



Health Care Quality Problems Carry \$1,700 Per Employee Price Tag; “Responsible” Purchasing Can Help, Employer Group Says.

CHICAGO, June 11, 2002 -- A major coalition of employers today released a report detailing the economic toll exacted by quality problems in the U.S. health-care system. At the same time, the group acknowledged employer responsibility for helping cause those problems and proposed that businesses nationwide adopt a four-part plan to help fix them.

The Chicago-based Midwest Business Group on Health (MBGH) estimated that a combination of administrative inefficiencies and overuse, underuse and misuse of medical services wastes 30 cents of every dollar spent on health care. When indirect costs are considered – for example, reduced productivity when workers are absent – the cost rises to between \$1,700 and \$2,000 per covered employee per year. The MBGH report was done in conjunction with the Juran Institute, an internationally known research and training organization, and the Severyn Group, a health care research and communications firm.

“The human and financial costs of quality problems are too high,” declared James Mortimer, president and founder of MBGH, “and employers are a part of the problem. It is time for employers to wake up to the danger and implement responsible health care purchasing policies that will help give every worker in America affordable, high-quality care.”

A nationwide survey last year by the Robert Wood Johnson Foundation found that more than half of physicians, nurses and hospital administrators agreed that health care in this country is not very good, with as many as 95 percent of doctors reporting that they had witnessed a “serious” medical error.

“This is not an issue of purchasers versus providers,” Mortimer said. “Rather, it’s a matter of our working together to implement a true system transformation that all sides acknowledge is long overdue.”

The increasingly fierce global nature of business competition makes it urgent to address U.S. health care “quality waste,” added Joseph De Feo, president and chief executive officer of the Juran Institute, Wilton, Connecticut. Juran estimated the cost of poor quality care per covered employee at \$1,350 in direct expenses and another \$350 to \$650 in indirect expenses, such as lost workdays.

“A business cannot hope to thrive in world markets while carrying this magnitude of unnecessary economic burden,” De Feo said. “Purchasers and providers alike must commit themselves to a targeted effort to improve our health-care system.”

The MBGH report asks employers to take four specific steps as part of its “Responsible Health Care Purchasing Policy.” These include *analyzing* employer-specific health care data in order to identify high-priority problems; *measuring* the performance of plans and providers and *engaging* them in continuous quality improvement programs; *educating* consumers and *sharing* performance information with them; and, finally, *rewarding* high-quality health plans and providers. The report also suggests specific questions that can be asked about quality problems by senior management of employers.

“We finally have the calculations to scientifically demonstrate the financial and human capital impact of deficient health care quality,” said Gregg Lehman, PhD, president and CEO of the National Business Coalition on Health. “Even more importantly, this report gives health care purchasers and policymakers sensible methods for addressing quality problems.”

In addition to the economic justification, “I personally believe we also have a moral obligation to our loyal workers to provide a safe work place and safe health care,” said Dean Olson, president and CEO of Rockford, Illinois-based Aircraft Gear Corp., a precision parts manufacturer and an MBGH member that helped fund the study.

The report was also welcomed by Donald Berwick, M.D., president of the Institute for Healthcare Improvement and a member of one of the expert panels. Berwick called the recommendations a “national model for purchasers,” adding, “The health care industry needs the support and, when necessary, the pressure of enlightened purchasers in order to rivet its attention on the improvement of care as a strategic and feasible priority.”

MBGH will disseminate the report’s findings and conduct demonstration projects based on its recommendations.

Formed in February 1980, MBGH is a coalition of employers working together to continuously improve the quality and cost-effectiveness of health services. Members include public and private employers of all sizes in an eleven-state region. The Juran Institute, founded by quality pioneer Dr. Joseph M. Juran, is an internationally known consulting firm on business process improvement. The Severyn Group is an Ashburn, Virginia-based health care research and publishing organization co-founded by Lise Rybowski and Larry S. Stepnick.

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REPORTERS, PLEASE NOTE: For further information on June 11, please call Jim Mortimer at the MBGH office at (773) 380-9090.

MBGH MEMBERS ACT TO RESPONSIBLY PURCHASE

- Union Pacific Corp., Omaha, is using the *Dartmouth Atlas* database to uncover possible quality of care problems in communities where the railroad has large concentrations of employees.
- MBGH members in Chicago, Detroit and Indianapolis are using a standard “Request for Information” (RFI) tool to collect performance data from health plans, which is then fed back to those plans for quality improvement purposes. Data collected in Chicago are also shared with employees to help them in plan selection.
- At 3M Company, senior executives have met with Minneapolis-St. Paul area hospitals to encourage them to practice the same kind of “six sigma” defect reduction techniques used by industry.
- The Institute for Healthcare Improvement’s ‘Breakthrough Series’ training programs enable employers to assist providers in implementing best-practice medicine in local hospitals” The Chicago Business Group on Health has a Breakthrough Series Project underway with the Institute of Medicine of Chicago to train primary care teams in best practices for Diabetes care.
- Since 1998 Ford Motor Co., Detroit, has distributed comparisons of hospital performance for commonly performed procedures to enable employees and retirees in making better health care decisions. Ford has also enlisted other large and small purchasers, as well as hospitals, to participate together in the project to reduce data burden and assure a rigorous methodology. In 2000, they produced reports showing employees and family members how the hospitals compare on quality and consumer satisfaction. Their results show that the public release of the information has motivated at least some hospitals to use the information to identify problem areas and to develop and implement strategies for improving performance.
- This year the Greater Milwaukee Business Group on Health prepared a report comparing local hospital costs with other communities. The report has opened a serious inquiry by employer CEOs with the hospitals to find ways to improve quality and reduce costs in the future.
- The Chicago Business Group on Health annually negotiates an incentive amount tied to specific performance goals with each health plan. Separately, members in the Buyers Health Care Action Group, St. Paul, annually offer to increase patient flow to local care systems that meet its “Excellence in Quality” criteria.
- Performance measures that show certain plans and providers are below acceptable thresholds should be used as well. For example, some employers have frozen enrollment or dropped health plans that measure low and cannot improve. “Centers of Excellence” and selective contracting for specialized care is another example of rewarding high quality providers and penalizing lower performance levels.