

OR economics

'Destination surgery': Metrics drive patients to centers with better care

Periodic managers and staffs are collecting data on a growing list of metrics on surgical quality—antibiotic prophylaxis, venous thromboembolism prevention, normothermia, and more.

Now these and other metrics are coming into play as big companies like Walmart, Lowe's, and Pepsico seek the best value for their insured employees, especially those needing complex surgery.



Companies are offering to pay travel and waive deductibles and copays for selected patients who choose to go to leading centers for procedures such as cardiac, orthopedic, and spine surgery. Some are national names like the Mayo Clinic and the Cleveland Clinic. They may also be regional centers with proven outcomes, like Mercy in Springfield, Missouri, which has entered into a new contract with Walmart for spinal surgery.

These centers agree to an all-inclusive price that covers the patient's surgery and immediate recovery.

Tipping point

"I think we're at a tipping point where huge numbers of employers are going to be doing this kind of thing," Thomas Emerick of Emerick Consulting, Fayetteville, Arkansas, told OR Manager. He helps large companies develop such plans, which go by names such as surgery benefit networks, Centers of Excellence, or "skinny networks," indicating they are more selective than PPOs.

The focus, Emerick says, is on getting high-quality, cost-effective care for a small segment of employees—about 10%—who consume 80% of a company's health plan resources. These "outlier" patients have multiple comorbidities and need specialized surgery.

Though companies can save with these arrangements, the discount is not really the point.

"Discounts are irrelevant," he says.

It's about making sure the patient has the right diagnosis and treatment plan. Does a patient really need a spinal fusion, for example?

Emerick says 10% to 20% of these patients are misdiagnosed in their local setting, and another 40% have a treatment plan that is erroneous or suboptimal.

In contrast, the selected referral centers "practice true evidence-based medicine," he says. "There is accountability for the surgeons."

Taking note of variation

Companies have taken notice of research showing wide variation in elective surgery rates across the country, as documented by the Dartmouth Atlas project.

Medicare patients in Casper, Wyoming, for example, are 7 times more likely to have spinal surgery than patients in Honolulu. And women over 65 in Grand Forks, North Dakota, are more than 7 times more likely to have a mastectomy for early-stage breast cancer than are women in San Francisco.

Direct contract with one company promises savings on spine implants

A direct contract with one company for spinal implants promises to be a cost saver for Mercy in Springfield, Missouri.

Mercy performs about 1,600 spinal procedures a year, though not all use implants.

"Implant costs are the drivers in spinal surgery," says Mercy's Alan Scarrow, MD, JD, FAANS, FACS. A neurosurgeon, he is also president of the Mercy Clinic-Springfield Division.

Though Mercy was using 7 or 8 implant vendors, Dr Scarrow says there is little evidence that one implant system is better than another. Choices are driven largely by physician preference, including relationships developed with the sales force.

He says Mercy had information indicating that about 42% of the price for spinal implants goes for sales, general, and administrative costs, including distributors and sales personnel.

Going direct

By going direct to the manufacturer, Mercy reasoned it could eliminate those costs and get a better price.

"We sat down with all of the spine surgeons and said, 'Here's the problem: We have to be profitable at Medicare rates and below. The only way we can do that is to get im-

plant costs under control,'" Dr Scarrow says.

Mercy's supply-chain arm, ROi (Resource Optimization and Innovation), began looking for a manufacturer with good product breadth for spinal products, including lumbar and cervical hardware, interbody fusion devices, minimally invasive surgery supplies, and so forth.

Requests for proposal were sent to the 16 largest spinal implant companies, with 9 returning proposals.

All of Mercy's 8 spine surgeons reviewed the proposals, including the prices, and gave their opinion on the product quality. Then they took a vote.

The choice was Zimmer. The contract took effect December 1, 2012.

"Now we have no more reps in the OR on a routine basis," Dr Scarrow says. ROi employs a person who provides technical support.

When a surgeon has a special need for an item Zimmer does not provide, the request is reviewed by a committee of physicians and administrators who can grant or deny the request.

Dr Scarrow says he thinks companies are realizing hospitals have to control their costs for expensive devices.

"Every hospital is going to be under this kind of pressure," he says. "There is no way costs are going to be able to stay where they are, given the economic pressures."

This implies that whether a patient has surgery depends in large part on practice patterns in that area, not necessarily on the evidence.

Seeking better value

Surgery consumes about 30% of a company's overall health plan costs, and companies are realizing there's an opportunity to get better value, says Chip Burgett, executive vice president for BridgeHealth, a Denver-based firm that develops surgery benefit plans.

BridgeHealth seeks out centers that perform in the top quartile nationally and then negotiates a bundled case rate that can save a company 25% to 30% compared with the PPO rate, depending on the market, he says. The firm currently has a network of 45 referral centers.

What's in it for patients?

The arrangements are voluntary. But patients are offered an incentive, such as expense-paid travel for themselves and a companion plus waiver of the deductible and copay. With today's higher deductibles, they could save \$3,000 to \$10,000 out of pocket.

The referral center agrees to provide concierge-type service. After surgery, patients stay 1 week to 10 days to allow for physical therapy, wound care, and a postop clinic visit. Arrangements are made for follow-up care in the local community, if needed.

Negotiating with Walmart

In 2 years of negotiations that led up to Mercy's contract with Walmart for spinal surgery, the company took a detailed look at Mercy's quality data, how it evaluates surgical candidates, the price, and the service Mercy could offer as a "destination center" for surgery. The contract took effect in January 2013.

David Cane, Mercy's regional vice president, says one thing Walmart noticed is that Mercy tends not to do as much spinal surgery for back pain as others do, "probably less than half."

Though price figured in, "they recognized there is a lot of value in not having surgery when it isn't needed."

Mercy already used a multidisciplinary approach in evaluating patients, explains the president of the Mercy Clinic-Springfield Division, Alan Scarrow, MD, JD, FAANS, FACS, a neurosurgeon.

"Health care is divided into fiefdoms by specialty. Here, we're trying to break down fiefdoms," Dr Scarrow notes.

For the Walmart agreement, he says, Mercy agreed patients would see a pain management specialist, a physiatrist, and 2 surgeons, preferably an orthopedic surgeon and a neurosurgeon, about whether patients could benefit from surgery and what treatment would be most appropriate.

Making sure their employees get the right treatment is a major part of what these large employers are looking for, he adds.

"They're saying, 'We want to provide health care for our employees, but we want to provide the treatment that is going to affect their outcomes—not a treatment that is done because it can be done.'"

Tackling spinal implant costs

At the same time but unrelated to the Walmart agreement, Mercy took a new approach to controlling spinal implant costs—a direct contract with one manufacturer, Zimmer, bypassing distributors and sales reps. All 8 spine surgeons agreed to use that single company except for certain special needs (sidebar).

'Destination center' for surgery

Mercy had to prepare to be a "destination center" by planning logistics and support for patients who travel from a distance.

As one aspect of that, a navigator is assigned to meet patients at the airport and help them get to the hotel, clinic, and hospital and to make sure patients always have a way to communicate with staff assigned to their care. Additional training has been provided for staff who interact with these patients.

Mercy is working on setting up similar programs for cardiac care, cancer, pediatrics, and other specialties.

A national market for surgery

Increasingly, the quality data your hospital gathers and generates through claims is being used by employers, insurers, and benefits consultants. And that data is beginning to drive where patients go for specialized surgery—and that could be outside the local market.

"There has been the premise that health care will continue to be delivered locally," says Shane Wolverton of The Delta Group, Greenville, South Carolina.

Now, he says, in certain areas and for some elective procedures, surgical programs are going to be competing on a regional or even national basis.

The firm developed the CareChex quality rating system that BridgeHealth and

others use to select top-performing centers. The database uses sophisticated software to create a composite quality score and rating that uses risk-adjusted outcomes as well as process and patient satisfaction measures to identify the centers with the best results.

“Employers are going to be putting plans in place that actually pull patients out of the markets they reside in and steer them toward providers they believe deliver the same or better quality at a better rate,” Wolverson says.

He offers this advice for OR managers and directors:

- Understand how your surgery program is being assessed and learn what methods are being used. (See how your hospital ranks in CareChex and learn about the methodology at www.thedeltagroup.com.)
- Take advantage of these databases internally to analyze and improve your own performance. Many hospitals subscribe to databases that enable them to conduct this type of analysis.

Good news: Your hospital doesn’t need a national reputation to shine. Hospitals that pop up as leaders in CareChex aren’t necessarily those with brand identity. Employers may find they can get high-value care from regional and even local providers.

For example, the top quality performer nationally for coronary artery bypass is TriStar Centennial Medical Center in Nashville, Tennessee. For joint replacements, it is the Hospital for Special Surgery in New York City, and for spinal surgery, it is Sinai Hospital of Baltimore in Maryland.

Employers, employees, and individuals can search these databases to see where the stars are.

“There will be winners and losers,” Emerick says. “The hospitals that are outstanding can become destinations. Those that aren’t may not get as many patients.”❖

—Pat Patterson

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on the OR
revenue cycle?**

Keith Siddel will respond to questions in the column. Send your questions to editor@ormanager.com

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