Integrated Delivery Networks and Hospitals Trends and Strategies: C-Suite Perspective
Healthcare reform is accelerating and is here to stay

2009

The Patient Protection & Affordable Care Act
111th Congress of the United States
H.R. 3590

2010

Medicare

Over next 6 years, $250+ billion in reduced Medicare payments
A CEO’s Perspective

1. Moving from a volume to value driven system
   • Manage population health

2. Changing the care delivery model to create value
   • Change the care, change the experience, change the payment model

3. Hospital consolidation and physician alignment
   • Another record year of IDN consolidation
   • More physician employment and stronger clinical integration

4. Cost containment
   • Make money on Medicare pricing – reduce costs 15 – 20 percent
Impact on Integrated Delivery Networks (IDNs)

- Radical operational performance improvement – make money on Medicare
  - Reduce costs and improve operating margin – make money on Medicare, cut costs 15 – 20 percent.
  - Average margin on Medicare is a negative 9.9 percent

- Creating Accountable Care Organizations, population health capabilities, and new models of care
  - Patient-centered medical home
  - Fundamental care model changes with triple aim focus
    - Care bundles, pathways, care coordinators, care management, and more
  - Clinically integrated networks of physicians
  - New Financing models
Impact on Integrated Delivery Networks (IDNs) (continued)

• **Physician consolidation and integration**
  - Primary care, specialists, and all others – potential for alignment (more than 50% of MDs are employed 2012)

• **IDN and hospital mergers and consolidations**
  - Strong get stronger, weaker will have to consolidate
  - Consolidation needs to leverage scale to decrease costs

• **Significant capital/cash is being used for**
  - Electronic Health Records (EHRs)
  - Physician network creation and practice acquisitions

• **Different sectors of IDNs are going to behave differently**
Key questions from the C-suite

• How can we make money on Medicare reimbursement?
• How can we change the care model with largely independent physicians?
• How fast should we design and implement the new care model and the new payment systems that recognize value?
• Does our hospital/system utilize scale effectively?

…What role does integration play as part of the solution?