Addressing Barriers to Change: What Can We Learn from Successful Health Systems?

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Hospitals and health systems will continue to be important and will anchor future delivery models

Criteria for hospital success are changing

What we’re seeing on the ground: Barriers to change

Strategies for success: Examples from the front lines

Characteristics of rapidly transforming health systems
Why US Hospitals and Health Systems Will Anchor Future Delivery Models

- Consolidation is creating large health systems which are functionally IDN’s
- Their clinical enterprise will extend beyond hospital walls as health systems employ increasing numbers of physicians
- Compared to most physician groups, health systems have a more nimble decision-making structure
- Hospitals currently provide significant IT infrastructure and have the capital to support broader infrastructure development
- Hospitals already have broad contracting capabilities and are positioned for payer-provider partnerships or payer disintermediation
- They have a large employee base to pilot initiatives with lower risk
- **AS LONG AS THEY EVOLVE…**
  - Into cost-effective clinically integrated delivery systems that can provide the R-R-R-R care across the continuum of care
  - Into health systems that can effectively manage risk
## Criteria for Hospital Success are Changing

<table>
<thead>
<tr>
<th></th>
<th>Current Success</th>
<th>Future Success</th>
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<tbody>
<tr>
<td>Financial drivers</td>
<td>Volume drives margin</td>
<td>Volume and manage utilization and optimize quality</td>
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<td>Definition of Growth</td>
<td>Increased patient volume</td>
<td>Increase in the number of covered lives and effectiveness of care management</td>
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<td>Service Line Strategy</td>
<td>Drive specialty volume to support hospital margin</td>
<td>Coordinate care of patients with chronic complex disease across the continuum</td>
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<td>Physician alignment</td>
<td>Support loyalty of independent physicians, channel volume, and employ some physicians</td>
<td>Clinically-integrated, predominantly employed physicians keep patients in-network and out of hospital</td>
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<td>Clinical support for physicians</td>
<td>Hospitals respond to individual physician needs and desires</td>
<td>Hospitals support standardization of care across the continuum</td>
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<td>Patient Engagement</td>
<td>“Come to us” when you’re sick</td>
<td>“Stay with us in our system and we’ll help you manage your health”</td>
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<td>Payer relationships</td>
<td>Market leverage leads to favorable contracts</td>
<td>True provider-payer collaboration Potential payer disintermediation</td>
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<td>IT</td>
<td>Transactional systems</td>
<td>Enterprise integration with advanced analytics capabilities</td>
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<td>Operations</td>
<td>Focus on efficiency</td>
<td>Really focus on efficiency!!</td>
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On the Ground Barriers to Change: Same Barriers – New Environment

- Misaligned financial incentives
  - Persistence of FFS
  - Volume incentives outweigh shared savings alignment

- True clinical integration is hard to achieve
  - Hospital-physician alignment
  - Physician leadership
  - Effective IT infrastructure with information transparency
  - Advanced care management
  - Analytics/predictive analytics
Local market dynamics drive decision-making
The destination is not completely clear
Ineffective or variable degree of payer-provider collaboration
Strong leadership has never been more essential
Real change takes time
Organizational bandwidth
Organizational structure misaligned with goal
Patients not engaged
## Key Strategies for Success – Examples

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<tr>
<th>Rational Delivery System</th>
<th>Effective Clinical Integration</th>
<th>True Care Standardization</th>
<th>Leverage Scale</th>
<th>Advanced Analytics</th>
<th>Vertical Integration</th>
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<tbody>
<tr>
<td>Partners Community Health Care</td>
<td>Advocate Physician Partners</td>
<td>Virginia Mason Geisinger</td>
<td>Ascension Health Alliance</td>
<td>Optum</td>
<td>Group Health</td>
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<td>Duke University Health System</td>
<td>Kaiser-Permanente Billings Clinic</td>
<td>Children’s Hospital Boston</td>
<td>HFHS &amp; Beaumont</td>
<td>Aetna</td>
<td>Kaiser</td>
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<td>BJC Collaborative</td>
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<td>Intermountain</td>
<td>Memorial Hermann</td>
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Characteristics of Rapidly-Transforming Health Systems

- Strong leadership
- Local market dynamics create burning platform that helps make the case for change
- At least moderate alignment of financial incentives
- Accelerated and meaningful physician engagement through true clinical integration
- IT infrastructure provides relevant data and analytics to drive change
Health System Transformation

- Performance Improvement: 8-12% Improvement
- Clinical Transformation: 6-14% Improvement
- Asset Rationalization: 3-6% Improvement
- Scale & Integration: 4-8% Improvement

20-40% IMPROVEMENT