Healthcare Delivery System
Transformation & Reform: From the Physicians’ Perspective

Kent Bottles, MD
Consulting Principal
Pershing Yoakley & Associates, PC (PYA)
kbottles@pyapc.com  (610) 639-4956
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Healthcare: An Alternate Economic Universe


• July 2012 – U.S. economy produced same volume of goods & services as in 2007 with 5 million fewer workers

• May 2007 to May 2011 – U.S. health system added 1.149 million workers despite declining admissions and office visit volume
Healthcare: An Alternate Economic Universe


• 2/3 of employment growth in sub acute, chronic, & home-based healthcare
• Fastest growing hospital jobs
  – Management 14%
  – Business operations 12%
  – Computers 18%
  – Healthcare providers 7%
  – Clerical employment declined

Fiscal Cliff Agreement

• 27% drop in CMS payments to doctors averted for one more year
• CMS sequestration cuts postponed for 2 months
• Decrease disproportionate share payments to hospitals
• CLASS Act permanently repealed
• Co-ops eliminated
Fiscal Cliff Agreement

- No permanent fix to SGR (sustainable growth rate): $200 billion
- $15 billion reduction in payments to hospitals to pay for 1 year of doctor fix which costs $30 billion for 1 year

Fiscal Cliff Agreement

- 2007 CMS changed how hospitals submit bills
- Created 749 categories to reflect different levels of illness
- Medical Payment Advisory Committee (MedPac) found $11 billion in hospital overpayments from 2010 to 2012 due to up-coding
Fiscal Cliff Agreement

- Medicare pays hospitals $117 billion a year
- Hospitals want a permanent SGR fix
- Hospitals already gave up $115 billion in CMS payments over 10 years in the ACA

Fiscal Cliff Agreement

- 200 rural hospital program extended for 1 year
- Increased payments for hospitals
  - Rural
  - Less than 100 beds
  - Treat high proportion of Medicare patients
White House Sequester Health Cuts

- CMS Supplemental Medical Insurance Trust Fund: $5.2 billion
- CMS Hospital Ins. Trust Fund: $5.8 billion
- CMS Part D: $591 million

White House Sequester Health Cuts

- CDC: $464 million
- Substance Abuse & Mental Health Services Administration: $275 million
- FDA: $318 million
- NIH: $2.5 billion
- Indian Health Services: $320 million
If consumer prices grew as fast as healthcare since 1945...

- A dozen eggs would cost $55.00
- A dozen oranges would cost $134.00
- A gallon of milk would cost $48.00

Healthcare’s Role in Causing Recession

- Rising healthcare premiums
- Deprive employers of cash flow
- Deprive employees of earnings growth
- Consumers borrowed trillions of dollars: $14 trillion in consumer debt in 2006
- Consumers ran out of money, defaulted on mortgages, car loans and recession of 2008
Why Healthcare Costs So Much


- FFS payments to doctors, hospitals reward volume rather than value
- Demographics: older, sicker, fatter
- Pogo: We want new stuff
- Tax breaks on health insurance; cost to patient low
- Lack of information to become savvy shopper
- Hospitals gaining market share; demand higher prices
- Supply and demand problems, legal issues make it hard to slow spending

Healthcare: The Disquieting Truth

- We spend $2.5 trillion on healthcare
- Without control, federal budget deficit & national debt will continue to grow
- U.S. spends 2.5 times per person what counterparts in Europe spend
- We spend more than enough to give good care; the problem is the system, not lack of money

Arnold Relman, NYRB, September 30, 2010
Ezekiel Emanuel’s $2 Trillion

http://blog.lib.umn.edu/schwitz/healthnews/182728.html

• 1 million seconds: less than 2 weeks ago
• 1 billion seconds: 1974
• 1 trillion seconds: 30,000 BC

Healthcare: The Disquieting Truth Arnold Relman, NYRB, September 30, 2010

• Physicians account for only 20% of total healthcare expenditures
• Physicians control most expenditures as they call upon hospitals, pharma, med device makers to treat patients
• Physicians will have to change the way they use medical resources if we are to control costs per-capita
UCLA vs. Mayo
http://ow.ly/2YrRu

- Spending in the last two years of life
- UCLA: $93,842
- Mayo: $53,432
- $700 billion a year savings if UCLA acted like Mayo

Bending the Cost Curve through Market-Based Incentives

- Medicare premium support replaces defined benefit to be used to purchase insurance
- Convert tax subsidy for employer insurance to predetermined refundable credit
- Transition from fee-for-service to bundled payments
- High option plan for Medicare
Bending the Cost Curve through Market-Based Incentives

- Regional Medicare plans to encourage greater entrepreneurship
- Health insurance exchanges without “heavy regulation imposed by ACA”

A Systematic Approach to Containing Healthcare Spending

- Model of state self regulation with spending targets where public & private payers negotiate payment rates with providers
- Replace fee-for-service with bundled and global payments
- Medicare competitive bidding for med devices, lab tests, X-rays, etc.
A Systematic Approach to Containing Healthcare Spending

- Insurers should offer tiered plans with lower copays if patient chooses high value providers
- Payers & providers electronically exchange eligibility, claims, etc.
- Single standardized MD credentialing
- Price transparency
- Non physician providers should practice to full extent of their training

A Systematic Approach to Containing Healthcare Spending

- Stark Law extended to prohibit MD self referrals for services paid by private payers
- FEHBP transition to new payment models
- Safe harbor against malpractice if MD uses HIT & EBM guidelines
- Shifting costs to patients & cuts to provider payments are not good ways to cut costs
The Affordable Care Act


- Cost containment
  - Medicare savings of $500 billion over 10 years
  - Faith-based cost control
    - Comparative effectiveness studies
    - Voluntary shared savings through ACO
    - Bundled payment pilots
    - Reimbursing physicians based on quality performance

Physician Quality Reporting System (PQRS)

- More than 80% of Medicare providers do not meet PQRS standards
- Will not get bonus payments
- 2013 program converts to penalties
- Fines for 2013 will be levied in 2015
CMS The Physician Feedback/Value-Based Modifier Program

- The Physician Quality and Research Use Reports (QRURs)
- The Development and implementation of a Value-based Payment Modifier
- Allows MD to compare quality and cost of CMS FFS patients’ care with that of other patients in Iowa, Kansas, Missouri, and Nebraska

CMS The Physician Feedback/Value-Based Modifier Program

- Medicare Improvements for Patients and Providers Act of 2008
- Extended by 2010 Affordable Care Act
- CMS will use the value-based payment modifier to adjust CMS FFS payments to physicians based on the quality of care they furnish compared to the costs of such care
CMS The Physician Feedback/Value-Based Modifier Program

• HHS Secretary will phase in program over a 2 year period beginning in 2015
• Beginning in 2017, the value based payment modifier will apply to all payments made under Medicare FFS payment schedule

CMS The Physician Feedback/Value-Based Modifier Program

• All cost data in your report have been price standardized and risk adjusted to account for differences in patients’ age, gender, Medicaid eligibility, and history of medical conditions so we make apples to apples comparisons
CMS The Physician Feedback/Value-Based Modifier Program

- COPD
- Bone, joint, muscle
- Cancer
- HIV
- Prevention

- Diabetes
- Gyn
- Heart conditions
- Mental health
- Medication management

CMS The Physician Feedback/Value-Based Modifier Program

- **Patients whose care you directed**: you billed 35% or more of all their outpatient E&M visits
- **Patients whose care you influenced**: you billed less than 35% of outpatient E&M visits but 20% or more of their costs
- **Patients to whose care you contributed** are those you billed less than 35% of visits and less than 20% of their total costs
Alternative Methods of Payment

- Fee-for-service
- FFS and shared savings
- Episode payment
- Partial comprehensive payment and P4P
- Comprehensive (Global payment)
- Capitation
### Yes, a Healthcare Provider Can Offer a *Warranty*

**Geisinger Health System ProvenCareSM**

- A single payment for an ENTIRE 90 day period including:
  - ALL related pre-admission care
  - ALL inpatient physician and hospital services
  - ALL related post-acute care
  - ALL care for any related complications or readmissions

- Types of conditions/treatments currently offered:
  - Cardiac Bypass Surgery
  - Cataract Surgery
  - Bariatric Surgery
  - Low Back Pain
  - Cardiac Stents
  - Total Hip Replacement
  - Perinatal Care

### New Roles & Responsibilities

- **Hospitals/Specialists**
  - Reduce volume
  - Improve value

- **Primary care providers**
  - Manage costs
  - Coordinate patient care

- **Consumers**
  - Manage health, self care
  - Choose high-value care
New Roles & Responsibilities

- Health plans
  - Change payment systems
  - Support providers
- Purchasers
  - Change benefit designs
  - Pick value-based payors

Competencies for Primary Care to Be Successful as ACO

- Timely information about their patients
- Technology & skills for population management and coordination of care
- Resources for patient education and self management
- Culture of teamwork and accountability among staff
- Coordinated relationships with specialists
- Ability to measure and report on quality of care
- Infrastructure and skills for management of financial risk
- Leadership commitment to improving value
### Kaiser Ids Gaps in MD Readiness for a Reformed Delivery System Crosson, Health Affairs, 2011

- Systems thinking
- Leadership and management skills
- Continuity of Care
- Care coordination
- Procedural skills
- Office-based practice competencies
  - Inter-professional team skills
  - Clinical IT meaningful use skills
  - Population management skills
  - Reflective practice and CQI skills

### AHA Physician Leadership Forum: Competency Development

- Leadership Training
- Systems theory and analysis
- Use of information technology
- Cross-disciplinary training/team building
AHA Physician Leadership Forum: Competency Development

• Interpersonal and communication skills
  – Member of the team
  – Empathy/customer service
  – Time management
  – Conflict management/performance feedback
  – Cultural and economic diversity
  – Emotional intelligence

• Additional education around
  – Population health management
  – End of Life/Palliative care
  – Resource management
  – Health policy and regulation

AHA Physician Leadership Forum: Competency Development: Gaps

• Systems based practice: cost conscious, effective evidence based medical care

• Communication skills: effective information exchange

• Systems based practice: Coordinate care with other providers

• Communication skills: Work effectively with other team members
AHA Physician Leadership Forum: Competency Development: Missing

- Conflict management/performance feedback
- End of life/palliative care
- Systems theory and analysis
- Customer service/patient experience
- Use of informatics

Dramatic Reductions in Rate of Hospitalizations Are Possible

- 40% reduction in hospital admissions, 41% reduction in ER visits for exacerbations of Chronic Obstructive Pulmonary Disease (COPD) using in-home & phone patient education by nurses or respiratory therapists
- 66% reduction in hospitalizations for Congestive Heart Failure patients using home-based telemonitoring
- 27% reduction in hospital admissions, 21% reduction in ER visits for Chronic Obstructive Pulmonary Disease (COPD) through self-management education
Physician Group Practice Demonstration: Winners

- Marshfield Clinic (praxel.theodore@marshfieldclinic.org) Expanded ongoing initiatives & enhanced EMR to support care management & coordination. Expanded anticoagulation care management program across entire system; developed CHF management program; Nurse advice line, develop guidelines, monitor pop based clinical performance through clinical dashboards.

- Michigan (cblaum@umich.edu) Transitional care call back program contacts ER & hospital discharged patients & links to VNA & community services. Social workers & RNs aid MDs in complex care coordination program. Patient registries development; CHF nurse tele-management program. Expanded geriatric input consult service. Pharmacy facilitated discharge program for patients with high risk medications; Palliative care consult service.

Appendix
Healthcare: An Alternate Economic Universe

- Healthcare is more disciplined, team-based, protocol-driven.
- Culture of US healthcare has not changed.
- Impulse is to add more workers to solve every new problem.
- "The supply side of the US healthcare system remains impressively insulated from cost pressure, and focused on the myriad challenges of growth and revenue enhancement."


Most of Budget Goes Toward Defense, Social Security, and Major Health Programs

Source: Office of Management and Budget data.
Should Deficit Panel Go Big?
NY Times, Jackie Calmes, September 12, 2011, A14

- 57 prominent business leaders and former treasury secretaries, budget directors, and economic advisors to 8 presidents
- Christina Romer, Martin Feldstein, George P. Schultz, David Cote
- Large scale debt reduction package to stabilize the debt as a share of the economy
- $4 trillion in debt reduction over a decade

Rise of Healthcare Expenditures

Source: Trends in Healthcare Costs and Spending, Kaiser Family Foundation, March 2009
US Health in International Perspective: Shorter Lives, Poorer Health

- Institute of Medicine and National Research Council studies released January 2013
- 378 page study
- First study to systematically compare death rates and health measures for people of all ages
- Based on broad review of mortality and health studies and statistics

US Health in International Perspective: Shorter Lives, Poorer Health

- Australia
- Austria
- Canada
- Denmark
- Finland
- France
- Germany
- Italy
- Japan
- Norway
- Portugal
- Spain
- Sweden
- Switzerland
- Netherlands
- UK
US Health in International Perspective: Shorter Lives, Poorer Health

• Younger Americans die earlier and live in poorer health than counterparts in world
• Higher rates of death
  – Guns (20 times higher)
  – Car accidents
  – Drug addictions

US Health in International Perspective: Shorter Lives, Poorer Health

• US consistently at bottom of the rankings
• Heart disease
• Lung disease
• Diabetes rates
• 27 countries have higher life expectancy rates at birth than U.S.
US Health in International Perspective: Shorter Lives, Poorer Health

- Fragmented healthcare system
- Lack of societal commitment to health and welfare of entire population
- Environment discourages physical activity, encourages stressful activity
- Cultural factors like individualism and dislike of governmental interference
- Americans are less likely to wear seat belts and more likely to ride motorcycles without helmets

Reducing Costs Without Rationing

Is Also Quality Improvement!

- Healthy Consumer
  - Preventable Condition
  - Continued Health
  - No Hospitalization
  - Acute Care Episode
  - Efficient Successful Outcome
  - High-Cost Successful Outcome
  - Complications, Infections, Readmissions
“Episode Payments” to Reward Value Within Episodes

Healthy Consumer → Continued Health → Preventable Condition → No Hospitalization → Acute Care Episode

Episode Payment (“Baskets of Care”)

Comprehensive Care Payments To Avoid Episodes

Healthy Consumer → Continued Health → Preventable Condition → No Hospitalization → Acute Care Episode

Comprehensive Care Payment or “Global” Payment

Efficient Successful Outcome

High-Cost Successful Outcome

Complications, Infections, Readmissions

A Single Payment For All Care Needed From All Providers in the Episode, With a Warranty For Complications

A Single Payment For All Care Needed For A Condition
### Isn’t This Capitation?
**No – It’s Different**

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<thead>
<tr>
<th>CAPITATION (WORST VERSIONS)</th>
<th>COMPREHENSIVE CARE PAYMENT</th>
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<tr>
<td>No Additional Revenue for Taking Sicker Patients</td>
<td>Payment Levels Adjusted Based on Patient Conditions</td>
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<tr>
<td>Providers Lose Money On Unusually Expensive Cases</td>
<td>Limits on Total Risk Providers Accept for Unpredictable Events</td>
</tr>
<tr>
<td>Providers Are Paid Regardless of the Quality of Care</td>
<td>Bonuses/Penalties Based on Quality Measurement</td>
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<td>Provider Makes More Money If Patients Stay Well</td>
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<td>Flexibility to Deliver Highest-Value Services</td>
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