

# Cutting Variation in Hospital Care Brings High Quality, Lower Costs

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## Cutting costs doesn't mean sacrificing on quality of care if hospitals focus on reducing unnecessary care variations and trimming down on wasteful testing.

High quality and lower costs can indeed go hand-in-hand for hospitals, [according to new data](#) from Advisory Board, if healthcare organizations can successfully reduce unnecessary variations in care.

An analysis of more than 460 hospitals revealed that the highest quality facilities delivered lower-cost care for 82 percent of diagnoses included in the study, indicating that investments in patient safety, standardized care delivery methods, and enhanced health IT tools may be worth the effort.

“Care variation reduction (CVR) is one of the few avenues for generating the level of savings needed to withstand downward pressures on hospital revenues without negatively impacting care, and hopefully improving it,” said Steven Berkow, Executive Director, Research at Advisory Board, an Optum, Inc. business.

Hospitals that follow the lead of their highest-quality, lowest-cost peers could save up to \$29 million each year, the report added.

Advisory Board researchers derived the potential savings goal from analyzing cost and quality data from more than 20 million patients across 468 hospitals. They found that the average hospital spends up to 30 percent more to deliver the same care than a hospital in the highest-performing group.

“Our high-performer benchmark is based on high-quality care, not low cost,” explained Veena Lanka, MD, Senior Director, Research at Advisory Board.

The team explored variations in common quality metrics, such as rates of complications, to assess hospital performance.

“Closing just a quarter of the cost gap for less than 10 percent of the conditions we analyzed could net over \$4 million in annual savings for a typical hospital and over \$40 million for 10-hospital system—without compromising quality,” Lanka stressed.

However, Berkow pointed out, “Achieving a realistic chunk of this savings opportunity...will require most health systems to rethink how they prioritize, set and embed care standards.”

Reducing variations in care requires a collaborative effort that involves standardizing provider training, carefully choosing the appropriate settings for care, and fostering a greater reliance on meaningful health IT tools.

Reducing emergency room use by redirecting non-emergency cases to urgent care facilities can help to conserve resources in more expensive settings – as long as the urgent care clinics adhere to best practices for [antibiotic stewardship](#) and maintain high quality in other areas of care.

To ensure less variation in how services are applied, organizations may wish to consider [clinical decision support](#) (CDS) technologies that can ensure that providers are aware of the latest clinical guidelines for treating specific conditions.

CDS tools may help to reduce unnecessary testing or imaging, and can help providers react more quickly to high-risk conditions such as sepsis.

Trimming down on repetitious or low-value imaging and lab testing can help to prevent billions in wasteful spending that lead to high costs without producing better outcomes.

In a 2017 study from *Health Affairs*, [researchers found](#) that low-value testing and imaging contributed to more than half a billion dollars in spending per month in Virginia alone.

Nationally, wasteful spending [accounts for](#) nearly a third of all healthcare dollars each year.

At Methodist Le Bonheur Healthcare, tackling the problem of variation in care and high spending involved significant investment in data analytics and health IT tools, explained Arthur Townsend IV, MD, MBA, Chief Clinical Transformation Officer for Methodist Le Bonheur Healthcare.

“Embarking on a journey to reduce care variation can be challenging, but our success is due to dedicated teams of physicians, nurses and administrators, all working toward the common goal of improving every life touched at Methodist Le Bonheur Healthcare,” he said.

The Tennessee-based health system initially targeted unnecessary laboratory utilization and blood transfusions, using data analytics tools to identify opportunities for improvement that would not negatively affect patient care.

The health system then moved on to develop standards of care for stroke and sepsis, creating Clinical Consensus Groups packed with subject matter experts to define guidelines for treating patients with these conditions.

The experts, including administrative and clinical champions, took a close look at how to improve clinical documentation and standardize care delivery and infuse new best practices into the daily routines of care providers.

As a result of both efforts, the health system saw more than \$800,000 in cost savings and revenue enhancements in a single quarter. Atrial fibrillation is next on the list, promising even more gains in quality and cost.

"We see care variation initiative as the next frontier in improving overall quality and significant cost reduction across the system through physician leadership," said Michael Ugwueke, president for Methodist Le Bonheur Healthcare.

While Advisory Board's Lanka noted that it is not likely that hospitals will be able to stamp out all care variation due to differences in patient demographics, clinical severity, and other underlying socioeconomic issues, most hospitals will have some opportunities to reexamine care delivery and the costs associated with unnecessary utilization or discrepancies in delivery.

The goal is a very high priority for hospitals and health system, according to an accompanying survey of C-suite executives, with "preparing the enterprise for sustainable cost control" taking the top spot on their checklists for the remainder of 2018.

Organizations that hope to achieve that objective will benefit from assessing their current clinical processes for high-cost conditions, considering new technologies to support adherence to clinical guidelines, and investing in innovative initiatives to engage providers in quality improvements that simultaneously lower costs.