

PERFORMANCE MANAGEMENT AT



Intermountain®
Healthcare

Presented by

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Adam Elias

Who is Intermountain Healthcare?

Non- profit Organization, 1995

Integrated healthcare delivery

Operations in Utah & Southern Idaho, 2008

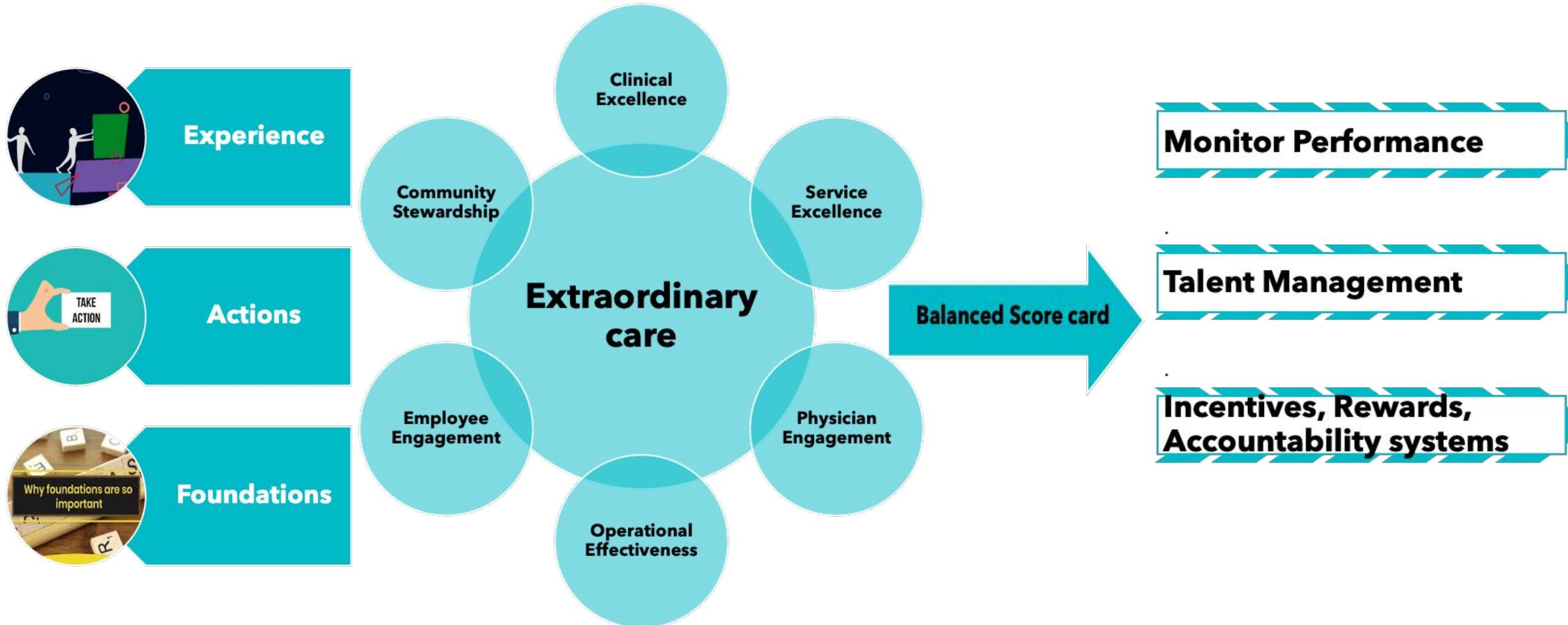
21 Hospitals, 2488 beds, 118 clinics, Full-Time- 660 Physicians, Part-Time- 196 Physicians

Own Insurance- Select Health

502,400 enrollments (25.8% of Total Utah market)

Cash reserves over \$242M & share of total inpatient volume steady at 55%

Principles of IM healthcare



What they do?



Integrated Healthcare Delivery



Clinical Management - Clinical
Process Model (CPM)



Performance Management



Cost Management

Why they do?



Clinical
quality & Best
Practice



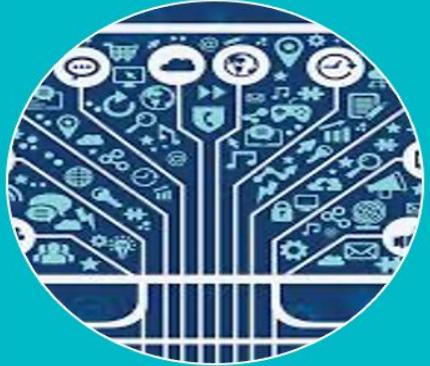
Quality
service to
Patients, their
families, and
guests



Affordability



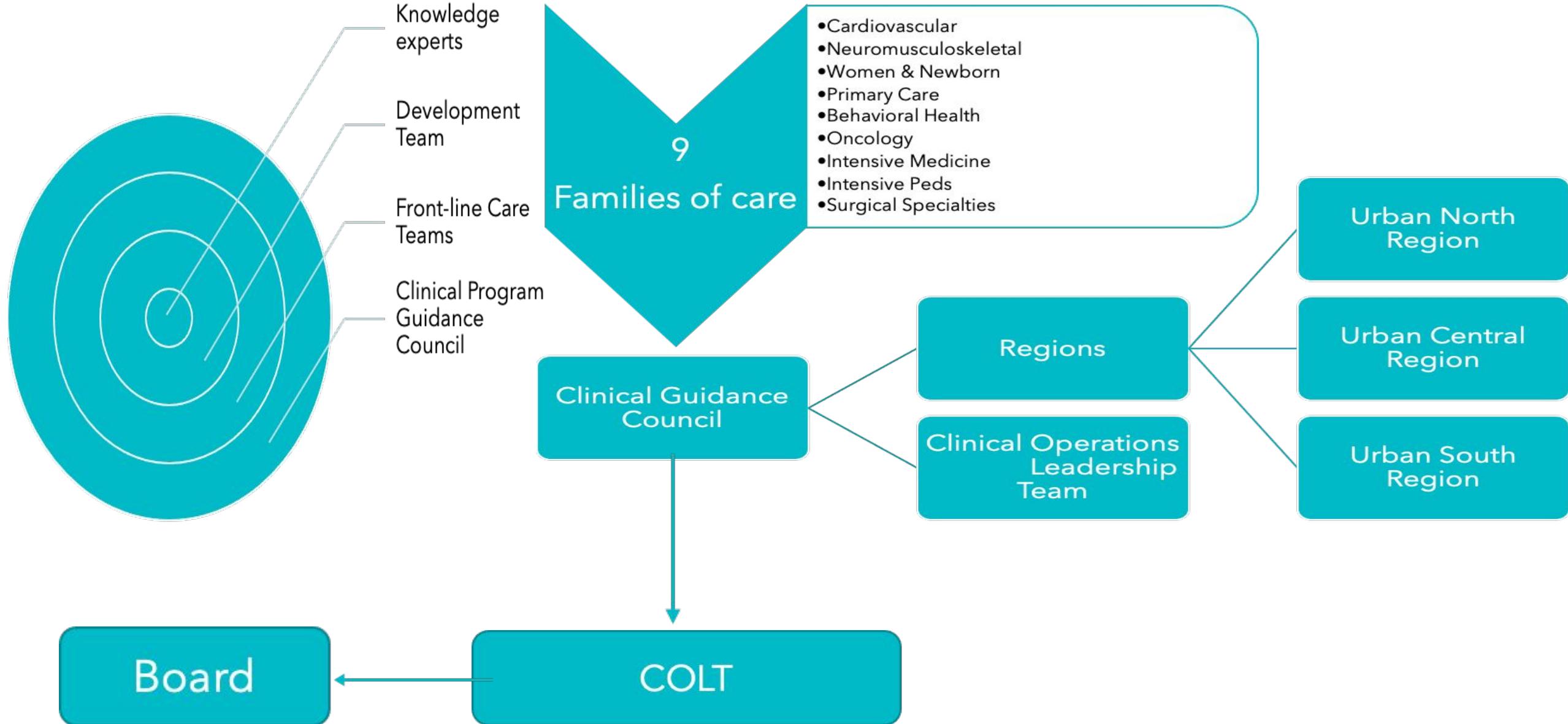
Customer
Attractiveness



Information
Technology



How they do?



Problem statement

Federal reductions in healthcare spending adversely affect integrated clinical and cost management systems.

Finances and clinical quality are in tension - high quality at a low price does not make financial sense.

Pain Points

Increased Clinical performance in-turned revenue loss

The Nation's healthcare system saving was a revenue reduction for Intermountain

Difficult decision about staff reduction and capacity rationalization

Past financial success and strong market position holding the organization

High quality and low care are not financially rewarding

Hospitals and Physicians make more money providing inefficient care

Pain Points

**Decrease in payments
and margins**

**Improved
clinical
intervention
leads to lost
payments**

Financially penalized

**for Improving
quality care
and reducing
operating
costs**

Course Concepts

- ❑ Cost / Efficiency

$$\textit{Efficiency} = \textit{Outputs} / \textit{Inputs}$$

- ❑ Nonprofit hospitals are more likely to trade off cost and facility environment by making improvements in clinical outcomes



Course Concepts

❑ Business Process Management (BPM)

The art and science of overseeing how work is performed in an organization to ensure consistent outcomes and to take advantage of improvement opportunities.



(Dumas, M., La Rosa, M., Mendling, J., & Reijers, H. A. (2013). *Fundamentals of business process management* (Vol. 1, p. 2). Heidelberg: Springer.)

❑ Five main process in healthcare



(Bergman B, Neuhauser D, Provost LF. Five main processes in healthcare: a citizen perspective *BMJ Quality & Safety* 2011;20:i41-i42.)

Course Concepts

❑ Quality

The degree to which health services for individuals and populations increase the likelihood of desired health outcomes and are consistent with current professional knowledge.

❑ Quality Improvement

Standardize processes and structure to reduce variation, achieve predictable results, and improve outcomes for patients, healthcare systems, and organizations

The mechanism of quality improvement is standardization.

The mechanisms of quality measurement are selection and choice.



(<https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/MMS/Quality-Measure-and-Quality-Improvement->)

Course Concepts

□ High-reliability Organizations (HRO)

An organization involved in a complex and high risk environment delivers exceptionally safe and consistently high quality service/care over time.



Course Concepts

□ Resource Allocation

Productive efficiency can be improved effectively by directing internal resources to specialize in one or several areas.

□ Volume matters

□ Value - Based Care

$$Value = f(cost, quality, experience, safety)$$

Qualitative analysis

Allied physicians

Clinical Measures

Corporate goals

Compliance rate of CPM

Performance management

Clinical Process

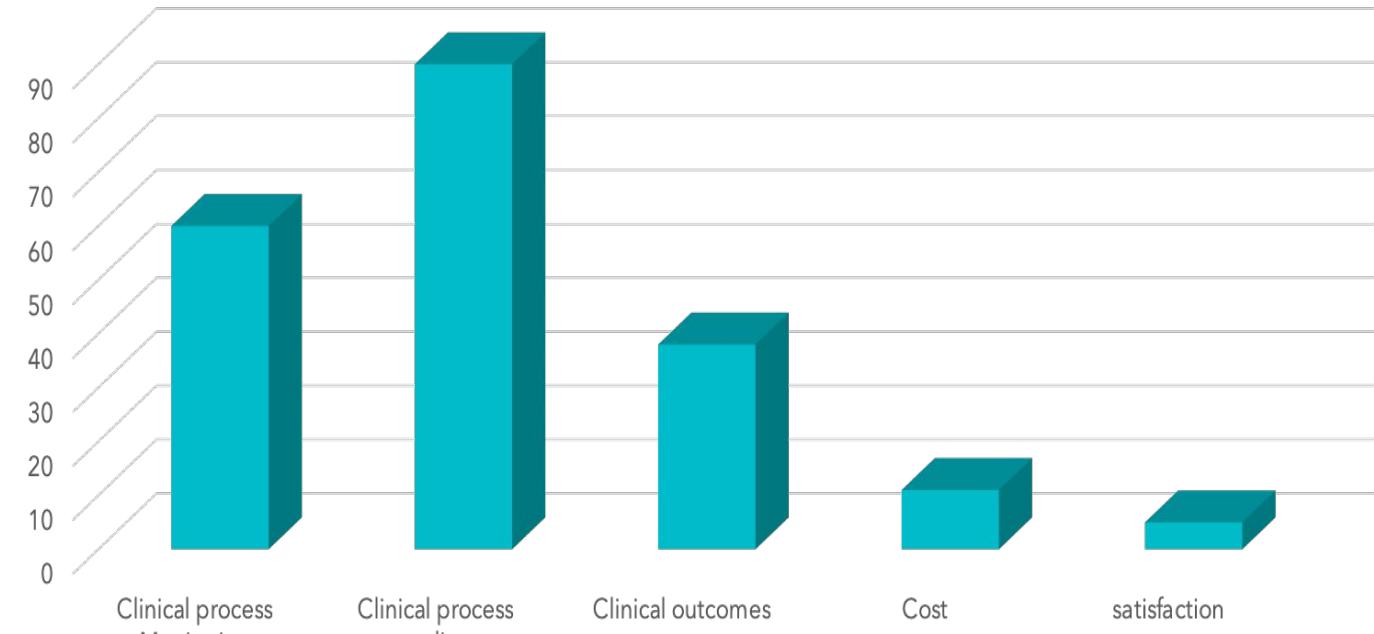
Organizational culture approach

Incentive Plan

Clinical process models

Financial Aspects

Clinical measures summary



Clinical Measures

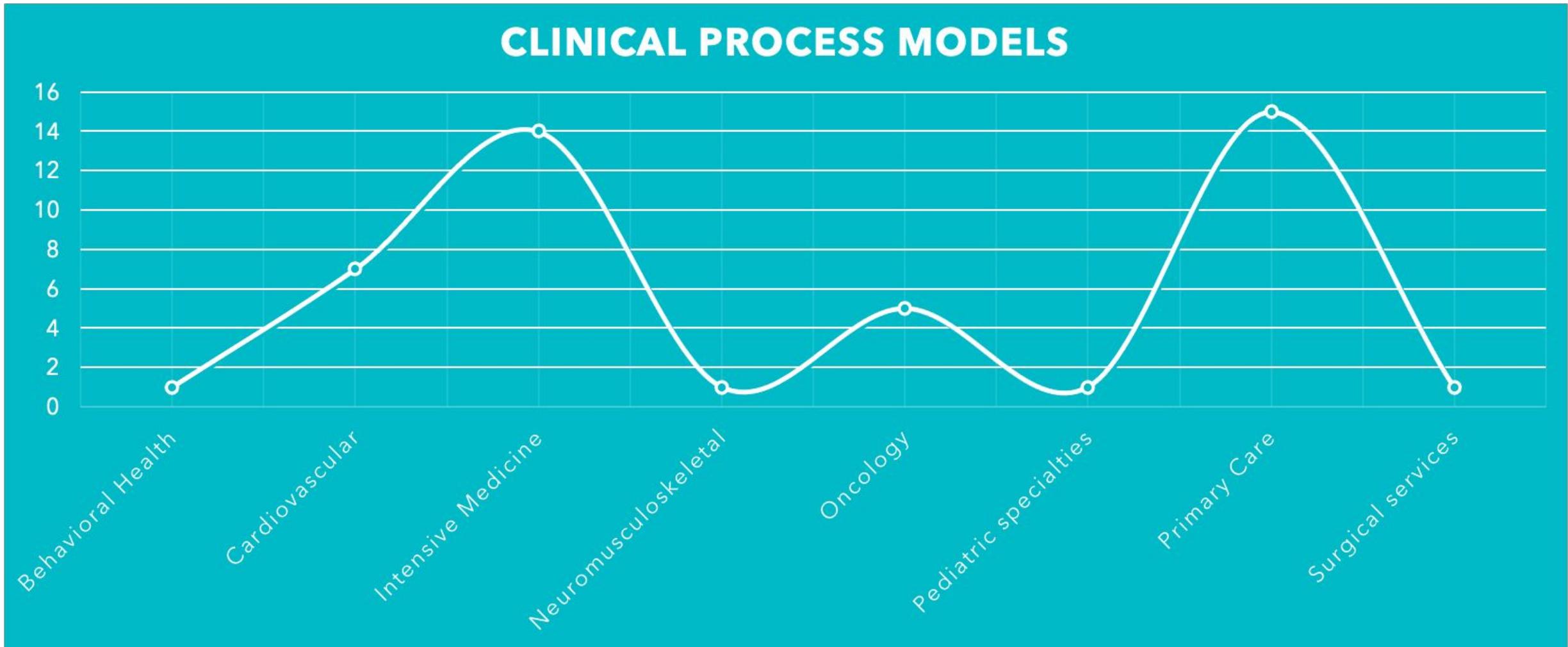
Clinical Process

Four
elements of
quality
Control Plan

Support of
Guidance
Council (GC)

Development
of Clinical
Process Models
(CPM)

Clinical process models



CPM for Nine families of care and Development Team

Corporate goals

Exhibit 7 Intermountain's Corporate Goals, 2007–2008

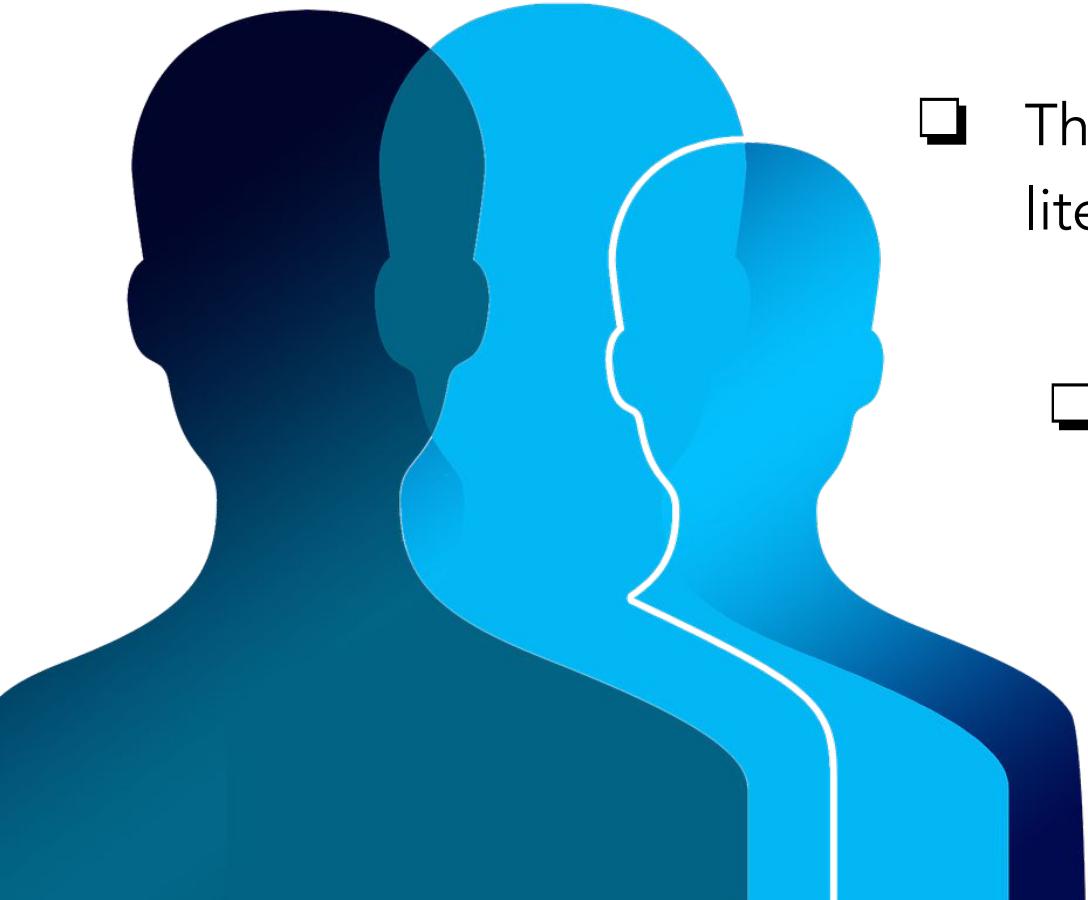
			2007						2008		
Domain	Wt	Entry	Target	Stretch	Wt	Entry	Target	Stretch			
Clinical Excellence	20	Joint Commission/ State accreditation	Meet 80% of clinical program/patient safety goals	Meet 85% of clinical program/patient safety goals	20	Joint Commission/ State accreditation	Meet 80% of clinical board goals (will include CMS measures)	Meet 93% of clinical board goals (will include CMS measures)			
Service Excellence	20	Develop a customer service plan in the first quarter, and remain on schedule with the implementation of that plan	Receive the highest rating for "communication with nurses" and "responsiveness from hospital staff" from 76% of patients	Receive the highest rating for "communication with nurses" and "responsiveness from hospital staff" from 81% of patients	20	Achieve aggressive targeted performance on 5 of 9 system wide service measures	Achieve aggressive targeted performance on 7 of 9 system wide service measures	Achieve aggressive targeted performance on 9 of 9 system wide service measures			
Physician Engagement	14	Create a physician email database and begin to use it for targeted physician communication as a tool to improve physician satisfaction and engagement	Develop a brief physician satisfaction/engagement survey tool and use it quarterly with a statistically significant random sampling of physicians to measure results of improvement efforts	Demonstrate a statistically significant improvement over 2006 survey results on at least one measure on the survey tool.	14	Make clinical information systems available to physician clinics based at Primary Children's	Develop physician training on clinical program measures and member satisfaction measures. Provide this training to 900 physicians.	Provide reporting of lab results directly into the office electronic medical record for 200 additional physicians			
Operational Effectiveness	13	Achieve \$15 million in incremental cash flow savings from supply chain	Achieve \$20 million in incremental cash flow savings from supply chain, including at least \$15 million in operational savings	Achieve \$20 million in incremental cash flow savings, including \$15 million in operational savings and \$2 million in physician preference item savings	13	Develop a system wide best practices plan for Financial Services and Human Resources	Install Emergency Department information system in USR hospitals. Demonstrate user satisfaction	Develop improved registration and collections processes and implement according to plan			
Employee Engagement	13	Define processes to prioritize initiatives allowing front-line managers to increase focus on providing extraordinary care	Significantly simplify at least one major process required of front-line managers	Increase nurse manager time spent in professional development (staff education, training, mentoring, coaching and in physician and patient relations) from 9% to 15%	13	Define processes and tools to improve employee retention	Halt the current trend of increasing employee turnover	Improve employee retention by 7%			
Community Stewardship	20	Meet all objective not-for-profit requirements	Achieve budgeted operating margins to meet future needs while providing necessary charity care in the community	Evaluate and implement changes in Intermountain's charity/financial assistance policy based on input from Community Advisory Councils	20	Meet all objective federal and state not for profit requirements	Develop an integrated strategic plan for all three Divisions in at least one region with the support of the central Strategic Planning department	Develop a plan to enhance the use of volunteers and establish goals for 2009			

Incentive plan

Program Component (# of managers enrolled)	Management Committee (5)	RVP, SelectHealth, Medical Group (8)	Operating Unit Executive Councils (113)	Other Regional and Local Leadership (59)	Corporate Participants (95)
Plan design	<u>System</u> : Plan based on all six dimensions of care, with specific system goals for each dimension	<u>System</u> : Plan based on all six dimensions of care, with specific system goals for each dimension <u>Region</u> : Plans based on all appropriate dimensions of care with region goals aligned to the system goal (operating margin must be one of the goals)	<u>System</u> plan based on all six dimensions of care, with specific system goals for each dimension <u>Region</u> : Plans based on all appropriate dimensions of care with region goals aligned to the system goal (operating margin must be one of the goals)	<u>System</u> : Plan based on all six dimensions of care, with specific system goals for each dimension <u>Individual</u> : Plans have a set of goals aligned to the appropriate dimensions and aligned to the regional plan if appropriate	<u>System</u> : Plan based on all six dimensions of care, with specific system goals for each dimension <u>Individual</u> : Plans have a set of goals aligned to the appropriate dimensions and aligned to the system plan if appropriate
Allocation	100% from system plan	50% from system plan 50% from regional plan System and Regional goals are designed with a 70%/100%/130% measure	25% from system plan 75% from regional plan System and Regional goals are designed with a 70%/100%/130% measure	25% from system plan 75% from individual goals System and Individual goals are designed with a 70%/100%/130% measure	50% from system plan 50% from individual goals System and Individual goals are designed with a 70%/100%/130% measure
Award Payment	Paid after financials are audited	Paid after financials are audited	Paid after financials are audited	Paid after financials are audited	Paid after financials are audited
Gatekeeper: As we have done historically, the Annual Management Incentive Plan does not have an "automatic" trigger to determine whether or not incentives will be paid. At year end the Management Committee will make a recommendation to the Board and will consider such items as financial performance, goal achievement, and other performance indicators.					

Allied physicians

- ❑ Non-employed, aligned physicians (2/3rd of all physicians) contributed to billing of \$100,000 worth of professional service fees as a part of Select Health

- 
- ❑ They used peer-to-peer competition, academic literature and internal data to engage them
 - ❑ Intermountain wanted to make things more open and transparent with them

Organizational Culture

Organizational Culture Approach



Commitment in becoming
“model healthcare system”
and “national leader in
nonprofit healthcare delivery”

- Excellence in the provision of health care services to communities in the Intermountain region.

-----OUR MISSION-----

Russell Ackoff work about Exercising Authority
“Power Over” vs “Power To”

Financial Aspects

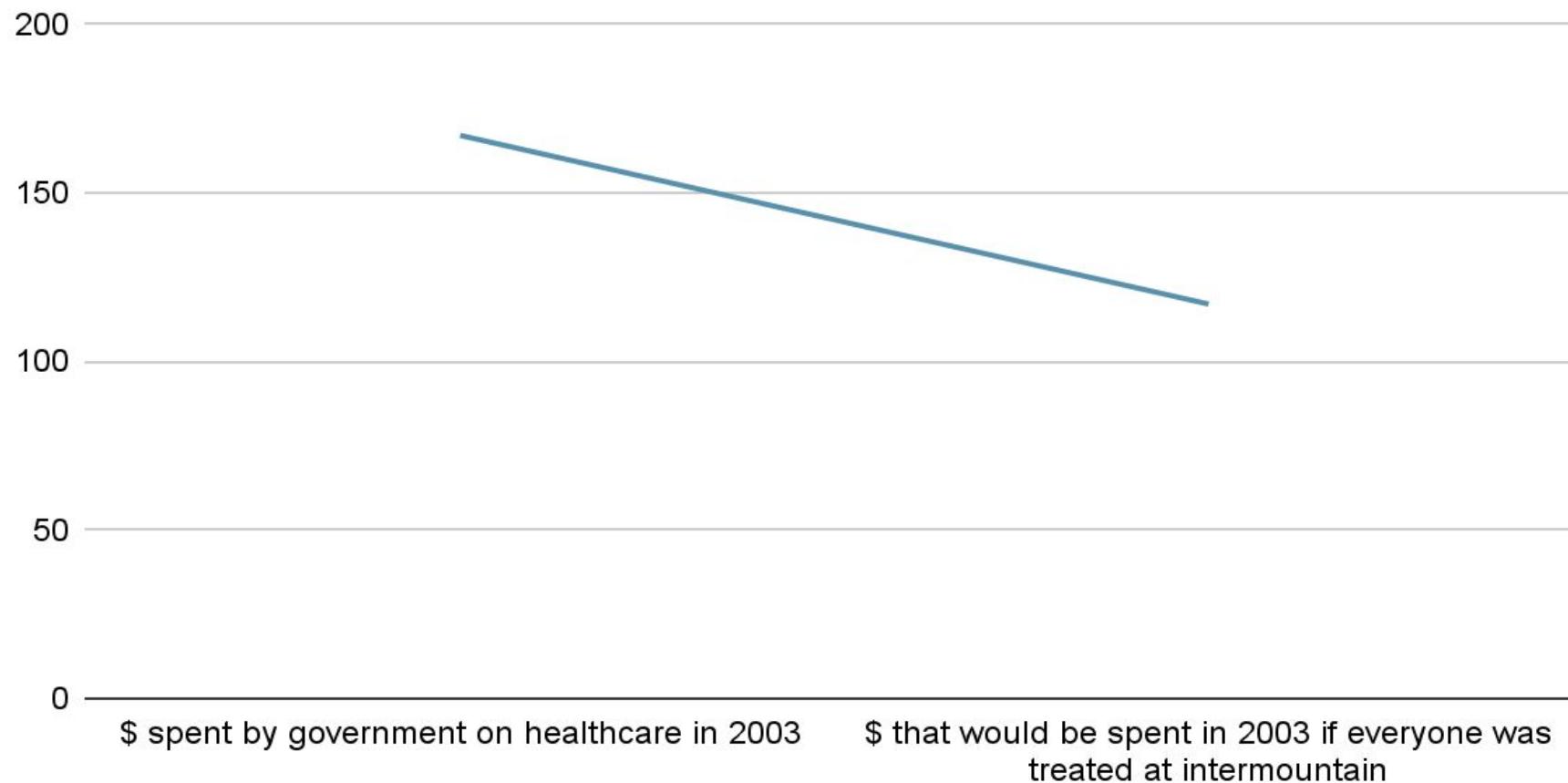
High Quality
Care = Lower
Revenue

Savings for
Select Health
Plan

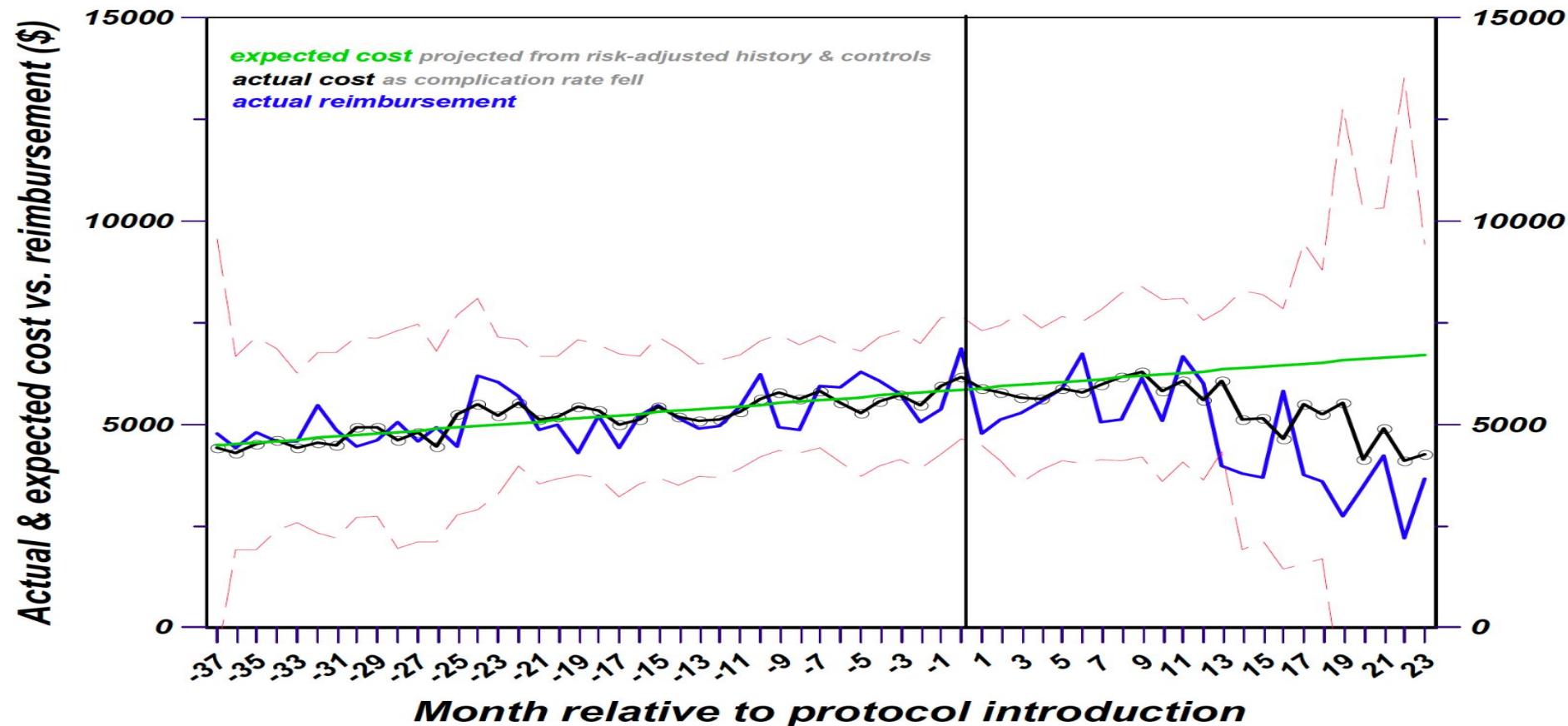
Staff
Reduction in
Future

Nation's annual healthcare costs would reduce by 34%

Reduction of expenses on Healthcare by 34%

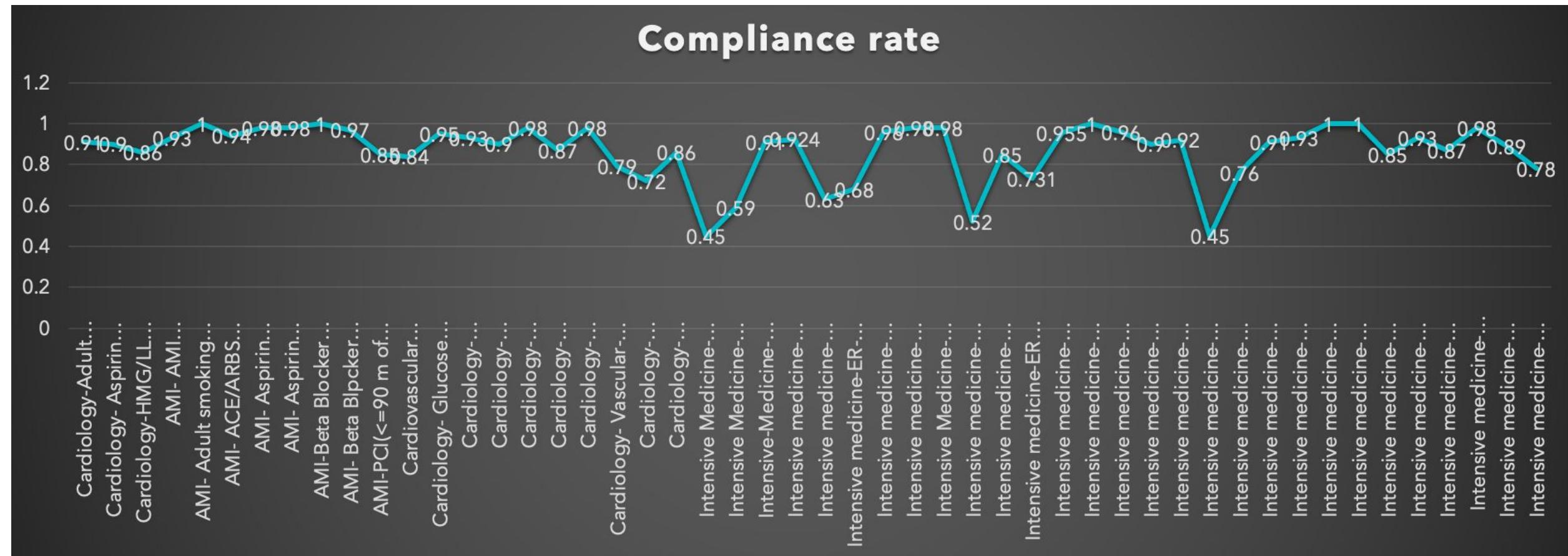


Cost and reimbursement consequences with pneumonia guideline



The green line represents the expected per case cost of care, including medical inflation over time. The black (upper dark) line shows the true per case cost of care. After implementation, complication rates fell, causing per case costs to also fall. The blue (lower dark) line shows actual per case reimbursement. The vast majority of these cases were treated under the federal Medicare program.

Compliance rate of CPM



Compliance rate of CPM



Quantitative Analysis

Clinical Excellence

Meet **80%** of clinical program/patient safety goals



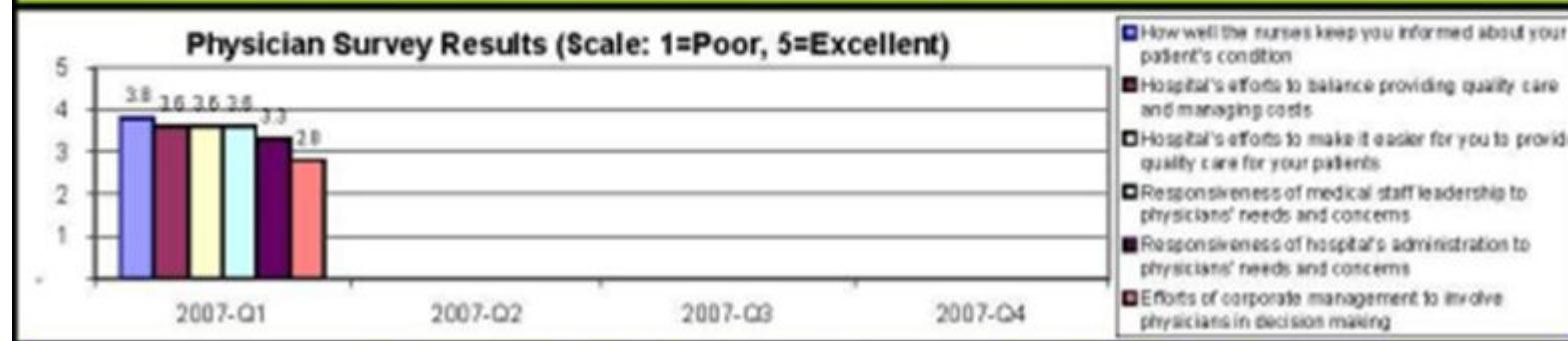
Service Excellence

Receive the highest rating from **76%** of patients



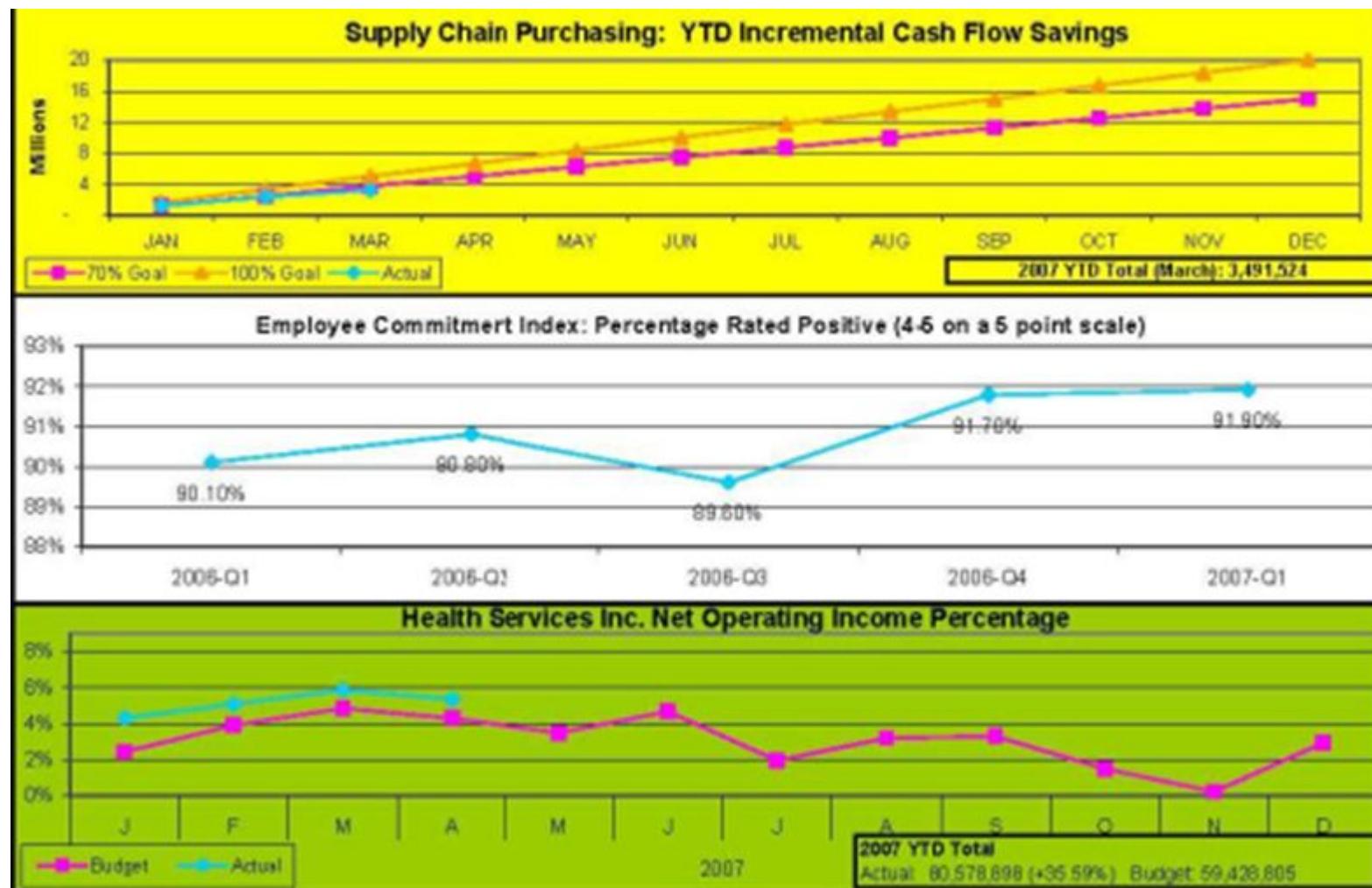
Physician Engagement

Develop a brief satisfaction/engagement survey tool

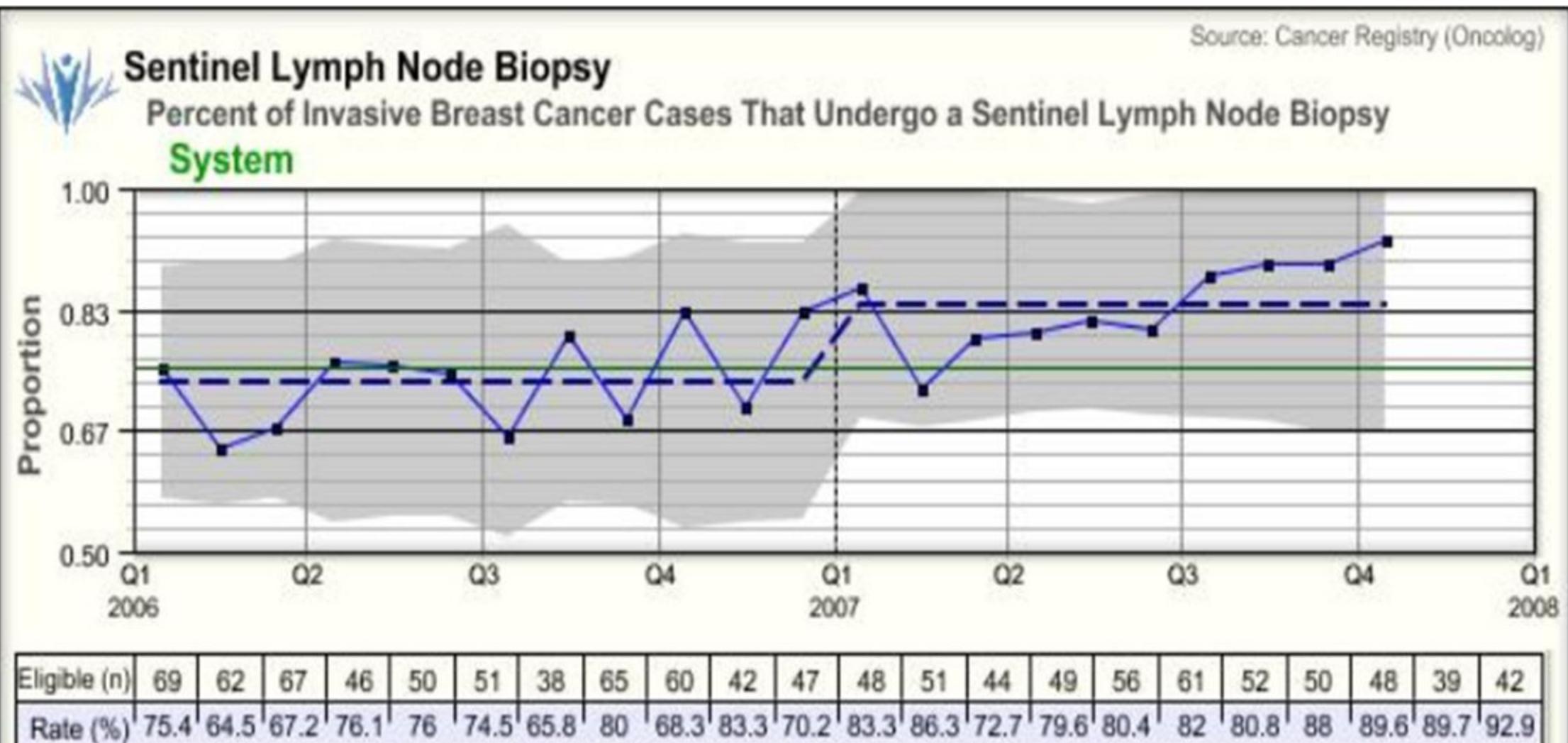


Quantitative Analysis

- ❑ Operational Effectiveness
\$20M cash flow savings from supply chain including \$15M in operational
- ❑ Employee Engagement
Simplify at least one major process from front-line managers
- ❑ Community Stewardship
Budgeted operating margins and charity care in the community



Incentive program for non-employed, aligned physicians



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— Overall ■■■ Limits ○ Outlier, Run or Trend

Updated: 25-Feb-2008

Health Services

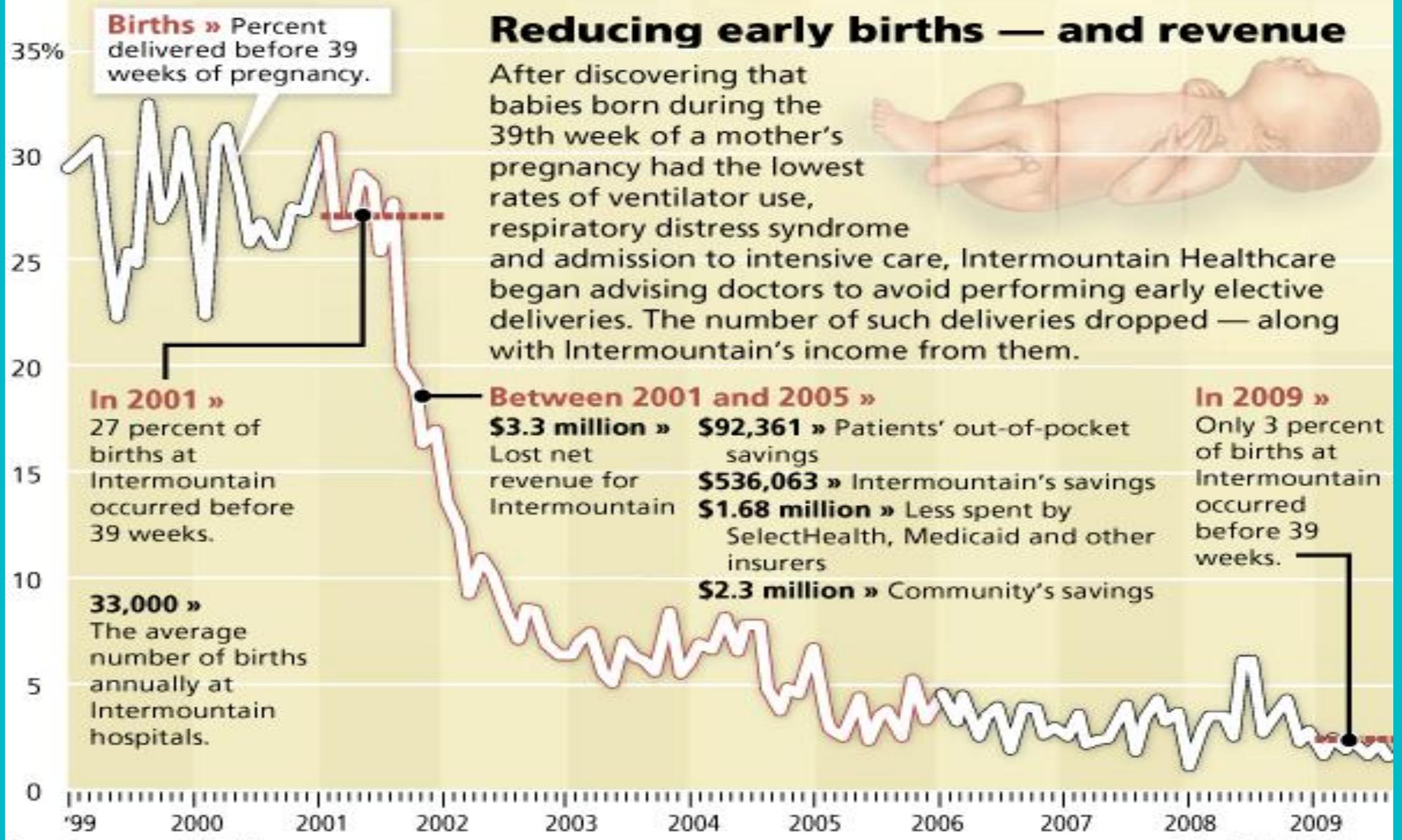
Income Statement Comparison

(Dollars in Millions)

	2006 Audited	2007 Audited	2008 Budget
Operating revenues			
Operating revenue	\$4,283.8	\$4,766.4	\$5,272.8
Less deductions from revenue	(1,555.0)	(1,717.5)	(1,995.7)
Net operating revenues	2,728.8	3,048.9	3,277.1
	63.7%	64.0%	62.2%
Expenses			
Employee compensation and benefits	1,388.5	1,528.2	1,632.5
Supplies	565.0	619.5	657.5
Other operating expenses	347.0	411.1	440.2
Depreciation and amortization	133.9	141.7	192.1
Bad debts	97.5	153.5	173.2
Interest	27.2	30.4	37.7
Total expenses	2,559.1	2,884.4	3,133.2
	59.7%	60.5%	59.4%
Net operating income	169.7	164.5	143.9
	4.0%	3.5%	2.7%
Non-operating income	162.9	167.0	-
	3.8%	3.5%	0.0%
Excess of revenues over expenses	\$332.6	\$331.5	\$143.9
	7.8%	7.0%	2.7%
Volumes (owned)			
Total acute admissions	123,084	128,083	130,099
Total acute patient days	501,436	513,855	529,897
Average length of stay	4.1	4.0	4.1
Rate increase	5.4%	5.6%	5.3%

Impact on Revenue After Implementation of the Intermountain Community-acquired Pneumonia Guideline

	<u>without protocol</u>	<u>with protocol</u>	
"Outlier" (complication) DRG at discharge	15.3%	11.6%	↓ 24.7% p<0.001
In-hospital mortality	7.2%	5.3%	↓ 26.3% p=0.015
Relative resource units (RRUs) per case	55.9	49.0	↓ 12.3% p<0.001
Cost per case	\$5211	\$4729	↓ 9.3% p=0.002



Reducing early births — and revenue

After discovering that babies born during the 39th week of a mother's pregnancy had the lowest rates of ventilator use, respiratory distress syndrome and admission to intensive care, Intermountain Healthcare began advising doctors to avoid performing early elective deliveries. The number of such deliveries dropped — along with Intermountain's income from them.



Impact on Revenue After Clinical Intervention Using CPAP/Steroids/Surfactant on a Group of Premature Babies

- Neonates > 33 weeks gestational age who develop respiratory distress syndrome
- Treat at birth hospital with nasal CPAP (prevents alveolar collapse), oxygen, +/- surfactant
- Transport to NICU declines from 78% to 18%.
- Financial impact (NOI; ~110 patients per year; raw \$):

	Before	After	Net
Birth hospital	84,244	553,479	469,235
Transport (staff only)	22,199	- 27,222	- 49,421
Tertiary (NICU) hospital	958,467	209,829	-748,638
Delivery system total	1,064,910	736,086	-328,824
Integrated health plan	900,599	512,120	388,479
Medicaid	652,103	373,735	278,368
Other commercial payers	429,101	223,215	205,886
Payer total	1,981,803	1,109,070	872,733

Recommendations

Increase
Revenue

Decrease
Cost

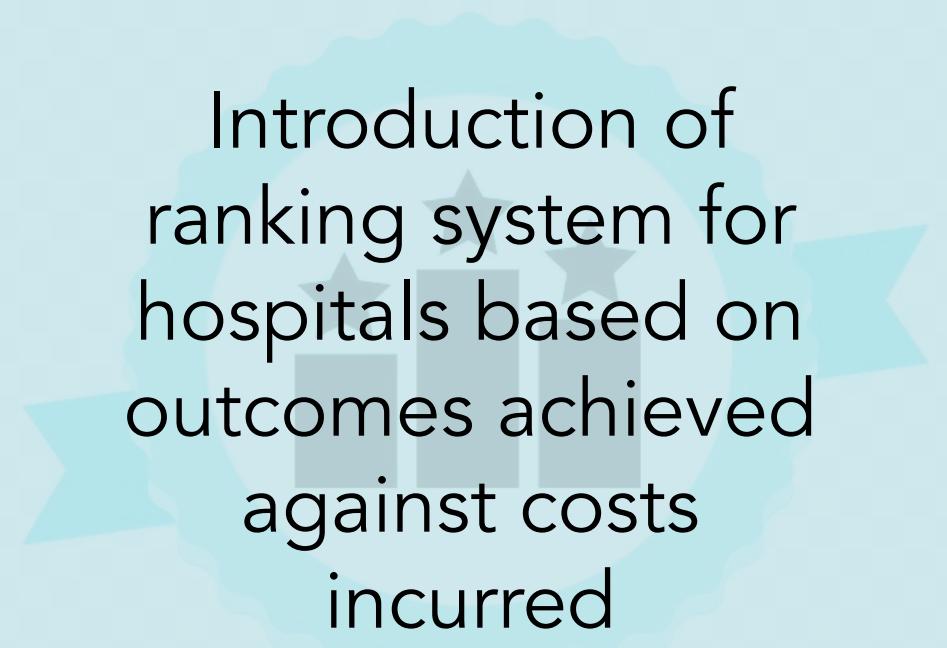
Policy
Change

Expand
Business

Increased Revenue

Improving
Healthcare

Revenue
Reduction



Introduction of ranking system for hospitals based on outcomes achieved against costs incurred



Introduction of training programs such as workshops and short courses for other healthcare providers

Decrease Cost



Spend Less



Save More



Reducing the
money spent on
non-employed
and allied
physicians

Regular
comparison of
standard costs to
actual costs of all
CPMs

"But why are these examples of efficient, high-quality care not being replicated all across the country?"

Policy Change

Introduction of a mandate requiring hospitals to implement methods like those of Intermountain

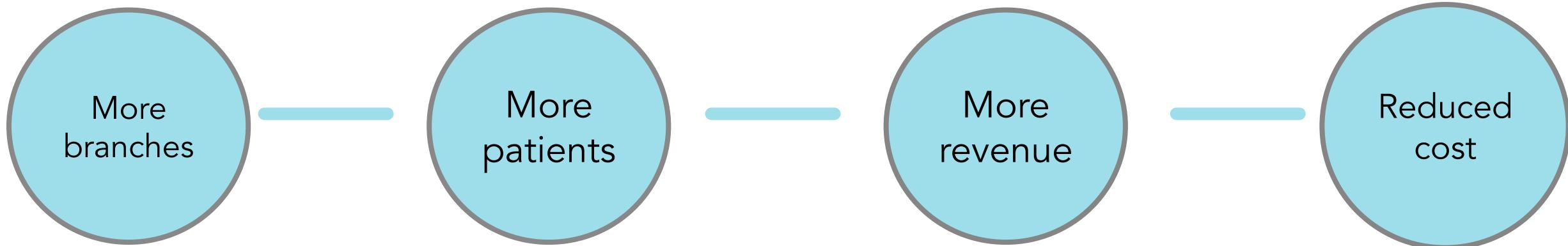


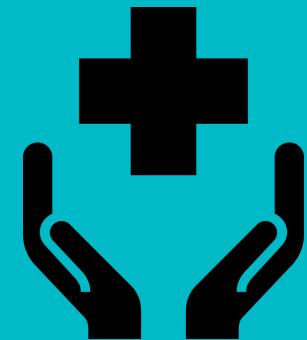
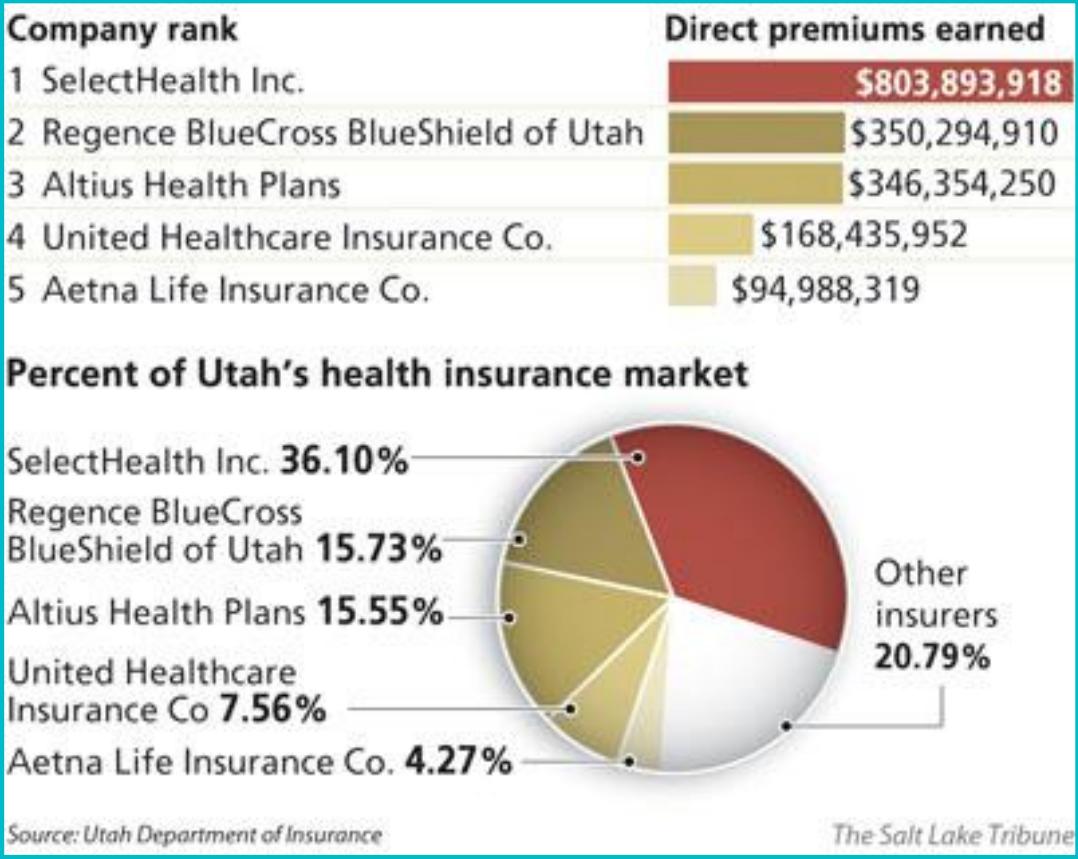
Government could fund research at Intermountain

Expand Business



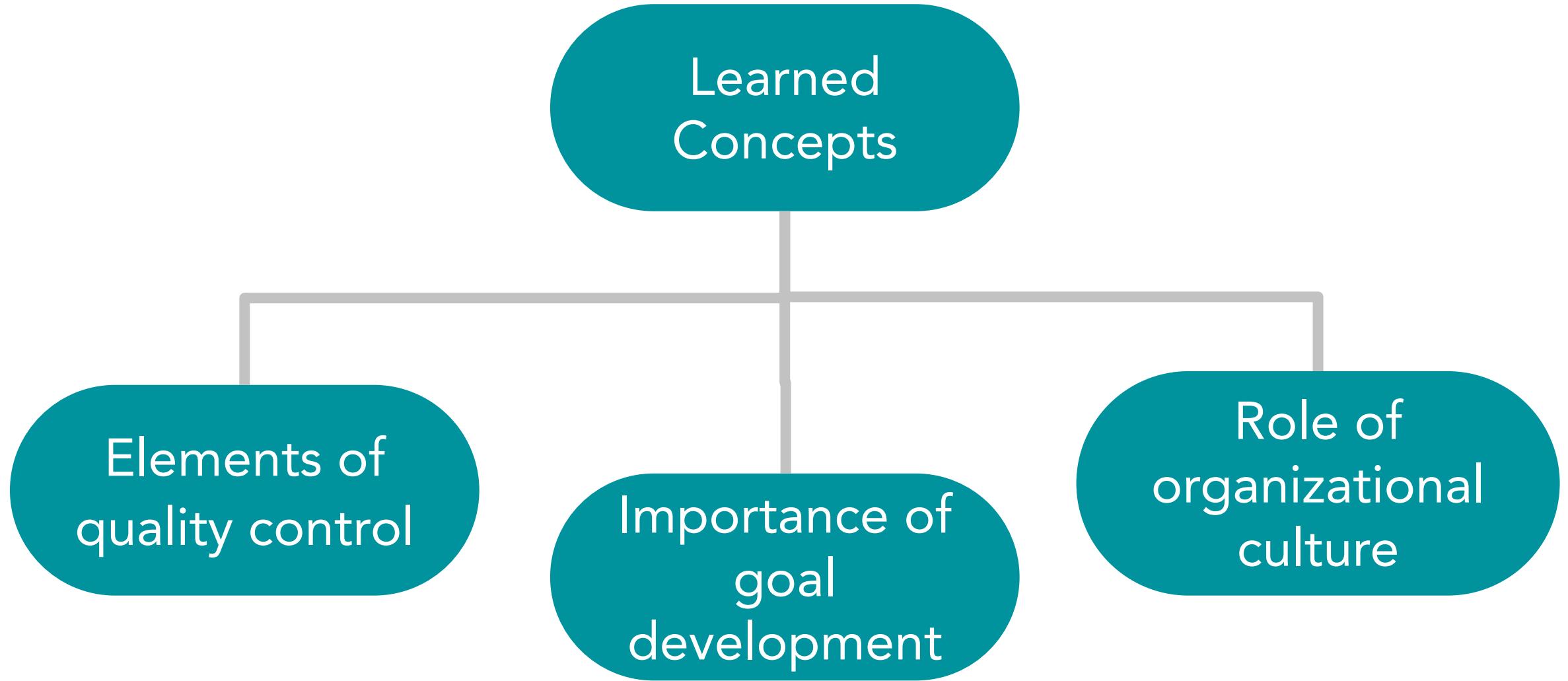
Advertise the good work you're doing!





Publicise insurance, make it more competitive

Lessons Learned



Lessons Learned

- ❑ Four elements of quality control
 - ❑ Process analysis, result track system, organizational preparedness, harvesting concepts as per aligned incentives
 - ❑ Implementation and success of the quality control plan requires establishing permanent team guided by council

Lessons Learned

- ❑ Establishment of goals is required for performance management

- ❑ Different levels and teams of employees require suitable goals
- ❑ Goals guide addresses different challenges by different departments
- ❑ Set goals ensure all teams work together to achieve a common objective.



Lessons Learned

- ❑ Culture plays an integral role in success of an organization
 - ❑ AA+ bond rating award
 - ❑ Effect on revenue, motivation and operational costs
 - ❑ Performance management requires desirable culture passed from older to newer employees
 - ❑ Performance management requires well outlined mission, vision and commitment



Where are they now?

- ❑ Operate 24 hospitals in Utah and Idaho (including virtual)
 - ❑ 225 clinics/urgent care facilities
 - ❑ Over 3,000 employed physicians and clinicians
 - ❑ Over 2,500 licensed beds
 - ❑ Over 42,000 caregivers

Where are they now?



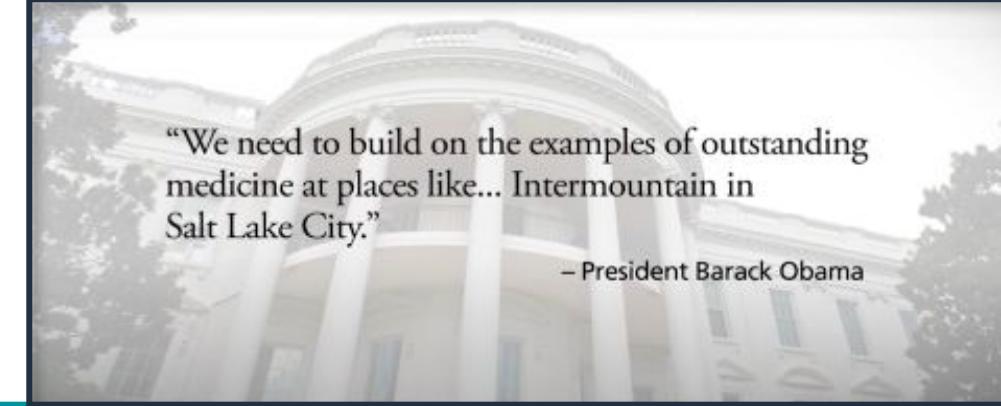
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Bad debts	97.5	2.3%	153.5	3.2%	173.2	3.3%
Interest	27.2	0.6%	30.4	0.6%	37.7	0.7%
Total expenses	2,559.1	59.7%	2,884.4	60.5%	3,133.2	59.4%
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Average length of stay	4.1		4.0		4.1	
Rate increase	5.4%		5.6%		5.3%	

Intermountain Health Care, Inc. and Affiliated Companies Consolidated Statements of Operations and Changes in Net Assets (In Millions)

	Year Ended December 31	
	2018	2017
Revenues		
Patient services	\$ 4,226.3	\$ (276.9)
Provision for bad debts		
Net patient services	\$ 4,264.7	3,949.4
Premiums and administration fees	3,194.1	2,724.7
Other revenues	265.4	265.9
	7,724.2	6,940.0
Expenses		
Employee compensation and benefits	3,037.7	2,968.9
Supplies	1,358.1	1,223.9
Medical claims	1,238.0	1,101.6
Other operating expenses	1,161.7	958.2
	6,795.5	6,252.6
Earnings before interest, depreciation and amortization	928.7	687.4
Depreciation and amortization	319.3	281.4
Interest	62.3	47.0
	381.6	328.4
Net operating income	547.1	359.0
Nonoperating income (loss)		
Investment income	65.1	305.3
Loss from nonoperating affiliates	(13.7)	(9.2)
	51.4	296.1
Excess of revenues over expenses	\$ 598.5	\$ 655.1

Where are they now?



"We need to build on the examples of outstanding medicine at places like... Intermountain in Salt Lake City."

— President Barack Obama

- ❑ 2015, tied for first with University of Utah for best medical facility in the state
- ❑ 14 hospitals received the 2016 HealthInsight Hospital Quality Award
- ❑ 2019 Vizient Conference
 - ❑ Ranked 24th out of 93
- ❑ 2021 Newsweekly (Statista) ranking
 - ❑ Ranked 103rd in the top 200 US hospitals
 - ❑ 80th in 2020



Where are they now?

- Merger with SCL Health
 - In 2021, Intermountain signed a deal to merge with SCL Health
 - Projected to move forward April, 2022
 - Operate 33 hospitals
 - 385 clinics
 - Employ over 58,000 people in six states
 - CEO, Mark Harrison, will lead organization



Work Cited

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