2014 IMDA Annual Conference

Fee-for-value: New payment methodologies are replacing fee-for-service

SCOTTSDALE, ARIZ--As IMDA members approach hospital and IDN customers with new-technology opportunities, they need to keep in mind the things with which their potential customers are preoccupied – continuing pressure to provide safe, high-quality care in the midst of a transition away from fee-for-service reimbursement. Doors will open if IMDA members can prove their technologies can help hospital and IDN executives get “from here to there.”

Talking Stick Resort, Scottsdale, Ariz., site of the 2014 Annual Conference & Manufacturers Forum

Underlying many healthcare dynamics today are concerns about healthcare costs, said Bill Bopp, president, Gulf South Quality Network LLC, New Orleans, a clinically integrated network comprising eight hospital members and more than 1,600 participating physicians.

The traditional fee-for-service approach to reimbursement has led to unsustainable cost increases, he said. Physicians and hospitals got paid more for doing more. If complications arose following treatment, the meter kept running, and again, they were reimbursed for their services. Meanwhile, the C suite was rewarded based on profit and growth.

But Medicare has said “no more,” and is moving toward reimbursing providers on the basis of outcomes, he explained. Hospitals and IDNs that fail to perform stand to lose as much as 7.5 percent of their revenues. “The days of fee-for-service in the next 18 to 24 months will be gone in most of the country,” he predicted.

With that in mind, Bopp laid out the chief dynamics playing out in healthcare today – dynamics that IMDA members should keep in mind as they try to share technology solutions with their customers.

- Limited funding.
- Data is key.
- Medicine is shifting from specialty care to primary care.
- Reimbursement is shifting from fee-for-service to pay-for-performance.

- Consolidation will continue.
- Medicaid programs are expanding, which will bring downward pressure on reimbursement.
- Baby Boomers will continue to transition from private-pay insurance to Medicare.
- Value-based purchasing will expand.

Lot to lose: Hospitals face penalties under new Medicare programs

Hospitals and health systems have a lot to lose under some of Medicare's new payment policies. That said, the best-performing ones have a lot to gain.

The Centers for Medicare & Medicaid Services has instituted three programs that are intended to improve patient safety, satisfaction and outcomes, explained Marc Lato, M.D., FAAFP, vice president of medical management, St. Joseph's Hospital and Medical Center, Phoenix, Ariz., part of Dignity Health. They also will change some longstanding practices at the nation's hospitals.

The first of the three programs penalizes hospitals for so-called "never events," that is, events that should never occur in the hospital, such as foreign objects retained after surgery, air embolisms, blood incompatibility, certain types of falls and trauma, central-line-associated blood stream infections (CLABSIs), etc. The second, called value-based purchasing, rewards providers who score well on patient satisfaction surveys (HCAHPS, which accounts for 30 percent of the score), as well as on so-called "process measures" (which represent 70 percent of the measures). Providers who score poorly are penalized. And the third penalizes hospitals based on the number of fee-for-service (traditional Medicare) patients who are readmitted within 30 days of discharge. (This is termed the 30-day readmission rate.)

Readmissions are at the top of hospital administrators' minds, said Lato. They probably should be at the top of IMDA members' minds as well. The government has targeted readmissions for a good reason: Every year, 2 million Medicare patients are readmitted within 30 days of discharge.

A big focus for Dignity Health and other providers is the "handoff" of patients from the inpatient setting to outpatient care, such as the home or long-term-care facility. This focus is called "transitional care," and, in Lato's mind, it is an essential element of the care of chronically ill people. But transitions can be associated with adverse clinical events, unmet needs and poor satisfaction with care.

Critical-thinking care managers with decision support technology tools, who can engage the patient in his or her care, can help reduce mistakes and improve the patient's satisfaction level. Meanwhile, hospital staff can assess patients who may be at high risk for readmission, and train patients to communicate proactively.

IMDA members interested in learning more about care coordination can visit:

- Project BOOST (Better Outcomes for Older adults through Safe Transitions), intended to improve outcomes for older adults who are transitioning from the inpatient to the outpatient environment.
- Project RED (Re-Engineered Discharge), a research group at Boston University Medical Center that develops and tests strategies to improve the hospital discharge process in a way that promotes patient safety and reduces re-hospitalization rates.
- The Care Transitions® program, under the leadership of Eric A. Coleman, MD, MPH.

Can you smarket? IMDA members advised to place themselves at the intersection of sales and marketing

Extraordinary obstacles require extraordinary efforts, said Nathan Harris, senior vice president of sales, Advanced Circulatory, speaking at the 2014 Annual Conference & Manufacturers Forum. IMDA members are facing the former, and need to respond with the latter.

The future will challenge you to change, he said in his presentation, "Developing Market Development Mojo." In fact, the game has already changed. "You must deliver a product that will produce a better outcome at a lower price….Gone are the days when doctors could demand a particular technology and threaten to take their patients elsewhere." That's especially true when physicians become hospital employees, as many are.

IMDA members can continue to help fundamentally change clinical practice leading to dramatic increases in the use of innovative medical products, and in the process, can help raise the standard of care, he said. It's not easy. The adoption cycle – that is, the time between development of a new medical device and its acceptance in the market – is longer and harder than ever.

Successful IMDA members will place themselves at the intersection of sales and marketing, said Harris. In fact, he borrowed a phrase to describe that point of intersection – "smarketing." Executed correctly, smarketing leads to customer retention and a better customer experience.

To be pre-eminent “smarketers,” IMDA members and their association need to develop and adhere to a few principles, said Harris:

- Vision: IMDA can aspire to be the recognized and preferred choice for bringing ALL innovative medical technologies to market.

- Mission: IMDA can commit itself to advancing the business interests of independent medical sales and marketing companies.

- Value proposition: IMDA can focus on gaining profitable lines and improving members’ business practices.

His parting advice: “Break da’ mold.”

Hard sell: Mind the three-legged stool -- cost, quality and outcomes

IMDA members should know about the three-legged stool. It’s what a growing number of hospitals and IDNs are using to describe their approach to acquiring new technologies. The three legs are cost, quality and outcomes. If your technology fails to improve all three – and you cannot demonstrate or prove it to your hospital customers – then you will have a tough sell indeed.

That was the message that Cindy Christofanelli, RN, MSN, CMRP, corporate director of supply chain management for SSM Health Care in St. Louis, Mo., delivered to IMDA members at the 2014 Annual Conference in Scottsdale, Ariz.

Healthcare providers are getting better at accumulating and using information to make decisions, said Christofanelli. They’re not where they want to be…yet. “Healthcare organizations are data-rich, but information-poor,” she said. “But data, information and evidence will be critical to how healthcare organizations make decisions in the future. And we are investing in the tools and talent to make data-driven decisions quickly. Why? Because we have to improve more quickly.”

For IMDA members, the message is clear: If your product costs more than something the provider is already using, be prepared to demonstrate how it will improve outcomes, safety or total cost.

Vendors also need to consider the cost of conversion for the hospital or IDN, she said. If the product in question can indeed save a few dollars per procedure, but the IDN must invest hundreds of hours training staff on how to use it, the investment might exceed the return.

Specialty sales and marketing organizations should recognize one more fact, she said. Though the vendor might believe its product will only touch one area of the hospital, perhaps one with low patient volume, that may not occur in practice. Once an item is brought into central supply, healthcare organizations sometimes have little control on how it's used. "That's why healthcare organizations can't just open the door," at least, not without proof of cost, quality and outcomes, she said.

To IMDA members, Christofanelli's message was clear: "If you have products, supplies or equipment that you're convinced can drive costs down, and can help improve quality and safety, that's the platform the value analysis professionals will embrace. That's when you will be invited to the value analysis meetings."

All aboard? Are you employees engaged in your business, or are they just going along for the ride?

It's a sad truth about the workplace: Just 30 percent of employees are actively committed to doing a good job. According to Gallup's 2013 State of the American Workplace report, 50 percent of employees merely put their time in, while the remaining 20 percent act out their discontent in counterproductive ways, negatively influencing their coworkers, missing days on the job, and driving customers away through poor service. Gallup estimates that the 20 percent group alone costs the U.S. economy $450 billion each year.

Don and Debbie Sizemore's "Love Your People" session at the recent Annual Conference provided IMDA members with information and statistics such as these to generate reflection and discussion on employee engagement. Don Sizemore is owner of IMDA member D&D Medical, and the organization's president-elect. Debbie Sizemore is director of sales for IMDA member Mercury Medical.

Imagine your company is a boat, and your employees are the crew members, they said. How many are working their butts off for you? How many are just along for the ride? And how many are actually trying to sink your boat? Tough questions, they said. But important ones that each owner and manager should take an honest look at if they want to substantially grow their business.

Increasing the percentages of "Boat Rowers" and decreasing the percentage of "Boat Sinkers and Spectators" is what employment engagement is all about, according to the Sizemores.

Employees who are engaged in their work and in the business are more likely to be contributors, they said. Conversely, those who are not engaged, who show up only for the paycheck, are four times more likely to leave. For the owner, replacing such people can be expensive.

The single most important thing business owners can do to “love their people” is to put the right leadership in place, said the Sizemores. The fact is, disengaged managers are three times more likely to lose their people to other companies and opportunities.

“When people buy into your leadership, they are inspired to excel. When they don’t, they are disengaged, and they will have a negative impact on your company.” Unfortunately, studies indicate that 35 percent of U.S. workers would be willing to forego a substantial pay raise in order to see their immediate superior fired.

Who are the ineffective leaders? Some examples:
- The Egotistical Leader. They love themselves, and that’s all that matters.
- The Lack-of-Trust Leader. These leaders share inappropriate information with employees about other employees, customers and vendors.
- The Know-Nothing Leader. They know little or nothing about their job, and instead try to lead with personal style.
- The Know-It All-Leader. They think they know everything. They deny employees the opportunity to offer any kind of input about the way the business is run.
- The Suck-Up Leader. These are the “yes men,” who have few opinions of their own – at least, opinions they’re willing to share. Instead, they give the answers they think are expected.

Some final takeaways:
- Put the right leaders in place, and have the courage to move out those who are ineffective.
- Create a motivational environment through encouragement. But make sure those words of encouragement are specific and genuine.
- Keep up with the changing workforce, particularly Generation Yers, who are used to communicating and working electronically.

Simply stated, employee engagement equals increased revenues for your business, according to the Sizemores. And it all starts with “Loving Your People.”