

Building a Strong Quality Improvement Case: Financial Acumen and Return on Investment (ROI) Essentials



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WHY IS THIS IMPORTANT?

Quality improvement programs can be costly for hospitals. This resource package aims to provide quality improvement professionals (QIP) with a basic level of financial acumen to allow for effective conversations with key decision-makers regarding the need for quality improvement programs.

BACKGROUND

Financial acumen is the use of financial data, tools and concepts applied to clinical data to assess quality improvement programs. Hospital-acquired conditions (HAC) can cost hospitals upwards of \$18,000 per incident.¹ By performing cost-benefit analyses, QIPs can advocate for necessary quality improvement resources. Benefits of a quality improvement program include decreased length of stays, fewer readmissions, fewer ED visits, shared savings and value-based payments, as well as intangible benefits such as higher patient satisfaction scores and hospital rating and reputation.

Calculating the return on investment (ROI) is also helpful for these conversations. Ensuring all inputs are set at the most likely values and accounting for uncertainties that those values are correct is key. Uncertainties lie around four variables: quality improvement costs, prevalence of HACs, effectiveness of the quality improvement effort and the cost burden of HAC.

Key takeaways from this resource package include:

- Knowing how to make a business case that can be more effective for your patients
- Addressing sufficiency and uncertainty concerns can strengthen your business case
- Conducting sensitivity analysis provides a reasonable ROI range
- Creating quality improvement goals that can be set based on a ROI target
- Using an available ROI tool that performs all the functions you need to make your business case

PREPARING FOR THE CONVERSATION

It's never easy to ask for resources, especially if resources are scarce. Preparing for the conversation is crucial. The resources in this package are designed to help QIP speak in a way that leadership and financial decision makers understand.

When you are ready for the conversation, the authors of *Crucial Conversations: Tools for talking when the stakes are high* offer the following tips²:

- Start with Heart – focus on what you really want
- Learn to Look – watch for elevating emotions
- Make It Safe – apologize when appropriate and clarify intent
- Master My Stories – present the facts, not assumptions
- STATE My Path – share your facts, tell your story, ask for others' points-of-view, talk tentatively, encourage questions
- Explore Others' Paths – ask questions, mirror body language, paraphrase for clarity, ask additional questions to continue the conversation, agree on common ideas, build on those idea, compare strategies for next steps
- Move to Action – make a decision, document and follow-up

¹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2827870/>

² Patterson, K., Grenny, J., Mcmillan, R., & Switzler, A. L. (2011). *Crucial conversation: Tools for talking when stakes are high*. McGraw-Hill.

FINANCIAL ACUMEN AND ROI ESSENTIALS

RESOURCES

[The Basics of a Business Case for Infection Prevention](#)

[IHI – Seven Leadership Leverage Points for Organization-Level Improvement in Health Care](#)

[Center for Health Care Strategies – Return on Investment \(ROI\) Template](#)

[Patient Safety Authority – ROI for Infection Prevention and Control](#)

[IHI – The Business Case for Becoming an Age-Friendly Health System](#)

RECORDINGS AND SLIDE DECKS

Building Financial Acumen to Evaluate Quality Improvement in Healthcare

- Session One: Cost and Cost-Effectiveness Analysis – [Slides](#) and [Recording](#)
 - Financial Acumen for QI – 09:31
 - Opportunity Costs – 26:31
 - Cost Analysis: Estimating of the Cost Burden of Harm and/or Illness – 30:10
 - Cost Analysis: Determining the Cost of Reducing This Cost Burden – 33:29
 - Calculating Average Daily Cost (Per Diem) of a Hospital Stay – 40:08
 - Marginal Cost and Incremental Cost – 42:40
 - The Fundamentals of Cost-Effectiveness Analysis (CEA) – 46:50
 - Ten Takeaways – 58:15
- Session Two: Cost Benefit Analysis – [Slides](#) and [Recording](#)
 - Define Cost Benefit Analysis – 11:05
 - Purposes of Cost Benefit Analysis – 12:00
 - Steps to Conduct Cost Benefit Analysis – 16:05
 - Expressing Results of Cost Benefit Analysis – 32:30
 - Quality Improvement as an Investment – 34:00
- Session Three: Making the Business Case & ROI Analysis – [Slides](#), [Recording](#) and [Tool](#)
 - Review of Cost Benefit Analysis – 10:10
 - Requirements for a Business Case – 14:00
 - Method to Address Uncertainty – 20:00
 - Method to Address Insufficiency – 27:30
 - A Tool to Make a Business Case – 31:15

EFFECTIVENESS CHECKS

1. Audit for the specific change you were aiming for.
2. Collect and analyze the data.
3. Share findings, opportunities and successes with staff, leadership and if possible, with patients.

Based on your data findings, if the change seen did not lead to the desired improvement, re-evaluate the root cause and consider launching another PDSA cycle.

For additional information and resources, visit Telligen's [Hospital Resources page](#).