

The Financial Case for Quality as a Business Strategy



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Brent James, MD MStat, knows a thing or two about healthcare quality. Among his pioneering research and other quality accomplishments, James was one of the authors of two seminal reports from the Institute of Medicine, *To Err is Human: Building a Safer Healthcare System* and *Crossing the Quality Chasm: A New Health System for the 21st Century*, which energized efforts across the United States to improve patient safety and care quality.

Since those reports, James has proven that quality is the path for financial, not just clinical, success in healthcare. As Chief Quality Officer and Executive Director of the Institute for Healthcare Delivery Research at Intermountain Healthcare, James helped the Utah-based health system save hundreds of millions of dollars from quality initiatives that also improved patient outcomes.

Quality Is a Massive Financial Opportunity

Compared to cost-cutting and other strategic efforts, quality improvement is “at least two orders of magnitude, a factor of 100 times bigger, than any other financial opportunity (providers) have in growth and in revenue enhancement,” James says.

While an IOM report found 30% to 50% of all healthcare expenditures are wasted, James puts waste higher, at 65%. **“Improving quality of care takes the waste out,”** James says. **“It completely dominates any other financial opportunity in healthcare, and it comes from better clinical quality.”**

Quality-associated waste is driven by massive variation in clinical practices, including not consistently applying proven evidenced-based practices, and high rates of inappropriate or preventable care where the risk of patient harm outweighs possible benefit, James says.

Many healthcare providers in recent years have worked to address these quality shortcomings. But progress has been limited, with proven best practices used roughly just half of the time: 55% for adults and 46% for children.

Operationalizing Better Quality

To significantly raise clinical performance and patient outcomes while reducing wasted expenditures, senior healthcare executives and quality leaders should:

Apply mass customization to develop and implement protocols.

Providers shouldn't strive to eliminate all variation in care because every patient is different and needs to be treated as an individual. The key to effective care variation in protocols is standardization, says James. Specifically, more useful protocols depend on standardizing the 85% or so of evidence-based best practices that all clinicians should follow. That leaves room for the necessary personalization based on clinician experience, patient need, patient input and other factors.

He recommends a six-step approach:

1. Identify a high-priority clinical process
2. Build an evidence-based best-practice process
3. Blend it into the clinical workflow, so that it doesn't rely on human memory for its consistent execution
4. Embed data systems to track protocol variations and short- and long-term patient results
5. Require that clinicians deviate based on individual patient need
6. Feed variation data and results back into Lean learning loop to tune the process

This approach enabled Intermountain to increase survival rates for patients suffering from severe Acute Respiratory Distress Syndrome (ARDS) from 9.5% to 44%, decrease physician time by 50% and reduce costs by 25% per case.

Adopt the same six-step process for all care to build a learning healthcare system.

Because of the way care is structured with this approach, it is possible to learn from every patient. The learnings are incorporated in the practice of medicine to enhance quality and outcomes.

Invest in quality by accelerating use of risk-based payments.

James' research shows the only way to reap the return on investing in better quality and removing waste is through value-based contracting. Under fee-for-service and per-case payment models, the greater savings accrue to payers. It's only with capitation that care delivery organizations receive the full benefits of their quality investments.

“To be business viable, waste elimination requires financial alignment,” he says.

- **Waste elimination always requires investment**
- **The group that makes the investment must harvest sufficient waste savings to insure financial survival (plus, hopefully, a contribution to operating margins)**
- **Key questions:**
 - **Who makes the investment?**
 - **Who gets the savings?**

Build quality competencies to survive and thrive.

James sees quality professionals as a key to helping healthcare master quality. “More and more, clinical performance – quality of care – emerges as the key ability of any care delivery organization to survive.” Progress will depend on quality experts who advise clinicians and other colleagues and leverage critical tools and training, such as the NAHQ workforce competency framework, he says.

“That’s where your future is going to go through NAHQ,” James says. “This is the train you ought to be on. It’s going to carry you into a very bright future.”

The past, he says, was focused on top-line revenue growth and quality defined as mere regulatory compliance. Healthcare organizations cannot afford to stay with that outdated approach. Future success depends on making quality the core business, supported by bottom-line cost control and waste elimination with a provider at risk model.

To learn more about how your quality experts can support efforts to cut waste and drive better outcomes and costs, please contact NAHQ at teamtraining@nahq.org.