

# Healthcare Cost Containment



hfma™

healthcare financial management association

To subscribe, visit  
[www.hfma.org/hcc](http://www.hfma.org/hcc)

## Waste Not, Want Not Evidence-based Medicine Restores Focus on ROI

By Winifred S. Hayes

**Hospitals faced with costly investments in technology should first conduct an evidence-based technology acquisition to ensure their dollars are going toward the right investment.**

A well-respected surgical group requests a new surgical device that the physicians swear will revolutionize how surgery is performed in your hospital. The price tag is well into the seven figures, with significant annual maintenance and training costs. One of your competitors is advertising to consumers that it has the device.

You analyze the potential return on investment (ROI) on this device, and it just doesn't make sense. The new device is more expensive than the technology that the hospital is currently using, and insurance companies won't pay more for procedures performed with it. It's unclear how many surgeries will be appropriate for applications of this

device, and you question whether patient care or clinical outcomes will improve. Additionally, some surgeries using this new device have to be converted to standard surgeries midstream due to complications.

The surgeons argue that they are losing business by not having access to this new equipment, that they aren't seen as a cutting edge practice group, and that prospective patients are going to the cross-town hospital instead. They threaten to do the same.

If you are like most hospitals, you relent despite the negative ROI. You chalk it up to the cost of marketing and physician retention and look the other way. But

there is an uneasy feeling that these resources could have been invested elsewhere, with a much bigger impact on quality of care.

Approximately 30 percent of all health-care spending goes toward ineffective, redundant, or inappropriate care. Hospital basements are littered with "white elephants" that did not deliver on their promise. With capital resources scarce, the economy softening, and the cost of healthcare becoming a hot political issue, hospitals need a better way to make decisions about new, emerging, or controversial health technologies.

The solution is evidence-based technology acquisition. The Joint Commission on the Accreditation of Healthcare and the Institute of Medicine have both launched initiatives to promote evidence-based medicine, and at a June 2008 Senate Finance Committee Summit

on Healthcare Reform, Federal Reserve Chairman Ben Bernanke said, “More widespread application of evidence-based medicine could help healthcare workers make better use of the medical technology they already have to improve patient outcomes.”

### How Evidence-Based Acquisition Works

An evidence-based technology acquisition process creates a disciplined framework in which to analyze new technologies based on a realistic assessment of the key questions:

- > Does this technology really work better than what we have, and is it safe?
- > For which patients might the technology be appropriate?
- > What are the advantages/disadvantages compared with other options?
- > Is the actual benefit to patients commensurate with the increased cost?

These questions can be answered by evaluating the published results from clinical trials of the technology and using objective information from independent health technology assessment organizations. When decisions about new technologies are based on evidence and unbiased information, you can be confident of acquiring those technologies that make sense for your patients and for your hospital. In addition, with a consistent, objective, analytical approach to technology acquisition instituted in your hospital, physicians will clearly know the ground rules for new technologies.

### Tips for Implementation

Here are some critical tips for successful implementation of evidence-based technology acquisition.

**Form a committee.** A cross-functional committee representing the C-suite, purchasing, physicians, nurses, risk management, and other health professionals should be formed and ground

## With a consistent, objective, analytical approach to technology acquisition instituted in your hospital, physicians will clearly know the ground rules for new technologies.

rules established and communicated. Include key thought leaders from your physician population so they can evangelize the effectiveness of the committee with their peers and help gain hospital-wide buy-in.

### Utilize high-quality, objective information.

Objective information is central to an evidence-based health technology acquisition process. This can be gathered through an in-house health technology assessment team or through objective research from an independent health technology assessment organization. The information used to make decisions about technology acquisition must not be influenced by the pharmaceutical or medical device manufacturing industries to avoid conflicts of interest.

**Be consistent and transparent.** The committee must evaluate each technology acquisition opportunity with the same evidence-based process, and decisions must be applied consistently. Deviations from established ground rules are a potential credibility killer.

### Consider the ancillary costs of new technology.

When analyzing ROI, costs such as staff training, disposables, power consumption, space requirements, installation costs, etc. are often overlooked. The committee needs data on the total cost of ownership for new medical devices.

**Keep an eye on the horizon.** It's imperative to look at the development pipeline of

potential competing products that may render today's investment obsolete within one to three years. Make horizon scanning a key element of your technology assessment process.

**Promote an evidence-based culture.** It is important for top leadership to provide clear support for the work of the committee, both internally and externally, as part of a commitment to evidence. This will help gain buy-in from the clinical staff and establish the hospital as part of the cutting edge of healthcare reform. Communicate this commitment to evidence to the medical and healthcare staff, as well as the community.

### Spending Wisely

At its current rate of growth, health spending will eat up \$1 out of every \$5 in the U.S. economy by 2017, according to Federal Reserve Chairman Ben Bernanke (remarks to the Senate Finance Committee on Healthcare Reform, June 16, 2008). The writing is on the wall—we can no longer afford capricious spending on new technologies. Without self discipline, the healthcare industry risks facing dramatic changes. Significant new investments must deliver real returns in patient care and outcomes and, consequently, real ROI. Evidence-based health technology acquisition is the rational next step for any hospital that seeks to be a part of the solution. ☞

---

Winifred S. Hayes, PhD, RN, is president, CEO, and founder of Hayes, Inc., Lansdale, Pa. (whayes@hayesinc.com).