The Value Initiative | State of Value
2018 Snapshot

Affordability is one of the most important factors affecting Americans' ability to access health care. One in three Americans say they put off needed care in 2017 due to concerns about costs.[1] In addition, one in four Americans say the cost of health care is the biggest concern facing their family.[2] They are not alone; employers, government and payers also are seeking greater value for their health care dollars.

America's hospitals and health systems understand, share and are addressing this concern. The American Hospital Association (AHA), through *The Value Initiative*, is committed to providing hospitals with the tools, resources and education they need to address affordability and promote value in their communities. At the same time, we will continue to be the driving force in the national dialogue on affordability with others in the health care field.

Affordability is a complex subject. And, making heath care more affordable involves far more than reducing the cost of care. It also includes considering the level of access and quality of care received for each dollar spent. Put another way, affordability must be addressed through the broader context of value.

There is no agreed-upon definition or expectation of value across the health care field. However, in 2017, the AHA held a series of conversations with hospital leaders to discuss affordability and the role hospitals play in addressing rising health care costs. As part of those conversations, these leaders indicated that we must consider the full story when looking at value, including not only the cost of care, but also patient experiences and outcomes. In other words, value is not simply a code word for cost reduction, it is an opportunity to redesign the delivery system, improve quality and outcomes, manage risk and offer new payment models, and implement operational solutions that will reduce costs.

Many of the AHA's members already use the following definition for value, and we will continue to use this as our standard in addressing the issue of value and affordability:

$$\text{Value} = \frac{\text{Outcomes \& Patient Experience}}{\text{Cost}}$$

There are and will continue to be challenges in defining affordability, value and each component of the value equation; however, the nation's hospitals remain committed to delivering improvements based on this equation.

This *State of Value: 2018 Snapshot* aggregates data from a variety of sources, including AHA surveys, to quantify the efforts hospitals have taken to address affordability and value. We intend to use this data to track the hospital field's progress as we move forward.

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Hospitals are Delivering on the Value Equation

Despite challenges, including increased input prices and regulatory burden, hospitals have implemented a variety of solutions to deliver on the value equation.

- ***Hospital care comprises a shrinking percentage of national health care expenditures.*** As a percentage of total expenditures, the hospital share has declined from 43 percent in 1980 to 34 percent in 2016 **(Chart 1)**.

- ***Hospitals continue to work hard to limit price growth.*** Even with rising input costs, hospitals have kept their annual price growth to under 2 percent in each of the last four years **(Chart 2)**.

- ***Hospitals have made changes to advance quality performance.*** Hospitals have implemented a variety of quality improvement initiatives, including changing how they document and share information **(Chart 3)**.

- ***Hospitals have made significant strides in improving the quality of care provided to patients.*** For example, we have seen significant decreases in early-elective deliveries, central-line associated blood stream infections and hospital-acquired conditions **(Chart 4)**. Specifically, the rate of hospital-acquired conditions has dropped since 2010, with a significant drop of 8 percent between 2014 and 2016.[3]

In addition, hospitals have significantly reduced Medicare readmission rates **(Chart 5)**. Specifically, there were approximately 70,000 fewer unplanned Medicare readmissions from 2011 through 2015 than would be expected if performance continued at the 2011 rate.[4] From July-December 2010 to January-June 2013, the median 30-day risk-standardized readmission rate decreased 12 percent for Medicare patients with pneumonia and chronic obstructive pulmonary disease (COPD), 11 percent among patients with heart failure, 10.5 percent among patients with stroke, and 10 percent among patients with acute myocardial infarction (AMI).[5]

Hospitals are Committed to the Move to Value-based Payment

Hospitals are committed to increasing value and have taken steps that allow them to reduce cost, improve quality and enhance the patient experience.

- ***Hospitals are engaging in value-based alternative payment models.*** Since 2012, the number of hospitals participating in accountable care organizations, bundled payment programs or medical homes has increased steadily **(Chart 6)**.

- ***Hospitals are taking on more risk, and they are doing this in a number of ways*** **(Chart 7).** Some hospitals are contracting directly with employers to provide care on a capitated, predetermined or shared-risk basis. In addition, an increasing number of hospitals are contracting with commercial payers to connect payment to performance on quality or safety metrics.

- ***Hospitals are implementing additional strategies to improve value and health within their communities.*** Hospitals are implementing strategies that address population health management, community health, improve health equity and reduce disparities. For example, hospitals are providing non-medical services, including providing transportation and nutrition services **(Chart 8)**. And, many hospitals are working with other stakeholders in their communities to address the social determinants of health **(Chart 9)**.

- ***Hospitals have prioritized and are making significant efforts to address the social determinants of health.*** They have taken on programs that address, among other things, health behaviors, social isolation, education, transportation, food insecurity or hunger and housing **(Chart 10)**.

Hospitals are Building Cultures that Promote Value

The hospital field's efforts to improve value do not happen by accident. The *2018 AHA State of Value Survey* shows that hospitals are taking steps to develop a culture where patient-centered value is a major focus for everyone in the organization.

- ***An emphasis on value as a way to transform health care.*** The majority of hospital leaders responding to the *2018 AHA State of Value Survey* said that an emphasis on value will be extremely or very important in successfully transforming the U.S. health care system. As evidence of that emphasis on value, almost 100 percent of respondents have a policy in place to respond to patient concerns or issues that affect their experience or safety. In addition, more than 60 percent have a process in place for employees to advance system changes that improve the delivery and quality of care at a lower cost.

- ***A defined role for value in a hospital's mission or vision.*** Over 70 percent of respondents indicated that their hospital has a mission or vision statement that includes a defined role for value.

- ***A practice of promoting value.*** Hospitals are taking steps to ensure their employees understand their role in improving the delivery of quality care at a lower cost for patients, and that hospital leaders foster that type of climate **(Charts 11 and 12)**.

- ***Hospitals engage patients and families in discussions related to value.*** In our *2017 AHA Annual Survey*, 1,698 hospitals indicated that they have established patient and family advisory councils at their hospitals. The *2018 AHA State of Value Survey* shows that a majority of hospitals are engaging with patients and families on issues related to value and affordability **(Chart 13)**.

- ***Hospitals engage their boards on value.*** Many hospitals are engaging their Boards of Trustees in discussions related to value and affordability **(Chart 14)**.

- ***Hospitals help patients understand out-of-pocket costs.*** Hospitals are taking steps to help their patients understand the costs associated with their health care. This includes informing patients that they may receive additional bills, outside the hospital bills, for the care provided in their hospital and assisting patients in determining the portion of their medical bill that will be covered by insurance **(Chart 15)**.

The AHA launched The Value Initiative to provide leadership to the health care field on the issues of affordability and value. Through The Value Initiative, the AHA provides hospital and health system leaders with the education, resources and tools they need to advance affordable health care and improve value within their communities. AHA also is gathering the data and hospital experiences necessary to develop and support federal policy solutions that reduce health care costs, improve quality and enhance the patient experience.

In addition, The Value Initiative serves as a platform for hospitals and health systems to engage in dialogue and foster change on this important issue with key stakeholders, policymakers, think tanks and advocacy groups. To date, The Value Initiative has produced a series of case studies, issue briefs and podcasts, shared a data book as well as held several executive forums across the country. For more information, please visit www.aha.org/TheValueInitiative or contact Priya Bathija, vice president of The Value Initiative, at pbathija@aha.org or 1-800-424-4301.

THE Value Initiative

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Hospitals are Delivering on the Value Equation

Chart 1: National Expenditures for Health Services and Supplies by Category, 1980 and 2016[6]

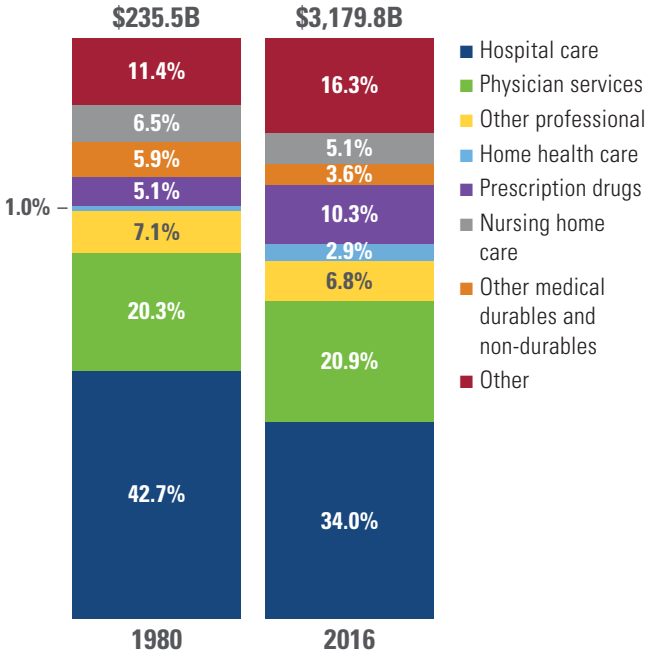


Chart 2: Annual Percent Change in Hospital Prices, 2007–2017[7]

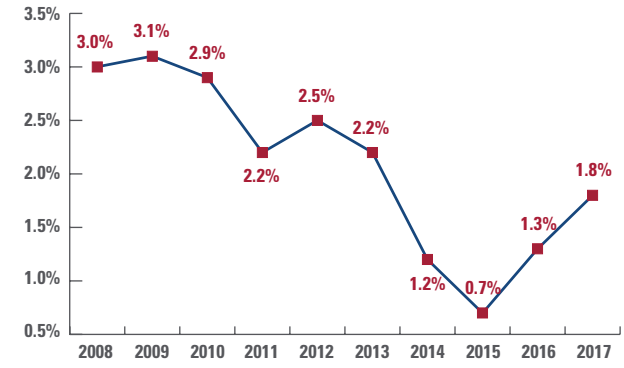


Chart 4: Hospital Efforts to Improve Quality[9]

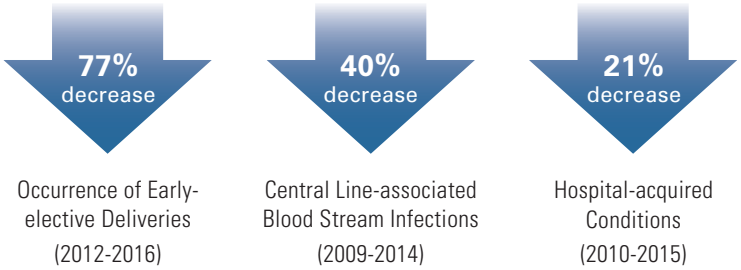
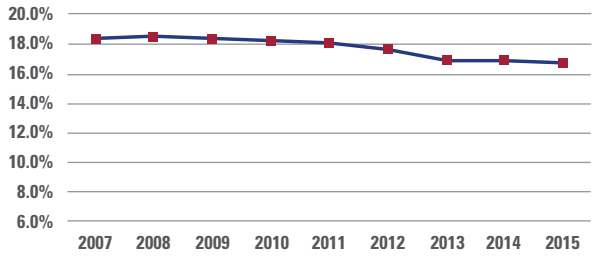


Chart 5: Quality of Hospital Care

Medicare 30-day Hospital-wide Unadjusted Readmission Rate[10]



30-day Medicare Readmission Rate[11]

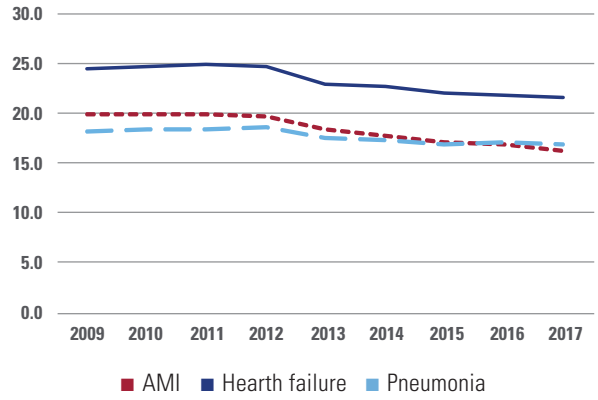


Chart 3: Changes Hospitals Reported Making to Advance Quality Performance[8]

50–60% of hospitals have voluntarily implemented:
- Internal incentives for senior leaders
- Staff awards tied to quality performance
- Assistance with reporting from QIO*

60–70% of hospitals have voluntarily implemented:
- Exchange of quality info with community providers
- Tools to identify high-risk patients
- Employment of appropriate criteria

70–80% of hospitals have voluntarily implemented:
- Post-discharge care continuity program
- System for tracking patient outcomes
- Culture of learning organization

80–90% of hospitals have voluntarily implemented:
- Identified provider champions of quality
- Interdisciplinary rounds
- Protocols to support collaboration

90–100% of hospitals have voluntarily implemented:
- Staff reporting on QI strategies
- Adoption of Deming/ Lean, Six Sigma, PDSA*
- Electronic Health Records
- Electronic quality tools for staff
- Culture of safety
- Routine feedback on performance of staff
- Standardized care protocols
- QI initiative for specific measures

Notes: National estimates of the percentage of hospitals adopting the change. Results are displayed by categories of change. PDSA = Plan- Do-Study-Act; *QI = quality improvement; QIO = Quality Improvement Organization.

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Hospitals are Committed to the Move to Value-based Payment

Chart 6: Hospital Participation in Alternative Payment Models[12]

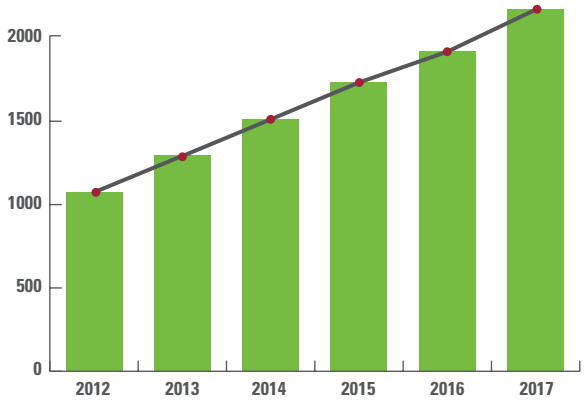
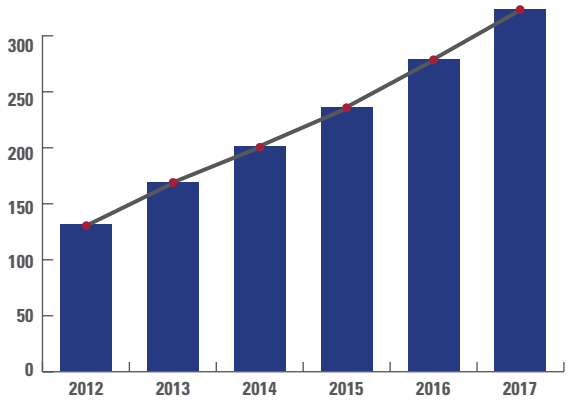


Chart 7: Hospitals are Taking on More Risk

Hospitals contracting directly with employers or a coalition of employers to provide care on a capitated, predetermined or shared-risk basis.[13]



Hospitals contracting with commercial payers where payment is tied to performance on quality/safety metrics.[14]

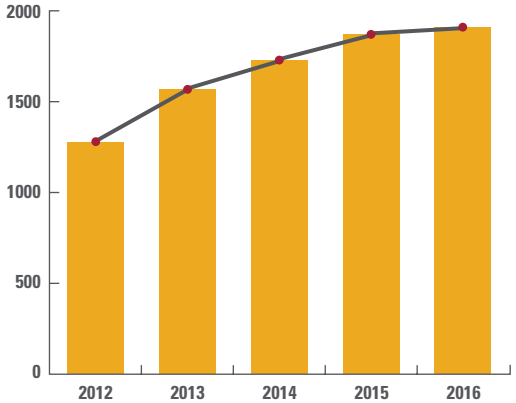


Chart 8: Hospitals That Provide Non-medical Services[15]

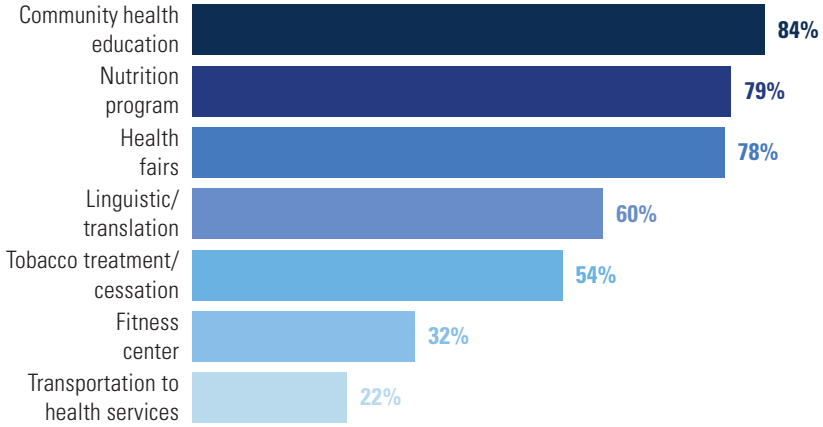


Chart 9: Percent of Hospitals With One or More Community Partnerships, 2017[16]

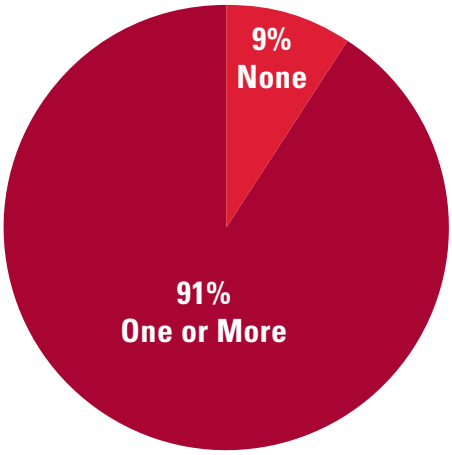
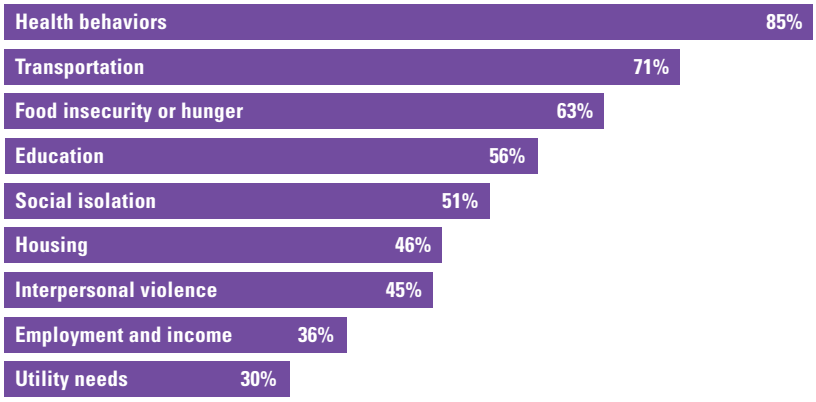


Chart 10: Hospital Programs or Strategies to Address Social Determinants of Health[17]



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Hospitals and Health Systems are Building Cultures that Promote Value

Chart 11: Hospital Employees Understand Their Role in Improving the Delivery of Quality Care at a Lower Cost for Patients[18]

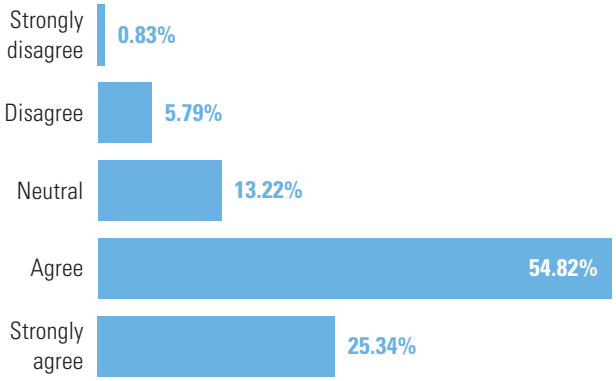


Chart 12: Hospital Leadership Provides a Work Climate That Promotes the Delivery of Quality Care at a Lower Cost[19]

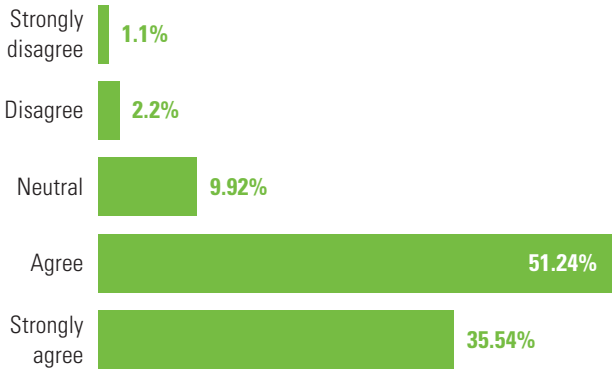
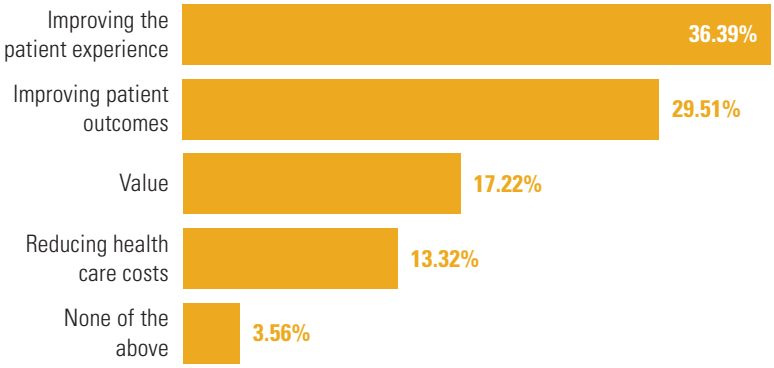
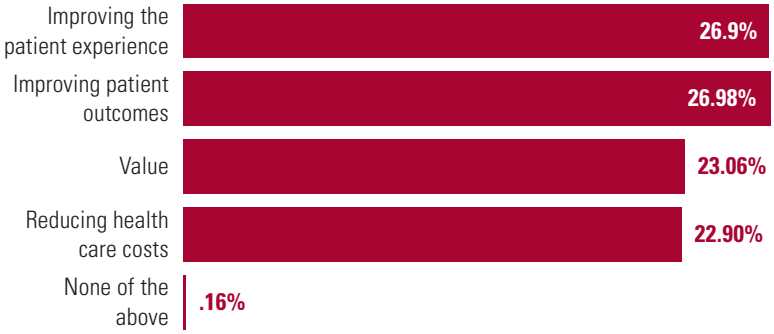


Chart 13: Hospital Leadership Engages in Discussions with Patients and Families on Issues Related to Value[20]



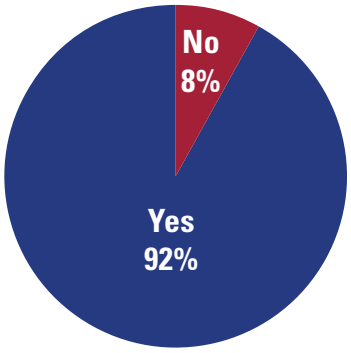
Note: Respondents could select more than one answer.

Chart 14: Hospital Leadership Engages in Discussions with Their Boards of Trustees on Issues Related to Value Improving the Patient Experience[21]

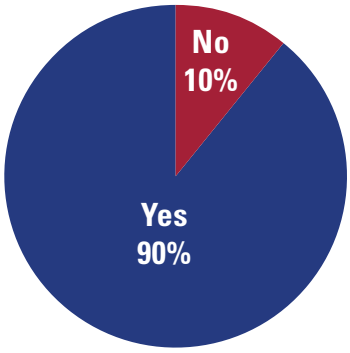


Note: Respondents could select more than one answer.

Chart 15: Hospitals Inform Patients that They May Receive Additional Bills[22]



Hospitals Assist Patients in Determining the Portion of Their Bill That is Covered by Insurance[23]



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19. Id.
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