

David Burda:

Welcome to the 4sight Health Roundup podcast, 4sight Health's podcast series for healthcare revolutionaries, outcomes matter customers, count and value rules. Hello again, everyone. This is Dave Burda, news editor at 4sight Health. This is a special edition of the Roundup. We're going to be talking about how we can measure the return on investment in safe and effective care with Dave Johnson, founder and CEO 4sight Health, and our special guest, Stephanie Mercado, CEO of the National Association for Healthcare Quality. Prior to joining NAQ in 2013, Stephanie was the Associate Executive Director for Education and Corporate Relations at the American Academy of Physical Medicine and Rehabilitation, and she was Director of Strategic Initiatives at the American Orthopedic Association. Stephanie, welcome to the 4sight Health Roundup podcast.

Stephanie Mercado:

Thank you. I'm so glad to be here.

Burda:

Now, the idea for this special episode of the Roundup came from an email that Stephanie, you sent to Dave Johnson about Dave's quote in Paul Kecklee's newsletter. Dave, you said, "America's healthcare system isn't broken. It's doing exactly what it was designed to do, and that's a maximized revenue within a fragmented fee for service framework." So, Dave, first, did Paul quote you accurately?

David W. Johnson:

He absolutely quoted me accurately. And Dave, that quote, wouldn't surprise you at all, given everything that we talk and write about at, at 4sight Health. And part of the reason I'm so excited to have Stephanie participate in our podcast is that she is really thinking about quality in the right way, which is what are the things that organizations need to do in terms of improving quality so that they can simultaneously increase value and improve outcomes? And unfortunately, the way the US

healthcare system works, it's beating heart is focused on volume and maximizing revenues, optimizing revenues, and you can't do both of those things simultaneously. And you're gonna hear this conversation will be a very fresh breath of air for those out there that are focused on our mission, the 4sight Health Mission, which is outcomes matter customers count and value rules. And the way to get there, the direct path to getting there, is through quality on the delivery side. So, quoted me accurately, and I couldn't be more excited than to have Stephanie on the show talking about these issues with us.

Burda:

Great. Thanks, Dave. Now, Stephanie, why did that quote catch your eye?

Mercado:

Well because it was so accurate, <laugh>, first of all you know, I think that when we talk about the issues around maximizing revenue with a fragmented fee for service framework, we're really articulating both the challenge and the opportunity for real transformation within healthcare. And I am really energized and excited about tackling and solving big problems in healthcare that have, have significant consequence and can really be game changing for the industry. So I was very intrigued by the comment, have always been intrigued by my conversations with David, and I'm really committed to tackling big problems. And so this is, this is a big one. And, and NACU and I are all in on bringing new solutions to the table.

Burda:

Yeah, go big or go home, right, is what they say. Well, all that eventually led to the topic that we're gonna talk about today, and that's how to measure the ROI of safe and effective medical care. And in June, NICU released a report on how to do just that. So, Stephanie, my first question is, why did Nacu feel compelled to say yes, there is a return on

investment in safe and effective medical care? I mean, who needed to be convinced of that?

Mercado:

I think a lot of people needed to be not only convinced of it, but reminded of that. I think that as we move through the day and activate against our activities in healthcare, sometimes we lose focus of the things that are right in front of us. So first of all, I think that there's not enough focus on the lack of safety and effectiveness in healthcare. We continue to see that one in four patients are harmed as a result of receiving healthcare. And I don't think enough attention has been directed at sustainably solving for those issues. So I think that there is a huge opportunity to remind people, not only can we do better for our patients, but the strategy to deploy to get there is really anchored in quality and safety. I also think that we needed to remind people of the ROIQ, the return on investment and quality, because there's a lot of misconception about what quality is. A lot of healthcare leaders, our research confirms that a lot of healthcare leaders still think it's about compliance or the work of a department. And some of them think we got all we could out of quality, and I think nothing could be further from the truth. We see other industries doubling down on quality when there is scarcity or times of uncertainty. But in healthcare we see people cutting in this area. It's one of the first things to be cut from a budget is investments in quality and safety because they're seen as not contributing to top line revenue. So what we wanted to do is prove that when more resources are expended and when those resources are directed at leveraging the workforce, which by the way, is the single biggest investment in healthcare. So when we invest in our workforce and we improve their skills and their competencies that is resulting in higher quality, safer care, and absolutely more affordable care. So I think a lot of people need to be reminded of it and also be exposed to the opportunities to take quality to the next level.

Burda:

You know, I saw a mouse on a hospital elevator, and that reminded me we have a long way to go. I'll tell you that story sometime <laugh>. I think I told Dave that story once, but it's a good one. He knew where he was going, you know, it was very clear he is been there before. So, anyways thanks Stephanie. Dave, what are your thoughts on that? You know, I thought everyone knew better clinical outcomes and better financial outcomes go hand in hand.

Johnson:

And you gotta know, Dave, that wasn't the first mouse that was in the elevator, so no way where there's one there no way. Well, one of my favorite quotes of all time is that hypocrisy is the tribute vice pays to virtue, and healthcare exhibits this behavior in abundance. Organizations love to talk about putting patients first and emphasizing quality outcomes and so on. And yet, just like Stephanie outlined, when you actually look at what happens quality is misunderstood. It gets cut. When push comes to shove the real issues become how do we generate margin and what are the best ways to do that? Not how do we deliver the best outcomes for our end users. And, part of this, I think goes back to the way quality has emerged as an issue within the healthcare industry. First of all, what industry relies on government to come up with quality measures? And because it was government we've got a buffet of core measures that allow various providers and specialties to pick and choose and even try to find what quality is. And it's wrapped into the payment system. So it gets so convoluted and complex and removed from a really pretty basic core idea that improving quality reduces costs and increases value that it really confuses people that are interested in, in driving quality. And the more cynical just don't even think about it. The way I like to think about this is that, and this is where I think Stephanie's going, is, is that NACU is creating a platform for quality. It's not just, you know, lumping together a bunch of point solutions which is kind of what we see, you know, throughout the entire industry. So big problem, big ideas, revolution, revolutionary thinking this is, we, we we just need to completely elevate the discussion and change what we're doing.

Burda:

Yeah. Make the connection more direct. Thanks, Dave.

Johnson:

Yeah.

Burda:

Stephanie, my next question is how do you measure the ROI of Safe and Effective Care? You know, what's the investment? What's the return? And how do you calculate it? You know, for every patient who doesn't contract an infection, I save X. How does that work?

Mercado:

It's a very complex question, but I'll do my best to answer it briefly here. So the answer is yes. There are national benchmarks and agreed upon figures that really tell us the approximate rate per incident. For example of Kadi Klabsi; we know through published research from A HRQ that the approximate cost of a CLABSI is \$45,000. The approximate cost of COTI is \$13,000. So the answer is yes, we know what these figures are. What I wanna do for a quick second though, is talk about a sort of a core truth about quality and safety training, if I may. And that is really how we have evolved the profession over time. And so it, because understanding how to solve for any of these issues requires understanding how we got here. And then I'm gonna come right back and, and do some straight math for you, <laugh> To more directly answer the question. But, so what I wanna talk about for a second is this core truth that quality and safety training is merely non-existent. And the way that the profession of quality and safety has evolved, has really been on the local level with the dominant strategy for preparing people to work in their roles was on the job training. And most people came to quality because they were really good at something else first. So our whole thesis and the way we proved out the ROIQ, our thesis was the lack of standardization in these roles and in competencies and in skills

was what was driving the lower than desirable performance. And that that performance was negatively impacting finances, right? So what we did for example, I'll talk about Christus. We took in baseline performance data with CHRISTUS across 52 measures, and we understood where they were at. We then orchestrated an intervention through our workforce accelerator program, which got the, the quality infrastructure, both the direct quality infrastructure, and even people in you know, clinically adjacent roles in the right roles, focused on the right things with the right training, and with the right competencies. And as a result, we were able to improve performance across a multitude of those measured categories. So when, when Christus, you know, really quantified that what they saw was cost avoidance, and they saw revenue gains because of the intervention. So CHRISTUS saw a 50% reduction in the serious safety event rate, and they also saw \$20 million annually in pay for performance gains. And that's just in a couple of categories. And so I think that when we talk about, do back to your question, do we know the cost of all these things? Yes, we do. And we can take the average amount, and we can multiply it by the number of incidents in a hospital. But what we really ought to be focused on is improvement in those areas and sustainable improvement. So you'll notice in the work that we did, we did not go after one you know area at a time, one clinical condition at a time. We went after all of them. And this really speaks to what David was mentioning. You know, we are activating solutions that are not just point solutions, right? Not just solving one problem at a time in sort of the whack-a-mole fashion. We are advancing sort of this platform approach to creating problem solvers who can go into a healthcare environment and address a multitude of issues simultaneously to see sustainable improvements across the organization. Healthcare is complex, but we're doing our, our best to make it less complex by just giving people the right skills and competencies that they need to affect change on a multitude of levels. So complex issue, but <laugh>, that, that's my, that's my my, my first swat answer for you.

Burda:

Yeah. I've been reading a little bit about how you can get a bloodstream infection from a simple IV if you don't follow, basic protocols. People take it for granted. But you know, just think about how many IVs are inserted a day at hospital, right? Hundreds, maybe thousands. Thanks Stephanie. Dave, why do you think most hospitals and health systems aren't measuring the ROI of Safe and Effective Care?

Johnson:

Well, part of it is just the reality that it's very difficult to quantify a negative. So if someone in the 1990s at the Department of Transportation had said, we're gonna institute a regulation that requires solidifying cockpit doors the industry would've been up in arms complaining about it and so on, but it would've prevented September 11th. If September 11th had never happened, we wouldn't, wouldn't be able to talk about that type of event, right? So the part of it's that but I think the bigger part is that the payment mechanisms and the ad hoc way in which quality gets administered within healthcare haven't provided incentive for organizations to take the type of platform approach that Stephanie's organization did with christus. And, you know, there are hospitals that have shut down readmission programs; programs designed to prevent readmissions because they were losing too much money, right? <affirmative>. We were paying people for their errors. So the industry's always been fighting that. The interesting thing today is even though we're still a dominant fee for service payment model, if organizations truly understand where they're at risk they're certainly at risk for the cost of people without insurance that come through their doors. They're at risk for underpayment, for certain types of governmental funded or patients with governmental insurance, particularly Medicaid patients. And then there are the various other kind of quality and value programs that reward better behaviors. But to some extent, all of this activity is triumph of process over outcomes. We, we've lost sight, as Stephanie mentioned, of the end objective and get immersed in all of the process measures. And if the process measures don't have a direct line to the outcome that's desired in some ways it doesn't matter because we're paying for, you know, the individual

process mechanisms not for the final outcome. So I love the idea of having a baseline, measuring it over time, and, you know, recognizing the savings and doing it in a comprehensive, not an ad hoc way. So that's, that's where we are. But I think Stephanie's pointing to where we need to be.

Mercado:

Can I build on that for just a second? So I think it's really interesting. So when we set out on this journey to really scale improvements in quality and safety, and to make them sustainable, you know, we encountered a fair amount of naysaying, naysayers and people who, you know, weren't quite sure if they should get on board with this. And part of the reason why is because for the exact reason that David said, a lot of healthcare executives are underwhelmed by the notion of cost avoidance. And I would say a couple of things to that. Number one it's not just about cost, right? So we are in fact saving lives, reducing harm, and that is our number one job is to do no harm. So start with that. Number two, when you look at cost avoidance and understanding real impact of that, what we have seen through our ability to run programs through an ROI estimator what we have seen is they're leaving a lot of money on the table. And this is not penny's, this is pounds. So recently I had a conversation with chief medical officer at one of the largest healthcare systems in the United States, and we just sort of roughed out what their opportunity was to affect their margin through cost avoidance. And what we saw is they're leaving about a half a billion dollars on the table because of these these errors and the, these, these these issues that are pervasive across the organization. So I think that there's a a real opportunity for people to understand cost avoidance. And I don't think it is underwhelming not only because you know, the impact on patients and families, but because it brings real dollars back to the bottom line. So that's number one. Number two, the opportunity to scale sustainable quality and safety systems also has a significant impact on revenue. And Christus did a great job of proving this out. And, and we're just starting to, I think, scratch the surface on this, but from a revenue perspective we

are seeing top line revenue increases as well, and that comes through with them with a pay for performance in how they are being recognized and rewarded for their work. So I think that you know, as much as finance executives and CEOs can, that they should be locking arms and partnering with their quality leaders because those people know how to find the opportunities for quality, for safety, and to bring money back to the bottom line. They're one of the best kept secrets in healthcare totally under leveraged. And we hope with our support can be even stronger leaders in their organizations to really make the case for quality.

Burda:

Yeah, cost avoidance is your margin driver, right?

Mercado:

It's a big one.

Burda:

Okay, Stephanie, last question. How do you see AI playing a part in this ROI formula? I guess there are four ways it could go with AI, more investment, more return more investment, less return, less investment, more return or less investment, less return. And what do you think and why?

Mercado:

That's an interesting question. My answer is gonna be, it depends. And initially I think there's lots of testing, lots of investing, and, and the, the current data says that we're not getting the ROI that we had expected out of AI. That being said, I think the hope and the expectation is, is that more investing should result in ROI. But I wanna point out something that I think is really important and something that is not being addressed enough, is that the critical success factor for AI being effective is our human readiness to accept this change, embrace it, and then to activate it. And I think in fact, humans could be the rate limiting factor for advancing ai. So let me, let me give you a quick story. A quick example

of that. I was talking with the healthcare executive. He was a CEO of a company that was going to implement a new AI technology within a health system. And he shared with me that during the kickoff meeting you know, they had convened a, a broad group of diverse stakeholders from the organization. They were explaining to them about the program and how it was gonna work and, and what it was gonna do, and all the benefits it was going to achieve for the organization. And at the morning break, the main point of contact for this CEO came over to him and pulled him aside and said, we're gonna have to wind this down. We're not gonna be able to continue with this launch event today. And in fact, we're not gonna be able to continue with this program this AI initiative. And he was really confused and concerned and said, why, you know, we've only been in this for about an hour and a half. What did we do wrong and how can we make it better? Let's get this back on track. And his point of contact said, it's not you and it's not your technology, it's us. We are absolutely not ready for this. And I had no idea the amount of change management that would be required to make this program successful. And I think that's a real revelation that needs some quick attention. And I would point out that, and as part of our competency framework we have a focus on change management because that is a huge lever to advance quality and safety in finance. And so the more that we can talk about the human components, the social, the emotional, the competencies required to activate AI, I think the faster we will be able to achieve the ROI on AI. So that's where I think we need to be focusing.

Burda:

Yeah, the people are the most important part of people, process and technology. Right? Dave, where do you see AI fitting into this relationship between clinical outcomes and financial outcomes?

Johnson:

Yeah, I a, a first rule of, of consulting is, is fix a problem before automating. And that first rule goes on steroids when you bring AI into the picture.

Mercado:

Hey, Dave, Dave, you know, what I like to say is you can't scale broken, right? Let's not do that. Don't scale broken, fix it first.

Johnson:

Yeah, it's just amazing how many organizations don't get that basic rule. And so AI in many ways is making it worse, but when it's fixed, and then you can use AI to do better prediction you know, better prediction is just another form of risk management, right? The better we can predict, the fewer interventions required, the lower the cost will be, the higher the quality, all of those types of things. I really liked Stephanie, your point on change management and the human factor. In the seventies, Ford's motto, the auto company Ford's motto was, we have a better idea than a light bulb that punctuated all of their commercials. And that happened to be the time when they were building Pintos that had exploding gas tanks, <laugh>, and they fought in Congress against the regulation that would've required them to fix that. On a cost benefit analysis, I think it was \$11 for a plastic part that could have fixed it. And the auto industry overall focused on profits and getting people to buy more cars and they were focused on the wrong things. They lost a sense of the engineering and the people. And as a result foreign automobile manufacturers came in and took away the U.S.'s global leadership position in manufacturing automobiles. And then in the eighties when Ford was reeling and trying to come back, they changed their marketing slogan to quality as job one. And they had ads showing workers on the line dressed in white coats, you know, really paying attention to detail. And I think we've got that kind of issue in healthcare. We've got the equivalent of planned obsolescence, right? We're focusing on revenues and volume and how do we get paid the most money for doing the things we do? We've lost sight of what the end goal should be. And the end goal should be quality is job one, because that's the way we get the highest value and the healthiest outcomes. So I really like that focus on change management and I think the industry has some real soul

searching to do as it looks at its operations. And ultimately we have to get to a point where quality truly is job one.

Burda:

I get that point about don't scale what's broken, in my house, when I cook, the first question I get is, how much of this did you make?

Burda:

and I, I thought it was a compliment at first, but it doesn't, when....

Johnson: ([00:57:16](#)):

Dave, when I was a teenager my grandmother was kinda losing it. And one day she made, I don't know, 20 dozen peanut butter cookies and forgot to put the peanut butter in <laugh>. And we continued to eat them forever. We called 'em no tasters. You know, maybe that's the healthcare system writ large right there.

Burda: ([00:57:41](#)):

Exactly, exactly. That's great. Okay, Stephanie, I do have one more question for you. How often do people confuse NCU with the NCQA, the National Committee for Quality Assurance?

Mercado: ([00:58:02](#)):

So in the past maybe a fair amount, but today not as much. Although we find ourselves in a, in a bit of an alphabet soup I think NICU is really differentiating itself, not only in the name but in our work. So the special part of our mission and what we're really committed to is advancing quality and safety workforce competencies. And we're the only organization that is doing that. We are the only organization with a accredited certification in Healthcare Quality, which is the CPHQ, we've certified more than 40,000 people date, and we're the only organization working to impact the scale of quality and safety proving the ROIQ. So I

think that we're doing a good job in differentiating ourselves, honoring the good work of our colleagues and the other organizations, advancing their missions, and really being clear about what our mission is, is to make healthcare better, and to do that in ways that really promote the most important things, which are safety, quality, and a financially sustainable system.

Burda:

You're really upping your game. That's great. Thank you. And Stephanie, thanks again for being our special guest on the roundup.

Mercado:

Thank you for having me. It's been fun.

Johnson:

You're one of the revolutionaries we celebrate and support, so keep on going, Stephanie.

Mercado:

Thank you. I appreciate it. We've got the full support of the NICU board, the NICU headquarters staff our CP HQs and our members, and we're here to make meaningful change in the industry. Super excited about that opportunity and the obligation that we have to make things better.

Johnson:

We'll jump the barricades with you anytime.

Mercado:

Okay. Sounds good.

Burda:

<Laugh>. That's great. Thanks to both of you. If you'd like to learn more about the topics we discussed on today's show, please visit our website

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