

Yale-New Haven Health's Four-Point Value Strategy

Christopher Cheney | August 7, 2017

The health system's approach to delivering value to patients realizing cost-efficiency gains from consolidation, cost-cutting, and the deployment of a new performance-measurement methodology.

The leadership team at Yale-New Haven Health System, which operates four hospital campuses in Connecticut, is striving to make value a core cultural element of the organization.

At the first annual National Symposium on Value Innovation at Yale, last year, YNHHS President and CEO Marna Borgstrom, MPH, said the health system's leadership is committed to generating value for patients as opposed to emphasizing cost-cutting alone.



Stephen Allegretto

"It's not about what we can do, or what we need. It's about generating value for our patients," she said. She described the effort as a "quest for unparalleled value."

YNHHS's value-based care strategy has four primary elements.

1. Quality and Patient Safety

On the quality and patient safety side of the value equation, YNHHS has adopted several initiatives over the past five years such as the development of clinical rapid response teams and the deployment of predictive analytics in clinical settings that have contributed to significant gains in patient outcomes.

At YNHHS's St. Raphael Campus, those actions are associated with a 30% mortality rate reduction.

In September 2012, YNHHS acquired the former Hospital of Saint Raphael, a struggling safety-net hospital in New Haven located about a quarter mile from the Yale-New Haven Hospital campus. The deal created a 1,541-bed, dual-campus hospital in the heart of the city.

2. Cost-Efficiency Gains from Consolidation

Largely through consolidation of clinical services and achieving economies of scale linked to the Saint Raphael acquisition, YNHHS was able to reduce annual costs by about \$200 million, according to Richard D'Aquila, executive vice president of YNHHS and president of Yale-New Haven Hospital.

Regulatory commitments helped drive the consolidation strategy, he said at the symposium. "There was one hospital, one provider number, one model for clinical services."

3. Cutting Operational Costs

On the cost side of the value equation, YNHHS was able to reduce spending by about \$150 million from 2012 to 2015, and the figure was a focal point at the symposium.

The organization had set a target for \$125 million in cost savings over the four-year period, primarily in four categories:

- Clinical redesign
- Labor
- Non-labor
- Human resources

“We beat our target, and it is sustainable,” Abe Lopman, senior vice president of operations at YNHHS, said at the symposium.

Patient care accounts for about 83% of the health system’s annual spending, so cost savings from clinical redesign were the biggest budget category targeted for spending reductions, at \$60.8 million. Actual costs savings from clinical redesign were \$33.4 million, but the shortfall was not surprising, Lopman said.

“This is something that has to be part of your culture. It takes time to do it. Over time, we expect it to be better.”

The health system was able to exceed its cost-savings projections in three areas: human resources, labor and non-labor. The total cost savings targeted in those areas was \$64.2 million, with \$116 million in actual cost savings achieved.

4. New Performance Metrics

The adoption of Quality Variation Indicators (QVI) performance metrics have helped YNHHS improve the delivery of value in medical services, Stephen Allegretto, vice president of strategic analytics and financial planning at the health system, told HealthLeaders during the symposium.

At YNHHS, QVIs feature more than two dozen categories of negative clinical outcomes such as implant complication, transfusion reaction, air embolism, drug poisoning, shock, infection, and obstetric trauma.

The performance methodology allows the health system to harness data for clinical quality and cost of care, which supports the organization’s “cost-value initiative.”