Changing Healthcare Environment:

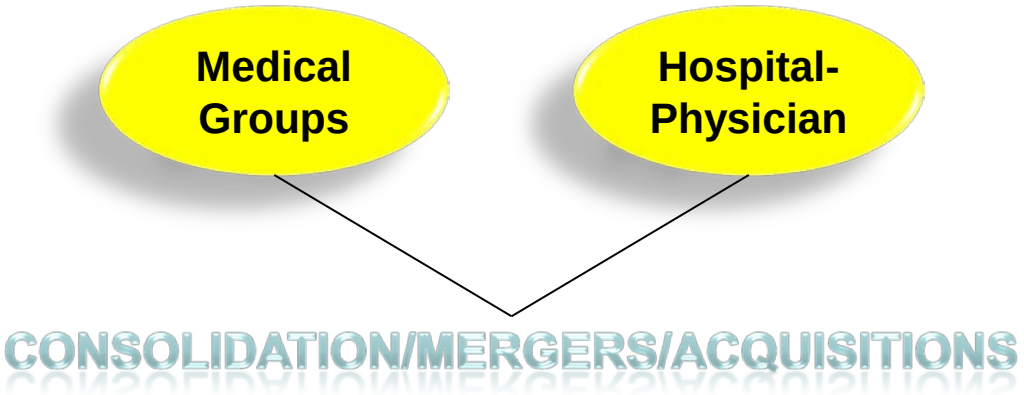
How Physicians' Are Impacted

California Orthopaedic Association Meeting
Saturday, May 21, 2011

CEDARS-SINAI

More than Just the ACA – Trends in Our Market

Tiering



SGR

Race to "Meaningful Use"

Unemployment
Economy
California Fiscal Crisis

What is Changing and How it Affects You

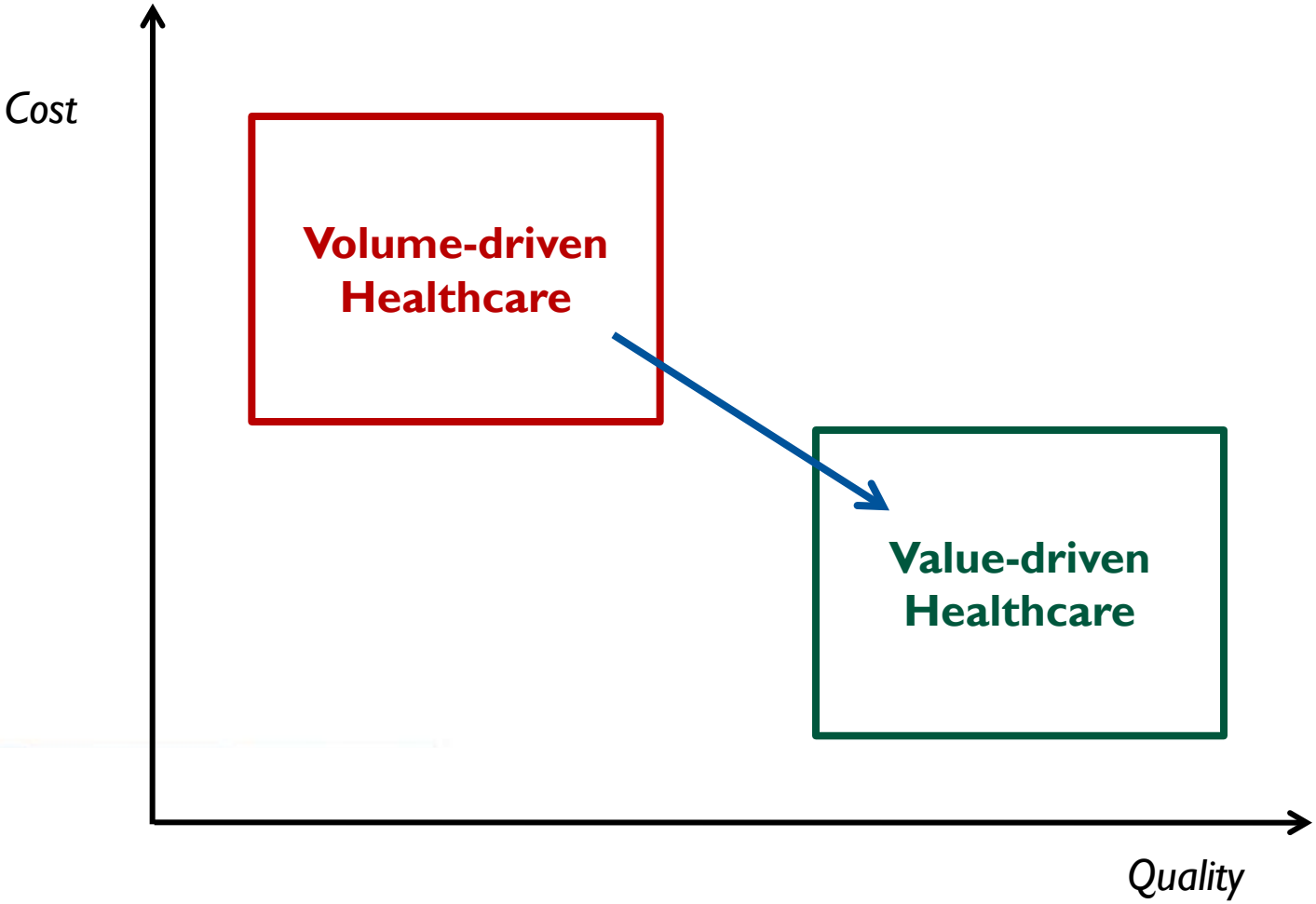
1. Increased access and greater accountability
2. Payment reform
3. Meaningful use - EMR and integration
4. Increased measurement
5. Pilot Projects aimed at transformation
6. Patient engagement and consumerism
7. Increased care coordination and management
8. Collaborative relationships with Hospitals

"Actually, these aren't bad times to be delusional."

1. Increased access and greater accountability

- Mandate that all have insurance
- Coverage expansion for 30 million—one third will be Medicaid
- Aging population – increased number of Medicare recipients

Payment is Transitioning from Volume-driven to Value-driven



Source: Center for Healthcare Quality and Payment Reform

The Transition to Accountability Requires Transformation

Because the accountable care concept is relatively new, we can expect that it will evolve as payers and providers learn which models work best. Although there are many unknowns, what is clear is that to be successful will require a complete redesign in how care is delivered.

Fee for Service

1. High-quality care is delivered to each patient.
2. System focuses only on curing illness for those patients that present for care.
3. Reimbursement is provided to each healthcare professional/facility based on services provided resulting in supplier induced demand. There are limited relationships between primary care physicians and specialists leading to duplication of tests and inappropriate referrals.
4. Care is provided in silos – there are limited formal relationships between hospitals, home cares, ambulatory services, and/or SNFs.
5. Information is available in each care location but is not bidirectional and/or across the continuum.
6. Each professional/provider is evaluated based on their individual performance for specific quality indicators.

Value-based Payment

1. Value is delivered to an entire patient population.
2. Through utilizing disease/patient-registries, focus is on promoting health and wellness for the population.
3. Providers are paid together and are rewarded for providing high quality care that is efficient. They share EMRs and are able to ensure coordination, and effective care plans that are based on evidence.
4. Payment incentives support accountability for overall quality and costs across care settings. Care is delivered in the most efficient and appropriate setting.
5. Clinical information is available to all providers at all points of care. This information Is real-time, readily available, and supports clinical activity tracking and information sharing.
6. Performance is evaluated at a system level and considers the entire patient population's health and total healthcare dollars spent.

Transition requires clinical and operational transformation

2. Payment Reform

- New payment models, focused on value instead of volume
- Payment incentives for keeping populations healthy
- Penalties for “lack of” Performance – PQRI, HEDIS and others
- Decreased payments for readmissions, HAI, poor core measure compliance
- Consumerism—purchasing cooperatives encourage competitive pricing
- Change in Medical Loss Ratio (MLR)

2. Payment Reform – ACA

Relevant Provision/Trend	How it Affects Physicians
SGR still not fixed Independent Payment Advisory Board to be established	Threat of up to 30 percent decrease in Medicare fees in 2011
Medicare fees increased by 10 percent for primary care physicians and for surgeons and primary care physicians in HPSAs	Primary care physicians do better; other specialists will get less
Expansion of bundled payment program (acute care episodes – "ACE")	Hospitals and physicians must share in global payment for defined procedures
Decreases in rates paid to Medicare Advantage plans	Capitated groups will have less incoming revenue – will focus on diagnostic coding (HCC) and reducing utilization

But…co-pays for preventive services are eliminated…

Payment Reform – Bundled Payment Project

Integrated Healthcare Association (IHA)

- Bundled payment pilot for Hip & Knee surgery
- "Per Episode" fee
- The demonstration expects to:
  1. Encourage financial alignment that will support delivery system and process re-engineering to improve patient care quality and efficiency.
  2. Allow for shared savings among health plans, providers, employers, and patients to the extent bundled reimbursement improves quality and efficiency.
  3. Develop and test solutions to bundled payment implementation issues.

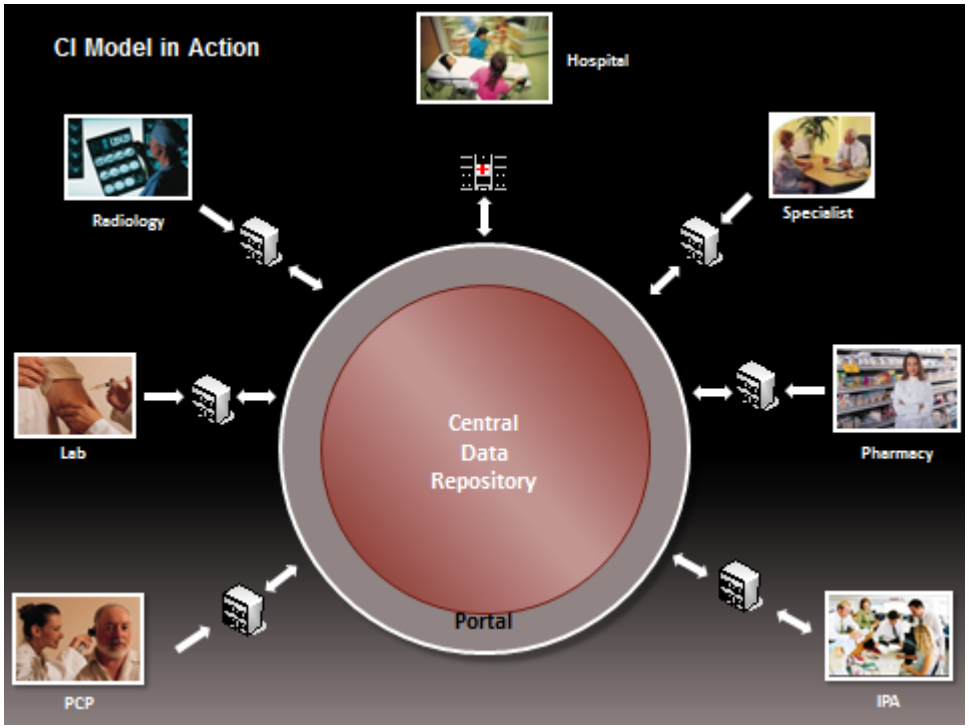
3. EMR *and* Clinical Integration

Meaningful Use (ARRA Incentives)

- Incentives up to $44,000 if EMR meets standards by 2012
- Penalties of up to -3 percent after 2015

Clinical Integration

- Linked with other physicians, hospital, and other providers
- Able to measure and report on compliance with established protocols



4. Increased measurement

PQRI is Expanding

- Incentives through 2014, then penalties

Disclosure of Financial Relationships

- Must disclose financial relationship between health entities

Comparative Effectiveness Research

- Patient-centered Outcomes Research Institute
- May not be used to determine payment or coverage

5. Pilot Projects aimed at transformation

CMS Innovation Center:

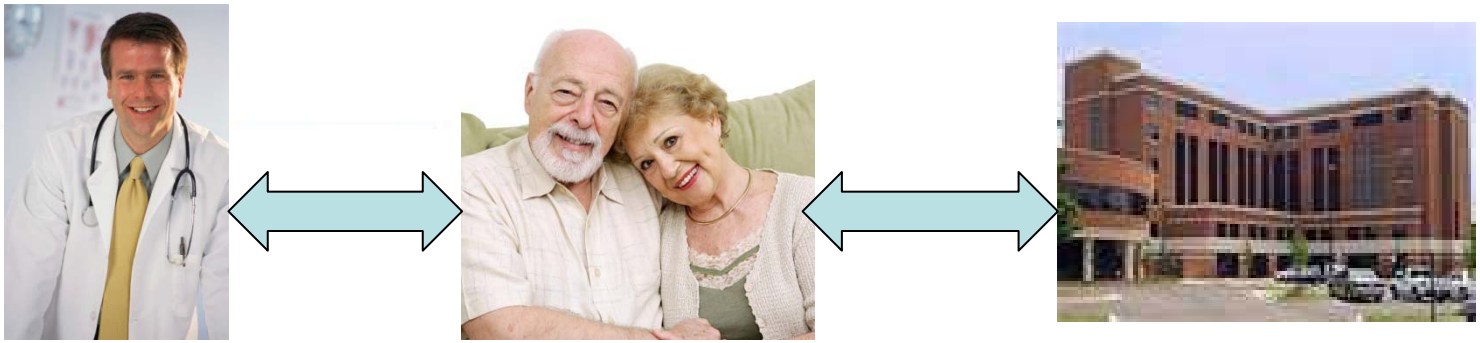
- "Innovative payment and service delivery models to reduce program expenditures…while preserving or enhancing quality of care."

Bundled Payments:

- Acute care episodes + sub-acute care

Medical Home:

- Primary care + disease management + care coordination



6. Patient Engagement and Consumerism

7. Increased Coordination and Care Management

Physicians may remain in independent practice but will rely on the team

- Focus on primary care and general surgery
- Preventive medicine and public health
- Medical homes, team management of chronic disease
- Nurses / nurse practitioners / physician extenders

8. Hospital Collaborations

VBR – Value-Based Purchasing
ACE – Bundled Payment
EHR - Clinical Integration
ACO – Shared Savings