

## Ranking Hospitals on Bang for the Buck

Posted By [Theo Francis](#) On June 24, 2008 @ 7:16 am In [Hospitals](#) | [1 Comment](#)

It seems like everyone has a hospital-ranking system these days. The federal government has [Hospital Compare](#); [Leapfrog](#) and [Health Grades](#) market their own rankings. [Consumer Reports](#) just came online with a site measuring overtreatment and aggressive care.

Now another outfit is offering its own twist — combining many of the kinds of measures other groups use to come up with a [Hospital Value Index](#). The idea is to measure not just quality, but also cost and efficiency to identify the best hospital bang for your buck. Launched today, the new index is the brainchild of [Data Advantage](#), which normally markets information and analysis to hospitals.

It promises to rank more than 1,400 hospitals in markets covering 180 million people — roughly 42% of all hospital activity by its measure — and serve up lists of the top-value hospitals in the U.S., and in different markets. Another list shows “high value” hospitals ordinarily in the shadow of more famous neighbors.

Like most of the other systems out there, Data Advantage isn't collecting new data, but crunching what's available elsewhere. Much of it is from Medicare, which tracks hospital operations beyond just Medicare patients. Here's how the group's new index is calculated:

- **Quality** accounts for 45% of a hospital's overall score. The company looks at the federal government's public reporting, key patient-safety measures, and whether the hospital is accredited by [the Joint Commission](#) or included in the LeapFrog survey.
- **Affordability and efficiency** count for another 45%. Data Advantage measures affordability by looking at the hospital's list prices for 103 different outpatient services, ranging from chest X-rays to diagnostic colonoscopies. Gauging efficiency means looking at the cost side of the equation — how much the hospital actually spent (using data reported to Medicare) to treat patients with certain diagnoses, adjusted for severity.
- **Patient satisfaction** makes up the final 10%. Like everyone else, Data Advantage uses [survey data from discharged patients](#), which were recently made public through Medicare. It concentrates on two questions: an overall rating of the hospital from 0 to 10, and whether the patient would recommend the facility to family and friends.

In addition, within each market, the index compares the reputations of local hospitals with results from a widely used opinion survey. Checking out a hospital's final score — and what helped or hurt its score — is free.

The creators emphasize that the goal isn't to help you pick a facility for one-of-a-kind brain surgery. “We're looking at the simple stuff,” says John Morrow, a senior adviser on the project and former executive at Health Grades and healthcare-data outfits.

One problem with the U.S. medical system, he says, is that care is delivered much like “building Bentleys — we do it one at a time; they're great cars, very high quality, but who can really afford them?” If all the hospitals the company analyzed were as good, and as efficient, as those in the top 25%, the country could save \$273 billion in a single year, Data Advantage estimates.

Hal Andrews, Data Advantage's CEO, says the exercise is leading his family to make some changes, including in where his 13-year-old son, who has muscular dystrophy, goes for physical therapy. That's partly because he uses a high-deductible health plan that leaves him paying much of his family's medical costs out-of-pocket, albeit with primarily pre-tax dollars. “We're changing some of the things we had done — frankly, based on reputation,” he says. “We're going to make these decisions because we're writing the checks.”

Still, like every rating system, the Hospital Value Index makes a lot of assumptions. Chief among them is the balance between quality and cost — most parents would pick a top-flight teaching hospital if their kid were really sick, if they could, even if the nearby community hospital is a good bargain; by contrast, low-income patients might not have the luxury of traveling a few more miles to seek treatment. Many people are still limited by the doctors and hospitals that belong to insurance networks. And, of course, the index relies heavily on measuring hospital processes rather than outcomes — whether a facility gives heart-attack patients aspirin, not whether the patients survive. Measuring outcomes consistently is still in its infancy.

Andrews doesn't argue with the index's limitations. “Value is different to different people,” he says. “We're just trying to give them information to compare.”