



March to Value – Playing Nice

Alabama Rural Health Conference
 Prattville, Alabama
 May 3, 2012




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Value – IOM Six Aims

Health care should be:

- Safe
- Effective
- Patient-Centered
- Timely
- Efficient
- Equitable



Source: Corrigan, et al (eds.). *Crossing the Quality Chasm*. Committee on the Quality of Health Care in America. National Academies Press, Washington, DC, 2001.

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Value Equation

Value = Quality + Service / Cost

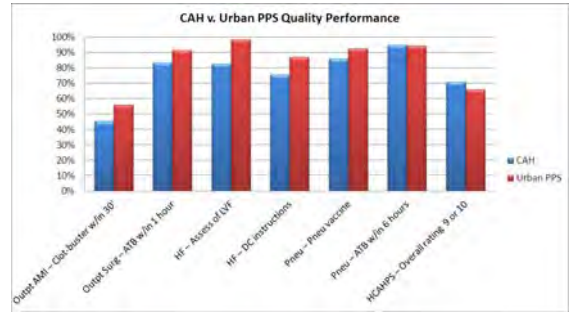
- Safe
- Effective
- Patient-Centered
- Timely
- Efficient
- Equitable

"Triple Aim"

- Better care
- Better health
- Lower cost

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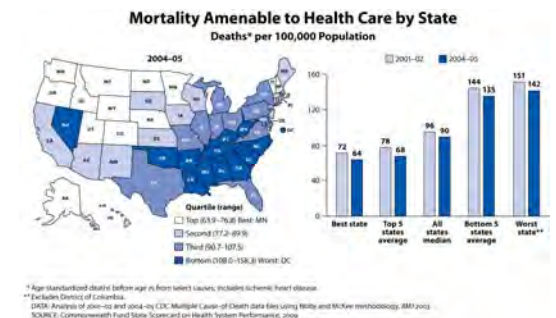
Rural Quality



Source: Flex Monitoring Team. Critical Access Hospital Year 6 Hospital Compare Participation and Quality Measure Results. April 2011

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Mortality Amenable to Care

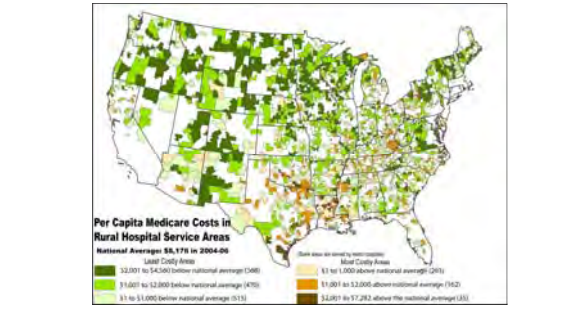


Best state: 72
 Top 5 states average: 78
 All states median: 96
 Bottom 5 states average: 144
 Worst state: 142

Quartile (range):
 Top (63.9-76.8) Best: MN
 Second (77.2-89.9)
 Third (90.7-127.5)
 Bottom (138.0-158.8) Worst: DC

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Cost (Rural)

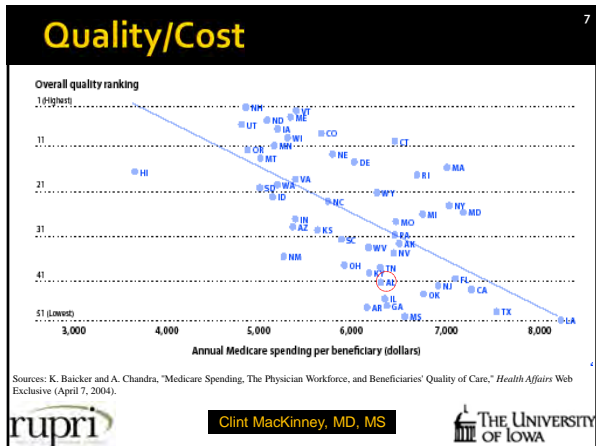


Per Capita Medicare Costs in Rural Hospital Service Areas
 National Average \$5,176 in 2004-06

Legend:
 \$3,001 to \$4,500 below national average (58%)
 \$1,601 to \$3,000 below national average (47%)
 \$1 to \$1,600 below national average (15%)
 \$1 to \$1,000 above national average (2%)
 \$1,001 to \$3,000 above national average (1%)
 \$2,001 to \$7,282 above the national average (3%)

Source: <http://www.dailyvonder.com/uneven-cost-rural-health-care/2009/10/21/2405>

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Unacceptable Healthcare Value

- Quality suboptimal
 - Deficient when compared internationally
 - Wide geographic variation
- Cost unsustainable
 - Growth in excess of GDP growth
 - Highest cost in the world
- Waste intolerable (20%)*
 - Care delivery, care coordination, overtreatment, administration, pricing failures, fraud and abuse.
- Nobody agrees about what to do!

*Source: Berwick and Hackbarth. Eliminating Waste in US Health Care. *JAMA*. April 11, 2012. Vol. 307, No. 14.

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The Value Conundrum

You can always count on Americans to do the right thing – after they've tried everything else.

- Fee-for-service
- Capitation
- Market
- Single payer
- Self-police
- Pay-for-performance?
- Value-based purchasing?

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All Comes Down to Money?

If all the metrics that define an organization's success are related to dollars, then let's get the dollars behind the quality agenda.

— Margaret E. O'Kane
 President, NCQA

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Form Follows Finance


- How we deliver care is predicated on how we get paid for care
- Health care reform is changing both
- Health care reform will continue
 - Regardless of Supreme Court ruling!

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Accountable Care Organizations 13

- A health care delivery system organized to improve health care quality and control costs through care coordination and provider collaboration, and then is held accountable for its performance
- Couples provider payment and delivery system reforms
- Accepts *performance risk* for quality and cost





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ACO Expansion 14

- 164 private insurer ACOs nationwide (Nov 2011)
 - 60% hospital, 23% physician, 17% health plan
- 64 Medicare ACO Programs (April 2012)
 - Medicare Shared Savings Program (27 ACOs)
 - Pioneer ACO demonstration (32 ACOs)
 - Advanced Payment ACO demonstration (5 ACOs)

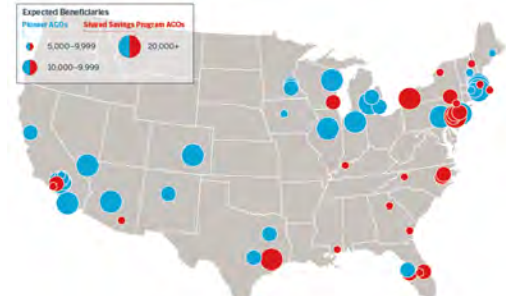





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Medicare ACOs – 2012 15



Source: Advisory Board





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Advanced Payment Demo 16

- “Designed to provide support to organizations whose ability to achieve the three-part aim would be improved with additional access to capital, including rural and physician-owned organizations.”
- CMMI has budgeted \$170 million to the Advanced Payment ACO program







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Advanced Payment Eligibility 17

- Only two types of organizations are eligible
 - ACOs without any inpatient facilities and less than \$50 million annual revenue
 - ACOs in which only inpatient facilities are CAHs and/or Medicare low volume hospitals and less than \$80 million annual revenue
- Co-ownership with health plan not allowed



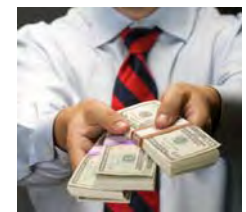



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Advanced Payments 18

- Upfront fixed payment
 - \$250,000 for ACO start-up
- Upfront variable payment
 - \$36 per prospectively assigned beneficiary
- Variable monthly payment
 - \$8/month per prospectively assigned beneficiary
- ACO can request less






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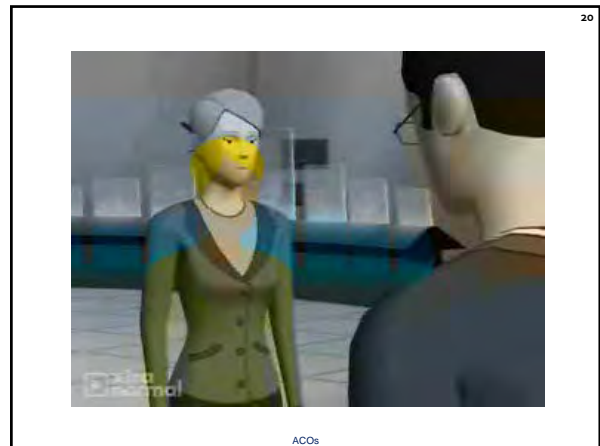
Payment Recoup

- Advanced payments to be recouped from the ACO's shared savings
 - If savings not enough to recoup advanced payment after 18 months, CMS will recoup in last 18 months of contract
 - CMS will not pursue recoup of savings after 3-year agreement period, unless ACO does not complete the 3-year contract



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Managed Care Redux?

- Provider led, not insurance
- Medicare as a leader
- New care mgmt strategies
- Physician-hospital alignments
- Information technology (EHR)
- Gain-sharing, thus less risk
- Public finance pressures

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Quality/Cost Linkage More Clear

- ACOs fee-for-service plus gain-sharing, not capitation, but...
 - Reduce unnecessary care
 - E.g., readmissions and adverse events
 - Direct patient to optimal care at site of lowest cost
 - Care need prevented: 0
 - In-home, remotely: \$
 - School, workplace, etc.: \$\$
 - Outpatient clinic: \$\$\$
 - Emergency department: \$\$\$\$
 - Local inpatient: \$\$\$\$\$
 - Tertiary care: \$\$\$\$\$\$

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New Thinking

- Old business models turned upside down
 - What are the cost centers?
 - What are the revenue centers?
- New world demands
 - Higher quality at lower cost
 - Doing what's needed, not more
 - Dealing with "stranded capital"
 - Celebrating empty beds!
- Competitive – winners and losers

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Preparing for the March

- System thinking
- Integrative thinking
- Medical home
- Health coaches
- Performance improvement
- Medical staff relationships
- Affiliation value curve
- Collaboration
- Volume to Value

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Culture



- Culture is the residue of success.*
- **What we do; what we believe.**

* Edgar Schein, 1999





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System Thinking

- Currently a *non*-system
 - Fragmented, poorly coordinated, and excessively costly
- Integrated Delivery Systems
 - An organized and collaborative provider network designed to provide coordinated and comprehensive health care services.
- Care continuum
 - Personal health to palliative care
 - "Cradle to grave"
 - Health and human services







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Integrative Thinking



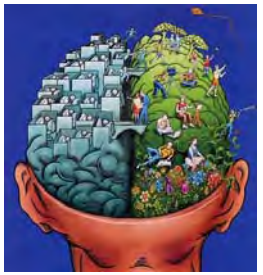



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Clinical v. Financial

- Financial officers
 - Protect the organization
 - Maintain economic well-being
 - Defend the bottom line
 - Experience high costs
- Clinicians
 - Protect patients
 - Save lives, stamp out disease
 - Defend professionalism
 - Experience hassles/errors
- Conflict understandable, but success demands both







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New Perspective



Source: Roland A. Grieb, MD, MHSA - Health Care Excel and Premier, Inc.





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Non-Linearity

- ~~"No margin, No mission"~~
- **Balance** will be the success strategy
 - Health care safety/quality
 - Financial stability
 - Patient experience
 - Employee growth
- It's never about either/or; it's always about **and/both**






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Medical Home Definition 31




The people, processes, and resources that deliver patient-centered and community-oriented primary care.

- Not a nursing home
- Not home health
- Not a "facility"
- A care team is essential
- Synonyms?
 - Patient-centered medical home
 - Health care home
 - Medical neighborhood

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Medical Home Care 32

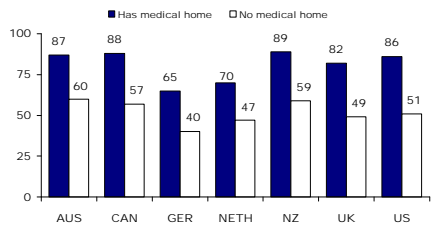


- Coordinated
- Continuous
- Patient-centered
- Evidence-based
- Proactive
- Comprehensive
- Connected
- Performance-oriented

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Medical Home Service 33

Percent rated care received "excellent" or "very good"



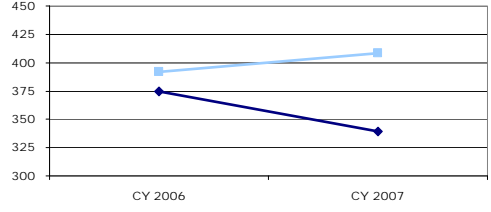
Country	Has medical home (%)	No medical home (%)
AUS	87	60
CAN	88	57
GER	65	40
NETH	70	47
NZ	89	59
UK	82	49
US	86	51

Source: 2007 Commonwealth Fund International Health Policy Survey. Data collection: Harris Interactive, Inc.

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Medical Home Costs 34

Hospital admissions per 1,000 Medicare patients



Year	Medical Home	Non-Medical Home
CY 2006	~375	~395
CY 2007	~340	~410

Source: Geisinger Health System, 2008.

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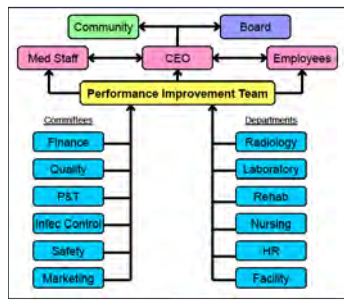
Health Coaches 35

- Team-based care
- Proactive care management
- Visit preparation
- Disease registries
- Tickler systems
- Patient education
- Care coordination



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Organizational Behaviors 36




- Reward, Recognition, Responsibility
- Org charts that reflects focus
- Mission?
 - *The pursuit of excellence through continuous performance improvement*

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Medical Staff Relationships 37

The hospital CEO's most important job is developing and nurturing good medical staff relationships.



Source: Personal conversation with John Sheehan, CPA, MBA

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Medical Staff Development 38



- Physicians: autonomous, independent, and in control!
- Yet, hospital-physician alignment essential to deliver value

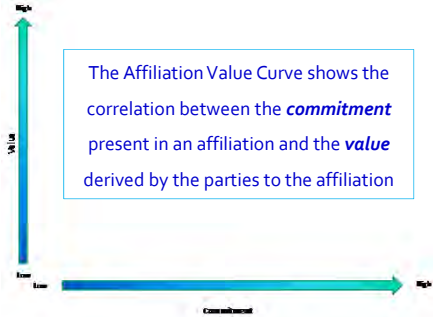
Action Plans

- Recruitment and retention
- Governance and engagement
- Leadership development
- Relationship development

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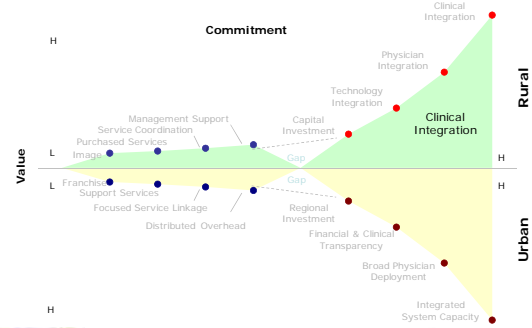
Affiliation Value Curve 39

The Affiliation Value Curve shows the correlation between the **commitment** present in an affiliation and the **value** derived by the parties to the affiliation




STROUDWATER ASSOCIATES

Affiliation Value Curve 40



STROUDWATER ASSOCIATES

Collaboration 41




- New paradigms of health care delivery require collaboration
 - WIIFM (and for them)
 - Listen to understand
 - Mutual purpose
 - Shared vision
- *Increased collaboration will require some loss of control*

Source: Jo Ann Preston, Rural Wisconsin Health Cooperative Leadership Series, 2010-2011.

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Playing Nice 42


- How do we develop a common vision and "culture?"
 - Of shared learning, rapid info transfer, consistent processes, and evidence-based care?
 - Like integrated delivery systems that have developed over decades
- How do we respect physician identity and independence, yet promote collaboration?
- How do we define success by *mission*, not hospital growth?



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From Volume to Value 43


- Measure and report performance
 - We attend to what we measure
 - Attention is the currency of leadership
- Educate Board, providers, and staff regarding performance
 - We are all "above average," right?
- Consider self-pay and hospital employees first for care mgmt
 - Direct care to low cost areas that provide equal (or better) quality
 - Reduces Medicare cost dilution



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From Volume to Value 44

- Negotiate with third party insurers to pay for quality (funds ACO infrastructure)
- Aggressively apply for value-based demonstrations and grants
- Begin implementing processes designed to improve value
- Move organizational structure from hospital-centric to patient/community-centric
- Assess potential affiliations



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Collaboration and Value 45



- ACOs and other "programs" less important
- Collaboration that fosters health care value is key
- Future paradigm for success
- Good medicine and good business**

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Healthy People and Places 46



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