



## Better Patient Care at High-Quality Hospitals May Save Medicare Money and Bolster Episode-Based Payment Models

### Synopsis

Researchers looked at how much Medicare pays for five major surgical procedures, from the time patients are admitted to the hospital through 90 days after discharge. Patients who had their surgeries at high-quality hospitals—that is, those with low mortality rates and high patient satisfaction scores—were found to cost Medicare less than patients at low-quality hospitals. The majority of the savings achieved can be attributed to lower use of skilled nursing facilities and other postacute care services.

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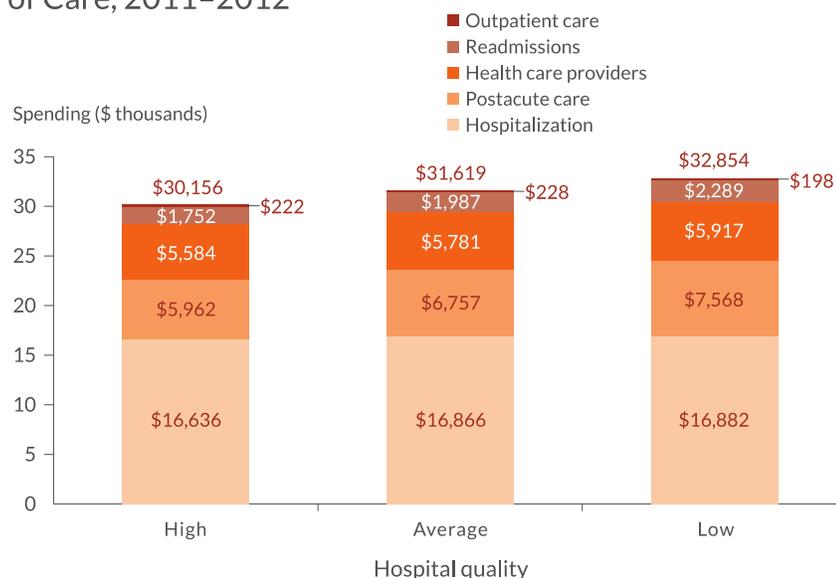
### The Issue

Do patients who receive better care while in the hospital spend less on follow-up services once they are discharged? It would be expected that patients getting high-quality surgical and postoperative care should have fewer medical complications, and thus a reduced risk of readmission and need for costly postacute services, than patients getting lower-quality care. A research team that included former Commonwealth Fund Harkness Fellow Felix Greaves tested this theory, focusing on common and expensive surgical procedures, including hip replacement and coronary artery bypass grafting (CABG).

### Key Findings

- On average, Medicare spent nearly \$2,700 less in the first 30 days on beneficiaries who had surgery at high-quality hospitals than it did on those at low-quality hospitals, after adjusting for demographics, severity of illness, and various hospital characteristics. A similar spending difference was seen at 90 days.
- Almost 60 percent of the difference in Medicare spending was because of reduced use of postacute services, including skilled nursing and inpatient rehabilitation, among patients at high-quality hospitals. These patients also were discharged to their homes more often than patients coming from low-quality hospitals.

Hospital Quality and 30-Day Episode-Based Spending on Patients Having Major Surgery in Hospitals, by Component of Care, 2011–2012



DATA Authors' analysis of Medicare claims data, 2011–2012. SOURCE Adapted from T. C. Tsai, F. Greaves, J. Zheng et al., "Better Patient Care at High-Quality Hospitals May Save Medicare Money and Bolster Episode-Based Payment Models," *Health Affairs*, Sept. 2016 35(9):1681–89.

- Medicare spending related to hospital readmissions was greater at low-quality versus high-quality facilities, accounting for about 20 percent of the difference in spending.

## The Big Picture

Research has supported the assertion that postacute care drives a lot of the variation in Medicare spending. This study goes one step further by suggesting that postacute spending may be driven, in part, by the underlying quality of care received by surgical patients during their hospitalization. Superior surgical quality translates into lower Medicare spending on postacute care, as well as lower mortality, higher patient satisfaction, and fewer readmissions. The authors say that the need to reduce total spending while boosting quality of care is becoming more critical as the Centers for Medicare and Medicaid Services and other payers shift away from fee-for-service and toward bundled payment and other alternative payment systems. Under bundled payment, hospitals, skilled nursing facilities, and other providers share a lump fixed fee, which is intended to cover all the costs associated with an episode of care while allowing for a favorable margin. By working to improve surgical care at lower-quality hospitals and reduce unnecessary postacute services, providers are more likely to see a return on investment and avoid financial losses.

“Our study builds on the notion of downstream value derived from upstream quality, with a . . . hospitalization triggering a cascade of spending on hospitals, physicians, and postacute care.”

## About the Study

Using a sample of Medicare claims data from 2011 and 2012, researchers identified patients from 2,891 acute-care hospitals who had undergone one of five surgical procedures: colectomy, hip replacement, CABG, endovascular repair of abdominal aortic aneurysm, or pulmonary lobectomy. Medicare spending was determined from claims for inpatient, outpatient, and postacute services through 30 days and 90 days post-discharge. Two measures were used to determine the level of hospital quality: 30-day surgical mortality rates and patient satisfaction scores from the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey.

## The Bottom Line

The quality of hospital care provided to surgical patients affects Medicare spending on those patients after discharge. Use of costly postacute services is lower for patients who have surgery at higher-quality hospitals.

T. C. Tsai, F. Greaves, J. Zheng et al., “Better Patient Care at High-Quality Hospitals May Save Medicare Money and Bolster Episode-Based Payment Models,” *Health Affairs*, Sept. 2016 35(9):1681–89.

*This summary was prepared by Maggie Van Dyke.*