

# **Integrated Delivery Networks and Hospitals Trends and Strategies: C-Suite Perspective**

**Becker's Hospital Review Webinar  
After the EHR: The Next Big Step for  
System-Wide Integration**

**Mark D. Dixon, President  
The Mark Dixon Group, LLC  
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# Healthcare reform is accelerating and is here to stay



**2009**



**2010**



Over next 6 years,  
**\$250+ billion**  
in reduced  
Medicare payments

## **A CEO's Perspective**

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- 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)

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- **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)

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- **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

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- **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?**