

World-renowned Johns Hopkins Hospital improves its case mix index and financial performance using 3M™ APR DRGs

3M CUSTOMER PROFILE: JOHNS HOPKINS, BALTIMORE, MARYLAND

Johns Hopkins Hospital is known worldwide for the quality of its patient care. The facility has consistently been ranked the top hospital in the country in *U.S. News and World Report's* annual rankings of American hospitals. As an academic medical center, Johns Hopkins Hospital treats some of the most complex and difficult patient cases in the world in its nearly 1,000 beds. The sickest of the sick come to Johns Hopkins for help.

UNDERTAKING THE PERFORMANCE DATA CHALLENGE

Approximately 10 years ago, under Maryland's highly rate-regulated cost containment system, the hospital found that it could not explain the charge variances among patient cases using the current DRG methodology. Maryland was a 100-percent DRG state at the time, with DRGs determining what hospitals could charge. When Johns Hopkins Hospital administrators approached the clinical staff about the variances, the physicians complained that the more serious illnesses of their patients were not being measured. Johns Hopkins was anxious to ensure that its data reflected the severity claims of its physicians, so it undertook a search for a grouper that would adjust for severity of illness.

DISCOVERING THE 3M APR DRG METHODOLOGY

Johns Hopkins discovered 3M APR DRGs and purchased Version 10 of the software in 1996. Because of the grouper's DRG roots, implementing it was a simple transition, according to *Paul Allen*, director of Case Mix Information Management for the Department of Finance in the Johns Hopkins Health System. "We had it ready to go within a week and we were running it."

Using the new 3M™ APR DRG methodology and grouping software, the hospital adjusted for severity of illness and benchmarked its length of stay and charge performance data. After the hospital successfully demonstrated its use of this methodology for cost containment, **Maryland's Health Services Cost Review Commission (HSCRC)** began using 3M APR DRGs to reimburse Johns Hopkins across its entire patient population.

REACHING THE REIMBURSEMENT GOAL

Johns Hopkins went to work on the HSCRC, and in 1999 convinced the Commission to allow it to use 3M APR DRGs for reimbursement for its pediatric population. Applying the methodology helped turn the pediatrics department into a winner.

"We were getting hammered on our pediatrics," says Allen. "It was a complete turnaround from what we call a losing department, one that cost us penalties, to essentially what we call a winning department, or winner, that was actually contributing to our revenues. It indeed showed that our patients were sicker and we were being under reimbursed or under-credited for our performance."

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The hospital didn't stop at grouping only the pediatrics population. It grouped the entire hospital population as well as state data, and kept the results on the forefront in its continuing discussions with the HSCRC.

"We were constantly running comparisons and bringing to the Commission's attention that DRGs didn't work for us," says Allen.

Finally, in 2001, Johns Hopkins and the University of Maryland, the only other academic hospital in the state, convinced the Commission to allow them to use 3M™ APR DRGs for reimbursement across their entire patient populations. The positive financial impact on Johns Hopkins Hospital was dramatic.

"Using DRGs, our case mix index—or CMI—would not have gone up at all," says Allen. "In fact, if you looked at the national data, it looked like our CMI was in decline. Using 3M APR DRGs over the last three years, our CMI has gone up 9.7 percent. And in Maryland, at Hopkins, each percent of increase in CMI is worth about \$6 million."

REALIZING IMPROVED HOSPITAL RELATIONS

Allen also credits 3M™ APR DRGs with bringing Johns Hopkins administration and clinical staff closer together. "We can talk to our physicians about our performance data, in a much improved fashion," says Allen. "We've put optimization programs in place and our physicians are very interested in our performance under 3M APR DRGs. We're constantly communicating, putting out reports that let them see their progress.

"We can talk about financial issues using 3M APR DRGs as our vehicle now. It's used for budgeting, so we actually project out by 3M APR DRG what the expected volumes are going to be for the following year, and the clinical staffs are all part of that.

"I think the biggest thing it did is close that gap. Under DRGs the physicians wouldn't talk with us because they didn't believe in DRGs. Now, it's a combined process, and at an academic medical center that's critical," he concludes.

ENABLING A COMPLETE PATIENT DATABASE

Another important benefit Johns Hopkins realized after implementing 3M APR DRGs and at the same time, its own version of a "present-on-admission" flag, is more accurate documentation and a much-improved patient database.



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The hospital can look at complications that arise after hospitalization and use the administrative database to better understand what is happening with each patient.

"3M is also working on software for potentially preventable complications in hospitalized patients that the hospital's very interested in," says Allen. "It will give us the ability to drill into cases even further so we can see the whole story.

"A lot of things can happen after the admission of a patient, especially with patients as sick as ours," he says. "Physicians will see great value in having software able to pinpoint problems that are potentially preventable. And this tool is possible because 3M APR DRGs 'incentivize' the flagging of existing conditions."

EXPANDING 3M APR DRGS THROUGHOUT THE STATE

In 2006, Maryland became an all 3M APR DRG state. Each of its more than 50 hospitals now uses the methodology for reimbursement. Prior to taking this step, the HSCRC "led us through a pretty rigorous evaluation," says Allen. "When we selected 3M APR DRGs for the entire state, it was because we evaluated five different groupers, and 3M APR DRGs were the best. The evaluation process was not just based on people's opinions, but on statistical analysis as well as literature searches, etc., so it was an objective choice."

TO LEARN MORE

Developed by **3M Health Information Systems**, the 3M APR DRGs offer a clinically based severity-measurement system that provides precise metrics on the clinical complexity of your patient population. For more information, contact your 3M representative, call **800-367-2447**, or visit us online at **www.3maprdrg.com**.

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