

## **PHYSICIAN LED RISK CONTRACTING FACILITATES IMPROVED HEALTHCARE QUALITY AND VALUE FOR PATIENTS**

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Healthcare reform is being pushed through legislative, regulatory, and market based initiatives. One of the strongest mechanisms to generate improvement in the value of patient care is for providers to implement a well-designed, incentive-driven PMPM contract with a major payer. This is a daunting undertaking for which most medical groups are not prepared.

We describe the market dynamics and analysis that led a large academic group practice and associated private practice IPA to undertake such a model with the largest insurer in the state, Blue Cross Blue Shield of MA. For a variety of reasons, the academic Medical Center did not join the risk bearing part of this contract. We will discuss the details of how physician groups can take the lead in changing local market dynamics through innovative at risk contracting even when hospital partners may not be ready, willing or able to do so.

We believe that the health care system is excessively costly and undermanaged because of the pernicious, volume-driving effects of fee-for-service (FFS) payment systems. In particular, primary care and care coordination services have been woefully underfunded with adverse impacts on quality and efficiency. We have committed to a new approach in which we place teams of PCPs at the core of our PMPM contracting model and give them very powerful, fully integrated incentives to reduce costs and raise quality levels. In effect, the PCPs create an effective market for health care services because they have medical expertise, and cost sensitivity, and they have strong motivations to “purchase” care in the best interests of their patients. The PCPs are supported by information systems, including EMRs, and care support staff, and they are encouraged to reduce unnecessary ER visits, reduce inappropriate readmissions, manage pharmaceutical use, reduce excessive imaging and other tests and shift ancillary services to lower cost, high quality settings. Most important, the PCP teams have strong incentives to refer to those specialists who practice medicine in cost-effective ways and work cooperatively with the PCPs to achieve common objectives. This process of “creative destruction” is profoundly challenging to hospitals in general, to AMCs in particular, and to specialists in fields with excessive use, but we believe it is fostering changes in care delivery that are in the best interests of patients and our overall society.

As part of our presentation, we will describe the basic components of our “internal financing system” incentives and structure and the key components of what we believe are well-designed PMPM financial arrangements—including a mechanism whereby hospitals can join with physicians and carry risk in exchange for a share of budget surpluses—that can be negotiated with major payers for both their insured and ASO/cost-plus accounts.

Stuart A. Rosenberg, M.D. has been the President and Chief Executive Officer of Harvard Medical Faculty Physicians at Beth Israel Deaconess Medical Center, Inc., (HMFP) since 2003. This corporation employs over 800 full-time Harvard Medical School Faculty in 13 Departments. He serves on the Board of Directors for Beth Israel Deaconess Medical Center and since January 2006 has held the position of President of Beth Israel Deaconess Physician Organization which negotiates professional services contracts for over 1800 physicians practicing across Eastern Massachusetts. Prior to joining HMFP, Dr. Rosenberg was President, Medical Director and CEO of UT Southwestern Health Systems, the corporation that ran the business affairs of the 20 Clinical Departments and 850 full time faculty at University of Texas Southwestern Medical Center in Dallas. He is currently a Senior Lecturer on Medicine at Harvard Medical School and a Fellow of both the American College of Physicians and the American College of Rheumatology. Dr. Rosenberg, a rheumatologist, received an M.D. from the University of Virginia Medical School and an A.B. from Duke University.

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**Professional Profile for Jack C. Keane  
President, Jack C. Keane, Inc.**

Mr. Keane is an experienced health care consultant whose areas of expertise include health care payment policy and methods, health care data analyses and payment negotiations involving health care providers, health plans and other purchasers. His clients include—or have recently included—CareFirst BCBS, the BCBS plan that covers approximately 3.0 million members in the Maryland, D.C. and Northern Virginia markets, which he assists with hospital and physician contracting, strategy and analytics; the Beth Israel Deaconess Physician Organization (BIDPO), an organization encompassing 1,700 affiliated physicians including 800 members of the Harvard Medical Faculty Plan, which he assists with full risk (PMPM) contract negotiations and related internal financing and budget accountability structures; the National Benefits Fund/1199, a self-insured Taft Hartley union group with approximately 350,000 members in the New York City market, which he assists with hospital contracting; WellPoint BCBS, a company that operates 14 BCBS plans covering approximately 35 million members, which he assists with hospital contracting and methodology development; Excellus BCBS, the U. of Rochester Medical School and the local health systems, for whom he has provided strategic advice regarding PMPM-based financing arrangements; and the Michigan Hospital Association, which he assists with P4P and related contracting efforts. Other clients have included Independence BCBS, the BCBS plan in the Philadelphia market that covers approximately 3.5 million members; Massachusetts BCBS, the BCBS plan in Massachusetts that covers approximately 3 million members; the Greater Dayton Area Hospital Association; the North Carolina State Employees Health Plan; and various other entities.

Prior to beginning his consulting career, Mr. Keane served as a senior official in the hospital rate setting programs in Massachusetts and Maryland and co-founded a company that built PPO plans in sixty markets throughout the U.S.

In July 2011, Mr. Keane was appointed by the Governor of Maryland to serve as a Commissioner of the Health Services Cost Review Commission (HSCRC). The HSCRC is the state agency that regulates all private and public payments to hospitals in Maryland.

Mr. Keane holds an M.S. degree in Health Services Administration from Harvard University.

## John S. Cook

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Jack has an extensive background in health care consulting specializing in health care finance, reimbursement, data analysis and incentive program design and implementation.

Mr. Cook is a Thouron Scholar and earned his D Phil, magna cum laude, in mathematics from Oxford University. Jack received his Bachelors of Arts in Mathematics from the University of Pennsylvania.

Jack's experience and list of projects spans an impressive 30-year career and includes the design and negotiation of hospital agreements for Bay State Health Care and the design and negotiation of HA-32, the DRG-based payment system used by Blue Cross and Blue Shield of Massachusetts to reimburse its participating hospitals. Mr. Cook also represented Blue Cross and Blue Shield and the Massachusetts Business Roundtable in the negotiations surrounding the three-hospital rate setting statutes governing payments to Massachusetts's hospitals. During these negotiations, Mr. Cook designed and drafted most of the key payment provisions of key sections. He also designed the Physician Agreements for Empire Healthnet, an HMO operating in southern New York. Additionally, he co-founded Novales, (a company that generated approximately \$500 million per year in gross revenues that owns, operates and supports HMOs). Mr. Cook also is responsible for designing the Hospital Experimental Payment (HEP) program, a full payer hospital payment system operating in Rochester, NY, as well as served as Chief Rate Analyst for the Maryland Health Services Cost Review Commission. He has assisted in the design and implementation of the Guaranteed Inpatient Revenue (GIR) system, a full payer hospital rate setting program operating across all payers in Maryland for the last thirty years. During this period, Maryland had the lowest rate of increase in hospital costs per admission of any state in the U.S. Mr. Cook also reviewed hospital budgets and participated in the establishment of Blue Cross' rates of payment to hospitals and worked closely with the CareFirst BCBS CEO, and with Jack Keane in the design of the CareFirst BCBS "Primary Care Medical Home" (PCMH) program which was implemented across 3 million members in DC, MD and N. Virginia in January 2011.

Jack's current projects include continued work with CareFirst on additional PCMH-related projects, Excellus BCBS (Rochester) and the local health systems and with Jack Keane to design and implement a multi-payer, PMPM-based incentive payment model, and also working with the Beth Israel Deaconess Physician Organization (1,700 physicians and approximately 800 Harvard medical faculty members) with Jack Keane to design and implement an all-inclusive, PMPM-based incentive payment arrangement with BCBS of Massachusetts, Tufts Health Plan and other payers.