

MARY WASHINGTON ACO REDUCES VARIATION, DRIVES \$3.1 MILLION IN SAVINGS

Hospital Quality and Efficiency Program Initiative with Navigant Helps Decrease Joint Replacement and Cardiac Defibrillator Costs, Maintains Quality

CHALLENGE

In June 2015, [Mary Washington Healthcare](#) sought to develop a contracting vehicle with physicians that would formally align efforts to enhance clinical quality, financial performance, and operational efficiency.

Located in Fredericksburg, Va., Mary Washington is a two-hospital, 551-bed health system with a medical staff of more than 700. In early 2015, the health system launched Mary Washington Health Alliance, an accountable care organization (ACO) to participate in the Medicare Shared Savings Program. The ACO serves about 18,000 lives.

SOLUTION

Mary Washington partnered with Navigant to successfully engage physicians in this effort through meaningful program initiatives, a structure that supports performance excellence, and compliance and compensation that drives value.

Leaders from the two organizations partnered to develop a Hospital Quality and Efficiency Program (HQEP), a contract between a health system and an ACO or clinically integrated network to improve hospital-based performance. HQEPs:

- Increase physician engagement through short-term wins.
- Serve as a vehicle for rewarding achievements around quality and efficiency while maintaining regulatory compliance.

“Navigant’s innovative approach to clinical integration enables us to more successfully engage physicians in performance excellence initiatives. We’re able to share a greater portion of savings with physicians through the Hospital Quality and Efficiency Program than under a co-management agreement. The result is a higher-value approach to care.”

TRAVIS TURNER, SENIOR VICE PRESIDENT OF CLINICAL INTEGRATION,
MARY WASHINGTON HEALTHCARE

- Provide a funding mechanism for ACO infrastructure development.
- Generate savings that provide a payback to the health system.

“The HQEP gives Mary Washington the flexibility to create a compensation structure in which 80% to 90% of compensation varies based on clinical and operational performance,” says Travis Turner, senior vice president of clinical integration for Mary Washington. “It also positions us to engage a broad cross-section of physicians across multiple initiatives.”

Once outside legal and valuation counsel reviewed the HQEP to verify it met standards for regulatory compliance, leaders from Mary Washington’s clinical, finance, and supply chain divisions worked with Navigant to:

- Evaluate opportunities for clinical and operational performance improvement.
- Establish work groups for each key initiative, with participation from a responsible pool of physicians (the top 80% of physicians who are actively engaged in the subset of the service line) and a coordinating pool (remaining sub-service line physicians who agreed to follow protocols developed by the responsible pool).
- Provide detailed education to participating physicians and the physician network as a whole.

Each performance excellence initiative at Mary Washington has a defined pool of physicians responsible for driving improvement, as well as a customized distribution model.

“Built-in quality gates at both the practice level and individual-physician level ensure compensation isn’t paid unless specific quality metrics are achieved,” said Eric Fletcher, MBA, FACHE, senior vice president of strategy and business development at Mary Washington. “This prevents savings from being achieved at the detriment of quality of care or patient safety.”

Mary Washington’s first HQEP initiatives, launched in January 2016, focused on reducing variations related to joint replacement surgery and cardiac defibrillator implants. Navigant [research](#) shows most hospitals could reduce their supply chain expenses by 18% -- without affecting quality. A key way to do so: engage physicians through evidence-based protocols and data analytics to reduce variation in pricing, product use, and clinical outcomes. This information better equips supply departments to collaborate with physicians to standardize use of implantable devices and related supplies proven to produce clinically equivalent outcomes at a lower cost.

For example, by tracking supplies used for joint replacement surgery and cardiac defibrillator implantation, the health system worked with physicians to reduce clinical variation and eliminate supplies that were not being used, saving \$250,000.

Furthermore, Mary Washington and Navigant developed protocols for inventory tracking and selection. Health system leaders also collaborated to establish qualifiers and standards for blood utilization.

Based on the success of these initiatives, a third performance excellence initiative, focused on spinal surgery, was launched in the second quarter of 2017.

IMPACT:

Mary Washington ACO Reduces Variation, Drives **\$3.1 Million** in Savings



\$2.5 million
in joint replacement savings



\$610,000
in cardiac defibrillator implant savings,
142% above target

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