



Exploring the Facts and Fantasies of Physician Hospital Integration

Real World Examples of What Works, What Doesn't and Why

May 17, 2012

VHA Inc. Confidential Information v1



Facts

fact

noun

1. something that actually exists; reality; truth

from dictionary.com

VHA Inc. Confidential Information

2



Fantasies

fantasy

noun

1. imagination, especially when extravagant and unrestrained.
2. the forming of mental images, especially wondrous or strange fancies; imaginative conceptualizing.
3. a mental [image](#), especially when unreal or [fantastic](#); [vision](#): a *nightmare fantasy*.
4. *Psychology* . an imagined or conjured up sequence fulfilling a psychological need; daydream.
5. a hallucination.

VHA Inc. Confidential Information

3

VHA Integration

integration

noun

1. an act or instance of combining into an [integral](#) whole

integral

adjective

1. of, pertaining to, or belonging as a part of the whole; constituent or component: *integral parts*.
2. necessary to the completeness of the whole: *This point is integral to his plan.*
3. consisting or composed of parts that together constitute a whole.

VHA Inc. Confidential Information

4

VHA Alignment

alignment

noun

4. a state of agreement or cooperation among persons, groups ... with a common cause or viewpoint

VHA Inc. Confidential Information

5

VHA NOT...

"...seeking to integrate (be owned by) with a hospital system...merging with a hospital system..."

"Physician employment is not a strategy."

Richard B. Jacobs

Senior Vice President for System Development

Chief Strategy Officer

Cedars-Sinai Health System

Feb. 8, 2012

VHA Inc. Confidential Information

6



Warning!



VHA Inc. Confidential Information

7



Brave New World

New models of payment

New models of care delivery

Triple aim:

better care for individuals

better health for populations

Lower per-capita cost

VHA Inc. Confidential Information

8



Brave New World

New value proposition

Pay for Volume...to Pay for Performance

Efficient

No waste

No harm

Patient experience

Patient reported functional outcomes

Transparency

VHA Inc. Confidential Information

9



How are we going to do this?

Who ya' gonna call?!

Physicians...

You can live with them...you can't do it without them

"If only the doctors would be more like us."

"We have a physician leadership program. We are teaching them to read balance sheets."

"Only the doctors need to change."

"Once all the doctors are employed, we will have alignment."

"We have all the important doctors right here in the hospital."

"We got a great price so the doctors have to use that."

VHA Inc. Confidential Information

10



Physician Alignment Strategies: Models for Success

- Task forces
- Clinical councils
- Service line co-management
- Pay for performance
- Gainsharing
- Joint ventures
- Clinical integration
- Patient centered medical homes
- Bundled payments
- Population management
- Leadership development

VHA Inc. Confidential Information

11



Goals Clinical Council Year One

Just do something that improves quality (value) – do a project

Grow governance & leadership

Define system key clinical processes

Quality scorecards for each operational line

Education - knowledge & toolbox

VHA Inc. Confidential Information

12



Clinical Council, another model

- Selected physicians
- Paired with administrative leaders
- Advise the hospital president
- Share perspective
- Shape strategy

VHA Inc. Confidential Information

13



Co-management and Gainsharing Overview

Hospital system formed co-management and gainsharing partnerships with physicians in competing groups

- Cardiologists
- Cardiac surgeons
- Vascular surgeons

Located in Northwest with annual volume of 350 open heart surgery and 3,000 cath lab patients

Co-management started in 2005 and gainsharing in 2007

Highly functioning alignment between health system and physicians

VHA Inc. Confidential Information

14



Co-management Goals

Physicians and administrator responsible for managing heart and vascular service lines

Goals

- Focus on high quality, low cost heart and vascular care
- Enhance physician participation and investment in heart and vascular care delivery process
- Enhance operational excellence of service lines
- Create effective and efficient decision-making structure with respect to operation of service lines

VHA Inc. Confidential Information

15



Co-management

Organizational structure

Heart and vascular board comprised of:

- 4 physician members including executive medical director
- 4 health system members including CEO and COO
- Administrator (non-voting)

Heart and vascular board reports to health system board of directors

Leadership

- Chairperson is physician member
- Vice-chairperson is hospital member

Paid positions

- Executive medical director
- 10 clinical medical directors reporting to executive medical director

VHA Inc. Confidential Information

16



Co-management

Board responsibilities

Staffing

- Review staffing levels and plans for recruitment/retention of clinical staff
- Approve Administrator and Executive Medical Director
- Input on appointment/evaluation/removal of Medical Directors and Dept. Managers

Recommend new services, including technology and care delivery

Monitor key clinical outcomes and quality indicators and develop continuous improvement plans

Approve plans and recommendations from standing committees

Develop, evaluate and oversee marketing strategies, community outreach, community awareness and educational programming

Develop work plan to fulfill health system strategic plan

VHA Inc. Confidential Information

17



Co-management

Compensation

Medical directors paid management fee plus performance bonus based on SCIP, Core Measure and patient satisfaction results

Co-management established foundation for partnership but needed more deliberate way to incentivize physicians on cost reduction

VHA Inc. Confidential Information

18

Gainsharing

Overview

Follows OIG approved gainsharing model focused on supply cost reduction

Program committee with physician and administrative representation

- Establish and implement supply cost reduction opportunities
- Monitor clinical and quality indicators to assure no significant changes from historical performance
- Meet at least quarterly to review performance

Baselines reset each year

Compensation/savings distributed annually

- 45% paid to physicians
- 45% retained by health system
- 10% re-invested into staff education

VHA Inc. Confidential Information

19

Gainsharing

Successes and barriers

Successes	Barriers
Strong project management and executive support	Keeping project on track due to changes in leadership at hospital
Rigorous process for assuring accurate, actionable data	Rigorous data collection process
Aggressive negotiations across all service lines with physician support	Negotiated contracts in year 1 without physician input
Physician led identification of opportunities for reducing utilization	Some suppliers refused to negotiate limiting choice
Physicians engaged and continued to achieve savings year after year	Key physician did not honor contract commitments in year 4

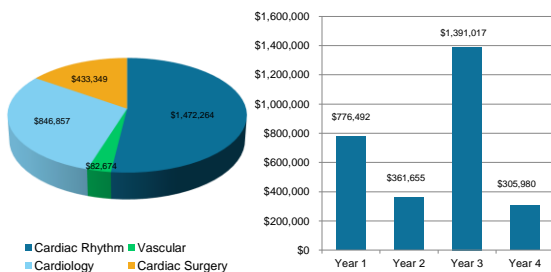
VHA Inc. Confidential Information

20

Gainsharing

Results

Savings = \$2.8 Million or \$836/patient



VHA Inc. Confidential Information

21



Operational and Quality Improvement Overview

Hospital and physicians formed partnership to improve operational efficiencies and quality through CMS Demonstration Project

Located in South with annual volume of 1,500 open heart surgery patients

12 surgeons and 1 anesthesia group participated

Incentives paid to cardiac surgeons, anesthesiologists and clinicians for supporting Project

VHA Inc. Confidential Information

22



Successes and barriers

Successes

Strong physician, executive and clinical leadership support

Physician led steering and implementation committees

Collaboration among competing physician groups and hospital

Commitment to use data to drive decision-making

Improvements in quality and operational efficiency

Barriers

Nearly all 12 surgeons in independent practice

Limited motivation by physicians not part of committee structure

Hospital placed limited value on efficiency causing some to lose interest

Tracking and analyzing data

VHA Inc. Confidential Information

23



Examples of results

Efficiency – case times

Challenge

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

Solution

- Established team of anesthesiologists, surgeons, clinicians and Six Sigma representatives to review process

Results

- Reduced move-in to incision time by 7 minutes
- Saved \$375k in operating room expenses annually
- Strengthened relationships with physicians and clinicians
- Set standards for assuring patients not moved into room until MD in OR or building
- Implemented parallel processes

VHA Inc. Confidential Information

24



Examples of results

Quality – 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 from 2.07% to 1.15%
- Mortality rate from 2% to 1.53%

VHA Inc. Confidential Information

25



Examples of results

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

VHA Inc. Confidential Information

26



Clinical Integration

An organized and committed group of physicians and mid-level providers who can be independently employed or employed by a hospital or health system

“Employment agnostic”

The CI Network and hospital can jointly contract with payors in order to improve quality and efficiency through coordinated effort

The physicians must participate in quality assurance, evidence based protocol development and other committees

VHA Inc. Confidential Information

27

Clinical Integration (cont.)

The physicians must participate in quality assurance, evidence based protocol development and other committees

Consequences of education, discipline, expulsion for non compliance

Adopt and invest in information sharing enabling technologies such as patient registries and EHR

VHA Inc. Confidential Information

28

2011 Value Report



The 2011 Value Report

www.advocatehealth.com/app
ehealth.com/app
 or call 1-800-3-ADVOCATE
 (1-800-323-8622)

Patient Centered Medical Home

"Magnet status" for primary care physicians

Sustainable primary care

Highest level of licensure

Lowest cost of care

Access

"Hot Spotters" – Atul Gawande – New Yorker

Self insured employees

Undocumented workers

Transformation of ambulatory care

VHA Inc. Confidential Information

29



Experienced Legal Representation and Review

Each of the models requires legal guidance

Nothing in this presentation encourages anticompetitive activities

Selection of one over another depends on market situation and the skill sets and interests of participating physicians, other clinical leaders and administrative leaders' skill sets

VHA Inc. Confidential Information

31



Leadership Development

We all learn new skills

Multidisciplinary teams of identified leaders

Exposure to system leaders

Learn by doing

Work together on real projects of strategic significance

Creation of a new culture

Followership

VHA Inc. Confidential Information

32



Questions and Comments

Lani Berman MPH, MBA

lberman@vha.com

Peggy L. Naas MD, MBA

pnaas@vha.com

VHA Inc. Confidential Information

33
