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The Business Case For Quality

Problems with quality, such as the misuse of services, can drag down the bottom line.

WHILE IT IS EASY TO RECOGnize the costs of improving quality (more assistive devices to prevent pressure ulcers or higher staffing ratios, for example), the financial benefits may be less evident. Yet a strong business case for quality improvement exists.

To understand the link between quality improvement and cost savings, it is helpful to examine the causes of poor quality. In 1999, the National Roundtable on Health Care Quality of the Institute of Medicine (IOM) released a statement documenting three types of quality problems: overuse, underuse, and misuse. Interventions targeting two of these quality problems—overuse and misuse—could result in cost savings to providers. For example, many nursing facilities rely heavily on expensive high-caloric nutritional supplements such as Ensure. But efforts aimed at improving patients' dining experiences (more attention paid to oral hygiene or better food choices) can increase consumption at meals and reduce the need for supplements. The resulting reduction in overuse of these products saves the nursing facility money.

The same is true for misuse of care. For example, chemical and physical restraints may be ordered for patients to prevent falls, yet research demonstrates these restraints are costly because they increase the amount of nursing care patients receive. And physical restraints may lead to injury, studies consistently show. A fall reduction program, while requiring an initial investment on the facility's part, could change care practices and improve patients' quality of life, while eliminating unneeded and costly restraint use.

Quality improvement can also lead to cost savings by improving patient outcomes. Implementing clinical practice guidelines for pressure ulcer management and prevention, for instance, may reduce the severity of pressure ulcers, or even prevent their development, according to R.R. Baier *et al.* (*Journal of the American Medical Directors Association*, Nov.-Dec. 2003). By 1994, the United States was spending more than $1.3 billion annually to treat pressure ulcers, according to the U.S. Department of Health and Human Services, and these costs rise annually. Because pressure ulcers are so costly—requiring treatment, dressings, and even hospitalization—improvements in patient outcomes can affect facilities' bottom lines.

Reduced Litigation

Facilities' finances are affected not only by the care they give and how they choose to deliver it, but also by the repercussions from failures (perceived or otherwise). Federal law mandates a standard of care that maintains or improves residents' mental, physical, and psychological well-being, unless clinical conditions render this impossible. When these rights are infringed upon, subsequently harming patients' well-being, patients are entitled to file suit. Problems for which patients can sue include poor quality of life, substandard quality of care, and even inefficient facility administration.

In one case cited by Iyer (2004), a Texas woman admitted to a nursing facility for a fractured fibula received substandard care, which resulted in a Stage IV pressure ulcer and her subsequent death. After mediation, the case settled for $3.5 million.

Quality First
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Staff Retention

Other subtle, indirect results of quality improvement can also impact finances. A key example is staff turnover. Turnover rates for nurses and nurse assistants are estimated to be as high as 75 percent annually, and it costs

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approximately $5,000 to recruit and train a replacement for each worker lost, notes K.L. Accorinti *et al.* (*Balance*, 2000). In addition, high turnover rates can lead to costs in the form of errors, accidents, and inexpert care, studies show. As a result of staff turnover, Accorinti writes, "it is no wonder that administrators are facing a crisis."

But improvements in quality can often reduce staff turnover rates, Accorinti says.

For example, culture change models have rapidly become popular, with facilities exploring new ways to provide care while turning the nursing facility into a welcoming community staffed by familiar caregivers.

In different facilities, different culture change strategies are used. However, culture change models generally aim to improve patients' quality of life and day-to-day experiences and can also positively impact the working environment by increasing worker satisfaction and reducing staff turnover. Creating employee reward programs, empowering caregivers to make decisions, and implementing small changes like annual picnics are all components of staff-retention programs that have proven successful, studies show. Because of the high costs associated with staff turnover, any quality improvement intervention that proves successful in reducing staff turnover will likely save the facility money as well.

Improved Patient Recruitment

Another indirect result of quality improvement is patient recruitment: The nation's approximately 16,100 nursing facilities have about 1.7 million beds, but occupancy rates hover around 86 percent, according to American Health Care Association data as of June 2004. Since many facilities have empty beds—and would appreciate the increased revenue that new admissions bring—competing on quality is becoming increasingly important.

Maintaining and improving a facility's reputation is a key factor in patient recruitment. And reputation can be viewed as the result of many convergent facets of quality: patient satisfaction; quality of life; outcomes; and even the look, feel, and smell of the facility. Implementing quality improvement efforts that affect these aspects of quality will, in turn, improve a nursing facility's standing in the community and—indirectly—lead to increased revenue. ■