

# CASE STUDY: COUNTERING THE HOSPITAL SQUEEZE

## ISSUES / CHALLENGES

A health plan had a major medical center demanding a significant increase in inpatient rates as a condition for remaining in the network. This created a significant stress on sales and marketing and the health plan was reluctant to acquiesce to these demands, despite the potential impact on the plan's network. The team needed to develop a negotiation strategy that was supported through data analysis of this medical center's types of admissions, severity of illness, and cost as compared to another facility for a true case mix adjusted comparison.

## METHODOLOGY

The health plan had access to CareAdvantage's RPNavigator APR-DRG (All Patient Refined DRG) analytic application for all network hospitals. This allowed the plan to ascertain a case mix and severity adjusted average length of stay, cost per stay and the patient safety indicators for all network hospitals, developed by the Agency for Healthcare Research and Quality (AHRQ). The RPNavigator APR-DRG tool allowed the plan to compare the performance of one of the alternative referral medical centers vs. the medical center under negotiation, by adjusting for differences in case mix and severity of the admissions.

## FINDINGS

- Both medical centers had average lengths of stay that were expected, given their case mix and severity.
- The alternative referral center had almost \$3M lower costs than expected.
- The medical center under negotiation had over \$800K in higher costs than expected.
- The medical center under negotiation had higher rates per 1000 of AHRQ Patient Safety Indicator events than the competing referral center.

## RECOMMENDATIONS

- Initiate contract discussion with the medical center and share the above findings.

## RESULTS

- The health plan was able to effectively use the data to re-negotiate a rate with the medical center at a rate significantly lower than what was originally requested.
- The medical center remained in the network.

## ABOUT CAREADVANTAGE, INC

CareAdvantage, Inc. (CAI) provides healthcare management, information technology and consulting services to health plans, employers, national consulting firms, hospital systems, providers and other purchaser groups. The management and consulting services include care management program enhancement services, operational assessments, executive and clinical management services, and training programs.

CAI's integrated solutions incorporate data warehousing, data mining and analytics, risk stratification and predictive modeling. CAI has been utilizing the Clinical Risk Group (CRG) classification methodology for seven years, contributing to its evolution and development. This experience has been leveraged to develop and advance CAI's predictive modeling and decision support tools, which include:

- RPNavigator - Population health and network management, including case mix and severity adjusted provider and vendor performance
- RPN<sup>3</sup> - Advanced data mining using OLAP technology
- RPN APR-DRGs - Facility case mix and severity adjusted performance evaluation and quality benchmarking

These tools, in concert with the underlying CRG and the APR-DRGs algorithms from 3M Health Information Systems, may be used on an enterprise wide basis to accomplish any or all of the following functions:

- Predictive Modeling to Facilitate Data Transparency and Actionable Intervention Strategies
- Implementation of Cost Containment and Quality Enhancing Initiatives
- Medical, Network, and Benefit Management Decision Support
- Evaluation of Care Management (CM) Programs and Identification of CM Opportunities
- Case Mix and Severity Adjusted Analysis of Provider and Vendor Performance
- Risk Stratification to Quantify Disease Burden and Trends in Cost and Care
- APRs Risk Stratification used to evaluate performance and profile quality of care within the hospital setting

The CAI team consists of former health plan executives, senior medical directors and care management operations directors, as well as experts in clinical data analysis and information technology. Beginning with implementation and throughout the process, CAI assigns expert staff from each practice area to support your organization from a technical, clinical, and data analytical perspective.

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