

**House Insurance Committee
Public Hearing on the Reauthorization of the Pennsylvania
Health Care Cost Containment Council**

**Testimony of
David H. Wilderman, Acting Executive Director
Pennsylvania Health Care Cost Containment Council**

August 12, 2008

- Good morning and thank you Chairman DeLuca, Chairman Micozzie, members of the Committee and Committee staff. My name is David Wilderman, and I am the Acting Executive Director of the Pennsylvania Health Care Cost Containment Council.

- It is an honor to be here today to provide testimony regarding the important work of the Council or PHC4. PHC4 is a creation of the General Assembly. Through the enactment of Act 89 in 1986 and its subsequent reauthorizations, the General Assembly is in many ways responsible for what a number of recent newspaper editorials have referred to as one of the best values in state government. The Council would welcome additional opportunities to come before you periodically and report on our activities.

- As we sit here 22 years after the founding of PHC4, it is appropriate to ask, "What is the value of PHC4 and what has been its impact?"

- PHC4 exists to help improve the quality and restrain the cost of health care in Pennsylvania by empowering the public and fostering competition through the dissemination of health care cost and quality reports and analysis.

- PHC4 collects approximately four million records each year from hospitals and outpatient surgery centers in Pennsylvania, along with financial and insurance data. These records form the basis for PHC4's

public reporting, and for the many special data requests ordered each year.

- Since its inception, PHC4 has released reports on hospital performance, hospital-acquired infections, physician-specific cardiac surgery results, the quality of services provided by Pennsylvania's HMOs and other topics. PHC4 has disseminated free reports in hard and electronically copies. Electronic copies are available on our web site (www.phc4.org). A list of PHC4's main reports is attached and examples are in your packets.

- There are several factors that cause Pennsylvania to stand out from other states: 1) the data are public; 2) the data are used to stimulate competition; and 3) the data are risk-adjusted for severity of illness to allow purchasers and consumers to make apples-to-apples comparisons between health care providers.

- PHC4 uses administrative and clinical data to calculate risk-adjusted mortality, readmissions, complications and length of stay figures. The clinical data – which includes things like blood tests and diagnostic imaging results, are used to account for differences in patient illness levels and other important risk factors. The methods used, in essence, give extra credit to hospitals and physicians that treat higher proportions of sicker patients. This approach facilitates apples-to-apples comparisons.

- It is important to note that not all states perform these functions and none carries them out to the degree that Pennsylvania does.
- Pennsylvania has the largest and most complex health care database of any state, and this database has allowed PHC4 to remain on the cutting edge of public reporting for over two decades. In this pioneering role, PHC4 has produced many “firsts.”
 - The release of PHC4’s Hospital Performance Report in 1989 marked the first time in U.S. history that hospital-specific information about charges and patient outcomes was available to the public.
 - In 1992, Pennsylvania became the first state to voluntarily report heart bypass surgery outcomes, including surgeon-specific performance data.
 - PHC4’s commercial HMO report launched in 2000 was the first in the nation to combine clinical outcome results with prevention measures and patient satisfaction surveys. The following year, in collaboration with the Pennsylvania Department of Aging, PHC4 also released a Medicare HMO report to assist older Pennsylvanians in choosing what is today called a Medicare Advantage Plan.
 - Continuing its tradition of firsts, PHC4 issued the nation’s first physician-specific report on total hip and knee replacement

surgeries in 2005. At the time of its release, no other state had produced a physician-specific report on any treatment category other than cardiac care and heart bypass surgery.

- The same year, PHC4 released the country's first statewide report on hospital-acquired infections. And in 2006, the Council issued the nation's first hospital-specific report on hospital-acquired infections.
- While it is the case that Pennsylvania doctors, nurses and others on the frontlines of patient care deserve the credit for improving health care quality and safety in the Commonwealth. As articles published in the scientific journals *Medical Care*¹ and *Health Affairs*² note, it is also true that in states where similar reporting occurs, competition drives health care facilities to take deliberate actions to improve their health care outcomes. For example:
 - Since PHC4 began reporting patient mortality rates in its annual Hospital Performance Report in the early 1990s, in-hospital mortality rates dropped from significantly above the national average to significantly below.
 - PHC4 has released two hospital-specific reports on hospital-acquired infections. While it is unrealistic to say that the reports have been directly responsible for the declines in the infection rate

¹ Hannan, E.L. et al. "Provider Profiling and Quality Improvement Efforts in Coronary Artery Bypass Graft Surgery: The Effect on Short-Term Mortality Among Medicare Beneficiaries *Medical Care*." *Medical Care*. 41(10):1164-1172, October 2003.

² Hibbard, J.H. et al. "Does Publicizing Hospital Performance Stimulate Quality Improvement Efforts?" *Health Affairs*. 22(2):84-94, March/April 2003.

in Pennsylvania hospitals, we believe that the decline indicates that we are headed in the right direction.

- With respect to this issue, I especially want to compliment you, Chairman DeLuca, Chairman Micozzie, the members of this Committee, the Senate sponsors, the unanimous support in both chambers and the Rendell administration for your leadership in passing Act 52 last summer. Act 52 is universally recognized as the most comprehensive approach to infection prevention and reduction of any state in our nation.
- The many ways in which PHC4 data and reports are being used has had a significant impact on the cost drivers of health care as well.
 - Examples include PHC4's focus on reducing hospital-acquired infections, reducing preventable readmissions, and minimizing avoidable hospitalizations.
- PHC4 data is a vital, resource for health care purchasers, providers, insurers and others.
 - Businesses, such as Duquesne Light, and labor-management coalitions, such as the Delaware Valley Health Care Coalition, are using PHC4 data to help negotiate with insurers and hospitals.
 - Philadelphia's Law Enforcement Health Benefits Trust Fund is using the data to identify quality providers and aid their members' health care decision-making.
 - The Lehigh Valley Business Conference on Health Care has used the data to study the effect of hospital misadventures and

complications on patient charges and outcomes. One of its members, Volvo Mack Trucks, distributes about 10,000 heart bypass reports each year to its employees as part of their educational efforts.

- The Council's reports are utilized by the medical and academic community in areas ranging from internal benchmarking and process improvement to clinical research.
 - For example, the Lehigh Valley Hospital and Health Network is using PHC4 data in their trending, quality improvement and community need assessment activities.
 - Several academic institutions have included PHC4 reports in their curriculum.
 - Insurers have used PHC4 data in their pay-for-performance initiatives.

- Additionally, since 1994, PHC4 has produced more than 1,000 customized reports and databases called special requests for researchers, hospitals, physicians, consulting firms, insurers, purchasers, state agencies and members of the Pennsylvania General Assembly. Many of these results have been published in the *Journal of the American Medical Association* and other scholarly journals.
 - "For example, PHC4 data was used in a study that found providing nutritional counseling to people with diabetes was associated with fewer hospitalizations for this population. Each nutritionist visit was associated with a substantial reduction in hospital charges,

suggesting that providing these services may be highly cost-effective for the health care system."

- PHC4 regularly works with other state agencies to provide data and customized reports for a variety of projects and studies. These agencies use PHC4 data to develop public policy and to advanced state-administered health-related programs. The Pennsylvania Departments of Health, Aging, Insurance and Public Welfare, the Pennsylvania Offices of the Auditor General and Attorney General, and the Governor's Office of Health Care Reform are all sister agencies with whom we collaborate.
 - One example of how the Department of Health uses our data is for a long-standing cardiac catheterization and open-heart surgery study.
 - One more example of collaboration is the Department of Public Welfare using our data to compute payments under the uncompensated care program funded by the Tobacco Settlement Act of 2001.
- It is also worth noting that the number of public reports distributed by PHC4 continues to grow each year. In fiscal year 2007 alone, visitors downloaded more than 570,000 reports from the Web site with 5 million hits. When the first hospital-specific infection report in the nation was released here in Pennsylvania in November of 2006, more than a million hits to that report alone on our web site were recorded.

- On behalf of the entire Council, I want to thank you again for the opportunity to provide testimony. I would be happy to answer any questions you may have.

PHC4 Reports

The **Hospital Performance Report**, a report on the quality of hospital services, includes hospital-specific information about patients admitted for common medical procedures and treatments. Included are risk-adjusted measures of mortality, average lengths of hospitalization, length of stay outlier rates and ratings, readmission ratings for any reason and for complication/infection, and regionally adjusted average hospital charges.

The **Hospital Financial Analysis** is an annual report on the financial health of Pennsylvania's hospitals and surgery centers, including net patient revenue, total and operating margins and other aggregate data.

Cardiac Surgery in Pennsylvania examines the results of coronary artery bypass graft (CABG) and/or valve surgeries performed by Pennsylvania hospitals and cardiac surgeons.

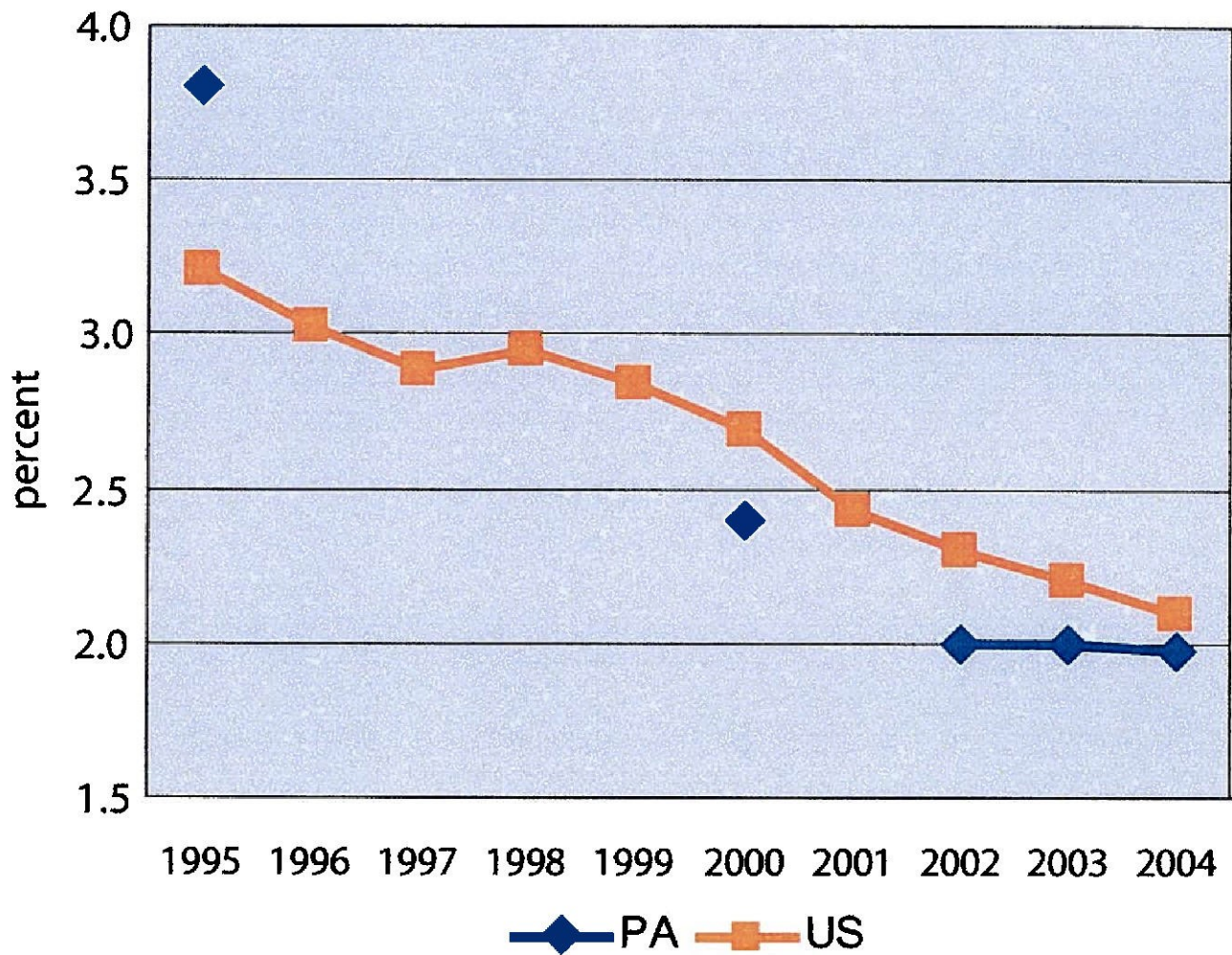
Measuring the Quality of Pennsylvania's HMOs combines a broad mix of clinical results, preventive measures and member satisfaction information to give purchasers, policymakers and consumers a more complete picture of how well HMOs serve their members.

Measuring the Quality of Pennsylvania's MEDICARE HMOs combines a broad mix of clinical results, preventive measures and member satisfaction information to give purchasers, policymakers and consumers a more complete picture of how well HMOs serve their members.

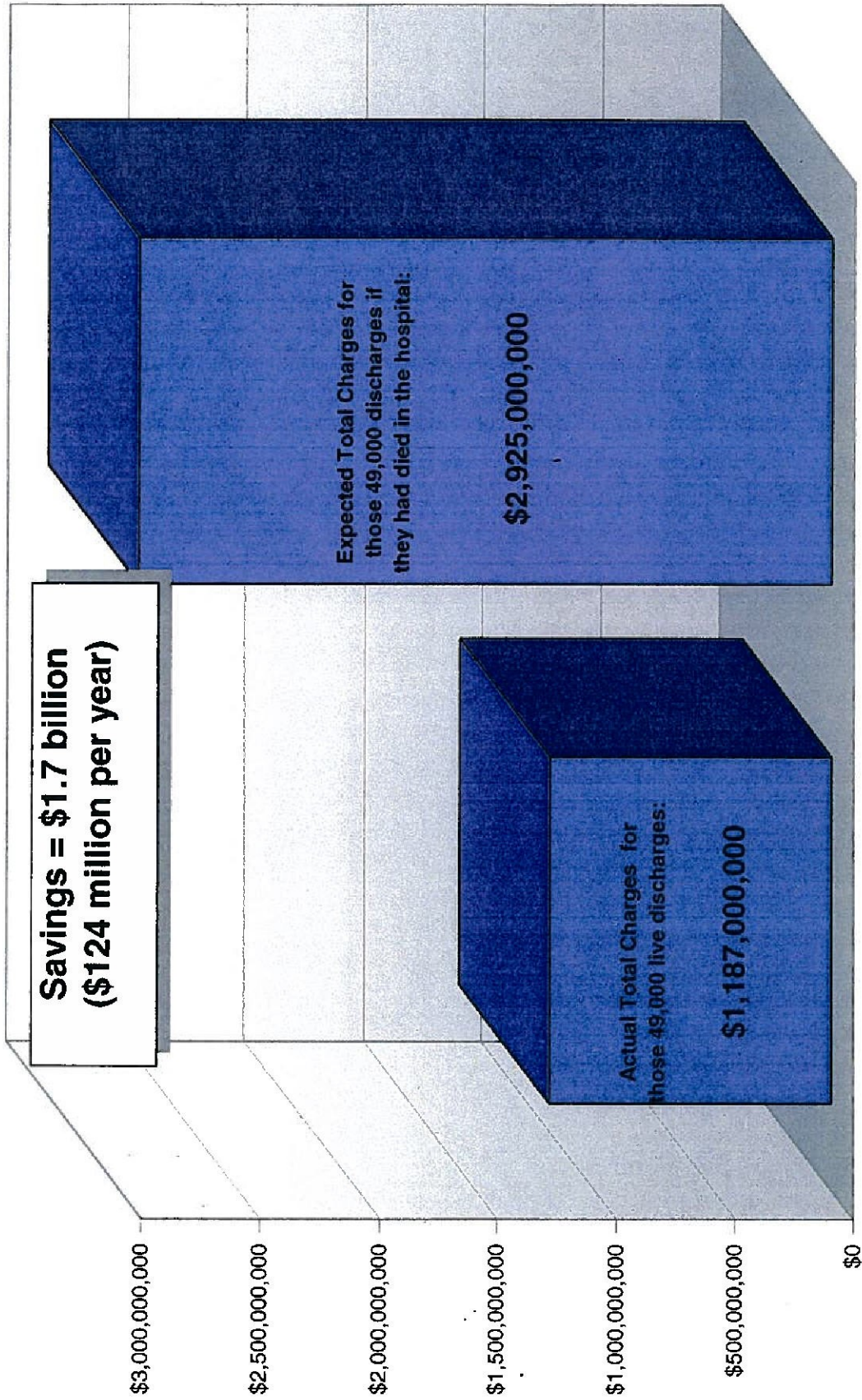
The **Total Hip and Knee Replacements** report examines the results for hospitals and orthopaedic surgeons of the 9,769 total hip replacements and 19,941 knee replacements performed in Pennsylvania during fiscal year 2002.

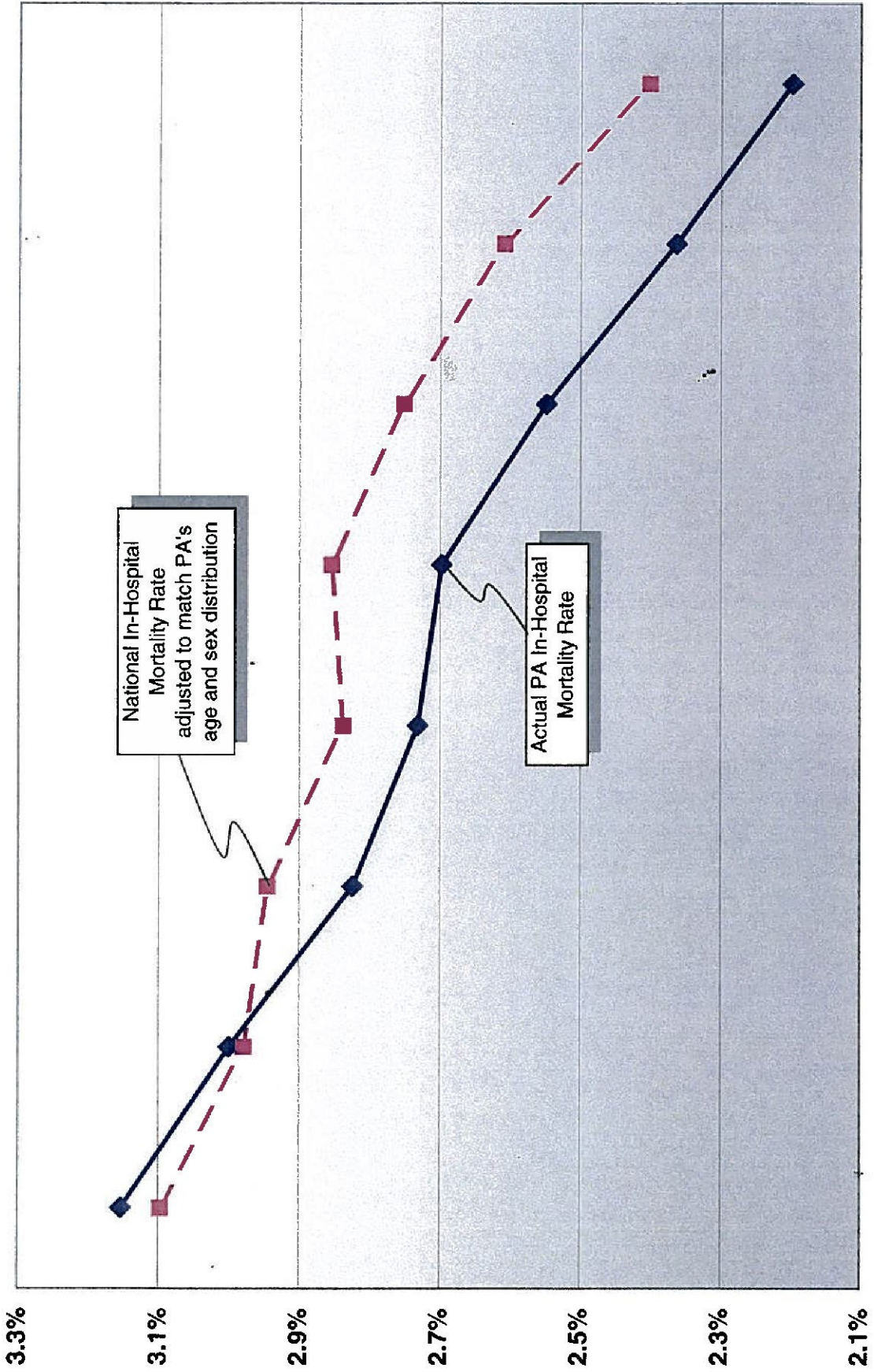
The **Hospital-acquired Infections in Pennsylvania** report includes information on infections that patients contracted while in the hospital. The number and rate of infections that occurred during calendar year 2006 are reported for each of Pennsylvania's 165 general acute care hospitals.

In-hospital Mortality for CABG Surgery



Sources: (1) U.S. Department of Health and Human Services' Agency for Healthcare Research and Quality. Healthcare Costs and Utilization Project (HCUP); (2) PHC4





1991-1992 1993-1994 1995-1996 1997-1998 1999-2000 2001-2002 2003-2004 2005-2006
 Sources: (1) CDC NCHS National Hospital Discharge Survey 1991-2006; (2) PHC4 Inpatient Data, 1991-2006



July 3, 2008

Dear Senator:

AARP has learned that the current legislative impasse has shut down the Pennsylvania Health Care Cost Containment Council (PHC4). The Pennsylvania Health Care Cost Containment Council (PHC4) is recognized throughout the United States as a leader in state performance measurement reporting of health care delivery system quality. We understand the PHC4 expired due to last minute political maneuvering between legislative leaders and the Governor's office and that PHC4 employees were served termination notices.

AARP realizes that a disagreement about the direction Pennsylvania should go when considering health care reform is at the heart of this issue. Although AARP is extremely interested in the ongoing health care reform debate in Pennsylvania, we do not believe the fate of the Pennsylvania Health Care Cost Containment Council should be tied to the future of broader health care reform in the Commonwealth.

The ground-breaking work that the PHC4 has done on such issues as hospital-acquired infection rates and health care facility mortality rates is important not only to Pennsylvania consumers but to all health care consumers throughout America. AARP believes that all Americans must have access to quality health care. The work of the PHC4 is critical toward achieving this important goal.

AARP is an integral member of the Divided We Fail initiative and campaign, which asserts that elected officials must all work together to reduce gridlock and achieve the goals of health and financial security for all. Unfortunately, it appears the dispute which has resulted in the shut down of the Pennsylvania Health Care Cost Containment Council is an example of the kind of political maneuvering that Divided We Fail seeks to ameliorate. AARP urges you to work together now to resolve the issues that have resulted in this situation, so that all Pennsylvanians, and indeed all Americans, can benefit from the important work of the PHC4.

Sincerely,

JoAnn Lamphere

JoAnn Lamphere, DrPH
Director, State Government Relations
Health & Long-term Care

Consumers Union

Nonprofit Publisher
of Consumer Reports



A Project of
Consumers Union

June 23, 2008

Mr. David Wilderman
Acting Executive Director
Pennsylvania Health Care Cost Containment Council
225 Market Street, Suite 400
Harrisburg, PA 17101

Dear Mr. Wilderman:

Consumers Union¹ fully supports the reauthorization of the Pennsylvania Health Care Cost Containment Council (PHC4), which is a national leader in the area of providing the public with information on health care quality and safety.

We have been aware of your agency's excellent work over more than two decades, but our experience with the quality of PHC4's work in recent years has been remarkable. We acknowledge all of the ways your agency informs the public – such as hospital finances, HMO quality, and hospital performance on common treatments and procedures – however, we will focus our comments on your work relating to hospital-acquired infections.

When we launched our Stop Hospital Infections campaign in late 2003, PHC4 was beginning its efforts to collect and report the hospital infection rates at Pennsylvania hospitals. We have followed that process closely as we also worked to pass hospital infection disclosure laws in 21 other states. PHC4 was the first in the nation to produce a report on hospital-specific infection rates. We have witnessed the agency come under extreme criticism for your work in this area, yet from the consumer perspective, PHC4 has set a gold standard that no state has come close to matching yet. Your agency has demonstrated that more comprehensive disclosure about hospital-acquired infections is possible and your states' patients are safer for it.

Over the past five years, PHC4 has carefully and responsibly developed informative reports on the subject of hospital-acquired infections. Although Consumers Union and

¹ Consumers Union is a nonprofit membership organization chartered in 1936 under the laws of the State of New York to provide consumers with information, education and counsel about goods, services, health, and personal finance. Consumers Union's income is solely derived from the sale of Consumer Reports, its other publications and from noncommercial contributions, grants and fees. In addition to reports on Consumers Union's own product testing, Consumer Reports with approximately 4.5 million paid circulation, regularly carries articles on health, product safety, marketplace economics and legislative, judicial and regulatory actions that affect consumer welfare. Consumers Union's publications carry no advertising and receive no commercial support.

other consumer organizations urged the agency to report hospital-specific rates after gathering the first year of data, PHC4 delayed publication of this information because it would have presented an unfair picture of the hospitals that made a good faith effort to comply with the law while others did not. But that didn't stop PHC4 from using the information it had gathered to educate the public on the subject of hospital-acquired infections and to give an overview of the extent of the problem in Pennsylvania. Those Research briefs are still used throughout the country to illustrate the problem.

PHC4 is the only state agency in the country that required hospitals to report on the full array of infections occurring in every department of the hospital. Other states only report specific types of infections in the ICU or connected to selected surgical procedures. This remarkable accomplishment allows all in the country to see that these infections are affecting the lives of patients throughout our hospitals.

Public reporting of infection rates motivates hospitals to do more to prevent them and certainly patients in Pennsylvania are safer because this critical information is being disclosed. Further, in its reports, PHC4 provides critical analysis health care data that spurs purchaser pressure on hospitals to improve outcomes and services.

While we realize the hospital infection data is now being submitted through the CDC's National Healthcare Safety Network, it is essential that the data from those submissions be translated into information that is understandable to consumers and other health care purchasers. PHC4 is a master at this and its continuation is essential for continuing to impart this important patient safety information, as well as a good deal of other important health care information, to the public.

It would be a terrible setback for consumers needing information on health care cost and quality if PHC4 were not continued. Consumers Union applauds your agency's work and urges the Legislature to continue its work.

Sincerely,

A handwritten signature in cursive script that reads "Lisa McGiffert". The signature is written in black ink and is positioned below the word "Sincerely,".

Lisa McGiffert
Consumers Union
lmcgiffert@consumer.org
512-477-4431 ext 115



DEPARTMENT OF HEALTH & HUMAN SERVICES

Agency for Healthcare
Research and Quality

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Rockville MD 20850
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JUN 06 2008

Flossie Wolf
Pennsylvania Health Care Cost Containment Council
225 Market Street, Suite 400
Harrisburg, PA 17101

Dear Ms. Wolf:

I am writing to express the Agency's appreciation for your many years of collaboration with AHRQ through the Healthcare Cost and Utilization Project and related research and data projects. I am looking forward to working closely with PHC4 in the future.

PHC4 is without doubt one of the preeminent health care data organizations in the United States. The council is a leader in the use of health care information and in providing public reports on patient safety, quality of care, and the provision of hospital and ambulatory surgery services. The reports generated by PHC4 are able to directly inform decision making by a wide range of users interested in health care issues. The variety of topics and reliability of analyses done by PHC4 are among the best conducted by state agencies and represent an example that others attempt to emulate. The information collected by PHC4 has been integral in making decisions nationally about what clinical data elements are most critical in enhancing administrative data.

We value PHC4 as a critical resource in health care information. We also admire the work your organization is doing on healthcare associated infections, so I especially appreciated your contributions at the recent National Quality Forum meeting.

Since all quality improvement is local, collaboration with organizations such as yours is critical to AHRQ's goal of improving the quality, safety, effectiveness, and efficiency of healthcare for all Americans. We have been proud to include you as a partner and look forward to our continuing collaboration.

Sincerely,

Carolyn Clancy, M.D.
Director



MEMORANDUM

June 9, 2008

SUBJECT: Reauthorization of the Pennsylvania Health Care Cost Containment Council

TO: Members of the General Assembly

FROM: Floyd Warner, President, Pennsylvania Chamber of Business and Industry

William M. George, President, Pennsylvania AFL-CIO

Act 14 of 2003, the law that most recently reauthorized the Pennsylvania Health Care Cost Containment Council (PHC4), will expire on June 30, 2008. As purchasers of health care and founding members of PHC4, we strongly urge the General Assembly act as quickly as possible before the June 30 deadline to reauthorize this valuable agency.

The reasons for our ardent support are many. The need for public accountability in health care has never been greater, and today PHC4 is the recognized leader in public reporting and health care transparency. While the Council provides credible, unbiased data to all health care stakeholders, our members use PHC4 data to help negotiate agreements with insurers for benefit packages and to identify quality providers and local health issues that impact employee wellness.

Throughout its 22-year history, PHC4 has remained on the cutting-edge of public reporting. In recent years, through PHC4's groundbreaking work, Pennsylvania has become the national leader in reporting hospital-specific data on hospital-acquired infections and in identifying which hospitals and surgeons produce the best patient results for heart bypass surgery.

The Pennsylvania Chamber of Business and Industry and the Pennsylvania AFL-CIO have been proponents of PHC4 since its creation in 1986. We were proud to endorse legislative creation of PHC4 then, and we strongly support reauthorization now. PHC4 has made a difference and will continue to do so. Please vote to reauthorize PHC4.

Please find attached examples of the many fine public reports PHC4 has produced over the years. If PHC4 expires on June 30th, there will be no more of these reports to help Pennsylvanians identify the best hospitals and physicians or for Pennsylvania's senior citizens to choose the Medicare HMOs that best suit their needs. Please act now!



NATIONAL ASSOCIATION OF HEALTH DATA ORGANIZATIONS

Improving Health Care Data Collection and Use Since 1986

June 19, 2008

To: David R. Kreider, Council Chair
David Wilderman, Acting Executive Director

From: The National Association of Health Data Organizations (NAHDO)
Utah Department of Health, Office of Health Care Statistics
Virginia Health Information
Massachusetts Health Data Consortium
The Leapfrog Group
Office for Oregon Health Policy & Research
Hawaii Health Information Corporation
The Wisconsin Employer Healthcare Alliance Cooperative
Arizona Department of Health Services, Bureau of Public Health Statistics
University of Nevada at Las Vegas, Center for Health Information Analysis
Niagara Health Quality Coalition

Leaders in public reporting of hospital and physician quality and performance strongly support the reauthorization of the Pennsylvania Health Care Cost Containment Council (PHC4). PHC4 has been a leader in quality and performance reporting for over 20 years, serving as a model for many public and private quality reporting initiatives across the country.

PHC4 was the first to enhance the administrative hospital data with clinical data elements; paving the way for the Centers for Medicare and Medicaid Services (CMS) and many other states to also enhance their data systems. A growing number of states are adding the Present on Admission indicator and laboratory data values as reportable data elements to their administrative data reporting requirements.

Since 1986, NAHDO¹ has worked closely with state and private health data organizations. We have identified the key characteristics of successful statewide health data reporting systems:

- Comprehensive, flexible legislation that governs the data reporting activities
- Strong governance and leadership that actively seeks innovative reporting solutions that respond to local needs.
- Representation of all stakeholders in the decision making process.
- An agency infrastructure capable of reporting and disseminating data and reports that stimulate systems improvements and inform policy makers and consumers.

Innovative local reporting solutions, for which Pennsylvania is known, are essential to relevant quality reporting. These innovations provide timely information to the state's citizens as well as inform national standards development. Establishing national standards is a lengthy and time-consuming process, so these local innovations are essential to moving the science of measurement along.



June 23, 2008

Dear Governor Rendell:

The Service Employees International Union (SEIU) Pennsylvania State Council represents nearly 90,000 workers across the Commonwealth of Pennsylvania and our affiliate, SEIU Healthcare Pennsylvania, represents 20,000 health care workers including hospital RNs, LPNs, professional, technical, and service employees. SEIU represents over 2.2 million members across the nation and is the leading union representing health care workers. ***On behalf of our members, SEIU urges immediate action to reauthorize the Pennsylvania Health Cost Containment Council (PHC4) for no less a period of time than five years.***

SEIU promotes healthcare data transparency as a key ingredient to help create a more "rational" healthcare delivery system. PHC4 provides invaluable public reports that improve the lives of our members and the citizens of the Commonwealth. PHC4 is discussed and promoted nationally as the goal for other states to pursue in developing robust data bases that rely on severity adjustment systems using clinical data as well as administrative data.

Health care workers are constantly seeking ways (often facing employer resistance) to better care for their patients. The PHC4 severity adjustment system, which allows for apples to apples comparisons, promotes best health care practices which help our members provide top quality care for the patients they are proud to serve.

In addition to this overarching goal of our members to improve the quality of care, SEIU's healthcare workers have a strong health and safety interest in securing PHC4 for its current and future role in data reporting. As an important example, PHC4's groundbreaking report on hospital-acquired infections has had a direct impact on our members as well as their patients.

We urge you to recognize the many benefits to the providers of health care as represented by SEIU and the patients they serve by reauthorizing PHC4 by June 30th. Thank you.

Sincerely,

Eileen Connelly
Executive Director
SEIU PA State Council
Pennsylvania

Neal Bisno
Secretary-Treasurer
SEIU Healthcare

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