Delivering the Healthcare Pricing Transparency That Consumers Are Demanding (Case Study)

Gene Thompson
Director
Health City Cayman Islands
Learning Objectives

1. Understand the market impediments and key components to deliver transparent, bundled pricing.

2. Benchmark your efforts against Health City Cayman Islands (HCCI) to assess your organization’s ability to deliver single-bundled pricing.

3. Evaluate the strategic risk to your hospital of other market participants competing with a single-bundled pricing.
Poll Question #1
“Food for Thought”

On a scale of 1-5, within the next five years, how likely is your organization to deliver a **transparent, single-priced bundle** for major procedures?

1) Not effective
2) Somewhat effective
3) Moderately effective
4) Very effective
5) Extremely effective
6) Unsure or not applicable
• Providers who don’t compete on price typically don’t compete on quality either.

• Wherever patients pay a fixed package price, quality tends to be higher.

• The reason we don’t see price or quality competition in healthcare is that normal market forces have been systematically suppressed for well over a hundred years.

John C. Goodman
Senior Fellow, Independent Institute
Author of Priceless: Curing the Healthcare Crisis
Forbes Contributing Author
PhD, Economics, Columbia University
Reflective Questions

• What stands in your way to deliver a single-bundled price?
• What is your personal influence to drive financial transparency?
• What incentives might motivate key decision makers to get on board with a bundled pricing strategy?
• What would be the impact if a direct competitor were able to profitably provide a single-bundled price that was lower than your cost?
HCCI is a state-of-the-art tertiary care hospital located in Grand Cayman, providing specialized medical services for both the Caribbean region and the Americas.
Overview – Health City Cayman Islands

HCCI is a joint venture between Narayana Health and Ascension. Ascension is the largest faith-based, non-profit, healthcare system in the U.S. Ascension provides the highest quality care to all with special attention to those who are poor and vulnerable.
Overview – Health City Cayman Islands

• 104-bed state-of-the-art facility.
• Provides comprehensive and patient-centric treatment options for adult, as well as pediatric patients.
• Operational since April 2014.
• Successfully treating over 30,000 patients locally and internationally.
• Awarded gold seal of approval from Joint Commission International.
Overview – Health City Cayman Island’s Services

- Adult & pediatric cardiology.
- Electrophysiology.
- Adult & pediatric cardiothoracic surgery.
- Adult & pediatric orthopedics & sports medicine.
- Neuro & spine surgery.
- Neurology.
- Pediatric endocrinology.
- Pulmonology & sleep lab.
- GI & bariatric surgery.
- Medical oncology. *
- Executive health checks.
- Urology including HIFU.
- Artificial heart- LVAD.

* Future plans for Health City include a Comprehensive Cancer Center including Radiation and Surgical Oncology.
Overview – Health City Cayman Island’s Vision

- High quality.
- Affordable.
- Compassionate care.

Henry Ford proved that the commoditization of a product makes it cheaper, makes it better and makes it more efficient. I strongly believe that we have to commoditize the delivery of healthcare, and that is the model that Health City Cayman Islands represents for the world.

Devi Shetty, MD
Overview – Health City Cayman Islands

FROM THE HEART

HEALTHCARE TRANSFORMATION
from INDIA to the CAYMAN ISLANDS
7 Market Challenges
To Deliver Transparent, Single-Priced Bundles

1. **Complications** are very profitable in a fee-for-service payment model.

2. **High litigation risk** requires U.S. hospitals to pay upwards of $96,000 per-bed per-year for malpractice insurance.

3. **Profit Centers** inherent when care is delivered by a patchwork of individually motivated contractors rapidly increases the cost of care.

4. **Payer Payment Authorizations with contracted providers** effectively control where patients spend their dollars resulting in reduced competition, less innovation, challenges for medical tourism, and diminished patient negotiating power to shop care based on price.

5. **The high-cost “apprenticeship” approach to medical training** has perpetuated expensive, decade-old methods of care with suboptimal outcomes compared to a data-driven, high volume, standardization of care. The massive educational debt, short supply and high demand of medical doctors leads to inflated salaries.

6. **Siloed data** spread across organizations and IT systems makes it difficult to get a complete picture of costs and revenue by procedure, disease, or patient.

7. **Delivering** only the care that is required and appropriate.
Health City Cayman Island’s Model

• All staff at HCCI are employees, and there is no “fee-for-service.”

• Our pricing is based on a protocol delivery system that is used in India and refined over the years.

• We do not use CPT codes. These undermine our business model and would incentivize giving more care to be able to charge more.

• Our bundled approach is a “discipline” model and it forces us to focus on outcomes, reduce waste, and provide a quicker pathway to patient recovery.

We find most systems in our part of the world subscribe that, “you get what you pay for.” Our model proves this wrong.
“A solution is not a solution unless it is affordable and accessible to everyone.”

Devi Shetty, MD
How We Deliver a Single-Priced Bundle

Transparency – Public pricing of services eliminates the confusion and labor costs of insurance required CPT coding.

Predictability – Payers and patients are certain up front what each surgery or procedure will cost in its totality.

Simplicity – A single line procedural total makes it easy to adjudicate claims.

Safety – Incentivized workforce have driven industry leading safety and inspection rates.

Volume – High patient throughput drives efficiency of resources, reduced outcomes variation, and increased clinical expertise.
How We Deliver a Single-Priced Bundle

**Data** – A daily gathering of clinical, financial, and operational metrics. We adopt technology only when it has a proven ROI.

**Operations** – Wherever possible, we reduce, reuse, and recycle. We limit SKUs, and buy in huge volumes. We built a constrained space hospital to realize physical flow efficiencies.

**Employee model** – All staff are employed, paid salary, measured by quality output, motivated to deliver a single profit center and bare downside risk.
### How We Delivered a Single-Priced Bundle

<table>
<thead>
<tr>
<th>Sample Surgeries</th>
<th>HCCI Rack Rates (USD)</th>
<th>Contract Rate (USD)</th>
<th>Volume Rate * (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CABG</td>
<td>44,000</td>
<td>31,680</td>
<td>26,400</td>
</tr>
<tr>
<td>Valve replacement</td>
<td>43,000</td>
<td>30,960</td>
<td>25,800</td>
</tr>
<tr>
<td>Angioplasty</td>
<td>23,000</td>
<td>16,560</td>
<td>13,800</td>
</tr>
<tr>
<td>Hip replacement</td>
<td>22,000</td>
<td>15,840</td>
<td>13,200</td>
</tr>
<tr>
<td>Knee replacement</td>
<td>22,000</td>
<td>15,840</td>
<td>13,200</td>
</tr>
<tr>
<td>Shoulder arthroscopy with intervention</td>
<td>22,000</td>
<td>15,840</td>
<td>13,200</td>
</tr>
<tr>
<td>Angiogram</td>
<td>4,500</td>
<td>3,240</td>
<td>2,700</td>
</tr>
<tr>
<td>RF ablation</td>
<td>13,000</td>
<td>9,360</td>
<td>7,800</td>
</tr>
<tr>
<td>Gastric bypass</td>
<td>24,500</td>
<td>17,640</td>
<td>14,700</td>
</tr>
<tr>
<td>Sleeve gastrectomy</td>
<td>22,500</td>
<td>16,200</td>
<td>13,500</td>
</tr>
<tr>
<td>Lumbar fusion</td>
<td>42,500</td>
<td>30,600</td>
<td>25,500</td>
</tr>
<tr>
<td>Lumbar discectomy</td>
<td>19,000</td>
<td>13,680</td>
<td>11,400</td>
</tr>
<tr>
<td>Cervical discectomy</td>
<td>18,500</td>
<td>13,320</td>
<td>11,100</td>
</tr>
<tr>
<td>Laparoscopic cholecystectomy</td>
<td>13,000</td>
<td>9,360</td>
<td>7,800</td>
</tr>
<tr>
<td>Laparoscopic inguinal hernia</td>
<td>7,500</td>
<td>5,400</td>
<td>4,500</td>
</tr>
<tr>
<td>Cervical fusion</td>
<td>24,000</td>
<td>17,280</td>
<td>14,400</td>
</tr>
</tbody>
</table>

* Volume pricing is contract based on actual patient volumes.
How We Delivered a Single-Priced Bundle
HCCI’s Published Pricing, Including in the WSJ
How We Deliver a Single-Priced Bundle

Includes:

- Consultations.
- Pre and post-operative investigations (lab, X-Ray, MRI, CT scan).
- Admission charges.
- Physician's surgical fees.
- Operating rooms fees.
- Anesthesia fees.
- Implant cost.
- Consumables.
- Room and food charges.
- Medications up to 5% of the package price.
- Post-operative physiotherapy.
- Transportation to and from the hospital as required.
- All physician visits up to 2 weeks post-treatment.
How We Delivered a Single-Priced Bundle

A Patient Bill Example

- Single price for all services, materials, hospital days.
- This includes:
  - Complications.
  - Re-admissions.
  - Hospital acquired infections.
  - Medication cost.

This is as close as one can get to an outcomes ‘Guarantee!’
HCCI’s Accounting System

- Real-time accounting.
- Proprietary accounting system specifically designed by Narayana Health (NH) and HCCI.
- Simplified bundled billing system (2 staff members).
- Our bundled pricing was done before we opened based on NH protocol system, and adjust costs of operating in the Cayman Islands.
- Centralized accounting and reporting (3 staff members).
- Daily reporting of revenue and expenses.

“Our accounting system is designed as if we were ‘broke’ so we have to act like we are, when it comes to reporting and managing costs…”
Poll Question # 2

What is the primary inhibiting obstacle to deliver a transparent, single-priced bundle for major procedures?

a) Disaggregated data
b) Payment contracts
c) Leadership support
d) Technology infrastructure
e) Labor contracts with competing incentives
f) Unsure or not applicable
Harvard Business School Case Study

CHALLENGE – Lead a discussion at your organization

• A study of HCCI’s model.
• What can you learn from the HCCI model?

Health City Cayman Islands

The day we turned anyone away from this place of healing is the day we have failed as an institution and betrayed God’s commandment.

— Dr. Devi Shetty, Health City Cayman Islands

February 26, 2014. The meeting had been underway for two hours; yet the Health City Cayman Islands (HCCI) senior management team was not able to finalize the pricing of the different procedures at the new hospital. To keep the team focused, Dr. Shetty, Chairman of Narayana Health (NH), reminded everyone, “Scale of operations will be critical for affordability as well as the planned expansion.” HCCI was the outcome of Dr. Shetty’s vision of bringing the NH affordable healthcare model to the western hemisphere. The first phase of HCCI, a 104 bed hospital located at the East End of the Grand Cayman Island, was developed jointly by NH, a complex of health centers based in India, and Ascension, the largest not-for-profit health system in the United States. The hospital had been inaugurated just the day before and the first group of patients was anticipated in mid-March (refer to Exhibit 1 for a picture).

Senting Leenuvih Rothers had been at the inauguration and on occasions looked a bit bewildered. In 2013, NH’s flagship hospital in Bangalore had operated on four-year-old Leenuvih gratis to treat the serious heart condition she was born with. In the process she became the first Caymanian beneficiary of NH’s philosophy of affordable care. Dr. Shetty reminded the gathering, “Today, a hundred years after the first cardiac surgery, only ten percent of the world’s population can afford one. The rest, if they ever need a cardiac surgery, gradually perish.” In a rare display of unison, the islands’ governing party and the opposition attended the event to support the notion that no one should be denied healthcare, a life should not be determined by a price.

Present at the inauguration among others was Gene Thompson, a third generation Caymanian entrepreneur and the HCCI Project Director. Thompson thoughtfully remarked, “HCCI presents a significant opportunity for the Cayman Islands, long dependent on the financial services and tourism industry, to develop medical tourism as the third leg of the island economy and perhaps to fundamentally change the nature of this island country.” Thompson knew that as many as 300 of the thousand odd local school children who had traipsed through the facilities just a week prior to the opening had expressed interest in healthcare careers.
Operational Example
The Impact of Hand Washing on Financials

7 STEPS TO HANDWASHING

1. Rub palms together
2. Rub the back of both hands
3. Interlace fingers and rub hands together
4. Interlock fingers and rub the back of fingers of both hands
5. Rub thumb in a rotating manner followed by the area between index finger and thumb for both hands
6. Rub fingertips on palm for both hands
7. Rub both wrists in a rotating manner.
Operational Example

Keys to Success

What makes hand washing work?

- Hand washing isn’t *optional*, but is *required*.
- Consequences to non-compliance. The clinical director documents *all* offenses.
- All care providers are employees and are required to follow hand washing protocols.

Results:

- 95% compliance rate.
- A high degree of confidence to forecast clinical (e.g. infections, readmissions) and operational (e.g. supply costs) metrics.
Operational Example
Handwashing Importance to Infection Control

• Hospitals are typically thought of as places where lives are saved, but research shows that they’re actually one of the most dangerous places.

• 1 in 25 patients end up with a hospital-acquired infection.¹

• In 2011 alone, 75,000 people died as a result.¹

• Hospital infections cost billions. Despite widespread implementation of quality improvement initiatives, an estimated $9.8 billion is spent each year treating hospital-acquired infections (HAIs).²

---

1. The U.S. Centers for Disease Control and Prevention (CDC), 2014
2. JAMA Internal Medicine, 2013
Results – Quality

- Over 3000 procedures/surgeries to-date (since April 2014).
- Over 140 neuro surgeries performed with less than 2% readmission rate.
- Over 750 orthopedic surgeries performed with less than 2% complications.
- Over 302 cardiac surgeries with less than 1% mortality.
- Over 160 emergency angioplasties with 0 mortality.
Results – Quality

Joint Commission International (JCI) Accreditation

• First fully accredited JCI hospital in Cayman.
• Second fully accredited JCI hospital in the Caribbean.
• One of the few hospitals to be accredited within 1 year of operation.

Quality

• <1% infection rate.
• Use of Clinical Pathways for major procedures.
• Coronary artery bypass graft (CABG), total knee replacement (TKR), total hip replacement (THR), and valve replacement.
• Door-to-balloon (Angioplasty) time for emergency cases is 90 minutes.
• >90% patients satisfied (excellent/very good) by the services as per satisfaction survey.
Results – Quality Monthly Reports

• Each report uses 80 key performance indicators (KPIs) (including clinical and non-clinical).

• Review of KPIs in the monthly quality steering committee.

• Bi-weekly clinical case presentation and review by all clinicians.

• Quarterly quality reports provided by the clinical committee to the board of directors.

• Continuous training and monitoring of all staff for infection control and hygiene.
Monthly Quality Report
(80 KPI's)
How Do We Deliver an Affordable Single-Price Bundle?

“A relentless focus on quality.”
The Future for HCCI

• Comprehensive cancer center.
• Level 2 triage.
• Expansion of current services.
• A major focus on technology.
• Patient accommodations for international patients to convalesce and recover.
• Active retirement community with a bundled healthcare offering.
• Reduce current prices by up to 50% over the next 5 years.
“Global innovators are doing high-quality $1,800 heart surgery. Why aren't we paying attention?”

Robert Pearl, MD
Chief Executive Officer
The Kaiser Permanente Medical Group
Key Takeaways and Lessons Learned

• To deliver transparent single-priced bundles, an organization may need a business model overhaul.

• Price transparency is a competitive advantage that will drive patient demand.

• Bundled pricing aligns care provider incentives with patients and is a key strategy in the care model shift from fee-for-service to fee-for-outcomes.
Come Visit Us! Thank You.
Thank You