

First Change the Rules of Health Care

By Robert Mecklenburg, MD

Medical Director

Center for Health Care Solutions

Virginia Mason Medical Center

The cost of U.S. health care continues to rise with double-digit increases every year and there's no relief in sight. Millions of individuals and families can no longer afford health care. Businesses of every size are struggling to provide subsidized medical coverage for their staff. Medicare costs are spiraling out of control for both seniors and the federal government. The crisis is here. If we're going to solve the problem, we must first change the rules.

Less is more

At the center of the problem is America's misaligned reimbursement system. Doctors and hospitals are rewarded and reimbursed at higher levels for the volume of services and expensive tests provided to patients, rather than the results or value-added care given. Focusing on outcomes and eliminating unnecessary steps will drive down the costs in health care.

Virginia Mason Medical Center has interwoven waste reduction into its system-wide management methodology, called the Virginia Mason Production System. By focusing on removing waste from processes in order to eliminate defects, the medical center operates more efficiently and provides better quality care for patients.

But the medical center is not working on this effort alone. Together with Aetna, Regence BlueShield, Premera Blue Cross, and several major Northwest employers, Virginia Mason has looked at ways to reduce costs and waste in several of the most expensive work-related care issues, such as back pain and migraines.

The patient-centered efficiency team analyzed the process a patient went through to get his or her back pain treated and back to work. Several layers of waste such as initial doctor visits and unnecessary MRI diagnostics were identified. The solution for back pain became clear. The most value-added results for patients came from physical therapy. So physical therapy was placed first rather than last in the care delivery system.

By streamlining the process, the wait time for appointments was reduced from about a month to less than a day, and the average cost of back-pain care dropped dramatically from \$2,100 to \$900. This was a significant savings for both employer and insurer. And as a health care system, Virginia Mason was able to see five times as many back-pain patients as before through the optimized workflow and process efficiency. Ultimately, it meant patients got faster, better care for their back pain and were able to return to work sooner.

Another expensive workplace health issue in both lost employee time and health care cost is migraine headaches. The team again looked at the process for patients and identified the need to provide an effective drug

treatment at the onset of the migraine rather than an emergency department visit or a MRI test. Consequently, the cost for treating migraines dropped dramatically as well. Statistically, Virginia Mason providers refer patients to expensive emergency department treatment for migraines only 25 percent as often as other doctors in Washington state.

While the cost savings for back pain, migraine and other streamlined treatments is good for health plans and employers, it proved to be a challenge for Virginia Mason. By reducing the number of expensive steps involved in treatment, reimbursement rates were no longer profitable for the health system. Improvements were saving employers and health plans money and lost employee time, but the medical center was now in the red on specific procedures.

Doing things the old way was better for the bottom line but not better for patients, employers or health plans. Several health plans recognized this disincentive and agreed to pay more for value-added care that was cost effective and better for patients.

Introducing the Center for Health Care Solutions

Based on the success of streamlining back pain and migraine care, Virginia Mason launched the Center for Health Care Solutions in the fall of 2007. This new program is focused on forging partnerships with regional employers and health plans to reduce health care costs while providing better, timelier care. Virginia Mason will continue to align its work with results and values perceived by patients and employers, rather than the number of services rendered.

Robert Mecklenburg, MD, is the Medical Director of the Center for Health Care Solutions at Virginia Mason in Seattle.

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