

Key Concepts to Combine the Efforts of Great Orthopedic Groups with Hospitals to Achieve Greatness and Profits in Orthopedics

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FROM SICKNESS INSURANCE TO HEALTH INSURANCE

The Search for
Affordable Healthcare in
the United States



1900 – 1920: SICKNESS INSURANCE

- ✓ Medical Care Inexpensive.
- ✓ Insurance Was To Replace Lost Wages.
- ✓ Labor Against Insurance, Afraid It Would Deter Workers From Joining Unions.



1920 – 1940: ECONOMIC DOWNTURN

- ✓ Cost Of Medical Care Begins To Rise Due To Increase Medical Knowledge And More Dependence On Hospitals.
- ✓ Birth Of The Blues: Tax Exempt Blue Cross and Blue Shield Plans That Covered Hospital Care For A Set Price.
- ✓ Kaiser Health Plan Created, First HMO.
- ✓ In 1943, A Proposed National Health Insurance Plan Failed Due To Low Cost, Excellent Health Insurance Provided By The Blues.



1940 – 1950: WORKPLACE AND COMMERCIAL COVERAGE

- ✓ 1939, World War II Started A Wave Of Inflation.
- ✓ 1942, Stabilization Act Was Passed To Offset Wage Controls By Providing Tax Incentives To Employers Who Are Willing To Provide Health Insurance For Their Employees.
- ✓ In Addition To The Blues, Commercial Plans Are Developed That Provide Health Insurance To Young Employed Individuals.
- ✓ At The End Of World War II, Due to Returning Veterans And Rising Birth Rates, Hill Burton Act Was Created To Expand Existing Hospitals And Build New Hospitals. Also, Physicians Began to Enter Specialty Residencies.



1960 – 1970: NEW SOCIAL MEASURES

- ✓ Passage Of Social Security Act of 1965 Created Medicare And Social Security.
- ✓ During The 1970's, Inflation And Healthcare Costs Were Major Governmental Concerns.



1980 – 1990: COST CONTAINMENT MANAGED COMPETITION

- ✓ Creation Of Managed Care: Direction Of Patients.
- ✓ Contracted Medicine.
- ✓ Contracts Between Payors and Insurance Plans, Insurance Plans And Patients And Insurance Plans And Physicians.



TODAY: THE DEBATE CONTINUES: UNANSWERED QUESTIONS

- ✓ Healthcare Costs Including Medicare And Medicaid Are Unsustainable.
- ✓ Healthcare Saving Plans Are Created.
- ✓ Medicare Drug Benefit Plan Passed.
- ✓ Community Healthcare Clinics Created.
- ✓ Accountable Care Act.
- ✓ Accountable Care Organizations/Medical Homes.
- ✓ Alignment Of Physicians.
- ✓ Employment Of Physicians.
- ✓ End Of Independent Physician Practice.
- ✓ Go Back To The 1940's.



TEXARKANA, USA (AR & TX)

- ✓ Texarkana MSA: 229,355.
- ✓ Median Household Income: \$31,976.
- ✓ Regional Hub For Cities In Southwest Arkansas, Northeast Texas, Northwest Louisiana, and Southeast Oklahoma.



MEDICAL RESOURCES

- ✓ CHRISTUS St. Michael Health System: Non-Profit 312 Bed Acute Care Hospital.
- ✓ Wadley Regional Hospital: For-Profit 152 Bed Hospital.
- ✓ Collom & Carney Clinic: Multi-Specialty Group of 80 Physicians Comprised Of Mostly, Family Practitioners, OB/GYN's And Pediatricians. Two Orthopedic Surgeons Are Employed By The Clinic.
- ✓ The Majority Of Physicians Are In Small Groups Consisting Of Four Physicians Or Less.



ORTHOPEDIC SPECIALISTS OF TEXARKANA (OST)

- ✓ Seven General Orthopedic Surgeons and One Non-Surgical Orthopedist.
- ✓ Four Surgeons Practice At The Wadley Professional Building, Two Orthopedic Surgeons And One Non-Surgical Orthopedist Practice At The St. Michael Professional Building.
- ✓ Majority Of Outpatient Surgery Is Performed At One Of Two Ambulatory Surgery Centers.
- ✓ 75% Of Inpatient Surgery Is Performed At CHRISTUS St. Michael, 25% At Wadley.
- ✓ Mature Physicians Who Average 50 TO 85 Patients Per Clinic. Income Is Above MGMA Medians.
- ✓ Practice Has Sold All Ancillaries And Real Estate. Physician Income Is Earned From Direct Patient Care.



OST STRATEGIC PLAN

- Practice Strengths:
 - ✓ Mature Physicians Who Have Excellent Reputations And Consistently Excellent Outcomes.
 - ✓ Seven Of The Ten Orthopedic Surgeons Practicing In The MSA Belong To OST, Market Domination.
 - ✓ Excellent Relationships With Hospitals And Physicians Within The MSA.
 - ✓ The OST Surgeons Have An Excellent Work Ethic, No Conflicts Within The Group And There Is No Debt.



OST STRATEGIC PLAN – CONT'D.

- Practice Weakness:
 - ✓ Aging Population Within The MSA.
 - ✓ OST Surgeons Aging.
 - ✓ OST Surgeons Are Risk Adverse And The Practice Does Not Hold Money In Reserve.



CHRISTUS HEALTH



CHRISTUS ST. MICHAEL (CSM)

- ✓ Modern Healthcare's 2010 #1 Best Place To Work In Healthcare In The Nation Among Large Employers. (Third Year As Best Place To Work In Healthcare And Overall Ranking Of #7 in 2008, #3 in 2009, and #2 in 2010).



Best Companies To Work For In Texas Among All Employers For The Sixth Year In A Row. (Top 10 Last Three Years).



CHRISTUS ST. MICHAEL (CSM) – CONT'D.



- ✓ Named As #6 Best Place To Work In Nation For Travel Nurses by TravelNursing.com
- ✓ Recognized By Becker's ASC Review/Becker's Hospital Review As A "100 Best Place To Work In Healthcare".
- ✓ Physician Satisfaction : FY11 Mid-Year Survey Score Is 82%tile.



CHRISTUS ST. MICHAEL (CSM) – CONT'D.

- ✓ Thomson Reuters 100 Top Hospitals® For Large Community Hospital in 2011.
- ✓ A Blue Distinction® Center For Knee And Hip Replacement By Blue Cross And Blue Shield Of Texas And Blue Cross And Blue Shield Association in 2010.
- ✓ One Of Only Three Hospitals In The Nation To Be A HealthGrade Recipient Of The 2010 Patient Safety Excellence Award™, The 2010/2011 Outstanding Patient Experience Award™, And The 2010 Pediatric Patient Safety Excellence Award™.



CHRISTUS ST. MICHAEL (CSM) – CONT'D.

- ✓ One Of Only 23 Hospitals In The Nation To Be A HealthGrade Three Year Recipients Of Both The Patient Safety Excellence Award™ And The Outstanding Patient Experience Award™ (2009 – 2011).
- ✓ One Of Only Two Hospitals In Texas To Be A HealthGrade Three Year HealthGrade Three Year Recipients Of Both The Patient Safety Excellence Award™ And The Outstanding Patient Experience Award™ (2009 – 2011).



PLAN

- ✓ Align With One or Both of the Texarkana Hospitals.
- ✓ Areas Of Alignment:
 - Joint Replacement Center
 - Fracture Clinic
 - Co-Management
 - Purchase Of A Surgical Robot
 - Bundling Of Charges/Payments For Defined Procedures
 - Expansion Of Markets
 - Orthopedic Surgeon Recruitment
 - Possible Employment



CSM CENTER FOR JOINT REPLACEMENT

- ✓ Opened The CHRISTUS St. Michael Center For Joint Replacement (Focus On Hip And Knee In 2010).

	2009	2010
Ave. LOS	4.17	3.39
Ave. Complication Rate	4.8%	3.3%
Ave. Blood Transfusion	34.0%	19.0%
Ave. Readmission Rate	5.8%	4.7%
Ave. Knee Flexion	68 deg.	85 deg.
Ave. Knee Extension	13 deg.	4 deg.
Ave. Ambulation Distance	190 ft.	530 ft.
Pain Control (Press Ganey)	33% ¹ %	90% ¹ %
Overall Patient Satisfaction	67% ¹ %	90% ¹ %



BUNDLED PAYMENTS (COST VARIATION)

- ✓ For More Than 20 Years, The Dartmouth Atlas Project Has Documented Glaring **Variations** In How Medical Resources Are Distributed And Used In The United States. The Project Uses Medicare Data To Provide Comprehensive Information And Analysis About National, Regional, And Local Markets, As Well As Individual Hospitals And Their Affiliated Physicians.

¹ <http://www.dartmouthatlas.org/>

- ✓ Across The Country, Consumers, Businesses And Insurers Are Demanding More Value From The Healthcare System – And Are Experimenting With Ways To Make That Happen.

² <http://www.hhnmag.com/December 2009>



BACKGROUND

- ✓ Goal: Provide Higher Quality Care And More Efficient Use Of Resources Is To Have Better Coordination Across Hospitals, Physicians And Post-Acute Care Providers.



ACUTE CARE EPISODE (ACE) DEMONSTRATION

DEMONSTRATION STATUS:

- ✓ Baptist Health System In San Antonio, Texas; Oklahoma Heart Hospital, LLC in Oklahoma City, Oklahoma; Exempla Saint Joseph Hospital in Denver, Colorado; Hillcrest Medical Center in Tulsa, Oklahoma; and Lovelace health System In Albuquerque, New Mexico Have Been Selected To Participate In The Demonstration. Hillcrest Medical Center Implemented The Demonstration On May 1, 2009 And Baptist Health System, On June 1, 2009 As A Value-Based Care Centers For Both Orthopedic And Cardiovascular Procedures. Oklahoma Heart Hospital Is Expected To Implement The Demonstration In The Summer Of 2009. Exempla Saint Joseph Hospital And Lovelace Health System Will Start Later In The Year.

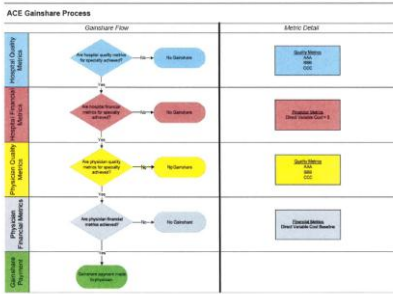


PURPOSE OF ACE

- ✓ To Determine Whether Improvements In Quality Of Care Can Result From The Alignment Of Financial Incentives Between Hospitals And Physicians In Such A Way That They Must Coordinate Care On A Case-By-Case Basis.



ACE GAINSHARE PROCESS



ACE RESULTS

- ✓ Greater Hospital/Physician Alignment.
- ✓ Improvements In Quality And Efficiency.
- ✓ Reduction In Costs/Improvement In Margin.
- ✓ Increased Market Share.
- ✓ Higher Patient Satisfaction.



ACE LEARNINGS

- ✓ This Has Not Been Easy.
- ✓ Continuous Physician Engagement Is A "Must".
- ✓ Need To Identify Physician "Champions".
- ✓ Inadequate Information Systems.
- ✓ Labor Intensive To Deploy And Administer Program.
- ✓ Nominal Incremental Volume Gain To Date.
- ✓ Questions About Marketing Effectiveness.
- ✓ Lack Of Beneficiary Awareness.



ACE LEARNINGS – CONT'D.

- ✓ Increased Leverage With Vendors.
- ✓ Physician Compliance With Quality Metrics.
- ✓ Some Physician Defections.
- ✓ Increased Interest From Non-Participating Physicians.
- ✓ Shift Towards Evidence-Based Practice.
- ✓ Sooner Than Expected Gainshare Distributions.
- ✓ Sooner Than Expected Quality Improvements.
- ✓ Inquiries From Managed Care Organizations About Bundled Pricing.
- ✓ Medical Staff Support For ACE Gaining Momentum.



QUESTIONS??

THANK YOU