



THE  
CAMDEN  
GROUP

ideas. answers. action.

# Physician Compensation in a Value Based World

Becker's Hospital Review  
Chicago, Illinois  
May 10, 2013

BECKER'S  
**Hospital Review**  
BUSINESS & LEGAL ISSUES FOR HEALTH SYSTEM LEADERSHIP

# Evolving From → To

## From

Pay for procedures

Fee-for-service

More facilities/capacity

Physicians acting  
independently

Provider centric

## To

Pay for value

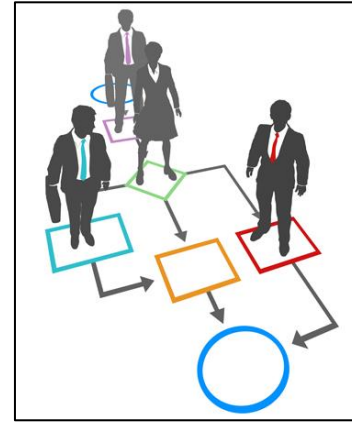
Case rates/budgets

Better access to  
appropriate settings

Physicians collaborating  
and “at risk” together

Population centric

# Key Words for Operational Success



**Throughput**



**Patient-focus**

**Process**



**Improvement**

# Measures of Medical Group Financial Performance Are Changing

## Fee-for-Service

## Mixed

## Accountable Care

### Revenue

- Patient volume
- Revenue/Visit
- Coding

- Panel size
- Revenue/Visit
- P4P scores
- Coding (including HCC)

- Panel size
- Quality scores
- Efficiency scores
- Coding (including HCC)

### Scope of Service

- Ancillaries

- Hospitalists
- Urgent Care

- Medical home
- Hospitalists
- SNFists
- Electronic visits
- Home visits

Path to "Fee-for-Value"

### Culture

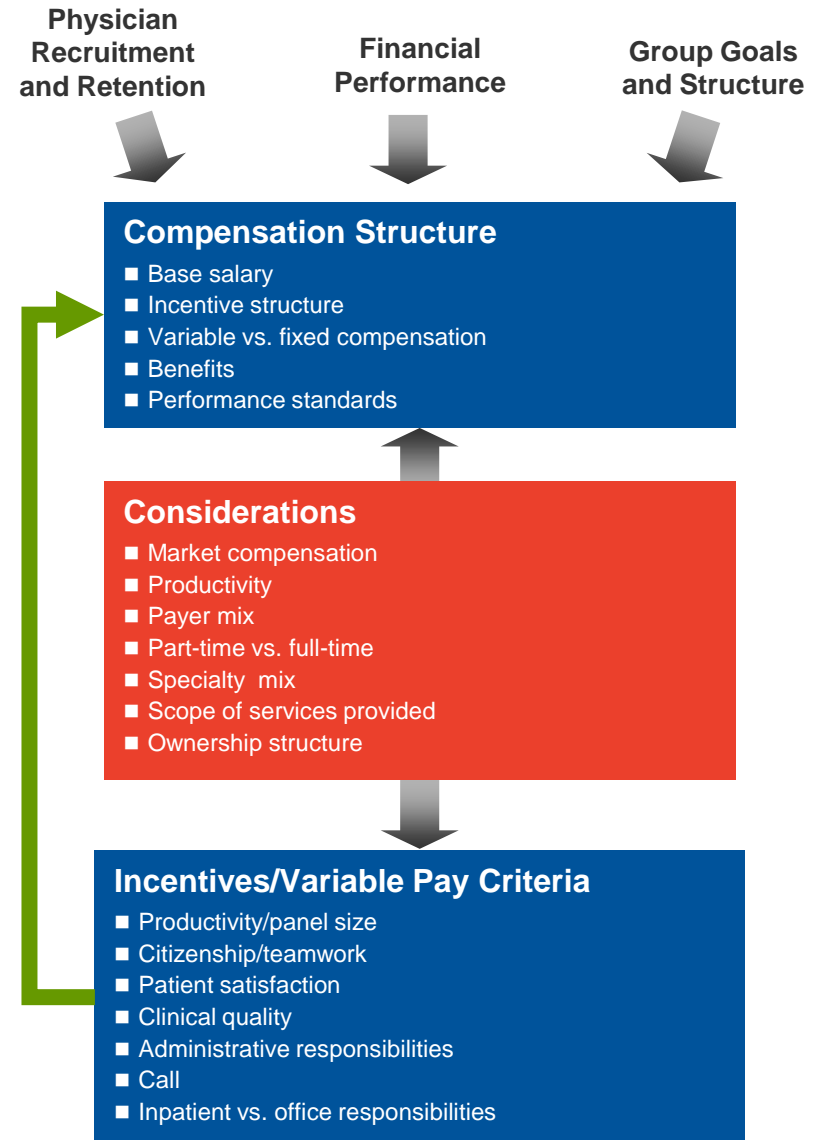
- Individual

- Site interaction
- Manage referral relationships

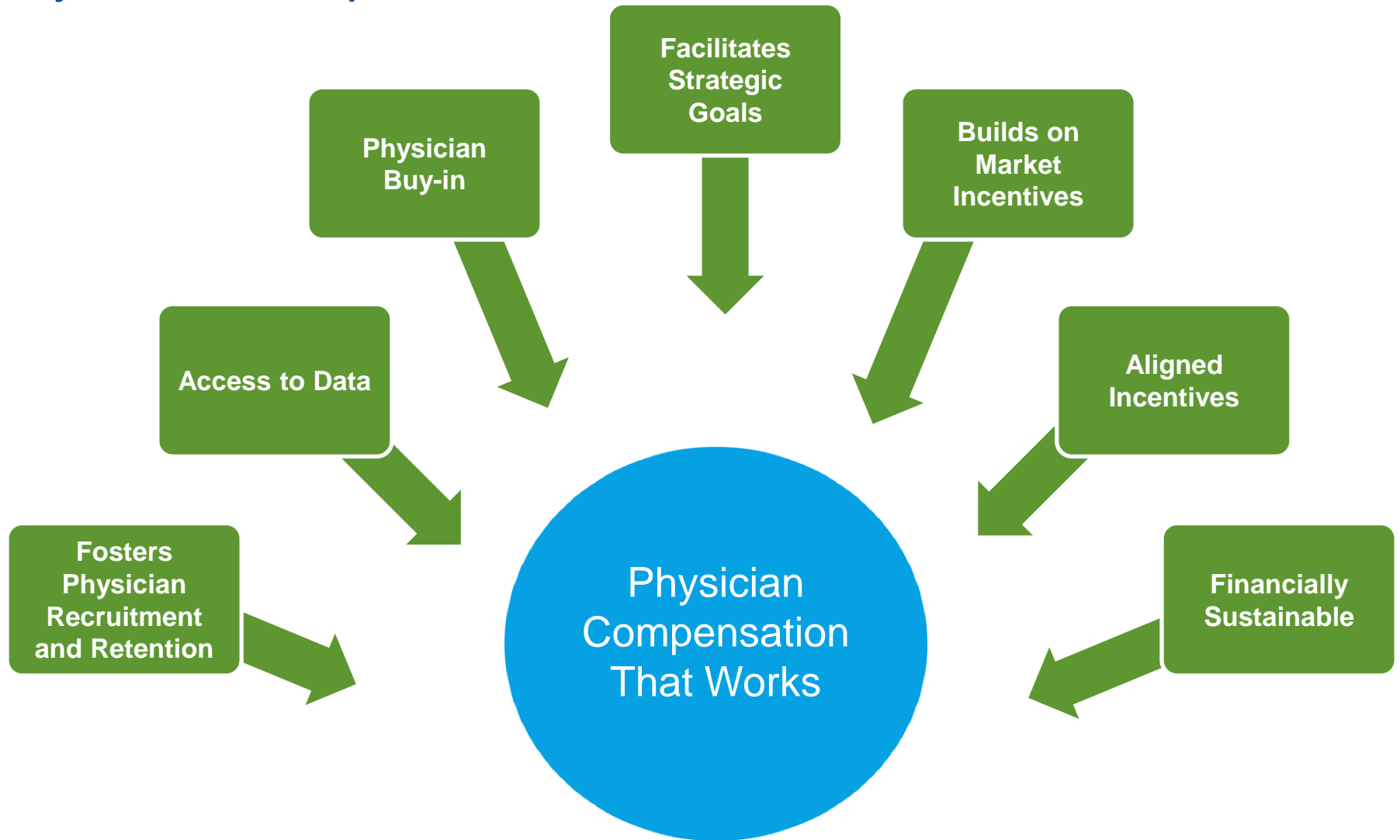
- Team orientation
- Communication

# Re-evaluate Compensation Structure

- Do the incentives match your goals?
- Are physician and management incentives aligned?
- Are you able to generate competitive compensation for all members of the Group?



# Physician Compensation Critical Success Factors



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# Physician Compensation in a Value Based World

David A. DiLoreto, MD  
Senior Vice President Presence Health





# Compensation: Connection to Our Mission and Values

Inspired by the healing ministry of Jesus Christ, we Presence Health, a Catholic health system provide compassionate, holistic care with a spirit of healing and hope in the communities we serve.

## Honesty

Provides compensation based on work, not revenue. Service to the poor is compensated the same as for all patients

## Oneness

Market compensation is determined in the same manner across all specialties and communities. Aligns rewards for targeted financial performance across physicians and executives

## People

Rewards both the work of the individual and the results of a team. The plan rewards implementation of ministry initiatives.

## Excellence

The plan defines the essential elements of being an excellent Presence physician. Expects baseline quality, safety or service to our patients to achieve full compensation



# Presence Health: At a Glance

## Our people

- 22,000+ dedicated employees
- 4,000+ expert physicians



## Annual impact

- 130,200 annual hospital admissions
- 461,800 emergency department visits
- 2,200,00 outpatient visits
- 9,200 babies delivered
- 2,217,000 total outpatient visits
- 76,300 surgeries performed
- 1,110,100 total days residents stayed in senior care
- 181,700 home health visits



# Presence Health: Geographic Coverage

- 12 hospitals; including 1 LTACH
- 27 senior care facilities
- 3 adult day care centers
- 50 primary and specialty care clinics
- 6 home health agencies
- Child care centers
- Behavioral health network
- Occupational health
- Immediate care centers
- Employed physician network
- Sleep care centers
- Hospice services
- Medical residency program
- Clinical pastoral education program
- School of Radiography
- Resurrection University

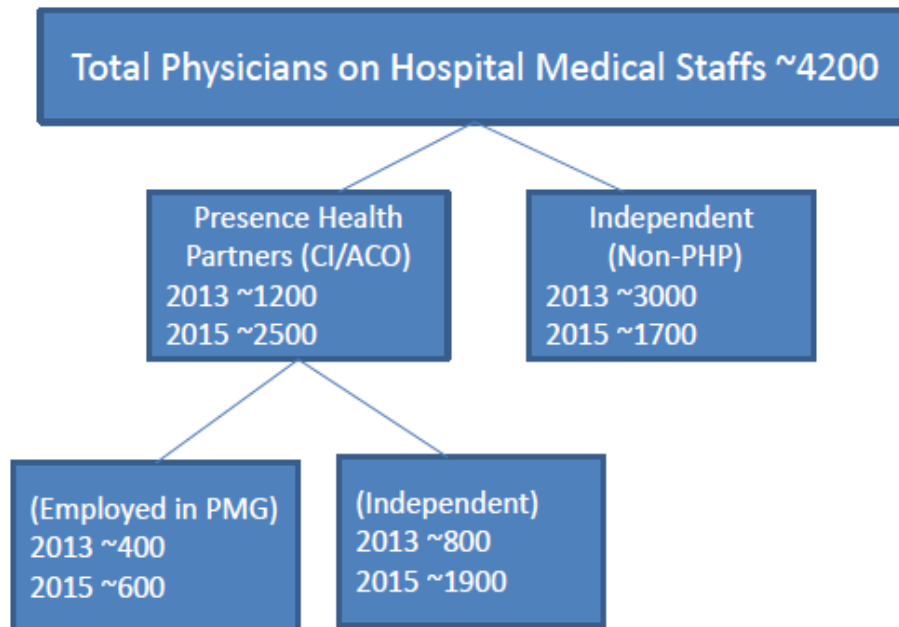


# Provider Alignment

## 2013 Presence Health Partners Membership Criteria

- Physician Portal access/usage
- High-speed Internet access
- Electronic data interchange to PHP
- Use of EDI for all contracts
- Compliance with access standards
- Use of referral management system
- Cooperation with Care Management
- Active use of email address
- Hardware/software compatibility
- Cooperation with PPO claims info
- Active participation in CI program
- Minimum panel size for PCP
- Participation in all products within chosen categories (MC, MA, EPO)
- Complete orientation to PHP within 90 days
- Achieve threshold CI/QI scores

## Presence Health's Physician Platform



# Presence Health Physician Alignment



## **Presence Health Partners**

- Clinical integration/Accountable Care organization
- Network of 1000 physicians today increasing to 2500 by 2015
- Awarded three year contract to participate in CMS MSSP ACO
- Managing 100,000 covered lives through shared savings ACO, direct-to-employer network and HMO
- Selected by CMS for Bundled Payment Demonstration for Total Joint Replacement Surgery
- Demonstrating superior value by reducing acute admissions 20% and ED visits 30% in patients with complex chronic diseases through intensive outpatient care management program
- Leadership in Illinois Medicaid transformation through participation in state's Provider-Plan-Payer Alliance for Health

## **Presence Medical Group**

- \$250 million net revenue
- Rapid expansion from 100 to over 400 provider FTEs in 24 months
- New practice governance model re-defines local, regional and system level accountabilities
- Standard operating model for practices
- Compensation is now a central system responsibility
- Presence Health corporate board's HR committee closely monitors physician compensation
- Anticipate increased revenue from alternative reimbursement contracts for ACO, clinical integration, HMO capitation



# Presence Medical Group- Developing a New Compensation Model



# Presence Medical Group

## Current Compensation Model

- Production based for most physicians
  - wRVU for PCPs
  - Shifts for ED and Hospitalists
- Guarantees
  - 1-2 years in select cases
- Non-compete clauses
- Over 50 unique contract variations for 400 FTEs



# Presence Medical Group

## Immediate Compensation Model Needs

- Model that supports adjusting capacity with demand
- Supports market funding of the practices
- A consistent incentive structure to accommodate a changing environment for:
  - Quality, safety and service goals
  - Managing the health of the populations
  - Shared savings opportunities
  - Aligned with overall health system performance





# Presence Medical Group

## Compensation Redesign: The Process

- PMG System Operations Council created a Compensation Committee made up of PMG physician leaders and PH system leaders
- Steering Committee meeting throughout 2013 to oversee the development of a Presence wide compensation plan
- Steering Committee outlined a process and commissioned work teams and consultants to make recommendations for a new compensation plan



# Principles of the Compensation Plan

The Compensation Plan will:

- 1. Support the Presence Health Mission.**
- 2. Drive fiscal health/security** for physicians and financial sustainability for Presence in a commensurate fashion.
- 3. Provide market competitive compensation** to attract and retain high quality physicians by appropriately converting physician work to compensation both in terms of economics and fairness.
- 4. Provide clear understanding of the mechanics**, how the plan works.
- 5. Ensure equity**
- 6. Incentivize transformational change** that physicians can impact, including the implementation of a new model of care and improvements in patient safety, quality and satisfaction.
- 7. Incentivize appropriate utilization** of resources and management of controllable costs.
- 8. Be sustainable** through rapidly changing markets by allowing for periodic changes/adjustments.
- 9. Promote a common culture** across Presence encouraging teamwork, collegiality and collaboration.
- 10. Allow for flexibility** in practice (e.g. part time and retiring physicians, teaching physicians and physicians in leadership roles).
- 11. Comply with all laws and regulations**

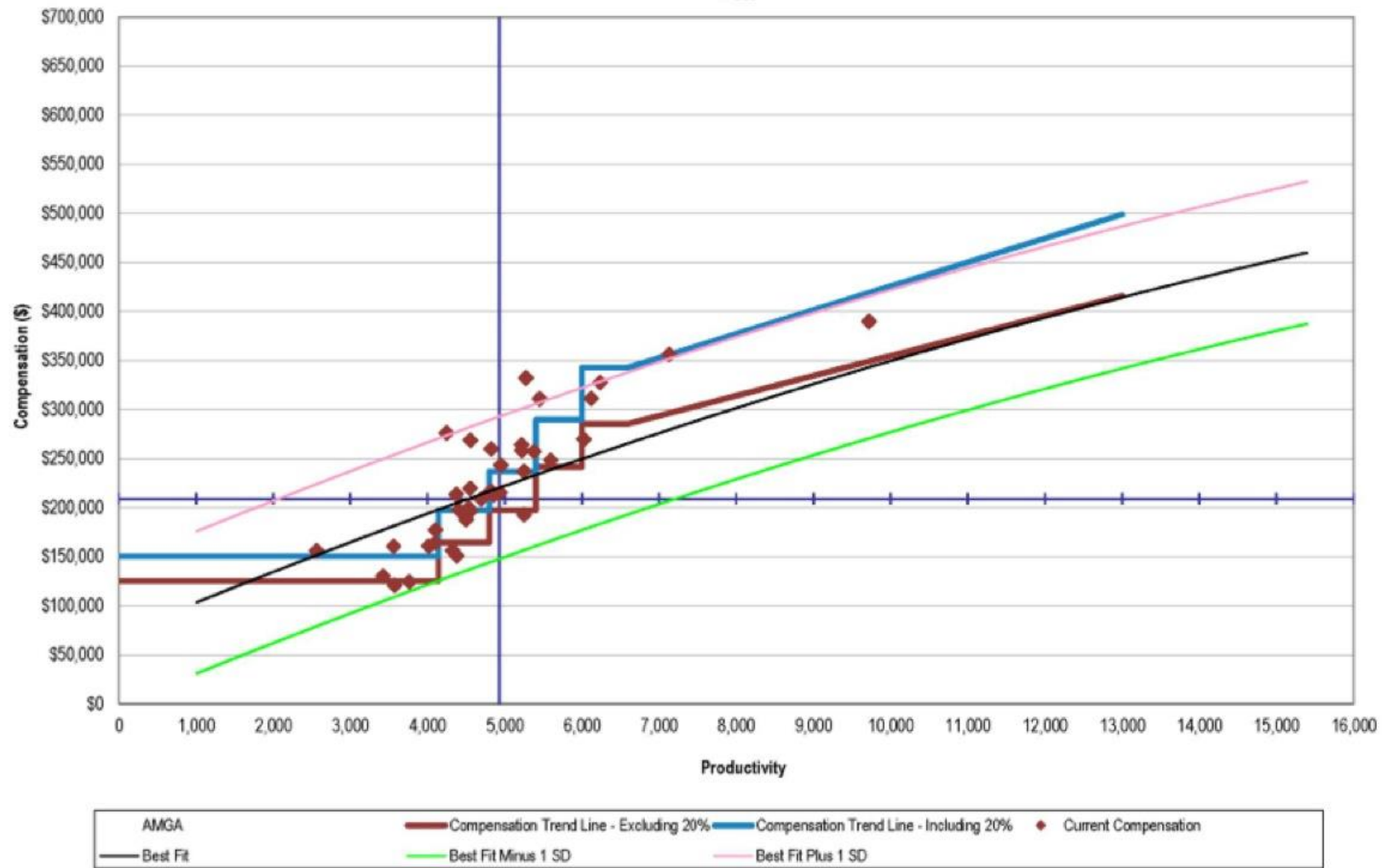


# Plan Design Components

- Work that a doctor does every day yields competitive market compensation.
  - Relevant definitions across natural groupings of doctors (e.g. PCP, Hospital Based, etc.)
- Doctors earn market compensation on their individual work with X% at risk (a withhold) for Quality, Safety and Service targets.
  - Work is generally measured by wRVU, Shifts, Panel Size, etc.
  - Work is paid at a predetermined variable salary level based on a rolling time period.
- Incentive Compensation of X%.
  - y% based on Presence achieving its strategic targets.
  - z% based on achievement of transformational goals



# Hypothetical model with 20% incentive compensation opportunity



# Rewards and Risks of New Compensation Model

## Reward

- All physicians are aligned in a common plan with common definitions for work and incentives aligned with leaders.
- Physicians earn market compensation for their daily work and above average market only if Presence achieves its financial targets.

## Risk

- Physicians believe incentive compensation is unattainable and is a “bait and switch.”
- Some current income expectations will not be met





Presence Health<sup>SM</sup>



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# Physician Compensation in a Value Based World

James Slaggert  
Vice President, Integrated  
Health Networks  
*Physician Practice Management*

May 10, 2013



health care in their area.

al

ty

40 long-term  
care assisted-

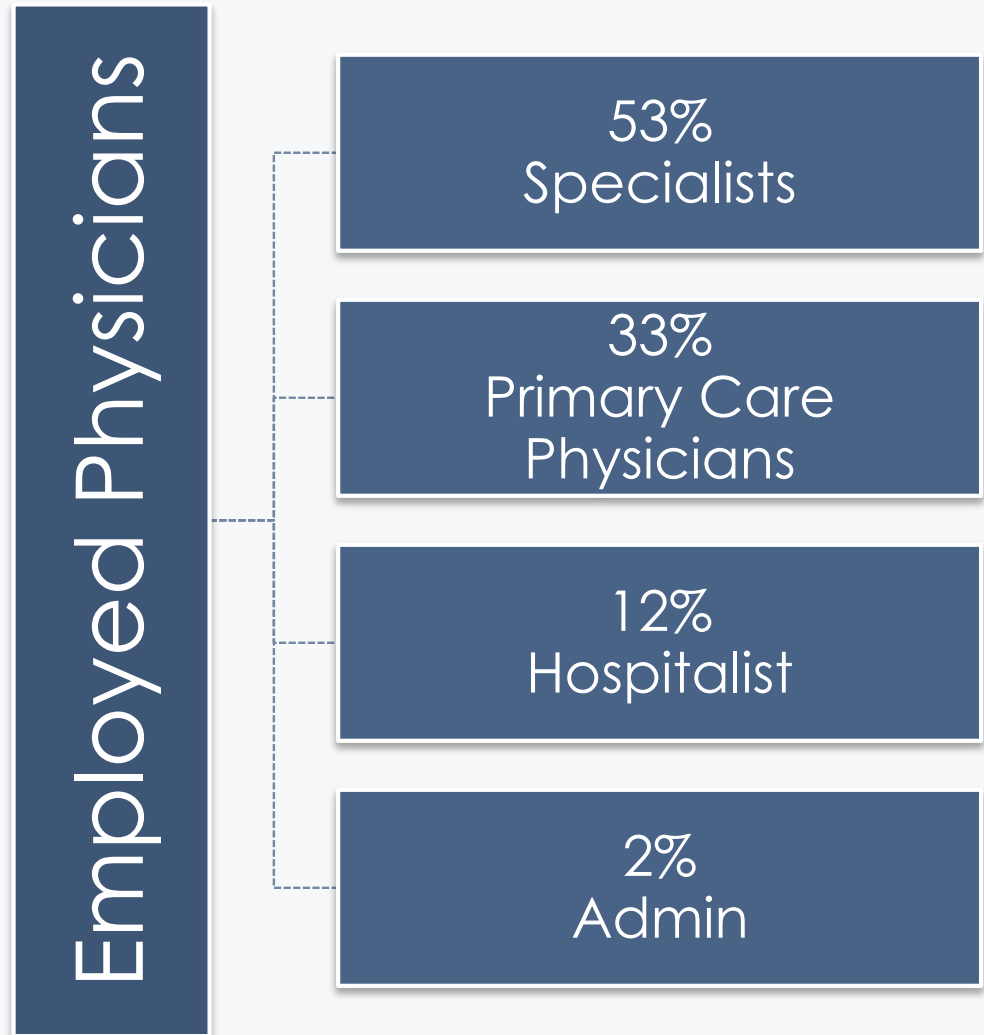
Two

Two  
community  
health-  
services  
organizations

## Total Providers

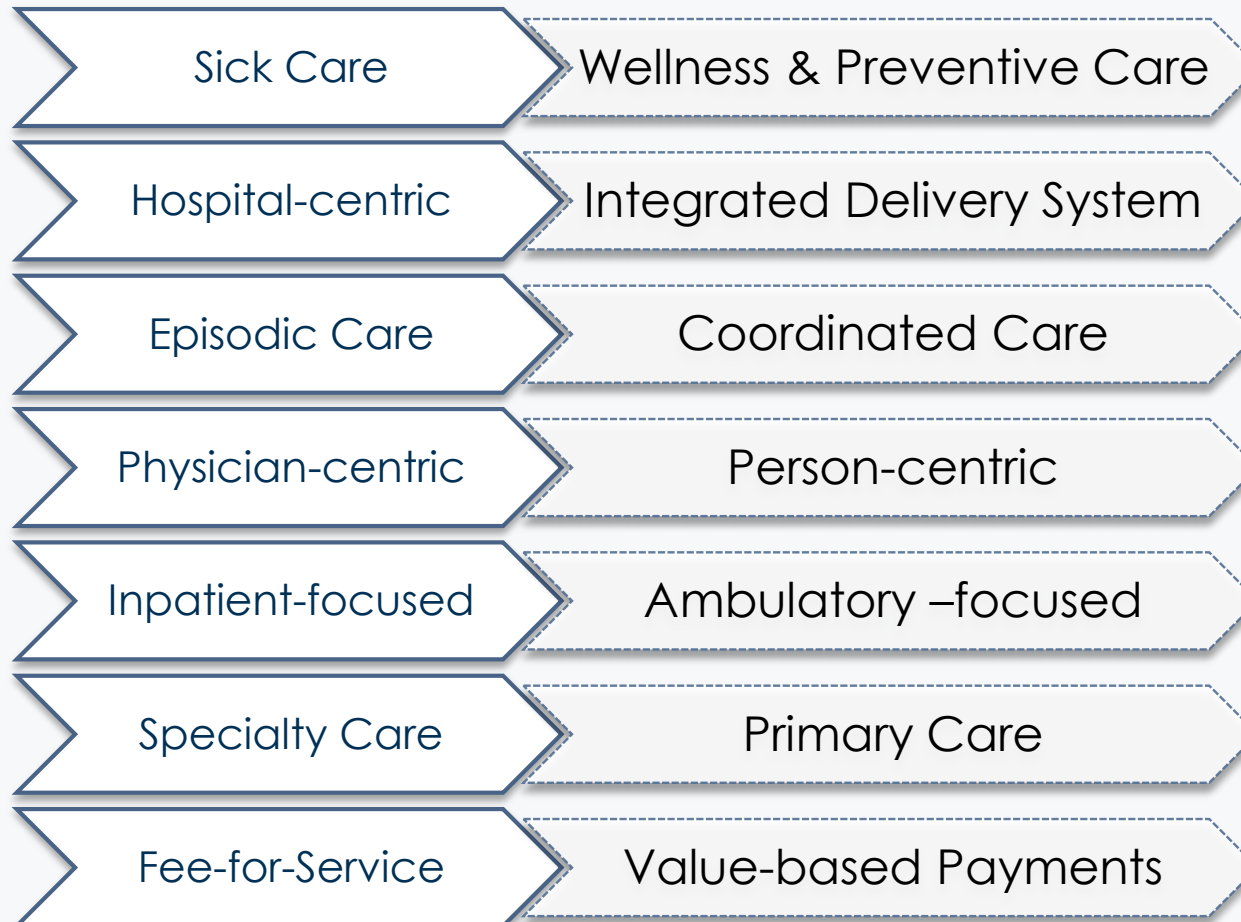
# 2,948

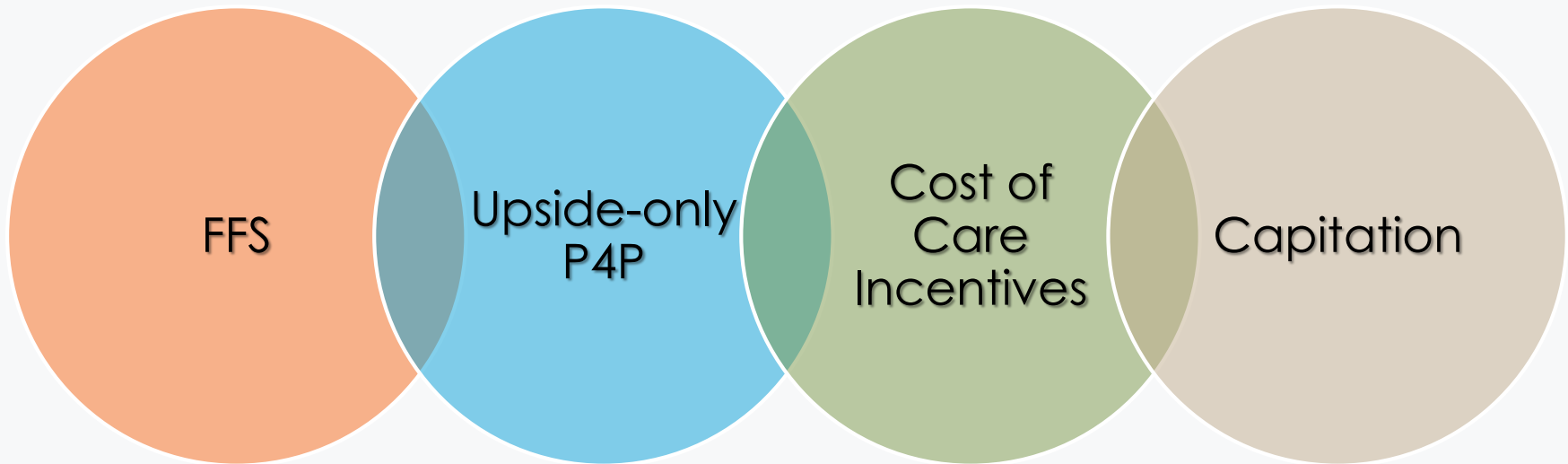
CHI employs **2,012**  
physicians and an  
additional **936**  
Advanced Practice  
Clinicians in **18** states.



## Market Movement

**Isolated Care** —————→ **Population Health Management**





## Progression of Risk Contracts

- Where is your organization on this spectrum of risk?
- Will you be prepared to assume financial risk beyond DRGs?

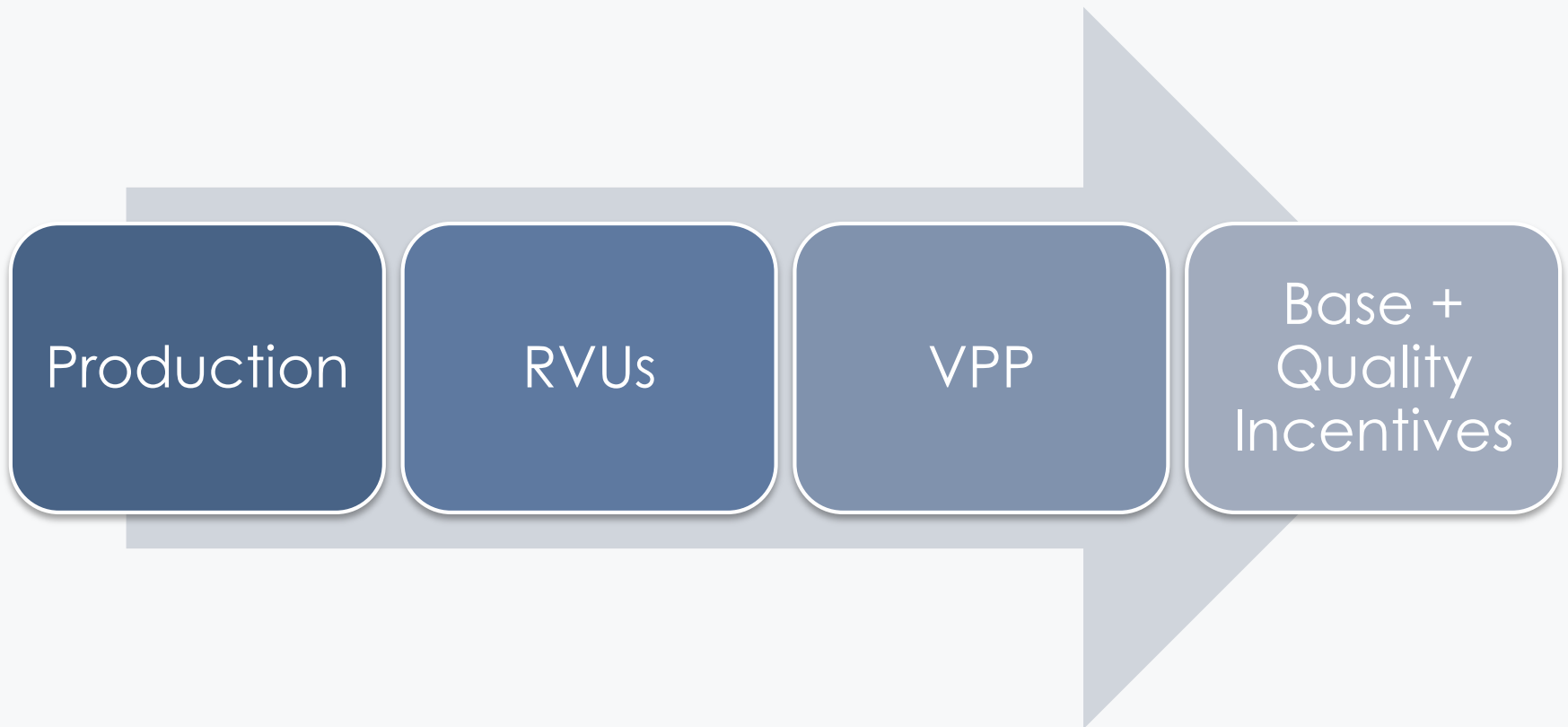


Physician reimbursement must be aligned to value-based products and quality incentives.

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A Fee-for-Service or Production-only reimbursement system will not match with a revenue stream defined by value-based products from Government and Commercial payers.

## CHI's Physician Reimbursement Journey



## National Philosophy & Standards

...with local implementation at FMV

“ CHI’s compensation philosophy and principles promote **collaboration** between providers and MBOs regarding an MBO’s commitment to a **transparent, consistent, equitable and fair market value** approach to provider compensation. This is foundational to CHI becoming a provider partner of choice.”

## CHI Provider Compensation Principles

1. Uphold the mission, vision and values of Catholic Health Initiatives as an integrated organization.
2. Promote the best patient experiences, highest quality patient care; team based care, and excellent patient outcomes.
3. Involve and empower stakeholders, and comply with CHI's provider work standards.
4. Promote internally consistent, equitable, and simple to understand methodologies.
5. Comply with all legal and regulatory requirements and be consistent with established fair market value ranges.
6. Recognize high quality patient care, clinical production, citizenship, patient satisfaction and efficient resource utilization.
7. Communicate in a transparent and collaborative fashion.
8. Provide economically sustainable and market supported competitive wages and benefits.
9. Maintain flexibility to accommodate local market conditions and changes to reimbursement methodology.
10. Collaboratively support system and MBO strategies and objectives.
11. Annual physician performance evaluations.
12. Physician Compact is developed locally.



# Physician Services



## **Clinical Compensation Base Salary/Productivity Based**

The CHI productivity component will be a Work Relative Value Unit (wRVU)-based model, whereby compensation is calculated using a single conversion rate for the entire medical group or specialty-specific conversion rates.

Further, compensation for providers' clinical work may involve an hourly rate, panel size or a base salary.

## Clinical Compensation Non-Productivity Based

All CHI compensation models, regardless of how clinical compensation is calculated, will incorporate quality components or other metrics in order to align provider practice with MBO strategic and clinical objectives.

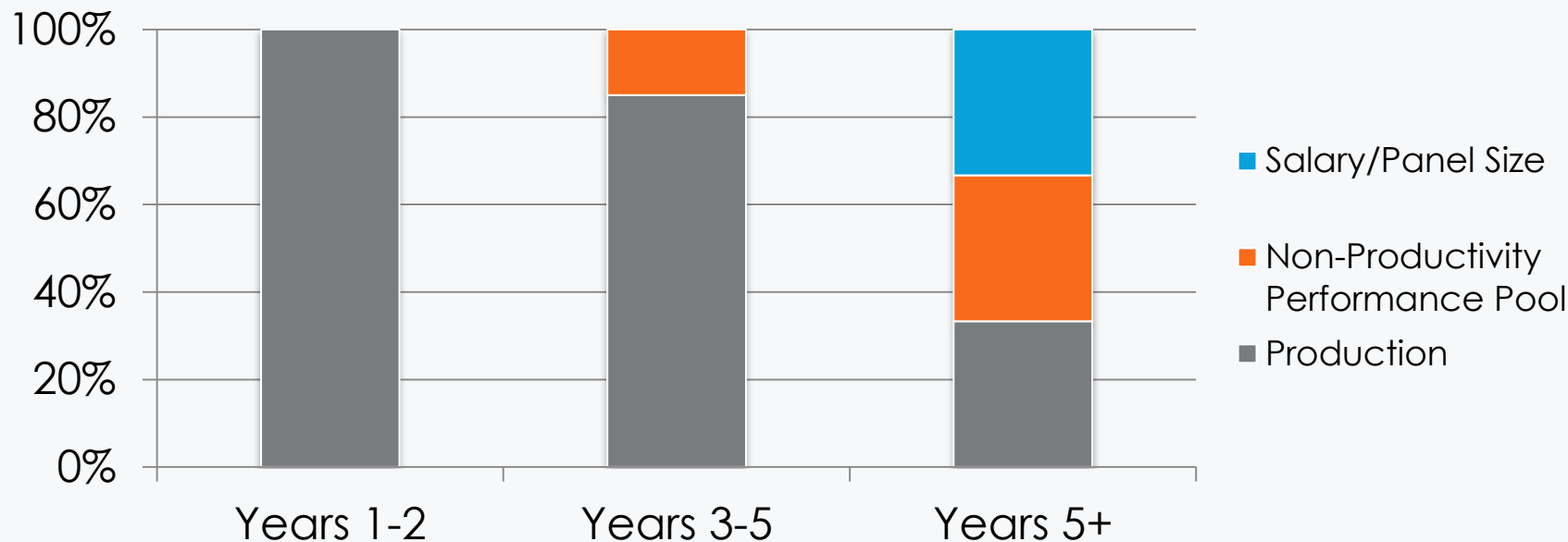
At a minimum, 15% of a provider's clinical compensation will be based on non-productivity metrics. As reimbursement changes from a primarily fee for service to higher percentages based on other metrics, the percentages used for non productivity compensation will increase.



## Total Compensation

A physician's total compensation (including compensation for administrative services, professional services, benefits, and bonuses of any nature) must not, by law, exceed a reasonable compensation level.

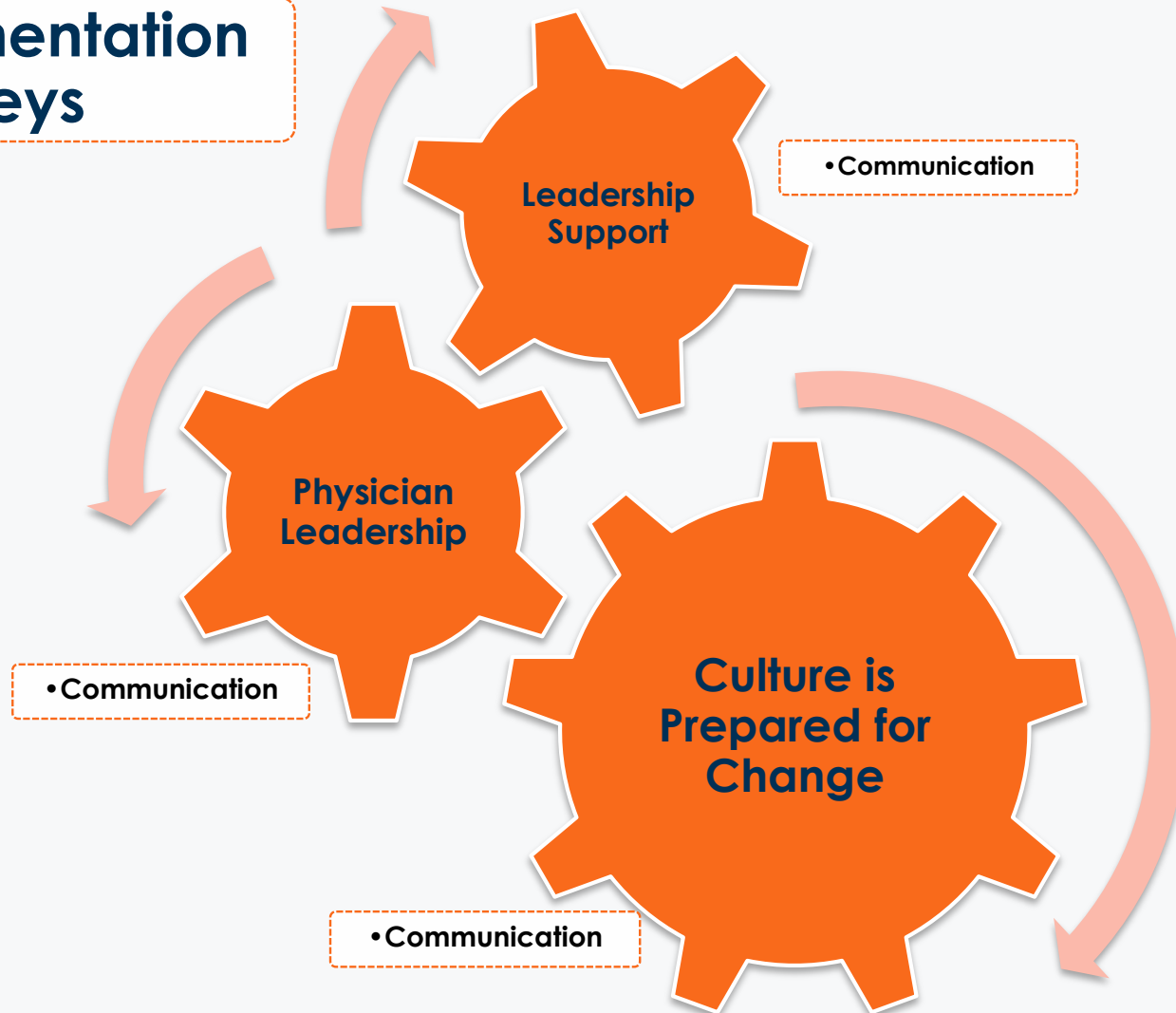
## Transition From Productivity-centric Plan



- 100% production plan continues
- Performance measure data collected/tested
  - Shadow reports created
  - Work group created to identify non-productivity metrics & tie to comp pools
- Production compensation reduced
- Funding established for non-production pools
- Non-production incentives grow every year & are continuously evaluated/improved
- Transition completed
- Showing potential combination of production, non-production and guaranteed salary components

# Physician Services

## Implementation Keys





Thank you!

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