

RWJF Diabetes Initiative  
Collaborative Learning Network  
Meeting

“Building a Business Case for Self-  
Management Support”

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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)**

Leatherman S, Berwick D, Iles D, et al. 2003. The business case for quality: case studies and an analysis. *Health Affairs* 22(2).



# 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



**Quality-  
Enhancing  
Intervention**

**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**

**Three levels of the business case for quality.**



# What is the Evidence for BCQ?

- Commonwealth case studies were mostly negative.
- Literature is very sparse.



# The Seven IHI Cases

<b>Theme</b>	<b>Case Topic</b>	<b>Site</b>
Chronic Care	Diabetes Management	Health Partners Independent Health
Revenue / ROI Enhancement	Use of Group Visits	Luther Midelfort
Prevention	Smoking Cessation  Wellness Programs	Group Health of Puget Sound  GM / UAW
Volume / Outcome	Cardiac Surgery	General Electric
Waste Reduction	Pharmaceutical Appropriateness	Henry Ford Health System
Defect Reduction	Automated Drug Order Entry Systems	Children's Hospital of San Diego

Case Studies Available at [www.cmwf.org](http://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.

Kilpatrick, KE, KN Lohr, S Leatherman, et al., The insufficiency of evidence to establish the business case for quality, *International Journal for Health Care Quality*, August 2005, vol. 17, no. 4.



# 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

<b>- Initial Investment</b>	<b>+ <math>\Delta</math> Cash inflows</b>	<b>- <math>\Delta</math> Cash outflows</b>	<b>=</b>
•Equipment	•Operating revenue	•Direct- labor/ supplies	<b>estimated net cash flow</b>
•Labor / supplies- start up expenses	•Grant revenue (ongoing support)	•Indirect- labor/supplies	
•Facility adaptation	•Quality bonus	•Overhead	
•IT			

**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.**



# The Ten Medicaid MCO/PCCM Sites

Site	Location	Topic
Community Living Alliance	Madison, Wisconsin	Skin ulcers
Wisconsin Dept. of Health & Family Services	Madison, Wisconsin	Long term care/chronic conditions
CareOregon	Portland, Oregon	Medically complex adults
Arkansas Division of Medical Services	Little Rock, Arkansas	Asthma
Johns Hopkins Health Plan	Baltimore, Maryland	Substance abuse



# The Ten Medicaid MCO/PCCM Sites

Site	Location	Topic
Sentara Health Foundation	Virginia Beach, VA	Infant care
Partnership Healthplan of California	Fairfield, California	Diabetes
Monroe Plan for Medical Care	Rochester, New York	Peds asthma Adult diabetes
Mercy Care Plan	Phoenix, Arizona	Disease mangt in LTC
AXIS Healthcare	St Paul, Minnesota	Urinary tract infection



# 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



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## Program costs

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- 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

