Optimizing a Business Case for Safe Health Care:
An Integrated Approach to Finance and Safety

Glossary of Terms

Based on Healthcare Financial Management Association's glossary and others, as noted.

Care Purchaser: Individuals and entities that contribute to the purchase of health care services. In general, the patient is the principal care purchaser. Other important care purchasers include private employers and public-sector health care purchasers such as state employee and retiree agencies that contribute to employees' purchase of health insurance and the cost of actual health care claims, including through self-funded health plans (HFMA Taskforce).

Cost: The definition of cost varies by the party incurring the expense (HFMA Taskforce):

- To the patient, cost is the amount payable out of pocket for health care services, which may include deductibles, copayments, coinsurance, amounts payable by the patient for services that are not included in the patient's benefit design, and amounts balance billed by out-of-network providers. Health insurance premiums constitute a separate category of health care costs for patients, independent of health care service utilization.
- To the provider, cost is the expense (direct and indirect) incurred to deliver health care services to patients.
- To the insurer, cost is the amount payable to the provider (or reimbursable to the patient) for services rendered.
- To the employer, cost is the expense related to providing health benefits (premiums or claims paid).

Dark Green Dollars: Actual savings on the bottom line or well documented savings in budgeted items (Martin et al. 2009).

Hard Dollars: Financial calculations (see Dark Green Dollars).

Liability: obligation to pay a specified amount at a future time.

Light Green Dollars: Theoretical cost savings that cannot be tracked to the bottom line or savings that cannot be accounted for (Martin et al. 2009).

Patient Safety: Patient safety refers to freedom from accidental or preventable injuries produced by medical care. Thus, practices or interventions that improve patient safety are those that reduce the occurrence of preventable adverse events (PSNet).

Pay for Performance: Pay for performance uses incentives to encourage and reinforce the delivery of evidence-based practices to improve the health care quality and services as efficiently as possible; also available to hospitals in certain markets.

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Pay for performance, sometimes abbreviated as P4P, refers to the general strategy of promoting quality improvement by rewarding providers (meaning individual clinicians or, more commonly, clinics or hospitals) who meet certain performance expectations with respect to health care quality or efficiency (PSNet).

Payer: An organization that negotiates or sets rates for provider services, collects revenue through premium payments or tax dollars, processes provider claims for service, and pays provider claims using collected premium or tax revenues. Examples include commercial health plans (also known as insurers), third-party health plan administrators, and government programs such as Medicare and Medicaid (HFMA Taskforce).

Performance Budgeting: Linking funding of a program to its demonstrated effectiveness and efficiency.

Pricing Transparency: Making hospital prices widely available to patients who may want to shop around for certain services; usually applicable to elective services, where the patient can afford to take the time to shop around; empowers patient with high deductible health plan as well as consumers to find value and quality when comparing health care procedures and services.

Quality Assurance (QA): Evaluation of health care services based on set criteria.

Quality Assurance Reporting Requirements (QARR): A set of data that includes performance measures related to many preventative health services and public health issues.

Return on Investment (ROI): A calculation of discounted cash flow from an investment over a specified period of time.

Reimbursement: A process by which health care providers receive payment for their services.

Risk: The chance or possibility of loss; in insurance terms, risk is the probability of loss associated with a given factor or exposure.

Risk Adjustment: A statistical process used to identify and adjust for variation in patient outcomes that stem from differences in patient characteristics.

Risk Contract (Medicare): A contract between an HMO or other qualified health plan and CMS to provide services to Medicare beneficiaries; under this type of contract, the health plan receives a fixed monthly payment for each enrolled Medicare member.

Risk Sharing: Spreading the opportunity for reward or loss; for providers, this usually means accepting a fixed reimbursement for services or supplies they provide regardless of their amount and cost.

Safety Culture: The safety culture of an organization is the product of individual and group values, attitudes, perceptions, competencies, and patterns of behavior that determine the commitment to, and the style and proficiency of, an organization's health and safety management. Organizations with a positive safety culture are characterized by communications founded on mutual trust, by shared perceptions of the importance of safety, and by confidence in the efficacy of preventive measures (Health and Safety Commission 1993). Safety culture refers to both (a) the intangible sharing of the safety value among organization members and (b) the tangible results of this shared value in the forms of behavior and structure (Groves 2014).

Soft Dollars: Cost that will impact the organization (see Light Green Dollars).

Total Systems Safety: Safety that is systematic and uniformly applied (across the total process) (Pronovost et al. 2015).

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Workforce Safety: The physical, psychological, and emotional safety of workers. Workforce safety is a precondition to patient safety (LLI 2016).

Volume: The level of patient activity.

Value: Monetary worth, either currently or at some future time (Value = Quality/Payment).

Value is the quality of a health care service in relation to the total price paid for the service by care purchasers (HFMA Taskforce).

Value Added: Cost of value added to a product during a particular process or activity.

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