An educational program presented by the

Cooperative of American Physicians, Inc.
Nothing in today’s presentation should be construed as advising or encouraging any person to deal, refuse to deal, or threaten to refuse to deal with any payer, or otherwise interfere with commerce.
LEARNING OBJECTIVES

Participants will be able to:

- Give three benefits of clinical integration for the marketplace, physicians, and hospitals
- Understand the key drivers of clinical integration
- Describe three key aspects of an ACO contract
- Describe approaches to accelerate clinical integration and contracting
KEY DRIVERS

Culture

Feedback Loop

Governance

Transparency of Results

Infrastructure

Incentives
CLINICAL INTEGRATION: DEFINITION

A structured collaboration among physicians and hospitals on an active and ongoing program designed to improve the quality and efficiency of healthcare.

Joint contracting for fee-for-service managed care arrangements and/or other contract types is a necessary component of this program in order to accelerate these improvements in healthcare delivery.
ACCOUNTABLE CARE ORGANIZATION: DEFINITION

An ACO is an organization that is responsible for both the clinical outcomes and total cost of care for a defined population. Providers are paid primarily on a FFS basis and patients are “attributed” to the ACO based on their choice of providers.

Typically, ACO governance includes physician providers and hospitals or health systems and may include other providers and consumers. The ACO is rewarded for improved clinical outcomes and control of the total cost of care. Typically, the ACO “shares savings” with a payer if quality metrics are met. There may be “downside risk” for providers.
A CIN may have multiple types of contracts:

- Fee-for-Service with Infrastructure Payments (Medical Home, IT, etc.)
- Fee-for-Service with P4P
- ACO (Shared Savings) Contracts
- Limited Risk Contracts
- Bundled Payments
- Full-Risk Contracts
ADVOCATE PHYSICIAN PARTNERS

- Physician membership
  - 1,138 primary care physicians
  - 2,984 specialist physicians
    - Total membership includes 1,300 Advocate-employed physicians
- 10 acute care hospitals and a children’s hospital
- Central Verification Office certified by NCQA
- 250,000 Capitated Lives/ 700,000 PPO Lives/ 100,000 MSSP Lives
- 320,000 “Attributable” Lives

Advocate Physician Partners delivers services throughout Chicagoland and Downstate Illinois.
SOME ADVOCATE PERFORMANCE DATA

• Top Quintile of Large Health Systems*
• 5 of Top 100 Hospitals from Advocate*
• Advocate Physician Partners**
  - 175 metrics for 1.4 million patients in registry
  - Top 10-25th percentile performance for all measures with national comparisons
  - 800,000 Patients in Risk or Shared Savings Programs

*Truven Analytics, Modern Healthcare, June 15, 2015
**Pankaj Patel, MD, Senior Medical Director, APP, June, 2015
NAVIGANT HEALTHCARE IS AT THE FOREFRONT OF ADVISING ORGANIZATIONS TOWARD SUCCESS IN THE VALUE PARADIGM

- 24+ Clinically Integrated Network / Commercial ACO projects
- Advisory experience at 6 of the 32 Pioneer ACOs
- Contracted technical advisor to federally funded Exchange Co-Ops
- Authored the industry’s best-selling book on ACOs
- Advised on >20 CMS Shared Savings applications
- Consulting to >150 hospitals with CMS bundling analytics and application development
- Consulting to 8 state Medicaid agencies with payment models and Health Benefit Exchange planning
- Multidisciplinary team of strategy, operations, IT, analytical, physician, health plan, and financial experts
U.S. PER CAPITA GROWTH IN HEALTHCARE SPENDING (PARTICULARLY HOSPITALS) HAS GROWN UNSUSTAINABLE, PARTICULARLY GIVEN OUR OVERALL HEALTH OUTCOMES

Commonwealth Fund Health Rankings
11 Developed Countries

<table>
<thead>
<tr>
<th>Category</th>
<th>US Rank</th>
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</thead>
<tbody>
<tr>
<td>Quality</td>
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<tr>
<td>Effective Care</td>
<td>3</td>
</tr>
<tr>
<td>Safe Care</td>
<td>7</td>
</tr>
<tr>
<td>Coordinate Care</td>
<td>6</td>
</tr>
<tr>
<td>Patient-Centered Care</td>
<td>4</td>
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<tr>
<td>Access</td>
<td>9</td>
</tr>
<tr>
<td>Cost-Related</td>
<td>11</td>
</tr>
<tr>
<td>Timeliness</td>
<td>5</td>
</tr>
</tbody>
</table>

Note: “Wealth” = average household income * total households.
Savings estimates across the system range from 21-47%.

Largely driven by lack of care coordination/failure in care delivery, overtreatment, and administrative complexity.

How are policy experts and payers designing programs to drive out such costs? What is the impact to providers?

MARKET DYNAMICS ARE DISRUPTING THE OPERATING MODELS OF INDEPENDENT COMMUNITY-BASED HEALTH SYSTEMS AND PHYSICIANS

1. Cost Increases for Government, Payors and Employers
   - 70% Increase in Employer Premiums\(^1\) (2002-2013)
   - 6.5% Increase in Exchange Premiums\(^2\) (2015-2016)

2. The Medicaid Expansion & Emergence of Health Insurance Exchanges

3. Cost shifting from government, employers & health plans to providers, with a focus on total cost of care and risk-sharing

4. MACRA places greater reporting and performance burdens on physicians

5. Provider Consolidation & Collaboration

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**Note 1**: Center for Healthcare Research and Transformation, 9/2015
### OTHER SERVICE INDUSTRY TRANSFORMATIONS…

<table>
<thead>
<tr>
<th>Industry</th>
<th>Then (1980)</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td><img src="banking1980.png" alt="Image" /></td>
<td><img src="banking2020.png" alt="Image" /></td>
</tr>
<tr>
<td>Airline Tickets</td>
<td><img src="airline1980.png" alt="Image" /></td>
<td><img src="airline2020.png" alt="Image" /></td>
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<tr>
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<td><img src="telecom1980.png" alt="Image" /></td>
<td><img src="telecom2020.png" alt="Image" /></td>
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<tr>
<td>Consumer Electronics</td>
<td><img src="consumer-electronics1980.png" alt="Image" /></td>
<td><img src="consumer-electronics2020.png" alt="Image" /></td>
</tr>
<tr>
<td>Music</td>
<td><img src="music1980.png" alt="Image" /></td>
<td><img src="music2020.png" alt="Image" /></td>
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</table>
...FOCUSED ON THE NEEDS OF THE CUSTOMER

<table>
<thead>
<tr>
<th>Industry</th>
<th>Then (1980)</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television</td>
<td>abc, NBC, Hulu, YouTube</td>
<td>FedEx, iPhone</td>
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<tr>
<td>Mail</td>
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<td>Google, Wikipedia</td>
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<td>Information</td>
<td>Girl in library</td>
<td>Amazon, Kindle</td>
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<td>Books</td>
<td>Bookstore exterior</td>
<td>Newspaper, Global News</td>
</tr>
<tr>
<td>News</td>
<td>Newspaper</td>
<td>BBC World Service, CNN</td>
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</table>
VALUE FOR PHYSICIANS: BETTER CARE, MORE PATIENTS, BETTER PAY

- Enhanced marketplace visibility
- Access to patients through contracts
- Focus on outcomes; pride in collective accomplishments
- Additional work compensated through incentives
  - Improved potential for success in Value Based Contracts
- Practice infrastructure support
- Interface with multiple insurers
- Improved physician-hospital alignment
- Coordination of in-network care with specialists
VALUE FOR HOSPITALS

- Creates business partnership with key physicians
- Strengthens in-network care coordination
- Focuses physicians on hospital goals
  - Patient safety
  - Costs
- Positions for Value-Based Payments
  - Readmission avoidance
  - Bundled Payments
  - Quality/Safety Bundles
  - ACOs
VALUE FOR THE MARKETPLACE

• Focus on clinical outcomes
• Demonstration of efficiencies
• Commitment to ongoing improvement
• Stable/cohesive network
• Transparency of results
• Physician-led organization
REDEFINE YOUR CORE BUSINESS
...TO BEING IN THE CARE COORDINATION BUSINESS

Transforming Fragmented Silos Into Coordinated Care

Primary Care Physicians
Specialty Care Physicians
Outpatient Care and ASCs
Inpatient Hospital Acute Care
Longterm Acute Hospital Care
Inpatient Rehab Hospital Care
Skilled Nursing Facility Care
Home Health Care

CIN/ACO
Medical Home

Acute Care Bundling

Acute Care Episode with Post Acute Care Bundling

Post Acute Care Episode Bundling
REDEFINE YOUR CORE BUSINESS
DON’T FALL VICTIM TO THE ‘KODAK SYNDROME’

“There are few corporate blunders as staggering as Kodak’s missed opportunities in digital photography, a technology that it invented”*

*Forbes Magazine, January 2012
VALUE-BASED CONTRACTS

(QUALITY + SERVICE) / COST = VALUE
VALUE-BASED PURCHASING REQUIRES INTEGRATION

- Bundled Payments
- Payment Denials
- Medicare Value-Based Purchasing
  - Hospitals and Doctors (SGR Elimination)
- Accountable Care Organizations
- Cost Pressures
“SKATE WHERE THE PUCK IS GOING, NOT WHERE IT’S BEEN”

THE TWO-CURVE DILEMMA HAS LED TO ROBUST GROWTH IN CLINICAL INTEGRATION NETWORKS

The pace of change varies by market but the shift from Curve 1 to Curve 2 will happen regardless of an organization’s readiness to make the transition.

Curve #2: Value-Based Care
- Shared Savings Programs
- Bundled / Global Payments
- Value-based Reimbursement
- Rewards integration, quality, outcomes, and efficiency

Curve #1: Fee-For Service
- All about volume
- Reinforces work in silos
- Little incentive for real integration

<table>
<thead>
<tr>
<th># ACOs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2011</td>
<td>81</td>
</tr>
<tr>
<td>Q4 2011</td>
<td>138</td>
</tr>
<tr>
<td>Q2 2012</td>
<td>208</td>
</tr>
<tr>
<td>Q4 2012</td>
<td>356</td>
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<tr>
<td>Q2 2013</td>
<td>480</td>
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<tr>
<td>Q4 2013</td>
<td>606</td>
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<tr>
<td>Q2 2014</td>
<td>626</td>
</tr>
<tr>
<td>Q1 2015</td>
<td>715</td>
</tr>
</tbody>
</table>

2014 MSSP ACOs Receiving Shared Savings: 26%
CINS OFTEN PURSUE A PHASED APPROACH IN TERMS OF PROVIDER INTEGRATION & PROVIDER RISK, WHICH ALLOWS THEM TO BUILD THEIR POPULATION HEALTH CAPABILITIES

Provider Risk

Provider Integration

- Fee-for-Service
- Ambulatory Quality Incentives
- Hospital Quality & Efficiency Program
- Population Pilot
- Shared Savings
- Shared Performance Risk
- Capitation or Insurance Risk

- Commercial ACOs
- Medicare & Medicaid ACOs
- Co-Branded Products (e.g., Exchange)
- Bundled Payments
- Direct to Employer Contracting

Health System Employees, other discrete populations
“ONE FOOT ON THE DOCK, ONE IN THE BOAT”
“We trust our health to the physician. Their reward must be such, therefore, as may give them that rank in the society which so important a trust requires. The long time and the great expense which must be laid out in their education, when combined with this circumstance, necessarily enhance still further the price of their labour.”

Adam Smith, 1776 • “The Wealth of Nations”
Book 1 • Chapter X
### MISCONCEPTIONS ABOUT CLINICALLY INTEGRATED NETWORKS

<table>
<thead>
<tr>
<th>Clinical Integration is:</th>
<th>Clinical Integration is NOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔️ A <em>physician-led</em> organization</td>
<td>✗ Physician employment</td>
</tr>
<tr>
<td>✔️ Inclusive of employed &amp; independent physicians</td>
<td>✗ A hospital-led initiative</td>
</tr>
<tr>
<td>✔️ A forum for increased coordination</td>
<td>✗ A reduction in choice</td>
</tr>
<tr>
<td>✔️ A vehicle for collective negotiations</td>
<td>✗ A limitation in service</td>
</tr>
<tr>
<td>✔️ An opportunity to be rewarded for value</td>
<td>✗ Leverage overpayors</td>
</tr>
<tr>
<td>✔️ A seat at the table to lead change</td>
<td>✗ Capitation or financial risk</td>
</tr>
</tbody>
</table>
DEVELOPING A SUCCESSFUL CIN CULTURE
KEY DRIVERS

Culture

Feedback Loop

Governance

Transparency of Results

Infrastructure

Incentives
CULTURE

• “How things are done around here”

• “What people do when no one is looking”
FIVE ASPECTS OF CIN CULTURE

1. Team Based Care; Each at Top of License
2. Market Driven
3. Together Improve Care
4. Physician Driven; Professionally Managed
5. “All but Only” Care Needed
<table>
<thead>
<tr>
<th>FROM...</th>
<th>TO...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Runs own practice</td>
<td>Accepts decisions by leadership selected by peers</td>
</tr>
<tr>
<td>Physician determines “best practices”</td>
<td>Peer physicians, with literature, determine “best practices”</td>
</tr>
<tr>
<td>Traditional practice structure, functions, and staffing</td>
<td>Innovation in practice design, team, services</td>
</tr>
<tr>
<td>Practice designed around physician needs</td>
<td>Organization strives to serve patients and other market needs</td>
</tr>
</tbody>
</table>
“Putting a tiger on a chain does not make it a pet.”

Shawn Griffin, MD
Memorial Hermann Physician Network
‘RIGHT PEOPLE ON THE BUS’
HEWLETT PACKARD

BIRTHPLACE OF “SILICON VALLEY”

This garage is the birthplace of the world’s first high-technology region, “Silicon Valley.” The idea for such a region originated with Dr. Frederick Terman, a Stanford University professor who encouraged his students to start up their own electronics companies in the area instead of joining established firms in the East. The first two students to follow his advice were William R. Hewlett and David Packard, who in 1938 began developing their first product, an audio oscillator, in this garage.

California registered historical landmark no. 976
Plaque placed by the state department of parks and recreation in cooperation with Hewlett-Packard Company, May 19, 1989.
A CULTURE OF ENGAGED PHYSICIANS

• “Right People on the Bus”
• Physician engagement in governance
• Physician leadership development
• Shared identity/values → “membership”
• Appeal to pride and sense of excellence
  - Recognition for quality and efficiency
  - Consistent use of evidence-based medicine
  - Power of the outcomes of the group
CLINICAL INTEGRATION PRIMER & BEST PRACTICES
KEY DRIVERS

- Culture
- Feedback Loop
- Transparency of Results
- Governance
- Infrastructure
- Incentives
- Loop
CINS MUST CREATE A COHESIVE NETWORK WITH A ROBUST INFRASTRUCTURE CAPABLE OF DELIVERING VALUE TO THE COMMUNITY

<table>
<thead>
<tr>
<th>Building Blocks</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Physician Leadership &amp; Alignment</td>
<td>Develop a physician-led, professionally managed culture inclusive of a wide range of medical specialties fully engaged in clinical transformation efforts</td>
</tr>
<tr>
<td>2. IT Systems &amp; Analytics</td>
<td>Enable clinical integration and population health through world class IT connectivity, data analytics, and reporting</td>
</tr>
<tr>
<td>3. Care Coordination &amp; Management</td>
<td>Coordinate care across the continuum to deliver an efficient and cost effective delivery model</td>
</tr>
<tr>
<td>4. Clinical Effectiveness</td>
<td>Create a robust clinical effectiveness infrastructure using sophisticated data analytics and an engaged physician base to achieve triple aim goals</td>
</tr>
<tr>
<td>5. Contracting &amp; Finance</td>
<td>Pursue a contracting strategy based on performance risk; incentivize both primary care and specialist providers using an internal distribution model</td>
</tr>
<tr>
<td>6. Network Development</td>
<td>Retains a provider network with the right size, composition, geography, and performance to achieve success</td>
</tr>
<tr>
<td>7. Patient Engagement</td>
<td>Engage patients in care decisions to maintain healthy populations and improve health of sick patients</td>
</tr>
</tbody>
</table>
CRITICAL SUCCESS FACTORS

- Physician driven; professionally managed
- Same metrics across all payers
- Minimize Additional Administrative Costs
- Additional funds recognize extra work by physicians and staff
- Infrastructure necessary to support improvement
- Physician/hospital alignment
VALUE FOR PHYSICIANS: BETTER CARE, MORE PATIENTS, BETTER PAY

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- Coordination of in-network care with specialists

Bill Mayer
WEB FIRST

A Model For Integrating Independent Physicians Into Accountable Care Organizations

By Mark C. Shields, Parkash H. Patel, Martin Manring, and Lee Sacks

ABSTRACT The Affordable Care Act encourages the formation of accountable care organizations as a new part of Medicare. Pending forthcoming federal regulations, though, it is unclear precisely how these ACOs will be structured. Although large integrated care systems that directly employ physicians may be most likely to evolve into ACOs, few such integrated systems exist in the United States. This paper demonstrates how Advocate Physician Partners in Illinois could serve as a model for a new kind of accountable care organization, by demonstrating how to organize physicians into partnerships with hospitals to improve care, cut costs, and be held accountable for the results. The partnership has signed its first commercial ACO contract effective January 1, 2011, with the largest insurer in Illinois, Blue Cross Blue Shield. Other commercial contracts are expected to follow. In a health care system still dominated by small, independent physician practices, this may constitute a more viable way to push the broader health care system toward accountable care.

The Affordable Care Act of 2010 included several delivery system reforms intended to address deficiencies in the way health care is provided in the United States. First is the dominance of solo and small group independent physician practices that provide care to the majority of the US...
CONTACT

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Senior Advisor, Navigant Healthcare
mark.shields@navigant.com