Case Studies in Physician Alignment Success

May 10, 2013

Agenda/objectives

Introductions
Overview of various physician alignment programs undertaken by two VHA-member hospitals - Strategies - Challenges - Results
Review of the health care organization's goals - Economic - Clinical
Offer applicable, practical lessons-learned to use in your physician integration initiatives

About us

Lani Berman, Vice President, VHA Inc.

- 17+ years health care consulting and pharmaceutical marketing, specializing in physician preference and helping hospitals address quality, costs, productivity and utilization
- Worked with the US Office of Inspector General to secure 14 favorable gainsharing advisory opinions and led multiple CMS demonstration projects including the Acute Care Episode Demonstration
- Previously, in international marketing for Teva Pharmaceutical Industries and project manager for Hewitt Associates

Don Hicks, Vice President, VHA Inc.

- 35+ years in hospital and physician management working with hospitals in all areas of practice integration including strategic planning, ambulatory care services and compensation planning
- Previously Executive Vice President of PivotHealth Consulting; Vice President with Health Directions Consulting
- Formerly CEO of Arizona Integrated Management Services, one of the state's largest medical practice groups, where he managed 80 physicians, 350 employees

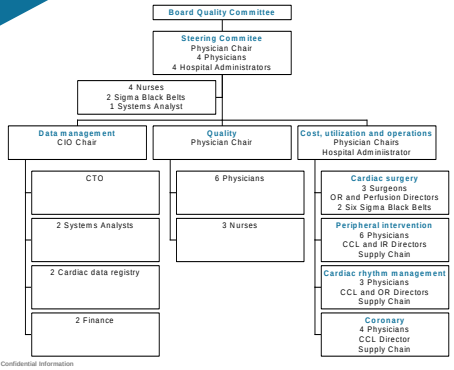
Case study:
Health Care Organization A

Cost, operational and quality improvement

Case Study Overview

- Hospital and cardiovascular physicians formed partnership to improve cost per case, operational efficiencies and quality
- Located in South with annual volume of 1,600 open heart surgery patients
- 12 surgeons and 1 anesthesia group
- Savings shared with cardiac surgeons, anesthesiologists and clinicians
  - Surgeons and anesthesiologists negotiated how to share savings for initiatives requiring decision making by both specialties
  - Savings only shared if quality was maintained or improved
- Organizational structure established to support Project

Organizational structure



Project 1: Operating room workflow

Move-in to incision time

Challenge

- Open heart surgery case times exceeded national practice and highly variable within hospital

Results

- Reduced move-in to incision time by seven minutes
- Saved $375k
- Savings split: 80% anesthesiologist / 20% surgeon
- Strengthened relationships with physicians and clinicians
- Set standards for moving patients into room
- Implemented parallel processes

"We put a team of anesthesiologists, cardiac surgeons, nursing and Six Sigma staff together to identify opportunities in cardiac surgery.

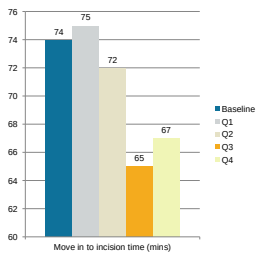
The team identified a big opportunity to save money and improve quality by redesigning the process around start time for cardiac surgery."

-Director of surgical services

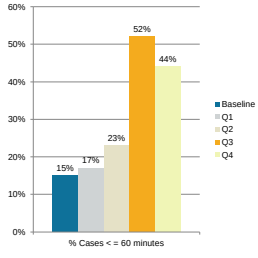
Project 1: Operating room workflow

Move-in to incision time

Physician Incentive



Staff Incentive



Project 1: Operating room workflow

Move-in to incision time

- Tremendous effort to reduce case time
- Worked with finance to determine "cost"/minute
  - Charge of $41/minute included labor, overhead and supplies
  - Finance observed cases in OR and determined only willing to share savings based on cost of supplies at $5/minute
  - Would not share savings for reduced labor cost or increased revenue from additional potential of 40 cases
- Finance decision impacted physician effort

Project 2: Quality

Permanent stroke rate

Challenge

- Open heart surgery stroke rate nearly double national average

Solution

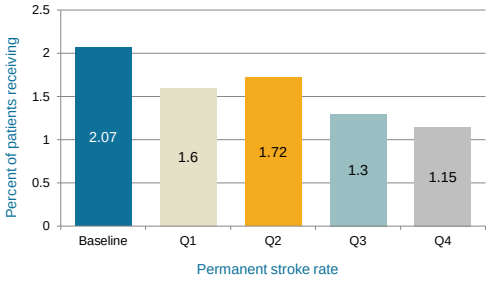
- Established team of cardiac surgeons to develop pre, intra, and post operative neuro protective strategies

Results

- Cardiovascular surgery section approved recommendations
  - Neuro strategy form placed in chart of high risk patients
  - All stroke cases go through quality review
- Permanent stroke rate reduced by 44%
- Mortality rate reduced by 24%

Project 2: Quality

Permanent stroke rate



Project 2: Quality

Blood product utilization

Challenge

- Blood product utilization exceeded national practice

Solution

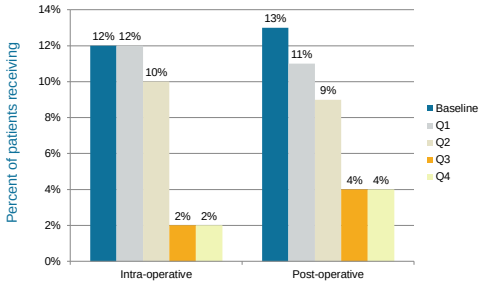
- Established team of anesthesiologists and cardiac surgeons to develop intra and post operative criteria for utilization of specific blood products

Results

- Use of intra and post operative blood products significantly decreased
- 335 fewer patient exposed to blood products
- Nearly $250k in annual savings
- Savings split
  - Intra-operative: 50% anesthesiologist / 50% surgeon
  - Post-operative: 100% surgeon

Project 2: Quality

Cryoprecipitate utilization



Successes and barriers

Success	Barriers
Strong physician, executive and clinical leadership support	Nearly all 12 surgeons in independent practice
Physician led steering and implementation committees	Limited motivation by physicians not part of committee structure
Collaboration among competing physician groups and hospital	Hospital placed limited value on efficiency causing some to lose interest
Commitment to use data to drive decision-making	Tracking and analyzing data
Improvements in quality and operational efficiency	

Case Study: Health Care Organization B

ACE demonstration project

Case Study Overview

- Bundled payments and gainsharing for acute inpatient episode with hospital and cardiac surgeons
- Hospital accepted significant risk
  - Agreed to 5% reimbursement discount
  - Accepted fixed payment based on average historical experience
  - Collected co-insurance
  - Reimbursed all physicians from single payment
- Physicians focused on high quality but disengaged from cost of care

Physician-hospital infrastructure

Year one focused on supply chain savings

Physician-hospital steering committee

- Reports to System Board
- Oversight and implementation
- Physicians and leaders from c-suite, clinical, quality and supply chain
- Analyzes performance and protocol compliance
- Reviews quality data
- Develops status reports
- Coordinates with CMS

Internal work teams

- Gainsharing
- Patient identification and notification of admission
- Billing and claims
- Care coordination
- Quality
- Marketing and education

Savings opportunities

Year one focused on supply chain savings

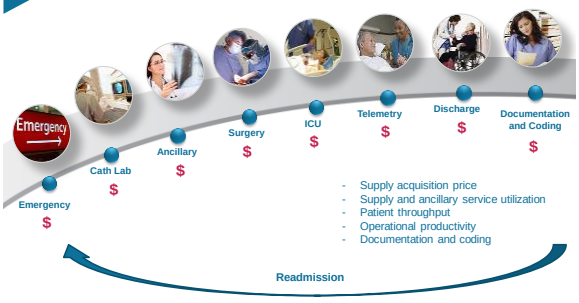
Target savings total **$506,000**

- Price Negotiation
- Standardization
- Substitution
- Reduce Utilization

Realized savings **$320,000**

	Target Savings
Valves and rings	$80,439
EVH kits	$50,949
Aortic punches	$235
Open heart and CABG packs	$62,305
Perfusion custom pack	$200,480
Autotransfusion supplies	$4,456
Cannulae	$17,069
Venous reservoir	$3,416
Ligaclips	$18,315
Swan Ganz Catheters	$20,977
Blood Type and crossmatch	$30,642
Nebulizer treatments	$17,085

Managing inpatient episode of care



Target savings opportunities

Year two focused on episode of care

- Continue working on supply opportunities from year one
- Intra and post operative blood utilization
- Suture price and utilization
- Length of stay by care segment
  - Admit to cath lab
  - Cath lab to surgery
  - ICU
  - Telemetry
- Surgical case times
- Chest CT utilization

Performance measures

Steering committee decisions – Quality tracked throughout the engagement

"Participating physician must either maintain or exceed benchmark performance in order to be eligible for gainsharing payments"

"ACE Physician-Hospital Steering Committee is responsible for determining ongoing performance metrics as well as the analysis and achievement"

Performance measures

Hospital quality scorecard

Top decile or top performing
<90th to 75th %ile or on Budget
< 75th to 50th %ile or off Budget
< 50th or >3% off Budget

	Baseline	Month 1	Month 12	Goal
Safest Hospitals				
Prophylactic antibiotic selection for surgical patients				
Prophylactic antibiotic received w/in 1 hr prior to surgical incision				
Prophylactic antibiotics discontinued w/in 48 hrs				
Post-operative Sepsis				
30-Day Readmission Rate - CV Surgery				
Inpatient Mortality Rate - CV Surgery				
Efficiency				
Coordination of Care				
Best Teams				

Case Study:
Health Care Organization C
"An overnight success in eight years"
– The story of leveraging relationships

Hospital-physician integration – A case study of success

Health Care Organization demographics

- Suburban, highly competitive healthcare market in Southern California
- Significant capitated managed care plan market penetration
- Health care organization, part of regional healthcare system
- 330 staffed beds
- Diverse community medical staff with a "traditional" array of independent physicians

Hospital-physician integration – A case study of success

Situation

- CEO had worked at the hospital as COO previous to his appointment as CEO so knew hospital culture very well
- Physician CEO had long history as well in the community
- Hospital CEO and Physician Group CEO had many, many major disagreements over the initial years of the organization creation

Hospital-physician integration – A case study of success

Lessons learned

- Hospital leaders and physicians leaders speak different languages based on the different ways each side is educated
- Only through each of them taking the time over a number of years to fully immerse themselves individually into how the other side's business
- Able to forge a trusting relationship where each could "make the case" for the other side's need to make certain decisions and sell that case to their own audience

Hospital-physician integration – A case study of success

Results

The health system has now used this model to expand to multiple other of their hospital locations in California and Texas.
Total physicians under this model is now approaching 1,000.

Six summary principles for successful integration

- Interdependence is key
- Relationships are primary
- Trust takes time to develop
- Recognize and respect cultural differences
- Accountability and transparency are essential to maintain performance
- Medical groups must understand that the hospital has other relationships

Questions?

Results are just the beginning

For more information, contact Lani Berman or Don Hicks, Vice Presidents, lberman@vha.com or dhicks@vha.com