When it Seems like Everyone is Merging

March 24, 2017
Remaining an Independent Group

Mike Kasper, CEO
DuPage Medical Group
Discussion Topics

• DuPage Medical Group Overview

• Healthcare Environment Overview
About DuPage Medical Group

• 600+ physicians
• Revenue run-rate over $800 million
• 70+ locations throughout Chicagoland area
• 50+ specialty service line offerings
• DMG offers:
  – Telemedicine, including Online Scheduling, Video Visits and E-visits
  – Integrated Oncology Program (the only free standing cancer center accredited by the COC in Illinois, treating 75 patients daily)
  – Ancillary Services, including Physical Therapy, Lab, Radiology and Sleep Labs
  – Ambulatory Surgery Centers (complete 28,500 cases per year)
• DMG’s management team collaborates with its Board of Directors, comprised of 10 practicing physicians
Transformative Growth

**Past**
- Leading local provider of high-quality specialty care
- Focus on core physician practice growth

**Present**
- Leading regional physician group platform with MSO infrastructure servicing risk-based care
- Expansion into complex population health and ancillary services

**Future**
- National physician group with fully-developed, value-driven specialty care with blue-chip MSO client base
- Capture demographic driven growth in Medicare Advantage

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Physicians</th>
<th>Employees</th>
<th>Risk</th>
<th>MSO Clients</th>
<th>Payer Partner</th>
<th>Hospital Partner</th>
<th>Clinical Partner</th>
<th>Telemedicine</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$307 Million</td>
<td>275</td>
<td>1,587</td>
<td>HMO</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2017</td>
<td>$800+ Million</td>
<td>600</td>
<td>3,100</td>
<td>HMO, ACO, MA, Shared Savings</td>
<td>Local</td>
<td>Humana, BCBS-IL</td>
<td>Edward-Elmhurst HealthCare</td>
<td>Rush University Medical Center</td>
<td>E-Visits, Video Visits, Direct Scheduling</td>
</tr>
<tr>
<td>2019</td>
<td>$1.1 Billion</td>
<td>750+</td>
<td>3,900+</td>
<td>HMO, ACO, MA, Medicaid Shared Savings, Bundled Payments</td>
<td>Regional / National</td>
<td>BCBS-IL</td>
<td>Edward-Elmhurst HealthCare and Further Regional Expansion</td>
<td>Rush University Medical Center</td>
<td>E-Visits, Video Visits, Direct Scheduling and Home Monitoring</td>
</tr>
</tbody>
</table>
DMG Physician Growth

DMG Acquisitions
- July 2013 – M&M Ortho – 26 doctors
- October 2015 – Meridian Medical Associates – 41 doctors
- May 2016 – Pronger Smith Medical Care – 36 doctors
- Nov/Dec 2016 – Heartland Cardio – 20 doctors

Projected EOY Growth

155  170  195  225  230  245  255  275  300  330  344  402  414  480  557  600
Sustainability Challenge (cont’d)

Hospital-Employed Physicians Aren’t Paying Off

Some hospitals employing docs see greater losses, and other news

By Modern Healthcare | January 3, 2015

Making physicians pay off

Hospitals struggle to balance current costs with future benefits of employing docs

By Beth Kutscher | February 22, 2014

The median loss for employing a physician in 2012 was $176,463

* According to 2013 MGMA Cost Report

Columbus Biz Insider

Hospitals to reverse trend of employing doctors – consultant

Mar 3, 2015, 1:27pm EST | UPDATED: Mar 3, 2015, 2:16pm EST
A Zero-Sum Game for Clinicians

Stronger Performers Benefit at Expense of Those with Low Scores/No Data

Payment Adjustment Determination

1. ECs assigned score of 0-100 based on performance across four categories
2. Score compared to CMS-set performance threshold (PT); non-reporting groups given lowest score
3. A score above PT results in upward payment adjustment; a score below PT results in a downward adjustment

Maximum EC Penalties and Bonuses

- Highest performers eligible for up to 10% additional incentive
- Budget neutrality adjustment: Scaling factor up to 3x may be applied to upward adjustment to ensure payout pool equals penalty pool
- Non-reporting participants given lowest score

Basis for Performance Threshold
In 2019, PT based on 2014 and 2015 performance data from PQRS, VBPM, MU

1. The mean or median (as selected by CMS) of the composite performance scores for all MIPS eligible professionals with respect to a prior period specified by the Secretary.
2. Payment adjustment size correspond with how far the score deviates from the PT.
3. High performers eligible for additional incentive of up to 10% for MIPS eligible providers that exceed the 25th percentile.

Interdependent, Agile Operating Model & Approach

### Revenue Diversification
- MSO Services
- High-Risk Clinic Model
- Ancillary Services
  - Ambulatory Surgical Centers
  - Digital Imaging
  - Radiology Oncology

### Operational Optimization
- IT/EHR = Strategic Integrator
- “Franchise model” Approach
- Shared Services
- Patient Experience
- Virtual Care/Tools

### Growth & Scale
- Value Enhancing Operating Subsidiaries
- Service Lines
- Providers
- Synergies and Efficiencies

### Partnerships & Collaborations
- Risk Network
- Integrated Care Model
- Targeted Specialty Care

### Aligned Mission
- Long-Run Sustainability
- Physician Directed & Alignment
IHP: An Innovative Model for Value-Based Care

- Contractually obligated network in a 50/50 JV with Edward-Elmhurst
  - Epic EHR integration partnership
- 4 hospitals and 1,800 physicians
- 250,000+ lives (DMG has 70% share)
  - Commercial HMO: 100,000
  - Commercial ACO: 90,000
  - MSSP ACO: 76,000
  - Medicare Advantage: 12,500
- ACO certified 1/1/14

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**Holding Company**
- Local-level governance makes most decisions
- Policies and standards are set locally
- Only a high level central strategy to guide decisions
- Few central resources
- IT often seen as a tactical contributor and cost center

**Operating Company**
- Central governance makes most decisions
- Common standards and policies
- More detailed strategic plan
- Centralized IT requires coordination across groups
- IT expected to contribute strategically

**Virtual Enterprise**
- Central governance with role-based participation
- Common standards/policies only when needed
- Clearly articulated unifying strategy
- Loosely coupled, but highly integrated IT means much coordination across groups
- IT expected to act as a strategic integrator
Medicare Shared Savings Program (MSSP) ACO Results

- IHP is the 14\textsuperscript{th} (97\textsuperscript{th} percentile) largest ACO out of 393 nationally
- IHP is the lowest cost ACO in Chicagoland, spending $8,847/beneficiary
- IHP is in the 76\textsuperscript{th} percentile nationally in overall cost efficiency
- IHP is in the 88\textsuperscript{th} percentile nationally in clinical quality
- Only 9\% of ACO’s (38 of 393) are in the Top quartile for Quality and Cost Efficiency – IHP is one of them!
High-Risk Clinic Development

- Home-grown predictive model to identify sickest patients
- Team-based coordinated care (Physician, Health Coach, Social Worker, Pharmacist, Dietician, Mental Health, PT) + imaging and lab
- Epic EHR to monitor patient health status and outcomes
# Early Indicators of Meaningful BreakThrough Care Center Benefit

## Quality

<table>
<thead>
<tr>
<th>Biometric</th>
<th>Avg. Pre BCC</th>
<th>Avg. Post BCC</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDL-C</td>
<td>128.05</td>
<td>113.18</td>
<td>-11.61%</td>
</tr>
<tr>
<td>Total Chol.</td>
<td>230.00</td>
<td>203.05</td>
<td>-11.56%</td>
</tr>
<tr>
<td>A1C</td>
<td>9.59</td>
<td>8.94</td>
<td>-6.80%</td>
</tr>
<tr>
<td>Blood Pressure</td>
<td>146/83</td>
<td>132/76</td>
<td>-</td>
</tr>
<tr>
<td>BMI (too low)</td>
<td>20.66</td>
<td>20.91</td>
<td>1.13%</td>
</tr>
<tr>
<td>BMI (too high)</td>
<td>41.71</td>
<td>34.71</td>
<td>-16.78%</td>
</tr>
</tbody>
</table>

## Utilization

- All patients seen within 24 hours of discharge
- 30-day chronic readmit rate: 7.2%
- Lower acute admissions
- Average chronic LOS: 3.9 days
- Lower ER utilization
- 89% generic pharmacy utilization

## Patient Experience

<table>
<thead>
<tr>
<th>Measurement Categories</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to Care</td>
<td>91.09%</td>
</tr>
<tr>
<td>Coordination of Care</td>
<td>91.75%</td>
</tr>
<tr>
<td>Member Experience</td>
<td>84.29%</td>
</tr>
</tbody>
</table>
### Boncura: Full Suite / Development of Management Services

#### Management Service Offering
- Data Analytics
- Quality Improvement
- Medicare Risk Adjustment
- Case Management / Transition Care
- Utilization Management
- Health Plans/CMS/NCQA
- Claims Processing
- EPIC/IT Support
- Credentialing
- Provider Relations
- Eligibility / Membership
- Clinical Management
- Surgical Center Management
- Billing / Patient Accounts
- Coding
- Finance

#### Boncura Health Solutions
- 100% wholly-owned subsidiary of DMG
- Created in 2011 to provide delivery of admin services to physicians focused on: managed care, billing, analytics, technology and other service efficiencies
- 300,000+ lives managed (HMO, ACO, MA, Shared Savings)
- $4MM FFS claims and 500k managed care claims per year
- Clients: IHP, DMG, Edward Medical Group, Elmhurst Clinic, Northwest Community, Salt Creek ASC, Plainfield ASC, University of Chicago and Northwestern Medicine

#### Case Study – Northwestern Medicine / Cadence

**Multiple Solutions**
- Boncura’s Epic Tapestry module allows Northwestern to store benefits, vendor contracts, referral requirements, patient liability amounts to drive efficiency and allow maximum automation of claims processing
- Claims team works directly with their clinical services, coding, and eligibility teams

**Diverse Experience**
- Epic
- Managed care payers
- Other MSOs, including NAMM
- EDI processing and claims adjudication

**Superior Outcomes (Boncura Compass)**
- Provides a robust dashboard for utilization, cost, quality, risk, network leakage and transition of care
- Encounter data is used for the purposes of quality measurements for HEDIS measures, analysis, and trending resulting in great success of HEDIS measures as well as maximizing incentive funds for Northwestern
What’s next for DuPage Medical Group?

• Continued expansion of clinical services in our core market and newer South suburban market
• Exploration of additional expansion opportunity
• MACRA participation/planning

• Growth of Boncura Health Solutions
Questions?