

CFO Forum Reducing Cost of Care: A Strategic Opportunity



The Everett Clinic
For the whole you.

Al Fisk, CMO

Jennifer Wilson Norton, Associate Administrator for Coordinated Care

9/29/11

Our Core Values

- We do what is right for each patient
- We provide an enriching and supportive workplace
- Our team focuses on value: service, quality and cost

The Everett Clinic
For the whole you.

Cost of Care Overview: Being Rewarded for Adding Value

- Why the need to reduce cost of care?
- Prescription and advanced imaging cost management at TEC
- Boeing Intensive Outpatient Care Program (IOCP) story
- TEC plan to improve quality, reduce cost for Medicare Advantage patients and others

TEC Cost of Care Initiative

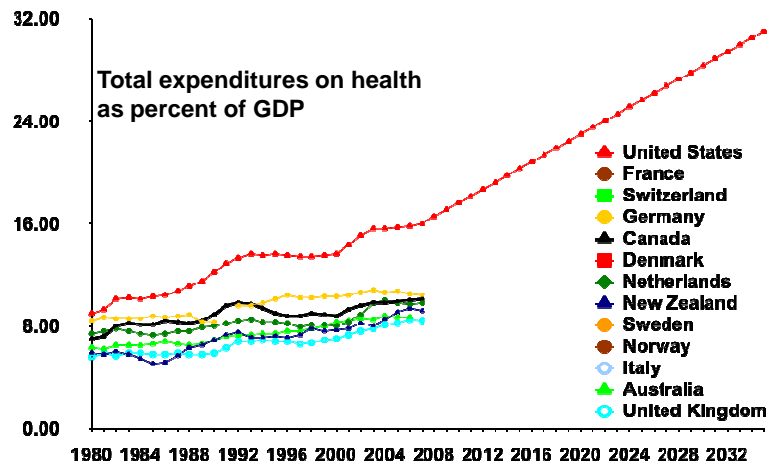
- Unique opportunity to dramatically improve quality and service to reduce total cost of care and improve financial performance
- Focus on Medicare Advantage and health plans with aligned incentives
- Major system change, and
- Major cultural change

The Burning Platform

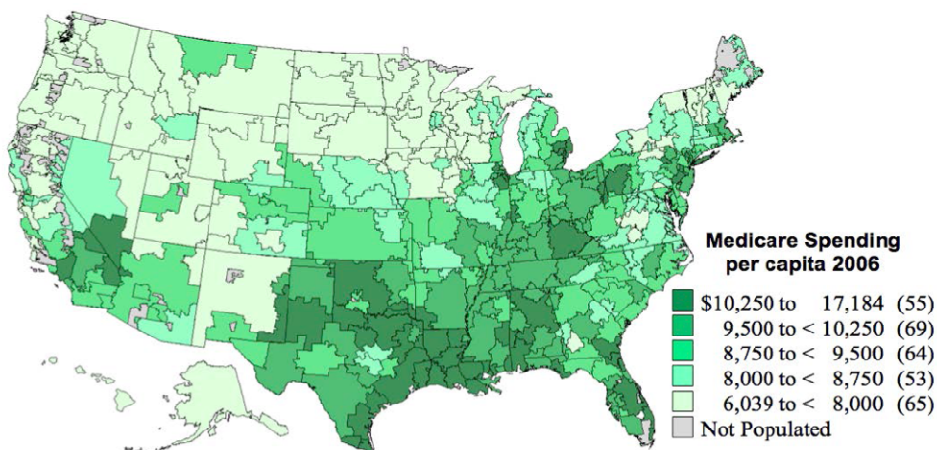
- Unsustainable cost trend line
- Variation in cost & quality
- Health care reform: ACOs
- Exchanges in 2014
- Large employers losing global competitiveness
- Loss of cross subsidy for Medicare & Medicaid



“Unsustainable Trends tend not to be sustained” Herbert Stein



We Practice Medicine Differently



Fisher: Dartmouth Atlas of Medicare Spending 2006

Health Care Reform: ACOs Focus on Cost of Care

- Current Medicare draft regulations DOA
- Commercial ACO like arrangements growing rapidly
- Blue Cross Blue Shield of Illinois paying TEC case management fee plus gain sharing for complex Boeing patients
- Many AMGA member groups with new gain sharing or capitation arrangements

State Healthcare Reform

- Many states aggressively implementing exchanges
- Oregon's bipartisan plan – a global budget for communities
- Intense speculation in California about a move to a single payor
- And then there is Massachusetts

Exchanges 2014: Less Money for Providers

- Costs employer \$3,000 per employee (a fine)
- Subsidies for premium up to 400% of poverty level
- Many/most small employers will find this attractive
- Least costly "bronze" version with 40% co-share
- Studies show 2/3 of patients will change providers and accept significant restrictions for a 25% reduction in costs
- Keep 2014 in your sight!

Recession & Deficit Spending

- Major budgetary cuts are coming
- Even agricultural subsidies may be slashed 50%
- Both states and US will be cutting healthcare spending significantly
- A new reality for patients and providers: less

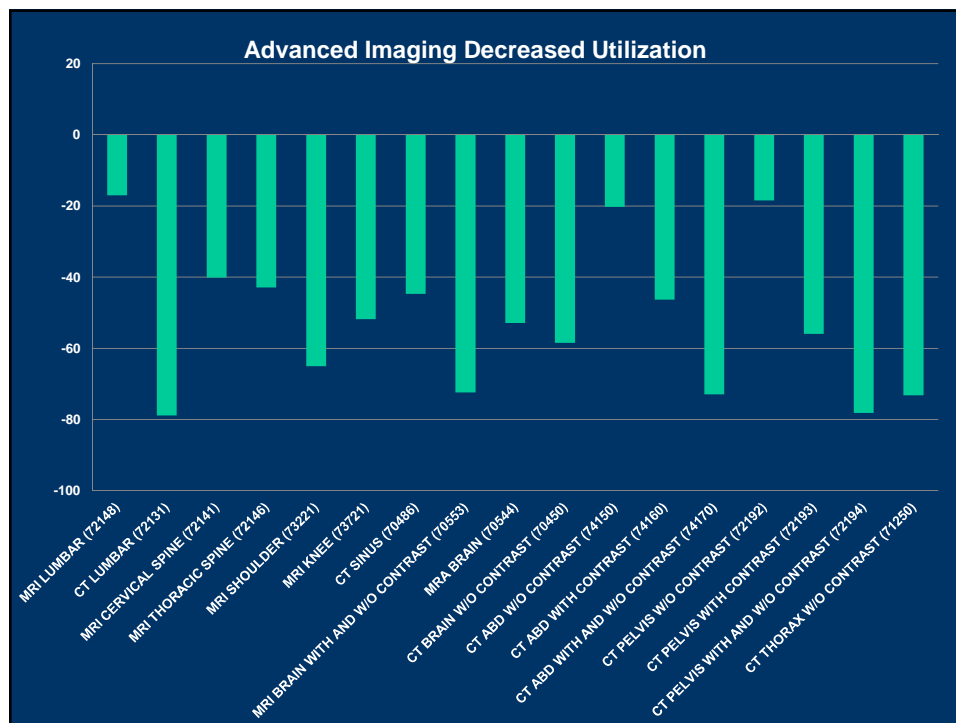
The Burning Platform Summary

- The country is broke
- Less money for health care
- Shift to reimbursement for value not volume
- FFS as a commodity
- Rewards will go to those able to deliver value with a lower total cost of care



Clinical Pharmacy at TEC

- Utilize Evidence Based Medicine to Optimize choice and utilization of medications
- Leadership provided by clinical pharmacists with a high performing P&T Committee
- Quality improved
- Generic use rate is close/ahead of Group Health
- \$88 Million in savings for payors and patients



Year One Boeing Results All Sites-Compared to Baseline

Measure	Results
% change in annual per capita spending by patients and Boeing, compared to a matched control group	-20%
% change in SF12 physical functioning	+14.8%
% change in SF12 mental functioning	+16.1%
% change in patient rated "received care as soon as needed"	+17.6%
% change in average patient reported work days missed in last 6 months	-56.5%

Medicare Advantage Opportunity

- High performing organizations in MA can make 250% of Medicare
- TEC break even point (additional staff cost and no more Medicare losses) 165% of Medicare
- Cost of adding these 60 FTE is ~ \$8 M/year
- Potential return up to **\$40 M** annually

TEC Plan for Medicare Advantage

1. Moving patients to Medicare Advantage
2. Appropriate Contracts
3. Documentation and Diagnostic Coding
4. Care Coordination Programs
5. 5 Star Quality
6. New PCP model
7. Ongoing Communication Plan
8. Information Technology Plan

Medicare Advantage at TEC

MA enrollment growth



- Align MA contracts to reward value

Diagnostic Coding and Documentation

- MA funding proportional to complexity of patients as documented and coded
- In commercial gain sharing contract, risk adjustment is used to compare performance
- Physician coding champions auditing and educating peers
- Additional certified coders (7 FTE planned)

Care Management

- 10% of patients drive 70% of costs
- RN care managers for 10% of patients
- Ambulatory palliative care
- Transition management team
- Referral management
- Post Hospital Discharge Visit
- Annual Coordinated Planned Visits including New Patient Onboarding
- Approximately 35 FTE

Quality

- MA structured to reward health plans for 5 star quality
- By 2013 MA plans not at the 4 star level will face dramatic reductions in funding
- Plan to move TEC MA patients to 5 star level
- Major impact upon clinical care and standard work
- Additional QI department (8 FTEs) support

New Primary Care Physician Model

- Pilot with 2 physicians in 2012
- Reduced panel size
- Focus on targeted complex patients
- Productivity reduced 20%
- Salary plus bonus
- Track and reward quality, ER/hospital use, diagnostic coding
- Expand if/when successful to 20 docs?

Information Technology (IT) Support

- Diagnostic coding tracking and management
- Quality five star metrics
- Measuring ER visits and hospitalization
- Optimal support of care management
- Analysis of all paid claims
- 9 FTEs planned

Adding Value: Strategic Opportunity

- Fee for service reimbursement is heading down, commoditization seems likely
- Organizations that can deliver value will be rewarded
- Cost of care reductions will come out of excess hospital and ER utilization
- Potentially both high reward and high risk