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Does P4P Pay Off? New Tool Measures ROI from Pay for Performance Program

WASHINGTON, January 16, 2007 – The first-ever tool measuring the return on investment from a national hospital pay for performance program was released today. The Leapfrog Group, HSM Group and Discern Consulting have developed the ROI Estimator to be used by employers and health plans to estimate the costs and financial benefits of implementing the Leapfrog Hospital Rewards Program™ (LHRP). Designed to save lives and increase the value of hospital care, the LHRP is the only nationally standardized incentive program that can be licensed and used by healthcare purchasers and health plans.

The ROI Estimator shows the potential return on investment, in terms of both lives and money saved, from implementing a pay for performance program that rewards hospitals for providing high quality, high value care in five clinical areas: heart bypass, heart attack care, angioplasty, community acquired pneumonia, and deliveries and newborn care. These LHRP clinical areas are based on measures from the Joint Commission and the Leapfrog Hospital Quality and Safety Survey – a publicly available, industry standard in rating the quality and safety of individual hospitals. The tool calculates financial and clinical returns as hospital performance improves on these measures.

“Leapfrog’s ROI Estimator is the first tool that calculates the human and financial benefits of hospital-based pay for performance programs,” stated Catherine Eikel, Director of Programs, The Leapfrog Group. “Freely available on our website, we hope that the Leapfrog ROI Estimator will be used as an open source tool for organizations to create tools that calculate the benefits and savings from other P4P programs.”

“The ability to estimate the costs and benefits of participating in a P4P program will help speed adoption of the concept of rewarding the provision of excellent health care, and thus ultimately help improve the quality of care across the nation,” stated Sheryl Bronkesh, President, The HSM Group.

Built on analyses done by Towers Perrin, users input data about their insured population and the hospitals in their market into the online ROI Estimator. Based on these inputs, costs of program implementation and assumptions about program impact, Leapfrog calculates and interprets the expected return on investment for implementation of the LHRP and relays the results to the user. Estimated cost savings account for the financial benefits from hospital performance improvement and more patients being treated by high quality, high value facilities; it does not include the additional economic benefit that accrues from reducing absenteeism and improving productivity at work.

The ROI Estimator is found at www.ROIEstimator.com. Information on the Leapfrog Hospital Rewards Program is found at <https://leapfrog.medstat.com/rewards/>.

About HSM

The HSM Group, Ltd. (www.hsmgroup.com) is a marketing research and consulting firm specializing in research and economic modeling for all sectors of the healthcare industry. HSM's modeling combines research-based evidence with customer information to tell an economic story. Based in Scottsdale, AZ., HSM has been working with healthcare associations, hospitals, managed care organizations, pharmaceutical and medical device companies for over 20 years.

About The Leapfrog Group

On behalf of the millions of Americans for whom many of the nation's largest corporations and public agencies buy health benefits, The Leapfrog Group (www.leapfroggroup.org) aims to use its members' collective leverage to initiate breakthrough improvements in the safety, quality, and affordability of health care for Americans. It is a voluntary program aimed at mobilizing employer purchasing power to alert America's health industry that big leaps in health care safety, quality and customer value will be recognized and rewarded. The Leapfrog Group was founded in November 2000 by the Business Roundtable and has support from the Robert Wood Johnson Foundation, as well as its members and other funders.

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