



# MEDICARE REPORT



Reproduced with permission from BNA's Medicare Report, Vol. 19, No. 43, 10/31/2008. Copyright © 2008 by The Bureau of National Affairs, Inc. (800-372-1033) <http://www.bna.com>

## Advice on the CMS Mandate: Its Impact and Reducing 'Preventable Errors'

By JAMES PARISH

**E**ffective Oct. 1, 2008, the Centers for Medicare & Medicaid Services no longer reimburses hospitals for "preventable errors" outlined in its final hospital inpatient prospective payment system rule for fiscal 2009 (19 MCR 891, 8/8/08) (73 Fed. Reg. 48434).

The new policy applies only to inpatient hospitals at this time and is part of a 2005 federal deficit reduction act that will save at least \$20 million per year, according to Bush administration estimates.

The National Quality Forum (NQF) defines "never events" as errors in medical care that are clearly identifiable, preventable, and serious in their consequences for patients, and that indicate a real problem in the safety and credibility of a healthcare facility. These include medication errors, poor communication between doctor and patient, falls and infections, and surgical errors.

The NQF has gone further than CMS by establishing national standards for hospital-acquired infections, so that these infections can be measured and there can be comparisons made between organizations or trends noted in the improvement or decline of activities.

*Parish is executive vice president of RWD Technologies' Performance Solutions Group (<http://www.rwd.com>). Parish's group provides clients with training and process improvement solutions for lean manufacturing, back office, supply chain, manufacturing, engineering, logistics, safety, and health and environmental applications. He can be contacted at the company's Troy, Mich., office at (248) 267-1001.*

The forum also has endorsed seven new performance measures around intravascular catheter associated bloodstream infections, ventilator associated pneumonia and respiratory illnesses, and hospital acquired infections (HAIs) in pediatric populations.

Very importantly, NQF also listed five principles to help providers and data collectors develop a framework for standard and regular data reporting, which is going to be critical and crucial under the CMS never event policies. NQF also has recommended eight areas of additional research to focus on developing even more accurate measurement.

Unless hospitals can document that patients discharged after Oct. 1 presented any of the listed conditions upon admission, hospitals cannot bill the patient or Medicare for the associated treatment as it will be considered a hospital acquired condition (HAC).

These include:

- object left in during surgery (acute reaction to foreign substance);
- air embolism;
- blood incompatibility;
- catheter-associated urinary tract infections;
- pressure ulcers (Stages III/IV);
- vascular catheter-associated infections;
- mediastinitis after coronary artery bypass graft; and
- hospital-acquired falls leading to injuries (including fractures, dislocations, intracranial injury, crushing injury, and burns)

Recently added are:

- venous thromboembolism after hip and knee replacement;
- poor glycemic control (Ketoacidosis & Coma-hypoglycemic & hyposmolar);
- surgical site infections following:

- ▶ bariatric surgery for obesity
- ▶ (laparoscopic gastric bypass & gastroenterotomy)
- ▶ or spinal fusion
- ▶ —or other surgeries of the shoulder and elbow.

To determine which complications occurred during the stay, acute in-patient hospitals must submit the secondary diagnoses that are present on admission (POA) when reporting payment information. (Critical access hospitals, long term care facilities, Maryland waiver hospitals, cancer hospitals, children in-patient facilities, in-patient rehabilitation facilities are exempt.)

Hospitals required to code POAs must be diligent in diagnosing and documenting every patient ailment upon admission to ensure optimal CMS reimbursement. Some hospitals started reporting POA “flags” in January, and all hospitals had to report by April or claims would be rejected.

This due diligence means more time, personnel, and resources, which directly affects the bottom line. Medicare has informed hospitals that each organization may experience nearly \$31,000 lost in annual Medicare reimbursement funds.

Historically, private insurers and state policies follow CMS mandates, and many have issued similar policies, including leading private insurers, such as Kaiser Permanente, Blue Cross Blue Shield, Aetna, Cigna, and WellPoint. In addition, 23 states have approved “never events” nonpayment policies with three more states anticipated by fall, leaving 26 states which are likely to follow suit.

## Hospital Impact

For hospitals, the most immediate impact is likely to be additional staff education and implementation of these new clinical guidelines. There also will be additional diagnostic tests or procedures added to document these POAs. Many hospitals are adopting preventative measures upon admission to avert HACs, such as swabbing every patient for infections, such as MRSA.

All this increases the cost basis to document whether these POAs existed or not. If hospitals were unable to document clearly that a condition existed or a “preventable error” occurs, hospitals may experience reimbursement and billing and collection delays or denials.

Consequently, proper coding is a must for hospitals to ensure optimal CMS reimbursement.

Thus, no hospital will be able to avoid the inevitable fiscal fallout that the CMS mandate has created. Given the tremendous amount of time, effort, energy, and money hospitals will be investing on the front end, it is unlikely that even the most efficient hospitals can recoup their resources on the back end.

Hospitals addressing the CMS mandates also face other risks. The greater transparency created by hospital compliance will ultimately impact a hospital’s reputation and market share. There also is the concern for increased fraud and abuse. Most hospitals and their legal counsel are anticipating higher potential for patient claims and lawsuits. States, such as Texas, are now looking at significant tort reform initiatives. All this means higher legal spending.

There is also the likelihood that “never events” occurrences could trigger another visit by the state or CMS or the Joint Commission.

Adding to the pressure is the ever-growing consumer awareness and advocacy for patient care. Web sites

educating consumers on healthcare and offering hospital quality comparisons, such as HealthGrades and AHQA’s Hospital Compare further encourage hospitals to increase their quality of care.

## Pay for Performance

Although Medicare’s final rule is challenging, it is not nearly so extensive as anticipated. CMS scaled back the originally proposed increase of 43 new quality measures. There are still pay-for-performance incentives:

- Hospitals must report on a number of key activities to receive a full market basket update in 2010, bringing total to 72 (one was retired).

- Currently, hospitals must report on 30 measures to receive the 3.6 percent full market basket update.

- In FY 2009, hospitals not submitting data would receive a 1.6 percent update.

CMS removed one current measure related to pneumonia and added 13 more; however, only four of those have been adopted by the NQF and Hospital Quality Alliance, which is a partner in the CMS online reporting Web site Hospital Compare.

All of these measures will increase hospitals’ costs while they realize little to no increased compensation, except for those few top-performers who can demonstrate their top decile of performance for quality measures.

On the pay-for-performance initiative, there are some upside opportunities for hospitals, but it’s going to be extremely difficult for hospitals to differentiate themselves as this initiative continues forward.

The real opportunity to recoup some of those embedded costs now is going to decline as time goes on as more and more facilities increase the quality of their healthcare and outcomes.

## Systematic Changes Needed

So what do hospitals do, and how do they prepare? Administrators need to look for providers or solutions that help them make systemic and cultural changes at all levels of their organizations to assure long-term, continuous improvement.

This process entails five key steps:

1. The process must involve the entire staff. This is a cultural change; it is not about administrators, it is not about nurses, it is not about doctors—it is about the way hospitals do business and care for each and every patient.
2. It needs to be a process that is long-term and sustainable. Although this entails instituting standardization and documentation of “best practices,” organizations must also be flexible in order to respond to constant changes that are literally life or death decisions.
3. It has got to focus on leadership changes and leadership development to help the cultural change within the hospitals. Although the top administrators must advocate the change, they must create and sustain a blame-free environment where every member of the organization “counts” and contribute equally to the change process.
4. It is the people themselves, helping them develop and maintain the respect and the challenge in their programs. If hospital administrators inspire and empower each and every employee as part of the overall transformation, participants soon realize the benefits outweigh any resistance or discomfort

typically associated with organizational change. Organizational and process transparency rapidly emerges and process improvement becomes a self-perpetuating reality.

5. Finally, the entire supply chain within the hospital must be pooled into account to help solve these problems. The visualization, standardization, and sharing of information throughout the organization ensures a systemic transformation that permeates every facet of the organization. Staff members learn to anticipate and respond to situations in real-time, avoiding or minimizing errors and possibly future occurrences. By eliminating waste and errors and streamlining the organization, hospitals not only can increase hospital performance but optimize patient care and outcomes.

One of RWD's clients, Mike Reno, vice president and chief operating officer of St. Luke's Episcopal Hospital in Houston, recently stated, "The quickest way to get about the business of improving the quality to the healthcare services that we provide to our consumers, is to get a better understanding of the data that we have available to us. We've got to start putting monitoring tools in place to understand where we are on these initiatives, so that we can then analyze the highest opportunity for improvements, develop action plans around those improvements, and then implement these pilots in order to realize those opportunities for improvement that have been theorized through the data analysis."

In my opinion and historically speaking, the most proven, durable, sustainable, quality system available is the Toyota Production System, a.k.a. TPS. The Toyota Production System is far more than a process to manufacture automobiles. It is really a process improvement system that is applicable not only to manufacturing, but also to retail, financial, back office, as well as healthcare operations.

For nearly 60 years TPS has consistently inspired innovation and independence within the culture of organizations—at all levels, resulting in long-term, continuous improvement. In recent years, leading healthcare innovators have adopted TPS and realized dramatic, systemic transformations.

Healthcare providers have tried various quality approaches, but historically they tend to only deliver short-term and limited change. RWD's approach to continuous improvement based upon TPS has been proven to engage, empower and inspire all facets of the physician, staff and patient experience, truly transforming organizations and hospital staff, designing out overburden and eliminating waste.

Such successful transformation is built from the ground up; you have to have a strong foundation, which entails organization, standardization and visual management. All of those need to be in place to be able to help make a sustainable cultural change or process changes, which we believe will allow hospitals to meet the challenges of the CMS never events.

Central to this process are the people. The process is built on the fact of the value of, the contribution of, and the importance of people within the organization. Unlike many quality systems, this unique approach is human-centric and focuses upon how people within an organization work together, vs. tool or process-driven quality solutions.

Consequently, this approach provides the flexibility that healthcare providers need to respond to constant

changes that are literally life or death decisions. If there is any organization that exists where people and processes are more critical to success than anything else, it has to be a hospital.

Though flexible, this process also is highly structured, a framework which enables each implementation to mould specifically to the organization, bending to fit each individual culture and changing as the organization evolves over time.

Although standardization of "best practices" and streamlining an organization to minimize any and all aspects of waste is integral to the "lean" approach to quality healthcare, an authentic improvement implementation is unique to each organization, a true collaboration and customization that synergizes the organization and fuels a profound, continuous evolution that is self-perpetuating and rewards hospital administrators, their staff and their patients.

This human-centered, process-driven approach vs. tool-implementation approach is what ensures a truly 360 degree or systemic transformation that consistently and dramatically outperforms other quality healthcare solutions.

## St. Luke's Episcopal Hospital

One example of how the RWD approach based upon the Toyota Production System has been used successfully to help hospitals combat the challenges put forth top by the never events activities is RWD's client, St. Luke's Episcopal Hospital in Houston.

Spanning over 2.5 million square feet, St. Luke's is licensed for 915 beds and operates at near 85 percent occupancy every day. In its annual survey of "America's Best Hospitals," *U.S. News & World Report* has ranked St. Luke's Episcopal Hospital among the elite health care institutions in the nation in eight major areas of care; this includes the Texas Heart Institute at St. Luke's Episcopal Hospital, listed in the top 10 nationally in heart services and heart surgery for the 18th consecutive year.

The hospital is under the direction of Chief Executive Officer and President David C. Pate, MD, JD, who also is senior vice president of St. Luke's Episcopal Health System, and his vice president and chief operating officer, Mike Reno.

"We have a very robust quality improvement, process improvement plan in place, however the application of the Toyota Production System has added a whole new level of execution to our process improvement program," Reno said. "We partnered with RWD and collaborated with them under our patient safety quality and performance measurement department, starting in 2006. After only a year into our collaboration, we were surveyed by the Joint Commission and we had our best survey process in the history of the hospital. We actually ended up receiving five RFIs [Requests for Information]. We were able to successfully appeal two of those, so, for this size organization to walk away from that process having only received three RFIs is a true testament to the fact that, if you really do have the cultural change and the line level support of implementing these various methodologies and principles, you can absolutely hardwire your organization to achieve built in quality."

In June 2007, St. Luke's applied the RWD solutions to Core Measures. By the end of December, the hospital was already at the 75<sup>th</sup> percentile performance, and by

June 2008 became a top performer in two measures, and in the 83<sup>rd</sup> and 85<sup>th</sup> percentiles in two other measures.

Hospital executives credit RWD for not only for more effective problem-solving, but for improved and sustainable performance throughout the organization. The staff has applied the RWD approach to its physicians and patients, successfully minimizing “preventable errors” and increasing patient outcomes and satisfaction.

Although the staff at St. Luke’s spends a fair amount of time benchmarking, there’s also a major focus on training and oversight, using a decentralized process improvement methodology. This enables and empowers the line staff with improvement tool kits, so they can anticipate and/or solve problems where they occur in real time.

St. Luke’s also recommends strategies to enhance the facility quality department infrastructures, assist facilities to implement evidence-based order sets, and disseminate those best practices throughout the organiza-

tion. Consequently, its quality of patient safety performance measurement staff really becomes that central repository for the rest of the organization to build upon.

To standardize best practices and reduce variation in the care processes, the Hospital reviews and refines its metrics and methods daily, but as a measure rather than as an outcome, focusing heavily upon managing the overall process and not managing the result.

“Since we applied Lean to our Core Measures, we are getting much better results,” St. Luke’s president, Dr. David Pate, said. “We have better measurements of our performance internally. We have more effective problem-solving. We built quality into the processes so that they’re more efficient and more reliable. . . . It’s extremely important to me that the improvements we make are sustainable.”

*The CMS final rule is available at <http://edocket.access.gpo.gov/2008/pdf/E8-17914.pdf>.*

### **St. Luke’s Episcopal Hospital in Houston Provides Examples of How to Avoid Committing Medical Errors**

Mike Reno, vice president and chief operating officer of St. Luke’s Episcopal Hospital in Houston, said, “One example of how St. Luke’s is addressing never events, is our approach to post-surgical infection. The hospital has developed very aggressive monitoring tools and criteria for the definition of a trigger event that would then put into place particular order sets for attempting to prevent the first sign that there may be the rapid development of a post-surgical infection. So it depends on the particular surgical specialty, these various protocols and order sets, but again it all starts with monitoring what your current state is, and then developing responses, countermeasures, and action plans for addressing and improving that current state. And then you just start that cycle over again, depending on what issues you find after that first round of process improvement after the implementation activity.”

A second example of a specific never type of event would be how St. Luke’s addresses and avoids retained objects post surgical procedures through the application of standardization and visual management—two absolute pillars of the foundation of the Toyota Production System. At St. Luke’s, in order to avoid and eliminate retained object post surgical intervention, the hospital has put in place a very rigorous and very detailed standardized post surgical closing checklist.

In addition, St. Luke’s also created within the operating room several visual management cues that help the circulatory nurse and the OR techs keep account of and track any and all instruments, sponges, gauze, etc. For certain types of surgical events, like any type of thoracic surgery, there is a protocol in place where, before making final suturing and close the external wound, the team does a chest X-ray inter-operatively and look for any type of opaque material.

By applying the standardized processes, standardization, the visual management, and then training to those specific standards and expectations for all staff, St. Luke’s has been able to virtually eliminate those retained objects. Finally, St. Luke’s continuously updates and evaluates that standardized work to identify and leverage continuous improvement opportunities, thereby reducing the cost of continuously raising its quality standards.