

STUDY: DESPITE IMPROVEMENTS, ACADEMIC MEDICAL CENTERS TRAIL NON-ACADEMICS ON COST AND QUALITY METRICS

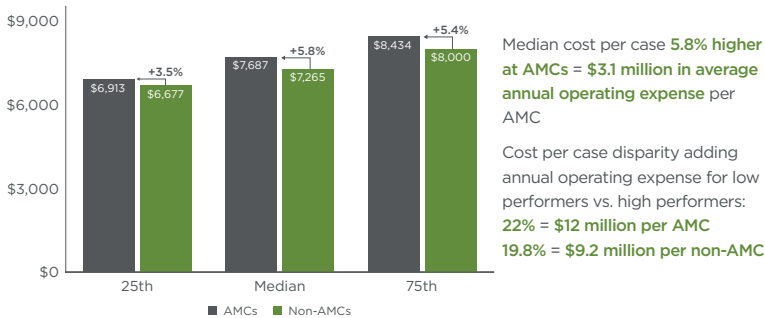
Academic medical centers (AMCs) have earned strong reputations for cutting-edge care, but Navigant's experience suggests most AMC admissions and procedures could also be performed at non-AMCs. This aspect, combined with the growing presence of value-based payment models and performance transparency, reinforces the need for AMC quality and costs to be in line with non-AMCs.

IMPROVEMENTS OCCURRING, BUT MANY AMCS STRUGGLE TO DELIVER VALUE

According to a Navigant analysis* of 387 U.S. hospitals (175 AMCs, 212 non-AMCs):

AMC costs higher than non-AMCs

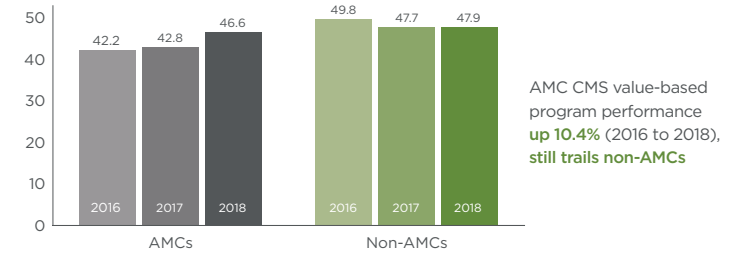
Cost per Case — Wage- and CMI-adjusted, AMCs vs. non-AMCs*



*Calculated using MedPAR FY2017 reported charges and cost-to-charge ratios. Cost calculation excludes non-prospective payment system, expired, and cost outlier cases.

AMC quality improved, still trails non-AMCs

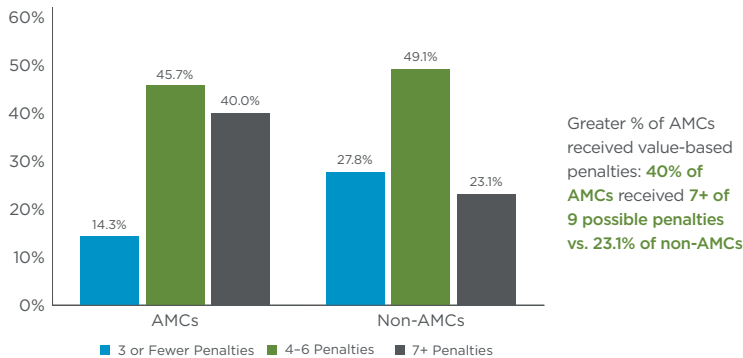
CMS Value-based Program Quality Scores — Weighted Analysis, AMCs vs. non-AMCs*



*Based on FY18 quality score percentiles for CMS Hospital-Acquired Condition Reduction Program, Hospital Value-Based Purchasing Program, and Hospital Readmissions Reduction Program.

Greater percentage of AMCs received Medicare value-based program penalties

CMS Value-based Program Penalty Profile, AMCs vs. non-AMCs (2016-2018)



No relationship between quality and cost

Weighted CMS Quality Scores and Wage-/CMI-adjusted Cost per Case, AMCs vs. non-AMCs*



*Facilities with over \$15,000 in wage- and CMI-adjusted cost per case not shown.

IMPLICATIONS

Facilities struggling with value-based programs could face further financial pressures due to such trends as:

- Quality indicators driving patient-care decisions, commercially insured patients in particular
- Growing revenue at-risk through alternative payment models
- ACOs, payer partnership decisions influenced by hospital performance

SOLUTIONS

Approaches AMCs can implement to minimize negative implications, improve quality, and cost include:

- Use industry-wide benchmarking data comparing performance vs. peers to obtain a true snapshot of outcomes, improvement potential.
- Engage leadership, physicians, and more for buy-in on enhancement strategies so employees feel changes are being done with them, not to them.
- Retain customers by building tight provider network relationships and common standards for access, quality, and cost — all continuum-wide.
- Leverage evidence-based clinical protocols, shown to improve patient throughput, care transitions, physician preference item and pharmaceutical prescribing approaches, and more.

To access Navigant's analysis, "A Quality and Cost Comparison of Academic and Non-Academic Hospitals," visit: navigant.com/AMCAnalysis

***Methodology:** Analyzed all hospitals with more than \$500 million in annual net patient revenue and 10,000 annual discharges. Facilities that didn't report financial data in 2016 and CMS value-based program scores for FY2018 were excluded. Wage- and CMI-adjusted cost per case was calculated using MedPAR FY2017 reported charges and cost-to-charge ratios. Cost calculation excludes non-prospective payment system, expired, and cost outlier cases. Navigant's weighted quality score is based on CMS Hospital-Acquired Condition Reduction Program, Hospital Value-Based Purchasing Program, and Hospital Readmissions Reduction Program percentile scores for FY2018 CMS penalties. Most recently reported net patient revenue and annual discharges were retrieved from Definitive Healthcare.