Business Case”

- A business case for a quality-enhancing intervention (QEI) exists if the entity that invests in the QEI realizes a financial return on its investment in a reasonable time frame, using a reasonable rate of discounting. This may be realized in bankable dollars, a reduction in losses for a given program or population, or avoided costs.

- A business case may also exist if the investing entity believes that an important indirect effect on organizational function and sustainability will accrue (e.g., competitive advantage).

Why is Making the Business Case Important?

- Getting internal buy-in for the quality intervention.
- Sustainability of intervention within the delivery organization over time.
- Leveraging payments for quality from payers.
Expanding the Perspective

Three levels of the business case for quality.

- **Societal case**: Improved health status or productivity benefiting patient or society
- **Economic case**: Discounted financial benefits exceed discounted costs beyond the business unit
- **Business case**: Discounted net financial benefits accrue to business unit investing in the QEI
What is the Evidence for BCQ?

- Commonwealth case studies were mostly negative.
- Literature is very sparse.
## The Seven IHI Cases

<table>
<thead>
<tr>
<th>Theme</th>
<th>Case Topic</th>
<th>Site</th>
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<tbody>
<tr>
<td>Chronic Care</td>
<td>Diabetes Management</td>
<td>Health Partners</td>
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<td>Independent Health</td>
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<tr>
<td>Revenue / ROI Enhancement</td>
<td>Use of Group Visits</td>
<td>Luther Midelfort</td>
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<td>Prevention</td>
<td>Smoking Cessation</td>
<td>Group Health of Puget Sound</td>
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<td>Wellness Programs</td>
<td>GM / UAW</td>
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<td>Volume / Outcome</td>
<td>Cardiac Surgery</td>
<td>General Electric</td>
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<tr>
<td>Waste Reduction</td>
<td>Pharmaceutical Appropriateness</td>
<td>Henry Ford Health System</td>
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<tr>
<td>Defect Reduction</td>
<td>Automated Drug Order Entry Systems</td>
<td>Children’s Hospital of San Diego</td>
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Case Studies Available at www.cmwf.org
Challenges

- Displacement of payoffs in time and place.
- High rates of patient turnover limit the gains from the upfront investment.
- Reputation for superior chronic care may result in adverse selection.
- Payers will pay for correction of defects but not for quality.
Challenges

- Consumers may be unable to perceive true quality differences.
- Administrative pricing restricts payment for innovative care even if consumers want it.
- Fee-for-service providers have limited incentive to provide unreimbursed services.
- Clinicians’ access to relevant information is limited.
Findings from Systematic Review

- 1,968 articles identified in Medline search.
- 234 showed promise of having data to support a business case.

Findings from Systematic Review

- 15 articles had sufficient data to calculate a crude ROI.
- Only 0.8 percent of articles could document a business case.
Findings from Systematic Review

- 4 of 15 papers dealt with asthma.
- 9 of 15 dealt with some form of patient self-management support.
**Business Case for Quality: Cash Flow Model**

- **Initial Investment**
  - Equipment
  - Labor / supplies
  - Start up expenses
  - Facility adaptation

  - **Cash inflows**
    - Operating revenue
    - Grant revenue (ongoing support)
    - Quality bonus

- **Cash outflows**
  - Direct- labor/ supplies
  - Indirect- labor/supplies
  - Overhead

= **estimated net cash flow**

**Issues to Consider**
- Evaluation period
- Discount rate
- Estimation factors
- Variables (i.e. change in reimbursement)
- Sensitivity analysis
- Multiple stakeholder perspectives

**Core Benefits**
- Improved patient care
- Improved name recognition
- Improved market perception
- Spillover improvements

**Business Case Analysis**
Discounted net cash flow (net present value)
Multiple Business Cases

- Promotes organizational mission
- Investing entity realizes ROI
- Increases market share from perceived quality
- Increases provider satisfaction, lowers staff turnover, eases staff recruitment
- Yields benefits to community
- Enhances accreditation status

An organization should look at more than just financial factors when making its business case.
<table>
<thead>
<tr>
<th>Site</th>
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<th>Topic</th>
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<tr>
<td>Community Living Alliance</td>
<td>Madison, Wisconsin</td>
<td>Skin ulcers</td>
</tr>
<tr>
<td>Wisconsin Dept. of Health &amp; Family Services</td>
<td>Madison, Wisconsin</td>
<td>Long term care/chronic conditions</td>
</tr>
<tr>
<td>CareOregon</td>
<td>Portland, Oregon</td>
<td>Medically complex adults</td>
</tr>
<tr>
<td>Arkansas Division of Medical Services</td>
<td>Little Rock, Arkansas</td>
<td>Asthma</td>
</tr>
<tr>
<td>Johns Hopkins Health Plan</td>
<td>Baltimore, Maryland</td>
<td>Substance abuse</td>
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## The Ten Medicaid MCO/PCCM Sites

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<tr>
<td>Sentara Health Foundation</td>
<td>Virginia Beach, VA</td>
<td>Infant care</td>
</tr>
<tr>
<td>Partnership Healthplan of California</td>
<td>Fairfield, California</td>
<td>Diabetes</td>
</tr>
<tr>
<td>Monroe Plan for Medical Care</td>
<td>Rochester, New York</td>
<td>Peds asthma Adult diabetes</td>
</tr>
<tr>
<td>Mercy Care Plan</td>
<td>Phoenix, Arizona</td>
<td>Disease mangt in LTC</td>
</tr>
<tr>
<td>AXIS Healthcare</td>
<td>St Paul, Minnesota</td>
<td>Urinary tract infection</td>
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Return on Investment

- Investment
- Operating Year 1
- Operating Year 2
Inputs and Outputs

Program costs
- investment
- operation

Financial impacts
- specialist visits
- ED visits
- hospital admissions
- inpatient LOS
- complications
- pharmaceuticals
- laboratory
Inputs and Outputs

Program costs
- investment
- operation

Financial impacts
- specialist visits -
- ED visits -
- hospital admissions -
- inpatient LOS -
- complications -
- pharmaceuticals +
- laboratory +
Return on Investment

For these calculations, we want to determine the incremental investment and operating costs for this QEI. These are costs you would not have incurred otherwise.
Return on Investment

We also want to determine the incremental decreases in costs or changes in revenue resulting from this QEI.
Return on Investment - Tools

- Primer for the Business Case for Quality
- Excel Spreadsheets
Quality Allies

Bellin Health
Boston Mountain Rural Health Center
Brown University Center for Primary Care and Prevention
Cambridge Health Alliance
Christiana Care Health Services
Community Health Partners
Cystic Fibrosis Foundation/Baylor
Family Health Care Center - Fargo
Humboldt Del Norte
La Clinica Familias Unidas Para Escoger Salud
MaineHealth
Medical College of Georgia
New York State/ Harlem Hospital
Ocean Park Health Center
Park Nicollet Health Services
Roybal Comprehensive Health Center
Santa Clara Valley Medical Center
Morehead Center for Nursing Practice
United Community Health Center
West County Health Centers
Discussion

1. Mission alignment
2. Clinical effectiveness
3. Savings to whom?
4. Reimbursement
5. Cost of investment/operation
6. Return on investment
7. Other business cases
8. Economic Case
9. Social Case