FYA
For Your Advantage™
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An Essential Tool for Healthcare Leaders

From TrendLeader Connections

Sponsored by PHNS The HealthCaring Solution

By S. Harvey Price

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About FYA

FYA - *For Your Advantage*, is a free twice - monthly newsletter published by TrendLeader Connections.

With every issue, FYA provides insights into the topics that concern healthcare leaders today and the challenges that will be faced in the near future.

The newsletter is provided free to healthcare CEOs only. CEOs may use the material in any way they wish—except for the editorial content that is copyrighted by the author. You are welcome to print copies of FYA.

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Our thoughts and prayers go out to our healthcare colleagues serving the people in the region devastated by Hurricane Katrina. Four years ago, on 9/11, the Nation adopted New York as a national city. Today we embrace New Orleans and the damaged Gulf Coast.

Disaster Preparedness and Disaster Recovery

By: Rick Kneipper, Chief Administrative Officer and Co-Founder of PHNS

The magnitude of the Katrina disaster continues to shock us as it unfolds. It is hard to deal with gut-wrenching scenes that show floating bodies of those who didn't make it, people who lived but lost family, friends and everything they owned, and the massive destruction of property. The people impact will be forever. The economic impact on Louisiana, Mississippi and Alabama, as well as the ripple effects on the entire nation, is still being measured, but projections are in the tens of billions of dollars and in years, not weeks or months as has been the case in previous hurricane disasters.

The impact on hospitals and healthcare in the stricken parts of New Orleans and the entire Gulf Coast area is also staggering. When we asked one hospital CEO if we could help by letting his hospital use our Baton Rouge data center, which was operating albeit on our emergency generator, he said thanks but said that he had bigger problems to deal with---- no roof on his hospital!!!

A disaster of this magnitude naturally brings second-guessing about whether enough preparation was done in advance to reduce the impact of the disaster, and whether enough is being done after the disaster to aid the people and economic recovery. That may be worthwhile if it focuses on how to prevent or alleviate the impact of future disasters, rather than degenerating into the politically popular blame-game.

How much disaster planning have you and your hospital done besides the minimum necessary to pass your JCAHO inspections? For example, have you identified which types of disasters, both natural and human-inspired such as 9/11, could hit your community, and have you developed plans for those disasters, acquired needed resources, conducted periodic preparedness drills and tests, etc.? What is your backup plan to ensure that you will have power to keep the lights on and your equipment and computers running--- and if that is dependent on generators (hopefully not just batteries), how often are those tested, do you have enough assured fuel sources to run for days or weeks not just hours---and what's your backup plan if your generators go out? Equally critical, as Katrina's aftermath has shown, are communications systems, so what's your backup plan to keep your communications

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Disaster Preparedness and Disaster Recovery (Continued...)

operating during and after a disaster? Have you considered backup telephone service through the Internet, which we successfully implemented in Baton Rouge to keep our hospitals and data center running when telephone lines did not come back promptly? And what's your medical records backup plan---do you have offsite access and redundancy and a way to access it during a disaster? Electronic medical records only work if your electronic connections stay up.

The biggest problem with disaster preparedness and recovery planning is funding. The Army Corps of Engineers had requested additional funds to build bigger and stronger levees around New Orleans, but those requests were ignored and instead their budget was cut back. It's very hard to justify spending significant dollars on proper disaster preparation and recovery when you haven't got enough funds to run your hospital properly. But then what do you say if your hospital gets hit with a disaster like Katrina and you're not ready?

I would like to hear your comments.
Send them to: Richard.Kneipper@phns.com

HSAs Are On A Roll

By S. Harvey Price

Health Savings Accounts (HSAs) are picking up momentum. Consider this: if you type the expression "Health Savings Accounts" in a Google search you get 445,000 returns. That's the number of times the three words together are cited. If you looked at each site for only one minute 24/7, it would take about 10 months to read everything. I would call that a large body of information.

Some experts call HSAs the last stop before total government control over healthcare. Proponents suggest that government decision making would lead to rationing that would be arbitrary, inefficient, unfair and probably unacceptable to most Americans. These same proponents point out that the attempt to restrain spending using managed care didn't work. People expressed discomfort with having employers and large insurers ration their health care.

What remains?

Here's the party line from proponents of HSAs. John C. Goodman, president of the National Center for Policy Analysis states that "The idea behind HSAs is quite simple. Individuals should be able to manage some of their own health care dollars through accounts they own and control. They should be able to use these funds to pay expenses not paid by third-party insurance, including the cost of out-of-network doctors and diagnostic tests. They should be able to profit from being wise consumers of medical care by having account balances grow tax free and eventually be available for nonmedical purchases."

HSAs are similar to IRAs in that investors build tax-sheltered nest eggs to cover out-of-pocket medical costs. This year-old investment vehicle allows taxpayers to shelter up to $4,500 annually. There are two catches. HSAs are

About

FYA - For Your Advantage is brought to you by TrendLeader Connections. The function of TrendLeader Connections is producing educational materials and seminars that help healthcare executives differentiate between fads and trends; and making connections with "Trend Leaders" within the healthcare industry.

We are committed to delivering new perspectives and ideas, creative and innovative healthcare solutions, provocative concepts and quality educational materials to today's healthcare leaders. We want to concentrate on "what comes after what comes next."

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HSAs Are On A Roll (Continued...)

linked to high-deductible health insurance plans. And the accounts demand more planning than many people are willing to give. Despite the drawbacks, many experts think that HSAs have the potential to become the dominant kind of healthcare financing in the next five years.

America's Health Insurance Plans released a survey of HSA enrollment in May that showed in the first 14 months of the program, over one million people enrolled in HSA-qualified high deductible plans. The enrollment broke down to 556,000 in the individual market, 147,000 in small group, 162,000 in large group, and the rest uncategorized or unknown. Importantly, 37 percent of the individual enrollment was for people who were previously uninsured, as was 27 percent of the small group enrollment.

The Segal Company, an independent actuarial and consulting firm, conducted a survey of 27 large employers who are pioneers in consumer driven health (CDH is a generic name for HSA plans). These companies jointly employ 650,000 people of whom 110,000 are enrolled in a CDH plan. These employers report extremely favorable results:

- 50 percent said CDH has decreased overall medical spending trends, and only 8 percent said it has increased trends.
- 46 percent said medical costs or claims had dropped, and 21 percent said they increased.
- 33 percent said hospital costs or claims dropped, and 25 percent said they increased.
- 54 percent said prescription costs or claims dropped, and 17 percent said they increased.
- 29 percent said the number of office visits went down, and 8 percent said they went up.
- 46 percent said the number of emergency room visits went down, and 25 percent said they increased.
- 65 percent said generic substitutions increased, while only 13 percent said they went down.

Premiums for health insurance plans that put more care decisions in the hands of consumers rose at a considerably slower rate last year than for traditional plans according to a national survey released two weeks ago. The report from United Benefit Advisors, a group of firms that advise companies on health plans, found that premiums for plans based on consumer-driven healthcare increased 3.4 percent compared with a 9.6 percent average increase for all plans.

The hospital industry is beginning to wake up to the potential of consumer driven health care. The American Hospital Association and the Federation of American Hospitals jointly conducted a survey of health plans to find out what's going on. It found there is "a diverse mix of products filling the fast-growing… market." And it found that "Four out of five insurers surveyed believe consumer-driven products will dramatically change the nature of the health insurance industry." The survey also found that HSAs and HRAs (Health Reimbursement Arrangements) have doubled their share of premium dollars in the past year and 70 percent of employers are expected to offer the plans by next year.

Free market proponents are jumping on the HSA bandwagon. Do you see any dangers in the trend? Send your opinion to: hprice@americangovernance.com.

About

PHNS is an innovative healthcare services company providing strategic outsourcing services in information technology, health information management and receivables management to approximately 160 hospitals. PHNS is not a consultant, vendor or software company but a partner, a solution. PHNS understands healthcare because our partners are healthcare and healthcare only. Unlike its competitors, PHNS strategically aligns itself with a hospital's clinical and financial goals and objectives. Through its unique business model, PHNS reduces costs by aggregating, consolidating and sharing resources among its participating hospital partners. PHNS helps hospitals manage information systems, computer technology, patient records, coding and patient billing to improve patient care, safety and efficiency and increase profitability and efficiency. For more information, visit www.phns.com.

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Perceptions vs. Outcomes (First in a Series)

By Fred Lee

It is only natural that to a physician, administrator, or clinician, quality is primarily judged by clinical outcomes. And rightly so.

What isn't so obvious is that the satisfaction and loyalty of their customers is not primarily won on the field of who has the best clinical quality, any more than airlines win the loyalty of their customers on the field of who has the best safety record. Most airlines have about the same safety records. And most clinical outcomes are viewed by patients as the purview of their physician who would not put them in the hands of incompetent people or an unsafe environment. When there is a plane crash, an airline will suffer a major setback in public opinion, just as a hospital suffers when a preventable tragedy occurs in the operating room. But precluding such a catastrophe, patients judge their experience by the way they are treated as a person, not by the way they are treated for their disease.

In the battle for the supremacy of perceptions in the patient's mind, our competition is anyone the patient compares us to. Unfortunately they do not usually compare us to other hospitals. People don't make an exception by saying, "Compared to other nurses she's okay," if she wouldn't cut it as a waitress, or any other service provider.

Nine out of ten of the top drivers* of satisfaction could apply to how a person is treated anywhere. Only one in ten is hospital specific. After many years of collecting data on patient satisfaction and loyalty, we now know quantitatively what we have always known intuitively-patients reserve their good word of mouth and loyalty for hospitals where they feel their needs were anticipated and met by a courteous, caring staff. When one reads through a list of top drivers of patient satisfaction and loyalty, it is clear that often what hospital managers focus on, namely clinical and process outcomes, is not where the battle for the consumer's mind is being waged.

Where hospitals spend most of their efforts in quality management, namely clinical results and process improvement, their data are defined by outcomes and therefore can be measured objectively. The patient however, judges quality by his or her perceptions. Something that is subjective and cannot be verified in the same way as outcomes. The patient is judging the overall experience of being in a hospital. It frequently comes as a surprise to hospital personnel when the clinical outcomes are excellent but the patient is displeased or angry.

Both of these concepts-perception and outcomes-are vital, but each has a vastly different impact on hospital viability and success.

*Top 10 drivers of patient satisfaction
(Press, Ganey Satisfaction Report)

1. How well staff worked together to care for you
2. Overall cheerfulness of the hospital
3. Response to concerns/complaints made during your stay
4. Amount of attention paid to your personal and special needs
5. Staff sensitivity to the inconvenience of hospitalization
6. How well nurses kept you informed
7. Staff's effort to include you in decisions about your treatment
8. Nurses attitude toward your requests
9. Skill of the nurses
10. Friendliness of the nurses

Fred Lee is a highly popular speaker; and the author of "If Disney Ran Your Hospital." His book was named the 2005 book of the year by the ACHE. You can find out more about his book by visiting www.patientloyalty.com or by contacting Fred Lee at FredLee@PatientLoyalty.com