

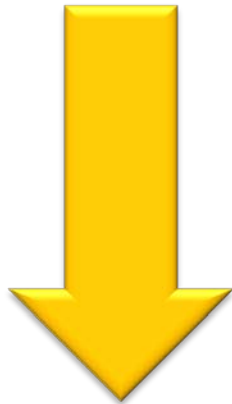
Physician Alignment Strategies and Options

June 1, 2011

Today's Discussion

- Review physician-hospital alignment objectives
- Understand the changing paradigm
- Evaluate alignment strategies for a new delivery model
- Define a successful approach to building a sustainable alignment strategy

Driving Forces for Alignment



Health System Objectives

Gain Leverage for Growth Strategy

Stabilize Market / Secure Access

Transform Care Delivery

Strengthen Financial Position



Physician Objectives

Stabilize Income from Declining Reimbursement

Secure Patient Capture / Referral Network

Improve Work-Life Balance

Private Practice Exit Strategy



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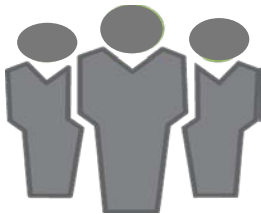


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Historical measures of success are fleeting

Success in the Pre-Reform Era

Physicians



- ✓ More Volume
- ✓ Favorable Payer Mix
- ✓ Effective Time Management
- ✓ Manage Practice Costs

Hospitals



- ✓ Fill Beds
- ✓ Manage LOS
- ✓ Control Labor Costs
- ✓ Manage Balance Sheet

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Reform Challenges for Providers

Challenges to our Professional Paradigms



More Care



Higher Quality

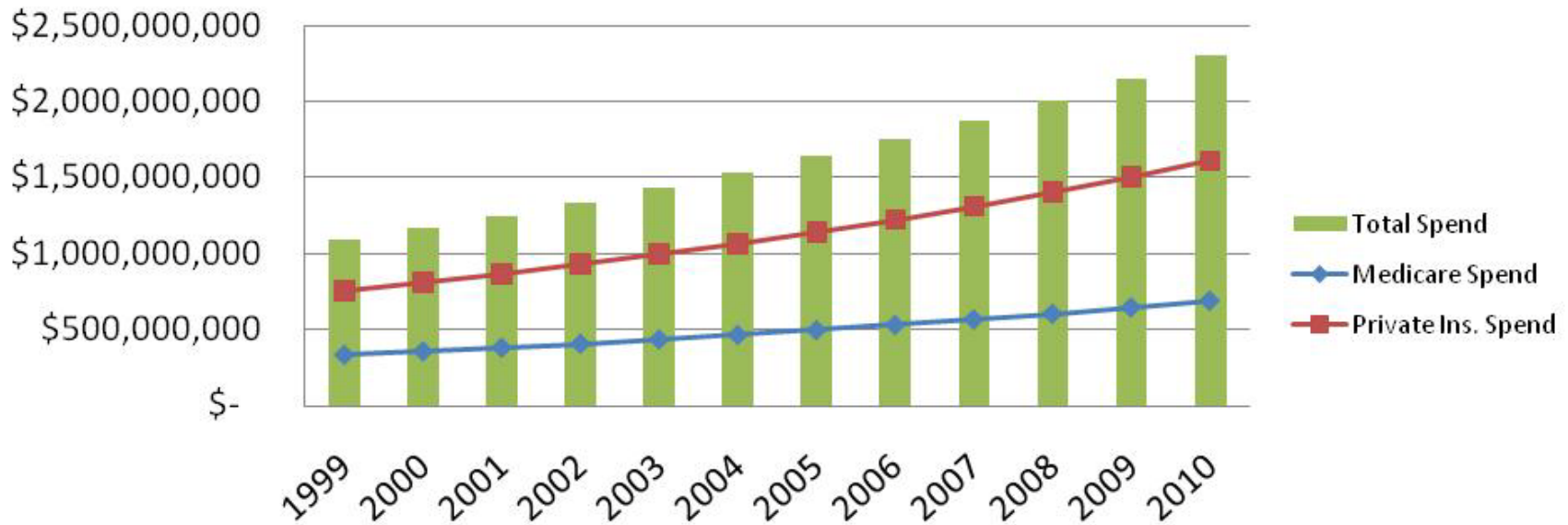


Less Money

“Bottom line, if you attempt to use the same care delivery model moving forward, faced with the magnitude of reductions in forecasted revenue, you will go out of business.” *Michael Sachs, Sg2*

The real issue is clear – An Insolvable Budget Crisis

Total Healthcare Spending



Average Annual Increases

Total Spend: 7.0%

Medicare Spend: 6.8%

Private Insurance Spend: 7.1%

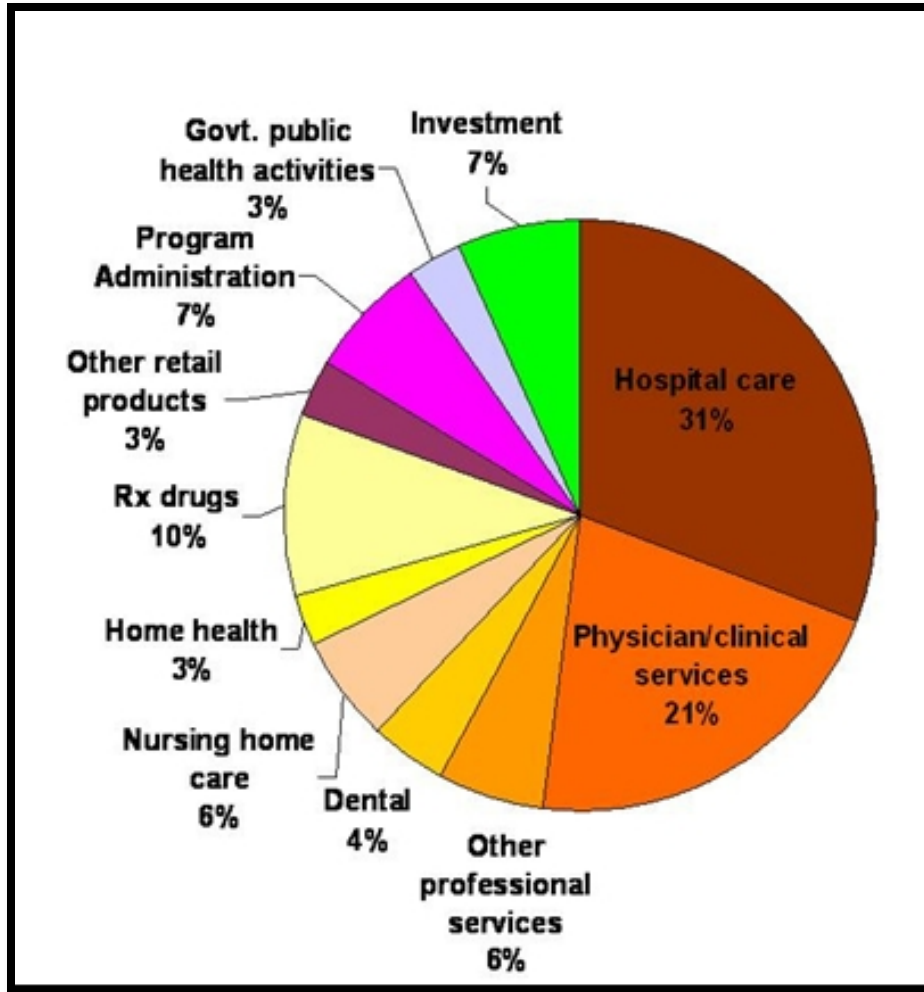
Source: "U.S. Healthcare Costs" KaiserEDU.org

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'08 Breakdown of Healthcare Expenditures



Total Healthcare Spend:

- \$2.3 Trillion

Key Drivers of Increases:

- Technology & Drugs
- Chronic Disease
- Aging Population

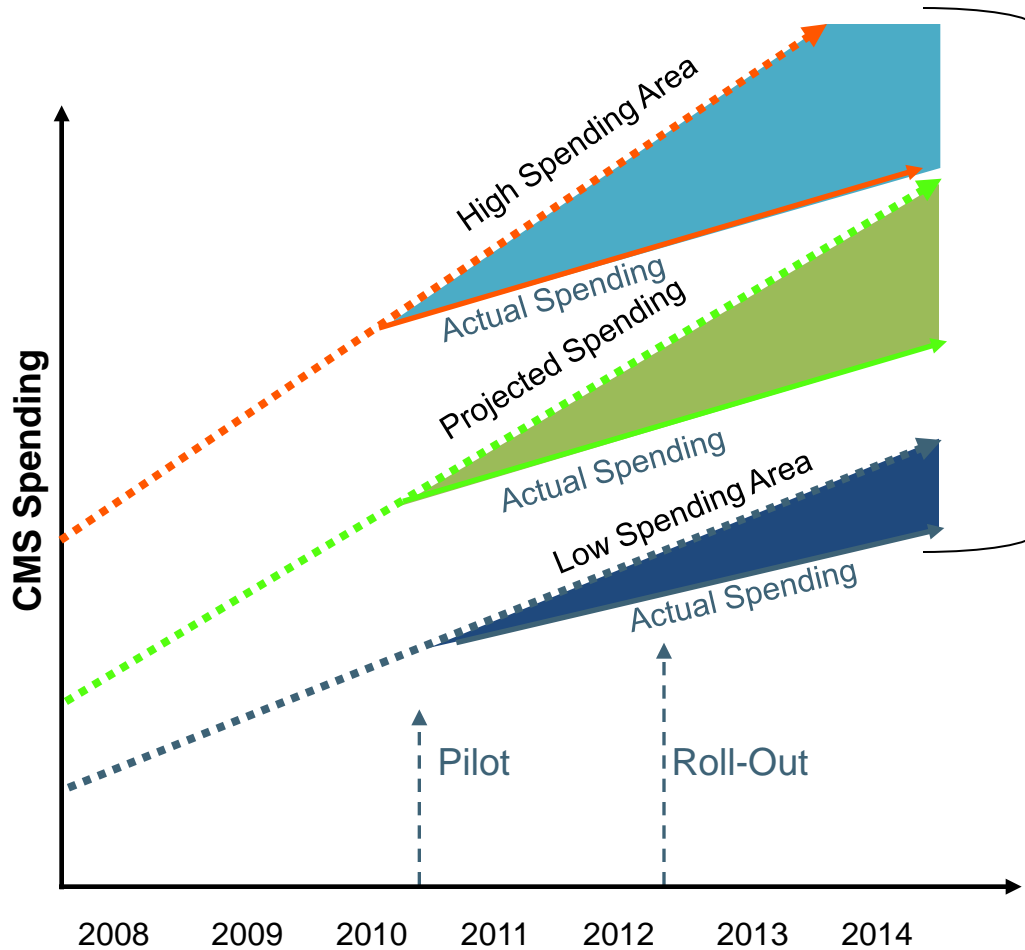
Source: "U.S. Healthcare Costs" KaiserEDU.org

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CMS Global Payment per Enrollee



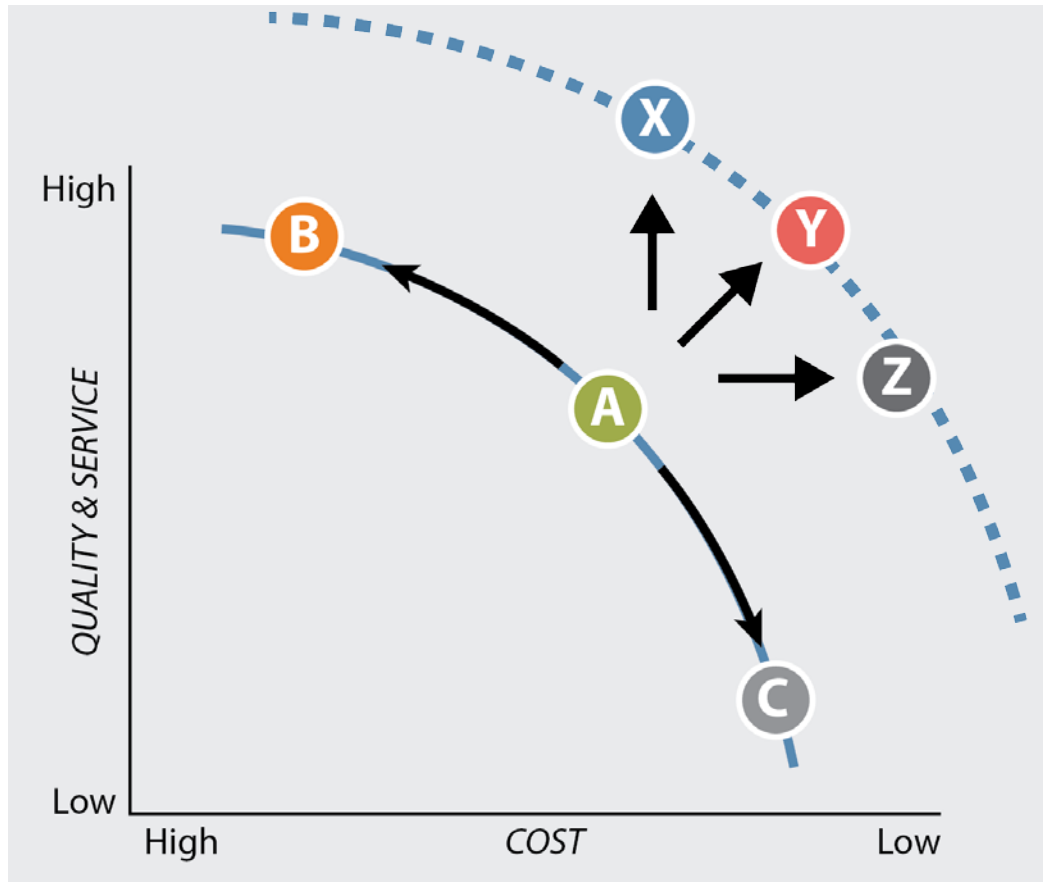
ACO Objective is to **SLOW** the growth of Medicare Spending

Medicare Reimbursement per Enrollee	
National Average	\$8,682
90 th %ile	\$9,995
50 th %ile	\$8,136
10 th %ile	\$6,771

Source: The Robert Wood Johnson Foundation | Dartmouth Atlas of Health Care

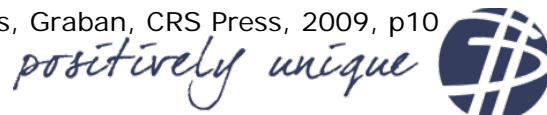
Optimizing value by focusing on quality, safety, satisfaction and costs

$$\text{Value (V)} = \frac{\text{Quality (Q)} * \text{Service (S)}}{\text{Cost (C)}}$$



- B** Adding costs to improve quality/service
- C** Cutting costs at the expense of quality/service
- X** **Effectiveness:** Improved quality/ service at the same or lower cost
- Y** **Innovation:** Improvement in all dimensions
- Z** **Efficiency:** Cutting costs without impacting quality/ service

Source: Lean Hospitals, Graban, CRS Press, 2009, p10

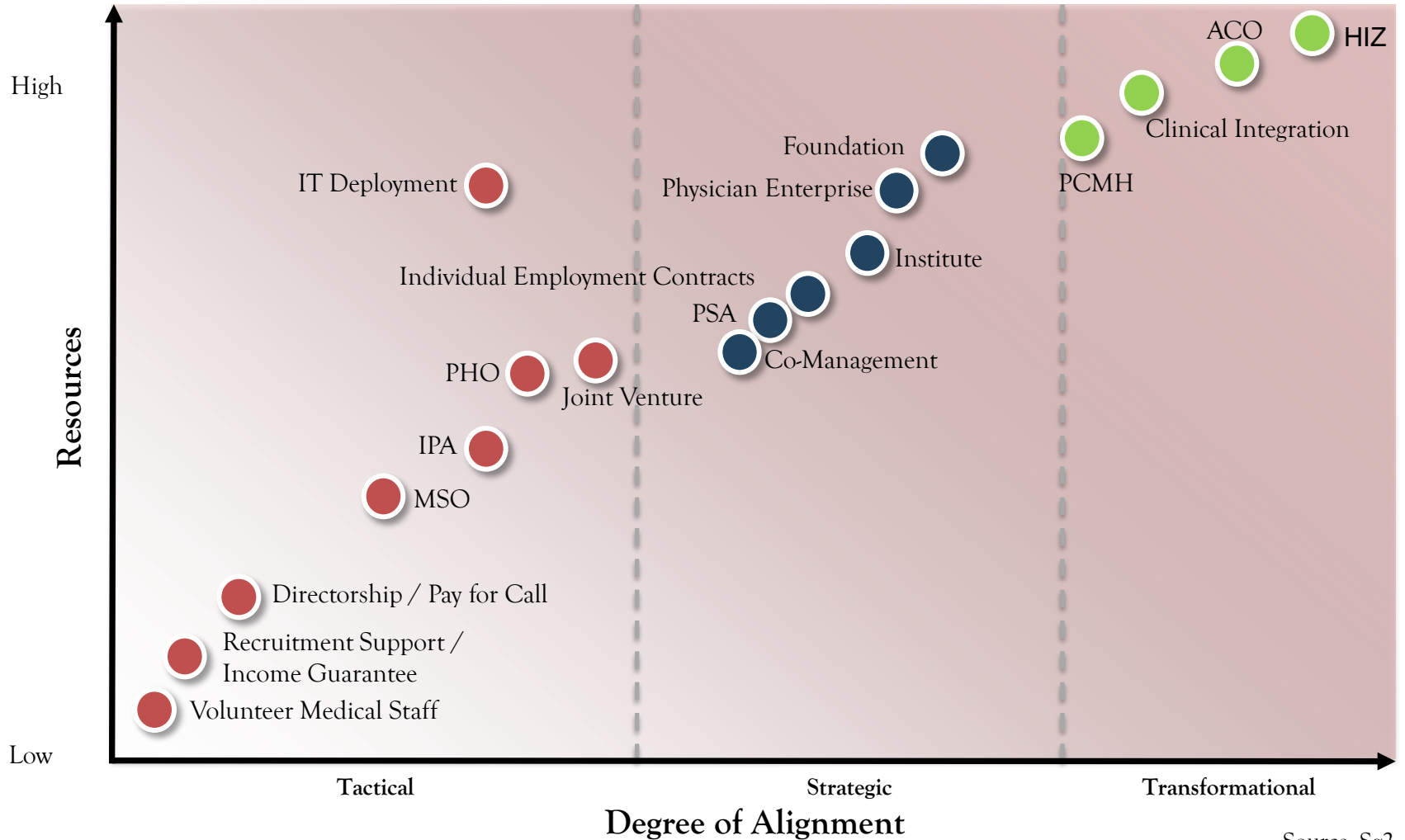


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Alignment Strategies

From Volume to Value

Physician Alignment Models



Source: Sg2

Alignment Strategies Shifting from Volume to Value

Historical “Volume” Paradigm Promoted Employment

- Fixed Compensation
- Productivity Compensation
- Administrative Responsibilities – *compensation for lost volume*
- Defend markets and provide outreach
- Competitive advantages with sub-specialties

New “Value” Paradigm Promotes Integration

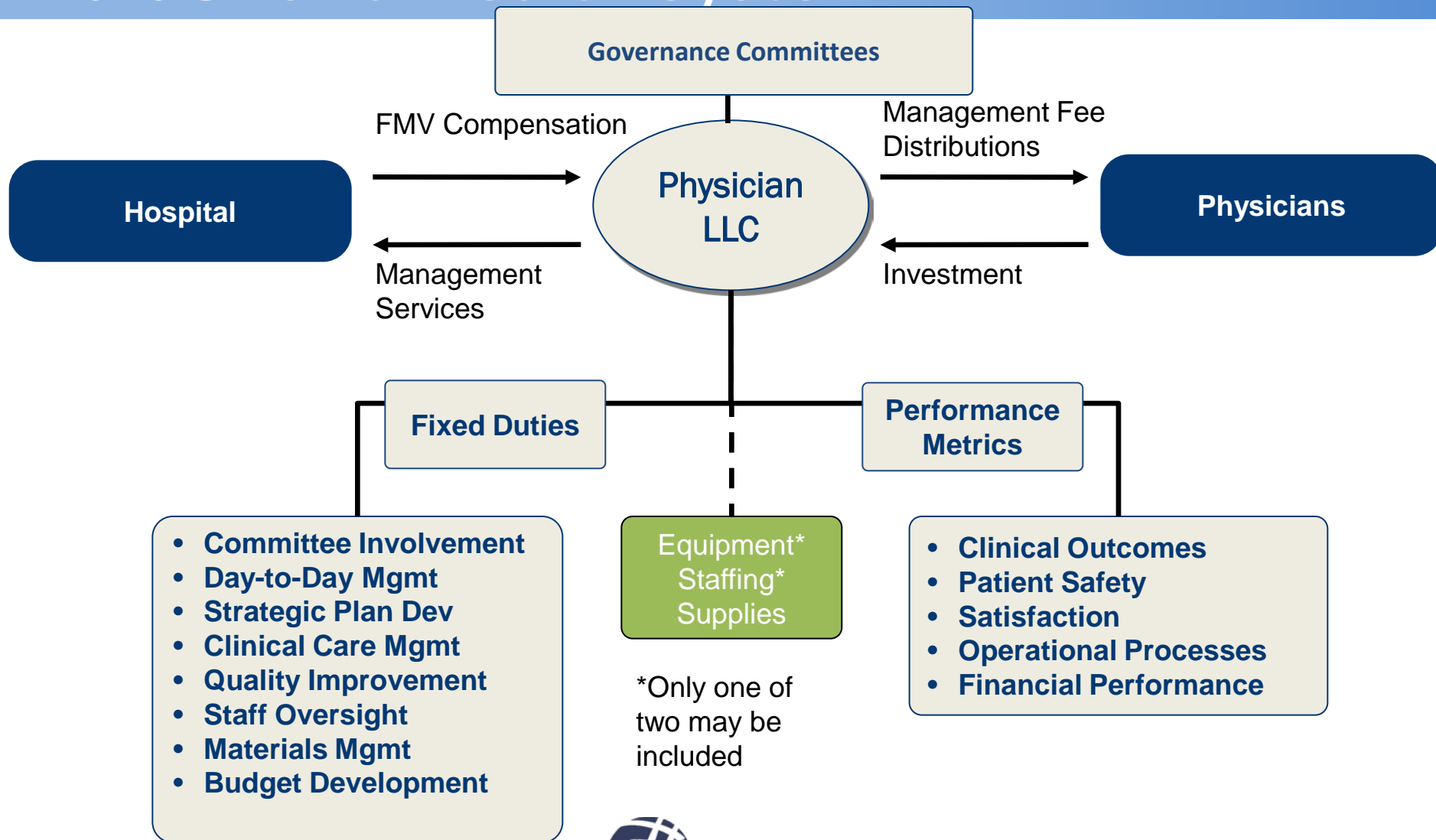
- Integration as a way to align incentives
 - Volume & Cost
 - Physician Leadership
- Demonstrates Quality across a continuum
 - Common IT
 - CMS Core Measures / Outpatient Measures
 - Patient Satisfaction

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Co-Management as a model to improve *Value* for a Health System



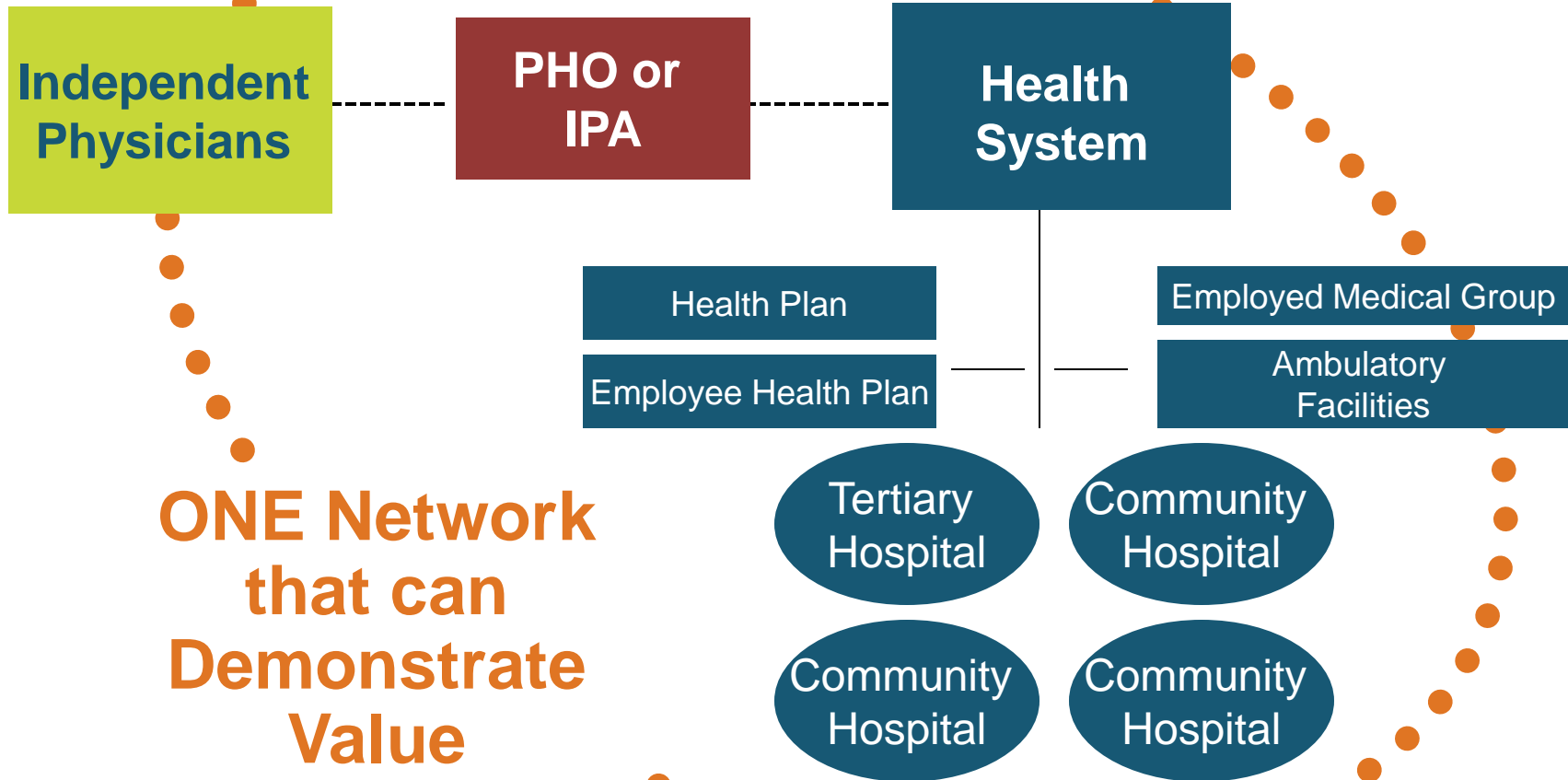
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Source: Dixon Hughes

PHO / IPA Approach to Clinical Integration



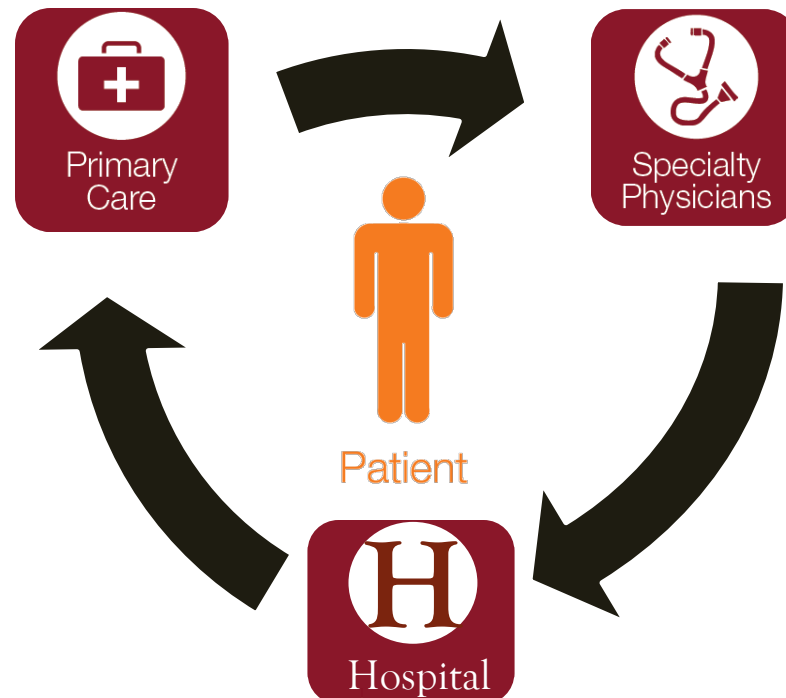
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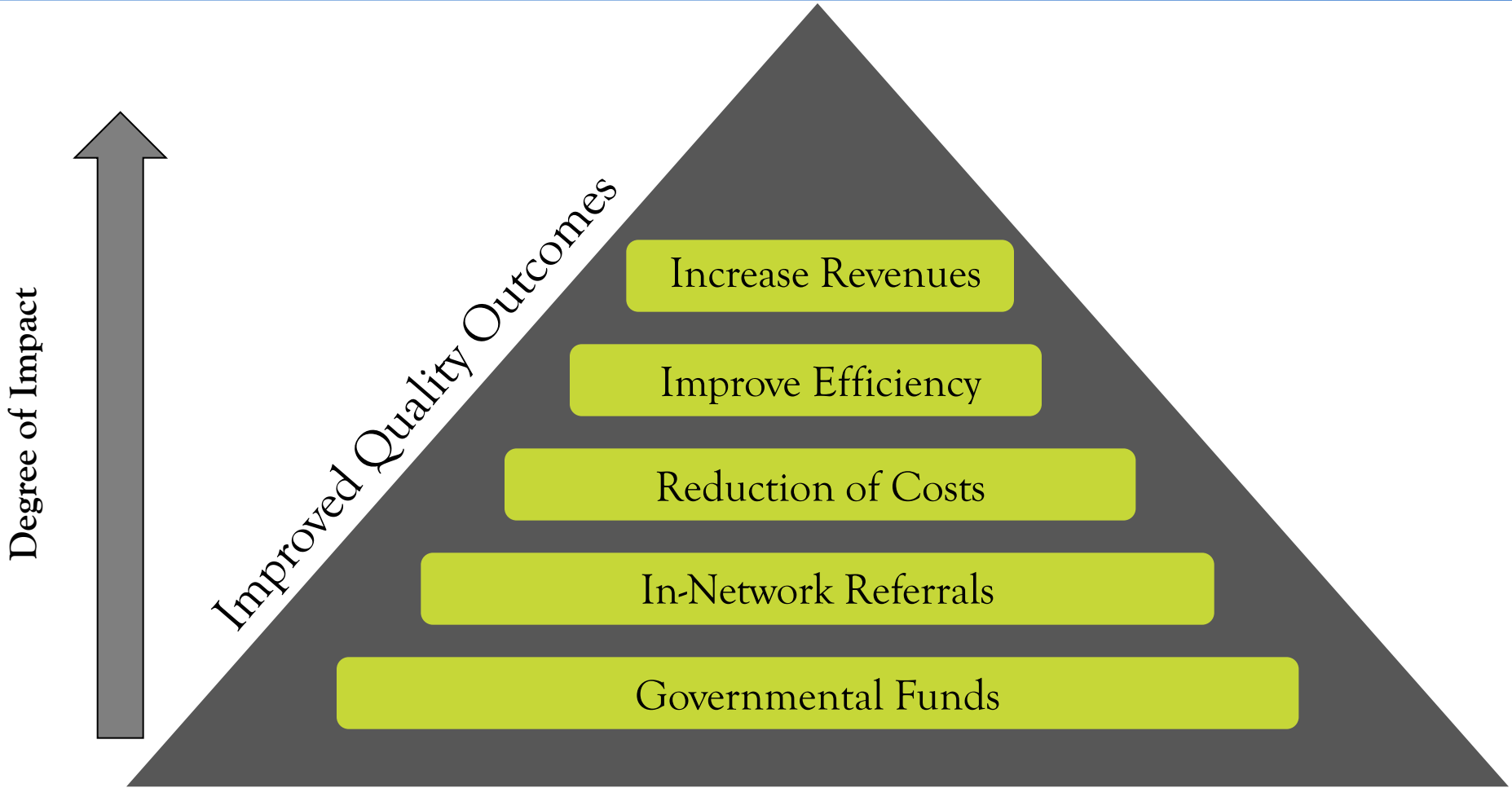
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A Simple Definition for Clinical Integration

Primary care physicians, specialists and hospitals working together, using proven protocols and measures, to improve patient care.

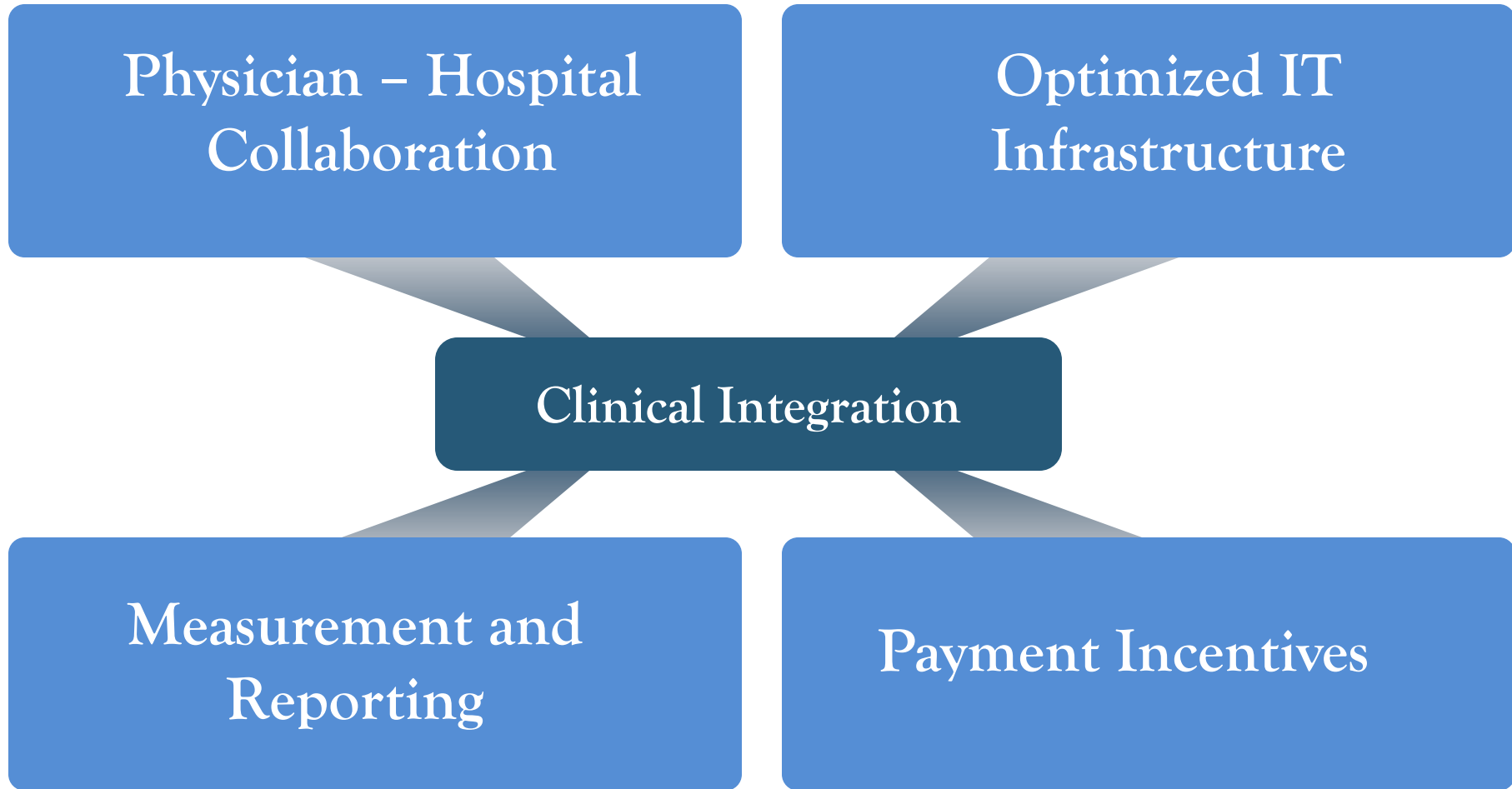


Economic Benefits to Physicians and Hospitals



*Source: Health Care Advisory Board interviews and analysis

Clinical Integration Program Components



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Flexibility for Shifting Risk



- Consumers
- Employers
- Health Plans
- Government Payers

Risk Shift

- Physicians
- Medical Groups
- Hospitals
- Other Providers

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Source: Pricewaterhouse Coopers | Dixon Hughes Goodman

Building A Sustainable Alignment Strategy

Alignment Evaluation Process



1 Assign Accountability

Objective: Establish Hospital and Physician Leadership responsible for assessing the physician alignment evaluation process.



2 Define the WIN-WIN Relationship

Objective: Document the desired future state relationship for the physician(s) and the hospital in order to create unity between parties.



3 Evaluate the Opportunity

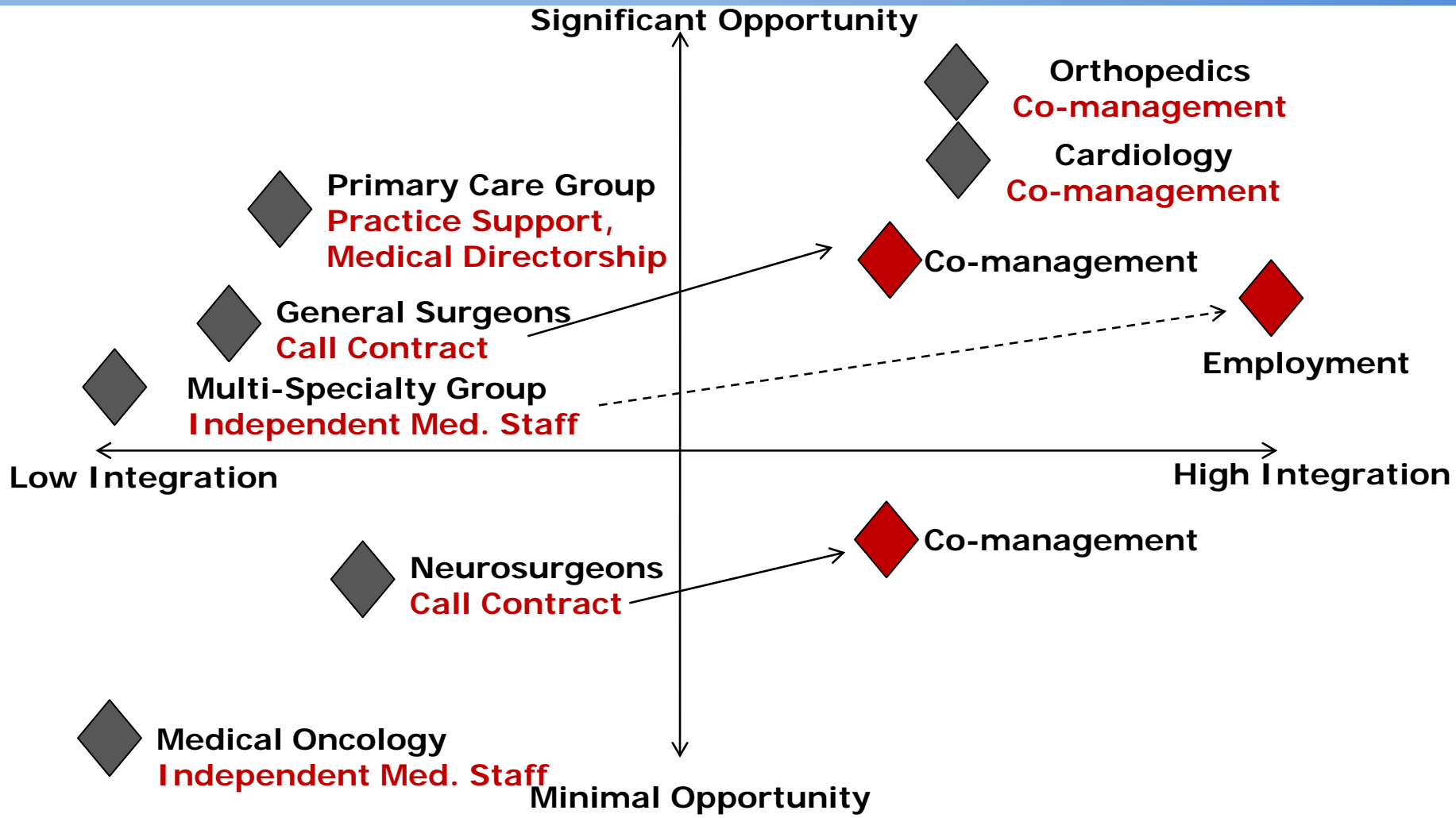
Objective: Evaluate the financial implications of aligning for both the physician(s) and the hospital.

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Sample: Physician Alignment Matrix



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Alignment Evaluation Process

- **4 Determine the Alignment Model**
Objective: Determine the optimal alignment built around a WIN-WIN foundation with which both parties are satisfied.
- **5 Create the Business Plan**
Objective: Develop a transparent set of assumptions and data to evaluate the chosen alignment model.
- **6 Measure and Monitor Performance**
Objective: Analyze the performance and on-going relationship(s) resulting from the alignment initiative at regular intervals.

Questions

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