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Employers and a premier Seattle hospital system asked the basic question: What do we want out of health care?

WAKING UP AND SMELLING THE COFFEE

Collaborating With Employers Led Virginia Mason To Cheaper Care



Robert Mecklenburg

Robert Mecklenburg says that in thirty years of medical practice, he never knew how long patients had to wait to get an appointment to see him. He admits that he and his colleagues at Virginia Mason Medical Center in Seattle didn't think of patients as "customers" whose needs as consumers should be considered.

That changed in 2004, when Aetna and several large employers confronted Virginia Mason about its high costs for treating back pain and other common ailments. Mecklenburg, then chief of medicine, and other Virginia Mason officials began meeting with Aetna senior medical director Donald Storey and benefit managers from such employers as Starbucks, Nordstrom, Costco, and the City of Seattle.

Each manager identified one condition to work on. Each then met sepa-

ately with medical center leaders to develop "product specifications." The parties adopted five quality indicators: standard use of evidence-based care, patient satisfaction, quick access to care, rapid return to work and full functioning, and reduced costs.

AN EPIPHANY

"Through those conversations, Virginia Mason had an epiphany and started thinking of us as customers paying the bill," says Annette King, then employee benefit director at Starbucks and now a Seattle-based benefit consultant.

King asked Virginia Mason—an integrated delivery system with about 450 salaried physicians, a hospital, and outpatient clinics—to collaborate with her on treatment of uncomplicated back pain. Nordstrom focused on migraine, Costco on severe acid reflux, and the City of Seattle on breast nodules.

Using the Toyota-inspired "lean" performance improvement model, Virginia Mason redesigned the care process to ensure that back pain patients received same-day access to a physical therapist and physical medicine physician. They also reduced unnecessary magnetic resonance imaging tests and physical therapy. From 2004 to 2007 the changes yielded a 50 percent reduction in lost employee work days due to back pain, almost \$2 million in cost savings, and high patient satisfaction scores.¹

But after the overhaul, Virginia Mason was losing money on each patient as a result of fewer billed tests and services. So, at King's urging, Aetna boosted reimbursement for appropriate physical therapy sessions.² With the higher payments and the greater volume of patients under the new system, Virginia Mason covered its costs, and Aetna realized sizable savings.¹

Similarly, Virginia Mason has saved customers about \$2 million a year by

overhauling care for migraine or other severe headache. The medical center also has reengineered the care processes for shoulder, hip, and knee pain; breast nodules; and upper respiratory problems.

Mecklenburg, now medical director of the Center for Health Care Solutions at Virginia Mason, has consulted with other organizations around the country. With his guidance, Intel, CIGNA, Providence Health, and Tuality Healthcare in Oregon are trying to reduce costs and improve care for several common conditions.

Similarly, Blue Shield of California, Catholic Healthcare West, and Hill Physicians Medical Group began working together in 2008 on obesity, emergency, and hospital follow-up care. They reported saving \$20 million last year, with most of the savings going to reduce insurance rates and the rest split among the three partners.³

OBSTACLES TO OVERCOME

Why haven't more organizations tried a collaborative approach? Storey, now vice president for medical services at Premera Blue Cross, says, "It's the financial reality that if you make health care more efficient, a lot of revenue is taken out of the system." His current employer has not yet participated in any collaborations.

Just as important, health plans have been reluctant to revise their policies to pay for types of care that are more efficient but aren't traditionally reimbursed.

Still, Mecklenburg fervently hopes that other provider organizations will get to experience the epiphany he had. "We had been separated from our customers," he says. "These benefits directors gave me a totally different perspective."

NOTES

1 Mecklenburg R, Kaplan G, Marketplace Collaborative Project. Center for Health Care Solutions at Virginia Mason, 2007 annual report. Seattle

(WA): Virginia Mason Health System; 2008.

2 Fuhrmans V. Withdrawal treatment: a novel plan helps hospital wean itself off pricey tests. Wall

Street Journal. 2007 Jan 12;A1.

3 Helfand D. Healthcare partnership pays big dividends. Los Angeles Times. 2011 Aug 1.