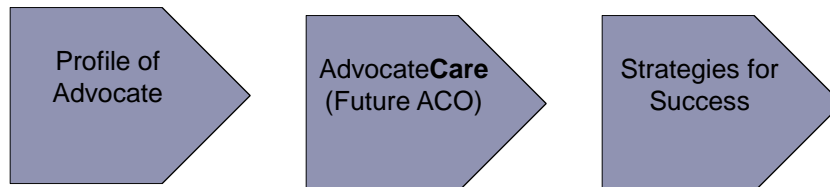


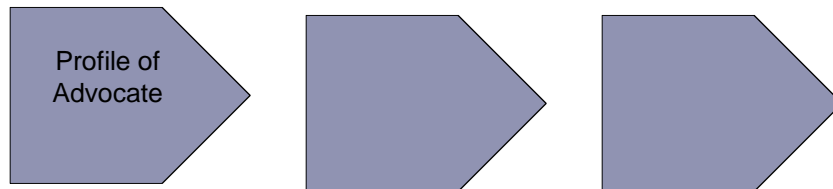
AMGA CFO Council

ACOs/Enterprise Care
Management-Strategies in a
Commercial Patient Environment

Stephen R. Voss
CFO/VP, Finance
Advocate Medical Group

September 28-30, 2011





Composition

Advocate Hospitals

- 10 acute-care hospitals including 5 Level I trauma centers and 3 major teaching hospitals
- 2 children's hospitals

Advocate Medical Group

- 80 physician clinics
- 18 occupational health centers
- 7 immediate care centers
- 11 imaging centers
- 7 ambulatory surgical centers joint ventures
- 4 sleep centers

Advocate Home Health Services

Advocate Physician Partners

Position

Advocate Health Care leads the market annually, with:

146,000 total admissions (14.9% share)

8,000 pediatric admissions (16% share)

1.3 MILLION hospital outpatient visits

1.5 MILLION medical group visits

350,000 emergency department visits

17,000+ infant deliveries



5

Reach

Advocate Health Care is the largest integrated health care system in Illinois, serving nearly 2.7 million patients through:

30,000 associates (second largest private sector employer in metro Chicago)

Illinois' largest private home care organization with more than 24,000 admissions

850+ employed physicians through Advocate Medical Group

700+ residents/fellows (the largest non-university provider of medical education in the Chicagoland area)

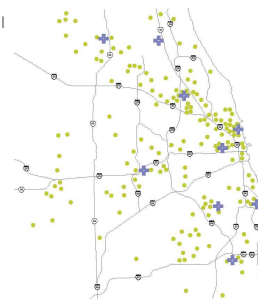
3,800 physicians Advocate Physician Partners

6,000 physicians who are part of the Advocate hospital medical staff

200+ sites of care

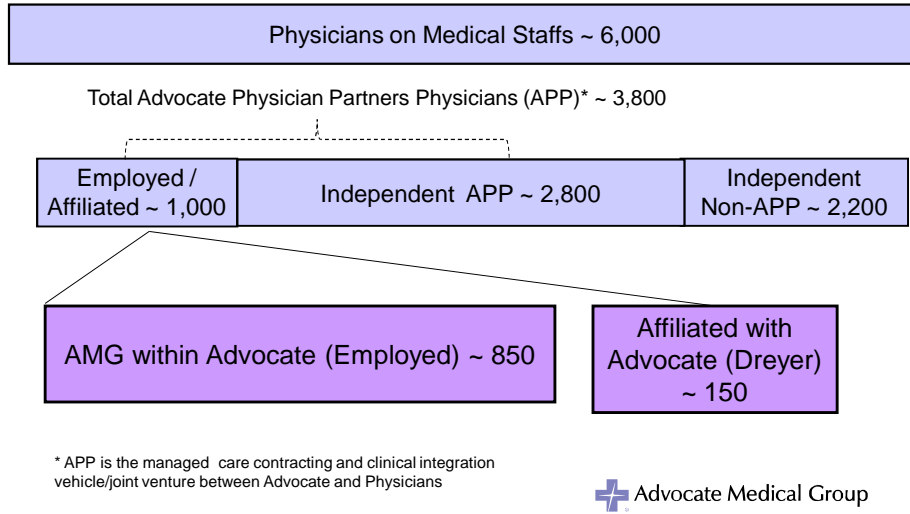
10 acute-care hospitals

2 children's hospitals



6

Pluralistic Approach to Physician Partnering within Advocate



7

Advocate 2020

Mission, Values, Philosophy

A faith-based system providing the best health outcomes and building lifelong relationships with those we serve

Operational Excellence

*Health Outcomes
Advocate Experience
Funding our Future*

Growth

*Partnerships
Loyal Patients
Brand Development*

Coordinated Care

*Access
Smooth Transitions
Innovative Care Models*

Strong Physician Engagement

Advocate Medical Group

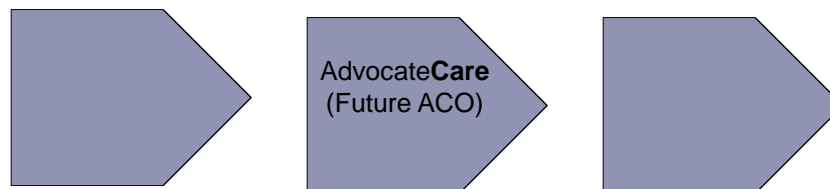
8

Advocate Medical Group (AMG)- Deeper Dive

- All **employed** physicians are consolidated under AMG
- Part of AMG focused on managed care risk - 60,000 commercial lives and 26,000 full risk Medicare Advantage lives
- Dedicated managed care infrastructure
 - UM for case management, referral management, disease management and 24/7 Nurse Triage
 - 50 plus Hospitalists and Geriatricians placed in key Advocate hospitals and private nursing homes
- AMG, either directly or indirectly through the APP PHO structure, manages over 60% of the managed care lives within Advocate
- Significant physician practice acquisitions activities underway

 Advocate Medical Group

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 Advocate Medical Group

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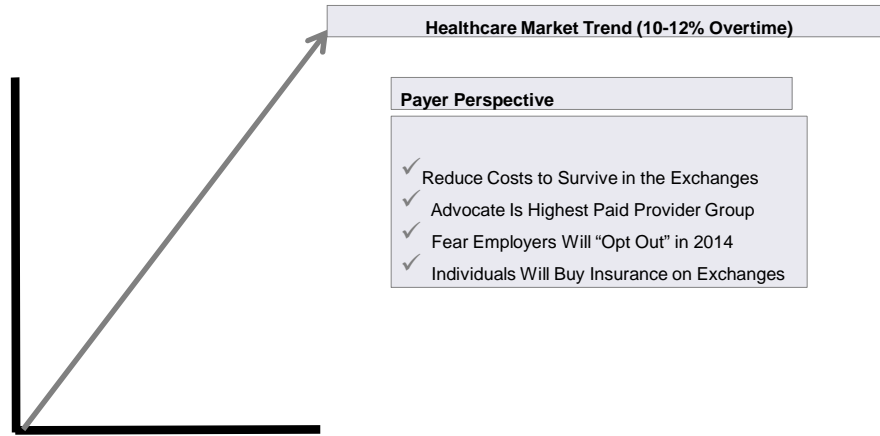
Current Health Care System

- Hospitals & Physicians Paid Fee-For-Service
- Creates Incentives “To Do More”
- Care Not Coordinated
 - Multiple Providers Treating the Same Patient
- Results
 - Poor Patient Compliance
 - Unnecessary Care
 - Lack of Appropriate Follow-Up

Impacts of Healthcare Reform

- Medicare
 - Lower Cost/Unit (Rates to Providers)
 - Accountable Care -Type Structures
 - Value-Based Purchasing
- Commercial Insurance
 - Exchanges Operational in 2014
 - Individuals Able to Buy Insurance
 - Insurers Need Low Price Network to Survive
 - Insurers Can “Price Value In” to Premiums

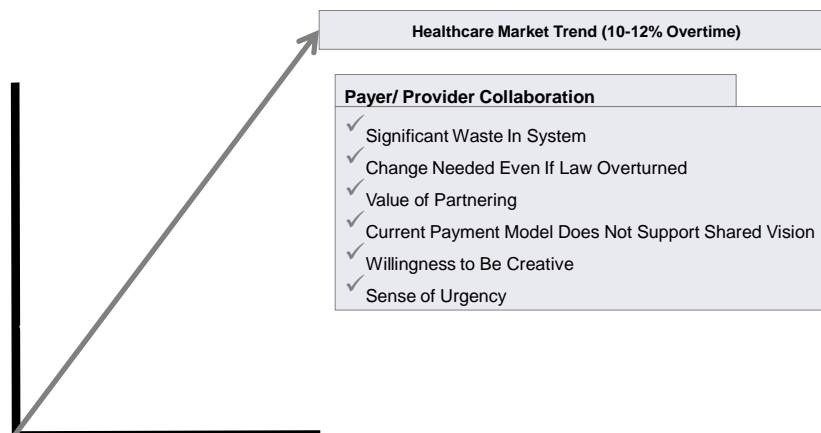
Payer Trend Analysis & Perspectives



 Advocate Medical Group

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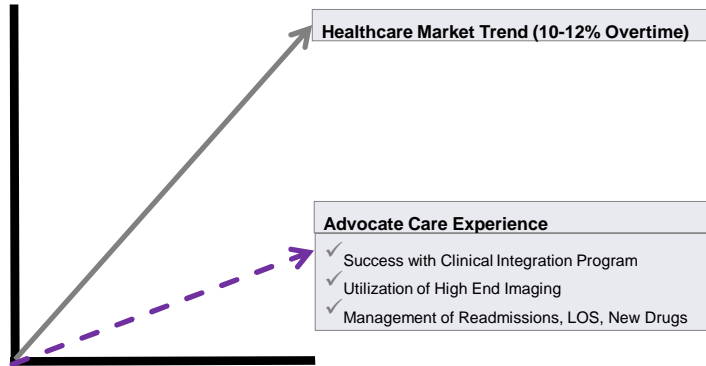
Advocate & Payer Shared Perspective



 Advocate Medical Group

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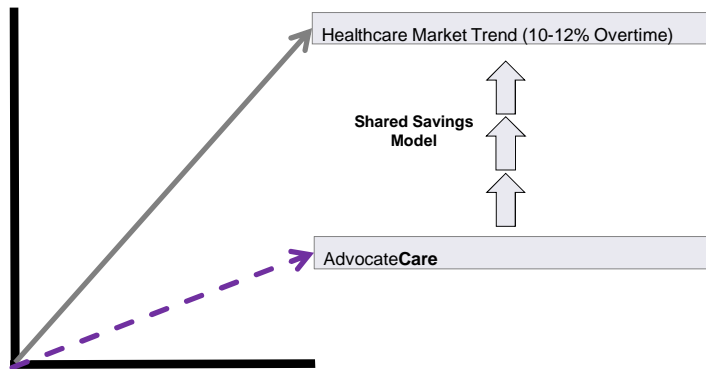
AdvocateCare Trend Analysis



 Advocate Medical Group

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AdvocateCare Shared Savings



 Advocate Medical Group

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AdvocateCare – Why?

- Blue Cross & Advocate Faced 2 Choices:
 - Lower Unit Cost Now
 - Partner Together/Reduce Waste
- Prepares Advocate for ACOs in 2012
- Employers Demanding, Even If Reform Overturned
 - ***“Unstoppable Market Force Unleashed”***
- First Mover Advantage
- Better Patient Care → Fulfills 2020 Vision

New BCBS Agreement

- Model for Other Commercial Contracts & Medicare ACO under AdvocateCare
- PPO Shared Savings Agreement
 - Global Cost Management
 - Overlay On Existing Fee-For-Service Structures
 - Responsibility for Managing Cost Trend
 - Method for Sharing Savings
- HMO – Added Blue Advantage HMO program (lower cost product)

Grasping the Implications

- Investment to Achieve Savings is Significant
 - Staffing(Enterprise Care Management)
 - Information Technology tools and talent to leverage information
- Implications to Physicians (PCPs and Specialists)
 - Transforming PCPs to “Manager of the Practice”
 - Everyone working at their highest skill level
 - Achieving better outcomes
- Implications for Advocate Hospitals
 - Restructuring UM functions
 - Improving throughput & efficiency, need for back-fill strategy
 - Supply Chain

NEW AdvocateCare Model

Changing Paradigms ...

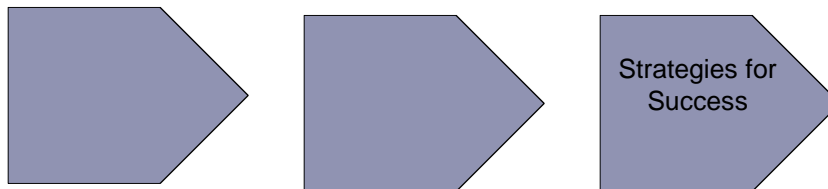
FROM ...	TO ...
Silo Care Management	Enterprise care management
Episodes of Care	Coordination of care
Discharges	Transitions
Utilization Management	Right Care, Right Place, Right Time
Caring for the Sick	Keeping People Well
Production (Volume)	Performance (Value)

Specific Challenges & Opportunities

- Providing Access for Newly Insured
- Managing Ambulatory Sensitive Conditions
- New Enterprise Care Management
- Engaging Primary Care Physicians
 - Operate At Top of License
 - Adequate Extenders & Urgent Care vs. ER
 - Greater Accountability for Results
- Flow of Funds to Advocate and Physicians

Lessons Learned or Learning

- Need comprehensive financial modeling and sensitivity analysis including flow of funds
- Requires significant front end investment in capital and resources
- Overall Advocate System readiness and ability/willingness to move from FFS to managed care
- Early results are positive based on 1st quarter
(Just reporting this quarter data in last 30 days)



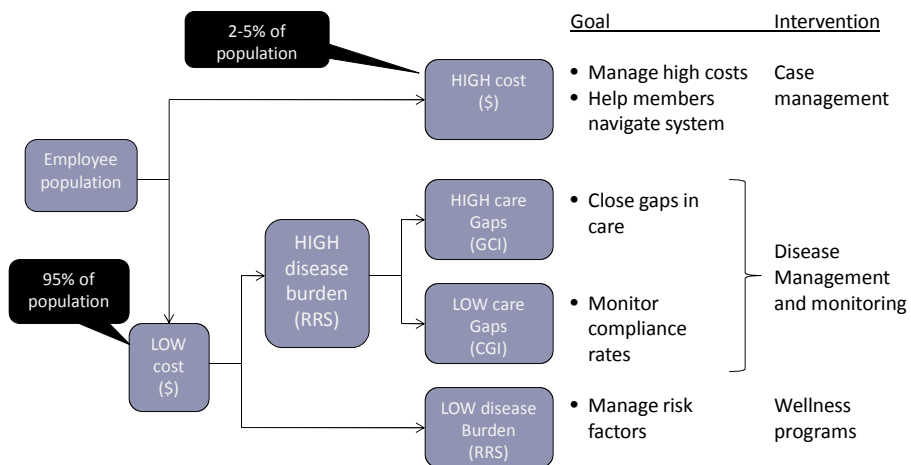
Strategies, Tactics and Metrics - 2011

Strategy	Tactic	Key Metrics
Outpatient ECM	<ul style="list-style-type: none"> 66 dedicated CMs for PCP's high risk pts. (3-5% BCBS population) CM workload and predictive modeling system 	<ul style="list-style-type: none"> 30 day readmission rate Potentially avoidable admissions Admissions/1000 Outpatient ER visits/1000 Cost PMPM
Inpatient ECM	<ul style="list-style-type: none"> Enhanced inpatient and ED CM role Best practice processes Readmission risk tool with focused interventions Physician partnered CM model Milliman criteria as system standard 	<ul style="list-style-type: none"> 30 day readmission rate LOS Days/1000 Cost PMPM Admissions/observation ratio HCAHPS
Post Acute	<ul style="list-style-type: none"> Hospital to home transition coach pilot SNFist and APN pilot Post Acute network build of preferred providers (SNF, Inpatient Rehab, LTACH) 	<ul style="list-style-type: none"> 30 day readmission rate Admissions/1000 Days/1000 Cost PMPM
Access	<ul style="list-style-type: none"> Expanded physician office hours eVisits, group visits Multicondition centers 	<ul style="list-style-type: none"> Outpatient ER visits/1000 PCP visits/1000 attributed pts./year Cost PMPM
Growth	<ul style="list-style-type: none"> Physician loyalty ED unassigned patients (no PCP) New patient acquisition 	<ul style="list-style-type: none"> # attributed patients Unique patients served PCP visits/1000 attributed pts./year

What Is Enterprise Care Management (ECM)?

- An enterprise approach to managing high risk patients along the continuum
- Connects the work of our continuum based Care Managers
- Designed to:
 - Focus on patients at or approaching high risk
 - Ensure coordination and continuity
 - Facilitate the appropriate delivery of care
 - Manage care needs within and between settings/providers

Framework for Population Based Health Management



Closing Comments

- Advocate is Well Positioned
- AMG physicians are strongly aligned
- APP has had great success with Clinical Integration
- Existing Sources Volume will Decline
- PCPs Will Be Forced to Choose One ACO
- There Will Be Winners & Losers
- First Mover Advantage
- Three Year Window of Opportunity