



## Becker's Hospital Review Annual Meeting

Assessing the Financial Returns and Impacts of  
Physician Alignment Strategies

May 18, 2012

Impacts of Physician Alignment Strategies

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### Introductions

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Impacts of Physician Alignment Strategies

May 18, 2012

### Today's Discussion

#### The implications of physician-hospital alignment strategies

- > Physician alignment defined
- > Strategies for alignment
- > Implications
- > Catholic Health Initiatives case studies

#### A Practical guide to moving forward




## Physician Alignment


Impacts of Physician Alignment Strategies

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### What is the industry saying?

Company	Key Buzz Word	Visible Thought Leadership	Economics	Activity	Purpose
McKinsey	Integration	●	●	●	●
Kaufman Hall	Integration	●	●	●	●
ECG Consultants	Physician Strategy	●	●	●	●
Halley Consulting Group	Integration	●	●	●	●
Health System Advisors	Alignment	●	●	●	●
Healthcare Strategy Group	Alignment	●	●	●	●
Deloitte	Clinical Effectiveness	●	●	●	●
PwC	Reform	●	●	●	●
Kurt Salmon	Alignment	●	●	●	●
Navigant	Physician Strategy	●	●	●	●
Chartis Group	Alignment	●	●	●	●
Sg2 Consulting	Alignment	●	●	●	●
3D Health, INC	Alignment	●	●	●	●
Healthcare Futures	Integration	●	●	●	●


 Legend: ● Strong Emphasis    ◐ Moderate Emphasis    ○ Weak Emphasis


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### Hierarchy of Hospital-Physician Alignment

#### Economics under

#### unprecedented pressures:

- > Ongoing net unit reimbursement cuts
- > Healthcare reform
- > Meaningful Use
- > ICD-10
- > Capitation / Bundling



#### Clinical integration holding

#### unprecedented promise:

- > Information system advances creating new insight
- > Transparency creating incentives to improve outcomes and processes
- > Healthcare reform sparking interest in new models of care

The basic economic alignment has to be addressed

Activity and purpose alignment has to be addressed for clinical integration

Goal: A Single Integrated Team



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## How do organizations measure alignment?

### Hospital-based perspective

- > Volume (inpatient discharges, physician volumes, leakage, market share)
- > Quality (inpatient focused)
- > Service (patient satisfaction)

### Few are using population-based measures

- > Limited data to measure cost of care
- > Some using insurance company "premium provider" designations

It is still all about filling the hospital and reducing the losses of employed physicians for most organizations



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## What has been the market's response?

### Economics and Activity Alignment

- > Large growth in Physician Employment
- > Whole service Professional Service Agreements, etc.
- > Increased attention to "Clinical Integration"

### Limited success of Alignment of Purpose

- > Majority reactive rather than defining the future
- > Lots of unknowns in the industry making it difficult to present a clear vision
- > Likely the Purpose discussion between hospitals and physicians this year will be all about "Population Health"
  - With a focus on attribution (activity alignment) and utilization management rather than health



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## Financial implications of alignment

## FFS Model

- > Productivity and insourcing create majority of the financial returns (revenue)
- > Additional improvements in operational efficiency particularly around supply
- > Employment typically generates significant professional fee losses
- > PSA's are additive costs

## Future Risk-Based Model

- > Attribution creates the revenue
- > Reduce utilization creates the savings
  - Rationing
  - Operating model improvement
  - Use of lower cost environments
  - Insourcing
- > Shared savings and "incentives" still come from the hospital



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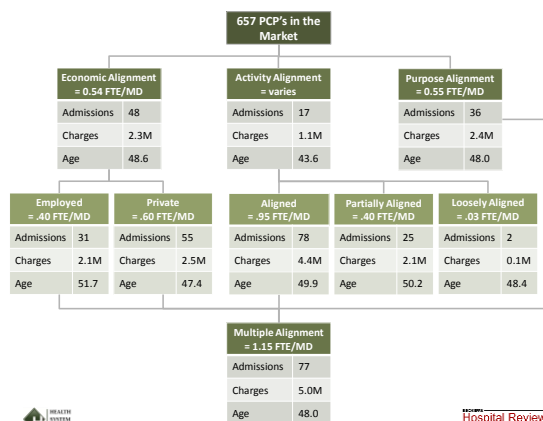
## Fee for Service Impact

Under a FFS environment, physicians with multiple forms of alignment (economic, activity, and purpose) are dramatically more financially beneficial to a health system

- > Employment is an inefficient tool from a hospital-based perspective
  - Typically 30% "leakage"
  - Employed primary care physicians in many markets perform at 50-65% of a full time productive physician
  - Large practice losses
- > Other forms of economic alignment only fare a little better
- > Physicians with strong activity alignment do much better on volume metrics but often don't meet quality, operational or other metrics
- > Physicians with multiple forms of alignment perform dramatically better with both volumes, operational, and strategic contribution



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### Future Risk-Based Impact

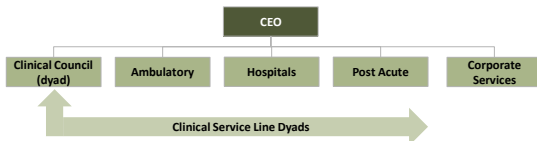
Under a risk-based reimbursement, utilization and quality become the key success markers over volume raising the importance of alignment on all three factors

- > Full risk scenarios present huge losses if the system is not aligned on all three factors
  - Most successful models have strong common purpose, culture for standardized practice, and economic incentives that mirror the contracts
    - Kaiser
    - West coast foundations

### Other Significant Impacts - Structure

Aligned organizations operate as a team

- > Transitioning health system leadership towards dyad or triad leadership models
  - Evolution builds dyad leadership model across the continuum through service lines (regional community systems)



- More established models bring dyads throughout the structure (clinic dominated systems)

### Creating More Effective Alignment

1. Agree on what types of alignment are most needed today
2. Measure the alignment systematically
  - > Repeatable
  - > Trend over time
  - > Quantitative
3. Use the right tools and models
4. Support with the infrastructure
  - > Information systems
  - > Corporate structure
  - > Culture of a single team not Us vs. Them



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### Creating More Effective Alignment

Major groupings of strategies (business services, contracts, employment, structured communications) work differently

AREA NEEDING IMPROVEMENT	PRIMARY STRATEGIES	SECONDARY STRATEGIES
Economic Alignment	Business Services	Contracts Employment Structured Communications
Activity Alignment	Contracts	Structured Communications Employment Business Services
Alignment of Purpose	Structured Communications	Contracts Employment Business Services



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## Catholic Health Initiatives

### National system

- > \$11B net operating revenue
- > \$15B assets
- > 75 hospitals across the US
  - 450,000 admissions
  - 475,000 long-term care days
- > 2000 employed physicians (60% specialist)
  - Subsidy of more than \$100K/provider

## Agreeing on the Important Alignment Elements Today

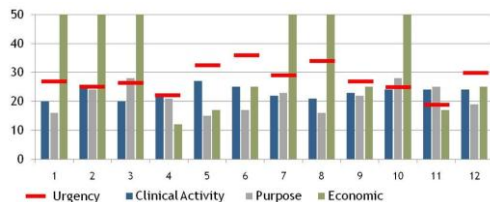
### Market is undergoing a dramatic shift from FFS to risk-based population health reimbursement

- > Physicians and hospitals must be in alignment to succeed in a risk-based environment
- > Together need to change the utilization patterns, improve operations, move patients to low-cost care models, improve prevention and chronic care management

Must have agreement on the future vision (purpose) and economic models that allows adaptation of the day-to-day activities as the market changes

## Measuring Systematically

- > Measure the alignment at each organization
- > Share best practices across the system



## Using the Right Tools

### Increasing use of physician employment

- > Expensive but also expedient in markets that are rapidly shifting
- > Shifting compensation from straight productivity to addition of quality, service and eventually utilization measures

Consolidation of contracts, PSAs, co-management, etc. to focus on alignment with the vision and integration across local and regional systems

Aggressively pursuing forms of one-sided risk models and selective two-sided to gain experience and link physicians



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## Supporting with Infrastructure and Culture

### Massive information system investments

Corporate "Physician Enterprise" to support growing employed physician practices and future narrowed networks of employed and private physicians for risk contracts

### Rapid evolution of organizational structures

- > Physician integration
- > Dyads

Eliminating "us vs. them" In the end we have to all be one team



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Questions and Comments