

HOW TO DEVELOP A BUSINESS CASE FOR QUALITY

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- The absence of a business case for quality is frequently cited as the reason healthcare organizations do not implement quality-enhancing interventions.
- Delineating the economic implications of investing in quality-enhancing interventions is an important issue for widespread adoption of evidence-based quality improvements.
- Standardizing methods and measures is essential if the full potential of business case analysis for advancing quality of healthcare is to be realized.

Despite having some evidence of their effectiveness, healthcare organizations often fail to implement quality-enhancing interventions for lack of a clear “business case” (that is, financial return on its investment in a reasonable timeframe, using a reasonable rate of discounting). Managers may accept the potential effectiveness of a proposed quality-enhancing intervention but still be reluctant to invest in it if they are not convinced of the financial payback. In this paper, Reiter et al. draw on their experiences and recent literature to demonstrate how both researchers and decision makers can develop a business case for quality-enhancing interventions through the following 11 steps.

11 steps to developing a business case for quality

Although “Determining your organization’s readiness” is Step 11 on the list, many of the issues identified under this step should be addressed before or while you are building your case.

Step 1 – Describe the intervention

Describe the specific intervention, its evidence base, the target patient population, the start date, and where and how the intervention could be implemented.

Step 2 – Determine the perspective

Take into account the costs and benefits that accrue specifically to the financing organization (such as development, implementation, and operating expenses of the intervention and subsequent savings or revenues) but not to society at large (for example, costs to other organizations, increased patient productivity).

Step 3 – Identify the effects of the intervention on quality of care

Summarize the effects the quality-enhancing intervention is expected to have on the way the service is provided or on patient health outcomes. While it is difficult to assign a dollar value to changes in quality, these data can be compared to expected costs as a basis for negotiating cost-sharing.

Step 4 – Design the study

Randomized controlled trials tend to be inappropriate for business case studies because of ethical concerns, small population size, and lack of research capacity. Two alternatives are a comparison study with a similar patient cohort or a pre-post study with baseline data to capture seasonal or other trends in the data.

Step 5 – Identify and measure cash flows

Ideally, all cash flows that result directly from the intervention should be measured. Separating new and pre-existing cash flows can be extremely difficult.

Step 6 – Consider the effects of capacity constraints

Business case analyses should make clear whether or not the organization is operating at capacity, since this affects the apparent cost of the intervention and replicability of the results in another setting (organizations operating below capacity may not experience new costs to accommodate an intervention).

Step 7 – Select a measure of return on investment

Three standard measures are available: net present value; benefit-cost ratio; and rate of return. The authors suggest the most reliable method for measuring return on investment is net present value (net cash inflow/outflow discounted at the organization's current borrowing rate).

Step 8 – Determine the timeframe

The ideal project timeframe for determining the return on investment is less clear for process innovations like quality-enhancing interventions than for investments like equipment. The conservative approach is to select the shortest timeframe consistent with the technology and the setting of the intervention. Even if this may underestimate the return on investment, the short timeframe is often required because patients move in and out of a program or a geographic region.

Step 9 – Determine the “right” discount rate

A “discount rate” indicates the return given up by not investing the intervention funds in another project. While this is difficult to do, a business case analysis should make a reasonable estimate of the opportunity cost attached to investing in an intervention.

Step 10 – Adjust costs and savings for inflation

Adjustments for inflation are more necessary for long-term projects than short-term ones.

Step 11 – Determine organizational readiness for business case development

The following conditions must be met for a quality-enhancing intervention business case analysis to fly:

- organizational leadership must be committed to the project and its evaluation;
- the intervention must be discrete and definable; and
- safeguards must be in place to protect the results from biases and conflicts of interest.

The authors' **Business Case Readiness Checklist** lists questions like the following to help you assess whether you have a persuasive business case to present to managers:

- Do you have a well-defined, evidence-based project with a specific start date?
- Can your organization identify and track the patients who will be exposed to the intervention?

Summary

In their paper, Reiter et al. offer guidance for creating a business case for quality. They affirm defining the economic implications of evidence-based quality-enhancing interventions is critical to their widespread adoption, and standardizing methods and measures is essential for business case analysis to reach its full potential for advancing quality of care.

Bibliographic Reference

Reiter KL et al. 2006. “How to develop a business case for quality.” *International Journal for Quality in Health Care*; 19(1): 50-55.

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