

# The Case for Baldrige: A Health Care Role Model

*“As soon as you become a Baldrige organization, it will cost you less to run your business, and your outcomes will be better.”*



Rulon Stacey, President  
Poudre Valley Health System  
2008 Baldrige Award winner

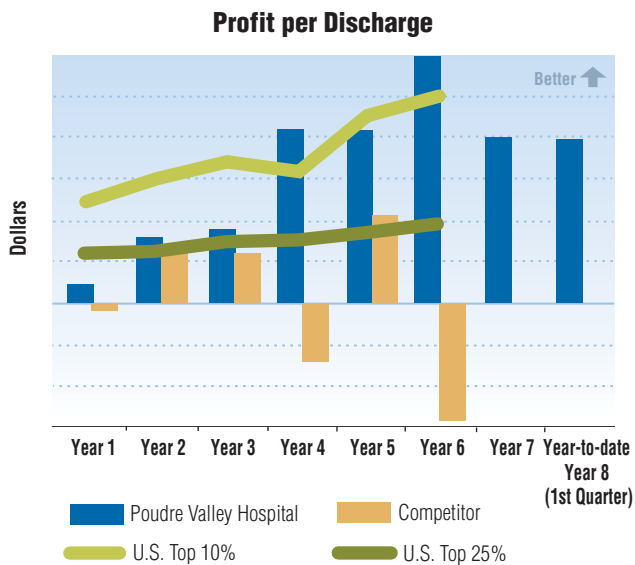
**Poudre Valley Health System (PVHS)** is a private, nonprofit health care organization based in Fort Collins, Colorado. With a current workforce of 5,300, the organization provides a full spectrum of health care services to residents of northern Colorado, western Nebraska, and southern Wyoming through two hospitals (Poudre Valley Hospital in Fort Collins and the Medical Center of the Rockies in Loveland, Colorado) and a network of clinics and other care facilities.

PVHS stands out as a role model in its sector. It ranked in the national top 10% of similar organizations for low mortality and high satisfaction among patients, in the top 3% for employee satisfaction, and in the top 1% for physician loyalty. For each of the five years leading up to its Baldrige Award, Thomson Reuters named PVHS a “Top 100 Hospital,” and *Modern Healthcare* named PVHS one of the “Top 100 Best Places to Work.” Its excellence in nursing was recognized by designation as a Magnet hospital by the American Nurses Credentialing Center, and the National Database of Nursing Quality Indicators honored PVHS with the Outstanding Nursing Quality Award. PVHS also remained competitively priced in its regional health care market, generating \$1 billion in annual revenue.



“Our patients and community told us they want high-quality, low-cost care. The Malcolm Baldrige National Quality Award demonstrates that we are giving our customers what they asked for and that we can do so for years to come,” said Stacey. “Through the Baldrige process, we’ve learned that we need to learn. That’s one of the best parts about Baldrige.”

In the years preceding its Baldrige Award, PVHS consistently maintained competitive health care costs relative to local competitors with a similar patient base and to average costs in the Denver metropolitan area, which is PVHS’s secondary service area. In 2006, the average PVHS charge was \$2,000 lower than that of its main competitor and \$7,000 lower than the average charge in the Denver metropolitan area. While committed to being a low-cost provider and despite declining reimbursements, Poudre Valley Hospital dramatically increased its profit per discharge to a level greater than that of the top 10 percent of U.S. hospitals, as the figure below shows. These results help PVHS achieve its mission of remaining an independent, nonprofit organization.



## The Proof Is in the Data, Part 4: The Baldrige Effect on Health Care

Since 2002, when the first organization received the Baldrige Award in the health care category, 12 organizations have been so honored:

- a private health care system that operates 17 acute care hospitals in Missouri, Illinois, Wisconsin, and Oklahoma
- the largest hospital in the Kansas City, Missouri, metropolitan area
- the largest health care system in the Florida Panhandle
- a private, nonprofit acute care hospital in New Jersey that includes environments to promote healing through art and nature
- an all-private-room facility located on a 28-acre urban campus in Michigan
- the largest rural, nonprofit hospital in the United States
- an integrated health care system in Wisconsin and Illinois
- San Diego County's largest integrated health care delivery system
- a locally owned health care organization serving residents of Colorado, Nebraska, and Wyoming
- a nonprofit New Jersey health care system
- a community-based health system serving residents of Missouri, Kansas, Nebraska, and Iowa
- an acute-care medical facility in suburban Chicago that is part of one of the nation's top-ten health systems

In the years leading up to their recognition as Baldrige Award winners, these organizations achieved the beneficial results highlighted below.

### *Decreasing Mortality Rates*

- **24% reduction over 3 years in risk-adjusted mortality rate** (overall mortality divided by expected mortality where 1 is the standard), exceeding the top-decile level for this hospital's six-county region as measured by Thomson Reuters (Advocate Good Samaritan Hospital)
- **25% reduction in overall mortality rate** over 5 years, a rate better than the state top quartile and equal to the Agency for Healthcare Research and Quality best comparisons (Robert Wood Johnson University Hospital Hamilton)



- **23% reduction in overall mortality rate** over 2 years (Heartland Health)
- **20% reduction in overall mortality rate** over 2 years, a rate within the CareScience (a risk-adjusted database) best-practice level that is defined as the top 15% of U.S. facilities (Bronson Methodist Hospital)
- **57% reduction in mortality resulting from pneumonia** over 3 years. The decreased mortality rate represents approximately 100 fewer pneumonia-related deaths. (North Mississippi Medical Center)
- **95% reduction in mortality resulting from acute myocardial infarction and nearly 61% reduction in mortality resulting from congestive heart failure** over 4 years. The reduced rate was better than the Quadramed (a national organization providing comparative statistics for clinical operations) expected rate. (Robert Wood Johnson University Hospital Hamilton)
- **38% reduction in mortality resulting from congestive heart failure** over 4 years (Mercy Health System)
- **33% reduction in mortality resulting from congestive heart failure** over 4 years. The reduced rate was better than the Premier health care alliance's predicted rate. (AtlantiCare)

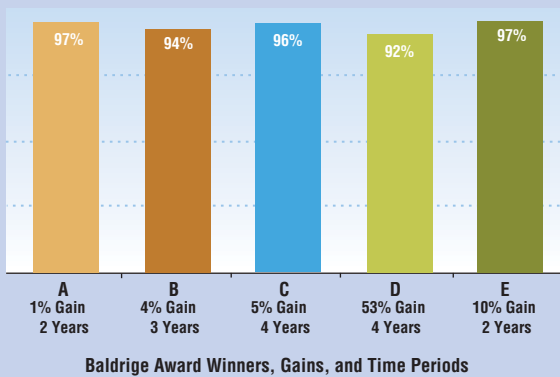
### *Rising Revenue and Market Share*

- **24% increase in net operating margin** over 2 years, exceeding that of "AA"-rated hospitals. The operating margin level represents top-decile (in the upper 10%) performance in the industry. (Advocate Good Samaritan Hospital)
- **Nearly 71% increase in net revenue** over 5 years and a stable Moody's "A2" bond rating over 11 years (Mercy Health System)
- **11% compound annual growth rate in system revenues** for 9 years. This represents a 133% overall improvement or nearly 17% annual improvement rate. (AtlantiCare)
- **Top 10% of U.S. hospitals for total margin and operating margin** in 2009 and maintained Moody's and Fitch bond ratings of "A" and "A2" for 4 years (Heartland Health)

- **17% increase in overall market share** for its primary service area over 5 years (Bronson Methodist Hospital)
- **Market leadership position with 30% market share for cardiology, surgery, and oncology** (Robert Wood Johnson University Hospital Hamilton)
- **65% increase in total revenue** over 4 years. At the time it received the Baldrige Award, the organization outperformed the Council of Teaching Hospitals' top quartile in financial performance and ranked in the top 5% nationally in total margin. (Saint Luke's Hospital of Kansas City)
- **56% increase in net revenue** over 5 years. This represents an average annual growth rate of more than 11%. (Sharp HealthCare)

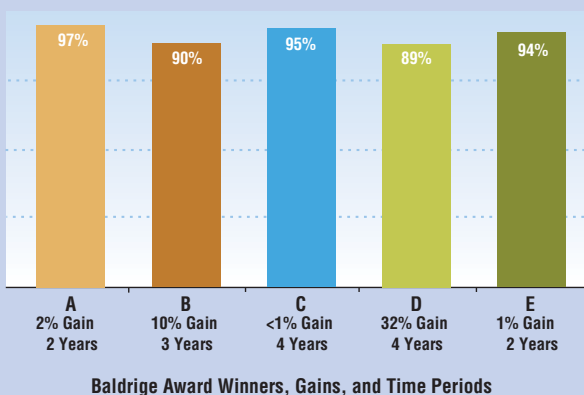
## PATIENTS MORE SATISFIED

**Outpatient Satisfaction Levels and Gains<sup>a</sup>**  
Average Annual Improvement: 4%



<sup>a</sup>Seven organizations in the health care sector did not publicly report a comparable measure. The levels shown above reflect the last year reported before the award.

## Inpatient Satisfaction Levels and Gains<sup>a</sup> Average Annual Improvement: 3%

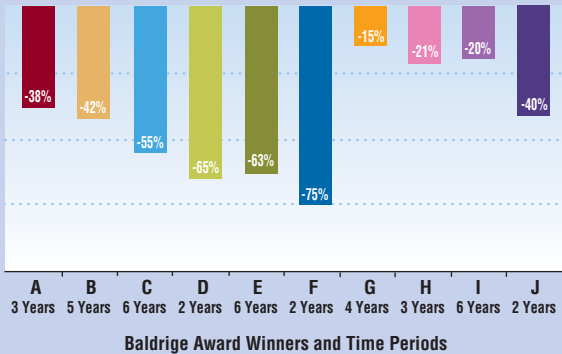


<sup>a</sup>Seven organizations in the health care sector did not publicly report a comparable measure. The levels shown above reflect the last year reported before the award.

- **Ranking as “the nation’s no. 1 hospital for overall patient satisfaction”** by Avatar (a patient satisfaction survey measurement tool administered by an independent third party) in the year before the organization as a whole received the Baldrige Award (Poudre Valley Health System’s Medical Center of the Rockies). The **patient scores of the system’s two hospitals surpass the national top 10%**, according to the Center for Medicare and Medicaid Services. (Poudre Valley Health System)
- **725% improvement in medical-group patient satisfaction with urgent care** and **100% improvement in overall medical-group patient satisfaction** over 5 years (Sharp HealthCare)

# DECREASING EMPLOYEE TURNOVER AND VACANCY RATES

**Decreases in Employee Turnover<sup>a</sup>**  
Average Annual Improvement: 15%



<sup>a</sup>Two organizations in the health care sector did not publicly report a comparable measure. These results reflect the most recent time periods reported by the organizations in the year each received the Baldrige Award.

- **Decreases in employee vacancy rates: 68% decrease** over 3 years (Robert Wood Johnson University Hospital Hamilton); nearly **31% decrease** over 2 years (North Mississippi Medical Center); **34% decrease** over 5 years (Mercy Health System); **33% decrease** over 4 years (AtlantiCare)
- **Improvements in nurse vacancy, retention, or turnover rates:** nearly **50% decrease** over 2 years (Advocate Good Samaritan Hospital, registered nurse [RN] voluntary turnover rate); nearly **67% decrease** over 4 years (AtlantiCare, vacancy rate); nearly **28% decrease** over 3 years (Bronson Methodist Hospital, vacancy rate); **37% decrease** over 5 years (Mercy Health System, vacancy rate); **33% decrease** over 4 years (Poudre Valley Health System, vacancy rate); **67% increase** over 2 years (Robert Wood Johnson University Hospital, retention rate); **20% decrease** over 3 years (SSM Health Care, turnover rate)

## *Employees and Physicians More Satisfied*

- **Nearly 19% improvement in employee satisfaction, to 4.75 out of 5** on a 5-point scale over 4 years (Bronson Methodist Hospital)
- **36% improvement in employee satisfaction** over 4 years. Satisfaction levels were equal to the Press Ganey benchmark in the year before the organization received the Baldrige Award. (Robert Wood Johnson University Hospital Hamilton)
- **11% improvement in employee satisfaction** over 4 years (Saint Luke's Hospital of Kansas City)
- **Nearly 47% improvement in physician satisfaction** over 3 years. In 2005, the satisfaction of physicians was 58%; in 2007, the focus was changed to quality of care as perceived by physicians, and the physician satisfaction level reached 85% in 2008. (AtlantiCare)
- **Nearly 20% improvement in physician satisfaction** over 2 years. Physicians rated the organization better than the Professional Research Consultants, Inc., norm for nursing care, responsiveness, discharge policy, and ease of scheduling. (Bronson Methodist Hospital)
- **99% overall physician satisfaction**—as well as satisfaction with ease of practice and leadership—as measured by Press Ganey, in the year the organization received the Baldrige Award (North Mississippi Medical Center)
- **National top 10% ranking**, according to Management Science Association (an independent national firm that conducts employee opinion surveys), **on 11 of 16 employee satisfaction areas**, including job satisfaction, senior management group, communications, pay, benefits, and performance management (Poudre Valley Health System)
- **90% or higher favorable responses on Avatar Physician Satisfaction Survey** (a measurement tool administered by an independent third party) for 4 consecutive years, as well as a physician loyalty score in the national 99th percentile the year it received the Baldrige Award, as measured by Gallup (Poudre Valley Health System)



## ***Reduction in Days in Accounts Receivable and Patient Length of Stay<sup>a</sup>***

- **57% overall decline in net days in accounts receivable** over 3 years (Saint Luke's Hospital of Kansas City); **24% overall decline in net days in accounts receivable** over 5 years (Mercy Health System); **22% overall decline in net days in accounts receivable** over 4 years (North Mississippi Medical Center)
- **25% overall decline in gross days in accounts receivable** over 2 years (Bronson Methodist Hospital)
- **Nearly 28% overall improvement in length of stay** (Medicare) over 3 years (Poudre Valley Health System); **nearly 16% overall improvement** in length of stay (Medicare) over 4 years (AtlantiCare)

<sup>a</sup>Reducing length of stay, a common health-care sector quality measure, reduces hospital costs and also may reduce a patient's risk of hospital-acquired infections.

## ***Increasing Training and Volunteer Hours***

- **260% increase in training hours per full-time equivalent (FTE)** over 3 years (Bronson Methodist Hospital)
- **163% increase in training hours** over 6 years (Mercy Health System); **nearly 11% increase in training hours** over 2 years (SSM Health Care)
- **Nearly 44% increase in training hours per FTE** over 2 years (North Mississippi Medical Center)
- **225% increase in community-donated volunteer hours** over 4 years (Robert Wood Johnson University Hospital Hamilton)
- **86% increase in community-donated volunteer hours** over 2 years (Bronson Methodist Hospital)

## *Increasing Charity Care<sup>a</sup>*

- **An increase of more than 50% in charity and uncompensated care** over 3 years (Heartland Health)
- **More than \$181 million in community benefits**, including under- and uncompensated care, provided in the year before it received the Baldrige Award (Sharp HealthCare)
- **7% percent of total revenues donated to indigent care** in the year the organization received the Baldrige Award. The organization and its parent are the **leading providers of uncompensated care** in their market area. (Baptist Hospital, Inc.)
- **\$62 million in unreimbursed care** for patients enrolled in government-assistance programs absorbed and **\$1.9 million in charity care provided** in the 2 years before the organization received the Baldrige Award (Poudre Valley Health System)
- **56% of the previous year's operating margin allocated to the care of people who cannot pay**, in the year the organization received the Baldrige Award (SSM Health Care)
- **49% increase in uncompensated care costs as a percentage of total expenses** over 3 years; **more than \$58 million in uncompensated care** provided in the year before the organization received the Baldrige Award (North Mississippi Medical Center)
- **88% increase in charity care** over 5 years; **1.8% of hospital and 2% of its clinic revenue allocated to charity care** in the year the organization received the Baldrige Award (Mercy Health System)
- **90% of the free care in its county** provided in the year before the organization received the Baldrige Award; **25% increase in free care** provided at cost over 4 years at AtlantiCare Regional Medical Center (AtlantiCare)

<sup>a</sup>Increasing charity care may be one way that hospitals demonstrate how they support their key communities.